INTRODUCTION

The Accounting Procedures Manual (APM) is designed to provide California's network of fairs guidance on state-mandated accounting policies and procedures. The sources for this manual include:

- Applicable laws and regulations
- State Administrative Manual (SAM)
- Division of Fairs and Expositions (F&E) financial reporting policies and procedures
- F&E Fiscal Unit expertise with best accounting practices
- Department of Food and Agriculture Audit Office

Business and Professions Code 19622.1 summarizes state funding eligibility for California's network of fairs as follows:

(a) In order to maintain their eligibility to receive funds or to utilize state assets, the fairs specified in Section 19418 shall do all of 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.

(b) The Department of Food and Agriculture may withhold or restrict allocations to fairs that do not comply with this section or the <u>fiscal standards or administrative standards established by the department</u>.

The APM along with policies and procedures communicated by F&E to California fairs via its circular letters, budget and STOP instruction packets and the Contracts Manual for DAAs represent the fiscal and administrative standards referred to above.

Applicability of the APM based on fair type is summarized below. This manual is intended to complement the fairs' bylaws and internal policy manuals.

- <u>District Agricultural Associations (DAA)</u> - APM guidelines are required. State rules and regulations referred to in this manual supersede local manuals and procedures.

  * *"DAA only" subject matters will be noted as such in the respective sections of this manual.*

- <u>County and Non-Profit fair organizations</u> - APM requirements are recommended, but not required. Local manuals and procedures prevail with the exception of budget and Statement of Operations (STOP) reporting requirements to the state.

The CDFA Audit Office has reviewed the APM and will use it as a guideline for conducting annual financial and bi-annual compliance audits of DAAs and limited-scope audits of select County and non-profit fairs. Use of the APM in fair audits is summarized below:

- DAA Audits - Strict adherence to APM guidelines is required.
- County and Non-Profit Fair Audits – Adherence to APM best practices and internal control procedures (or equivalent alternative) is expected. Budget and STOP guidelines are required.

ADMINISTRATION OF CALIFORNIA FAIRS

California Department of Food and Agriculture

California law gives the California Department of Food and Agriculture (CDFA) the regulatory authority and responsibility for ensuring accountability to the public in its oversight of fairs, including fairs' expenditure of public funds. CDFA delegates this authority and assigns these responsibilities to its Division of Fairs and Expositions (F&E). Within California's system of state-supported fairs, each fair and joint powers authority (JPA) is responsible and accountable for managing its own operations, subject to review by appropriate government authorities.

Division of Fairs and Expositions

The Division of Fairs and Expositions (F&E) provides administrative oversight of the state-supported fair system and manages the F&E Fund to ensure accountability and responsible distribution of state resources to the fairs. Responsibilities include, but are not limited to, approving annual fair budgets; contract review and approval; oversight of annual fiscal and bi-annual management/compliance audits; disbursement of local assistance funding to fairs for operational support and other program benefits; infrastructure financing and support; monitoring fair revenue and expenditure trends; fair performance ratings; facilitation of personnel transactions; review and analysis of fair-related legislation; and ensuring fairs' compliance with applicable laws and regulations.

Network of California Fairs

There are 80 state-supported fairs in California, including 54 District Agricultural Association fairs (52 active DAA's and 2 deactivated during fiscal year 1997/98), 23 county fairs, and two citrus fruit fairs and the California Exposition and State Fair (Cal-Expo). Each fair has a ***Board of Directors*** (Board), which is responsible for governing its fair and monitoring its management and overall performance. The Board hires and evaluates the ***Chief Executive Officer*** (CEO). The CEO hires, manages, and evaluates staff, and is responsible for the daily operations of the fair. DAA Board of Director members are appointed by the Governor.

JOINT POWERS AUTHORITY

California Government Code authorizes the formation of Joint Powers Authorities (JPAs) by two or more existing public agencies for a common purpose. Three JPAs have been formed in California to provide specific services to the fair industry.

California Authority of Racing Fairs

The California Authority of Racing Fairs (CARF) was created in 1985 in partnership with CDFA for the purpose of "conducting horse racing and parimutuel wagering" at California fair facilities. CARF's membership consists of horse racing fairs and fairs with satellite wagering facilities. CARF responsibilities and member services include, but are not limited to, development of satellite wagering facilities at fairs; management of the track preparation agreement for live racing fairs; budget recommendations to F&E for proposed horse racing and satellite wagering expenditures; legislative advocacy to its member fairs; operational support and professional development. CARF operations are funded from member dues, self-generated revenues and project fees from the Fair and Exposition Fund.

California Construction Authority

The California Construction Authority (CCA) was created in 1988 in partnership with CDFA to provide financing, design, and construction services for capital infrastructure, deferred maintenance, health and safety improvements, and horse racing facilities on California fairgrounds. CCA operations are funded entirely from the Fair and Exposition Fund.

California Fair Services Authority

The California Fair Services Authority (CFSA) was created in 1986 in partnership with CDFA to provide insurance services to California fairs. Today, CFSA administers risk-sharing pools (general liability, workers' compensation, revenue protection and all-risk property) designed to protect the Fair & Exposition Fund and local fair organizations; provides safety programs and facility inspections; and provides accounting, payroll, purchasing, computer, employee benefits, and management services. CFSA operations are funded entirely from member and program fees.

ACCOUNTING OVERVIEW

All persons qualified to work in a fair accounting department is expected to know basic bookkeeping and accounting principles. Consequently, this manual was written with the assumption that its users are competent in the field. Not all users of this manual, however, can be expected to be equally familiar with the discipline. Therefore, extra efforts have been made to present each section of this manual in an easy to understand manner for accounting technicians and lay people alike.

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Accounting Principles and Procedures

CHAPTER 1: CHART OF ACCOUNTS

The chart of accounts is a list of all account names and numbers used in a company's general ledger. It is important to put thought into assigning the account names and numbers in a logical way in order to prepare meaningful financial statements for fair management, the public and other users.

Below is F&E's recommended chart of accounts for fairs. While fairs are not required to use the following convention in their daily operations, annual financial reporting to the state for budget and Statement of Operations (STOP) purposes will require the suggested chart of accounts convention below.

Should a fair choose to use a unique chart of accounts in its daily operations, translation of the fair's accounts and balances to F&E's chart of accounts will be required at year-end "on-paper" only. Budget and STOP templates using F&E's recommended chart of accounts are provided to all fairs annually to simplify the reporting process.

1.0 10000 ASSETS
11000 Cash in Bank – Restricted Cash
11100 Petty Cash
11200 Change Funds (Fair may use sub-accounts for fairtime, satellite, etc.)
11300 Cash in Bank - Operating Account
11400 Cash in Bank - Premium Account
11500 Cash in Bank - Payroll Account
11600 Cash in Bank - Time Deposits, Money Market
11700 Cash in Bank - Junior Livestock Auction (Contra liability account 25100)
11800 Cash in County Treasury
13000 Notes Receivable
13100 Accounts Receivable
13110 Allowance for Doubtful Accounts
13300 Accounts Receivable - Fairs & Exposition Fund
14100 Inventory - Souvenir Merchandise
14300 Deferred Charges
14700 Deferred Loan Expense (to be used when the cash does not pass through the fair's account)
15000 Deposits (for utilities service & insurance)
16200 Special Deposits - Sale of Property
19000 Construction in Progress
19100 Land
19200 Buildings & Improvements
19201 Accumulated Depreciation – Buildings and Improvements
19300 Equipment
19301 Accumulated Depreciation - Equipment
19400 Leasehold Improvements
19401 Accumulated Depreciation – Leasehold Improvements

2.0 20000 OBLIGATIONS & NET RESOURCES

21100 Insurance Fees Payable
21200 Accounts Payable
21250 Current Portion of Long Term Debt
21300 Sales Tax Payable
22100 Social Security Tax Withheld
22200 PST Taxes Withheld
22300 State Retirement Contributions Withheld
22400 State Withholding Tax Deducted
22500 Federal Withholding Tax Deducted
22600 Other Payroll Deductions (Medical, Life Insurance, Dental, Union Dues, etc.)
22700 Drug Fees Collected - Horse Show
22800 Deferred Revenue
22900 Horse Racing License Fee (Live Tracks)
23000 Purses, Breeder's Awards, Horsemen's Acct., Owner's Premium Payable (Live Tracks)
24100 Guarantee Deposits (On stall rentals, plans, key, cleanup deposits)
24500 Leave Liability
25000 Long Term Debt (less current portion in account 21250)
25100 Junior Livestock Auction Net Resources (Reserve)
25200 Junior Livestock Auction Consignment
29100 Total Net Resources
29300 Restricted Resources

3.0 30000 NON-OPERATING REVENUES

31200 State (Local/Base) Allocations
31300 Fiscal and Administrative Assistance (F&E)
31900 Capital Project Reimbursement Funds
33000 Contributions from Other Governmental Sources (non-F&E)
34000 F&E Funds used for operating purposes

4.0 40000 OPERATING REVENUES

41000 Admissions to Grounds
41010 Regular Fair Admissions
41020 Discounted Fair Admissions
41500 Industrial & Commercial Space
41510 Outside Commercial Space
41520 Inside Commercial Space
42000 Concessions
42100 Carnival
42110 Carnival: Pre-Sale
42200 Food Concessions (May use sub-account for local/professional)
42300 Other Non-food Concessions (Novelties, photo booths, etc.)
43000 Exhibits
43100 Entry Fees
43200 Donated & Sponsored Awards (May use sub-accounts for cash awards/trophies)

43300 Advertising in Premium Book
43400 Other (Explain)
44000 Horse Show
44100 Admissions
44200 Entry and Stake Fees
44300 Donations for Special Prizes
44400 Stall Fees
44500 Program Sales
44600 Other (Explain)
45000 Horse Racing (Live)
45100 Admissions
45200 Track Commissions & Breakage
45300 Program Sales
45400 Concessions
45500 Other (Explain)
45005 Horse Racing (Satellite Wagering)
45105 Admissions
45205 Track Commissions (2%, .6%, etc.)
45305 Program Sales
45405 Concessions
45505 Parking
45605 Novelties and Souvenirs
45705 Comcheck
45805 Promotional & Advertising
45905 Other (Explain)
49005 Prior Year Revenue Adjustment
46000 Fair Attractions
46100 Rodeo Admissions
46200 Queen Pageant Admissions
46300 4-Wheel Drive Pull Admissions
46400 Destruction Derby Admissions
46500 Performance Admissions (May use sub-accounts for each paid show)
46600 Other Admissions (Explain)
46109 Motorized Racing (May use sub-accounts)
46009 Interim Attractions
46209 Performance Admissions
46309 Other Admissions (Explain)
47000 Miscellaneous Fair
47100 Parking
47200 Fair Program Sales and Advertising Revenue
47300 Utility Fee Reimbursement (May use sub-accounts for water, electric, gas)
47400 Exhibit Guide Revenue (May use sub-accounts for sales, ads, etc.)
47500 Stall Rentals (fairtime)
47610 JLA (Junior Livestock Auction)
47620 JLA - Sponsorships
47630 JLA - Advertising Sales

47640 JLA - Reimbursements
47650 JLA - Prior Year Adjustments
47660 JLA - Other Revenue (Explain)
47700 Camping Fees (Fairtime)
47800 Other (Explain)
47900 Sponsorships
47005 Miscellaneous Non-Fair Programs
47105 Admissions
47205 Commercial Exhibits
47305 Concessions
47405 Exhibits
47505 Other (Explain)
48000 Interim Revenue
48100 Building Rentals
48200 Grounds Rentals
48300 Equipment Rentals
48400 Concessions Revenue
48500 Utility Fee Reimbursement (Non-fair only)
48600 Interim Parking Revenue
48700 Other Interim Revenue
49000 Prior Year Revenue Adjustment (Explain)
49500 Other Operating Revenue
49510 Interest Earnings
49520 Donations/Sponsorships (general)
49530 Other (Explain)
49540 Gain on Sale of Asset
49550 Non-Fair Sponsorships

5.0 50000 - 94000 OPERATING EXPENDITURES
50000 Administration Expense
50100 Salaries & Wages - Permanent Employees
50200 Salaries & Wages - Temporary Employees
50300 Compensated Absences Expense
50310 Employee Benefits – Employer’s Share
50320 Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
50330 Worker's Compensation Insurance
50400 Professional Services (Contractual)
50500 Directors Expense
50600 Travel/Training Expense
50700 Office Supplies and Expense
50800 Telephone and Postage (May use sub-accounts to separate phone/postage)
50900 Dues and Subscriptions
51000 Insurance (General Liability)
51100 Other Miscellaneous Administration Expense
51200 Unemployment Insurance (Non-Reimbursed Employer Share)
51300 Audit

51400 Bad Debt Expense – Current Year
52000 Maintenance and General Operations
52100 Salaries and Wages - Permanent Employees
52200 Salaries and Wages - Temporary Employees
52210 Employee Benefits – Employer's Share
52220 Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
52230 Worker's Compensation Insurance
52300 Professional Services (Contractual)
52400 Rent - Land and Buildings
52500 Rental - Maintenance Equipment
52600 Rental - Public Address and Intercom Systems
52700 Temporary Electrical Work (Contractual)
52800 Light, Heat, Water, Power (May use sub-accounts for each entity)
52900 Maintenance of Equipment - Supplies and Expense
53000 Maintenance of Buildings and Grounds - Supplies and Expense
53100 Trash Removal, Clean-up Non-Fair (Contractual including barns, janitorial)
53200 Other (Explain)
53300 Special Repairs and Maintenance (Funded by Fair; list by project)
54000 Publicity
54100 Salaries and Wages – Permanent Employees
54101 Salaries and Wages – Temporary Employees
54110 Employee Benefits – Employer's Share
54120 Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
54130 Worker's Compensation Insurance
54200 Professional Services (Contractual)
54300 Supplies and Expense
54400 Advertising (Newspaper, radio, television, etc.)
54500 Promotional Expense (Publicity luncheons, VIP functions, etc.)
54600 Public Relations Expense (Service clubs, press functions, etc.)
54700 Pre-Fair Events (Queen contests, Parades, etc.)
54800 Other (Explain)
56000 Attendance Operations
56100 Salaries and Wages – Permanent Employees (gate attendants, ticket takers, etc.)
56101 Salaries and Wages – Temporary Employees (gate attendants, ticket takers, etc.)
56110 Employee Benefits – Employer's Share
56120 Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
56130 Worker's Compensation Insurance
56200 Professional Services (Contractual: security services, money room, janitorial, etc.)
56300 Supplies and Expense
56400 Other (Explain) (Rental of PA & Intercom systems, etc.)
57000 Miscellaneous Fair
57100 Parking Expense - % Paid to Contractor
57101 Parking Salaries and Wages – Permanent Employees
57102 Parking Salaries and Wages – Temporary Employees
57200 Fair Program Expense (May use sub-accounts for printing, wages, supplies, etc.)
57300 Utility Fees (Heat, light, water, power at fairtime)

57400 Exhibit Guide Expense (May use sub-accounts for printing, wages, supplies, etc.)
57500 Stall/Booth Rental Expense
57610 JLA (Junior Livestock Auction)
57620 JLA - BBQ, Lunch, Dinner, etc.
57630 JLA - Labor Costs
57640 JLA - Supplies and Expense
57650 JLA - Publicity and Marketing
57660 JLA - Leases and/or Rentals
57670 JLA - Fuel and Utilities
57680 JLA - Prior Year Expenditure Adjustments
57690 JLA - Other (Explain)
57700 Sponsorship Expense (Fairtime)
57800 Other (e.g. Trash Removal)
57900 Commercial Exhibits and Concessions Expense (Includes tents & booths)
57005 Miscellaneous Non-Fair Programs
57105 Salaries and Wages – Permanent Employees
57106 Salaries and Wages – Temporary Employees
57115 Employee Benefits – Employer's Share
57125 Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
57135 Worker's Compensation Insurance
57205 Supplies and Expense
57305 Publicity
57405 Attendance
57505 Exhibits
57605 Other Miscellaneous (Explain)
58000 Premiums (for Exhibit programs only)
58100 Cash Awards
58200 Trophies, Medals, Ribbons
58300 Sponsored Cash Awards
58400 Sponsored Trophies, Medals, Ribbons
58500 Other Award Expense (Explain)
63000 Exhibits
63100 Salaries and Wages – Permanent Employees
63101 Salaries and Wages – Temporary Employees
63110 Employee Benefits – Employer's Share
63120 Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
63130 Worker's Compensation Insurance
63200 Judges (Contractual)
63300 Professional Services - Other (Contractual)
63400 Supplies and Expense
63500 Tent and Booth Rental (For exhibit program only)
63600 Decorations (For exhibit program only)
63700 Other (Explain)
64000 Horse Show
64100 Salaries and Wages – Permanent Employees
64101 Salaries and Wages – Temporary Employees

64110 Employee Benefits – Employer's Share
64120 Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
64130 Worker's Compensation Insurance
64200 Judges (Contractual)
64300 Professional Services (Contractual)
64400 Supplies and Expense
64500 Cattle Fees
64600 Other (Explain)
64610 Tent & Booth Rental
64620 Decorations
64710 Cash Awards
64720 Trophies, Medals, Ribbons
64730 Sponsored Cash Awards
64740 Sponsored Trophies, Medals, Ribbons
65000 Horse Racing (Live)
65100 Salaries and Wages (Other than pari-mutuel)
65200 Salaries and Wages (Pari-mutuel)
65210 Employee Benefits – Employer's Share
65220 Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
65230 Worker's Compensation Insurance
65300 Professional Services (Contractual)
65400 Supplies and Expense
65500 Purses and Breeder's Fees
65600 Rental - Totalisator Equipment
65700 Rental - Other Equipment
65800 Other (Explain)
65005 Horse Racing (Satellite Wagering)
65105 Salaries and Wages – Permanent Employees
65106 Salaries and Wages – Temporary Employees
65115 Employee Benefits – Employer's Share
65125 Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
65135 Worker's Compensation Insurance
65205 Travel/Training Expense for Employees
65505 Publicity and Marketing
65605 Supplies and Expenses
65705 Leases and/or Rentals
65805 Fuel and Utilities
65905 CHRB/CARF Impact Fees
80005 Prior Year Expenditure Adjustment
85005 Cash Over/Under
66000 Fair Entertainment Expense
66100 Salaries and Wages – Permanent Employees
66101 Salaries and Wages – Temporary Employees
66110 Employee Benefits – Employer's Share
66120 Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
66130 Worker's Compensation Insurance

66200 Professional Services (Contractual)
66300 Supplies and Expense
66400 Rodeo
66500 Grounds Entertainment
66600 Grandstand Entertainment
66700 Other (Explain)
66109 Motorized Racing (May use sub-accounts)
66009 Interim Entertainment Expense
66208 Salaries and Wages – Permanent Employees
66209 Salaries and Wages – Temporary Employees
66219 Employee Benefits – Employer's Share
66229 Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
66239 Worker's Compensation Insurance
66309 Supplies and Expense
66609 Concerts (List)
66809 Other (Explain)
72300 Equipment (non-capitalized)
80000 Prior Year Expense Adjustment
80010 General Expense Adjustments
80020 Bad Debt Expense – Prior Year
85000 Cash Shortages and Overages
85100 Ticket Sales (May use sub-accounts for entry department, etc.)
85200 Souvenir Sales
85500 Merchandise Sales
85900 Other (Explain)
94000 Other Operating Expense
94010 Loss on Sale of Asset

5.0 90000 NON-OPERATING EXPENDITURES
90000 Depreciation Expense

CHAPTER 2: GENERAL ACCOUNTING

2.0 OVERVIEW

Accounting is the art of organizing, maintaining, recording, and analyzing financial activities. The accountant keeps track of all business transactions; activities that affect what the fair owns and owes. In this section, we will highlight the major "tools" all accountants work with daily and discuss the major accounts which they work with. In addition, we will briefly touch on some of the more esoteric subjects which a fair accountant may be called upon to deal with.

2.01 Purpose of Accounting

The fair's accounting department keeps track of all business *transactions* and economic events that affect the financial condition of the fair. The financial position of any organization is represented by the relationship among its *capital (net resources), assets* (anything owned or having monetary value), and *liabilities* (any claim made against an asset by a creditor).

2.02 Basis of Accounting

Fairs are required to use the ***accrual basis* of accounting** in accordance with generally accepted accounting principles (GAAP). The revenue realization principle and the matching principle are the essence of the accrual basis of accounting. Under the cash basis of accounting, revenue is recorded only when received in cash, and expenses are recorded only when paid in cash. In contrast, accrual basis accounting requires recognition of revenue when earned and recognition of expenses when incurred. Computerized accounting software facilitates accrual accounting.

2.03 Double Entry Accounting

Double entry bookkeeping is an accounting technique which records each transaction as both a credit and a debit. Credit entries represent the sources of financing, and the debit entries represent the uses of that financing. Since each credit has one or more corresponding debits (and vice versa), the system of double entry bookkeeping always leads to a set of balanced ledger credit and debit accounts. Selected entries from these ledger balances are then used to prepare the financial statements.

Books are considered ***in balance*** when assets equal the sum of liabilities plus net resources, that is, when total ***debits*** equal total ***credits***.

2.04 Accounts

Every transaction must be entered in records known as ***accounts***. Each asset, liability, and net resources record maintained represents an assigned account, which together is referred to as a ledger. A list of all of the accounts, known as a ***Chart of Accounts*** is located in Chapter 1. Note that certain types carry a debit balance (so that posting a debit increases the balance and credits decrease it) while others normally have a credit balance (posting a credit increases the balance and debits decrease it).

2.05 Debits and Credits

These terms may be confusing to a lay person. Although the accounting term, ***debit***, and the vernacular *debt* share a common origin, they are not identical in meaning, while a single word, credit, represents both the accounting and the vernacular meanings. It will simplify matters considerably if the reader will consider the terms "debit" and "credit" in this context as technical terms or conventions used by accountants to refer to entries on the left and right sides of an accounting form (journal, ledger, balance sheet, etc.) respectively.

2.06 Special Journals and Ledger Accounts

Economic transactions are recorded in two stages. First, the transaction is recorded in a special ***journal***, or *book of original entry*. Journals provide a chronological record of all economic events affecting a fair. Each ***journal entry*** is expressed in terms of equal debits and credits to accounts affected by the transaction being recorded. Debits and credits represent increases or decreases to specific accounts, depending on the type of account, as explained in Section 2.04. Typical special journals include the general journal, cash receipts journal, cash disbursement journal, sales journal and purchases journal. Note that journals are also commonly referred to as *registers*.

The debit and credit information in the journals are then periodically posted to the individual ***ledger accounts*** within the General Ledger, the *book of final entry*. Typically, the general ledger is accompanied by subsidiary ledgers that contain a group of subsidiary accounts associated with a particular general ledger ***control account***. Subsidiary ledgers are used for accounts receivable, accounts payable, plant and equipment, investments and other accounts.

F&E recommends the use of subsidiary ledgers to the greatest extent possible to streamline the accounting process. If subsidiary ledgers are not utilized, the fair will post debit and credit information in the journals directly to the General Ledger's control accounts. The debit and credit information within the special journals and individual ledger accounts are always cross-referenced by the accountant for accuracy.

2.07 Trial Balance

At least once a month, to ensure that the requirements of double entry accounting have been met, the accountant produces a ***trial balance***. The trial balance summarizes the status of all of the individual ledger accounts at a particular moment of time; the fact that it balances (total debits equal total credits) does not necessarily mean that all entries are accurate, or classified to the proper accounts.

2.1 ACCOUNTS

Accounts are individual records of specific property owned by the fair (its assets), property the fair owes (its liabilities) and recognition of its capital or net resources. Fairs must use F&E's recommended Chapter 1, Chart of Accounts *for purposes of its annual* Statement of Operations and Budget reporting to the state. Modifications to the accounts to provide more details for an individual fair are allowed only if the standard accounts are **subdivided**.

Additional information may be found in Chapter 3, Use of Accounts. Questions regarding the use of accounts should be directed to the fiscal operations staff at F&E.

2.11 Non-Operating Accounts

Care should be taken to properly record funds received from the State as an allocation, capital project reimbursements and other F&E funds used for operating expenses. These funds are posted to non-operating accounts, 31200 for allocations received, 31900 for Capital Project Reimbursements and 34000 for F&E funds used for operating expenses.

2.12 Net Accounts

Net Accounts are ***not*** allowed. ***Revenue*** and ***expenditures*** may never be netted into one account as this would understate both income and expenses. By properly recording income and expenditures in separate accounts, the General Ledger accurately reflects the fair's economic activities.

2.13 Clearing Accounts

If it is necessary to establish a *clearing* account to record the receipt and disbursement of such items as insurance fees, business license fees, etc., the fair should establish a *liability* account such as 21100.

Occasionally, a contract stipulates that event receipts “be deposited into a fair bank account until completion of the event and reconciliation of sales”, in other words, a clearing account. In such a case, establish a liability account and credit the gross receipts. After reconciliation, write a check for the contractor's portion of the receipts with a debit entry to the liability account. The remaining balance is the portion to be retained by the fair; clear it to the appropriate revenue account by means of a journal entry that debits the liability account and credits the revenue account.

2.2 RECORDING TRANSACTIONS

Conventionally, transactions are recorded in two sets of records; chronologically in Special *Journals*, or books of original entry, and then periodically posted, by account, to the *General Ledger* (or appropriate subsidiary ledger), the book of final entry. Debit and credit information in the two records are always cross-referenced for accuracy.

F&E recommends the use of subsidiary ledgers to the greatest extent possible to streamline the accounting process. If subsidiary ledgers are not utilized, the fair will post debit and credit information in the journals directly to the General Ledger’s control accounts. The debit and credit information within the special journals and individual ledger accounts are always cross-referenced by the accountant for accuracy.

2.21 General Ledger

Each part of a transaction will either increase or decrease an individual ledger account. In order for an account to exist it must have a ***balance*** which represents the value of the account at a moment of time. Before preparing the monthly ***trial balance*** of the

General Ledger, someone other than the regular preparer should conduct a posting review of the General Ledger detail to assure the accuracy of transactions posted to each account. If the fair is large enough to be divided into departments, supervisors should review posting to departmental accounts. In a smaller fair, the CEO, the treasurer of the Board or another employee familiar with account distribution may review posting.

2.22 General Journal

Journal entries are often necessary to adjust account balances or reclassify previously posted information. Maintain a separate special journal, the ***General Journal***, to record the following information:

- The entry number
- Justification for the entry
- Description of the transaction
- References to other documents that explain the entry
- Accounts debited and credited

The monthly General Journal detail must be reviewed and initialed monthly by someone other than the preparer. When justifying entries, the terms “to correct” or “to fix” are insufficient. Below is a sample journal entry. Other examples can be found in Chapter 4, Use of Accounts.

Sample Format for Recording Journal Entries

No.	Description	Account	Debit	Credit
07-003	To record charge for operating acct.	50700	20.00	
	deposit slips ordered and received in	11300		20.00
	Jan. per statement dated 1/31/2007			

Journal Checklist

- *Are journal entries being used **only** to record miscellaneous entries that cannot be recorded in specific journals such as the Cash Receipt Journal, Cash Disbursement Journal, or Payroll Journal?*
- *Are journal entries **complete**? Do they reference source data? Are they supported by specific documents or subsidiary records?*
- *Are year-end Accounts Payable and Receivable properly recorded?*
- *Are closing entries properly recorded?*
- *Are all entries to the General Journal posted to the General Ledger?*

2.23 Cash Receipts Journal

Record collected cash receipts daily in the ***Cash Receipts Journal***. The Journal, where receipts are posted in chronological order, facilitates analysis of major revenue accounts.

2.24 Cash Disbursements Journal and Check Register

The *Cash Disbursements Journal* is used to record all payments made in cash such as for accounts payable, merchandise purchases, and operating expenses. There are usually separate columns for the date, check number, explanation, cash credit, purchase discount credit, other credit, accounts debited, accounts payable debit, purchases debit, and other debt.

The *Check Register* lists all checks written in numerical and chronological order.

Both the Cash Disbursement Journal and Check Register contain columns for distributing expenses to the proper General Ledger accounts, which is typically posted monthly.

2.25 Property Ledgers

A fair must be able to account to the state for all assets that it uses or for which it is responsible including ***property***, which consists of land, buildings, and equipment. Conventionally, buildings and equipments are divided into two categories, *monetary* (major) and *non-monetary* (minor), with only the former being listed in a ***Property Ledger***, a book, list, or set of cards in which the items are described. F&E also requires fairs to maintain a subsidiary ***Property List***, kept with the ledger, describing non-monetary property in similar detail. Periodic inventories are taken of *all* property. State Administrative Manual (SAM) Section 8652 requires departments, in this case the DAA's to make a physical count of all property and reconcile the count with accounting records at least once every three years.

2.26 Reports

A fair organizes and maintains its records based on an accounting period referred to in this manual as the "fair-year," a twelve-month period which is usually coincident with the calendar year. At the end of this period, the fair prepares a Statement of Operations (STOP) which is described in detail in Chapter 7. Interim or monthly reports are also prepared, which allow the fair to check on the accuracy and efficiency of its accounting procedures and provide management information to the CEO and the Board of Directors.

2.261 Trial Balance

Monthly trial balance reports should be prepared to determine if the General Ledger is in balance (debits equal credits). Automated systems typically issue a warning if the General Ledger is out of balance. Manual systems require careful attention to detect errors. Ultimately, it is the CEO's responsibility to ensure that the General Ledger is in balance.

2.262 Bank Reconciliation

By utilizing monthly and timely ***bank reconciliations***, fairs are able to compare bank balances to accounting records, identify currently outstanding checks, and ensure that deposits and paid checks agree with entries in the disbursements and receipts journals. Fair's written procedures should designate an employee other than, and unrelated to, the one who makes journal and ledger entries to reconcile the accounts with statements for each bank account. SAM Section 7908 requires signatures on reconciliations and should show the preparer's name, reviewer's name, date prepared, and date reviewed.

Automated accounting systems usually provide a procedure for reconciling bank accounts and most banks print a form on the back of the statement; either may be used. Otherwise, develop a form similar to the sample below. The following are important steps in the reconciliation process:

- Deliver ***unopened bank statements*** containing returned checks to the CEO
- Compare ***paid checks*** to details of the disbursement journals, ensure that two signatures appear when required, and examine them for other suspicious or irregular features (such as improper endorsements or signatures)
- Analyze unreconciled items and make ***journal adjustments*** where necessary, providing detailed explanations, to correct an erroneous amount
- Make journal entries for ***withdrawals*** and ***transfers***; document the conditions that made the adjustment necessary
- Record any service ***charges*** and ***interest*** posted to the account by the bank with a journal entry
- List ***outstanding checks*** numerically; file with the reconciliation

Sample Bank Reconciliation for Operating Account

Balance per Bank Statement	$14,990.56
Add: **Deposit in Transit**	1,000.00
	15,990.56
Deduct: **Outstanding Checks**	(6,000.00)
Adjusted **Bank Balance**	$9,990.56
Balance per General Ledger	8,890.53
Add: **Bank Credits** not posted*	1,110.03
	10,000.56
Deduct: **Bank Debits** not posted*	(10.00)
Adjusted **General Ledger Balance**	$9,990.56

*Journal entry required

2.3 CASH (11000 – 11800)

The major cash accounts are among those with which fair accountants deal daily. These are debit accounts, generally carrying a debit balance. For ease of use, this section will discuss the most commonly used in “chart-of-accounts order”.

