

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, 2019 and 2018

Auditor-Controller: Phyllis Taynton, CPA
Deputy Auditor-Controller: Denny Cheuk, CPA

**Solano County Fair
(A Component Unit of Solano County)**

For the years ended December 31, 2019 & 2018

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Solano County Fair
(A Component Unit of Solano County)
For the years ended December 31, 2019 & 2018

Board of Directors *

Carole Paterson, President

Kathleen Marianno, Vice President

Manuel Angel, Treasurer

Kari Birdseye

Norma Placido

Lee Williams

Mike Coakley

Valerie Willams

* As of report issuance date

Administration:

Mike Ioakimedes, Executive Director & Chief Executive Officer

Stephen Hales, Operations Manager

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OFFICE OF THE AUDITOR-CONTROLLER

PHYLLIS TAYNTON, CPA
Auditor-Controller

SHEILA TURGO
Assistant Auditor-Controller



SOLANO COUNTY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Solano County Fair (Fair), a component unit of the County of Solano, as of and for the years ended December 31, 2019 & 2018, and the related notes to the financial statements, which collectively comprise the Fair's basic 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 respective financial position of the business-type activities of the Solano County Fair as of December 31, 2019 & 2018, and the respective 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.

Emphasis of Matter

Substantial Doubt about the Fair's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Fair, will continue as a going concern. As discussed in Note IV. D. to the financial statements, the Fair experiences continued increase in the net position deficit. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note IV. D. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

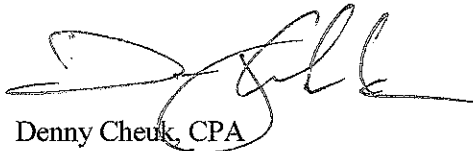
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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, 2019 and 2018, 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.

A handwritten signature in black ink, appearing to read 'D. Cheuk', is written over the printed name.

Denny Cheuk, CPA
Deputy Auditor-Controller
Fairfield, California
July 17, 2020

Solano County Fair

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, 2019 & 2018. 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 \$1,634,314 for calendar year 2019. The Fair's net position at December 31, 2019 is comprised of the following components:

Net invested in capital assets	\$ 248,173
Restricted net position:	
Junior Livestock Auction	24,580
Parking Lot Improvements	9,834
Unrestricted net position	
Capital Improvement Projects	39,203
Youth Ag Day	10,575
Racing Facilities	8,775
Fair Hands Program	34,144
Net position (deficit)	(2,009,598)
Total net position (deficit)	<u>\$ (1,634,314)</u>

- The net position of the Fair was a deficit balance of \$1,424,029 for calendar year 2018. The Fair's net position at December 31, 2018 is comprised of the following components:

Net invested in capital assets	\$ 325,961
Restricted net position:	
Junior Livestock Auction	15,194
Parking Lot Improvements	9,834
Unrestricted net position	
Capital Improvement Projects	39,203
Youth Ag Day	8,848
Racing Facilities	8,775
Fair Hands Program	34,144
Net position (deficit)	(1,865,988)
Total net position (deficit)	<u>\$ (1,424,029)</u>

- The Fair had a change in net position of \$285,780 and \$370,570 before depreciation, pension and OPEB expense in calendar years 2019 and 2018, respectively. The total net position decreased by \$210,285 and \$35,527 as a result of calendar year 2019 and 2018 operations, respectively.

	<u>2019</u>	<u>2018</u>
Change in net position:	(210,285)	(35,527)
Less non-cash items:		
Depreciation expense	178,538	213,207
Pension and OPEB expense	317,527	192,890
Change in net position, less non-cash items:	<u>285,780</u>	<u>370,570</u>

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 2019 and 2018.

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 2019 and 2018. 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 15-24 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 \$1,634,314 and \$1,424,029 at December 31, 2019 and 2018, respectively.

