County of Solano
Office of the Auditor-Controller

SOLANO COUNTY FAIR
(A Component Unit of Solano County)

Independent Auditor's Report and Financial Statements
For the years ended December 31, 2017 & 2016

Auditor-Controller: Simona Padilla-Scholtens, CPA
Assistant Auditor-Controller: Phyllis Taynton, CPA
Deputy Auditor-Controller: Kirk Starkey
Auditor: Melinda S. Ingram, CPA

Solano County Fair
(A Component Unit of Solano County)

For the years ended December 31, 2017 & 2016

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Solano County Fair
(A Component Unit of Solano County)
For the years ended December 31, 2017 & 2016

Board of Directors *

Dennis Yen, President

Carole Paterson, Vice President

Kathleen Marianno, Treasurer

Kari Birdseye

Norma Placido

Lee Williams

General Manager:
Stephen Hales

* As of report issuance date

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OFFICE OF THE AUDITOR-CONTROLLER

SIMONA PADILLA-SCHOLTENS, CPA
Auditor-Controller

PHYLLIS TAYNTON, CPA
Assistant Auditor-Controller

SOLANO COUNTY

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Independent Auditor's Report

Board of Directors
Solano County Fair Association
900 Fairgrounds Drive
Vallejo, CA 94589

Report on the Financial Statements

We have audited the accompanying financial statements of the Solano County Fair (Fair), a component unit of the County of Solano, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the Fair's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fair's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solano County Fair as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

In connection with the audit contained herein, there are certain independence disclosures necessary pursuant to *Generally Accepted Auditing Standards.* As required by various statutes in the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing, and financial reporting functions. These activities may impair an auditor's independence. Although the Auditor-Controller is statutorily obligated to maintain accounts of departments, districts, or funds within the County treasury, we believe the following safeguards and divisions of responsibility exists:

- The Internal Audit Division has the responsibility to perform audits and has no other responsibility for the accounts and records being audited including the approval or posting of financial transactions that would preclude the user of this report from relying on the information contained therein.
- In addition, the Auditor-Controller is an independent elected official and does not engage in management decisions on behalf of the audited entity.

As discussed in Note I, the financial statements present only the Solano County Fair and do not purport to, and do not present fairly the financial position of the County of Solano, as of December 31, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance accounting principles generally accepted in the United States of America.

Simona Padilla-Scholtens, CPA
Auditor-Controller
By:

Phyllis Taynton, CPA
Assistant Auditor-Controller

Fairfield, California
October 9, 2018

Management's Discussion and Analysis

As management of the Solano County Fair (Fair), we offer readers of the Fair's financial statements this narrative overview and analysis of the financial activities of the Fair for the years ended December 31, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with additional information in our financial statements.

Financial Highlights

- The net position of the Fair was a deficit balance of ($1,388,502) for calendar year 2017. The Fair's net position at December 31, 2017 is comprised of the following components: $9,834 is restricted for parking improvements, $12,940 is restricted for Junior Livestock Auction, $441,139 is invested in capital assets and a deficit amount totaling ($1,852,415) is classified as unrestricted. The unrestricted net position is categorized as follows:

Unrestricted net position designated for:	
Pension Obligation Bonds	$ (734,954)
Net OPEB Liability	(126,691)
Net Pension Liability	(1,455,961)
Deferred Outflows of Resources	443,081
Deferred Inflows of Resources	(187,703)
Capital Improvement Projects	(39,203)
Youth Ag Day	(3,848)
Racing Facilities	(8,775)
Fair Hands Program	(24,414)
Total designated unrestricted net position	(2,138,468)
Undesignated net position	286,053
Total unrestricted net position	$ (1,852,415)

- The net position of the Fair was a deficit balance of ($1,166,352) for calendar year 2016. The Fair's net position at December 31, 2016 is comprised of the following components: $13,960 is restricted for parking improvements, $13,170 is restricted for Junior Livestock Auction, $582,725 is invested in capital assets and a deficit amount totaling ($1,776,207) is classified as unrestricted. The unrestricted net position is categorized as follows:

Unrestricted net position designated for:	
Pension Obligation Bonds	$ (734,954)
Net OPEB Liability	(99,030)
Net Pension Liability	(1,176,919)
Deferred Outflows of Resources	288,303
Deferred Inflows of Resources	(289,188)
Capital Improvement Projects	(17,397)
Youth Ag Day	(3,848)
Racing Facilities	(10,669)
Fair Hands Program	(9,002)
Total designated unrestricted net position	(2,052,704)
Undesignated net position	276,497
Total unrestricted net position	$ (1,776,207)

- The Fair had net income of $68,274 and $186,506 before depreciation, net pension liability, and OPEB expense in calendar years 2017 and 2016, respectively. The total net position decreased by ($222,150) and ($43,987) as a result of calendar year 2017 and 2016 operations, respectively.