2.31 11100 Petty Cash

Use petty cash for incidental purchases not to exceed $50 (exclusive of sales tax) per purchase or sale; the fund may not exceed $750 and $1,500 for Class I through V and Class VI and VII fairs, respectively. This is adequate for most fairs; however F&E may authorize a fund greater than the maximum allowed if:

- A smaller fund normally requires replenishment more often than once a month
- A larger fund is necessary for a short period, say, during fair time
- A safe, vault, or money chest adequate to safeguard cash is available

Request F&E authorization with a letter explaining the need for a larger petty cash fund.

2.311 Establishing a Petty Cash Fund

When creating a petty cash fund for the first time, write a check to “(Fund Custodian's Name), Petty Cash Fund” debit it to account 11100, and credit it to the cash account from which the check was drawn. When replenishing the fund, write a check for the amount expended during the period (the total of the petty cash vouchers) and debit the appropriate expense accounts (those recorded on the vouchers). Petty cash envelopes, available at stationery stores, are useful for summarizing expenses and retaining documents associated with the checks issued. Entries to account 11100 are not made again unless a change is authorized and the fund itself is increased or decreased.

2.312 Transaction Documentation

Maintain proper documentation for all petty cash transactions. Both the custodian of the fund and the person receiving the money must sign a petty cash ***voucher***. Keep the original receipts in the file until the fund is replenished; afterwards, transfer the receipts to the appropriate invoice file.

***Sample* Petty Cash Voucher: Form and Entry**

PETTY CASH VOUCHER

Voucher No. 07-05 Date: 1/12/07
Amount: $5.35 Account: 50700

Purpose of expenditure: 3 folders needed for Finance Committee at request of Committee Chair

Ms. Custodian **Mr. Expense**

Approved by Received by

2.32 11200 Change Funds

Establish a Change Fund to provide cash in amounts and denominations necessary to facilitate making change in day-to-day cash transactions. F&E permits a change fund to exceed $100 only if a safe, vault, or locking money drawer is available. The table below shows change fund amounts based upon the fair's class size.

Change Fund by Class Size

Class	Amount
Class I-II	$1,000
Class III	2,500
Class IV	5,000
Class V	10,000
Class VI-VII	15,000

A normal change fund in excess of amounts above requires approval from F&E. Special change funds -- for example, for admissions during fair time does not need prior approval; however, the money *must* be redeposited on the first business day following the close of the event. Train the change fund custodian in proper procedures for administering the fund. Prohibit cashing employees' personal checks and individuals borrowing from the fund.

Change Fund Checklist

- *Have all change fund amounts been approved by the Board of Directors*
- *Have change funds been properly established by drawing a check payable to the custodian of the fund?*
- *Are change funds used only during the time they are necessary and redeposited when they are no longer required?*
- *Are change funds properly safeguarded to prevent theft by providing adequate physical facilities?*
- *Are change funds being used for non-district uses?*

2.33 11300 Operating Account

Unless earmarked for a special cash account, deposits of cash are made to this account; transfers from it initiate special accounts.

2.331 Deposit of Cash Receipts (DAA only)

Timely deposit of cash receipts is required. SAM Section 8032.1 states deposits should be made whenever currency totals $1,000, or when cash, checks and money orders totals $10,000 for those that have safes, vaults, money chests, or other comparable storage. If an agency does not have safes, etc, then the deposit amount is $250 in cash or $10,000 in aggregate. Taking precedence over this rule is the absolute requirement that accumulated collections totaling $50 or more must be deposited within five working days and ***no*** collection may remain undeposited for more than ten working days. In addition, SAM Section 8032.4 states:

- If the amount of coin in the deposit exceeds $50, a separate deposit slip for the coin portion only must be prepared and submitted (other currency will be submitted with a separate deposit slip).
- Whenever coin and currency to be deposited exceed $3,000 and armored car service is either not available or excessively expensive, two employees should be assigned to deliver the deposit jointly or two or more deposits may be made to reduce the cash transported at one time. A single employee will not transport more than $3,000 in coin and currency at one time.

2.332 Cash Receipts Journal

Record collected cash receipts daily in the ***Cash Receipts Journal***. The Receipts Journal, where cash receipts are posted in chronological order, facilitates analysis by major revenue accounts. Summarize the journal monthly and compare entries in the corresponding accounts of the General Ledger. Analyze any discrepancies and adjust using General Journal entries. On a regular basis, someone other than the preparer should review cash receipt forms, both completed and voided, to ensure that there are no improprieties.

2.34 11400 Premium Account

In the General Ledger, the Premium Account is shown as having a zero balance -- *except* during the fair, when you transfer funds into the account, usually from 11300,

and write checks to pay the exhibitors. At the end of the event, clear excess funds from the Premium Account by transferring the balance back to the source account. In reconciling the Premium Account, the bank balance should equal the total of outstanding checks.

2.35 11500 Payroll Account

Since preparation of payroll is such a specialized task, it will not be directly addressed in this manual. However, F&E recommends a separate bank account be established to facilitate the payroll process.

2.36 11600 Investments or Savings Account

To maximize fair resources, invest surplus funds in an interest-bearing account. Because banking institutions traditionally have offered low interest rates on cash savings accounts, the State Treasurer's Office (STO) created the Local Agency Investment Fund (LAIF) for use by government agencies. STO is responsible for the control and safekeeping of all investments of the LAIF. The fund pools surplus cash balances in an effort to maximize investment yield and minimize risk to principal. There are no investment minimums or maximums.

LOCAL AGENCY INVESTMENT FUND (LAIF)

For more information, contact:

State Treasurer's Office
915 Capitol Mall, Room 106
Sacramento, CA 95814
(916) 653-3001
www.treasurer.ca.gov

2.361 Local Investment

The fair may elect to invest funds in a local financial institution rather than in the state-administered LAIF. If the fair chooses this option, it is the fair's responsibility to ensure that deposited funds are collateralized in accordance with Government Code Sections 16520-16522 for banks and Sections 16610-16612 for savings and loans. The Federal Deposit Insurance Corporation (FDIC) insures accounts at local institutions up to $250,000. See section 2.364 for additional information. Since excess funds would be lost in the event of bank failure, open two or more accounts in separate institutions if necessary.

2.362 Certificates of Deposit

Fairs may also invest available cash in short-terms of Certificate of Deposits (CDs). Retain all documents relating to Certificates of Deposit (CD) in fair files. Include a control worksheet that indicates the source and disbursement of all CD funds. All CDs must be included in the Standard Form 445 *Report of Bank/Savings and Loan Association Account Outside the State Treasury System (Std. 445)* stated below.

2.363 Submission of Bank/Savings & Loan Report (DAA only)

If a DAA uses bank or savings and loan accounts, it must submit four copies of the Std. 445 to F&E by August 1st each year. SAM Section 7975 requires all agencies to prepare the Std. 445. Prior to due date, F&E will mail each DAA a reminder, guidelines and a sample copy of the completed report. (See blank sample form below).

STD 445 Report of Bank/Savings and Loan Account

STATE OF CALIFORNIA

REPORT OF BANK/SAVINGS AND LOAN ASSOCIATION ACCOUNT OUTSIDE THE TREASURY SYSTEM

STD. 445 (REV. 6-98)

Please return to:
State Treasurer's Office
Securities Clearance Section
P.O. Box 942809
Sacramento, CA 94209-0001

This report will be required of all State agencies. If no account exists, submit report noted "No accounts outside State Treasury." Any account in which State money is deposited, as defined by Government Code 16305.2, and which is not in the centralized State Treasury system will be included in this report.

(1) Account title and number appearing on bank/savings and loan statement.
(2) State type of account (savings, checking, certificate of deposit, etc.).
(3) Brief description and purpose of account.
(4) Name and address of depository and branch.
(5) Date of Department of Finance approval (Govt. Code 16305.3) or citation if authorized by statute.
(6) Book balance of account as of June 30.

DEPARTMENT NAME AND ADDRESS

FOR FISCAL YEAR ENDED JUNE 30, _____

(1) ACCOUNT TITLE AND NUMBER	(2) ACCOUNT TYPE	(3) PURPOSE	(4) BANK/SAVINGS & LOAN	(5) AUTHORITY	(6) BALANCE

I certify (or declare) under penalty of perjury that the foregoing is true and correct and that I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (commencing with Section 1090).

SIGNATURE	TYPE OR PRINT NAME AND TITLE	TELEPHONE NUMBER	DATE SIGNED
		( )	

2.364 FDIC Deposit Insurance Coverage

FDIC is an independent agency of the United States government that protects against the loss of insured deposits if an FDIC-insured bank or savings association fails. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 was signed, which temporarily raises the basic limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor until December 31, 2013. For more information on FDIC Deposit Insurance, visit their website at www.fdic.gov.

2.37 11700 Auction Account

Deposit proceeds from the Junior Livestock Auction (JLA) in a separate bank account and record accordingly in the General Ledger. At fair-year end, the balance in the auction account, adjusted for accounts receivable and accounts payable, must equal the net resources in the Junior Livestock Auction Net Resources (25100). See Chapter 13 for detailed procedures.

2.4 ACCOUNTS RECEIVABLE (13100)

Proper accounting for receivables is essential to accurate preparation of financial statements. Maintain a ***List of Receivables*** supporting the amount in the General Ledger account 13100. The list should specify the following:

- Debtor's name
- Date and number of the agreement
- Date and number of cash receipt (if applicable)
- Amount of indebtedness

Throughout the fair-year, the fair operates on a ***cash basis*** of accounting, recording revenue when it is received. At the end of the year, however, prior to closing the books and preparing the STOP, a fair must ***accrue*** all outstanding receivables for the year so that the revenue is recognized in the year it was earned. The fair should establish ***written procedures*** regarding collection and recording of outstanding receivables. The following section outlines the most important considerations for establishing the system.

2.41 13110 Allowance for Doubtful Accounts

Because it is expected that some individuals will fail to meet their obligations, accounting records must recognize ***doubtful accounts***. First, the fair must determine the net amounts of all receivables -- those it expects to be collected as well as those it considers uncollectible. Record the uncollectible amounts in account 13110 (Allowance for Doubtful Accounts), a contra-asset account to 13100 (Accounts Receivable). This accounting treatment represents the fair's assets more accurately.

When a ***current year revenue receivable account*** is considered doubtful, make an adjusting journal entry crediting 13110 for the questionable amount and debiting account 51400 (Current Year Bad Debt Expense). If the doubtful account was recognized in a ***prior year***, the debiting entry would be to account 80020 (Prior Year Bad Debt Expense).

The State of California refers to the write-off of bad debt as *Discharge from Accountability.* If a DAA chooses to write-off bad debt, refer to Sections 2.453 and 2.455 of this Chapter.

2.42 Dishonored Checks

Under Section 6157 of the Government Code, a charge for dishonored checks may be assessed by a state agency for a reasonable amount (not to exceed the actual processing and collection costs). When possible, the fair should withhold services until both the original charge and the dishonored check charge are paid. Enter the dishonored check fee received in the General Ledger as miscellaneous income for the department which received the majority of the revenue from the original check. Most dishonored checks are for entry fees collected by the exhibit department. The fair should not remit a cash award to an exhibitor whose entry fee check has not cleared. Immediately add the dishonored check to the list of accounts receivable. Once a check has been deemed uncollectible, apply to the Board or F&E for discharge from accountability, where applicable.

2.43 Employee Receivables

Employee receivables might occur if an overpayment is made which requires reimbursement by an employee under Government Code Section 19838. Any action to recover an overpayment to an employee must be initiated within three years from the date of overpayment. These procedures apply only to DAA fairs; county and citrus fairs should refer to their county policies and regulations.

In writing, inform the employee of the overpayment and provide an opportunity to respond. Propose a plan of repayment and include in the notification the following:

- The amount due,
- The pay period affected (if related to salary),
- The reason for overpayment, and
- The response time granted prior to taking collection action
  Give the employee 15 calendar days to respond; the amount due may be paid in cash, by check, or with a payroll deduction. Once a repayment plan has been agreed upon, draw up a formal statement for the employee to sign. Include this statement: *I agree to the repayment schedule described above and acknowledge the gross amount set forth as a legitimate debt owed by me to the State of California.*

2.44 Counterfeit Currency

It is not uncommon for a bank to find counterfeit currency in a fair's deposit and relinquish it to the United States Treasury. Immediately add the confiscated amount to the list of receivables. If the amount is less than $500, the Board may authorize a write-off; otherwise, apply with an STD. 27 to F&E for write-off approval. When possible, present the Treasury agent's receipt from the bank to support the claim for uncredited counterfeit currency. If the bank will not surrender the receipt, substitute a letter from the bank (on letterhead stationery signed by a bank official) that includes all pertinent

data.

2.45 Collection Procedures

Establish collection procedures for outstanding amounts. Recourse is available through Small Claims Court for amounts up to $5,000. If larger sums are at risk, the fair should consult counsel. Before taking collection action, the fair should weigh the amount of debt against projected recovery costs.

2.451 Known Addresses

When the address of a debtor is ***known***, send a sequence of four collection letters at 30 day intervals. If a reply or payment is not received within 30 days after sending the first letter, the fair will send a second letter. This follow-up letter will reference the original request for payment letter and will be stated in a stronger tone. If a response is still not received from the debtor, a third letter will be sent 30 days later. The fourth letter will include references to prior letters and will state what further actions may be taken in the collection process (See Pre-Intercept Letter). This last letter will need to be sent out certified.

If this procedure fails to produce payment in full or a settlement, contract with a collection agency or seek a court settlement, whichever is deemed more cost effective. If the fair uses an agency, the agreement must state that all collected funds will be remitted to the fair; the fair may pay the agency on the basis of a set fee per collection or per hour or a specific percentage of collections. *Always pay after services are rendered, never in advance.*

2.452 Unknown Addresses

When the address of the debtor is ***unknown***, the fair shall attempt to obtain a current address. Fairs may utilize Internet search engines and/or a data research service. Fairs should perform a cost benefit analysis to determine if procuring services to locate debtors would be cost beneficial. Another alternative is to request the debtor's address from the Department of Motor Vehicles by completing a Government Requester Account Application for Vehicle/Vessel Registration, INF 1130. Once the account is setup the fair may call DMV at any time to request debtors address at no cost. The fair may also contact the U. S. Post Office and request a forwarding address.

2.453 Writing Off Bad Debt Accounts - below $500 (DAA only)

Effective July 28, 2009, Government Code Section 13943.2 authorizes the Board of Directors to discharge uncollectible accounts of $500 or less once all means of collection have been exhausted. For greater amounts, DAAs should file an *Application for Discharge from Accountability* form, STD. 27 to F&E. See Section 2.455 for details.

2.454 Franchise Tax Board Offset (DAA only)

If the nine-digit social security number and first & last name of the debtor is available the fair should file a Franchise Tax Board (FTB) Offset. FTB has been intercepting

the tax refunds of Californians who owe delinquent amounts to state and local agencies. FTB also intercepts California State Lottery prizes. Once intercepted, the refunds and lottery prizes are redirected to the agencies to which the debt is owed. To file a FTB Offset the fair needs to send the following information to F&E:

- First and last name including middle initial
- Social Security Number
- Amount Owed to the fair
- Invoice number if available

If the fair does not receive reimbursement from the FTB Offset then the fair may file an *Application for Discharge from Accountability* form, STD. 27 to F&E.

2.455 Discharge From Accountability/Writing off Bad Debt Accounts - over $500 (DAA only)

In accordance with SAM Section 8776.6, if all reasonable collection procedures do not result in payment of outstanding accounts receivable, DAAs may request discharge from accountability of uncollectible amounts due from private entities.

DAAs should file an Application For Discharge From Accountability form, STD. 27, with F&E for signature and subsequent transmission to the State Controller's Office (SCO), Division of Accounting and Reporting, for processing. Because the DAAs are not listed individually within the Governor's Budget, the SCO is requiring that F&E authorize all DAA requests via signature on the STD. 27.

The SCO, Division of Accounting and Reporting, is authorized to approve requests for discharge from accountability that range between $501 and $7,500. Requests ranging between $7,501 and over requires review and approval by SCO, the State Attorney General's Office and the Victims Compensation and Government Claims Board (VCGCB) formerly BOC). Being that the VCGCB hearings are now every month, the process for claims over $7,501 maybe faster.

<u>Document submittal requirements:</u>

- Requests will require - <u>one</u> original signed STD. 27 with all supporting documentation. (Supporting documentation includes collection letters, invoices, contracts, emails, phone call logs, copies of checks, legal documents, and any related correspondences)
- Department name on the STD. 27 shall be documented as "CDFA Division of Fairs & Expositions/ XX DAA, XX County Fair."
- Department address on the STD. 27 should be the DAA's mailing address.
- Deficient Account Title should state the reason for debt (Examples: Default of presale ticket payment, Non-payment of rent, and Failure to make JLA payment)
- The explanation section must include a detailed response to each of the four requirements:

- A statement as to the nature of the money due
- The specific collection efforts made and outcome
- The estimated cost of further collection efforts
- Other facts warranting discharge

In addition, the following must be explained:

- If any state credit exists against which the debt can be offset
- Collection is improbable for any reason/s
- The cost of recovery does not justify the collection

- The DAA Chief Executive Officer shall sign the preparer's signature block on the STD. 27 with blue ink.
- F&E will sign the authorization signature block on the STD. 27.

For an example, see Sample Application for Discharge From Accountability.

Once the requests are authorized by F&E and submitted to the SCO, the SCO will contact the DAA directly with any requests or questions that arise during the review process. Final approval of the requests will also be sent directly to the DAA and a copy will be sent to F&E.

To ensure that all requests are processed in the most effective and efficient manner possible, it is crucial that the DAA thoroughly follow the STD. 27 instructions and attach all required supporting documentation. Incomplete submittals will be denied by F&E or SCO and returned to the DAA for correction or for further collection efforts.

Accounts Receivable Checklist

- *Are Accounts Receivable billings supported by valid documents and recorded accurately as to account, amount, and period?*
- *Are Accounts Receivable adjustments properly supported, approved, and recorded?*
- *Are second and third notices issued before considering the account uncollectible?*
- *Are uncollectible accounts discharged after exhausting all avenues of collection and obtaining proper approval from the Board or F&E?*
- *Are dishonored checks immediately reversed in the cash receipts journal and distributed as an account receivable with a journal entry?*

Sample **Pre-Intercept Letter**

PRE-INTERCEPT LETTER

Date

Debtor Name
Address
City, State, Zip

Dear,

Our records show that you have a $ _____ delinquent debt due to the XXXX fair. Three collection letters have been sent to you over the last ninety days with no response. You have 30 days to voluntarily pay this amount before we submit your account to the Franchise Tax Board (FTB) for interagency intercept collections.

FTB operates an intercept program in conjunction with the State Controller's Office, collecting delinquent liabilities individuals owe to state and local agencies/colleges. FTB intercepts tax refunds and lottery winnings owed to individuals, and then redirects these funds to pay the individuals' debts to the agencies/colleges (California Code Sections 12419.2, 12419.7, 12419.9, 12419.10, and 12419.11).

If you have questions or if you do not believe that you owe this debt, contact us within 30 days from the date of this letter. A representative will review your questions/objections. If you do not contact us within that time, or if you do not provide sufficient objections, we will proceed with intercept collections.

Signature

STD. 27 Application for Discharge from Accountability

Clear Print

STATE OF CALIFORNIA

APPLICATION FOR DISCHARGE FROM ACCOUNTABILITY

STD. 27 (REV. 8-97)

(See SAM Section 8776.6)

Submit in triplicate to the Office of the State Controller, Division of Collections, Bureau of Tax Administration

DEPARTMENT NAME	CLAIM AMOUNT
CDFA DIVISION OF FAIRS & EXPOSITIONS/ XX DAA, XX COUNTY FAIR	$ 600.00

DEPARTMENT ADDRESS
1010 Fairgrounds Way Fairgrounds, CA 94321

DEBTOR'S NAME	DEFICIENT ACCOUNT TITLE *(i.e., Specific Fund)*
XYZ COMPANY	DEFAULT OF CONCESSION SALES

Explain in detail, the collection efforts made and circumstances warranting discharge, per SAM Section 8776.6. Include the following:
(Attach additional pages if needed.)

1. A statement as to the nature of the money due.
2. The specific collection efforts made such as:
   a. Collection letters issued
   b. Offset attempts made
   c. Legal action pursued
   d. Collection agency activities or accounts receivable sales
3. The estimated cost of further collection efforts.
4. Other facts warranting discharge.

XYZ Company had a concessions booth at the 2005 XX County Fair. This vendor agreed to pay 25% of the gross sales earned from concessions. The fair was held in August of 2005 and the vendor left the grounds before settlement.

We began the collection process by sending a sequence of three collection letters at 30 day intervals. A final certified letter was sent after no response was received. Phone calls were made, and messages were left with no response. A copy of the collections letters, certified mail receipt, settlement accounting, phone log, and a copy of the concession agreement are included along with this agreement.

The social security number of the owner is not available, therefore, we could not file an offset claim with the Franchise Tax Board.

Collection is improbable because the company is no longer in business. This was determined after the phone to the business owner was disconnected and mail returned. Subsequent inquiries to other vendors revealed the business only lasted one year. An internet search was futile and the number of subjects with the name of the owner are too numerous to pursue.

A cost/benefit analysis of further collection effort (i.e., legal action and collections agency) shows that it would not be cost effective to pursue collection. An estimated ten hours of legal services would be required, costing $700 to collect a $600 debt. To process a contract with a collection agency would cost $600 with a percentage remitted to the collection agency, should they be successful in collecting the debt.

The fair has exhausted its collection resources and based on the information above consider the account uncollectible. Any further collection efforts will be a waste of resources and money. At this point the cost of recovery does not justify the collection.

Each of the following questions must be answered. Any "NO" or "NOT APPLICABLE" responses must be explained in a separate attachment if necessary.

1. NO STATE CREDIT EXISTS AGAINST WHICH THE DEBT CAN BE OFFSET.
   ☑ YES ☐ NO ☐ NOT APPLICABLE
2. COLLECTION IS IMPROBABLE FOR THE REASON CITED.
   ☑ YES ☐ NO ☐ NOT APPLICABLE
3. THE COST OF RECOVERY DOES NOT JUSTIFY THE COLLECTION.
   ☑ YES ☐ NO ☐ NOT APPLICABLE
4. HAS A CURRENT COPY OF YOUR AGENCY'S ACCOUNTS RECEIVABLE MANAGEMENT ACT REPORT BEEN SUBMITTED TO THE FRANCHISE TAX BOARD?
   ☐ YES ☑ NO ☐ NOT APPLICABLE

I declare under penalty of perjury that each of the foregoing statements is true and correct. (CCP Section 2015.5)

Executed at Fairgrounds, California, this 1st Day of June, Year of 2009

SIGNATURE	TELEPHONE NUMBER	DATE SIGNED	AUTHORIZED BY	DATE AUTHORIZED
✍ MUST BE IN BLUE INK	(916) 123-1234	6/1/2009	✍ (Signed by F&E only)	

PRINTED NAME AND TITLE	PRINTED NAME AND TITLE
Fair Chief Executive Officer	F&E Approving Official

NOTICE: EVERY PERSON WHO, WITH INTENT TO DEFRAUD, PRESENTS FOR ALLOWANCE OR FOR PAYMENT TO ANY STATE BOARD OR OFFICER, . . . AUTHORIZED TO ALLOW OR PAY THE SAME IF GENUINE, ANY FALSE OR FRAUDULENT CLAIM, BILL, ACCOUNT, VOUCHER, OR WRITING IS GUILTY OF A FELONY. (PENAL CODE SECTION 72)

THIS SPACE RESERVED FOR SCO USE ONLY

The STATE CONTROLLER'S OFFICE hereby certifies that this claim has been APPROVED FOR DISCHARGE pursuant to Government Code Section 13943 with the delegated authority for the State Board of Control.

AUTHORIZED SIGNATURE	DATE SIGNED
✍	

PRINTED NAME AND TITLE

2.5 PROPERTY ACCOUNTS (19100-19400)

SAM Section 8601 defines property as all assets used in governmental operations. Property includes land, buildings, improvements, machinery, furniture, tools and intangibles. SAM Section 8602 states ***Capitalized Property*** are tangible property that must meet the following three requirements in order to meet the capitalization requirements:

- Have a normal useful life of at least one year;
- Have a unit acquisition cost of at least $5,000 (e.g., four identical assets which cost $3,000 each, for a total of a $12,000 total, would not meet the requirements); and
- Be used to conduct State Business

At fair-year end, when the Statement of Operations is prepared, amounts listed in asset accounts 19100 Land, 19200 Buildings & Improvements, 19300 Equipment, and 19400 Leasehold Improvements should agree with the control sheets for these accounts in the Property Ledger.

SAM Section 8603 states ***Non-Capitalized Property*** are those properties which do not meet all three requirements above. They should be recorded in the property ledger and accounted for as expenditures.

2.51 19100 – 19400 Land, Buildings and Improvements, Leasehold Improvements and Equipment

SAM Section 8611 through 8614 provides definitions and capitalization for land, buildings and building improvements as follows:

- ***Land*** (Account #19100) – real property and includes natural or artificial structures that are attached to it. The amount capitalized is the purchase price plus all related costs such as legal and title fees, title search costs, and all cost incurred in getting the land ready for its intended use (e.g., grading, surveying, filling, draining, etc.).
- ***Buildings*** (Account #19200) – structures which provide workplace, storage space, or are used in some other way for State activities. Capitalized building costs include the purchase price plus all other cost incurred to put the building in condition for its intended use.
- ***Building Improvements*** (Account #19200) – additions, improvements, and betterments to assets that meet the capitalization criteria which will be capitalized to the asset benefited.

Fairs have many methods of acquiring fixed assets; through purchases using Fair funds, donated assets, on credit or loan proceeds from a bank. The following subsections are examples and journal entries that are required to properly record the acquisition of fixed assets on the accrual basis.

2.511 Assets Purchased using Fair Funds

Recording of purchased assets using Fair funds shall be made on the basis of actual costs, including all ancillary costs, based on vendor invoice or other supporting

documentation. Ancillary costs are the costs necessarily incurred to bring the asset to the condition and location necessary for its intended use.

Example: The Fair purchased a $20,000 asset with its own funds

Account # (191,192,193) (Property)	$20,000	
Cash – Operations		$20,000

2.512 Donated Assets

Fixed assets acquired by gift, donation, or payment of a normal sum not reflective of the asset's market value shall be assigned cost equal to the fair market value at the time of acquisition. The Fair must recognize both unrestricted and restricted contributions, at fair market value (FMV), as revenues in the period received. Contributed depreciable assets are depreciated on the basis of FMV.

Example: The Fair received an asset with a FMV of $20,000 from a local organization

Account # (19100,19200,19300)	$20,000	
Donated Revenue Account		$20,000

2.513 Assets Purchased on Credit

Record purchased assets through credit as follows.

Example: The Fair purchased a $20,000 asset on credit

Account # (19100,19200,19300)	$20,000	
Loan Payable		$20,000

Payment on the Loan

Loan Payable	$1,000	
Cash – Operations		$1,000

2.514 Assets Bought from Loan Proceeds from a Bank

Record assets purchased through a loan from a bank as follows.

Example: The Fair received a loan to purchase an asset for $20,000

Cash – Operations	$20,000	
Loan Payable		$20,000

Account # (19100,19200,19300)	$20,000	
Cash – Operations		$20,000

Payment on the Loan

Loan Payable	$1,000	
Cash – Operations		$1,000

2.52 DEPRECIATION OF FIXED ASSETS

In June 1999 the Government Accounting Standards Board (GASB) issued a new accounting standard (GASB No. 34) to govern state and local governments. The objective of GASB No. 34 was to establish a basic financial reporting model that will result in greater accountability by governments by providing more useful information to a wider range of users. Under GASB no. 34, all DAAs are required to capitalize and depreciate long-term assets; including such items as equipment, real property, infrastructure, and report this information in the annual financial statements.

Fixed assets that meet the capitalization criteria in Section 2.5 Property Accounts must be depreciated annually until the asset reaches its useful life.

2.521 Depreciation Method and Rates:

Long-term assets must be depreciated by using the Straight-Line depreciation method. Under this method a constant amount of depreciation is recognized over the established useful life of each asset category. The following useful lives should be used for each asset category:

- Land – Never Depreciated
- Buildings & Improvements – 30 years
- Leasehold Improvements – 30 years
- Equipment – 5 years

Depreciation per year is calculated as follows:

Category	Depreciation Per Year Calculation	Support for Depreciation %
Land	N/A	N/A
Building &Improvements	Cost x 3.33%	1/useful life =1/30 =3.33%
Leasehold Improvements	Cost x 3.33%	1/useful life =1/30 =3.33%
Equipment	Cost x 20%	1/useful life = 1/5 = 20%

2.522 Depreciation Examples

Regardless of what month the asset is placed into service, an entire year of depreciation will be recorded in the first year. A full year of depreciation will also be taken in each year of the asset's useful life. Even after the useful life has lapsed, the asset should be kept on the books at cost with accumulated depreciation until the asset is disposed. Depreciation expense is only calculated until the asset reaches its useful life.

- **For assets held for their entire useful life, depreciation is calculated as follows:**
  Example: A truck was purchased for $15,000 and was place into service August 17, 2000. Depreciation per year is calculated at $3,000 per year ($15,000 x 20%).

Year	Calendar Year	Depreciation Expense	Accumulated Depreciation
1	00	$3,000	$3,000
2	01	$3,000	$6,000
3	02	$3,000	$9,000
4	03	$3,000	$12,000
5	04	$3,000	$15,000
6 through the disposal year	05 through the disposal year	$- 0 -	$15,000

Regardless of what month the asset is place into service, an entire year of depreciation will be recorded in the first year. A full year of depreciation will also be recorded in each year of the asset's useful life, up until the year the asset is disposed. In the asset's disposal year, any remaining book value will be recorded as depreciation such that the asset's book value is zero. Whenever property is deemed obsolete, sold, or traded in, a property survey report (STD. 152) must be completed. See Section 2.57.

- **For assets disposed of before their useful life is reached, depreciation is calculated as follows:**
  Example: A printer was purchased for $10,500 and was placed into service May 2, 2000 and was disposed of in March 2003. Depreciation per year is calculated at $2,100 ($10,500 x 20%).

Year	Calendar Year	Depreciation Expense	Accumulated Depreciation
1	00	$2,100	$2,100
2	01	$2,100	$4,200
3	02	$2,100	$6,300
4	03	$4,200	$10,500**
5	04	---	---

** Book Value (cost less accumulated depreciation): $10,500 - $10,500 = 0

Sample Journal Entries for Common Fair Scenarios

RECOGNIZING DEPRECIATION EXPENSE
The DAA calculated that $100,000 of depreciation expense should be recognized, $50,000 for equipment and $50,000 for buildings and improvements:

Depreciation Expense – (Account # 900)	$100,000	
Accumulated Depreciation – Equipment (Account # 193.1)		$50,000
Accumulated Depreciation – Bldg & Imp (Account# 192.1)		$50,000

DISPOSAL OF PROPERTY
The DAA disposed of an asset with a cost of $25,000 which has been fully depreciated:

Accumulated Depreciation – Equipment (Account # 193.1)	$25,000	
Equipment – (Account # 193)		$25,000

The DAA disposed of equipment with a cost of $25,000 with one year remaining on its useful life.