Solano County Fair's Net Position

	2019	2018
Assets:		
Current assets	\$ 613,260	\$ 560,193
Noncurrent assets	441,027	619,566
Total assets	<u>1,054,287</u>	<u>1,179,759</u>
Deferred Outflows of Resources:		
Deferred outflows related to pensions	<u>153,935</u>	<u>198,474</u>
Liabilities:		
Current liabilities	574,134	496,427
Noncurrent liabilities	2,226,596	2,260,334
Total liabilities	<u>2,800,730</u>	<u>2,756,761</u>
Deferred Inflows of Resources:		
Deferred inflows related to pensions	<u>41,806</u>	<u>45,501</u>
Net Position:		
Invested in capital assets, net	248,173	325,961
Restricted for:		
Junior Livestock Auction	24,580	15,194
Parking lot improvements	9,834	9,834
Unrestricted	<u>(1,916,901)</u>	<u>(1,775,018)</u>
Total net position	<u>\$ (1,634,314)</u>	<u>\$ (1,424,029)</u>

The Fair's net investment in capital assets totaled \$248,173, or approximately 15% of the Fair's net position at December 31, 2019. The Fair's net investment in capital assets totaled \$325,961, or approximately 23% of the Fair's net position at December 31, 2018. 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 \$34,414 and \$25,028 or approximately 2% of total net position at December 31, 2019 and December 31, 2018, 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 \$1,916,901 and \$1,775,018 or approximately 117% and 125% of total net position at December 31, 2019 and December 31, 2018, 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 \$53,067 or approximately 9% from December 31, 2018 to 2019. The increase is due to a greater amount of accounts receivable. Current assets increased by \$99,686 or approximately 22% from December 31, 2017 to 2018. The increase is due to a greater amount of cash on hand.

Non-current assets: Non-current assets decreased by \$178,539 or approximately 29% from December 31, 2018 to 2019 and by \$213,207 or approximately 26% from December 31, 2017 to 2018. 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 decreased by \$44,539 or approximately 22% from December 31, 2018 to 2019 and by \$244,607 or approximately 55% from December 31, 2017 to 2018. The decrease 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 CalPERS GASB 68 Accounting Valuation Report.

Current liabilities: Current liabilities increased by \$77,707 or approximately 16% from December 31, 2018 to 2019 and by \$37,854 or approximately 8% from December 31, 2017 to 2018. This is primarily attributed to increases in 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 decreased by \$33,738 or approximately 1% from December 31, 2018 to 2019 and by \$218,253 or approximately 9% from December 31, 2017 to 2018. The decrease 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 \$3,695 or approximately .8% from December 31, 2018 to 2019 and by \$142,202 or approximately 76% from December 31, 2017 to 2018. 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 CalPERS GASB 68 Accounting Valuation Report.

Based on the Fair's 2019 and 2018 operating activities net position decreased by \$210,285 and \$35,527, respectively.

Solano County Fair' Change in Net Position

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Charges for services	\$ 3,093,825	\$ 2,897,623
Operating Expenses:		
Personnel services	1,285,156	1,208,561
Professional/contracted services	369,475	384,716
Services and supplies	1,215,461	993,460
Pension and OPEB expense	317,527	192,890
Depreciation and amortization expense	178,538	213,207
Total operating expenses	<u>3,366,157</u>	<u>2,992,834</u>
Operating loss	<u>(272,332)</u>	<u>(95,211)</u>
Non-operating revenues (expenses):		
State apportionment	32,487	32,787
Contributions: County (.33 funds)	37,994	40,580
Interest revenue	4,815	1,288
Interest expense	(13,249)	(15,971)
Gain on sale of capital asset	-	1,000
Total non-operating revenues (expenses)	<u>62,047</u>	<u>59,684</u>
Change in net position	(210,285)	(35,527)
Net position - beginning	<u>(1,424,029)</u>	<u>(1,388,502)</u>
Net position - ending	<u><u>\$ (1,634,314)</u></u>	<u><u>\$ (1,424,029)</u></u>

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

Revenues totaled \$3,169,121, representing \$3,093,825 in operating revenues and \$75,296 in non-operating revenues in 2019 and revenues totaled \$2,973,278, representing \$2,897,623 in operating revenues and \$75,655 in non-operating revenues in 2018. This increase is primarily due to the following:

- Facility rental revenue increased by \$143,038 in 2019 and \$416,054 in 2018 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 \$10,565 in 2019 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.