	2017	2016
Net income before non-cash items:	$ 68,274	$ 186,506
Less non-cash items:		
Depreciation expense	(239,984)	(260,069)
Pension (expense)/income	(22,779)	51,434
OPEB expense	(27,661)	(21,858)
Change in total net position	$ (222,150)	$ (43,987)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fair's financial statements. The financial statements are designed to provide readers with a broad overview of the Fair's financial position as of the end of the calendar years 2017 and 2016.

The statement of net position presents information on the Fair's assets/deferred outflows of resources and liabilities/deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fair is improving or deteriorating.

The statement of revenues, expenses, and change in net position presents information showing how the Fair's net position changed during calendar years 2017 and 2016. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The statement of cash flows provides information about the sources of cash and cash equivalents (i.e., cash receipts) and the uses of cash and cash equivalents (i.e., cash disbursements). The statement of cash flows reconciles the cash and cash equivalents amount presented on the beginning statement of net position to the cash and cash equivalents amount presented on the ending statement of net position (i.e., the change in cash for the period). The cash concept is used because creditors and other interested parties need information about the entity's available cash and cash needs (i.e., ability to pay obligations, etc.).

The financial statements can be found on pages 12-14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15-23 of this report.

Financial Analysis of the Fair

As noted earlier, net position may serve over time as a useful indicator of an entity's financial condition. In the case of the Fair, assets/deferred outflows of resources were less than liabilities/deferred inflows of resources by ($1,388,502) and ($1,166,352) at December 31, 2017 and 2016, respectively.

Solano County Fair
(A Component Unit of Solano County)
Statement of Net Position
December 31, 2017 & 2016

	2017	2016
Assets:		
Current assets	$ 460,508	$ 438,249
Noncurrent assets	832,773	1,069,867
Total assets	$ 1,293,281	$ 1,508,116
Deferred Outflows of Resources:		
Deferred outflows related to pensions	$ 443,081	$ 288,303
Total deferred outflows of resources	$ 443,081	$ 288,303
Liabilities:		
Current liabilities	$ 458,574	$ 362,838
Noncurrent liabilities	2,478,587	2,310,745
Total liabilities	2,937,161	2,673,583
Deferred Inflows of Resources:		
Deferred inflows related to pensions	$ 187,703	$ 289,188
Total deferred inflows of resources	$ 187,703	$ 289,188
Net Position:		
Invested in capital assets, net	441,139	582,725
Restricted for:		
Junior Livestock Auction	12,940	13,170
Parking lot improvements	9,834	13,960
Unrestricted	(1,852,415)	(1,776,207)
Total net position	$ (1,388,502)	$ (1,166,352)

The Fair's net investment in capital assets totaled $441,139, or approximately 32% of the Fair's net position at December 31, 2017. The Fair's net investment in capital assets totaled $582,725, or approximately 50% of the Fair's net position at December 31, 2016. The investment in capital assets is composed of land, structures and improvements and equipment, less any related outstanding debt used to acquire those assets. The Fair uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Fair's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Fair's net position is controlled by external or other restrictions and totals $22,774 and $27,130 or approximately 2% of total net position at December 31, 2017 and December 31, 2016, respectively. These amounts represent resources subject to restrictions on how they may be used based on contractual agreements (parking lot improvements) and by State law (junior livestock auction). The remaining balance of unrestricted net position is a net deficit amount totaling ($1,852,415) and ($1,776,207) or approximately 133% and 152% of total net position at December 31, 2017 and December 31, 2016, respectively. The total unrestricted net position is comprised of the amounts designated for the net pension liability, pension obligation bonds, the Other Post-Employment Benefits (OPEB) liability, and capital improvement projects, racing facilities, and the Fair Hands Program.

The key elements in the significant changes in current/non-current assets/deferred outflows of resources and current/non-current liabilities/deferred inflows of resources are as follows:

Current assets: Current assets increased by $22,259 or approximately 5% from December 31, 2016 to 2017. The increase is due to a greater amount of accounts receivable more specifically from Solano County for services provided regarding the Atlas Fire.

