

FINANCIALS

Presenter: JOJI KUME

Topics

- **Funding Sources**

- Governor's Proposed Budget FY2022-2023
- \$50.0M General Fund Support FY2021-2022
- New Fair Funds / AB1499 Allocations
- General Fund Fiscal Year Allocations

- **Financial Reporting**

- Statement of Operations (STOP)
- Financial Standards
- Financial Audits/Reviews and Compliance Audits
- Budget

Funding Sources

Governor's Proposed Budget

FY2022-2023

- AB1499 / New Fair Funds (~\$3.1M)
- FY2022-2023 Allocation (~\$2.6M)
 - Yearly General Fund Allocation for Fairs in Class I-IV+
- Can change prior to Final Budget

\$50M General Fund Support

FY2021-2022

- **For the Network of California Fairs**
- One-time Support
- Targeted Support (~\$44.7M)
 - Focus on stabilizing the industry
- Remaining Funds (~\$5.3M)

New Fair Funds / AB1499 Allocations

- **For the Network of California Fairs**
- $\frac{3}{4}$ of 1% of total amount of gross receipts for sales and use tax purposes that are generated on state-designated fair
- Appropriation affected by economic conditions

New Fair Funds / AB1499 Allocations

Fiscal Year	Appropriation
2019-2020	\$18,637,000
2020-2021	\$7,991,000
2021-2022	\$3,137,000
Proposed 2022-2023	\$3,137,000

New Fair Funds / AB1499 Allocations

How to Qualify?

- **Be a State-Designated Fair in the Network of California Fairs**
- **Be a Qualified Fair**
 - Working Condition Policies
 - Contracting Policies
- Requirements may change as regulation becomes finalized
- Allocation amounts vary based on appropriation levels and economic conditions

General Fund Fiscal Year Allocation

- **For Fair Class Sizes I – IV+**
- \$2.6M Operational Support (FY21/22)
- \$125K Training Reimbursement

Fair Class	Operational Allocation	Training Reimbursement
I	\$50,920	\$2,440
I-X	\$42,010 - \$50,440	\$2,020 - \$2,410
II	\$45,830	\$2,200
III	\$42,010	\$2,020
III+	\$38,190	\$1,830
IV	\$35,650	\$1,710
IV+	\$30,560	\$1,470

General Fund Fiscal Year Allocation

How to Qualify?

- **For Fair Class Sizes I – IV+**
- \$2.6M Operational Support (FY21/22)
 - 2020 Statement of Operations (STOP)
 - 2022 Budget
 - Board Minutes Approving 2022 Budget
 - **EITHER** Board Minutes approving FY Allocation grant agreement
OR Board Minutes approving a request for FY Allocation
 - 2020 Financial Audit/Review
 - Following policies, directives, guidelines, etc.
- \$125K Training Reimbursement
- **Due Date: June 1, 2022**

Financial Reporting

Statement of Operations (STOP)

- **Annual Filing Requirement**
 - Generally Accepted Accounting Principles / Accrual Accounting
 - Overview of Financial Activity
 - Balance Sheet
 - Income Statement
 - Additional Information
 - **Due Date: March 28, 2022**
- **STOP Publication**
- **Comprehensive Annual Financial Report (CAFR)**

Statement of Operations

Why Do it?

- **Business and Professions Code § 19622(a)**
 - In order to maintain their eligibility to receive funds or to utilize state assets, the [State-designated fairs] shall do the following:
 - (1) File an annual statement of operations with the Department of Food and Agriculture.
 - (2) Conduct an annual fair that includes agriculture and other community-relevant exhibits and competitions.

Statement of Operations

Schedule 4 and Admission related items

- **Food and Agriculture Code (FAC) § 3021** – Fairs that receive money from the State shall permit the admission without payment of all children under 12 years of age or under on at least one day during each fair period.
- **FAC § 3026** – Courtesy admissions should not exceed 4% of gross paid admissions to the fair in the preceding calendar year.
- Courtesy pass means any admission, without payment, except for the following:
 - Credential admission.
 - Admission of any child under 12 years of age.
 - Admission of any military personnel in uniform.
- **Form 802** – Used to disclose detailed information about distribution of tickets and passes and the public purpose of each ticket distribution.
 - Must adopt a written policy that identifies the public purpose served in distributing the tickets.
 - Completed Form 802 and policy should be posted on website.

Statement of Operations

Things to keep in mind

- Generally Accepted Accounting Principles / Accrual Accounting
- Beginning balance should equal prior year ending balance
- Balance sheet should balance
- STOP should be off the trial balance/general ledger

Financial Standards

Accrual Accounting

- Accounting method that allows an organization to record revenue before receiving payment for goods or services sold or expenses are recorded as incurred before the organization has paid for them.
- Revenues and expenditures are recognized on the books regardless of when the cash transaction occurs. They are recognized when they are earned or incurred.

Financial Standards

Accrual Accounting vs Cash Accounting

	Accrual	Cash
Revenue	Earned	Received
Expenses	Incurred	Paid
Advantage	Accuracy of Financial Position	Simplicity
Disadvantage	Complexity	May Overstate Financial Position

Financial Standards

Accrual Accounting and Other GAAP Items

- GAAP Compliance requires Accrual Accounting
- Leave liability should be booked
- Depreciation expenses should be booked
 - Fixed assets in excess of \$5,000 should be capitalized.
- Accurate Financials are helpful in guiding resources
- Ensure you have competencies either in-house or outsourced to be GAAP Compliant
- Audited Financial Statements are expected to be GAAP Compliant

Audit Requirements

- **Financial Audit / Financial Review**
 - Fairs with Annual Revenues Exceeding \$5,000,000:
 - Annual Financial Audit
 - Fairs with Annual Revenues less than \$5,000,000:
 - Financial Review required for First and Second Year
 - Financial Audit required for Third Year

Audit Requirements

- Financial Audit / Financial Review Schedule

	2018	2019	2020	2021	2022
Scenario 1	Audit	Review	Review	Audit	Review
Scenario 2	Review	Audit	Review	Review	Audit
Scenario 3	Review	Review	Audit	Review	Review

- Periodic Compliance Audit

Budget

Why do you need it?

- Financial Management
- Requirement for State Resource(s)
 - FY Allocation (Class Sizes I – IV+)
- F&E Budget Template (Optional)

Budget

Financial Management

Budgeting is a vital management tool

- Plan and progress towards **goals and objectives**
- **Facilitate communication** between Management and the Board of Directors regarding the fiscal direction of the fairgrounds.
- **Control Activities**
- **Measure and evaluate the financial performance** of the fair organization.

Budget Philosophy

- Budgets should be **realistic, achievable, and consistent with strategic plan**
- Budgets should project a net operating profit or at worst “**break even**” before depreciation expense
- Budgets should strive to build reserves for a **Rainy-Day Fund**
- Significant **variances** between actual vs. budgeted should have **reasonable explanations**

Budget Tips to Keep in Mind

- Ideally, Budgets should be worked on starting in August/September
 - New Positions **must** be budgeted for
 - Window for State Exams Requests tends to be due in early Fall
- The process for CEO raises takes longer (so plan accordingly)
- The CEO should review/develop the budget with the Finance Committee
- Budget should be submitted and approved by the Board
- Amendments to the Budget may be necessary



QUESTIONS?

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