Accumulated Depreciation – Equipment (Account# 193.1)	$20,000		
Depreciation Expense – (Account # 900)		$5,000	
Equipment – (Account # 193)			$25,000

CLOSING DEPRECIATION EXPENSE ACCOUNT
The DAA closed the depreciation account of $100,000 at year-end:

Net Resources – (Account #291)	$100,000	
Depreciation Expense – (Acct# 900)		$100,000

2.53 Property Ledger or Automated Property Accounting System

In the ***Property Ledger*** record all purchased property and equipment at ***acquisition cost****;* record donated items at their ***appraised value*** on the date of acquisition. The fair should capitalize and include in the property ledger all buildings, improvements, and equipment deemed monetary. The information for each asset serves as subsidiary data supporting asset accounts. A separate record for each asset is essential; update the Property Ledger monthly. In addition to a reference to the original journal entry in which its purchase was recorded, it must also contain:

- Date acquired
- Property description

- Property identification number
- Cost or other basis of valuation
- Owner fund
- Rate of depreciation (or depreciation schedule), if applicable.

2.54 Non-Capitalized Property Ledger

List all ***non-capitalized*** property in the ***Non-capitalized Property Ledger***, keep it with the Property Ledger, and update both at the same time.

2.55 Property Identification

All movable items owned by DAAs are to be numerically identified either with a permanent stamp or with property ID tags. Other fairs may use a County sticker. ID numbers should also be recorded in the Property Ledger or Non-Capitalized Property Ledger as a control over loss or theft of all movable items.

2.56 Property Inventory (DAA only)

DAAs are required to perform periodic physical inventories of state property. SAM Section 8652 requires physical inventory of all property and reconcile the count with accounting records at least once every three years. Inventories should be made by personnel other than those in charge of the items. All inventory worksheets must be retained for audit, and reviewed, signed, and dated both by the person who took the inventory and by the CEO.

2.57 Property Survey Report (DAA only)

Fairs have the ability to sell, donate, or dispose of state owned property. However, all sales, donations, or other disposal of fair property must have **prior** approval by the DGS. Property may include computers, printers, portable fencing, vehicles, and other equipment. The only instance that does not require prior approval of DGS is if the property is destroyed, stolen, or lost. In this case, the fair would follow the same procedures outlined below to formally document removal of such property from fair records.

To obtain DGS approval prior to disposing of any State owned property, the fair must complete and submit Standard Form 152 (Property Survey Report) to DGS for signature approval. Property surveys fall into two general categories: 1) vehicles and mobile equipment, and 2) all other property. There are multiple locations for form submission depending on the type of property disposed and the geographic location of the property. Please refer to the lower right corner of STD. 152 for the appropriate mailing address.

Upon approval, DGS will return a signed copy of the request to the fair. The fair may then proceed with disposal. Approved STD. 152's must be maintained in the fair's records for review during your annual audit. These forms act as substantiation for removal of assets from the property and general ledgers. For your convenience and use, we have enclosed a blank copy of Std. 152 on the Appendix under Forms.

2.58 Use of Employees' Equipment (DAA only)

Employees' personal property, tools, or equipment are not to be included in the property ledger. When an employee is ***required to use personal property*** while conducting fair business, the fair should prepare a formal written agreement, which describes the property and the necessity for its use. Prior to executing the agreement, the fair should review any applicable labor contract. The agreement should include:

- An inventory identifying and describing each piece of equipment
- Requirements for ***reporting*** damaged or stolen property
- The procedure for ***compensating*** the employee for damaged or stolen items

One of the original signed agreements should be filed with the fair's other property documents, the second in the employee's personnel file.

SAM Section 8423 provides for the replacement of an employee's stolen or damaged property only if three conditions are met:

- The item was required for work
- Loss or damage occurred at the work base, work site, or en route between home and work
- All foreseeable precautions were taken and no carelessness or negligence on the part of the owner-employee was involved.

2.6 NON-OPERATING ACCOUNTS (31200 – 34000)

Fairs should properly record funds received from the State. Below is a summary and brief description of non-operating accounts.

- ***State (Local/Base) Allocations*** (Account #31200) – annual funds for discretionary use by fairs with classification criteria that assign greater support to smaller fairs.
- ***Fiscal and Admin Assistance funds from F&E*** (Account #31300) – fiscal assistance to fairs during pre-intervention, or intervention. Represents funds that are not required to be repaid by the fair.
- ***Capital Project Reimbursement Funds*** (Account #31900) – funds received by fairs from all outside sources (e.g. state, local government, private, non-profit arm of the fair, etc.) used for capital projects. Use of this account helps distinguish external funds versus fair funds spent on capital projects.
- ***Contributions From Other Governmental (non-F&E) Sources*** (Account 33000) – allocations received from local, state (non-F&E) and federal government sources.
- ***Other*** (Account 34000) – funds received solely from F&E for operational expenditures (flex capital, etc.). All other non-fair funds (e.g. funds from non-profit arm of the fair, non-governmental grants or contributions, etc.) received or operating purposes should be posted to the appropriate operating revenue account such as other revenue, donations, etc.

Sample Journal Entries for Common Fair Scenarios

Scenario #1 - Accounting for Non-Fair Funds Used for Capital Improvements

Scenario	Acct. No.	Debit	Credit
J/E 1 – CASH RECEIPT			
Cash	11000-11800	$XXX	
Capital Project Reimbursement Funds	31900		$XXX
To record cash received from outside source (e.g. F&E) for an approved capital project.			

Scenario	Acct. No.	Debit	Credit
J/E 2 – CASH DISBURSEMENT			
Construction in Progress (CIP), or Property, Plant and Equipment (PPE)	19000 or 19100-19400	$XXX	
Cash	11000-11800		$XXX
To record cash disbursement for capital project expenditures. CIP is used to record the project asset during construction and until the project is complete. If the expenditure signifies the completion of the project, then PPE would be used. All previously recorded CIP for the project would also be reclassified to PPE upon completion of the project. Depreciation of the asset commences at the completion of the project.			
J/E 3 – FAIR ADVANCES PROJECT FUNDS (IF APPLICABLE)			
CIP or PPE	19000 or 19100-19400	$XXX	
Cash	11000-11800		$XXX
Same description as JE 2			
Accounts Receivable	13100	$XXX	
Capital Project Reimbursement Funds	31900		$XXX
To record reimbursement due from outside source (e.g., F&E or CCA).			
J/E 4 – RECLASSIFY UNSPENT PROJECT FUNDS RECEIVED (IF APPLICABLE)			
Capital Project Reimbursement Funds	31900	$XXX	
Deferred Revenue	22800		$XXX
To reclassify unspent capital project funds at year-end. Revenue should be recognized in the year it is spent for purposes intended.			

Scenario	Acct. No.	Debit	Credit
J/E 5 – YEAR-END CLOSING			
Capital Project Reimbursement Funds	31900	$XXX	
Total Net Resources	29100		$XXX
To close-out non-operating revenue received from outside sources for fair capital projects. Note that all revenues and expenses now close to Total Net Resources, Account 29100. A separate net resources (reserve) account (i.e., the old Account 29200) for F&E funded projects is no longer used and has been eliminated due to the implementation of depreciation.			

Notes:

- While the implementation of depreciation at fairs eliminated the need to expense capital project costs, the effect of cash disbursements for capital projects on a fair's "Unrestricted Net Resources" (i.e., available reserves) remains the same. With depreciation in place, cash disbursements for capital projects increases a fair's "Investment in Capital Assets," which directly decreases a fair's "Unrestricted Net Resources" (i.e., available reserves).
- It is permissible to use sub-accounts for tracking individual projects within the Construction in Progress account if desired.

<u>Scenario #2 - Accounting for F&E Funds Used for Operations</u>

Scenario	Acct. No.	Debit	Credit
J/E 1 – CASH RECEIPT			
Cash	11000-11800	$XXX	
Other Non-Operating Revenue	34000		$XXX
To record cash received from F&E for operating expenditures (e.g. Flex Capital).			
Scenario	**Acct. No.**	**Debit**	**Credit**
J/E 2 – CASH DISBURSEMENT			
Standard Expense Accounts	50000-94500	$XXX	
Cash	11000-11800		$XXX
To record cash disbursement for operating expenses funded by F&E. Schedule 8B of the STOP template summarizes the year-end details.			

Scenario	Acct. No.	Debit	Credit
J/E 3 – RECLASSIFY UNSPENT F&E FUNDS RECEIVED (IF APPLICABLE)			
Other Non-Operating Revenue	34000	$XXX	
Deferred Revenue	22800		$XXX
To reclassify unspent F&E funds at year-end. Revenue should be recognized in the year it is spent for purposes intended.			

<u>Scenario #3 - Accounting for Non-Fair & Non-F&E Funds Used for Operations</u>

Scenario	Acct. No.	Debit	Credit
J/E 1 – CASH RECEIPT			
Cash	11000-11800	$XXX	
Standard Revenue Accounts	41000-49500		$XXX
To record cash received from outside sources (e.g. non-F&E funds, private grant, non-profit arm of the fair) allocated for operating expenses.			
Scenario	**Acct. No.**	**Debit**	**Credit**
J/E 2 – CASH DISBURSEMENT			
Standard Expense Accounts	50000-72300	$XXX	
Cash	11000-11800		$XXX
To record cash disbursement for operating expenses funded by outside sources (non-F&E).			

Scenario	Acct. No.	Debit	Credit
J/E 3 – RECLASSIFY UNSPENT NON-F&E FUNDS RECEIVED (IF APPLICABLE)			
Standard Revenue Accounts	41000-49500	$XXX	
Deferred Revenue	22800		$XXX
To reclassify unspent non-F&E funds at year-end. Revenue should be recognized in the year it is spent for purposes intended.			
J/E 4 – YEAR-END CLOSING			
Total Net Resources	29100	$XXX	
Standard Expense Accounts	50000-72300		$XXX
To close-out operating expenses from outside sources (non-F&E) funds at year-end.			

<u>Scenario #4 - Accounting for F&E Funds Expended by CCA on Behalf of the Fair</u>

Scenario	Acct. No.	Debit	Credit
J/E 1 – FAIR ADVANCES PROJECT FUNDS (IF APPLICABLE)			
Construction in Progress (CIP)	19000	$XXX	
Cash	11000-11800		$XXX
To record cash disbursement for capital project expenditures, where the fair advances the funds.			
Accounts Receivable	13100	$XXX	
Capital Project Reimbursement Funds	31900		$XXX
To record reimbursement due from outside source (e.g. F&E or CCA).			

Scenario	Acct. No.	Debit	Credit
J/E 2 – RECONCILE CCA PROJECT CLOSEOUT			
Property, Plant and Equipment (PPE)	19100-19400	$XXX	
Capital Project Reimbursement Funds	31900		$XXX
To capitalize completed project as evidenced by CCA project closeout. Amount posted should equal total funds spent by CCA on behalf of the Fair that did not run through the fair's records. Also note that revenue recognition for state funds spent by CCA on behalf of the fair takes place during this step.			
J/E 3 – RECLASSIFY CIP AT COMPLETION OF PROJECT			
Property, Plant and Equipment (PPE)	19100-19400	$XXX	
CIP	19000		$XXX
To reclassify previously recorded CIP at completion of the project as evidenced by CCA project closeout. Amount of reclassification plus amounts posted in J/E 2 should equal total final cost of the project.			
J/E 4 – YEAR-END CLOSING			
Capital Project Reimbursement Funds	31900	$XXX	
Total Net Resources	29100		$XXX
To close-out non-operating revenue received from outside sources for fair capital projects. Note that all revenues and expenses now close to Total Net Resources, Account 29100. A separate net resources (reserve) account (i.e., the old Account 29200) for F&E funded projects is no longer used and has been eliminated due to the implementation of depreciation.			

Notes:

- See notes for Scenario #1.

2.7 DISBURSEMENTS AND EXPENDITURES

2.71 Checks

Store ***check stock*** (blank checks) in a secure place accessible only to authorized personnel. Use checks in numerical order. Checks payable to "Cash" may be written only for Change Funds and, with carefully examined proper documentation, for Petty Cash. The fair should not issue a blank signed check to any person and under no circumstances. If, occasionally, the fair must provide a check for an unknown amount, enter the date, payee, and a description of the purchase prior to passing it to an authorized signer. In the event that the authorized signer for an account will be absent for a period of time, the CEO must arrange for an alternate signer; ***never*** substitute blank checks signed in advance.

2.72 Cash Disbursements Journal

List all checks written in the Cash Disbursements Journal in numerical order. The journal contains columns for distributing expenses to the proper General Ledger accounts; summarize it monthly. Compare totals to the General Ledger and make necessary adjustments with journal entries prior to preparing the monthly financial reports. The payee's name, date, check number, and the purpose of the payment should be included in the disbursements entry. When applicable, reference the original invoice being paid.

2.73 Invoice Review

Prior to making any payment, the accounting staff should review the invoice to ensure that:

- Vendor has properly billed for items purchased
- Expenditures were for fair business
- All items purchased were received.

2.74 Disputed Invoice

A ***disputed invoice*** is an invoice which the fair will not pay because of improper billing or receipt of unacceptable goods or services. Contest a disputed invoice with the vendor in writing within 15 calendar days of its receipt to avoid assessment of interest or penalty charges. Timely written notification which confirms and clarifies any previous oral communication regarding the matter will postpone requests for payment from the fair until the dispute is resolved.

2.75 Documentation of Expenditures

Sound accounting practices dictate that all expenditures be supported by detailed documentation. To this end, each fair must require that:

- Purchase order numbers be on invoices and invoice numbers be on checks
- Invoices be initialed by the CEO or Chief Financial Officer unless purchase orders were approved previously
- Invoices must clearly state the items or services purchased

- Account classification, check number, date, and the amount paid be noted on each invoice
- An explanation or justification of the expenditure appear either on the invoice or attached purchase order
- Shipping slips or receiving inventories be attached to invoices
- No purchases be made using lay-away or progress payments; all purchases must be made after the item is received

2.76 Public Relations and Promotional Expenses

The Fair should establish written reasonable standards for promotional and public relations expenses and distribute them to any person likely to incur such expenses, including members of the Board. Claims for payment of promotional or public relations expenses must include the names of all recipients of the item or benefit and the purpose of the expenditure. A claim must ***justify*** providing food or a meal by specifying the topics discussed during the event and the necessity of or the benefits expected to accrue to the fair by entertaining state officials, patrons, or others at a restaurant, hospitality booth, or elsewhere.

2.77 Inappropriate Use of State Funds

Article XVI, Section 6, of the State Constitution states in part:

The Legislature shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the State. . . nor shall it have the power to make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation . . .

As state agencies, DAAs are governed by this law.

Correspondence on file from the State Controller's Office states that purchases of food and beverages, other than business meals reimbursed in accordance with the Department of Personnel Administration (DPA) rules and regulations, will be questioned as to necessity and benefit to the State. An agency must justify its reasons for such purchases. Be cautioned that expenditures of this nature may be deemed ***inappropriate use of funds*** *or* ***gifts of public funds*** which are prohibited. Other examples include:

- Purchase of flowers for employees or their families
- Purchase of firearms for any reason
- Personnel bonuses
- Employee draws against future earnings
- Free passes to state-sponsored entertainment events
- Purchase of alcoholic beverages -- judged to be unnecessary and of no benefit to the State while increasing liability

2.78 Travel Expense Claims (DAA only)

Travel expense claims should be prepared on form Std. 262 in accordance with CDFA's *Travel Guide*, using the rules, rates, and formats cited therein. Important considerations are:

- The claimant must have obtained the appropriate signatures and filled in all of the required boxes on the travel claim: name, address, social security number (last four digits only), position, travel dates and times (departure and return), and personal car license number, if applicable.
- After signing the form, the claimant, if an employee, needs the signature of the CEO or a department supervisor; if a department supervisor or Board member, the CEO; and if the CEO, the President of the Board.
- Provide clear descriptions of the destination and purpose of travel.
- Attach receipts for cash expenses such as parking, cab fare, and lodging costs.
- Travel associated with conventions and conferences is reimbursed in the same manner as any other trip, with the exception of lodging, which is usually higher than the pre-approved amount in the travel guide.
- All costs for a delegate's spouse or guests, including fees for registration, sporting events, tours, and related activities, are the sole responsibility of the delegate and are not reimbursable by the state.

Travel Expense Checklist

- *Are the reimbursements for travel within CDFA's established rates and rules?*
- *Is the travel expense claim form completed properly and supported by receipt vouchers?*
- *Is the purpose of the trip clearly stated?*
- *Have travel advances and personal charged been deducted from the claims?*

2.8 OTHER PERTINENT INFORMATION

2.81 Legal Service

Government Code Section 11042 states that "No State agency shall employ any legal counsel other than the Attorney General, or one of his assistants or deputies, in any matter in which the agency is interested." This provision applies to all DAAs. Any questions regarding legal matters should be referred to F&E immediately. The fair is liable for the cost of the attorney's time, overhead, telephone, travel, and ancillary expenses. On occasion, the Attorney General will grant permission for outside counsel.

2.82 Federal Labor Standards Act – FLSA (DAA only)

Each year, DAAs must prepare and submit an FLSA Calculation with the Statement of Operations. The calculation determines whether the fair meets the *recreational exemption* and need not pay time and one-half overtime to temporary employees. The FLSA calculation involves reporting the fair's monthly gross receipts defined as:

- ***Revenues*** collected by the fair which are available for operating use. This ***excludes*** gate receipts collected for promoters and JLA receipts except for the portion retained by the fair to compensate its operating fund
- Include ***grants and sponsorships*** if the donor or sponsor received a benefit from the agreement, such as publicity
- Exclude ***state allocations*** provided by F&E
- Exclude guarantee deposits, CFSA funds, insurance fees collected, and reimbursable expenses

Use January through December for the calculations regardless of the fairs' individual fiscal cycle. Report revenue in the months it was actually received as opposed to when it was billed.

2.83 Conflict of Interest

Fairs should own and refer to a manual entitled *Conflict of Interest* should questions arise as to the appropriateness of procedures or commitments. Board members should read *Government Appointees Standard of Ethical Conduct* as well as *HANDBOOK Recommended Guidance for Fair Board Directors* published and distributed by F&E. They address situations such as the following:

- No employee may receive any compensation from the fair other than the established payroll check.
- No employee (permanent or temporary) may enter into a contractual relationship with the fair. Government Code, Section 19990, states that "an employee shall not engage in any employment, activity, or enterprise which is clearly inconsistent, incompatible, in conflict with, or inimical to his or her duties as a State officer or employee."
- Directors may not receive compensation of any kind from the fair and should refrain from any activity which creates the appearance of a conflict of interest.

2.84 Use of Coupons Giving Prizes

A prize coupon must state on its face "Redeemable with Outside Gate Admission." No fair may charge admission merely to claim a gift.

2.85 Gas Tanks on Fairgrounds

Fairs storing gas in tanks on the grounds should apply for a gas tax refund. Claims may be filed semi-annually with the State Controller for a refund of State Motor Vehicle Fuel Tax paid on the purchase of gasoline for non-highway use for vehicles that do not leave the grounds such as lawn mowers, paint sprayers, and leaf blowers. Keep meticulous mileage records for vehicles used both inside and outside the fairgrounds so that usage may be prorated. To qualify, maintain supporting records that specify:

- Amount of gasoline pumped
- Amount used by each vehicle and piece of equipment
- Highway/non-highway classification of each
- Mileage records specifying on- and off-grounds use

2.86 Program and Award Book Advertising

If merchants or other advertisers advertise in fair books, the fair should have written controls to monitor the revenues; at minimum include:

- Rate approval by the Board
- Specific justification for the provision of free advertising space and discounted-rate contracts
- Requirement that an individual agreement with each advertiser be executed
- Records that include copies of each program or book in which advertisements are published, properly marked and cross-referenced to receipt numbers for payments made

2.87 Acquisition or Granting of Easement

Prior to granting or accepting easements, send a letter of explanation to F&E stating:

- Purpose of the easement
- Advantages to the district, if any
- Statement as to whether it will interfere with the future development of the fairgrounds

Include a sketched map of the fairgrounds and immediate surrounding area showing the location of the proposed easement, a legal description of the easement, and two certified copies of the Board resolution of approval. All easements must be approved by the State Office of Real Estate and Design. Generally, a charge will be imposed for granting an easement across state lands, although it may be waived when granting the easement is of great benefit to the State.

2.88 Oil & Gas Leases

Leases of state lands for oil and gas are processed and executed by the State Lands Division of the State Lands Commission. The Board may initiate lease action by sending a legal description, a map on which the legal description may be traced, and a copy of an approving Board resolution to F&E.

CHAPTER 3: USE OF ACCOUNTS

3.0 OVERVIEW

The fair must use F&E's recommended Chart of Accounts for preparation of its annual budget and Statement of Operations to the state. This means utilizing the account numbers and names as recommended by F&E (see Chapter 1).

Modifications to the accounts to provide more details for an individual fair are allowed only if the standard accounts are **subdivided**.

3.1 DEBITS AND CREDITS

Knowledge of basic accounting principles is necessary for an individual to be qualified to work in the accounting department. The most important concept that must be understood is that of ***Debits*** and ***Credits*** and their effect on account balances. Following is a summary for reference:

3.11 Accounts with Normal Debit Balances

Posting a *debit* to these accounts will **increase** the balance; posting a *credit* will **decrease** the account balance.

Assets	Accounts 11100 through 19400
Operating Expenditures	Accounts 50000 through 80000
Other Operating Expenditures	Accounts 90000 through 94000

3.12 Accounts with Normal Credit Balances

Posting a *credit* to these accounts will ***increase*** the balance; posting a *debit* will ***decrease*** the account balance.

Obligations & Net Resources[1]	Accounts 20000 through 29300
Non-Operating Revenues	Accounts 30000 through 34000
Operating Revenues	Accounts 40000 through 49000

3.13 Monthly Accounting

Prior to preparing the monthly financial reports, review accounts that do not have the normal balance to ascertain whether any adjustments are necessary. Examination of the current trial balance may identify erroneous entries. The following two pages contain a sample trial balance form.

[1] In most cases, net resource accounts (29100-29200) are adjusted only at year-end.

Trial Balance Form

ACCOUNT	NAME	DEBIT	CREDIT
	ASSETS		
11000	Cash in Bank – Restricted Cash		
11100	Petty Cash		
11200	Change Funds		
11300	Cash in Bank – Operating Account		
11400	Cash in Bank – Premium Account		
11500	Cash in Bank – Payroll Account		
11600	Cash in Bank - Time Deposits, Money Market		
11700	Cash in Bank – Junior Livestock Auction		
11800	Cash in Bank - LAIF		
13100	Accounts Receivable		
13110	Allowance for Doubtful Accounts		
14300	Deferred Charges		
19000	Construction in Progress		
19100	Land		
19200	Buildings and Improvements		
19201	Accumulated Depreciation - Buildings and Improvements		
19300	Equipment		
19301	Accumulated Depreciation - Equipment		
19400	Leasehold Improvements		
19401	Accumulated Depreciation - Leasehold Improvements		
	OBLIGATIONS & NET RESOURCES		
21100	Insurance Fees Payable		
21200	Accounts Payable		
22300	Retirement Liabilities		
22400	State Withholding Tax Payable		
22500	Federal Withholding Tax Payable		
22600	Other Payroll Deductions		
22800	Deferred Revenue		
24100	Guarantee Deposits		
25100	Junior Livestock Auction Net Resources		
29100	Total Net Resources		
29300	Restricted Resources		

Trial Balance Form - Page 2

ACCOUNT	NAME	DEBIT	CREDIT
	NON-OPERATING REVENUES		
31200	State Allocations		
31300	Fiscal and Administrative Assistance (F&E)		
31900	Capital Project Reimbursement Funds		
33000	Contributions from Other Governmental Sources (non F&E)		
34000	Other		
	REVENUES		
41000	Admission to Grounds		
41500	Commercial Space		
42000	Concessions		
43000	Exhibits		
44000	Horse Show		
45000	Horse Racing (Fairtime Pari-Mutuel)		
45005	Horse Racing (Satellite Wagering)		
46000	Fair Attractions		
46109	Motorized Racing		
46009	Interim Attractions		
47000	Miscellaneous Fair		
47005	Miscellaneous Non-Fair Programs		
48000	Interim Revenue		
49000	Prior Year Revenue Adjustment		
49500	Other Operating Revenue		
	OPERATING EXPENDITURES		
50000	Administration		
52000	Maintenance & General Operations		
54000	Publicity		
56000	Attendance Operations		
57000	Miscellaneous Fair		
57005	Miscellaneous Non-Fair Programs		
58000	Premiums		
63000	Exhibits		
64000	Horse Show		
65000	Horse Races (Fairtime Pari-Mutuel)		

Trial Balance Form - Page 3

ACCOUNT	NAME	DEBIT	CREDIT
	OPERATING EXPENDITURES - continued		
65005	Horse Races (Satellite Wagering)		
66000	Fair Entertainment Expense		
66109	Motorized Racing		
66009	Interim Entertainment Expense		
72300	Equipment (Funded by Fair)		
80000	Prior Year Expense Adjustment		
85000	Cash (Over/Under)		
94000	Other Operating Expense		
	NON-OPERATING EXPENDITURES		
90000	Depreciation Expense		

3.3 JOURNAL ENTRIES

Most of the entries posted to the General Ledger occur when recording cash receipts or writing checks. There are, however, certain adjustments that must be made through the use of journal entries.

Sample Recording Common Transactions

TRANSACTION	DEBIT ACCOUNT		CREDIT ACCOUNT	
	Name	**Number**	**Name**	**Number**
Revenue	Operating	11300	(Appropriate) Revenue	30000-49500
Expense	(Appropriate) Expense	50000 - 94000	Operating	11300
Payroll Check	For **Gross** Amount		For **Net** Amount	
	(Appropriate) Wage	50100, 50200, 52100, 52200, etc.	Payroll	11500
			For Amounts Withheld from **Gross**	
			(Appropriate) Withholding	22100, 22200, 22300, 22400, 22500, 22600
Revenue Received in Current Year for Event held in Subsequent Year	Operating	11300	Deferred Income	22800[1]
Expense Paid in Current Year for Benefit in following Year	Deferred Charges	14300	Operating	11300[2]
Close Books at Year-end	All Revenue Accounts	30000-49550	Net Resources	29100
	Net Resources	29100	All Expense Accounts	50000 - 94000

[1] Will require Journal entry to move to revenue account after first of year.

[2] Will require Journal entry in January to move from deferred account to expense.

CHAPTER 4: FEDERAL AND STATE TAX

4.0 OVERVIEW

This manual does not address routine Payroll procedures.

4.1 TAX FORMS

Federal and State governments have specific requirements relating to compensation paid to employees and contractors. Copies of the forms are included in the Appendix. A brief explanation of their use and reporting requirements is presented in tabular form for ease of reference in Section 4.4. In some cases, the state will accept the federal form in lieu of its own; some forms may be photocopied, others not. It is always wise to check beforehand, anticipate deadlines, and order all of the forms you need at the beginning of the fair-year. Be sure to refer to the appropriate publication or telephone local agency representatives for more-detailed information.

Federal Tax Information
Employer's Tax Guide
Publication 15, Circular E
Internal Revenue Service
Fresno, CA 93888
www.irs.gov

State Tax Information
Employment Development Department
800 Capitol Mall
Sacramento, CA 95814
or nearest EDD Employer Tax Office
http://www.edd.ca.gov/Payroll_Taxes/Forms_and_Publications.htm

4.2 NONRESIDENT ENTERTAINMENT WITHHOLDING

If the fairs pay nonresident independent contractors to perform services in California, they must withhold and remit to Franchise Tax Board seven percent of the payment when gross payments exceed $1,500 for the calendar year. A nonresident independent contractor, for the purpose of fairs include, but are not limited to entertainers, professional rodeo riders, and other nonresidents who service entertainment events in California as defined by FTB. FTB's Entertainment Withholding Services and Compliance Section have implemented new procedures which apply to nonresident withholding starting January 2008.

The following chart summarizes the procedures for *withholding agents* as stated in FTB's website.

WITHHOLDING AGENTS		
No Withholding Required		
If you pay…	**And…**	**Then…**
• A corporation • An LLC • A partnership	**Either** of the following is true: • It is qualified with the California Secretary of State to do business in California. • It has a permanent place of business in California.	• The payee should complete FTB Form 590, Withholding Exemption Certificate, and give it to the withholding agent. • **No withholding required with a valid Form 590**.
An individual	The payee is a California resident.	• The payee should complete FTB Form 590, Withholding Exemption Certificate, and give it to the withholding agent. • **No withholding required with a valid Form 590**.
A tax-exempt entity	The payee is exempt from tax under federal law.	• The payee should complete FTB Form 590, Withholding Exemption Certificate, and give it to the withholding agent. • **No withholding required with a valid Form 590**.

WITHHOLDING AGENTS		
Withholding Required		
If you pay …	**And…**	**Then…**
• A corporation • An LLC • A partnership	**Both** of the following are true: • It is **not** qualified with the California Secretary of State to do business in California. • It does **not** maintain a permanent place of business in California.	• Withhold 7 percent from all California source income payments that exceed $1,500 in a calendar year unless you receive other information from us. • Send payments to us with a completed FTB Form 592, Quarterly Resident and Nonresident Withholding Statement. See Form 592 for payment due dates. • Before January 31 following the close of the calendar year, provide the payee a statement showing the total amount of income subject to withholding and the total amount withheld. You may use FTB Form 592-B, Resident and Nonresident Withholding Tax Statement, for this purpose. See Form 592-B instructions for more details. • Keep copies for your records.
An individual	Is not a resident of California	• Withhold seven percent from all gross payments that exceed $1,500 in a calendar year unless you receive other information from us. • Send payments to us on a quarterly basis with a completed FTB Form 592, Quarterly Nonresident Withholding Statement. • Within ten days of sending the quarterly payment to us, you should give the entertainer Copy B of a completed FTB Form 592-B, Nonresident Withholding Tax Statement, or an approved equivalent. • Keep copies for your records.

WITHHOLDING AGENTS

Waived Withholding

If you pay…	And…	Then…
• A corporation • An LLC • A partnership • An individual	**Both** of the following are true: • The payee or you submit to us FTB Form 588, Nonresident Withholding Waiver Request, allowing us at least 21 business days before you make the California source income payment. • The payee and you receive a waiver approval letter from us.	**No withholding required with a waiver approval letter from us.**

Reduced Withholding

If you pay…	And…	Then…
• A corporation • An LLC • A partnership • An individual	**Both** of the following are true: • The payee submits to us FTB Form 589, Nonresident Reduced Withholding Request, allowing us at least 10 business days before you make the California source income payment. • We send you a Request for Reduced Withholding - Approval letter.	• Withhold the amount per the letter from us. • Send payments to us with a completed FTB Form 592, Quarterly Resident and Nonresident Withholding Statement. See Form 592 for payment due dates. • Before January 31 following the close of the calendar year, provide the payee a statement showing the total amount of income subject to withholding and the total amount withheld. You may use FTB Form 592-B, Resident and Nonresident Withholding Tax Statement, for this purpose. See Form 592-B instructions for more details. • Keep copies for your records.