Non-current assets: Non-current assets decreased by ($237,094) or approximately 22% from December 31, 2016 to 2017. The net decrease is due to the disposal of a number of fully depreciated capital assets (such as portions of the grandstands, jockey quarters, livestock buildings, etc.) that are no longer in service.

Deferred outflows of resources: Deferred outflows of resources increased by $154,778 from December 31, 2016 to 2017. The increase is attributable to a number of factors, including employer contributions to the pension plan applicable to a future accounting period, amortization and other adjustments as provided in the Cal PERS GASB 68 Accounting Valuation Report.

Current liabilities: Current liabilities increased by $95,736 or approximately 26% from December 31, 2016 to 2017. This is primarily attributed to increases to guaranteed deposits which is comprised of monies received to secure facility rentals for future use and the current portion of the long-term debt related to the pension obligation bonds.

Non-current liabilities: Non-current liabilities increased by $167,842 or approximately 7% from December 31, 2016 to 2017. The increase is primarily attributed to the Net Pension Liability which recognizes the Fair's allocated portion of the County's Net Pension Liability for its defined benefit miscellaneous pension plan.

Deferred inflows of resources: Deferred inflows of resources decreased by ($101,485) from December 31, 2016 to 2017. The decrease is attributable to a number of factors, including current year changes in the net pension liability and related amortization as provided in the Cal PERS GASB 68 Accounting Valuation Report.

Based on the Fair's 2017 and 2016 operating activities net position decreased by ($222,150) and ($43,987), respectively. This constitutes a 19% decrease from 2016 to 2017 and a 4% decrease from 2015 to 2016.

Solano County Fair
(A Component Unit of Solano County)
Change in Net Position
For the years ended December 31, 2017 & 2016

	2017	2016
Operating Revenues:		
Charges for services	$ 3,197,052	$ 3,155,268
Total operating revenues	3,197,052	3,155,268
Operating Expenses:		
Personnel services	1,269,799	1,205,106
Professional/contracted services	309,788	399,622
Services and supplies	1,602,169	1,400,425
Depreciation/amortization/OPEB	290,422	230,493
Total operating expenses	3,472,178	3,235,646
Operating loss	(275,126)	(80,378)
Non-operating revenues (expenses):		
Interest revenue	976	2,417
County .33 monies	39,932	44,469
State apportionment	30,552	32,487
Other non-operating revenue	27,794	9,216
Interest expense	(46,278)	(52,198)
Total non-operating revenues (expenses)	52,976	36,391
Change in net position	(222,150)	(43,987)
Net position - beginning	(1,166,352)	(1,122,365)
Net position - ending	$ (1,388,502)	$ (1,166,352)

The key elements in the significant changes in net position are as follows:

Revenues totaled $3,296,308, representing $3,197,052 in operating revenues and $99,254 in non-operating revenues in 2017 and revenues totaled $3,243,857, representing $3,155,268 in operating revenues and $88,589 in non-operating revenues in 2016. This indicates a net increase of $52,449 from 2016 to 2017 primarily due to the following:

- Lease revenue increased in the amount $28,923 due primarily to the annual rate adjustments based on the Consumer Price Index (CPI) and contractual terms of existing lease agreements.
- Junior livestock auction revenues increased by $38,959 due to more participants (bidders) in the annual event held during the fair. Payments received from bidders are passed along to the respective owners/sellers (youth) and the fair retains a small fee to defray event costs.

- Special Project-Atlas Fire revenue received in 2017 in the amount of $136,300 was for the reimbursement of expenses incurred due to the Large Animal Evacuation as a result of the Atlas Fire.
- Other non-operating revenue increased by $10,665 due to funds received from the California Department of Food and Agriculture Fairs Deferred Maintenance Program for the Fair's McCormack Hall Exit Doors and Hardware Project
- Conversely, all other revenue categories had an overall decrease of $173,084, most specifically fair admissions & carnival/concessions-$73,369, fair parking/rv space rental-$13,893, sponsorships-$16,118, fair hands/ag day donations-$18,242.

Expenses totaled $3,518,458 in 2017 and $3,287,844 in 2016. This represents a net increase of $230,614. The majority of expenses for 2017 increased in the employee services category $64,693 as a result of replacing the guest safety position from a contractor to an employee as well as wage adjustments due to the increase in minimum wage. Other expense categories reflecting increases include maintenance & operations-$27,903, special projects-$143,605 (which constitutes the Atlas Fire and Deferred Maintenance Program reimbursements), junior livestock auction-$44,305 (due to increase in annual event participation) and pension expense-$67,611 (resulting from annual adjustments to the net pension liability).

