



CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE  
Karen Ross, Secretary

January 8, 2014

F2014-01

TO: The Network of California Fairs

SUBJECT: Review of Financial Statements Option for 2011, 2012, and 2013

The California Department of Food and Agriculture (CDFA) provides fiscal oversight of the network of California fairs (Fairs). In the past, the CDFA required Fairs to have a financial statement audit performed annually, by the CDFA Audit Office, a Certified Public Accountant (CPA), or their county audit office. Recently, the CDFA Legal Office determined it was within the department's discretion to define the scope of an audit that more closely reflects a fair's risk of insolvency while ensuring the protection of state resources.

Because Fairs no longer receive general fund allocations, the CDFA decided to provide the Fairs the option of performing a financial review rather than a financial statement audit for 2011, 2012, and 2013. In order to exercise the review option, a fair must have completed a 2010 financial statement audit and the financial reviews must be performed in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of CPAs. While the financial review option is offered to Fairs, the best recommended practice for complete understanding of the Fairs' financial statements is a financial statement audit. The financial review will be presented to the Fairs as a pilot program that will be evaluated by the CDFA for the 2014 reporting period. The following criteria will be required in the financial review report:

- Independent auditors review report
- Unaudited Balance Sheet – Assets/Liabilities/Resources
- Unaudited Statement of Income
- Unaudited Statement of Cash Flows
- Notes to the unaudited Financial Statements
- Schedule of Aged Accounts Receivables
- Schedule of Aged Accounts Payable
- Schedule of Ratios (Current Ratio, Quick Ratio, Acid Test Ratio)

If you have any questions please contact John Quiroz at [John.Quiroz@cdfa.ca.gov](mailto:John.Quiroz@cdfa.ca.gov) or at 916-900-5025.

Sincerely,

Jim Houston

Deputy Secretary