4.3 THE FAIR'S LIABILITY

Failure to withhold taxes or report earnings in excess of $600 may subject the fair to the tax liability of the entertainer, as well as fines or imprisonment. To preclude this possibility, be sure you have followed procedures set by FTB and remit any taxes due promptly. ***Under no circumstance is the fair to give tax advice or information to an individual.***

4.4 CHARTS OF EMPLOYEE FORMS

The chart below should help fair accountants deal with required forms.

Federal and State Tax Requirements for Employers on Employees' Wages					
FORM No.	**PURPOSE**	**ACTION**	**ALWAYS FILE COPY SEND *ORIGINAL* TO:**	**DUE DATE**	**COMMENTS**
W-2	WAGE AND TAX STATEMENT Report of wages and taxes earned -- must be submitted with employees tax return by employee	• Calculate	Employee IRS and SSA (As indicated on forms)	Generally by February 2nd, see IRS Instructions annually	
W-3	TRANSMITTAL OF WAGE AND TAX STATEMENTS Summarizes W-2s and quarterly information	• Calculate • Include Copy A of W-2s	IRS	Generally March 2nd, electronic dues date March 31st, see IRS Instructions annually	
W-4	EMPLOYEE'S WITHHOLDING ALLOWANCE CERTIFICATE Shows number of exemptions	• Obtain from new employees • Update changes • Use to calculate tax	Must be retained by the fair	Upon employment or changes	Renew as needed
I-9	EMPLOYMENT ELIGIBILITY VERIFICATION Establishes employment eligibility	• Obtain from new employees • Verify identification • Purge every three years	Must be retained by the fair and made available for inspection by Gov't officials	Upon employment	Be especially careful examining & verifying documents; two are required (Social Security Card or Alien Registration Card and Driver's License

Federal and State Tax Requirements for Employers on Employees' Wages - page 2					
FORM No.	**PURPOSE**	**ACTION**	**ALWAYS FILE COPY SEND *ORIGINAL* TO:**	**DUE DATE**	**COMMENTS**
941	EMPLOYER'S QUARTERLY FEDERAL TAX RETURN Summary: deposits made and amounts due for quarter	• Calculate	IRS	30 April 31 July 31 October 31 January	
8109 or EFTPS	FEDERAL TAX DEPOSIT COUPON Accompanies deposit of federal employment taxes periodically	• Calculate Employee Amount: OASDI: 6.2% of taxable wages HI: 1.45% of taxable wages Income Tax withheld • Calculate Employer Amount: OASDI: 6.2% of taxable wages HI: 1.45% of taxable wages	Bank	Within 5 days of check date Use Electronic Federal Tax Payment System (EFTPS)	
DE 6	QUARTERLY WAGE & WITHHOLDING REPORT Summary of quarterly wages paid and taxes withheld	• Calculate • Reconcile to payments made during quarter	EDD	30 April 31 July 31 October 31 January	
DE 7	ANNUAL RECONCILIATION STATEMENT Summary of taxes withheld and deposits made	• Reconcile to payments made during the year	EDD	31 January	
DE 34	REPORT OF NEW EMPLOYEE Reports newly hired or rehired workers	• Report all newly hired or rehired workers within 20 days of start-of work-date	EDD	Within 20 days of start-of work-date	
DE 88	PAYROLL TAX DEPOSIT Accompanies deposit of state employment taxes periodically	• Write check payable to EDD from account 11300	EDD	5 days after check date Use Electronic Funds Transfer (EFT) to automate	

Federal and State Tax Requirements for Employers on Contractor's Payments					
FORM No.	**PURPOSE**	**ACTION**	**ALWAYS FILE COPY SEND *ORIGINAL* TO:**	**DUE**	**COMMENTS**
W-9	REQUEST FOR TAXPAYER ID # Exempts fair from issuing 1099 for incorporated contractor	• Obtain from new contractors • Verify yearly • Update if status changes	IRS	Upon employment or changes	
1099 MISC	MISCELLANEOUS INCOME Reports income, if over $600, paid to entertainers and contractors	• Calculate Payment • Obtain Social Security # or Federal Identification #	Payee IRS FTB	31 January	Fine levied for non-issuance
1096	TRANSMITTAL/ SUMMARY OF RETURNS Transmits/ Summarizes 1099s	• Calculate total of all 1099s	IRS	31 January	Do not use for magnetic media summary
542	REPORT OF INDEPENDENT CONTRACTOR(S) Reports independent contractor(s)	• Fill-out form as required	EDD	Within 20 days of either making payments of $600 or more, or entering into a contract for $600 or more	
592	NONRESIDENT WITHHOLDING ANNUAL RETURN Reports/remits 7% tax withheld on last minute entertainers	• Calculate tax • Remit tax	FTB (ADDRESS SHOWN ON FORM	Within 20 days after event	**GL:** 22400

4.4 TAX EXEMPT STATUS

Organizations that meet the requirements of Internal Revenue Code (IRC) Section 501(a) are exempt from federal income taxation.

4.41 DAAs

All DAAs are state institutions that operate under the supervision of the California Department of Food and Agriculture, Division of Fairs and Expositions. As public agencies, they operate in a non profit manner and are not subject to payment of State or Federal ***income tax.*** They are, however, required to remit state ***sales tax*** on purchases. In addition, they are liable for payment of sales tax to the Board of Equalization on sales of merchandise items, programs, and any other revenue producing item sold.

Because a DAA is a government agency, it is not eligible to receive ***non-profit status*** on either a federal or state level as a "501(c)(3)" or "501(c)(5)" entity. These designations are reserved for ***private*** non-profit agencies.

4.42 Non-profit Organizations

According to the IRS, non-profit status is a state law concept. Non-profit may make an organization eligible for certain benefits, such as state sales, property, and income tax exemptions. Although most federal tax-exempt organizations are non-profit organizations, organizing as a non-profit organization at the state level does not automatically grant the organization exemption from federal tax.

4.421 501(c)(3) Non-profit

To be exempt under of the IRC, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. These organizations primary purpose is educating the public on horticultural or agricultural subjects and are restricted in how much political and legislative (*lobbying)* activities they may conduct.

4.422 501(c)(5) Non-profit

The primary purpose of exempt agricultural and horticultural organizations under IRC section 501(c)(5) must be to better the conditions of those engaged in agriculture or horticulture, develop more efficiently in agriculture or horticulture, or improve the products. Their net earnings may not inure to the benefit of any member. These organizations may be quasi-public and are often designed to encourage better agricultural and horticultural products through a system of awards, using income from entry fees, gate receipts, and donations to meet expenses of upkeep and operation.

The Los Angeles County Fair Association is a 501(c)(5) non-profit mutual benefit organization. The Association is

- Self-supporting and does not fall under the auspices of any county or state-government body.

- Consists of 50 members, including an 11-member board of directors

4.5 DONATIONS

Donations to the DAA from individuals or businesses should be used for the donor's ***intended purposes.*** Refer people with questions regarding the deductibility of any donation to a tax consultant. A DAA is neither qualified nor allowed to provide ***tax advice***.

CHAPTER 5 INTERNAL CONTROLS

5.0 OVERVIEW

State law as well as prudent accounting and business practices require the head of each state agency to establish and maintain a system of internal controls. These controls must provide reasonable assurance to the fair and auditors that:

- Assets are safeguarded
- Revenues are properly collected and accounted for
- Transactions are properly recorded
- Transactions are executed with proper authorization
- Accounting data are generated properly
- Timely and accurate financial statements are prepared

5.1 SEPARATION OF DUTIES

The most important element in any system of internal control is ***separation of duties***. In essence, this means that no one person *or* member of the same family (for example, spouse, child, sibling, or "in-law") should perform more than one of several accounting functions. To ensure compliance with this rule, employees of other departments and even members of the Board, may be called into service. If this is impracticable, the CEO, with the approval of the Board, may separate the duties in the most critical areas and compensate with more-frequent review by the CEO.

5.11 Manual Systems

According to the SAM Section 8080, the following duties must be separated:

- Invoices
  - Initiation of
  - Preparation of
- Remittances
  - Receipt of
  - Deposit of
- Disbursements
  - Authorization of
  - Access to or control of blank check stock
  - Preparing checks
  - Operating a check signing machine
  - Comparing machine-signed checks with authorizations and supporting documents
- Reconciliation
  - Posting the journal or any subsidiary ledger affected by cash transactions
  - Reconciling bank accounts

5.23 Keys

All keys should be issued only to persons requiring access to the building, facility, cabinet or drawer. Master keys, especially, should be issued only to essential personnel and should be kept in the safe when possible. A ***control sheet*** should be maintained for each type of key showing

- Name of person issued key
- Status (employee, renter, contractor)
- Dates of issuance and return
- Amount and date of deposit received or refunded.

5.24 Emergency Systems

The CEO is expected to handle crises, but may designate another to act for him or her when unavailable. The CEO's designee and the CEO should sign and retain a document of understanding stating the extent, scope, and limitations of their arrangement. Police and fire departments, alarm companies, renters, caretakers, and others who may need to contact the fair outside usual business hours should be able to reach the designee as well as the CEO.

5.25 Burglaries, Robberies, Thefts, and Defalcations (DAA only)

In the event of a robbery or burglary, when funds appear to be missing or stolen, or if official records seem to have been altered, the fair should notify local police immediately, if their help is deemed appropriate; the CDFA Audit Chief must be notified no later than the next business day. The CEO, with relevant staff, should assess the situation and produce a ***memo of preventive action*** which outlines a feasible plan to prevent or reduce the possibilities of a recurrence, and submit it to the audit chief.

Notify CDFA Audit Office
Ron Shackelford, Audit Chief
916-322-3300
2014 Capitol Avenue, Suite 107
Sacramento, CA 95814

5.3 SAFETY OF EMPLOYEES

All employees having custody of State funds should be instructed that, in the case of a robbery, they are not to endanger themselves unduly, but are to surrender the funds if funds are demanded by robbers.

5.4 INTERNAL CASH CONTROLS

In addition to the normal discretion all individuals handling cash should be encouraged to exercise, employees who routinely deal with large amounts of money should take additional precautions. The fair should require that coins and currency be counted in a room or an area that is closed to access and view of the public and other employees. Only trained and

necessary personnel should be allowed in a cash-counting area. Whenever possible, and especially when large sums are involved, two people should be present at all times in the cash room.

The fair must maintain strict control over cash. Personal checks are never to be cashed by fair accounting personnel. All completed receipts and blank receipt books should be secured in a locked drawer. Checks should be stamped with the appropriate fair endorsement immediately. Where there is no safe or vault for overnight safekeeping of funds, they must be deposited daily. All fairs must receipt and deposit funds on the last day of each month to facilitate reconciling of bank accounts to the General Ledger.

5.41 Cash Shortages

Any employee responsible for handling cash or for its security should notify the accounting office or the CEO immediately if an ***unusual shortage*** is discovered. If burglary, robbery, or defalcations have occurred or are suspected, the CEO must notify the local law enforcement agency immediately and the Chief of the Audit Office no later than the next business day. The CDFA Audit Office will report any irregularity to the Department of Finance (DOF) as required. Copies of ***police reports*** must be filed for reference.

5.5 CASH IN TRANSIT

The fair should exercise adequate security of State funds in transit to banks and make deliveries as economically as possible consistent with good practice. When delivering large cash deposits to a bank, the fair should arrange for a police escort or an armored car service and arrange an escort for any day or night deposit. Regular and routine bank deposits may be made by non-supervisory employees who have been well trained in safety procedures for transporting cash.

5.6 SAFEGUARDING RECORDS

Important ***financial*** records should be stored in a ***fireproof safe*** or vault when not in use. If a fireproof safe is unavailable, the fair should consider purchasing one. In the interim, the fair should place its most valuable documents in a safe deposit box at a bank at night. ***Personnel*** records are confidential and should be properly secured in a locked file at all times. Periodically, the CEO and accounting staff should review their precautions to ensure that all records are protected from fire, theft, and unauthorized use. The following records, especially, should be safeguarded:

- Computer backup tapes
- Financial records
- Automobile pink slips and other proofs of purchase
- Credit cards
- Blank check stock for all accounts

As part of employment procedures, employees should be informed that records and documents generated by them while they are at work are property of the fair. Upon separation of any employee with access to files, fair files should be examined to ensure that

they are intact. The use of ***shredding machines*** should be closely monitored; someone other than the person using the shredder should examine all materials to be shredded and remain in attendance at all times.

5.61 General Ledger

Before preparing the monthly ***trial balance***, someone other than the regular preparer should conduct a posting review of the General Ledger detail to assure the accuracy of transactions posted to each account. If the fair is large enough to be divided into departments, a department supervisor should review posting to its department accounts. In a non-departmentalized fair, review may be performed by the CEO, the treasurer of the Board, or another employee familiar with account distribution.

5.62 Bank Reconciliations

Using timely monthly ***bank reconciliations***, fairs are able to compare bank balances to accounting records, identify currently outstanding checks, and ensure that deposits and paid checks agree with entries in the disbursements and receipts journals. A fair's written procedures should designate an employee other than, and unrelated to, the one who makes General Journal and ledger entries to reconcile the accounts with statements for each bank account. The reconciliations must be reviewed, dated, and signed by the CEO, an accounting officer, or another responsible employee, and retained in records.

Automated accounting systems usually provide a procedure for reconciling bank accounts and most banks print a form on the back of the statement; either may be used. Otherwise, develop a form similar to the sample on Section 2.262. The following are important steps in the reconciliation process:

- Deliver ***unopened bank statements*** containing returned checks to the CEO
- Compare ***paid checks*** to details of the disbursement journals, ensure that two signatures appear when required, and examine them for other suspicious or irregular features (such as improper endorsements or signatures)
- File all paid and voided checks numerically
- Analyze unreconciled items and make ***General Journal adjustments*** where necessary, providing detailed explanations, to correct an erroneous amount
- Make General Journal entries for ***withdrawal***s and ***transfers***; document the conditions that made the adjustment necessary
- Record any service ***charges*** and ***interest*** posted to the account by the bank with a General Journal entry
- List ***outstanding checks*** numerically; file with the reconciliation; funds sufficient to cover them must be kept available for one year after payment date, after which the checks may be voided and the funds returned to the operating fund.

5.7 PROPERTY CONTROLS AND PROCEDURES

A fair must be able to account to the state for all assets that it uses or for which it is responsible -- not only cash but also property, buildings and equipment. To this end, a fair

must maintain a ***property ledger,*** take periodic ***physical inventories****,* report its use of assets it does not own, account for or justify the loss of missing property, and delegate responsibilities for keeping records of these to its employees.

5.71 Property Ledgers

In the ***property ledger***, which should be brought up to date monthly, record all properties at ***acquisition cost****;* record donated items at their ***appraised value*** on the date of acquisition. The fair should capitalize and include in the property ledger all buildings, improvements, and equipment costing $5,000 or more and having a useful life of at least one year. The information for each asset serves as subsidiary data supporting asset accounts. A separate record card for each asset is essential; in addition to a reference to the original General Journal entry in which its purchase was recorded, it must also contain:

- Description of property
- Date of acquisition
- Identification number
- Cost or appraised value

When available or applicable, also include model and serial numbers, manufacturer, company, or contractor, and size and type of construction.

5.72 Buildings and Improvements

New buildings *and* ***improvements*** are capitalized when acquired if costs are $5,000 or more and the structure has a useful life of at least one year. ***Donated assets*** are recorded at their appraised value on the date of acquisition. ***Repair*** *and* ***maintenance*** costs are usually expended as incurred; they are capitalized, however, if they significantly extend the life of the asset or if a repair is a component of a much larger expense paid through a variety of sources.

5.73 Equipment

All moveable items must be identified numerically using a permanent stamp or a DAA/County sticker.

5.74 Physical Inventories

Although required by the state only once every three years, a fair should develop a plan for and conduct an annual physical inventory of its property. Inventories should be made by personnel other than those in charge of the items. All inventory worksheets must be retained for audit, and reviewed, signed, and dated both by the person who took the inventory and by the CEO.

5.75 Property Survey Report (DAA only)

Fairs have the ability to sell, donate, or dispose of state owned property. However, all sales, donations, or other disposal of fair property must have **prior** approval by the DGS. Property may include computers, printers, portable fencing, vehicles, and other

equipment. The only instance that does not require prior approval of DGS is if the property is destroyed, stolen, or lost. In this case, the fair would follow the same procedures outlined in Section 2.57 to formally document removal of such property from fair records.

5.76 Personal Property of Employees (DAA only)

Employees' personal property, tools, or equipment are not to be included in the property ledger. When an employee is ***required to use personal property*** while conducting fair business, the fair should prepare a formal written agreement, in duplicate, which describes the property and the necessity for its use. Prior to executing the agreement, the fair should review any applicable labor contract. The agreement should include:

- An ***inventory*** identifying and describing each piece of equipment
- Requirements for ***reporting*** damaged or stolen property
- The procedure for ***compensating*** the employee for damaged or stolen items
- One of the original signed agreements should be filed with the fair's other property documents, the second in the employee's personnel file.

SAM Section 8423 provides for the replacement of an employee's stolen or damaged property only if three conditions are met:

- The item was required for work
- Loss or damage occurred at the work base, work site, or en route between home and work
- All foreseeable precautions were taken and no carelessness or negligence on the part of the owner-employee was involved.

5.8 CASH RECEIPTS

5.81 Mailed Collections

Control of cash must start at the point of its first appearance, which is often the mail delivery. Each fair must establish mail-processing procedures to protect collections. These include, but are not limited to:

- Delivery of all mail to central point
- Date stamping of each piece of mail
- Immediately segregating mail containing payments from other mail
- Logging mail collections when mail is opened
- Requiring that at least two people be involved – One to open and distribute mail, the other to record collections and make deposits.
- Immediately recording and safeguarding cash collections

5.82 Deposits (DAA only)

Cash must be deposited in a timely manner. When the total of coin and currency totals $1,000 in cash or $10,000 in cash, checks, money orders, and warrants (excluding state warrants and state checks), whichever occurs first, deposits should be made no later

than the next business day. Accumulated receipts of any amount should not remain un-deposited for more than ten working days.

5.83 Endorsement Stamp

Obtain and use an endorsement stamp for all fair bank accounts expected to receive checks for deposit. Under no circumstances may handwritten endorsements be permitted on fair checks.

5.84 Receipt Procedure

Receipts used by the fair should be formatted to show method of payment (currency, check, cashier's check), the account distribution, preparer's initials, date of payment and deposit, and reference to other documents that may support the transaction. Fairs may use either a "one-write" receipt system or receipt books. Write a receipt for all cash received by the fair, except when it is more practical to batch receipts, as described below. Use press numbered receipts, use them in sequence, and store stock securely. Document receipts issued to other departments on a control log on issuance, and reconcile at the conclusion of the event.

5.85 Batching Receipts

Each transaction need not be entered in the receipts journal when a large number of small amounts, for example, entry fees, are collected. It is permissible to batch the sub-receipts and write one master receipt for the entire group in the receipts journal. The cashier will issue one master receipt for the total, noting thereon the receipt numbers contained in the batch, and enter only the master receipt in the receipts journal.

5.86 Cash Receipts Journal

Record collected cash receipts daily in the cash Receipts Journal (Receipts Journal). The Receipts Journal, where cash receipts are posted in chronological order, facilitates analysis of major revenue accounts. Summarize the journal monthly and compare entries in the corresponding accounts of the General Ledger. Analyze any discrepancies and adjust using General Journal entries. On a regular basis, someone other than the preparer should review cash receipt forms, both completed and voided, to ensure there are no improprieties.

5.87 Tickets

The use of generic tickets is prohibited to discourage theft. Instead, use a regular ticket, clearly marked FREE to track the number of free entrants to an event. For detailed information, see Chapter 9.

5.88 Souvenir Sales

Establish written procedures for inventory controls. All items held for sale, whether fair programs or souvenir items, must be inventoried and tracked. For detailed information, see Chapter 11.

5.9 CASH DISBURSEMENTS

5.91 Checks

Store check stock (blank checks) in a secure place accessible only to authorized personnel and use checks in numerical order. Good internal controls dictate that signed blank checks are never issued under any circumstances. If, occasionally, the fair must provide a check for an unknown amount, enter the date, payee, and a description of the purchase prior to passing it to an authorized signer.

5.92 Documentation of Expenditures

Sound internal controls in accounting dictate that all expenditures be supported by detailed documentation. See Section 2.75 for detailed information.

5.93 Delegated Purchasing Program (DAA only)

Although the Delegated Purchase Program, authorized by the Office of Procurement, grants fairs purchasing privileges not available to most state agencies, it also prohibits the direct purchase of the following commodities:

- Alcoholic beverages
- Various motor vehicles
- Earth moving and heavy equipment (graders, loaders, trucks, forklifts)
- Soft body armor
- Carpeting and draperies
- Photocopiers (except as noted in the purchasing delegation)
- Certain law books
- Labels, foil printed only

5.94 Opportunity Purchasing Program (DAA only)

The Fair must document that opportunity purchases meet or beat the State price. Opportunity purchases allow the DAA's to purchase commodities from any source provided it meets or beats that available through the state-purchasing program. Therefore, to claim an opportunity purchase, the Fair must demonstrate and provide copies of actual price information or exemption justification when necessary. Merely stating the local price was equivalent to or less than that available through the state-purchasing program does not sufficiently meet the documenting criteria.

5.95 Cash Disbursements Journal

Monthly, prior to preparation of the financial reports, summarize the Cash Disbursements Journal and compare the totals in the General Ledger. Make necessary adjustments through General Journal entries.

5.96 Check Signing

The Board minutes should reflect its policy authorizing and limiting the signing of checks. Generally, the CEO, the CFO or Financial Assistant, the Board President, and members of the Finance Committee may sign checks; their signatures should be

officially recorded on bank signature cards. The State requires two signatures on any check for $15,000 or more; the Board may reduce, but not increase, the minimum amount.

5.97 Facsimile Signatures (DAA only)

If the fair chooses to use facsimile stamps or plates, the following procedures apply:

- The fair must obtain authorization from the DOF, Fiscal Systems Consulting Unit
- The fair representative whose signature will be replaced must submit a notarized manual signature to the Secretary of State using a form similar to the one below.
- Keep signature stamps in a secure place accessible only to authorized personnel.
- Formulate written rules for the appropriate use of stamps; for instance, set a maximum dollar limit for facsimile checks and require that two-signature checks have at least one original signature.
- A stamp must be destroyed when the authorized signer terminates employment or participation; use any convenient method of destruction. Two persons, exclusive of the individual whose signature is involved, must witness the destruction and sign a formal acknowledgement of having done so.
- Give the original to the addressee and retain a copy in the fair's records.
- Questions concerning the use or destruction of facsimile signatures should be directed to F&E.

CHAPTER 6: BUDGET

6.0 OVERVIEW

The budget is an organizational plan stated in monetary terms. The budget should act as a basis for controlling activities. Budgeting is designed to give management an indication of the actions they are supposed to be taking and to motivate management and employees to take those actions. For example, by looking at the significant variances of actual performance against budget, management can take the necessary actions to ensure positive variances continue or negative variances are mitigated. Because comparisons of actual results with the annual budget are important, budgetary comparisons are a required element of fair budget submittals.

The budget is a vital management tool that should be utilized to:

- Plan and progress towards the goals and objectives of the fairs;
- Facilitate communication between management and the Board of Directors regarding the fiscal operation and direction of the fairs;
- Control activities; and
- Measure and evaluate the financial performance of the fairs.

Budgeting forces the organization each year to step back from the day-to-day management of the operations and to think more strategically, to think longer-term and to plan. New data about future trends may also be revealed during the budget process when the organization analyzes external data such as local demographics, which can be important when preparing each year's budget.

6.1 BUDGET PERIOD

For most fairs, the annual budget represents the calendar year, January 1 through December 31. Fairs on a fiscal year submit a budget for twelve-month period from July 1 through June 30. This manual uses the term "fair-year" to describe the period of operations to which the budget applies.

6.2 APPROVAL

All budgets submitted to F&E must be approved by the Board of Directors, signed by the Board President and CEO. F&E suggests that County Fairs (Non-DAAs) acquire signatures <u>after</u> the budget has been approved by F&E in order to eliminate the extra time necessary in acquiring another signature if budget modifications are required. County approval is required within two months from the date F&E approves the budget.

6.2 PERSONAL LIABILITY

Section 13324 of the Government Code states:

Every person who incurs any expenditure in excess of the allotments or other provisions of the fiscal year budget as approved by the Department, or as subsequently changed by or with the approval of the Department, is liable personally for the amount of the excess expenditures.

Members of the Board, the CEO, and all fair employees must be made aware of potential personal liability.

6.3 BUDGET CONSIDERATIONS

A budget must be complete and detailed; it must reflect

- ***Actual*** revenues, allocations and expenditures for the *last completed year*
- Budgeted and ***estimated*** revenues, allocations and expenditures for the *current year*
- ***Proposed*** revenues, allocations and expenditures for the *budget year.*

The actual figures for the last completed year must agree with the Statement of Operations accepted by F&E for the same period.

Budget preparation demands prudence and responsibility. Explain fully any significant deviations from amounts budgeted for prior years.

- Determine how much of the budget development can be done with or by fair personnel.
- Analyze data, determine fixed and variable costs, and assess the market.
- Secure valid quotes for equipment purchases and major repairs.
- Make every effort to secure sponsorships.
- Evaluate premium offerings and explore alternate awards, such as sweepstakes-only and ribbon-only classes.
- Analyze three-year financial trends. Include operating revenues, expenditures, and profit; cash assets and accounts receivable; accounts payable, leave liability, and all other liabilities.
- Make decisions informed by the fair's most recent financial statements.
- Budget proposals should be realistic, achievable and consistent with the fair's strategic plan
- Budget should reflect a net profit or, at worst, "break-even" at year-end
- F&E recommends, but does not require fairs to maintain a reserve balance of 10% to 15% of their prior year actual expenditures

6.4 THE ROLE OF F&E

Annually, F&E will send the fair information, budget instructions, and necessary forms. The packet includes:

- Financial trend report for each Fair
- Copy of key pages from the Fair's prior year STOP and approved operating budget
- Changes to Budget Package, if any
- Budget Preparation Guide
- Budget Review Check Sheet
- Checklist of items due by budget submittal deadline

F&E may require Fair to revise, alter, or amend their annual budget, if, in its opinion, it is in

the fair's and state's best interest to do so. F&E will notify the CEO of any amendments necessary for budget approval.

6.5 TRANSFER OF BUDGET ALLOTMENT

Transfer of Budget Allotment (TBA) applies only to fairs that F&E identifies as having financial challenges. Those fairs will be expected to submit a TBA form for approval to F&E anytime that projected **total** operating expenditures will exceed the approved budget amount for the year. The need for a transfer (i.e., budget augmentation) is determined by the total gross amount of expenditures, not by individual line item.

Written approval from F&E must be obtained *before* any commitments for excess expenditures are made by the fair. In the event of an emergency, verbal approval may be obtained from F&E management – fair will then follow-up by submitting a written request via a Transfer of Budget Allotment Form F-8 (see sample below).

Fairs subject to TBA reporting requirements should be aware that greater-than-projected revenues do not constitute authority to exceed their total expense budget previously approved by F&E, without prior approval from F&E.

6.6 EXHIBIT II, PERSONNEL ACTION REQUEST (DAA ONLY)

District Agricultural Associations (DAA's) are required to complete this form (see sample below) for any proposed changes within their permanent staff. F&E performs a cursory review of the fair's financial status and approves the proposed personnel transaction based on the proposed budget.

Please note that any proposed personnel transactions are approved by F&E for budget purposes only. The fair is still required to obtain approval from the California Department of Food and Agriculture Human Resources Branch prior to implementing the proposed personnel transactions.

Transfer of Budget Allotment Form

DISTRICT FAIRS - Send 2 copies to F & E
COUNTY FAIRS - Send 3 copies to F & E (one is for County)

FORM F-8
(Rev. 5-01)

TRANSFER OF BUDGET ALLOTMENT

DISTRICT AGRICULTURAL ASSOCIATION No.

or

COUNTY FAIR Date:

To the DEPARTMENT OF AGRICULTURE
Division of Fairs & Expositions

We hereby request your approval of the following transfer of budget allotments from the Operating Fund of the fiscal year.

Expense Allotments or Operating Reserves to be Reduced:

Classification	Total Budget Provision for Year	Present Allotment Balance	Amount Needed to Complete Year	Amount to Be Transferred
			TOTAL	

Expense Allotments to be Increased:

Classification	Total Budget Provision for Year	Present Allotment Balance	Amount Needed to Complete Year	Amount to Be Transferred
			TOTAL	

Reason for Transfer: **(To avoid delay, state reason in detail)**

I HEREBY CERTIFY *Upon my own personal knowledge that the present unencumbered balances in the budget allotments as shown hereon are correct.*

APPROVED:

_____
Signature of Fair Manager

_____
Division of Fairs and Expositions

Signature of Board President

Date

Exhibit II Personnel Action Request

Fair: **FAIR NAME**

Exhibit II
Personnel Action Request

INSTRUCTIONS: **DAA's Only**: If you are proposing any changes within your permanent staff, complete this form and submit to F&E for approval.

TYPE OF ACTION:

_____ New Position
_____ Transfer
_____ Promotion
_____ Reclassification

Current Civil Service Class Title: _____
Proposed Civil Service Class Title: _____
Appointee's Name: _____
Is the position currently filled? _____

Tenure / Timebase:
(Check all that apply)

_____ Permanent
_____ Limited term
_____ TAU

_____ Full-Time
Intermittent
_____ # Months / Hours

Justification: _____

FOR F&E USE ONLY

Comments/Adjustments, if any: _____

_____ _____
Approved by Division of Fairs & Expositions Date

CHAPTER 7: STATEMENT OF OPERATIONS

7.0 OVERVIEW

By law, California fairs must submit an annual ***Statement of Operations*** (STOP) to F&E on March 1st of each year to be eligible for state funding. This chapter is dedicated to providing fairs with guidance on its (STOP) requirements.

7.1 STATEMENT OF OPERATIONS

The STOP is a summary of the fair's financial operations during a specified period, showing income and its allocation to operating expenses, and additions to reserves.

More specifically, the STOP serves as the fair's "Profit and Loss Report" for the fair-year.[1] It constitutes a summary of the fair's revenue and expense accounts, which **must** agree with the figures in the fair's General Ledger. The ***Statement of Financial Condition***, commonly known as Balance Sheet, and various schedules that provide supporting details to significant section of the financials are also included in the STOP report. All detailed schedules must agree with the summary information on the STOP. Someone other than the preparer should review STOP for accuracy. The CEO is responsible for accurate preparation of Statement of Operations and its submission to F&E. Always keep an original signed copy of any document you send to F&E in a permanent office file.

7.2 PREPARING TO CLOSE THE BOOKS

It is a good practice to wait approximately ten days after the close of the accounting year before preparing the Statement of Operations, allowing sufficient time for most of the last month's bills to be received and processed. Payables and receivables still outstanding must be detailed on the appropriate schedules and accrued in the books.[2]

7.21 Asset Accounts (11100-19400)

Review ***Asset Accounts*** to ascertain whether the backup detail to each account equals the amount entered in the General Ledger.

- Verify all ***Cash*** accounts (11100-11900) and reconcile to cash on hand and bank statements
- Prepare a detailed list of ***Accounts Receivable*** (13100) and balance to the General Ledger. Be sure to accrue
  - interest posted to bank accounts as of year-end
  - renter's utilities not received
  - unpaid rents for accounting year

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[1] The term denotes the 12 month period that makes up the accounting year, January 1 to December 31 for most fairs.