Expenses totaled \$3,366,157 in 2019 and \$2,992,834 in 2018. The majority of expenses for 2019 increased in the employee services category by \$76,595 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 in 2019 include services and supplies by \$222,001 and pension expense by \$175,206 (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, 2019 & 2018 totaled \$248,173 and \$325,961, respectively, (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, and equipment.

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

Long-term debt. At December 31, 2019 & 2018 the Fair had \$2,226,596 and \$2,260,334, 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).

For more information, see Notes III- B and C of this report.

Economic Factors and Next Year's Operating Activities

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 2020 annual Solano County Fair moved to a virtual setting due to the coronavirus pandemic.

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, 2019 & 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash in bank	\$ 211,538	\$ 184,408
Cash in county treasury	221,044	260,794
Cash on hand	28,840	1,000
Due from lessees	58,765	55,388
Accounts receivable	87,183	55,816
Prepaid expenses	395	1,460
Inventory	5,495	1,327
Total current assets	<u>613,260</u>	<u>560,193</u>
Noncurrent assets		
Capital assets		
Land	167,085	167,085
Buildings and improvements	9,792,687	9,792,687
Equipment	395,047	395,047
Intangible assets	6,000	6,000
Less accumulated depreciation	<u>(9,919,792)</u>	<u>(9,741,253)</u>
Capital assets, net	<u>441,027</u>	<u>619,566</u>
Total assets	<u>1,054,287</u>	<u>1,179,759</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	<u>153,935</u>	<u>198,474</u>
Liabilities		
Current liabilities		
Accounts payable	78,002	63,958
Payroll payable	62,292	67,442
Guaranteed deposits	25,400	20,970
Unearned revenue	2,697	697
Current portion of long-term obligations	<u>405,743</u>	<u>343,360</u>
Total current liabilities	<u>574,134</u>	<u>496,427</u>
Noncurrent liabilities		
Compensated absences payable	65,736	54,560
Lease payable	89,162	128,854
Parking lease	-	64,000
Net OPEB liability	99,730	128,050
Net Pension Liability	1,539,065	1,392,524
Payable to Solano County:		
Pension obligation bonds	<u>432,903</u>	<u>492,346</u>
Total noncurrent liabilities	<u>2,226,596</u>	<u>2,260,334</u>
Total liabilities	<u>2,800,730</u>	<u>2,756,761</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	<u>41,806</u>	<u>45,501</u>
Net Position		
Invested in capital assets	248,173	325,961
Restricted for Junior Livestock Auction	24,580	15,194
Restricted for Parking Lot Improvements	9,834	9,834
Unrestricted	<u>(1,916,901)</u>	<u>(1,775,018)</u>
Total net position	<u>\$ (1,634,314)</u>	<u>\$ (1,424,029)</u>