Capital Asset and Debt Administration

Capital assets. The Fair's investment in capital assets as of December 31, 2017 & 2016 totaled $441,139 and $582,725, respectively, (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, and equipment.

Capital asset activities during 2017 included the acquisition of a liquor license and a kegorator/beer cooler to accommodate alcohol sales. In addition, several capital assets were disposed of including a computer, trailer, portions of grandstands, jockey quarters and livestock buildings.

Capital assets activities during 2016 included the acquisition of 2 compressors.

	2017	2016
Land	$ 167,085	$ 167,085
Buildings & improvements	255,571	391,815
Equipment	12,883	17,825
Intangible assets	6,000	6,000
Total capital assets	$ 441,139	$ 582,725

Additional information on the Fair's capital assets can be found in Note III-A on pages 19-20 of this report.

Long-term debt. At December 31, 2017 & 2016 the Fair had $2,778,327 and $2,554,390, respectively, of long-term debt composed of net pension liability, notes payable (pension obligation bonds), lease payable (electronic signboard, overflow parking project), compensated absences and OPEB payable (other postemployment benefits).

	2017	2016
Notes payable – Solano County	$ 734,955	$ 734,955
Lease payable	199,634	231,142
Compensated absences	69,086	56,344
Net OPEB liability	126,691	99,030
Net pension liability	1,455,961	1,176,919
Parking lease-Six Flags	192,000	256,000
Total outstanding debt	$ 2,778,327	$ 2,554,390

For more information, see Notes III- B and C on pages 20-22 of this report.

Economic Factors and Next Year's Operating Activities

2018 is a year of transition for the Solano County Fair Association (SCFA), the Fairgrounds, and the annual County Fair. SCFA embarks on an ambitious strategic planning process, focusing on strengthening organizational core values while increasing operational efficiencies. The Fairgrounds itself saw the long-awaited beginning of the redevelopment of the southern portion of the grounds. The old live horse racing facilities, including the horse racing grandstand, were removed to prepare the site for the highly anticipated Solano 360 future development. The 2018 annual Solano County Fair marked the first year of our new Fair operating model, one centered on local talent, resources, and attractions. Moving forward, SCFA's core organizational priority will be to continue to successfully serve as a valuable asset for both the County and the community, whether in times of celebration or emergency support.

Requests for Information

This financial report is designed to provide a general overview of the Solano County Fair's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Solano County Fair Association, 900 Fairgrounds Drive, Vallejo, CA 94589-4003.

Solano County Fair
(A Component Unit of Solano County)
Statement of Net Position
December 31, 2017 & 2016

	2017	2016
Assets		
Current assets		
Cash in bank	$ 129,533	$ 240,350
Cash in county treasury	60,138	40,243
Cash on hand	1,000	6,000
Due from lessees	52,126	46,016
Accounts receivable	209,868	93,219
Prepaid expenses	6,711	4,365
Inventory	1,132	8,056
Total current assets	460,508	438,249
Noncurrent assets		
Capital assets		
Land	167,085	167,085
Buildings and improvements	9,792,687	9,857,905
Equipment	395,047	444,970
Intangible assets	6,000	6,000
Less accumulated depreciation	(9,528,046)	(9,406,093)
Capital assets, net	832,773	1,069,867
Total assets	$ 1,293,281	$ 1,508,116
Deferred Outflows of Resources		
Deferred outflows related to pensions	$ 443,081	$ 288,303
Total deferred outflows of resources	$ 443,081	$ 288,303
Liabilities		
Current liabilities		
Accounts payable	$ 54,363	$ 45,695
Payroll payable	40,588	35,736
Guaranteed deposits	52,559	23,194
Unearned revenue	11,324	14,568
Current portion of long-term obligations	299,740	243,645
Total current liabilities	458,574	362,838
Noncurrent liabilities		
Compensated absences payable	57,019	50,917
Lease payable	165,605	199,634
Parking lease	128,000	192,000
Net OPEB liability	126,691	99,030
Net Pension Liability	1,455,961	1,176,919
Payable to Solano County:		
Pension obligation bonds	545,311	592,245
Total noncurrent liabilities	2,478,587	2,310,745
Total liabilities	$ 2,937,161	$ 2,673,583
Deferred Inflows of Resources		
Deferred inflows related to pensions	$ 187,703	$ 289,188
Total deferred inflows of resources	$ 187,703	$ 289,188
Net Position		
Invested in capital assets	441,139	582,725
Restricted for Junior Livestock Auction	12,940	13,170
Restricted for Parking Lot Improvements	9,834	13,960
Unrestricted	(1,852,415)	(1,776,207)
Total net position	$ (1,388,502)	$ (1,166,352)

The notes to the financial statement are an integral part of this statement.