[2] In the rare event where the exact amount of an outstanding item is unknown, explain and accrue an estimate.

- Reconcile any ***Inventory Account*** (14100) by taking a physical inventory of stock on hand and adjusting the General Ledger as necessary.
- If monthly adjustments have not been made, adjust each ***Construction in Progress, Land, Buildings and Improvements, Equipment and Leasehold Account, if any*** (19000-19400) for capital items acquired or disposed of during the year.
- Analyze and clear any credit balances in asset accounts (other than contra asset accounts) prior to preparing the STOP.

7.22 Liability Accounts (All 20000)

Review ***Liability Accounts*** to ascertain whether the back up detail to each account equals the amount entered in the General Ledger

- Prepare detailed lists of any insurance or other ***Fees Collected*** (21100) and not yet forwarded to the appropriate agency.
- Prepare a detailed list of **Accounts Payable** (21200) and balance to the General Ledger. Be sure to accrue:
  - outstanding or anticipated payables for which no invoice has been received
  - telephone and utilities
  - bank charges
- Review and reconcile ***Payroll Withholding*** accounts (22100-22300). Be sure to accrue the employer's portion of OASDI, HI, and retirement (50320) if still owing for last month of the accounting year.
- Review and reconcile the ***Guarantee Deposits*** (24100) detail list to amount in General Ledger.
- Review and reconcile any ***Long-term Debt*** accounts (25000) against amortization schedules.
- Analyze and clear any debit balances in liability accounts prior to preparing the STOP.

7.23 Non-Operating Accounts (30000)

Non-Operating Accounts should agree with all funds received from F&E, such as annual allocation, additional assistance, capital project reimbursement and other funds used for operating purposes (Schedule 8A and 8B). Remember that an amount received from F&E is always shown on page one of the STOP, unless it is a return of fair funds previously advanced to F&E.

7.24 Revenue and Expense Accounts (40000 and 50000-94010)

Review ***Revenue and Expense Accounts*** to ascertain whether all amounts are accurately reflected in the appropriate accounts and whether appropriate corrections were entered when necessary. It is helpful first step to have each department review its individual account for the year. Make sure that ***overages*** and ***shortages*** on sales are clearly entered in account 85000.

7.25 Adjusting Closing Entries

Prepare and post adjusting closing entries as the final step prior to closing the books for the year. Some of the more common entries include:

- Adjust compensated absence liability (24500) to actual at year-end
- Verify that all depreciation expense for current year has been posted to account 90000
- Close ***Auction Revenue*** (all 47600 accounts) and ***Auction Expenses*** (all 57600 accounts) to the ***Auction Reserve*** Account (25100)
- Close local base (State) allocations (31200), to Net Resources (29100)
- Analyze special project revenue and expense accounts and make appropriate adjusting entries. Close any balance of these accounts to Net Resources (29100)

7.3 CLOSING THE BOOKS

Closing procedures should include generating a ***trial balance*** and preparing all supporting schedules and exhibits to the STOP prior to the actual final closing of the accounts. All revenue and expense accounts with balances should be verified and closed to Net Resources (29100). Once the books have been closed, generate another trial balance which includes only Asset and Liability account balances (post-closing trial balance). These amounts should agree with the amounts on Schedule 1, Statement of Financial Condition.

7.4 PREPARING THE STATEMENT OF OPERATIONS

Because there are so many things to remember at the close of the year, F&E strongly recommends that Schedules 4, Fair Statistics be completed immediately after the fair, when the fair reconciles the ticket and parking sales.

- ***Admissions*** data are gathered from the final report prepared by the admissions department or from subsidiary reports: ticket seller reports, daily summaries, and fair recaps. Make sure that the total dollar amount on the schedule agrees with the general ledger balance in Account 41000.
- ***Parking Lot*** data are generally found on the same reports as are admissions statistics. If an organization was contracted to handle parking sales, review the Standard Agreements for any percentage-of-sales payments. The total parking amount recorded on the schedule must agree with the balance in general ledger account 47100.
- In the case of ***Satellite Wagering***, if monthly reconciliations were done and year-to-date summaries maintained, the final report is easily prepared after reconciling the final month.
- Report ***interim events not sponsored*** by the fair on Schedule 5. If statistics are posted to a summary sheet after each event, the time spent on the final report will be minimal.

7.5 STATEMENT OF OPERATIONS CHART

Because amounts are carried forward from attachments to schedules to the actual statement, this chart is being presented back to front. Note that the chart neither is all-inclusive nor does it replace detailed instructions; rather, it points out areas likely to cause confusion or be overlooked. All sections, schedules, and pages should total correctly.

PREPARATION OF THE STATEMENT OF OPERATIONS				
LOCATION	**ITEM**	**COMMENT**	**LOCATION**	**ITEM**
Schedule 1 Statement of Financial Condition	Subtotal Property Accounts less any Long-term Debt related to Capital Assets	Equals	Schedule 1 (bottom)	Investment in Capital Assets, Net of Related Debt
	Total Assets amount	Equals	Schedule 1	Total Obligations and Resources
	Unrestricted Net Resources	Equals	Page 1	Unrestricted Net Resources, December 31
	Investment in Capital Assets, Net of Related Debt	Equals	Page 1	Investment in Capital Assets, Net of Related Debt, December 31
Schedule 2 Schedule of Accounts Receivable and Accounts Payable	Total Accounts Receivable	Equals	Schedule 1	Accounts Receivable, Net of Doubtful Accounts (13100-13300)
	Total Accounts Payable	Equals	Schedule 1	Accounts Payable (21200, 21250)
Schedule 3 Reconciliation of Bank Accounts	Petty Cash Change Fund	Enter amount at bottom of page		
	Total of All Accounts (inc. Petty Cash and Change Fund)	Equals	Schedule 1	Subtotal Cash Accounts
Schedule 4 Fair Statistics	Total Admissions to Fairgrounds	Equals	Page 3	Total Admission to Grounds (41000)
Schedule 4 Fair Statistics	Total Fairtime Parking Revenue	Equals	Page 4	Total Parking Lot (47100)
Schedule 6 Permanent Positions on Payroll	Account Totals for Salaries and Wages - Permanent	Equals	Pages 6 - 9	Salaries & Wages – Permanent (50100, 52100, 54100, 56100, 57101, 57105, 63100, 64100, 65100, 66100 and 66208)

PREPARATION OF THE STATEMENT OF OPERATIONS – page 2				
LOCATION	**ITEM**	**COMMENT**	**LOCATION**	**ITEM**
Schedule 7 Property, Plant & Equipment Acquisitions & Dispositions	Investment in Capital Assets, December 31	Equals	Page 1 and Schedule 1	Investment in Capital Assets, Net of Related Debt
Schedule 8A Non-fair Funds Reconciliation for Capitalized Projects	Total Capital Project Reimbursement received less funds remaining (deferred revenue)	Equals	Page 1	Capital Project Reimbursement Funds (31900)
Schedule 8B	F&E Funds used for operating purposes	Equals	Page 1	Other (34000)
Junior Livestock Auction	Total Resources, December 31	Equals	Schedule 1	Junior Livestock Auction Reserve (25100)

7.6 STATEMENT OF OPERATIONS ANNUAL PUBLICATION

F&E publishes an annual STOP Summary Report for the network of California fairs. This report summarizes unaudited STOP data as submitted to F&E each year. The information on the report can be used to establish financial benchmarks and performance measures when planning for the fair's financial future. The financial statistics is organized by fair class size in order to enhance analysis of similarly sized organizations. To request copies of the report, contact Fiscal Operations at F&E.

Operational Policy and Procedures

CHAPTER 8 AUDITS

8.0 OVERVIEW

Audits benefit public trust and assist the fair in maintaining financial integrity, complying with applicable laws and regulations, and carrying out established policies and procedures that promote efficiency.

8.1 AUDITING DAAS

Business and Professions Code and the Food & Agriculture Code authorize the Department of Food and Agriculture to audit California fairs as follows:

Business & Professions Code 19620(b)(4) states that oversight shall include, but not be limited to, the following: "Conducting fiscal and performance audits of county fairs and citrus fruit fairs that are requested by the fair that is the subject of the audit, and that the Department of Food and Agriculture deems to be necessary."

Food and Agricultural Code 4504 states "the department may at any time examine the books and records of any fair to determine the correctness of any statement or report which is filed with the department."

The Audit Division of CDFA is responsible for conducting annual ***financial*** and biennial ***compliance*** audits for all DAAs. As prescribed in CDFA policy letter IDF-29, the fair shall

- Give the auditors full, free, and unrestricted access to all department activities, records, property, and personnel
- Accord full courtesy to the auditing teams assigned to the fair
- Provide a room for the audit team to conduct its examination
- Have personnel available to answer questions
- Have all records readily available for the team

The DOF has delegated to the Secretary of CDFA the responsibility for correcting any control deficiencies found in the financial records of the DAAs. A fair must comply with state rules and regulations, correct all deficiencies discussed in the audit reports, and comply with audit recommendations. Failure by a fair to comply with state laws directly violates the Financial Integrity and State Manager's Accountability Act of 1983 (Government Code, Sections 13400-13407).

8.2 AUDITING COUNTY FAIRS

County Fairs are audited according to county requirements. Any discrepancies noted in county reports of the fair's operation should be resolved in a timely manner. In many instances the County Fair organizations have adopted the Accounting Procedures Manual (APM) as their official operating manual. The fair should ensure that the county finance department deposits, records, and tracks all State funding including, the state allocations, and capital project funding, appropriately.

8.3 AUDIT TYPES

There are two types of audits, financial and compliance. During a ***financial*** audit, the auditing team reviews every aspect of the fair's financial records and compares the findings to the formal, year-end Statement of Operations. In a ***compliance*** audit, the audit team reviews the fair's operational functions to determine if it is complying with the policies and procedures established by the state and other applicable regulatory entities. The fair should consider an audit a tool designed to assist the fair with general operation of the organization. Audits are performed to:

- Verify the accuracy of the financial statements and detailed, supporting documents
- Determine that there are adequate safeguards for cash and other assets
- Check for compliance with rules and regulations
- Develop an opinion as to the extent to which statements of financial position, results of operations, and changes in financial positions are presented in conformity with generally accepted accounting principles.

8.4 PRIMARY RECORDS EXAMINED AT AUDIT

Approximately three weeks prior to the scheduled start of an audit, the fair receives a detailed engagement letter outlining the records necessary to have on hand for the audit. Informational records are used to obtain background details affecting the audit. The records related to specific areas are examined for evidence of proper controls, compliance, and accountability. Although auditors may request a variety of different records when necessary, primarily, a fair audit will include the examination of:

Informational Records
• Board Meeting Minutes • Chart of General Ledger Accounts • General Journal with supporting documentation for journal entries • Detailed General Ledger • Policies and Procedure Manuals • Approved Budgets with budget versus actual comparisons and variance explanations
Cash Related Records
• Bank statements and reconciliations • Authorized signature cards • Blank check stock, canceled checks, voided checks, and deposit tickets • Investments and savings documentation • Cash receipts and Cash Receipt Journals • Cash Disbursement Journals
Property Related Records
• Property Ledgers

• Depreciation Schedules • Project tracking reports • Support for additions and deletions • Property inventories • Non-monetary property log
Revenue Related Records
• Aged Accounts Receivable tracking • Accounts Receivable invoices • Admissions tracking – including ticket manifests and inventories, summary sheets, ticket sellers' reports, and courtesy pass documentation • Concession contract logs, contracts, settlement sheets, and Z-tapes (or Z-tape reviews) • Carnival contract, settlement sheet, summary reports, ticket sellers' reports, and pre-sales accounting • Interim event log, agreements, and settlement sheets • Junior Livestock Auction records – including buyers/sellers report, invoices, and resale documentation • Commercial Space contracts and settlement sheets
Expense Related Records
• Aged Accounts Payable listing • Vendor invoices • Purchase Order logs and copies • Bid documentation • Standard Agreement logs, contracts, and IRS forms 1099
Personnel Related Records
• Federal and State quarterly and annual tax reports • Positive attendance records/ timecards • Standard forms 634, Vacation/sick leave and overtime/CTO tracking records • 119-day employee listings and time tracking reports • Informational records such as I-9s, W-4s, and W-2s

8.5 OTHER AUDIT INTERESTS

Auditors are likely to focus on certain areas and documents pertaining to them such as:

8.51 Investments

Fairs should invest surplus funds prudently. The State Treasurer's Office created the Local Agency Investment Fund (LAIF) for use by government agencies to help maximize return on investing excess cash while offering some protection to that

investment. Auditors will evaluate the fair's investments, especially in instances where the fair has not chosen to use LAIF.

8.52 Conflict of Interest

Each fair should possess and refer to a manual entitled *Conflict of Interest* should questions arise as to the appropriateness of procedures and commitments. Auditors may review a fair's manual to determine whether or not a fair has an adequately documented understanding of this area.

8.53 Record Protection

The CEO and staff should conduct and document periodic reviews of safety procedures protecting records from fire, theft, and unauthorized use. Auditors may examine a fair's safety procedures, updates, and reviews to establish whether the appropriate safeguards are being attended to.

8.54 Use of State Funds

One of the primary areas of focus for establishing whether a fair is complying with State rules and regulations is how a fair uses its State funds. Certain purchases are considered an inappropriate use of state funds, especially when deemed a gift of public funds as prohibited by the following excerpt.

> *Article XVI, Section 6, of the State Constitution states in part:*
> *The Legislature shall have no power to give or to lend, or to authorize the giving or lending, of credit of the State . . . nor shall it have the power to make any gift, or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation.*

As state agencies, DAAs are governed by this law. Although county fairs are not always subject to the same restrictions DAAs are, Public Contract Code 10321(b)(2) requires all DAAs, county fairs, and citrus fruit fairs to adhere to a procedure that, at a minimum, maintains an audit trail and protects the ability of state auditors to confirm the proper use of state funds. Auditors will look for prohibited purchases such as decorative flowers or other gifts to employees or their families. If a fair provides no documented business purpose that reasonably supports a purchase, then the purchase will likely be deemed an inappropriate use of State funds.

8.55 Delegated Purchasing Program (DAA only)

The Delegated Purchasing Program, authorized by the Office of Procurement, allows fairs purchasing privileges not available to most state agencies while ***prohibiting*** them from the direct purchase of certain commodities. Auditors look for documentation that a fair has been granted delegated purchasing authority, which must be applied for and obtained annually in order for a fair to have the authority to make purchases that exceed $100. Records are reviewed for compliance to the program; auditors look for evidence of unauthorized purchases such as alcoholic beverages, vehicles, and carpets.

8.56 Independent Contractor/Employee Status

It is critical that the Fair correctly determine whether the individual providing personal services are employees or independent contracts. Generally, you must withhold income taxes, withhold and pay social security and medicare taxes, on wages paid to employees. You do not generally have to withhold or pay any taxes on payments made to independent contractors. In determining whether the person providing service is an employee or an independent contractor, all information that provides evidence of the degree of control and independence must be considered. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral Control
2. Financial Control
3. Type of Relationship

More information on the three common law rules stated above may be available at the following Internal Revenue Service (IRS) website.
http://www.irs.gov/businesses/small/article/0,,id=99921,00.html

If, after reviewing the three categories of evidence, it is still unclear whether a worker is an employee or an independent Contractor, Form SS-8, Determination of Worker Status for the Purposes of Federal Employment Taxes and Income Tax Withholding, can be filed with the IRS. The IRS will review the facts and circumstances and officially determine the worker's status.

8.57 Property Identification Tags

In order to establish whether a fair is properly safeguarding all of its assets, auditors will check to see that all tools, furnishings, and equipment, regardless of value, are permanently stamped or tagged with a DAA or county identification.

8.58 Friends of the Fair and Other Foundations

Many fairs have established beneficial relationships with 501(c)(3) non-profit organizations that aid and support a fair in its endeavors. Auditors will look for agreements and attempt to obtain an understanding of the nature of and examine the propriety of the relationship between the fair and the support organization. All transactions between the two organizations should be at an Arm's Length.

8.59 Sponsorship Procedures

Food and Agriculture Code, Section 4051.1 grants authority for entering into sponsorship agreements when specific Board procedures outlining the steps required for securing the agreements are appropriately in place. Auditors examine the documented procedures to ensure that adequate guidelines have been established and are being followed. For more information please refer to the F&E Contract Manual for District Agricultural Associations (Rev. March 2008)

8.60 Federal Labor Standards Act – FLSA (DAA only)

Each DAA must submit an FLSA calculation form with its annual Statement of Operations. Based on these calculations the fair may qualify for the recreational exemption relieving it from paying time and one-half overtime to temporary employees. Auditors verify a fair's FLSA percentage calculation to establish whether a fair accurately qualified for the exemption or did not qualify and will be required to pay overtime to its temporary employees. The fair in the example on the following page does not qualify.

Federal Labor Standard Act (FLSA) Recreational Exemption

2007 Monthly Gross Revenues

METHOD OF DETERMINING APPLICABILITY OF RECREATIONAL EXEMPTION

DO NOT INCLUDE STATE FUNDING.

January	899,230
February	961,570
March	647,680
April	1,238,216
May	693,750
June	916,704
July	5,805,937
August	651,327
September	638,668
October	740,800
November	546,880
December	692,897
TOTAL	14,433,659

Lowest six months:	Amount	Highest six months:	Amount
November	546,880	October	740,800
September	638,668	January	899,230
March	647,680	June	916,704
August	651,327	February	961,570
December	692,897	April	1,238,216
May	693,750	July	5,805,937
TOTAL	3,871,202	**TOTAL**	10,562,457

The total of the lowest six months divided by the total of the highest six months = Lowest Six Months 3,871,202 / Highest Six Months 10,562,457 = 36.65%

If the result exceeds 33 1/3% or .333, your exemption is lost for 2008 and overtime should be paid to temporary employees accordingly.

DO NOT INCLUDE STATE FUNDING.

8.6 INTERNAL CONTROLS, EMPLOYEE ACTIVITIES, AND FUNCTIONS

Checking for proper internal controls and separation of duties, the audit team will examine employees' familial relationships, their roles, and the hierarchy within which they work. It will determine not only whether a job is being done correctly, but also by whom, and under what conditions. The points outlined below are covered by most audit teams.

8.61 Cash, General

- Who performs the following duties pertaining to ***Cash Receipts?***
  - Opens mail
  - Receives counter collections
  - Prepares receipt forms
  - Prepares bank deposits
  - Makes bank deposits
  - Compares receipts with deposits
  - Maintains Receipts Journal
  - Controls Receipts Journal
- Who performs the following duties pertaining to ***Cash Disbursements?***
  - Authorizes disbursements
  - Prepares checks
  - Manually signs checks
  - Stamp signs checks
  - Controls facsimile stamp
  - Compares check with invoices
  - Mails or distributes checks
  - Maintains disbursement journal
  - Controls check forms
- Who performs the following ***other related*** duties?
  - Reconciles bank accounts
  - Has custody of cash funds
  - Has access to safes
  - Maintains receivable ledger
  - Maintains receipts journal
  - Maintains the general ledger
  - Accounts the transactions within the automated teller machine (ATM)
- Does the above division of duties conform with SAM 8080?
- Is the above division of duties acceptable from other standpoints of internal control?
- Do ***bank reconciliation*** procedures provide for
  - Delivery of bank statements and paid checks to reconciler unopened?
  - Comparison of paid checks with details of entries in the cash Disbursements journal?
  - Examination of paid checks for suspicious or irregular features?
  - Written acknowledgment of payment from payees on questionable endorsements?

  - Accounting for the sequence of check numbers?
  - Preparation of box reconciliations?
  - Prompt monthly reconciliation?
  - Review of bank reconciliations by accounting officer or other responsible employees?
- Are cashiers prohibited from cashing checks for employees?
- Are burglary, robbery and actual or suspected defalcations reported to F&E not later than the next business day?
- Are funds transported to the bank adequately protected?

8.62 Cash Receipts

- Are collections adequately controlled at the point of first receipt to prevent loss or misuse before deposit and entry in the cash receipts records by use of
  - Press-numbered receipt forms?
  - Cash registers?
- Are controls established above used as a check against deposits?
- Do incoming mail operations include
  - Delivery of mail to a central point?
  - Date stamping of mail?
  - Immediate segregation of mail with collections from other types of mail?
  - Listing of mail collections at the time mail is opened?
  - Immediate recording and safeguarding of coin and currency collections?
  - Immediate recording and safeguarding of all other types of collections?
- Are collections delivered directly and promptly from point of first receipt to person preparing the deposit?
- Are remittance advices, copies of press numbered receipts, letters or envelopes, cash register tapes, etc., separated from collections and given directly and promptly to the person who records them?
- Are cash receipts recorded on the date received?
- Is effective control provided over un-deposited collections which may be in the hands of someone other than the cashiers?
- Do control and use of receipt forms include
  - Press numbering of all receipt forms?
  - Copies other than the original bearing the printed statement “Copy – not a valid receipt”?
  - Retention of spoiled and voided forms?
  - Retention of originals when forms are written solely as posting media?
- Are deposits made intact and within the time limits prescribed?
- Is making expenditures or cash refunds from collections or change funds prohibited?
- Is the withholding of collections to establish or augment change funds prohibited?
- Are prescribed forms of endorsements used on check collections?

- Is remitter instructed to make checks or money orders payable to the DAA rather than to an individual?
- Are deposits checked occasionally to cashier's records by someone other than the cashier?
- Is the cash receipt journal closed promptly at the end of each month?
- Is the State Treasurer's Office promptly notified whenever deposits for any one account are in excess of $100,000 in any one day?

8.63 Cash Disbursements

- Are authorized check signature cards kept current?
- Do checks in excess of the prescribed limit bear two authorized signatures unless payable to the State Treasurer, to another State Agency or account, or to a bank for withholding taxes?
- Are unused checks adequately controlled to prevent their misuse?
- Are spoiled and voided checks mutilated to prevent their misuse and retained for audit?
- Do employees who sign checks do so only after comparing them with authorizations and supporting documents?
- So employees who prepared checks mark authorizations and supporting documents with the check number in ink to prevent their reuse?
- Do persons authorized to sign checks refuse to sign checks in blank or made out to cash?
- If checks are signed by the facsimile stamp, is the use of the stamp and signature plate adequately controlled?
- Are checks recorded in the journal as of the date written?
- Is the journal closed promptly at the end of the month?

8.64 Receivables

- Who performs the following duties?
    - Originates billing information
    - Prepares invoices
    - Maintains accounts receivables subsidiary ledger
    - Checks accuracy of invoices
    - Checks and mails monthly statements
    - Authorizes adjustments
    - Handles disputed items
    - Other related duties
- Is the above division of duties acceptable from the standpoint of internal control?
- Does the system ensure that amounts are billed, and billed promptly, when services are rendered, goods are shipped, or amounts are otherwise due?
- Are invoice forms press numbered and the sequence of numbers accounted for?
- Are monthly statements sent?
- Are delinquent accounts periodically reviewed, aged, and brought to the attention

of administrative personnel?
- Is follow-up, in cases of nonpayment, prompt and systematic?
- Are accounts promptly assigned to collection personnel when correspondence fails?
- Is collection effort commensurate with the amount involved?
- Are adjustments of accounts approved by the Board?
- Are subsidiary ledgers balanced monthly with the general ledger accounts?
- Are all receivables recorded in the general ledger accounts?
- Are write-offs of valid receivables submitted to F&E?
- Is an adequate record and control maintained over accounts after they have been written off?

8.65 Payrolls

- Who performs the following duties?
  - Maintains attendance records
  - Certifies payroll attendance reports
  - Distributes payroll checks
  - Keeps undistributed payroll checks
  - Maintains employee roster
  - Maintains vacation, sick leave, and overtime accumulation records
  - Signs reports of appointment and separation
  - Maintains payroll expenditure journal
- Who performs other related duties?
- Is the above distribution of duties acceptable from the standpoint of internal control?
- Are attendance reports maintained daily and positive entries made for employees on overtime, hourly, or other irregular bases?
- Do supervisors certify correctness of reports?
- Are payroll claims certified by a knowledgeable and responsible officer of the agency?
- Is there adequate control over undelivered pay checks?
- Are vacation, sick leave and overtime records checked for overdrawn balances prior to the preparation of the paychecks?
- Are separations promptly reported to the Human Resources Branch of the CDFA?

8.66 Purchasing

- Are expenditures, bids and contracts approved by the Board of Directors?
- Are stock received reports or other evidence of receipt of goods prepared at the time the goods are received?
- Are invoices checked to purchase orders, contracts, leases, bids and service agreements for specifications, prices, discounts, etc.?
- Are purchases that the Fair considers Opportunity appropriately documented in

accordance with Existing State law.

- Are extensions and footings on invoices checked?
- Are available cash discounts taken?
- Are invoices processed promptly for payment?

8.67 Property

- Does the fair establish adequate property accounting for items furnished to construction projects at the time the project is completed
  - As to State furnished items?
  - As to contractor-furnished items?
- Are final project costs reconciled to reports provided by the California Construction Authority? Are any differences researched for their cause?
- Is a reasonable effort made to obtain any salvage from surveyed equipment and waste materials?
- Are survey reports prepared for missing equipment a reasonable time after it is known to be missing?
- Can the presence or absence of negligence be determined from survey reports?
- Is accounting for expendable property on a complement basis used to advantage?

CHAPTER 9: ADMISSIONS REPORTING

9.0 OVERVIEW

Admission revenue represents a major source of income. The fair should emphasize monitoring, controlling, and reporting ticket sales and collecting admissions revenue, whether the admissions operation is managed by one of the fair's employees or by an outside contractor.

9.1 WRITTEN PROCEDURES

Establish written procedures and internal controls to protect revenue. There are many acceptable ways to administer admissions; each fair should evaluate alternate methods and establish controls best suited for its own facility. F&E has found that many problems can be avoided or eliminated if the routines described below are practiced. These procedures and controls may be used for all types of fair ticket sales; they work well for parking, concerts, and box seat sales, and may be adapted to any size operation. In any event, procedures must cover the following:

- Documentation and retention of records on ticket orders
- Controls on ticket inventory by event as well as daily
- Control of tickets issued to sellers
- Reports of daily sales, receipts, and deposits
- Controls for reconciling daily sales to reports and deposits
- Preparation of admission summary reports at completion of an event
- Preparation of fair statistics

9.2 FREE ADMISSIONS AND LIMITATIONS

In light of the state's ongoing budget deficits, its increasing needs, and decreasing ability to grant subsidies, fairs must be sensitive to public perception and exercise discretion when issuing courtesy passes. Food and Agriculture Code Section 3021 states "Every state, district, county, or citrus fruit fair which receives any money from the State Treasury shall permit the admission without payment of the admission charge of all children 12 years of age or under on at least one day, which is designated by the fair, during each fair period."

The following sections are from Food and Agricultural Code (Sections 3001 through 3029) which defines the types of admissions, mandates some, and limits others.

9.21 Courtesy Pass Admissions

Food and Agriculture Code Section 3002 states "*Courtesy pass admission* means any admission, without payment of the admission charge, to any state, county, district, or citrus fruit fair, except any of the following:

(a) Credential admission
(b) Admission of any child under 12 years of age
(c) Admission of any military personnel in uniform."

Food and Agriculture Code Section 3026 restricts the percentage of courtesy pass admissions to 4 percent of the gross paid admission to the fair in the preceding calendar year.

The CEO and the Board should devise a policy regarding the issuance of courtesy passes that is both attentive to the appropriate use of public funds and avoids language that may be perceived otherwise.

9.22 Credential Admissions

Food and Agriculture Code Section 3003 states "*Credential admission* means any admission which is authorized by the board of directors of a state, district, or citrus fruit fair, or by the board of supervisors of a county for admission to a fair without payment of the admission charge when a service is rendered by the person who is admitted which is necessary for the conduct of the fair."

Section 3023 provides lists of any individual, association, or body to which credential admission may be issued to:

(a) Prepares or services any educational, commercial, industrial, livestock, agricultural horticultural, or viticultural display or exhibit
(b) Services, maintains, or operates any concession
(c) Renders, through agreement with the fair, a service to fair patrons
(d) Renders a necessary public service
(e) Safeguards health
(f) Provides for public safety
(g) Participates in any parade or event which is necessary for the conduct of the fair

Section 3024 also provides lists of persons credential admission may be issued to:

a) Representatives of press, radio, and television personally engaged in obtaining and transmitting public information
b) Ambulance drivers
c) Firemen on duty
d) Repairmen who are necessary to service utilities
e) Employees of the fair
f) State officials in the performance of their duty

9.3 PRE-EVENT PROCEDURES

Hold an orientation meeting for all fair personnel prior to an event. Provide relevant policy information to the staff. Include policies and contentions concerning tips, cash shortages, and press releases. Make sure your employees understand that maintaining cumulative totals of sales is prohibited.

9.31 Ticket Stock

To simplify inventory control, most fairs use rolled tickets; if strict controls are in place, fairs may use flat stock. Prohibit the use of generic tickets because it creates an opportunity for theft. If tickets are used to track the number of patrons admitted free of

charge, the word “FREE” must appear prominently on the ticket. In addition, credential admission tickets should have words “credential admission” printed as stated by Food and Agriculture Code Section 3025. F&E recommends using different ticket colors for each day of a fair and printing the type or class, the fair’s name or logo, and the date or year on each ticket.

Minimum requirements include:

- Sequential, press numbered tickets
- Different colors for each type of ticket (adult, child, senior)
- Ticket price printed on each ticket
- Disclaimer regarding refunds and liability printed on back of ticket

9.32 Ordering and Shipping

The fair must retain all documents regarding a ticket order prepared by the fair or received from a vendor. These include the bids, ticket purchase order, vendor shipping documents, vendor invoices, and vendor payments. When ticket orders are received, immediately verify that shipments are correct and complete. A returned ticket shipment or any deviation from purchasing requirements must be explained, fully documented, and signed by a supervisor.

9.33 Beginning Ticket Inventory

Prior to every event, inventory the tickets to be used during the event; record as *beginning* inventory. The stock might come from

- The current year’s verified ticket order
- Unused undated stock from a prior year
- A combination of stock from current and prior years’ inventory, as long as stock is clearly described

The individual authorized to receive tickets must sign for them and verify the inventory against the actual tickets delivered.

Sample Ticket Inventory[6]

		ANYWHERE FAIR		
	Daily	145TH DISTRICT AGRICULTURAL ASSOCIATION	Beginning	
		FAIR TICKET INVENTORY		
X	Event Master	FOR 2007 FAIR	Ending	X

Type of Ticket	Box Number	Beginning No.	Ending No.	Total Tickets
Adult (Red)	17	963	1000	38
	17	2519	3000	482
	17	31848	32000	153
	17	36152	37000	849
	17	47001	48000	1,000
	17	48992	49000	9
	17	49001	50000	1,000
	Total Tickets			3,531
Child (Purple)	18	527	1000	474
	18	12875	13000	126
	18	14001	14500	500
	18	14501	15000	500
	Total Tickets			1,600
Senior (Gray)	19	1784	2000	217
	19	4818	5000	183
	Total Tickets			400
Inventoried by:	***John Ivan***		Verified by:	*Ian Sean*
Date	***Feb 01, 2007***		Date:	*Feb 16, 2007*

To calculate total tickets: Ending ticket number minus beginning ticket number plus one equals Total Tickets

9.4 EVENT PROCEDURES

9.41 Ticket Sellers' Daily Report

A daily report for each ticket seller is to be prepared by someone other than the seller. Any variation of the sample form below is acceptable, provided the following information is documented:

- Name of seller
- Sales location: window, gate, or booth number
- Date of sale
- Tickets provided to seller: specify type, value, and ticket numbers
- Change funds issued
- Ticket seller signature and acknowledgment of receipt of tickets and change funds

[6]The Ticket Inventory form is designed to be used for all types of inventory as indicated by the boxes at the top of the form. Be sure to indicate what type of inventory is recorded.