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, 2019 & 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Fairtime parking /RV space rental	\$ 113,919	\$ 5,100
Fairtime carnival/concessions	76,164	7,018
Fairtime commercial space	14,055	-
Fair entry fees	9,040	9,181
Junior livestock auction	183,033	143,109
Facility rental	1,153,577	1,217,414
Horse racing - satellite	568,089	577,872
Leases	825,947	793,619
Electronic sign	88,146	103,440
Sponsorship	56,614	39,022
Miscellaneous	5,241	1,848
Total operating revenues	<u>3,093,825</u>	<u>2,897,623</u>
Operating Expenses		
Employee services	1,285,156	1,208,561
Pension and OPEB expense	317,527	192,890
Professional/contracted services	369,475	384,716
Supplies & expenses	73,973	60,584
Utilities	314,041	281,319
Liability insurance	120,784	112,037
Dues, permits & assessments	57,320	43,492
Advertising / promotion / publications	38,758	32,037
Travel & training	27,711	22,404
Director's expense	-	7,484
Equipment rental	124,489	71,645
Fairtime entertainment	6,450	1,500
Premium awards	28,717	29,381
Bank charges and credit card fees	11,451	9,936
Equipment (not capitalized)	17,548	7,532
Junior livestock auction	173,465	139,593
Maintenance & operations	156,666	111,377
Landscape maintenance assessment	27,924	55,035
Miscellaneous	36,164	8,104
Depreciation	178,538	213,207
Total operating expenses	<u>3,366,157</u>	<u>2,992,834</u>
Operating loss	<u>(272,332)</u>	<u>(95,211)</u>
Nonoperating revenues (expenses)		
State apportionment	32,487	32,787
Contributions: County (.33 funds)	37,994	40,580
Interest revenue	4,815	1,288
Interest expense	(13,249)	(15,971)
Gain on sale of capital asset	-	1,000
Total nonoperating revenue (expenses)	<u>62,047</u>	<u>59,684</u>
Change in net position	<u>(210,285)</u>	<u>(35,527)</u>
Net position - beginning	<u>(1,424,029)</u>	<u>(1,388,502)</u>
Net position - ending	<u>\$ (1,634,314)</u>	<u>\$ (1,424,029)</u>

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, 2019 & 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Cash received from customers	\$ 3,149,658	\$ 3,053,304
Cash paid to suppliers	(1,573,995)	\$ (1,373,307)
Cash paid to employees	(1,521,739)	\$ (1,385,121)
Net cash provided by operating activities	<u>53,924</u>	<u>\$ 294,875</u>
Cash flows from noncapital financing activities		
Cash received from subsidies or grants	<u>70,481</u>	<u>73,367</u>
Net cash provided from noncapital financing activities	<u>70,481</u>	<u>73,367</u>
Cash flows from capital and related financing activities		
Principal payments on long-term obligations	(100,751)	(98,029)
Interest payment on long-term obligations	(13,249)	(15,971)
Net cash used by capital and related financing activities	<u>(114,000)</u>	<u>(114,000)</u>
Cash flows from investing activities		
Interest received	<u>4,815</u>	<u>1,288</u>
Net cash provided from investing activities	<u>4,815</u>	<u>1,288</u>
Net increase in cash	15,220	255,531
Cash, January 1	<u>446,202</u>	<u>190,671</u>
Cash, December 31	<u><u>\$ 461,422</u></u>	<u><u>\$ 446,202</u></u>
Reconciliation of operating income to net cash provided (used) from operating activities		
Operating loss	\$ (210,285)	\$ (35,527)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Gain on sale of capital assets	-	(1,000)
Non-operating expense	13,249	15,971
Depreciation expense	178,538	213,207
Pension and OPEB expense	83,769	(33,328)
Changes in assets and liabilities:		
(Increase)/decrease in due from lessees	(3,377)	(3,262)
(Increase)/decrease in accounts receivable	(31,367)	154,051
(Increase)/decrease in prepaid expenses	1,065	5,251
(Increase)/decrease in inventory	(4,168)	(195)
Increase/(decrease) in accounts payable	14,044	(187)
Increase/(decrease) in payroll taxes payable	(5,150)	15,543
Increase/(decrease) in compensated absences	11,176	(2,459)
Increase/(decrease) in guaranteed deposits	4,430	(31,589)
Increase/(decrease) in unearned revenue	2,000	(1,600)
Total adjustments	<u>264,209</u>	<u>330,403</u>
Net cash (used) by operating activities	<u><u>\$ 53,924</u></u>	<u><u>\$ 294,876</u></u>

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

Solano County Fair
(A Component Unit of Solano County)
Notes to the Financial Statements
For the years ended December 31, 2019 & 2018

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, 2019 and 2018, the carrying amount of the Fair's consolidated cash accounts totaled \$461,422 and \$446,202, 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:

<u>Assets</u>	<u>Years</u>
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, 2019, 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. 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.

