



Board of Directors
California Electronic Recording
Transaction Network Authority
Bakersfield, California

We have audited the financial statements of the California Electronic Recording Transaction Network Authority (the Authority) as of and for the year ended June 30, 2021, and have issued our report thereon dated October 28, 2022. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2021.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the net pension liability is based on actuarial assumptions. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole. The Authority withdrew from the pension plan in fiscal year 2021.
- Management's estimate of compensated absences is based upon estimated earned hours of vacation, sick, administrative leave and holiday pay. We evaluated the key factors and assumptions used to develop the compensated absences liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. The completion of our audit was delayed because of matters involving the recording of information regarding the pension plan termination and the loan forgiveness.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The following summarizes uncorrected misstatements of the financial statements:

- Sick accrual was overstated by \$4,033 in the prior year which resulted in higher expense in fiscal year ended June 30, 2020. Uncorrected misstatement decreased beginning net position and current year expense by \$4,033.

Corrected misstatements

The attached schedule summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2022.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant Issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other audit findings or issues

We have provided a separate communication to you dated October 28, 2022, communicating internal control related matters identified during the audit.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

The budgetary comparison schedule accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

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This communication is intended solely for the information and use of the board of directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Glendora, California
October 28, 2022

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To record depreciation expense for the current year.			
7990	Depreciation Expense	15,566.00	
0735	Accumulated Depreciation		15,566.00
Total		15,566.00	15,566.00
Adjusting Journal Entries JE # 2			
To reverse payments made by JPA members to terminate			
5445	MISCELLANEOUS OTHER REV	233,013.00	
5497	OFS/OPERATING TRANSFER IN	116,439.00	
1315	Advances Due To/From Members		349,452.00
Total		349,452.00	349,452.00
Adjusting Journal Entries JE # 3			
To record pension plan termination and amount due for total			
1315	Advances Due To/From Members	1,661,959.00	
1612	Deferred inflows- pension	38,079.00	
1795	Net pension liability	475,069.00	
7514	PSS/OTHER ADMIN COSTS	548,745.00	
0612	Deferred outflows- pensions		198,731.00
1795	Net pension liability		2,525,121.00
Total		2,723,852.00	2,723,852.00
Adjusting Journal Entries JE # 4			
To record loan forgiveness from San Bernardino and Kern			
1310	Advances Payable	746,883.00	
1310	Advances Payable	247,020.00	
7997	Interest Expense	920.00	
8860	Other Nonoperating Revenue/Expense		746,883.00
8860	Other Nonoperating Revenue/Expense		247,940.00
8860	Other Nonoperating Revenue/Expense		
Total		994,823.00	994,823.00
Adjusting Journal Entries JE # 5			
To charge payout against accrual			
1750	COMPENSATED ABSENCES PAYABLE	289,676.00	
7514	PSS/OTHER ADMIN COSTS		289,676.00
Total		289,676.00	289,676.00
Adjusting Journal Entries JE # 6			
Accrue vacation and retirement payout for Brett Zamora			
7514	PSS/OTHER ADMIN COSTS	72,200.00	
1750	COMPENSATED ABSENCES PAYABLE		72,200.00
0201	ACCOUNTS RECEIVABLE		
Total		72,200.00	72,200.00
Adjusting Journal Entries JE # 7			
Accrue additional compensated absences - total payout.			
7514	PSS/OTHER ADMIN COSTS	9,615.00	
1750	COMPENSATED ABSENCES PAYABLE		9,615.00
Total		9,615.00	9,615.00
Adjusting Journal Entries JE # 8			
To record interest payable and subsequent loan forgiveness			
1015	Accrued Expenditures	17,967.00	
7997	Interest Expense	17,967.00	
1015	Accrued Expenditures		17,967.00
8860	Other Nonoperating Revenue/Expense		17,967.00
Total		35,934.00	35,934.00
Adjusting Journal Entries JE # 9			
To record pension expense against loan forgiveness			
8860	Other Nonoperating Revenue/Expense	863,162.00	
7514	PSS/OTHER ADMIN COSTS		863,162.00
Total		863,162.00	863,162.00
	Total Adjusting Journal Entries	5,354,280.00	5,354,280.00