



BROWN ARMSTRONG

Certified Public Accountants

To the Honorable Members of the Governing Board
California Electronic Recording Transaction Network Authority
Bakersfield, California

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We have audited the financial statements of the California Electronic Recording Transaction Network Authority (the Authority) for the year ended June 30, 2013. Professional standards require that we provide you with 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. We have communicated such information in our letter to you dated November 8, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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. The Authority adopted Governmental Accounting Standards Board (GASB) Statements No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*; No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53*; and No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, in 2013. We noted no transactions entered into by the Authority 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 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. There were no sensitive estimates affecting the Authority's financial statements.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes audit adjustments that, in our judgment, indicate matters that could have a significant effect on the Authority's financial reporting.

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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 25, 2014.

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 Authority's financial statements or a determination of the type of auditor's 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.

Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
February 25, 2014

California e-Recording Transaction Network JPA
 Summary of RJE's
 June 30, 2013

Account	Description	Debit	Credit
Reclassifying Journal Entries:			
RJE # 1			
To record prior years reclassifying journal entry for capital assets, accumulated depreciation, account payable and advances payable. Also to capitalize the current year's capital outlay.			
0730	Computer Equipment	70,140	
2350	Fund Balance Available	30,263	
2350	Fund Balance Available	1,743,295	
0735	Accumulated Depreciation		2,733
7525	PSS/DATA Processing		60,263
8000	Fixed Assets		64,253
1310	Advances Payable		1,746,449
Total		<u>1,843,698</u>	<u>1,873,698</u>
RJE # 2			
To record current year depreciation expense.			
7990	Depreciation Expense	1,606	
0735	Accumulated Depreciation		1,606
Total		<u>1,606</u>	<u>1,606</u>
RJE # 3			
To reclassify payments for the for the advances payable to principal and interest expenses.			
1310	Advances Payable	93,446	
7997	Interest Expense	6,554	
8859	Transfers Out - Loan Repay		100,000
Total		<u>100,000</u>	<u>100,000</u>
RJE # 4			
To accrue for 12-13 revenue that was deposited on July 2, 2013.			
0201	INTEREST RECEIVABLE	81,040.00	
5260	OTHER SERV FOR GOVTL		81,040.00
		<u>81,040.00</u>	<u>81,040.00</u>
	Total RJE's:	<u>2,026,344</u>	<u>2,056,344</u>