15. 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, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 167,085	\$ -	\$ -	\$ 167,085
Capital assets being depreciated:				
Buildings and improvements	9,792,687	-	-	9,792,687
Equipment	395,047	-	-	395,047
Intangible assets	6,000	-	-	6,000
Total capital assets, being depreciated	10,193,734	-	-	10,193,734
Less accumulated depreciation for:				
Buildings and improvements	(9,145,482)	(206,931)	-	(9,352,413)
Equipment	(382,164)	(5,880)	-	(388,044)
Intangible assets	(400)	(396)	-	(796)
Total accumulated depreciation	(9,528,046)	(213,207)	-	(9,741,253)
Total capital assets, being depreciated, net	665,688	(213,207)	-	452,481
Capital assets, net	\$ 832,773	\$ (213,207)	\$ -	\$ 619,566

Capital assets activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 167,085	\$ -	\$ -	\$ 167,085
Capital assets being depreciated:				
Buildings and improvements	9,792,687	-	-	9,792,687
Equipment	395,047	-	-	395,047
Intangible assets	6,000	-	-	6,000
Total capital assets, being depreciated	10,193,734	-	-	10,193,734
Less accumulated depreciation for:				
Buildings and improvements	(9,352,413)	(174,991)	-	(9,527,404)
Equipment	(388,044)	(3,152)	-	(391,196)
Intangible assets	(796)	(396)	-	(1,192)
Total accumulated depreciation	(9,741,253)	(178,539)	-	(9,919,792)
Total capital assets, being depreciated, net	452,481	(178,539)	-	273,942
Capital assets, net	\$ 619,566	\$ (178,539)	\$ -	\$ 441,027

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:

	2019	2018
Electronic Signboard	\$ 530,180	\$ 530,180
Less: Accumulated depreciation	(426,352)	(399,843)
Total	\$ 103,828	\$ 130,337

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019 were as follows:

Year ending December 31	
2020	\$ 50,000
2021	50,000
2022	50,000
Minimum lease commitments	150,000
Less: amount representing interest	(21,145)
Present value of capital lease obligation	128,855
Less: current portion	(39,692)
Long-term portion	<u>\$ 89,163</u>

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
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	69,850	5,657	2023	19,794	3,497
2024	76,945	1,934	2024	21,700	2,437
2025	-	-	2025	23,801	1,275
	<u>\$ 318,661</u>	<u>\$ 43,631</u>		<u>\$ 114,238</u>	<u>\$ 23,108</u>

2. *Changes in long-term liabilities*

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Pension obligation bonds:					
Series 2004	\$ 554,897	\$ -	\$ -	\$ 554,897	\$ 236,236
Series 2005	180,058	-	-	180,057	65,815
Total pension obligation bonds	734,955	-	-	734,954	302,051
Capital lease	165,605	-	(36,751)	128,854	39,692
Parking lease	128,000	-	(64,000)	64,000	64,000
Compensated absences	54,560	11,176	-	65,736	-
Net pension liability	1,543,319	-	-	1,543,319	-
Net OPEB liability	151,451	-	-	151,451	-
Total Long-term liabilities	<u>\$ 2,777,890</u>	<u>\$ 11,176</u>	<u>\$ (100,751)</u>	<u>\$ 2,688,314</u>	<u>\$ 405,743</u>

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Pension obligation bonds:					
Series 2004	\$ 554,897	\$ -	\$ -	\$ 554,897	\$ 190,037
Series 2005	180,058	-	-	180,058	52,572
Total pension obligation bonds	734,955	-	-	734,955	242,609
Capital lease	199,634	-	(34,029)	165,605	36,751
Parking lease	192,000	-	(64,000)	128,000	64,000
Compensated absences	69,086	-	(14,526)	54,560	-
Net pension liability	1,455,961	87,358	-	1,543,319	-
Net OPEB liability	126,691	24,760	-	151,451	-
Total Long-term liabilities	<u>\$ 2,778,327</u>	<u>\$ 112,118</u>	<u>\$ (112,555)</u>	<u>\$ 2,777,890</u>	<u>\$ 343,360</u>

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.jsp?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 \$136 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.