Solano County Fair
(A Component Unit of Solano County)
Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2017 & 2016

	2017	2016
Operating Revenues		
Facility rental	$ 926,952	$ 938,143
Leases	777,918	748,995
Horse racing - satellite	553,570	563,190
Junior livestock auction	159,544	120,585
Fair admissions	153,392	204,212
Fairtime carnival/concessions	144,760	167,309
Special project-Atlas Fire	136,300	-
Electronic sign	117,418	128,237
Fairtime parking /rv space rental	84,187	98,080
Fair hands/ag day	44,403	62,645
Sponsorship	40,850	56,968
Fairtime commercial space	39,550	48,295
Fair entry fees	9,233	10,407
Gain on sale of capital asset	1,000	3,000
Miscellaneous	7,975	5,202
Total operating revenues	3,197,052	3,155,268
Operating Expenses		
Employee services	1,269,799	1,205,106
Professional/contracted services	309,788	399,622
Utilities	286,683	270,732
Depreciation	239,982	260,069
Special projects	164,716	21,111
Equipment rental	163,475	163,536
Junior livestock auction	159,775	115,470
Pension expense	143,920	76,309
Maintenance & operations	113,779	85,876
Fairtime entertainment	104,780	106,984
Supplies & expenses	102,871	92,158
Liability insurance	94,681	85,185
Advertising / promotion / publications	89,026	92,480
Landscape maintenance assessment	54,221	54,221
Dues, permits & assessments	44,504	54,921
Premium awards	30,240	32,601
Other post employment benefits	27,661	21,858
Travel & training	27,451	28,062
Director's expense	21,145	18,596
Equipment (not capitalized)	8,895	17,697
Donated services / sponsor expenses	3,181	19,835
Miscellaneous	11,605	13,217
Total operating expenses	3,472,178	3,235,646
Operating loss	(275,126)	(80,378)
Nonoperating revenues (expenses)		
State apportionment	30,552	32,487
Interest revenue	976	2,417
Interest expense	(46,278)	(52,198)
Contributions:		
County (.33 funds)	39,932	44,469
Other non-operating revenue	27,794	9,216
Total nonoperating revenue (expenses)	52,976	36,391
Change in net position	(222,150)	(43,987)
Net position - beginning	(1,166,352)	(1,122,365)
Net position - ending	$ (1,388,502)	$ (1,166,352)

The notes to the financial statements are an integral part of this statement.

Solano County Fair
(A Component Unit of Solano County)
Comparative Statement of Cash Flows
For the years ended December 31, 2017 & 2016

	2017	2016
Cash flows from operating activities		
Cash received from customers	$ 3,078,873	$ 3,141,891
Cash paid to suppliers	(2,006,211)	(1,993,721)
Cash paid to employees	(1,264,947)	(1,180,120)
Net cash used by operating activities	$ (192,285)	$ (31,950)
Cash flows from noncapital financing activities		
Cash received from subsidies or grants	$ 98,275	$ 86,172
Net cash provided from noncapital financing activities	$ 98,275	$ 86,172
Cash flows from capital and related financing activities		
Purchases of capital/intangible assets	$ (2,888)	$ (11,335)
Net cash used by capital and related financing activities	$ (2,888)	$ (11,335)
Cash flows from investing activities		
Interest income	$ 976	$ 2,417
Net cash provided from investing activities	$ 976	$ 2,417
Net increase (decrease) in cash	(95,922)	45,304
Cash, January 1	286,593	241,289
Cash, December 31	$ 190,671	$ 286,593
Reconciliation of operating income to net cash provided (used) from operating activities		
Operating loss	$ (275,126)	$ (80,378)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Non-operating expense	(46,277)	(52,195)
Depreciation expense	239,984	260,069
OPEB expense	27,661	21,858
Pension(income)/expense	22,779	(51,434)
Changes in assets and liabilities:		
(Increase) in due from lessees	(6,110)	(803)
(Increase) in accounts receivable	(116,649)	(11,508)
(Increase)/decrease in inventory-general	6,924	(2,072)
(Increase)/decrease in prepaid expenses	(2,346)	1,006
Increase/(decrease) in accounts payable	8,668	(35,696)
Increase in payroll taxes payable	4,852	24,986
Increase/(decrease) in guaranteed deposits	29,365	(15,484)
Increase/(decrease) in unearned revenue	(3,244)	5,705
Increase/(decrease) in current portion of long-term obligations	10,417	(588)
(Decrease) in non-current portion of long-term obligations	(93,183)	(91,324)
(Decrease) in other liabilities	-	(4,092)
Total adjustments	82,841	48,428
Net cash (used) by operating activities	$ (192,285)	$ (31,950)