- Unsold tickets returned by seller
- Computation of sales, reconciliation to cash to sales, and notation of cash shortages or overages
- Signature of seller accepting completed report
- Signature of report preparer
- Signature of person reviewing and certifying completed report
- Seller's shift or hours worked may be noted to facilitate analysis of ticket sales

Sample Ticket Seller's Daily Report

TICKET SELLER'S DAILY REPORT						**Seller:** *Selma Sales*		
ANYWHERE FAIR						**Location**: *Gate 2*		
145TH DISTRICT AGRICULTURAL ASSOCIATION						**Date**: *6/22/07*		
TICKETS ISSUED				**TICKETS RETURNED**		**TICKET SALES**		
Adult	20,001	22,000		21,351	22,000	1,350	$4.00	$5,400.00
	32,001	34,000		33,351	34,000	1,350	$4.00	5,400.00
Child	3,057	4,000		3,401	3,995	349	$2.00	698.00
	6,001	8,000		6,983	8,000	982	$2.00	1,964.00
Senior	1	1,000		863	1,000	862	$1.00	862.00
						4,893		14,324.00
						(2)		(6.00)
						4,891		
				Seller's	Deposits	Total Sales		$14,318.00
Change	**Fund**: 500.00			#1	2,500.00	Net Deposits		14,320.00
				#2	3,600.00	Over <Short>		$2.00
				#3	4,200.00			
				#4	3,000.00			
				Final Dep.	1,520.00			
I acknowledge that I have received the				Total Dep.	14,820.00	*Clarice Clerk*		*6/22/07*
Tickets and Change Fund listed above				Chg. Fund	(500.00)	Prepared by:		Date
				Net Dep.	14,320.00	*Selma Sales*		*6/22/07*
Selma Sales	*6/22/07*					Accepted by Seller		Date
Seller Signature & Date						*Earl Baron*		*6/23/07*
						Reviewed by Supervisor		Date

9.42 Sellers' Cash Receipts

The admissions supervisor should maintain a daily report for the cash collections received from each ticket seller. Cash collections are often incorporated into the Ticket Seller's Daily Report as well. A supporting document is useful in reconciling receipts to sales and deposits. Use the sample form below or a variation; be sure to include:

- Identity of the seller
- Sales location: of seller, window, gate, or booth number
- Date and time of collection
- Detail of collection showing checks, currency, coins, and/or transfers

- Signatures of seller, cashier, and supervisor reviewing and certifying report

9.43 Transfer Ticket

Use this form whenever there is an exchange of tickets or cash at the selling location. It can also be used for setting up a "runner" bank to handle transactions in the field.

***Sample* Transfer Ticket**

TRANSFER TICKET 1542

SELLER: Selma Sales LOCATION: Gate 2 DATE: 6/22/07

TICKETS

TYPE	BEGINNING NO.	ENDING NO.

We, the undersigned, acknowledge the information contained herein.

Delivered by: Sebastian Coe

Received by: Selma Sales

Notes: Deposit # 2

CASH

	Change Fund	Exchange	Deposit
$100			500.00
$50			1,000.00
$20			1,500.00
$10			500.00
$5			
$1			100.00
Total Currency			3,600.00
Halves			
Quarters			
Dimes			
Nickels			
Pennies			
Total Coin			0.00
Total Transaction			3,600.00

9.44 Daily Sales and Deposit Summary

At the end of each day, the accounting department supervisor must prepare a summary report of the day's sales in a format in accord with the fair's policies and procedures. Use the sample form below or a variation which includes:

- Report of tickets sold
- Reconciliation of cash collections to deposits, identifying all cash shortages or overages
- Total paid admissions for the day
- Notation of voids
- Report of any problems with individual ticket sellers which were identified, addressed, and corrected during the day.

The daily sales and summary report provides valuable admissions information to management and should be modified to clearly present the day's sales activities. Obtain information for this report from the individual Ticket Seller's Daily Reports and Sellers' Cash Receipts.

Sample Daily Summary

TICKET SALES DAILY SUMMARY
ANYWHERE FAIR
145TH DISTRICT AGRICULTURAL ASSOCIATION

Seller	$4.00 Adults		$2.00 Child		$1.00 Senior		Total Sales	Over <Under>	Net Cash
Selma Sales	10,800.00	1	2,662.00	1	862.00		14,324.00	2.00	14,326.00
Cindi Cash	8,100.00		1,350.00		770.00		10,220.00	(5.00)	10,215.00
Mona Tarry	5,400.00		726.00		520.00	3	6,646.00		6,646.00
William Bills	2,400.00	2	378.00		200.00		2,978.00	1.00	2,979.00
Boris Bread	1,200.00		260.00		18.00		1,478.00	0.30	1,478.30
Gross Sales	27,900.00		5,376.00		2,370.00		35,646.00	(1.70)	35,644.30
Seller Adjustments									
Voids: Reference # 1	(4.00)		(2.00)				(6.00)		(6.00)
Reference # 2	(8.00)						(8.00)		(8.00)
Reference # 3					(1.00)		(1.00)		(1.00)
NET SALES	27,888.00		5,374.00		2,369.00		35,631.00	(1.70)	35,629.30
NUMBER SOLD	6,972		2,687		2,369		12,028		
Vault Adjustments (i.e. deposit shortage)									(2.45)
TOTAL ADMISSIONS DEPOSIT									35,626.85

This type of summary form can be used for any other type of sale, i.e., carnival, parking, grandstand, etc.

Clarice Clerk *6/22/07*
Prepared by Date

Earl Baron *6/22/07*
Reviewed & Approved by Date

9.5 POST-EVENT PROCEDURES

9.51 Ticket Sales Summary

Fairs must provide annual attendance data to F&E on the Statement of Operations, Schedule 4. The sample Fair Ticket Sales Summary summarizes the Daily Sales Reports for an entire event. Similar summaries may be prepared for all of the events in a fair-year or for several years. Fairs often find these data useful for planning, budgeting, and other management tasks.

9.52 Ending Ticket Inventory

The admissions supervisor must submit both the unused tickets and an ending ticket inventory accounting for all unused tickets at the close of the event. At minimum, it should include:

- Type and color of tickets
- Beginning and ending number in each roll or packet
- Total of tickets remaining by type and color
- Grand total of all tickets remaining for the event

Sample Fair Summary

2007 FAIR TICKET SUMMARY
ANYWHERE FAIR
145TH DISTRICT AGRICULTURAL ASSOCIATION

Day	Date	Adults	Child	Senior	Per Daily Reports
ADMISSIONS					
Wednesday	6/19/07	2,000	2,662	862	5,524
Thursday	6/20/07	3,500	1,350	770	5,620
Friday	6/21/07	8,200	726	520	9,446
Saturday	6/22/07	6,972	2,687	2,639	120,288
Sunday	6/23/07	13,200	260	18	13,478
TOTAL PAID		**33,872**	**7,685**	**4,809**	**154,356**
Voids		5	2	3	10
TOTAL USED		**33,877**	**7,687**	**4,812**	**154,366**
RECONCILIATION					
Beginning Inventory		45,436	6,978	2,773	
Ending Inventory		3,531	1,600	400	
TICKETS USED		**41,905**	**5,378**	**2,373**	**49,656**

This same type of summary form can be used for any other type of sale, i.e., carnival, parking, grandstand, etc.

Clarice Clerk	*6/24/95*
Prepared by	Date
Earl Baron	***6/25/95***
Reviewed & Approved by	Date

9.53 Ticket Reconciliation

The CEO should designate a staff member who has not worked on admissions to reconcile sales reports to the ticket inventory report immediately following the close of the fair. Any discrepancy must be described with reference to the retained documents and resolved by the CEO before signing the ticket reconciliation report.

Ticket Checklist

- *Does total cash equal tickets sold plus the draw on the change fund?*
- *Is ticket stock of used and unused tickets protected in a safe or under lock and key throughout the year?*
- *Are all ticket numbers recorded when received and checked against the original invoice of shipping manifest?*
- *Are unsold tickets retained until destruction is authorized (no sooner than four years after audit)?*
- *Have all ticket seller reports been verified as accurate and in agreement with receipts issued and deposits made?*
- *Do the admission rates charged agree with those approved by the Board?*
- *Are "free" tickets, courtesy passes and credential admission passes controlled by a responsible individual, properly documented, and retained?*
- *Are controls in place to determine whether the total value of all of the fair's courtesy passes does not exceed four percent of the prior year's paid admissions?*
- *Have the total paid admissions plus three number of passes used been reconciled to the ticket inventory and to the admissions reported on the Statement of Operations?*

CHAPTER 10: CARNIVAL AND CONCESSIONAIRE AUDIT PROGRAM

10.0 OVERVIEW

For many fairs, carnival and concession sales contracts yield a considerable amount of revenue. Both may be based either on a simple *flat fee* or the more complicated, and quite common, *percentage of sales*. This section contains a discussion of the need for strict procedures, some suggested guidelines for their creation and sample forms.

10.1 WRITTEN PROCEDURES

To protect its potential revenue, enhance relationships between the fair and contractors, and reduce the probability of disputes, the fair should institute clear and strict recording, inspection, and audit procedures and incorporate descriptions of concessionaire contractors in agreements and contracts. Designate the employees responsible for entering concession revenue in the general ledger and collecting daily reports. Describe the actions required of the audit team. For additional information regarding carnival contracts procedures, please refer to the latest *Contract Manual* published by F&E.

10.2 REQUIREMENTS

All carnival contracts must be formally bid, whether they are for the regular annual fair or for a secondary fair event (such as fair or holiday fair). Food and Agricultural Code 4511 states in part:

> *All county fairs and citrus fruit fairs shall, prior to entering into a carnival contract, do both of the following:*
>
> *1) Notify all persons on the department's list of qualified carnival contractors of the contract opportunity at least 180 days prior to entering into the contract*
> *2) Provide all applicants for the carnival contract a hearing before the board or governing authority of their proposal.*

In addition, a justification for entering into a carnival contract with a person other than the highest bidder must be submitted to the department. Any carnival contract exceeding three years without the approval of the department is not allowed.

10.21 Contractor Orientation

Hold a pre-fair orientation meeting with contractors to review and discuss percentage of sales program requirements and procedures. Outline the obligations of contractors to the fair and set forth the arrangements made by the fair to assure compliance with its rules; include reporting formats, frequency of reports, as well as the time-frame for dispute and settlement of apparent discrepancies.

- Require that the contractor appoint a representative authorized to act on contractor's behalf during any period of absence.
- Inform contractors that maintenance of the cash register is their responsibility.
- Instruct contractors to report cash register malfunctions to the audit team immediately.

- Stress that it is the contractors' responsibility to inform their own employees of the program.

10.22 Cash Registers

Cash register downtime reduces both contractors' sales and fair's revenue.

- Require that contractors use cash registers in good working order capable of providing dated and timed receipts, sequentially numbered transactions, 'X' and 'Z' totals, non-resettable running grand totals, and dual tapes.
- Require that the fair's audit team record opening cash register reading prior to any sales.

10.23 Percentage of Sales Program

Concessionaires often contract to pay a set percentage of their sales to the fair rather than a flat rental fee. The fair must be vigilant to make sure all revenue is reported and its full share paid.

- All sales must be entered on cash registers
- The cash register sum of each purchase must be readily visible to the purchaser
- Cash register drawers must be closed following each sale; continuously open cash drawers are prohibited.
- The use of a cash box separate from the cash register is prohibited.
- The cash register must be accessible to the fair auditor or audit teams at all times.
- Over-rings, under-rings, or any type of void sale must be clearly identified; contractor must circle and initial the error and record the date on all tapes

10.3 AUDIT PROCEDURES

Daily	Periodically	End of Fair
• Record the 'X' reading on register tapes before commencing sales and at beginning and end of day	• Conduct random visual audits • Conduct on-site audits of contractors expected of under-reporting sales	• Record 'Z' reading • Compare to reported total sales for event • Reconcile differences

10.4 NON-FAIR INTERIM EVENT AUDITS

During interim events, the fair should perform periodic audits on all percentage contracts and request copies of all register tapes for each day or evening the event is held. The fair may choose to conduct impromptu on-site audits, provided they do not breach contract terms. Require that interim concessionaires provide an annual audit report by an independent auditing firm.

Sample Concessions Report

ANYWHERE FAIR
CONCESSIONAIRE REGISTER READINGS

NAME: Krystal Candy **GUARANTEE:** 600.00
AGREEMENT NO. 07-32 **PRODUCT:** Guiltfree candy

Day	Date	Opening Readings	Closing Readings	Over-Rings	Adjustments	Initials	Gross Sales	Net Sales	Sales Tax (Rate 7.75%)
Tuesday	6/20/07	156302	156668			*gg*	366.00	339.68	26.32
Wednesday	6/21/07	156668	157223			*gg*	555.00	515.08	39.92
Thursday	6/22/07	157223	160984		-3500	*dp*	261.00	242.23	18.77
Friday	6/23/07	160984	161857			*dp*	873.00	810.21	62.79
Saturday	6/24/07	161857	162768			*gg*	911.00	845.48	65.52
Sunday	6/25/07	161168	164066	-2000		*dp*	898.00	833.41	64.59

Total Gross Sales					3,864.00	
Less Sales Tax @7.75%	Gross Sales less Net Sales equals Sales Tax					277.92
Net Sales	Gross Sales divided by 1.0775 equals Net Sales				3,586.08	
22% Net Sales due Fair	Net Sales times .22				788.94	
Less Guarantee Paid #1	Date Pd: 2/15/07	Receipt No. 1234	Amount:	100.00		
Less Guarantee Paid #2	Date Pd: 5/10/07	Receipt No. 1583	Amount:	150.00		
Due end of Fair (event)	Date Pd: 6/26/07	Receipt No. 2032	Amount:	538.94		
Total Payments					788.94	

Reviewed & Reconciled By: *Ginger Good* Date: *6/27/07*

Sample Fair Concessions Summary Report

2007 ANYWHERE FAIR CONCESSIONS

	C 9532	C 9542	C 9513	C 9539	C 9541	C 9527	
	Guiltfree Candy	Wonderful Waffles	Yummy Pastries	Bennie's Burgers	Chang's Chinese	Flossie's Favorites	**FAIR TOTAL**
Day 1 6/20	366.00	852.00	782.00	466.00	682.00	250.00	3,398.00
Day 2 6/21	555.00	946.00	867.00	438.00	971.00	350.00	4,127.00
Day 3 6/22	261.00	789.00	934.00	682.00	1,562.00	725.00	4,953.00
Day 4 6/23	873.00	1,025.00	1,158.00	899.00	1,752.00	628.00	6,335.00
Day 5 6/24	911.00	2,431.00	1,025.00	1,064.00	1,622.00	733.00	7,786.00
Day 6 6/25	898.00	2.,290.00	1,000.00	998.00	1,530.00	679.00	7,395.00
Total Gross	**3,864.00**	**8,333.00**	**5,766.00**	**4,547.00**	**8,119.00**	**3,365.00**	**33,994.00**
Net Sales	3,586.00	7,734.00	5,351.00	4,220.00	7,535.00	3,123.00	31,549.00
Total Owed	**788.94**	**1,701.48**	**1,177.22**	**928.40**	**1,657.70**	**687.06**	**6,940.80**
Down	(250.00)	(500.00)	(500.00)	(500.00)	(500.00)	(200.00)	(2,450.00)
Balance Due	538.94	1,201.48	677.22	428.40	1,157.70	487.06	4,490.80
Date	6/26/07	6/26/07	6/27/07	6/26/07	6/27/07	6/26/07	
Receipt #	2032	2033	2101	2034	2104	2035	

CHAPTER 11: SOUVENIR SALES

11.0 OVERVIEW

When a fair has a merchandising program selling souvenir items such as posters, caps, T-shirts, and sweatshirts, it needs written procedures and controls to ensure correct reporting of sales and promotional give-aways. Design controls similar to those you use for ticket sales because both programs include taking and maintaining inventories, daily recording of sales, and reconciling receipts to sales and stock. A fair may sell its souvenirs in its own ***fair store*** or through a ***concessionaire***.

11.1 PROCEDURES IN COMMON

Certain procedures are common to both retail options.

11.11 Regulatory Requirements

In addition to complying with any local regulations and requirements, the fair must

- Obtain a Seller's Permit from the State Board of Equalization (www.boe.ca.gov)
- Request the appropriate reporting form from the State Board of Equalization.
- **Forward tax payments in a timely manner**

11.12 Pricing

The Board must either set prices directly or be on record delegating pricing to the CEO. The CEO must apprise the Board of decisions, as is done in the case of contracts and agreements.

- Establish prices for each item based either on an expectation to derive a profit or to recover costs (break even).
- Determine whether sales tax is to be included in the price or if it is must be added.
- Ascertain the tax rate applicable to these items in your local area.
- Establish discount prices for employees and others deemed appropriate.

11.13 Inventory

Maintain an inventory control sheet. When items are purchased for resale, enter their cost in the inventory account. As items are sold or given away, make adjustments to this account and periodically reconcile it to a physical inventory of items on hand.

- Establish a ***perpetual inventory*** for items remaining unsold at the end of the fair-year; and reflect in the General Ledger inventory account (14100).
- Record the beginning inventory of items purchased during the current year verified against the vendor's invoice or shipping slip.

11.14 Promotional Merchandise

The Board’s policy should state the terms and conditions under which items may be used for promotional purposes. If not included in a formal Policy Manual, the policy should be approved and reflected in the Board Minutes prior to opening the fair.

Establish a control sheet for promotional merchandise which includes list of each item, name of the person/company it was given to, name of personnel giving it, and the justification of the free merchandise.

11.15 Pre-Fair Sales

Record incidental sales using cash receipts. Handle volume sales as you would souvenirs sold at a booth during the fair. See 11.2 below.

11.2 BOOTH SALES

A designated Booth Manager should be made accountable for ensuring that controls are in place and procedures are followed.

- Inventory all souvenirs when first issued to and finally returned from the booth.
- The booth manager must sign for the receipt of merchandise.
- Establish and issue an adequate change fund to the booth manager verified by each seller of goods.
- Use a cash register, if at all possible, especially if you expect a large volume of sales.
- Establish procedures for accepting and safeguarding cash, checks, and credit card receipts.
- Reconcile receipts to sales on a daily basis.

11.21 Handling Funds

Designate a person to transport funds to and from the booths. Collect money from booths regularly, especially large bills; retain in a safe or another secure location away from the booth.

- Record all transfers and deposits; include the date, time, amount of currency, coins, and checks, and signatures of both individuals involved in the transaction.
- Funds transported to and from booth must be verified ***at both locations*** by someone other than the person who transported the funds.
- Reconcile sales to receipts and deposits at end of day.

11.22 Daily Sales Report

The report format may vary dependent on the types of souvenirs for sale and whether a cash register is used. On the report form, record

- Number of items issued
- Number retained or returned
- Prices
- Amount of the change fund issued
- Total cash received and deposited
- Signatures of sales persons
- Record any cash overages or shortages in General Ledger account 85200.

11.23 Reconciliation of Sales

At the conclusion of the event (or annually), reconcile sales to inventory using a form similar to the one below.

Sample Souvenir Sales Daily Report

ANYWHERE FAIR
SOUVENIR SALES DAILY REPORT

Seller: *Beverly Barker* Date: 7/25/07

ITEM	ISSUED	COMPS	RETURNED	SOLD	RATE	SALES
Cups	20	5	10	5	5.00	$ 25.00
Hats	50		25	25	6.00	150.00
Pins	100	25	65	10	3.00	30.00
T-Shirts(Lg)	10		9	1	12.00	12.00
Posters	50	20	22	8	15.00	$ 120.00

Change Fund: *$50.00*

I acknowledge that I have received the items and change fund listed above.

Beverly Barker *7/25/07*

Seller's Signature Date

Seller	**Deposits**
#1	100.00
#2	200.00
Final	90.00
Total Dep.	390.00
Chg. Fund	(50.00)
Net Dep.	340.00
SALES TAX	**IN SALES**
Total Sales	337.00
Net Sales	310.88
Sales Tax (7.75%)	26.12

Total Sales	$337.00
Net Deposits	340.00
Cash Over <Short>	3.00
Clarice Clerk	*7/25/07*
Prepared By	Date
Beverly Barker	*7/25/07*
Accepted by Seller	Date
January. W. Booth	*7/26/07*
Reviewed by Supervisor	Date

Sample Souvenir Booth Sales Reconciliation

SOUVENIR BOOTH SALES RECONCILIATION						
	Cups	Hats	Pins	T-Shirts	Posters	TOTALS
Available for Sale	300	500	1000	200	1000	3,000
Unsold at conclusion of Event	150	75	250	60	25	560
Total Used during Event	150	425	750	140	975	2,440
Complimentary Issued as authorized	25	25	300	25	50	425
Total Sold during Event	125	400	450	115	925	2,015
Sale Price Charged	$5	$6	$3	$12	$15	
Total Sales during Event	$625	$2,400	$1,350	$1,380	$13,875	$19,630.00
Report Prepared by: ***Esther Esne 8/22/07***				Seller Net Shortages		2.00
Reviewed & Accepted: *Earl Baron 8/25/07*				Total Deposits		$19,628.00

11.25 Souvenir Sales Accounting Procedures

Use the steps outlined below to record souvenir sales transactions.

Sample Souvenir Sales Accounting Procedures Chart

Action	Account Name	Account	Debit	Credit
Record **Purchase** of T-shirts from Manufacturer for $100	**Inventory** - Souvenir Merchandise	14100	$100.00	
	Cash - Operating Account	11300		$100.00
Record **Sale** of T-shirts 100% Markup $200 7.75% Sales tax	**Cash** - Operating Account	11300	$200.00	
	Souvenir Sales **Revenue**	47800		$184.50
	Sales Tax Payable	21300		$15.50
Record **Removal of Merchandise** from Inventory	Souvenir Sales **Expense**	57800	$100.00	
	Inventory - Souvenir Merchandise	14100		$100.00
Record **Payment of Sales Tax** to State Board of Equalization	**Sales Tax** Payable	21300	$15.50	
	Cash - Operating Account	11300		$15.50
Record **Overage** of $3	**Cash** - Operating Account	11300	$3.00	
	Cash - Shortage & Overage From Souvenir Sales	85200		$3.00
Record **(Shortage)** of $10	**Cash -** Shortage & Overage From Souvenir Sales	85200	$10.00	
	Cash - Operating Account	11300		$10.00

11.3 CONTRACTED SALES

When a concessionaire agrees to handle the sale of fair souvenirs or other promotional items sold in conjunction with concerts or motor sports, it is even more important to implement controls and reporting procedures. These should be clearly defined in a Rental Agreement (Form F-31) prepared by the fair and signed by the concessionaire. In addition to the applicable controls already mentioned, the agreement should include:

- Accountability for souvenir sales and sales tax
- Designated individual authorized to act on behalf of and in the absence of the contractor
- Precise percentage of sales to be paid by the contractor to the fair
- Date payment(s) are to be made

11.4 COMPUTATION OF SALES TAX

Usually sales tax is calculated on the price of an item by *multiplying* the price by the tax rate and adding to make the Total Sale, or the Price Charged.

		($0.72)
	(Price x Tax Rate) + Price = Total Sale	($9.30 x .0775) + 9.30 = $10.02
or	([1+Tax Rate] x Price) = Total Sale	$1.0775 x 9.30 = $10.02

Fairs, however, find it more convenient and efficient to include sales tax in the price charged and calculate it after sales at the end of the day. To do this, *divide* the **Price Charged** by **One plus the tax rate** to determine taxable sales. Total sales less taxable sales equals the sales tax.

Total Sale - (Total Sale/[1+ Tax Rate]) = Sales Tax	$10 - (10/1.0775) = $0.72
(Taxable Sale)	($10.02)

Each fair must obtain the correct tax rate for its area by calling the local office of the State Board of Equalization. The examples above use a 7.75% rate.

Souvenir Sales Checklist

- *Has a retail sales tax permit been obtained from the State Board of Equalization and all sales tax paid as required?*
- *Are inventories of goods held for sale taken at frequent intervals, minimally before and after each major sales event and at year-end?*
- *Are separate subsidiary records maintained on all retail sales operations and reconciled to the general ledger reports?*
- *Are the net results of the retail activity transferred to the operating fund in a timely manner*

CHAPTER 12: COMPETITIVE EXHIBITS AND AWARDS

12.0 OVERVIEW

Exhibits and Awards programs are fundamental to fairs. They involve preparation of a competition guide, processing entries, collecting fees, assigning exhibit space, receiving exhibits, judging entries, and paying awards. Each department of the Exhibit program, such as home arts, livestock, and the horse show, has its own unique policies and procedures. This section of the manual addresses only fiscal concerns such as:

- Collecting fees
- Documenting payment of fees
- Reconciling judging sheets, payment of fees, and payment of awards
- Recording transactions
- Refunds

12.1 COLLECTION AND DOCUMENTATION OF FEES

Competition or award guide lists specify the type and amount of fees an exhibitor must pay for *each class* entered. Fees vary from fifty cents to over one hundred dollars. Checks may be mailed to the fair; fees paid with currency must be paid in person. Often, one payment is made for several exhibitors' entries. For instance, a parent may write one check for three different children exhibiting in three different contests. It is imperative that precise written procedures be available so that funds are properly allocated and checks correctly recorded. If an Entry Department sells exhibitor credentials, vehicle passes, or trailer spaces, keep inventory logs. Typically, contest fees are not handled by permanent fair staff members familiar with its routines, so careful training is required.

F&E encourages fairs to use numbered NCR (carbonless) receipt books since the process may involve hundreds of receipts and a numbered cash receipt must be written for every fee; document the transactions as follows:

- Write a receipt for each transaction; note whether paid with currency or check.
- Record the accounts to which the fee is distributed on the receipt.
- Sign the receipt.
- Write the receipt number on the entry form; and on any checks received.
- Give the original receipt to the exhibitor or staple it to the entry form if received by mail.
- At the end of the day, group or *batch* the duplicate copies of the day's receipt forms and deliver them, with the funds, to the accounting office.
- In the presence of person making delivery, the accounting staff must check the cash against the total of the batched receipts.
- A member of the fair staff will write one master receipt for the total amount and staple it to the ***batched receipts summary form***. If the fair allows the Entry department to retain the receipt, record its number on the summary form
- If a cash register is used in lieu of receipts, record the transaction number on each entry form and staple the 'Z' tape to the summary form at the end of the day; otherwise, all other procedures remain the same.

Sample Daily Reconciliation Report

CASH REGISTER DAILY RECONCILIATION REPORT
ANYWHERE FAIR

CASHIER: Paul Palomino DATE: 7/03/07

Reg. Code	Acct. No.	Category	Amount	Adjustments	Justification for Adjustment	Correct Amount
FUNDS PER REGISTER						
1	431	Exhibit Entry Fees	445.00	25.00	Incorrect code	470.00
2	442	Horse Show Entry Fees	500.00			500.00
3	444	Horse Show Drug Fees	100.00			100.00
4	446	Horse Show Stall Fees	225.00	(25.00)	Incorrect code	200.00
5						
		Totals Per Register	1,270.00	0		1,270.00

FUNDS RECEIVED		**TOTALS PER ENTRY FORMS**	
Checks		Date Received	7/03/9
Currency		No. of Entry Forms	100
Coin		**Total Amount**	**1,270.**
Total Funds	1,297.		
Less Change Fund		Report Prepared By: ***Paul Palomino***	
Net Funds To Deposit	1,272.	Date: ***7/5/07***	
Total Per Register	1,270.		
Cash Over/(Short)			

VERIFICATION OF ACCOUNTING OFFICE

Verified & Receipted By:	*Rudolf Roan*
Receipt Number:	*#15602*
Date:	*7/4/07*

12.2 RECONCILIATION AND PAYMENT OF AWARDS

Awards must be paid within fourteen days of the completion of the event. All records, score cards, judges' sheets, and entry forms must be reconciled before generating the award (premium) checks. Individual departments are usually responsible for the reconciliations; their written procedures should include the following:

- Instructions for completing score cards and judges' sheets
- After judging, post the amount of the award -- as listed in the competition guide -- to the judging sheet.
- Post the awards, by class, from the judges' sheets to individual exhibitor entry forms.
- Calculate the total of the awards posted to the judges' sheets; it must equal the total posted to the entry forms.
- Research and correct any discrepancies.
- After corrections, recalculate the totals for each set of documents and attach the adding machine tape to the batch.
- The person posting and reconciling the two sets of documents, judges' sheets and entry forms, should initial and date the tapes.
- Carefully review all judges' sheets and entry forms; ascertain that all the required information has been furnished and forms have been signed.
- Deliver the entry forms to the department responsible for generating the award checks.
- Make award checks payable to the exhibitor in whose name the entry was made.
- Do not pay an award to any exhibitor whose check for entry fees was returned by the bank unpaid.
- Make no deductions from premium checks unless specific provision was made in the printed competition guide.
- Record the award check number on the entry form.
- Prove the total of all award checks against the posted entry forms.
- Forward a copy of the entry form to the exhibitor with the award check.
- Return the check register and all voided or destroyed checks to the accounting department.

12.3 RECORDING TRANSACTIONS

The ***premium account*** is a special bank account from which all awards are paid. Separation of transaction eases reconciliation.

- Transfer the amount necessary to pay the awards just before the checks are released.
- Record the transfer as a debit to the Premium Account (11400) and credit to the account from which the funds were taken, usually the Operating Account (11300).
- Record the total of all award checks written in the General Ledger with a journal entry which debits account 58100, Cash Awards, and credits account 11400, Cash in Bank - Premium Account.
- After reconciling total awards paid, transfer any remaining funds back to the operating account; this zeroes account 11400 in the General Ledger.

- Reconcile the premium account monthly; the total of the list of checks outstanding will equal the balance on the bank statement if all transactions have been managed correctly.

12.4 REFUNDS

The Board of Directors must approve any refund of state funds. An exhibit department supervisor may request approval by submitting a list of refunds requested with justification for each. Acceptable reasons include, but are not limited to:

- Sickness, injury or death of animals (when verified by a veterinarian)
- Cancellation of a class
- Overpayment of fees
- Rejection of an entry by the fair because of ineligibility or a lack of exhibit space
- Withdrawal of an entry by exhibitor prior to the published closing date

CHAPTER 13: JUNIOR LIVESTOCK AUCTION

13.0 OVERVIEW

There are several acceptable methods for administering a Junior Livestock Auction (JLA); although the forms differ, an ***Auction Committee*** (Committee) usually oversees and participates in the operation. It is always the fair's responsibility to develop and implement written procedures and controls and to provide accurate financial information to the Board and Committee.

