

DATE: April 4, 2013
MEETING OF: April 23, 2013
FROM: Staff - Bill Barton – Volunteer Audit Consultant
RE: ACTION ITEMS X.1 – 2013 Audit Options for 2012

BACKGROUND: Each year the State of California requires an Audit to be performed on each of the District Agricultural Associations (DAA) year ending financial statements. As a result of the State's reduced capability to fund the various State fairs the various DAA's are provided greater flexibility as how they accomplish such financial audits. There are two alternatives: A financial statement "audit" or a "review".

Definitions:

1. A "REVIEW" of the financial records of an organization, such as a business, a non-profit group, or a governmental agency, the audit would check accuracy of the financial statements, compliance with accounting methods, and soundness of financial practices, including internal controls.

2. An "AUDIT" is a systematic examination and verification of a firm's books of account, transaction records, other relevant documents, and physical inspection of inventory by qualified auditors.

A sample of each type of Auditors report to the Board of Directors is attached for further clarification.

FISCAL IMPACT: Our 2011 Audit performed by the State of California was \$13,400. I would expect that a Review would be approximately 50% of the Audit costs or approximately \$6,700. Upon approval of this option management will request Quotations from several Audit firms in the local community who are qualified to perform such financial statement audits or reviews.

STAFF RECOMMENDATION: We recommend that at the present time a REVIEW would be appropriate and cost effective.

ATTACHMENTS:

1. Independent Accountant's Review Report
2. Independent Auditor's Report

**PRELIMINARY & TENTATIVE
FOR REVIEW & DISCUSSION
SUBJECT TO CHANGE**

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
[REDACTED]

We have reviewed the accompanying balance sheets of [REDACTED] Inc. as of December 31, 2012 and 2011, and the related statements of income and comprehensive income, stockholders' equity, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

February XX, 2013



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

Karen Ross, Secretary

Jody Belgard Akimoto, President
Board of Directors
14th DAA, Santa Cruz County Fair
2601 E. Lake Ave.
Watsonville, California 92626

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 14th District Agricultural Association (DAA), Santa Cruz County Fair, Watsonville, California, as of December 31, 2011 and 2010, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 14th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 14th DAA, Santa Cruz County Fair, as of December 31, 2011 and 2010, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 14th DAA, Santa Cruz County Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Ron Shackelford". The signature is written in a cursive style with a large initial "R".

Ron Shackelford, CPA
Chief, Audit Office

October 26, 2012