The notes to the financial statements are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Solano County Fair (Fair) is a discretely presented component unit in the County's basic financial statements. The Fair is governed by the Solano County Fair Association (Fair Association) whose members are appointed by the County's Board of Supervisors (the Board). The Fair Association is a 501(c) (3) nonprofit organization established in 1949 to conduct the annual County Fair and oversee the day-to-day operations of the County's fairgrounds property. The Fair Association has been providing educational, cultural, artistic, commercial and recreational programs to the residents of Solano County for over 65 years. The mission of the Fair Association is "to ensure a positive experience for the public by providing a year-round multi-purpose venue that showcases and celebrates the wide variety of resources and activities available to our diverse community."

The activities of the Fair are accounted for as an enterprise fund, a proprietary fund type, which appears as a discretely presented component unit in the Comprehensive Annual Financial Report of the County of Solano, the reporting entity. However, the function and activities of the Fair are not an integral part of the County. The Fair operates under a contract with the County as a self-supporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Fair are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The activities of the Fair are accounted for in an enterprise fund, a proprietary fund type.

A proprietary fund type accounts for business type activity and accounting is similar to commercial accounting. Proprietary funds use the full accrual basis of accounting and should be reported using the economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In addition, both long-term assets and liabilities are reported on the statement of net position of proprietary fund types.

Enterprise funds, as a proprietary fund type, are used to account for the acquisition and operation of governmental facilities and services that are intended to be primarily self-supported by which the majority of costs are financed or recovered through user charges or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

C. Assets, Liabilities and Net Position

1. Cash and Equivalents

The Fair's cash is considered to be demand deposits with other financial institutions (WestAmerica Bank), cash in the County Treasury, and cash on hand. As of December 31, 2017 and 2016, the carrying amount of the Fair's consolidated cash accounts totaled $190,671 and $286,593, respectively. The bank account balances are covered by federal depository insurance (up to $250,000) and any amount above that is collateralized by securities held by the pledging institution in the Fair's name, as required by California Government Code § 53652.

The Fair's cash maintained in the Solano County Treasury is pooled with the County and various other depositors. The Fair's ability to withdraw large sums of cash from the County Treasury may be subject to certain restrictions set by the County Treasurer. The County's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the County Board of Supervisors. The objectives of the policy are (in order of priority): legality, preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms of maturity. A detailed breakdown of cash and investments and a categorization of risk factors are presented in the County of Solano Comprehensive Annual Financial Report.

2. Due from Lessees

Due from lessees represents amounts due for the use of fairgrounds property as a result of long-term lease agreements.

3. Accounts Receivable

Accounts receivable represents amounts due to the Fair per contractual terms of various agreements (e.g. facility rentals) as well as the percentage of handles from racing commissions received for horse race wagering conducted at other (offsite) racetrack locations.

4. Prepaid Expenses

Prepaid expenses represent payments to vendors for costs applicable to future accounting periods.

5. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are recorded at historical cost. Capital assets are defined by the Fair as assets with an initial cost of more than $1,500 and an estimated useful life in excess of three years. Donated capital assets are valued at their fair value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extends assets' lives are not capitalized.

The Fair uses the straight-line method of depreciating assets over the following estimated useful life:

Assets	Years
Buildings	30
Building improvements	20
Vehicles	5
Office equipment	3
Computer equipment	3

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. As of December 31, 2017, the Fair has one item reportable on the Statement of Net Position related to pensions resulting from employer contributions applicable to a future accounting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fair has one item reportable on the Statement of Net Position related to pensions resulting from current year changes to the net pension liability.

7. Accounts Payable

Accounts payable represents the amounts owed for goods and/or services received.

8. Payroll Payable

Payroll payable represents wages and payroll tax expenses incurred but not paid as of year-end.

9. Guaranteed Deposits

The Fair recognizes the monies received to secure the future use of fairground services for interim events as guaranteed deposits.

10. Unearned Revenue

Unearned revenue represents amounts received for services not yet rendered and, therefore, unearned.

11. Compensated Absences

It is the Fair's policy to permit qualified employees to accumulate earned but unused vacation benefits. Accrued vacation is paid at the date of termination from Fair employment at the employees' current pay rate. All leave balances are accrued when earned in the Fair's proprietary fund financial statements.