13.1 JLA ACCOUNTING

Consistent accounting conventions are used throughout the industry which makes it possible for inter-fair comparisons and analyses of various operations. Record all JLA activity in Revenue Accounts 47600, Expense Accounts 57600, and Auction Reserves in Account 25100. Maintain a separate bank account for the JLA (account 11700); reconcile to reserves annually. The accounting department should also:

- Prepare a separate budget for the Auction. Do not include it in the fair's operating budget.
- Keep supporting documentation for the receipts and disbursements of the Auction as part of the fair's records.
- Verify for accuracy and compliance with any contractual agreements.
- If computer services are contracted, it is the fair's responsibility to make sure that accurate detailed reports are provided by the contractor.
- Annually, the CEO should analyze the commission retained by the fair and adjust it to cover all auction costs and ensure that the fair does not have to supplement the auction out of its operating reserves.
- At the end of the fair-year, make closing entries for all auction revenue and expense accounts into auction reserves.
- 1099 forms are not required to be completed and filed

Sample Journal Entries for Accounting JLA transactions

Action	Account Name	Account	Debit	Credit
Record **Gross Sales**	Accounts Receivable (To be collected)	13100	$XXX,XXX	
	JLA Consignment (Total due to sellers)	25200		$XXX,XXX
	JLA - Revenue	47600		$XX,XXX
Record **Deposits**	Cash – JLA Account (All receipts collected)	11700	$XXX,XXX	
	Accounts Receivable (All amounts paid by buyers)	13100		$XXX,XXX
Record **Payment to Sellers**	JLA Consignment (Total net checks to Sellers)	25200	$XXX,XXX	
	Cash – JLA Account (Total paid by Bank)	11700		$XXX,XXX

13.11 The Auction Reserve Account

The Auction Reserve account is the accumulated total of operations, that is, the net revenue from yearly auctions. The Board should specify minimum and maximum balances for this account. The minimum balance should be sufficient to cover bad debts and other unforeseen expenses. When the Auction Reserve exceeds its maximum, the Board and the JLA committee should develop a mutually agreed-upon plan to reduce the amount of the reserves by

- Reducing the amount of commission to be withheld, or
- Spending excess reserves on capital improvements to benefit the livestock program.

13.12 Shared Expenses

Often fair accountants are confused about which expenses should be charged to the Auction and which to livestock expenses of the Exhibit Department. As a general rule, ask the question "Would the fair have this expense if there was no Auction?" If the answer is no, then classify it an auction expense. Certain expenses are incurred jointly by the Exhibit and the Auction, such as the wages of a Livestock Superintendent hired for the Exhibit Program whose work entails care of JLA animals as well. *It is the Fair's responsibility* to identify such expenses, determine an equitable ratio, and allocate portions of them to each program.

13.2 SUGGESTED POLICY GUIDELINES

The Board, in conjunction with the Committee, is responsible for establishing policies. Any deviation from policy must be documented and justified. Include as part of policy:

- Payments to sellers will be timely -- they must be made within seven business days of the close of the auction.
- Fair funds are not to be used for the purchase of any auction animal.
- Potential animal purchasers with questions should be referred to their accountants or tax preparers; under no circumstances may an individual connected in any way with the Auction discuss the legality of animals-as-tax-deductions.
- Sponsor and donor intentions will be honored and recognized by spending money from sponsorships and using donations earmarked for the JLA only for auction-related activities or in the livestock area.
- Buyers will be informed that an animal becomes *the property of the fair* from the moment the auctioneer's gavel comes down and remains so until the buyer has paid for the animal.

13.3 FAIR-OPERATED AUCTION

Many fairs operate their own auctions advised by an Auction Committee and ruled by policies established by the Board of Directors. If this is the case, treat the auction as a fair program which differs from others only in that its budget is not included in the Operations Budget of the fair. Net auction revenues are to be held in the Auction Reserves in Account 25100, which is an asset of the Fair. Controls applied to this type of operation are outlined below.

13.31 Requirements

Establish a bank account in name of the fair, subtitled "Junior Livestock Auction", with a check drawn from the operating account 11300 and debited to the JLA cash account 11700.

- Deposit receipts from all buyers directly into the JLA bank account (11700); list these receipts in an *auction receipts journal*, and record a journal entry which debits account 11700 and credits the appropriate 47600 revenue account.
- Draw payments to sellers directly against the JLA bank account, list them in an *auction disbursement journal,* and record with a journal entry which debits the appropriate 57600 expense account and credits account 11700.
- List any uncollected amounts from buyers as Accounts Receivable (in a sub-account of 13100) at the end of the fair-year.

13.32 Auction Expenses

Direct auction expenses may be handled in one of two ways:

- Pay directly with checks drawn against the JLA account and record with a journal entry into the appropriate 57600 expense account.
- Pay with a general operating check from account 11300 and disburse to liability account 25200 (JLA Consignment); periodically, draw "reimbursement" transfer checks from the JLA account 11700, into the operating account 11300, and record with a journal entry which debits the appropriate 57600 expense accounts and credits the consignment account 25200.

13.33 Auction Net

The difference between the total of the 47600 accounts, adjusted for receivables, and the total of the 57600 accounts, adjusted for payables, is the projected *auction net*. The auction net is the amount the fair expects to retain as commission (an agreed-upon proportion of the sellers' checks.)

13.4 COMMITTEE-OPERATED AUCTION

The fair must have a written agreement with the Junior Livestock Auction Committee (JLAC) clearly identifying the responsibilities of all parties, incorporating the Committee's Articles of Incorporation and/or By Laws, and stipulating that all JLAC records concerning the auction will be subject to audit by the fair and the CDFA. At a minimum, the requirements and responsibilities listed below should be addressed.

13.41 Requirements

Open a bank account in the official name of the committee.

- The CEO of the Fair must hold a non-voting seat on the JLAC Board of Directors.
- One member of the Fair Board of Directors must hold a voting seat on the JLAC Board of Directors.

- Monthly (or as often as the committee meets) financial reports including a profit/loss, trial balance and printed check register must be provided to the Fair Board of Directors by the JLAC.
- All JLAC expenses must be approved by the JLAC Board of Directors through an annual budget process and regular approval of financial reports from the Treasurer. Any expenses not included in the approved annual budget must receive approval from the JLAC Board of Directors prior to being expended.
- Either a STD 210 or Rental Agreement must be signed between the Fair and the JLAC detailing who is responsible for the JLAC funds, insurance for the auction, proceeds from the auction, and maintaining an auction reserve
- Two signatures shall be required by the JLAC on all cash disbursements / checks from auction proceeds and reserves.
- The Fair and JLAC shall *jointly* set assumptions and devise a method for calculating the amount retained from sales for expenses.
- The Fair and JLAC shall *jointly* set parameters for the Auction Reserve Balance (also known as Contingency Fund)

13.42 Delegation of Responsibility

Determine who will manage the auction revenues, set order of sales, and hire and manage staff.

- Name an individual who will be responsible for monitoring the reserve.
- Identify party(s) liable in the event of injury to fair patrons or animals.
- Determine which insurance company and coverage for the event will be obtained and purchased from.
- Specify custodianship of purchases made with auction funds.
- Specify how assets are to be distributed should the committee cease to exist.
- Identify conditions under which auction funds may be used for capital improvements to fairground facilities.

13.5 ORGANIZATION-OPERATED AUCTION

Some fairs retain the services of a local bank to operate their auctions. This method delegates the “day of auction” financial operations to the bank. Generally, the bank agrees to collect and deposit receipts from buyers, pay sellers their share after deducting fair commissions and fees, and provide reconciling reports to the fair. Often a bank agrees to assume responsibility for a limited period of time following the auction. In either case, ultimately, all records are returned to the fair and the bank's responsibility ceases. In addition to the controls previously listed, the fair should:

- Enter into a Service Agreement (STD. 213) in which the Bank's responsibilities and the exact services it will provide are detailed.
- Make certain that the net funds are deposited into the fair's JLA account (11700) and that the amount deposited agrees with reconciliation report provided by the bank.
- Reflect the auction activity in the General Ledger by means of a journal entry based on the reconciliation report.

Junior Livestock Auction Checklist

- *Have proper agreements been executed to ascertain that fair policies and procedures are followed?*
- *Has an adequate contingency fund been established for bad debts or other auction losses?*
- *Have standard collection procedures (phone calls, letters, and legal action) been applied to delinquent JLA accounts receivable?*
- *Have any fair funds been used to purchase auction animals?*
- *Have sellers been paid in a timely manner?*
- *Does the net revenue/loss recorded on the Statement of Operations agree with details of the transactions recorded throughout the year?*

CHAPTER 14: SATELLITE WAGERING AND LIVE HORSE RACING FAIRS

14.0 OVERVIEW

Satellite wagering and live horse racing can be one of the fair's largest revenue generating programs. There are ten fairs with live racing and 23 fairs with satellite wagering facility throughout California. It is extremely important that controls be in place ensuring that all revenue due the fair is received. Although daily operations are the responsibility of the Satellite Wagering supervisor, the facility's tickets and money are the responsibility of the CEO and accounting staff.

14.1 SATELLITE WAGERING FACILITY PROCEDURES

The CEO, in conjunction with the facility supervisor, must establish written controls to audit and monitor procedures, reconcile reports, and verify and oversee revenues belonging to the fair.

- Establish ***change funds*** for separate aspects of the operation -- at minimum, for Admissions, Parking, and Customer Service. Balance these funds daily.
- Establish ***admission procedures*** (as outlined in Chapter 9), emphasizing inventory controls, separation of duties, verification and reconciliation of records, and required reports.
- If ***cash registers*** are used in addition to established admission procedures, make sure they are in good working order, have 'X' and 'Z' totals, dual tapes, and non-resetting cumulative grand totals.
- Never use cash registers in lieu of ***hard stock***.
- ***Comcheck exchanges*** require tight controls which include "dual custody reconciliation" (that is, reconciliation by two persons) at shift changes. Establish a separate change fund for this portion of the operation.
- Institute ***firm controls for cash*** and items easily converted to cash; limit accessibility to them to the facility supervisor and assistant.
- Establish a ***perpetual inventory*** for souvenir items, whether held for sale or promotional use. Reconcile to sales regularly; use or adapt the *Souvenir Sales Daily Report* form. For detailed information, refer to Chapter 11.
- Hold an ***orientation session*** for all new personnel. Review fair and facility policies and procedures before they begin work.
- Establish a method to ***track commission revenue***. Carefully reconcile commission reports.
- Prepare a year-end ***ticket sales report*** for the Statement of Operations; include discounted and complimentary admissions.

14.11 Fair Accounting for Satellite Wagering

The fair must account for the Satellite Wagering facility's tickets and money.

- Enter all Satellite Wagering revenue in the cash receipts journal daily.
- Reconcile inventory, sales, and deposits regularly.
- F&E recommends that a summary report accompany all deposits delivered to the fair office. Verify the report and count the deposit before taking it to the bank. Use or adapt the *Daily Deposit Recap* which follows.
- Reconcile change funds regularly
- Maintain files containing copies of supporting documents to all inventories, purchase orders, delivery slips, ticket manifests, and ticket and merchandise inventory reports.
- Obtain and review 2% funds from horse racing to book as receivables from the Comprehensive Horse Racing Information Management Systems (CHRIMS) reports available through their website at www.chrims.com/webportal.

Satellite Wagering Checklist

- *Are receipts recorded in the cash receipts journal daily?*
- *Are cash registers or turnstiles, if utilized, reconciled to ticket sales daily?*
- *Is the Comcheck exchange reconciled daily?*
- *Are inventory items reconciled to the general ledger monthly?*
- *Are commissions tracked and reconciled to reports monthly?*

14.2 LIVE HORSE RACING FAIRS

The California Authority of Racing Fairs (CARF), one of the Joint Powers Authority (JPA) was created in 1985 for the purpose of "conducting horse racing and pari-mutuel wagering" at fair facilities.

There are ten fairs that have live horse racing. They are:

- Alameda County Fair
- California State Fair
- Humboldt County Fair
- Los Angeles County Fair
- San Diego County Fair
- San Joaquin County Fair
- Solano County Fair
- Sonoma County Fair
- The Big Fresno Fair

Sample Satellite Wagering Admissions Report

SATELLITE WAGERING ADMISSIONS DAILY REPORT
FAIR NAME

Ticket seller:
Location:
Date:

TICKETS ISSUED				TICKETS RETURNED		TICKET SALES		
Type of Ticket	Color	Beginning Ticket Number	Ending Ticket Number	Beginning Ticket Number	Ending Ticket Number	Tickets Sold	Ticket Price	Ticket Sales
							Adjustments	

Change Fund: _____

SELLER'S DEPOSITS	
#1	
#2	
#3	
#4	
#5	
#6	
Final Deposits:	
Total Deposits:	
Less Chg. Fund:	
Net Deposits:	

Total Ticket Sales:	
Total Net Deposits:	
Cash Over <Short>:	

I acknowledge that I have received the Tickets and Change Fund listed above.

Seller Signature

Prepared by **Date**

Accepted by Seller **Date**

Reviewed by Supervisor **Date**

Sample Satellite Wagering Parking Report

SATELLITE WAGERING PARKING DAILY REPORT
FAIR NAME

Ticket seller:
Location:
Date:

TICKETS ISSUED				TICKETS RETURNED		TICKET SALES		
Type of Ticket	Color	Beginning Ticket Number	Ending Ticket Number	Beginning Ticket Number	Ending Ticket Number	Tickets Sold	Ticket Price	Ticket Sales
							Adjustments	
Change Fund: _____								
							Total Ticket Sales:	
							Total Net Deposits:	
							Cash Over <Short>:	

SELLER'S DEPOSITS	
#1	
#2	
#3	
#4	
#5	
#6	
Final Deposits:	
Total Deposits:	
Less Chg. Fund:	
Net Deposits:	

I acknowledge that I have received the Tickets and Change Fund listed above.

Seller Signature

Prepared By Date

Accepted by Seller Date

Reviewed by Supervisor Date

Satellite Wagering Customer Booth Report

SATELLITE WAGERING CUSTOMER BOOTH SALES
FAIR NAME
DAILY REPORT

Ticket Seller: _____ **Date:** _____

	Issued	Comp	Returned	Sold	Rate	Sales
PROGRAMS						
Total Programs						
TIP SHEETS						
Total Tip Sheets						
RACING FORMS						
Total Racing Forms						
SOUVENIR ITEMS						
Total Souvenir Items						

CHANGE FUND	SELLER DEPOSITS	
	#1:	Total Sales:
	#2:	
	#3:	Net Deposits:
	Final:	
	Total:	Cash Over <Short>:
	Less Change Fund:	
	Net Deposits:	
I acknowledge that I have received the items and change fund listed above.	**SALES TAX IN SALES**	Prepared By Date
	Programs:	
	Tip Sheets:	
	Racing Forms:	Accepted by Seller Date
	Souvenir Sale:	
	Total Tax:	
Seller Signature Date	Net Sales:	Reviewed by Supervisor Date

Satellite Wagering Daily Deposit Recap

SATELLITE WAGERING DAILY DEPOSIT RECAP
FAIR NAME

Day: _____ **Date:** _____

ACCOUNT #	Pstg. Code/Ref.	ACCOUNT DESCRIPTION	DR/CR	AMOUNT	PER DAILY REPORT
Admissions					
			CR		
			CR		
			CR		
Parking					
			CR		
			CR		
Customer Booth Sales					
			CR		
			CR		
			CR		
			CR		
Other Revenue					
			CR		
			CR		
21300		Sales Tax	CR		
21100		Clearing Account	CR		
85005		Overage/<Shortages>	CR		
11300		Total Deposit	DR		

Prepared by **Date**

Verfied & Receipted **Date** **Receipt #**

Deposited by **Date**

Satellite Wagering Weekly Deposit Report

SATELLITE WAGERING REPORT WEEKLY RECAP
FAIR NAME

For week of: _____ **Meet:** _____

RECEIPTS

Day	Date	Admission	Parking	Programs	Tip Sheet	Forms	Souvenir Sales	Sales Tax	Over <Short>	Deposits
1										
2										
3										
4										
5										
6										
7										

NUMBERS

Day	Date	Paid Admission	Comp. Admission	Paid Parking	Comp. Parking	Programs	Tip Sheet	Forms	Souvenir Sales
1									
2									
3									
4									
5									
6									
7									

OTHER STATISTICS

Day	Date	Handle		Commissions		Daily Per Cap	
1							
2							
3							
4							
5							
6							
7							

_____
Report Prepared by **Date**

_____
Compared to Financial Reports **Date**

CHAPTER 15: PURCHASING

15.0 OVERVIEW

The Department of General Services (DGS) delegates purchasing authority to DAAs. Some of the major purchasing options, limitations, and bidding procedures are outlined below for your convenience.

15.1 WRITTEN PROCEDURES AND INTERNAL CONTROLS

Each fair should produce and disseminate written procedures which establish internal controls such as:

- the conditions under which employees may make purchases
- obtaining and granting approval of purchase
- the documentation required

The fair's written procedures must consider and conform to the state options and requirements outlined below. They should also contain a reminder to employees that poor planning constitutes neither an emergency nor grounds for exemption from purchasing procedures.

15.11 Accounting Controls

- Prior to paying an invoice, make sure that the quantities and unit prices have been correctly ordered, billed, and delivered.
- Check that an authorized vehicle license number appears on the charge and the purchase order for gasoline.
- Make payments to vendors only when or after goods are received.
- Make payments in a timely manner to prevent assessment of finance or service charges and to take advantage of available discounts.

15.12 Documentation Required

The individual authorized to issue and/or approve purchases must set up and maintain logs and files for audit purposes:

- **Purchase Order Logs** (Delegated or Opportunity Purchase) - Lists purchase orders numerically, include date of purchase, name of vendor, and all items purchased
- *Small Business and DVBE* control log is required to prove a fair's compliance with the state's goals for the dollar value of purchases placed with these special businesses

15.2 DELEGATION OF AUTHORITY (DAA ONLY)

DAAs Delegations of Authority (Delegation) is approved by their Board for the following year annually. The Board must determine what level of contract approval authority to delegate to their DAA CEO and/or other staff. This Delegation is based upon dollar amount and type of contracts. For all contracts that do not fall under the Delegation,

individual Board approval and a formal Board resolution is required prior to entering into the contract. Please ensure that your DAA's Delegation is heard, approved, and submitted to Fairs and Expositions annually prior to beginning a new year. Following are information regarding Delegations for contracts and a sample Delegation format.

- Each DAA's *Delegation for contracts* **expires annually on December 31st.**
- The DAA's Board must annually re-hear, approve, and submit to Fairs and Expositions a new Delegation.
- Each time the DAA appoints a new CEO or other authorized person, a new Delegation must be heard, approved, and submitted.
- Contracts exceeding one year do not fall under the Delegation.
- The *Delegation* may give more than one person authority, as long as all information for each person is included.
- Typically, a Board still requires that at subsequent meetings they receive a listing of all contracts executed using the Delegation for their review and information.

The *Delegation* is documented in the form of an excerpt of the Board meeting at which it was approved. It must include:

- The Board meeting date.
- The expiration date of the Delegation (the following December 31st).
- Who motioned and who seconded.
- The name and title of the person(s) to whom the Delegation is given.
- The types of contract and dollar amounts approved.
- Description of any subsequent contract review requirement.
- "Certified to be a True Copy" signed and dated by the CEO.
- For any person receiving authority who is not the CEO, their dated signature must also be included on the Delegation.

Delegation of Authority

DELEGATION OF AUTHORITY

_____ District Agricultural Association

Excerpt from Board of Director's Meeting held on _____.

Upon motion of Director _____ seconded by Director _____and carried, CEO _____ is authorized to execute Rental Agreements up to $_____, Standard 2 Agreements up to $ _____, as long as these contracts do not exceed a one year term, without further authorization from the Board of Directors. Business Assistant _____is authorized, in the absence of the CEO, to execute Rental Agreements up to $_____, Standard 2 Agreements up to $_____, as long as these contracts do not exceed a one year term, without further authorization from the Board of Directors.

All such executed agreements; however, are to be submitted to the Board of Directors for review at the subsequent meeting. This *Delegation* is effective through December 31, _____.

Certified to be a True Copy	**Also authorized by this Delegation:**
_____	_____
CEO	**(Signature)**
_____	_____
Date	**Date**

15.3 OPPORTUNITY PURCHASING (DAA ONLY)

Public Contract Code Section 10321(a) provides for the Department of Food and Agriculture to develop criteria to be applied for fairs' opportunity purchases. The code section defines opportunity purchases as purchases made locally, by an individual fair or cooperatively by more than one fair, at a price equal to or less than the price available through the state purchasing program on or off state contract.

CDFA continues to delegate the development of criteria for opportunity purchasing to California Fair Services Authority (CFSA), with final approval of the criteria by the Department of Food and Agriculture. The latest approved opportunity purchase procedures and requirements, including dollar thresholds and formal bidding procedures are detailed below.

DAAs can utilize CFSA to process opportunity purchases for them; or DAAs can process their own opportunity purchases, with procedural and requirement clarification from CFSA if necessary. For information regarding opportunity purchasing, please contact CFSA's Purchasing Department at (916) 263-6191.

Note that for purchases that fall under the DAA's Department of General Services (DGS) requirements rather than opportunity purchasing criteria, processing must continue to be

completed through DGS or following the DAA's DGS approved purchasing delegation requirements as applicable. For information regarding DGS purchasing, please continue to contact your DGS purchasing contact directly.

AMENDED EXHIBIT A-1

OPPORTUNITY PURCHASING FOR DISTRICT AGRICULTURAL ASSOCIATIONS

Dated January 1, 2007

Description

- An opportunity purchase is any purchase made locally, either by an individual DAA or cooperatively by more than one fair. (*See* Public Contract Code Section 10321(a)(3).)

Requirements

- To qualify as an Opportunity Purchase, the item to be purchased must be available at a price *equal to or less than* the price at which it is available through the State Purchasing Program, on or off state contract ***OR*** the fair must document in writing that the purchase is financially beneficial to the overall fair program, regardless of price.

- The following bid requirements shall be followed for all opportunity purchases:

Limitations	Bid Requirements
$0 - $100	None
$101 - $2,499	Bidding not required. Fair may want to set informal bidding threshold lower than $2,499 and obtain verbal or written quotations for this layer when making opportunity purchases.
$2,500 - $74,999	Fair must obtain verbal or written quotations from at least three possible sources. Since verbal quotes are difficult to enforce, you should obtain a quotation in writing from the successful vendor. If the award is made to other than the source with the lowest quote, a written justification of the award decision must be prepared and made a part of the quotation record on file at the fair.
$75,000 and over	Obtain three bids using the attached Formal Bidding Procedures or process through CFSA's Purchasing Department at (916) 263-6191.

Additional Comments

- Complete Std. 65 for all purchases over $100. Be sure to write "OPPORTUNITY" in the box titled "Contract/Delegation No." on the Std. 65 – do not write in commodity code numbers. Keep the Std. 65 on file at the fair.

- Non-Competitive Bid Purchases – While competition is always encouraged, opportunity purchases valued at $2,500 - $75,000 may be made without informal bidding if it is in the fair's best interest to do so and the purchase is financially beneficial to the overall

- Small Business and Disabled Veteran Business Enterprise (DVBE) requirements apply to Opportunity Purchases. Maintain a log of efforts taken to meet state goals.

- Fairs are encouraged to take advantage of the Opportunity Purchase option whenever possible to secure the financial benefits of competitive pricing and collective purchasing practices.

FORMAL BIDDING PROCEDURES
OPPORTUNITY PURCHASING

A. Formal Bidding Formats

Where these Procedures call for Formal Bidding, the primary method to be used for the solicitation of bids is the Invitation For Bids method ("IFB"). IFB establishes a set of specifications for which vendors submit bids. The award is generally made to the responsible bidder with the lowest price as specified herein. The FAIR may determine that the Request for Proposal method ("RFP") be used where the IFB is inappropriate. RFP specifies generally the result desired by the FAIR and employs a procedure for evaluation of proposals submitted to the FAIR. The award is generally made to the responsible bidder scoring the highest in evaluation of proposals.

B. Advertising

The FAIR shall call for Formal Bids by advertising notice thereof in a newspaper of general circulation in the county in which the supplies or other items are to be provided. The FAIR shall publish the notice inviting bids at least once and at least fourteen (14) calendar days before the date of opening bids. The notice inviting bids shall include a description of the supplies or items to be provided, and shall state where bid forms and specifications may be secured, the time and place bids or proposals are to be submitted, and the time and place for opening bids or proposals.

C. Bid Forms

All bids and proposals shall be made upon forms to be prepared by the FAIR and furnished upon application.

D. Independent Price Determination

No person, company, firm or corporation submitting any bid or proposal to the FAIR shall do any of the following:

1. Propose or bid prices which have not been arrived at independently, and without consultation, communication, or agreement with any other bidder, offeror or competitor for the purpose of restricting competition as to any matter relating to the prices bid or proposed;

2. Knowingly disclose any price, bid or proposal to any other bidder, offeror or to any competitor prior to opening the bids or proposals, unless otherwise required by law;

3. Make any attempt to induce any other person, firm or other entity or association to submit or not to submit a bid or proposal for the purpose of restricting competition;

4. Make or be interested in more than one bid under any IFB or RFP; provided, however, that nothing herein shall limit the right of any person or entity to deal independently with the same subcontractor or supplier as other persons or entities in the preparation of a bid, or to limit the right of any person or entity dealing in any name brand supplies required by the FAIR to bid independently of any other person or entity dealing in the same supplies.

In the case of joint venture bids, the joint venture and each and every member of the joint venture shall for purposes of the foregoing be construed to be the person submitting the bid or proposal.

Any bid received or contract/purchase order awarded in violation hereof shall be a nullity, and the FAIR, as applicable, shall in such case dispose of the matter in the same manner as if the person or entity involved had failed to enter into the contract after award thereof, as provided herein.

E. Bid Security; Disposition of Bid Security

Whenever, upon the call for bids for any purchase of supplies or other item, the FAIR deems it to be advisable, each bidder shall be required to submit bid security, either in cash, by cashier's check or certified check in favor of and payable on sight to the FAIR, or by surety bond, insured by a corporate surety admitted to do business in California, in an amount determined by the FAIR to be sufficient, but not to exceed ten percent (10%) of the aggregate amount of the bid. If the bidder to whom the contract/purchase order is awarded shall, for twenty (20) calendar days (or such other period as specified in the IFB or RFP) after receipt of such award, fail or neglect to perform pursuant to the contract/purchase order, the bid security may, at the discretion of the FAIR, be forfeited and the FAIR may draw the money due on such bid security and pay the same, or any cash deposited, into the FAIR treasury.

All bid securities and bid bonds, other than the bid securities and bid bonds of the two lowest bidders, shall be returned to the bidders after award of the contract/purchase order to the successful bidder. The remaining bid securities and bid bonds shall be returned after performance by the successful bidder. In the event that all bids are rejected pursuant to subsection I, below, all bid securities and bid bonds shall be returned to the bidders.

15.4 CREDIT CARD POLICY

15.41 Credit Card Acceptance

Whether to accept charge, credit, or debit card payments is a business decision the CEO and Board of each fair must make based on an analysis of expected changes in revenues and receipts, as well as the advantages (including convenience to the customer), disadvantages, benefits, and costs of such payments. Should management decide to accept card payments, the fair must follow all applicable contracting requirements, comply with state law, and conform to the SAM accounting and banking procedures.

Unless otherwise prohibited by law or regulation, any state agency may accept payment for any license, permit, fee, or in payment of any obligation owing to the state agency, by charge card, credit card or debit card. Unless otherwise prohibited, any state agency may, but need not, impose a convenience fee on the person making payment by charge card, credit card, or debit card related to the cost of the method of electronic payment the person making payment uses.

15.42 Credit Card Use

Presently, no statute prohibits the use of credit cards by fairs. To minimize inappropriate use of credit cards, fairs must design written procedures and internal controls and obtain the approval of the Board. At a minimum, the fair's written procedures should address the following:

- A ***control sheet*** must be maintained listing, for each card, its type, such as Visa or MasterCard; the sponsoring bank or company; card number; and dates of issuance, limitation, and return
- A single staff member must be designated to safeguard and distribute the cards and keep the control sheet current
- The control sheet must be periodically reviewed by the Board and acknowledged in its minutes
- The fair name must be printed on the credit card
- Board authorization must be necessary to obtain the card
- Dollar limitations must be set for credit card use
- Permissible purchases (gas, supplies, travel) must be specified
- Conditions for use (gas only, travel only) must be indicated
- Specific persons and staff positions eligible to use cards must be named
- The type and number of fair credit cards permitted to a single person must be stipulated
- The necessity for a fair credit card must be justified
- The method and time frame for repayment must be set
- Credit cards must be returned to the fair when not needed or the period of authorization has expired
- Documentation of purchases with detailed receipts indicating the items or services purchased must be provided to the fair's accounting office before payment

- Justification for the purchase (i.e., travel for convention, meals with Mr. A and Ms. A for the purpose of discussion of entertainer contract, etc.)

CHAPTER 16: RECORD DISPOSITION (DAA ONLY)

16.0 OVERVIEW

DAAs must obtain permission from the CDFA Audit Office in Sacramento before destroying any records. The CDFA has approved a program, granting continuing authorization for DAA fairs to destroy certain records that have been archived for a required period. County fairs, however, are subject to county regulations in this respect, but may use the schedule below as an archiving guide. To facilitate an audit and the eventual destruction of records, fairs should archive records annually in storage boxes clearly marked with contents and date of storage. ***Records disposition*** includes

- *Archiving*, the systematic transfer of records that are no longer needed for everyday operations from office to storage, and
- *Destruction* of records that no longer have any significant value.

16.1 CONTINUING AUTHORIZATION

The CDFA has approved the use of the records disposition master schedule below by all district fairs. It constitutes a ***continuing authorization*** to dispose of the records listed; no further correspondence is required, except in the case of press-numbered items like checks and tickets. All records must be retained until an audit has been conducted; all of the retention periods are calculated from the *date of the last audit,* unless otherwise specified. If you have *any* question about destruction of a particular type of record, contact CDFA Audit Office before you destroy it.

16.2 DESTRUCTION

The usual method of destruction is by shredding or burning. Both the person who destroys the records and a witness to the destruction must sign a document stating what has been destroyed. File it with the permanent records of the district.

16.3 MASTER DESTRUCTION SCHEDULE

Items which do not appear on the Master Schedule, such as extra copies of Premium lists, may be handled as supplies; no permission is needed for destruction.

Master Destruction Schedule	
TIME PERIOD	ITEM
Permanent Never Destroy	➢ **General Ledgers and Journals** ➢ **Property Ledger** ➢ **Minutes of the Board of Directors** - Retain in chronological order in binders labeled for period covered. ➢ **Premium Lists**
Five Years	➢ **Personnel Files** after effective date of separation *Exception:* If separation was due to disability retirement, termination by disciplinary action, resignation with fault, or absence without leave, retain records until the person has reached age 70. ➢ **Medical records** must be kept in a sealed envelope in personnel file
Four Years	➢ **Time cards** and **Attendance Reports** ➢ Used **Press Numbered Documents** (checks, tickets, and receipts)[7] ➢ **Tickets** with an admission tax[8]
Three Years	➢ **Budgets** and **Financial Reports** ➢ **Bank Statements** and **Deposit Slips** ➢ **Contracts** and **Agreements** (Three years after completion of the contract)
Two Years	➢ **Contracts** and **Agreements** ➢ **Journals** of **receipts, disbursements,** and **payroll** (Two years after last entry) ➢ **Purchase Orders, Invoices,** and **Bids** ➢ **Entry forms** and **Judges Sheets** ➢ **Correspondence**
One Year	➢ **Building plans** and **Specifications** ➢ **Property Records** (Except property ledgers)

[7]Written permission to destroy these records must be obtained from Audits; the request must include an itemized list of the specific items to be destroyed. A sample request form appears on the next page.