D. Going Concern

The Fair continues to experience increases to the net position deficit. The change in net position for the Fair for the past 10 years are as follows:

Year	Cash as of December 31	Revenues	Expenses	Change in Net Position
2019	\$461,422	\$3,169,121	\$3,366,157	(\$210,285)
2018	\$446,202	\$2,972,278	\$2,992,834	(\$35,527)
2017	\$190,671	\$3,296,306	\$3,518,456	(\$222,150)
2016	\$286,593	\$3,243,856	\$3,287,844	(\$43,987)
2015	\$241,290	\$3,026,853	\$3,097,196	(\$70,343)
2014	\$88,564	\$2,833,762	\$3,407,474	(\$573,712)
2013	\$693,568	\$2,967,269	\$3,374,264	(\$406,995)
2012	\$841,090	\$2,841,209	\$3,391,891	(\$550,682)
2011	\$1,135,685	\$3,522,315	\$3,507,490	\$14,825
2010	\$1,178,186	\$3,307,363	\$3,559,475	(\$252,112)

E. Subsequent Events

1. CalPERS Adjustment Invoice

On June 2, 2020, the County received a public agency adjustment invoice from CalPERS for arrears contribution and administration fee totaling \$27,652.72 and \$500, respectively. The invoice was for one employee, for the service period from April 17, 2011 through December 1, 2018.

2. Coronavirus Pandemic

Subsequent to the end of the year, the Fair has been severely impacted by the effects of the coronavirus pandemic (Covid-19). Operations have decreased significantly since the end of calendar year 2019, while the overall long-term impact has not yet been evaluated by management. There are several subsequent events impacting the financial position of the Fair.

a. Paycheck Protection Program Loan

On May 7, 2020, the Fair was granted a loan (the "Loan") from Westamerica Bank in the aggregate amount of \$258,786, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated May 1, 2020 issued by the Borrower, matures on May 1, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on December 1, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Fair intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

b. Six Flags Discovery Kingdom Parking Management Agreement

Six Flags Discovery Kingdom (Six Flags) was not able to meet the payment totaling \$481,400.63 for the period April 1, 2020 through March 31, 2021, as outlined in the Parking Management Agreement between the County and Six Flags dated April 22, 2014, for the period commenced on April 1, 2014 and terminates on March 31, 2021. The annual lump sum payment is payable on or before July 1 of each year. Six Flags requested deferment of the payment until December 1, 2020. Six Flags has not been open since March 2020 due to Covid-19.

c. Solano Race Place – Satellite Wagering Facility

Under the direction of the Solano County Public Health Department, the Solano Race Place was closed due to Covid-19 and has limited or no operations since the start of the pandemic.

d. California Department of Food and Agriculture Grant for General Operational Support

On April 29, 2020, the Fair was awarded a grant from the California Department of Food and Agriculture (CDFA) for general operational support totaling \$157,350. The grant funds may be used for essential expenses only, such as payroll, utility bills, and loan obligations. The Fair received the grant monies on May 6, 2020.

e. Economic Injury Disaster Loan Grant

On June 23, 2020, the Fair received a grant for \$10,000 from the Covid-19 Economic Injury Disaster Loan (EIDL) program from the U.S. Small Business Administration. EIDL is designed to provide economic relief to organizations that are currently experiencing a temporary loss of revenue. EIDL proceeds can be used to cover a wide array of working capital and normal operating expenses, such as continuation to health care benefits, rent, utilities, and fixed debt payments.