12. Long-term Obligations

Long-term debt obligations consist of: 1) principal and interest for the Fair's portion of the two series of pension obligation bonds issued by Solano County for prepayment of the County's Unfunded Accrued Actuarial Liability (UAAL); 2) the lease payable incurred in the acquisition of an electronic signboard; 3) the Overflow Parking Lease Obligation with Six Flags Discovery Kingdom; 4) the net OPEB liability for the unfunded annual required contribution and 5) the Fair's portion of the County's net pension liability of the Miscellaneous Plan. The long-term debt obligations are reported as liabilities in the Statement of Net Position.

13. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County of Solano's California Public Employees Retirement System (CalPERS) Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Future Implementation of New Governmental Accounting Standards

GASB Statement No. 75 –*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The Fair has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this Statement are effective for the Fair's calendar year ending December 31, 2018.

15. Net Position

Net position is categorized as net invested in capital assets, restricted and unrestricted.

- *Net invested in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt, attributable to the acquisition, construction or improvement of these assets, reduces the balance in this category.

- *Restricted Net Position* – This category represents external restrictions imposed by grantors, creditors, contributors and laws or regulations of other governments, and the restrictions imposed by law through enabling legislation for the implementation of various programs.

- *Unrestricted* – This category represents net position of the Fair not restricted for any project or other purpose.

16. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are prepared and adopted in accordance with guidelines established by the State of California Department of Food and Agriculture. The budget is presented in a public meeting, adopted by both the Fair Board and the Solano County Board of Supervisors. However, generally accepted accounting principles (GAAP) do not require proprietary funds to prepare or adopt a budget.

III. DETAILED NOTES

A. *Capital Assets*

Capital assets activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 167,085	$ -	$ -	$ 167,085
Total capital assets, not being depreciated	167,085	-	-	167,085
Capital assets being depreciated:				
Buildings and improvements	9,857,905	-	(65,218)	9,792,687
Equipment	444,970	2,888	(52,812)	395,046
Intangible assets	6,000	-	-	6,000
Total capital assets, being depreciated	10,308,875	2,888	(118,030)	10,193,733
Less accumulated depreciation for:				
Buildings and improvements	(8,978,947)	(231,752)	65,218	(9,145,481)
Equipment	(427,146)	(7,830)	52,812	(382,164)
Intangible assets	-	(400)	-	(400)
Total accumulated depreciation	(9,406,093)	(239,982)	118,030	(9,528,045)
Total capital assets, being depreciated, net	902,782	(237,094)	-	665,688
Capital assets, net	$ 1,069,867	$ (237,094)	$ -	$ 832,773

Capital assets activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 167,085	$ -	$ -	$ 167,085
Total capital assets, not being depreciated	167,085	-	-	167,085
Capital assets being depreciated:				
Buildings and improvements	9,859,537	-	(1,632)	9,857,905
Equipment	438,003	6,967	-	444,970
Intangible assets	-	6,000	-	6,000
Total capital assets, being depreciated	10,297,540	12,967	(1,632)	10,308,875
Less accumulated depreciation for:				
Buildings and improvements	(8,729,449)	(249,498)	-	(8,978,947)
Equipment	(416,575)	(10,571)	-	(427,146)
Total accumulated depreciation	(9,146,024)	(260,069)	-	(9,406,093)
Total capital assets, being depreciated, net	1,151,516	(247,102)	(1,632)	902,782
Capital assets, net	$ 1,318,601	$ (247,102)	$ (1,632)	$ 1,069,867

B. *Capital Lease*

In May 2003 the Fair entered into a lease agreement to acquire an electronic signboard. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at present value of the future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

Asset:	
Buildings and improvements	$530,180
Less: Accumulated depreciation	(397,635)
Total	$132,545

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017 were as follows:

Year Ending Dec. 31	
2018	$50,000
2019	50,000
2020	50,000
2021	50,000
2022	50,000
Minimum lease commitments	$250,000
Less: amount representing interest	(50,366)
Present value of capital lease obligation	$199,634
Less current portion	(34,029)
Long-term portion	$165,605

C. *Long-Term Debt*

1. Pension Obligation Bonds

The County issued Series 2004 Pension Obligation Bonds (POBs) in the amount of $96,665,000 and Series 2005 POBs in the amount of $42,385,000, both over a twenty-year term to provide funds to prepay its obligations under the contract with CalPERS for the County's Unfunded Accrued Actuarial Liability (UAAL) as of June 30, 2002 and June 30, 2004, respectively, for both the Safety and Miscellaneous Plans. The Fair participates in the Miscellaneous Plan of Solano County. The Fair's percentage of the amount borrowed was determined to be 0.6307% or $609,666 for the Series 2004 and 0.4887% or $207,147 for the Series 2005. Each pay period, the Fair remits to the County its share of the POB liability by applying the POB rate as determined by the County's Pension Advisory Committee to their PERS wages.

For any interest and principal payments made by the County, the Fair's annual obligation is 0.6307% and 0.4887%, respectively. The County's Pension Advisory Committee reviews the POB payment rates each year based on the annual principal and interest requirements.

Annual debt service requirements for the pension obligation bonds per the debt service agreements are as follows:

Series 2004			Series 2005		
Year ended December 31,	Principal	Interest	Year ended December 31,	Principal	Interest
2018	41,090	19,643	2018	11,875	7,425
2019	46,199	17,341	2019	13,244	6,802
2020	51,402	14,906	2020	14,661	6,106
2021	57,078	12,098	2021	16,298	5,333
2022	63,385	9,035	2022	17,984	4,460
2023 - 2024	295,743	18,092	2023 - 2025	105,996	13,908
	$554,897	$91,115		$180,058	$44,034

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Pension obligation bonds:					
Series 2004	$ 554,897	$ -	$ -	$ 554,897	$ 148,947
Series 2005	180,058	-	-	180,058	40,697
Total pension obligation bonds	734,955	-	-	734,955	189,644
Capital lease	231,142	-	31,508	199,634	34,029
Parking lease	256,000	-	64,000	192,000	64,000
Compensated absences	56,344	47,357	34,615	69,086	12,067
Net pension liability	1,176,919	405,575	126,533	1,455,961	-
Net OPEB liability	99,030	27,661	-	126,691	-
Total Long-term liabilities	$ 2,554,390	$ 480,593	$ 256,656	$ 2,778,327	$ 299,740

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Pension obligation bonds:					
Series 2004	$ 554,897	$ -	$ -	$ 554,897	$ 112,619
Series 2005	180,058	-	-	180,058	30,091
Total pension obligation bonds	734,955	-	-	734,955	142,710
Capital lease	260,317	-	29,175	231,142	31,508
Parking lease	320,000	-	64,000	256,000	64,000
Compensated absences	55,081	39,017	37,754	56,344	5,427
Net pension liability	1,060,154	343,026	226,261	1,176,919	-
Net OPEB liability	77,172	21,858	-	99,030	-
Total Long-term liabilities	$ 2,507,679	$ 403,901	$ 357,190	$ 2,554,390	$ 243,645

IV. OTHER INFORMATION

A. *Risk Management*

The Fair is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As permitted by Government Code Section 6516, the County of Solano joined in June 2004 the California Fair Services Authority (CFSA), joint powers agency, on behalf of the Solano County Fair Association, a non-profit corporation.

The Solano County Fair is a participant in CFSA's General Liability Risk Sharing Pool effective July 1, 1996 and CFSA's Workers' Compensation Risk Sharing Pool effective July 1, 2004. These pools cover only California fairs. Further, Solano County Fair participates in CFSA's Purchased Property Protection Program, funded by the California Department of Food and Agriculture and administered by CFSA. This also includes automobile insurance for all other risks associated with the operation of motor vehicles.

B. General Information about the *Pension Plan*

1. Plan Description

The Fair participates in Solano County's defined benefit pension plan, the County's Miscellaneous Plan, which provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The County's Miscellaneous Plans (Plan) is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The County selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through County ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website at: http://www.calpers.ca.gov/index.jap?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml.

C. General Information about the Post-Employment Health Care Benefits

1. Plan Description

The Fair participates in Solano County's multi-employer defined benefit retiree healthcare plan administered by the California Public Employees' Retirement System (CalPERS). The plan provides postemployment healthcare benefits to eligible retirees by contributing a minimum of $128 per month towards medical insurance benefits. This benefit is provided based on the Board of Supervisor's election to participate under the Public Employees' Medical and Hospital Care Act (PEMHCA) [Government Code Section 22750]. The County's Board may elect to pay more than the minimum contribution; however, the County's Board has elected to pay the minimum contribution per eligible retiree. The notes to the County of Solano Comprehensive Annual Financial Report provide detailed information for the County as a whole regarding actuarial methods, funding and assumptions, annual required contributions and net OPEB liability as required in accordance with accounting principles generally accepted in the United States.