[8]Tickets which have an admission tax *also* require approval-before-destruction from the Internal Revenue Service. Use a similar form.

Record Destruction Request

RECORD DESTRUCTION REQUEST

DATE:

TO: Department of Food and Agriculture
Audit Office
2014 Capitol Avenue, Suite 107
Sacramento, CA 95814

FROM:

SUBJECT: Destruction of Press Numbered Items

The _____ Fair requests approval from your office to destroy the following records upon completion of an audit by your staff.

Item	Description	Press Numbers

CHAPTER 17: PERSONNEL (DAA ONLY)

17.0 OVERVIEW

Fair employees are either ***permanent*** or ***temporary***. Permanent employees include the CEO and all civil service appointees (full time, fractional, and permanent intermittent). There are two types of temporary employees; those who may work up to 119 days during a calendar year, and those classified as ***seasonal***, who may work up to 194 days.

17.1 TIME SHEETS AND LEAVE RECORDS

Maintain time sheets (Std. 634) for all employees to ensure compliance with labor laws related to overtime and paid leaves. They must be reviewed and signed by a supervisor and show hours worked and leave taken. A sample STD. 642 Monthly Employee Leave Record is included at the end of this chapter.

The Human Resources Branch of CDFA (HRB) is responsible for appointing civil service employees and maintaining their official personnel file. In accordance with CDFA guidelines, each fair is responsible for establishing procedures for maintaining accurate and confidential employee records.

17.2 NEPOTISM

CDFA's Admin Manual addresses the practice of ***nepotism***; it prohibits direct supervision of any employee, permanent, temporary, or seasonal, with whom a supervisor has a *personal relationship*. F&E recognizes that it may be appropriate for two individuals who have a personal relationship to work in a single program, activity, or location. It is the CEO's responsibility to ensure that *these arrangements do not violate the requirements for separation of duties.* It is also important that managers and supervisors be fair and impartial when evaluating situations that may be *perceived* as nepotism. Bring questions involving supervisor/subordinate relationships to the attention of F&E, the Chief HRB or Equal Employment Office of CDFA for resolution.

17.3 EMPLOYEES

DAA's are required to complete Exhibit II, Personnel Action Request for any proposed changes within their permanent staff. Additional information and form is on Section 6.6

17.31 CEO

The CEO is a civil service employee appointed by the Board, therefore is subject to all civil service laws, rules and regulations. The personnel forms necessary to document the appointment may be obtained from the Transactions Section of HRB. The Department of Personnel Administration (DPA) requires that CEO leave records be maintained in accordance with civil service regulations.

17.32 Civil Service Employees

Civil Service employees are categorized either as full time (permanent or fractional) or permanent intermittent (PI). Full time employees are expected to work a regular 40 hour week, whereas PIs are limited to 1500 hours per calendar year.

- Post leave records for each employee monthly. Specify vacation, sick leave, overtime hours (earned and used), as well as holiday and personal leave credits.
- Note the employee's length of service and anniversary date.
- The fair should provide copies of leave balances to employees monthly.
- Salary ranges for all civil service positions are set by class and monitored by DPA. Any deviation from these rates must be approved by DPA prior to compensating an employee at another rate.
- The maximum number of accumulated ***vacation*** or ***annual leave*** hours allowed to carryover (on January 1 each year) is 640 hours.
- At any given time, the maximum Compensated Time Off (CTO) balance that may be accumulated is 240 hours. An employee may maintain a running balance of 240 hours of CTO; however, overtime hours worked in excess of the balance *must be paid*.
- Management should arrange to allow employees time off for excess hours when feasible.
- Any deviation from policy regarding carryover must be authorized by DPA.

17.33 Permanent Intermittent Employees

A permanent intermittent (PI) position or appointment is a position or appointment in which the employee is to work periodically or for a fluctuating portion of the fulltime work schedule. A PI employee may work up to 1,500 hours in any calendar year based upon Government Code Section 19100. The number of hours and schedule of work shall be determined based upon the operational needs of each department. PI appointments are not to be used to fill fulltime or part-time positions. Such use would constitute illegal circumvention of eligible lists. CDFA policy is based on Calendar Year (January 1-December 31) for tracking PI hours.

17.34 Temporary Employees

DAAs hire many temporary employees. By law[9] temporary employees may not work more than 119 days in a calendar year. Fairs should be aware that whether an employee works two or twenty hours in a calendar day, it is considered *one day*. Establish strict written procedures for monitoring the number of days temporary employees work.

- Do not try to circumvent the system by placing a 119-day employee on a contract after the allowed number of days is exhausted.
- Do not issue payment to one employee for work performed by another.
- Maintain Employment Verification Forms (I-9) for a minimum of three years or one year after an employee's separation, whichever is longer. Accept only those documents as determined to be appropriate by the Department of Homeland

[9] Art. VII, Sec. 4(1) of the Constitution of the State of California,

Security. The law states only American citizens and aliens authorized to work in the United States may be hired by a fair.

- If the fair does not qualify for the recreational exemption to the Fair Labor Standard Act (FLSA), temporary employees must be paid overtime.
- Regardless of the *number* of fairs at which a temporary employee works in a year, the employee may only work a *total* of 119 days.

17.35 Seasonal Employees

The Civil Service system allows for the employment of individuals in specified seasonal classifications; a fair may employ such workers a maximum of 194 days over twelve consecutive months.

- Records are maintained in such a way to allow a seasonal employee to work for a fair year-round on a part-time basis.
- The records are maintained on a sliding scale with the 13th month always reimbursing days.
- Employees in seasonal positions earn leave credits as state service, but no other civil service benefits.
- Salaries are set by DPA; the fair has no flexibility to change salaries without DPA approval.
- Certain hiring considerations apply to these classifications; contact the Transactions Section at CDFA's Human Resources Branch for details.

Actual Time Worked (ATW) is a method that can be used to keep track of a seasonal employee's time to ensure that the Constitutional limit of 9 months in any 12 months is not exceeded.

An employee is appointed ATW when he/she is not expected to work all of the working days in a month. When computing ATW time, 194 days equals 9 months. After the employee works 12 consecutive calendar months from the effective date of the appointment and has not worked 194 days, a sliding scale is applied. The 194 days are accumulated as follows:

1. Any day on which the employee physically worked regardless of the time worked on that day counts as one day.

2. Any day, for which the employee is on paid absence, counts as one day.

3. Any holiday on which the employee receives pay for hours <u>worked</u> counts as one day.

If an ATW employee reaches 194 days in 12 consecutive months, <u>he/she does not need to be separated; however, he/she cannot work again until the sliding scale permits.</u>

- Example #1 An employee is appointed March 12, 2000.

Reaches 194 days on January 25, 2001.
If employee waits until April 26, 2001 **(No work for 3 months)** to return to work, he/she would have completed a 3-month break and a whole new 194 days would be available for the next 12 consecutive months.

- Example #2 An employee is appointed January 12, 2000.
  Reaches 190 days on February 23, 2001.
  May only work the number of days reimbursed from the prior year on a month by month basis, keeping the total number of days under 194.

194 Days Calculation Chart

ATW Days - may not exceed 194 in any month						
Days are calculated on a continuous cycle. A day is counted for <u>any</u> day where time is posted, including Sick Leave, Vacation, Overtime, etc.						
(Not including Holidays.)						
AGENCY	UNIT	CLASS CODE	SERIAL			
LAST NAME		FIRST NAME		MIDDLE INITIAL	SOCIAL SECURITY NUMBER	
Year:		Actual Hours Worked	Balance End of Pay Period	Days Worked	Less 13th Month Back	Total Days Used
Dec. End						
January			0			0
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						

Position Number				**Social Security Number**					
Agency	Unit	Class Code	Serial						
Employee Name									
Last Name			Initial	First Name					
Year: 2000		Actual Hours Worked	Balance End of Pay Period	Days Worked	Less 13th Month Back	Total Days Used			
Dec. End				+	-			Three	
January						0		Month	
February						0		Break	
March				20		20		Example	
April				18		38			
May				20		58			
June				18		76			
July				19		95			
August				20		115			
September				21		136			
October				21		157			
November				15		172			
December				18		190			
Year: 2001		Actual Hours Worked	Balance End of Pay Period	Days Worked	Less 13th Month Back	Total Days Used			
Dec. End				+	-	190		Last Day	
January				4		194	←	January 25	
February				0		194			
March				0		194		Return	
April				3		3	←	April 26	
May				20		23			
June									
July									
August									
September									
October									
November									
December									

Position Number				Social Security Number						
Agency	Unit	Class Code	Serial							
Employee Name										
Last Name			Initial	First Name						
Year: 2000		Actual Hours Worked	Balance End of Pay Period	Days Worked	Less 13th Month Back	Total Days Used				
Dec. End				+	-			Sliding		
January						0		Scale		
February						0		Can Apply		
March				20		20		Example		
April				18		38				
May				20		58				
June				18		76				
July				19		95				
August				20		115				
September				21		136				
October				11		147				
November				15		162				
December				15		177				
Year: 2001		Actual Hours Worked	Balance End of Pay Period	Days Worked	Less 13th Month Back	Total Days Used				
Dec. End				+	-	177				
January				7		184				
February				6		190				
March				2	20	172				
April				17	18	171				
May				18	20	169				
June				18	18	169				
July				20	19	170				
August				10	20	160				
September				21	21	160				
October				21	11	170				
November				10	15	165				
December				18	15	168				

Position Number				Social Security Number							
Agency	Unit	Class Code	Serial								
Employee Name											
Last Name			Initial	First Name							
Year: 2000		Actual Hours Worked	Balance End of Pay Period	Days Worked	Less 13th Month Back	Total Days Used					
Dec. End						0					
January			0	10		10		Overview			
February			10	18		28		Example			
March			28	16		44					
April			44	14		58					
May			58	19		77					
June			77	20		97					
July			97	19		116					
August			116	21		137					
September			137	22		159					
October			159	20		179					
November			179	15		194		1st 12 Consecutive			
December			194			194		Months			
Year: 2001		Actual Hours	Balance End of Pay Period	Days Worked	Less 13th Month Back	Total Days Used					
Dec. End				+	-	194		2nd 12 Consecutive			
January			194		10	184		Months			
February			184		18	166					
March			166		16	150		3rd 12 Consecutive			
April			150		14	136		Months			
May			136		19	117					
June			117		20	97					
July			97		19	78					
August			78		21	57					
September			57		22	35					
October			35		20	15					
November			15		15	0					
December			0			0					

Option 2:
Reimbursement days are taken from the same month prior year.

Days at Max
Option 1: 3 month break starts
Option 2: Cannot work until sliding scale permits.

Option 2:
Sliding scale permits 10 days to work.

Option 1:
3 Month break ends on February 25. Reset days to 0 (DL27) and

17.4 INCOMPATIBLE ACTIVITIES

Unless required as a condition of employment, no one in civil service may engage in state-sponsored or -funded activity in which the employee has a financial interest.

- No civil service employee may contract with a state agency to provide goods or services.
- File a signed ***Incompatible Activities Certificate*** for each employee.

Incompatible Activities Statement

INCOMPATIBLE ACTIVITIES CERTIFICATION

IF YOU HAVE ANY QUESTIONS REGARDING YOUR OUTSIDE EMPLOYMENT OR ACTIVITIES, CONTACT YOUR SUPERVISOR PRIOR TO COMPLETION OF THIS CERTIFICATION.

I have received and read a copy of the California Department of Food and Agriculture Incompatible Activities Policy Statement and Procedure, and I agree to abide by the policies and procedures it contains.

I declare that, if there is any change in my outside activities or employment which cause this Certification to be inaccurate or incomplete, I shall submit, in writing, a description of that change within thirty (30) calendar days of commencing the activity or employment.

I understand that failure to abide by the Incompatible Activities Policy Statement and Procedure my result in disciplinary action.

I understand that a copy of this signed Certification shall be kept in my Official Personnel File and that the original will be retained in Branch files.

Please check the box below that applies to you. (For guidance and/or definitions, please refer to the "Definitions" and "Outside Employment or Activity" sections of the Incompatible Activities Policy Statement and Procedure.)

- ❑ **Category A –** I have no outside employment or activities that are or may be related to the Department.
- ❑ **Category B –** I have outside employment or activities that are or may be related to the Department.

Complete below for both categories you must provide the outside employer or activity name, description and job title/capacity information only if you checked category B above. Please refer to the "Procedures section of the Incompatible Activities Policy Statement and Procedure.

Typed or Printed Name	Telephone Number ( )	Social Security Number
Position Number:		Supervisor
Classification Title	Time Base (Full-time, Half-time, etc.)	Branch /Unit Name
Name of Outside Employer or Activity (if applicable)		Outside Job Title/Capacity (if applicable)
Detail description of Outside Employment or Activity (if applicable). Include number of hours per week and reasons why the employment or activity is not incompatible. Use additional pages if necessary.		
Signature		Date

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17.5 HIRING

Fairs must properly classify individuals hired to perform services. Failure to follow guidelines established by the Department of Personnel Administration and State Personnel Board, laws, rules, and regulations' may result in substantial ***penalties.***

17.51 Employees

The IRS defines an ***employee*** as a person hired by an employer who is subject to the employer's *direction* and *control*. When a DAA retains the right to direct and control work performed, the individual should be considered an employee if the following statements are true:

- The worker may quit or be terminated at any time without legal obligation for failure to complete a job
- Someone assigns, reviews, and supervises the individual's work
- The worker cannot renegotiate the amount paid for services at any time the worker chooses

17.52 Independent Contractors

An ***independent contractor*** is hired to perform a specific task or provide a certain service that is professional or semi-professional in nature. Other than defining the work product, the employer of the person or firm gives little or no supervision or direction. A contractor supplies knowledge, tools, and equipment and is independently responsible for his or her actions. When a service is to be performed by an independent contractor, execute a standard agreement. See the latest electronic revision of the ***Contract Manual*** for further information.

17.53 Outside Hiring

The state does not permit personal service contracts for work that may be done by an employee in a civil service position. Negotiate a personal service contract only when the service

- Is not available within the civil service system
- Cannot be performed by civil service employees currently working at the fair
- Is so highly specialized or technical that the necessary expert knowledge, experience, or ability is unavailable through the civil service system

For example, a fair may not contract with a CPA or bookkeeping firm, because a civil service position (Business Assistant I) is available to maintain accounting records

17.6 EMPLOYEE HOUSING

State-owned housing or rental space in RV parks provided to DAA employees at a reduced rate or for no charge *may* be taxable as a fringe benefit under Internal Revenue Code Section 61 which states in part "Gross income means all income from whatever source derived, including ….fringe benefits."

It is the responsibility of each DAA to determine the taxability of housing and document the decision.

17.61 Non-Taxable Housing/Lodging Requirements

IRS Treasury Regulations Section 1.119-1(b) states that the value of employer-provided housing/lodging, including space in state-owned RV parks, may be excluded from taxation as a fringe benefit if the housing/lodging is provided:

1. On the business premises of the employer

   The business premises of the employer generally mean the place where the employee performs a significant portion of his duties. To meet this requirement, the housing/lodging must be on the premises, not near the premises.

2. For the convenience of the employer

   The employer has a substantial non-compensatory business reason to provide the housing/lodging to the employee. This determination is made on a case-by case basis. For example, housing/lodging furnished to an employee so that the employee is available for night emergency duty may qualify as housing/lodging furnished for substantial, non-compensatory business reasons.

3. As a condition of employment

   The employee is compelled or required to accept the housing/lodging to properly perform the duties of the job. However, it is not enough that the employee is compelled by the employer to live on the premises. Housing/lodging will be regarded as furnished to enable the employee properly perform the duties of his employment when, for example, the housing/lodging is furnished because the employee is required to be available for duty at all times or because the employee could not perform the services required of him or her unless he or she is furnished such housing/lodging.

17.62 Taxable Housing/Lodging Requirements

Internal Revenue Code Section 61 and Regulations Section 1.61-21(b) states that the value of housing/lodging not meeting the criteria is taxable as a “fringe benefit” and is included in the employee’s gross income to extent the fair market value (FMV) exceeds the amount paid by the recipient.

FMV as defined in IRS Treasury Regulation Section 1.61-21(b) “is the amount that an individual would have to pay for the particular fringe benefit in an arm’s length transaction…” FMV equals the amount for which the property would rent in an open market between a willing lessor and lessee. For example, if the FMV is $200 per month and the employee is paying the fair $125 per month, then $75 per month is taxable income to the employee.

Personnel Checklist

- *Are all personnel documents and a duty statement on file for appointments, terminations, and changes to salaries and wages?*
- *Are work permits on file for employees under age 18*
- *Are controls in place to insure that temporary employees do not work more than 119 days and time worked is recorded on time sheets and approved by supervisors?*
- *Have all employees properly executed an Absence and Additional Time Worked Report (STD 634) to account for time off, overtime hours worked and intermittent hours?*
- *Are all vacation, sick leave, and overtime records accurate, mathematically correct, and periodically reviewed by employee?*

17.7 EMPLOYEE CONTRACTS

Often a fair may arrange for an employee to work standby hours in exchange for an RV parking space. If a fair employee receives such a ***benefit in lieu of payment***, the fair should execute a formal agreement stating the responsibilities of the employee and the fair. Monitor the terms of the contract. File documentation indicating the contractor's fulfillment of contractual obligations. When in doubt about whether a contract is necessary, ***execute a contract*** -- to protect all parties.

Providing an employee with state-owned housing or a space in state-owned RV park at no charge or at a reduced rate is considered a *fringe benefit* and is taxable unless ***all*** of the following criteria stated in Chapter 17.61 apply.

Authority and responsibility are delegated to a DAA providing housing accommodations for employees to apply rental rates in accordance with DPA regulations (See California Code of Regulations, Title 2, Division 1, Section 599) Periodically, DAAs should check with DPA regarding rates since they are subject to review and adjustment.

If housing is being provided to rank and file civil service employees, rate adjustments must be made in compliance with labor contracts. DPA may also assist with questions regarding taxability of these benefits.

17.8 CDFA HUMAN RESOURCES

CDFA Human Resources is divided into four units - *Classification Analysis Unit (CAU), Exams, Labor Relations, and Transactions.* The personnel in these units play an important role in processing paperwork.

17.81 Classification Analysis Unit

Two Analysts split the DAA assignments to assist with a wide variety of personnel and labor related issues. Their duties include: advising management on various personnel issues such as, allocation of positions, the S0-12 process, progressive discipline, adverse action requests, request for Temporary Authorization Appointments (TAU), classification issues, layoff process guidelines, appropriate exam list requests, ATO

requests, and probationary issues.

17.82 Exams

The Exam Unit is responsible for scheduling all budget approved exams, from releasing the examination bulletin to establishing eligibility lists. Duties also include reviewing applications for TAU's, processing Bilingual Oral Fluency Exams and conducting Job Analyses.

17.83 Labor Relations

The Labor Relations Officer (LRO) handles any questions or situations dealing with unions and employee issues, which would include: interpretation of contract provisions, how to work with the union and job stewards, questions on employee rights, grievances filed with the union, and how to handle employee's requests for union representation. All questions regarding interpretation of the contracts and situations involving the union should be directed to the LRO. The LRO works closely with the CAU analysts to resolve employee and union issues

17.84 Transactions

Two Personnel Specialists (PS) split the DAA assignments and are responsible for processing the completed S0-12's and all the paperwork associated with the hiring package and when complete, will forward copy of the PAR to the DAA.

The PS is your contact person for information on: employee benefits such as, health, dental, vision, flex-elect, and others; payroll, vacation and sick leave earnings, jury duty, bereavement, separation from state service, accumulation of Permanent Intermittent hours and other similar questions.

CDFA Human Resources Personnel Chart

Note: This information is intended as a guide. Overlap occurs on many transactions and individual circumstances may require a different contact.	***Classification Analysts*** **Lola Martin 653-5836 Kim Vinayak 653-3550**	***Exams Unit*** **Aileen Grizard 654-9633 Darlene Hayashi 653-5687 Suzanne Conrad 651-9973**	***Transaction Unit*** **Stephanie Corcoran 654-0304 Jan Sell 654-0999**	***Labor Relations*** **Kathy Howard 654-1019**
Adverse Actions	Lead			
Alternate Salary Range	Advise		Process	
Authorized Time Off (ATO)	Lead		Process	
AWOL	Lead		Process	
Bargaining Unit Questions	Assist			Lead
Benefits: Medical, dental, retirement, etc.			Lead/Process	
Bilingual Certification	Assist	Lead	Process	
Borrowing exam lists from other departments	Assist	Lead	Process	
Catastrophic Leave Requests	Lead/Approve		Process	
Classification issues	Lead			
Compensating Time Off	Lead		Assist/Process	
EEO Issues, Discrimination	Assist			Lead
Eligibility: Classification		Advise		
Eligibility: Pay Issues			Advise	
Family Medical Leave Act (FMLA)	*			
Grievances				Lead
Hiring Above Minimum	Lead		Process	
Holiday Questions			Assist	
Lay-off Process	Advise		Process	
Leave Balance/Credit issues			Advise/Process	
Limited-Term Appointment	Advise		Eligibility	
Merit Salary Adjustment	Advise		Process	
Military Leaves			Lead/Process	
119-Day Employees			Advise	
Notice of Appointment (NOPA)			Lead/Process	
Official Personnel Files	Advise		Advise	
Out-of-Class Pay	Lead		Process	
Performance Appraisals	Advise		Process	
Probationary Period Reports/Extensions	Advise		Process	

Note: This information is intended as a guide. Overlap occurs on many transactions and individual circumstances may require a different contact.	***Classification Analysts*** **Lola Martin 653-5836 Kim Vinayak 653-3550**	***Exams Unit*** **Aileen Grizard 654-9633 Darlene Hayashi 653-5687 Suzanne Conrad 651-9973**	***Transaction Unit*** **Stephanie Corcoran 654-0304 Jan Sell 654-0999**	***Labor Relations*** **Kathy Howard 654-1019**
Progressive Discipline: Counseling Memo, Corrective Interview and Memo, Letter of Reprimand, etc.	Advise/Lead		Process	
Promotional List		Lead	Process	
Reduced Work time	Advise		Process	
Reinstatements (Permissive/Mandatory)	Advise		Process	
Rejection during probation	Lead/Advise		Process	
Union Representation Issues	Assist			Lead
Requesting an Examination		Lead/Process		
Resignations			Process	
Retired Annuitant	Advise		Process	
Retirement			Lead/Process	
Salary Range Change			Lead/Process	
Seasonal Employee (SO-12)	Lead		Process	
Separations			Lead/Process	
Sick Leave			Lead/Process	
SO-12 Process/Section I	Lead		Process	
SO-12s Process /Section I	Lead		Process	
Temporary Authorization Appointment(TAU)	Lead	Assist	Process	
Time Base changes	Assist		Process	
Violence in the Workplace issues	**			
Work-Week Group	Assist			

**** - Contact Jane Katayama-Wong (916) 654-9761***
***** - Contact Darrin Okimoto (916) 654-1348***

STD. 642 Monthly Employee Leave Record

STATE OF CALIFORNIA

MONTHLY EMPLOYEE LEAVE RECORD

STD. 642 (Rev. 4-93) *(Replaces STD. 642A and STD. 642B)*

MAX. VAC. C/O HRS. =

YEAR	POS. NO.
NAME	
SSA NO.	
STATE SERVICE AS OF	
YRS.	MOS.
WWG	CB/ID	VAC. GR. CHG. DATE
SICK LEAVE RATE	VACATION RATE
PERSONAL HOLIDAY USED	
FY	FY

	SICK LEAVE HOURS				VACATION HOURS			PERSONAL LEAVE PROGRAM			COMMENTS
PAY PERIOD	TOTAL AVAIL.	USED	BALANCE	TOTAL AVAIL.	USED	BALANCE	EARNED	USED	BALANCE	
JAN										
FEB										
MAR										
APR										
MAY										
JUN										
JUL										
AUG										
SEP										
OCT										
NOV										
DEC										

MO.	CTO HOURS					BAL. FORWARD					EXCESS HOURS BAL. FWD			HOL. CRED. BAL. FWD.			
	WE		WORKED		Conversion Prem. OT	TOTAL	USED	PAID OT	BALANCE	PRIOR YR OT	EARNED	USED	BALANCE	EARNED	USED	BAL.	P.Y.
	REG	FLSA	REG	FLSA													
JAN																	
FEB																	
MAR																	
APR																	
MAY																	
JUN																	
JUL																	
AUG																	
SEP																	
OCT																	
NOV																	
DEC																	

OSP 99 25756

CHAPTER 18: BOARD MEETINGS

18.0 OVERVIEW

The Fair Board of Directors (Board) is charged with the authority and responsibility to develop policies, procedures, and regulations for the operation of the fair; to monitor the fair's financial health, programs and overall performance; and, to provide the CEO with the resources to meet the needs of the fair. Refer to the Recommended Guidance for Fair Board Directors' Handbook[10] (Board Handbook) which fully explains the Board's roles and responsibilities.

18.1 OPEN MEETING REQUIREMENTS

The open meeting requirements during board meetings are detailed in the Board Handbook. Any technical questions or requirements regarding open meeting laws should be directed to the Fair industries designated Attorney General's Office.

18.2 BOARD INFORMATION PACKET

It is the duty of the CEO and senior staff to provide information to members of the Board. The amount and variety of information required will vary with the size of the operation and with preferences of individual Boards. Prudent management precludes overburdening the Board with too much detail, but requires furnishing its members and committees with sufficient information to accomplish their tasks. The following list identifies some specific items that should be provided to and acknowledged by fair Boards.

- Apportionments and donations received from the state
- Annual Budget approved by F&E
- Monthly financial reports that include but is not limited to:
  - Income and Expense Statement with the Budgetary Comparison
  - Balance Sheet with Variance Analysis
  - Statement of Changes in Net Resources for Operations
  - Cash Analysis
  - Summary of Accounts Receivable and Payable
  - Cash Flow projections

  Samples of these reports are at the end of this chapter.
- Budget Transfers (for fairs subject to additional reporting only) approved by F&E
- Audit reports
- Action proposed or taken by the CEO in response to an audit
- Applications to dispose of property and to write off an account
- Plans for major improvements, repairs, and equipment purchases

[10] *HANDBOOK Recommended Guidance for Fair Board Directors* available from the Division of Fairs and Expositions.

- List of proposed and executed contracts showing the purpose for each and amount of the encumbrance
- Proposed programs of events and attractions
- Proposed rates for admissions, exhibit spaces, and all other charges
- Dollar amount of prizes offered and entry fees charged in the Competition Guide
- List of judges hired
- Compensation proposed for judges
- Correspondence received from CDFA
- Refunds due any customer
- Travel expense claims

18.3 BOARD RESOLUTIONS

Authorized events and resolutions by the Board of Directors must be recorded annually and when changes occur.

18.31 Fair Policies

The minutes of the Board should list its officers and committee appointments and be updated annually in this respect. Annually, the Board should examine its policies to determine whether modifications are necessary. It is particularly important to review the policy regarding public service and free speech areas and the distribution of flyers by members of the public.

18.32 Delegation of Authority

The **Contract Manual** states the DAA Board must determine what level of contract authority to delegate to the DAA CEO or other staff. The delegation of authority may be based upon dollar amount and/or type of contracts. DAA's *Delegation of Authority (Delegation)* expires annually on December 31st, therefore the Board must re-hear, approve, and submit to F&E a new Delegation annually before December 31st. For additional information and guidelines regarding *Delegation*, the DAA should refer to the latest Contract Manual.

18.33 Check Signing Authorization

The Board should decide the number of signatures necessary for checks up to $15,000 and require that two persons must sign checks for amounts above $15,000. The resolution should contain the names and positions of all persons authorized to sign checks and list the accounts affected. If the criteria differ, prepare a separate resolution for investment accounts.

Every officer or employee whose facsimile signature is used on any instrument of payment must file his or her manual signature, certified and notarized, with the Secretary of State. The officers and employees are responsible for safeguards precluding improper or unauthorized use of facsimile signatures.

18.34 Budget and State Funding

The Board and the CEO are equally and jointly responsible for ensuring that the Fair stays within its approved budget during the year.

The Minutes of the Board of Directors should acknowledge:

- Receipt of the Fair's F&E-approved budget
- Receipt of all funding received from the state

Fairs that are not subject to F&E's Additional Reporting requirements (see Chapter 20, Section 20.2), may augment their state approved operating budget during the year with Board approval. Any budget augmentation must be evidenced by a Board resolution.

Fairs that are subject to F&E's Additional Reporting requirements are expected to remain within their *total* Expenditure budget as approved by F&E. Should the Fair wish to augment its budget, it must follow F&E's Transfer of Buet Allotment procedures described in Chapter 7, Section 6.5 of this manual.

The Minutes of the Board of Directors should acknowledge:

- An approved or denied ***budget transfer*** [11]

18.35 Fair Dates and Times

The current year's fair theme or logo as well as its dates, proposed hours of operation, and special days should be noted in the minutes of the Board.

18.36 Competition Guide

The Board should review the competition guide and approve its contents prior to distribution.

18.37 Facility Rental Rates

The Board should establish fee schedules for all rentals and associated charges for buildings, areas of grounds, equipment, clean up and security deposits, set up and tear down, standby and other labor charges, and nonprofit discounts. Reflect these in the minutes; the resolution should specifically name individuals authorized to negotiate changes to the established rates and identify any limitations imposed on that authority.

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[11] Budget transfers are required when there is an overall increase in proposed or incurred expenses as compared to the Budget for fairs subject to the additional reporting. Send a Transfer of Budget Allotment (Form F-8) approved by the Board, to F&E. A budget transfer must be approved by F&E before the fair can expend funds involved.

18.38 Fair Rates and Commissions

The Board should set or approve standard rates for concessionaires and commercial exhibitors annually. Include minimum guarantees, concession percentage, price per unit for beer & wine, booth fees, utility fees, and discounted rates. The Board should also set or approve nonprofit discounts, stall rental fees, program prices, advertising rates for programs and competition guides, and group discounts. If the Board authorizes a member of fair staff to make adjustments to the approved rates, note in the minutes.

Sample Income and Expense Statement

PLEASANT VALLEY FAIR
INCOME and EXPENSE STATEMENT
BUDGETARY COMPARISON
September 30, 2008

	Current Month 2008	Current YTD 9/30/2008	Prior YTD 9/30/2007	Budget 2008	Budget Remaining	% budget Used
REVENUES						
Admissions	$ -	$ 283,852	$ 248,651	$ 295,823	$ 11,971	96%
Commercial Space	266	81,030	74,280	77,900	(3,130)	104%
Concessions	200	376,034	272,400	282,760	(93,274)	133%
Exhibits	-	48,761	28,784	39,000	(9,761)	125%
Horse Show	-	1,095	1,002	1,100	5	100%
Satellite Wagering	21,920	203,214	296,198	318,800	115,586	64%
Fairtime Attractions	-	23,445	21,153	22,000	(1,445)	107%
Miscellaneous Fair	-	216,487	133,698	159,215	(57,272)	136%
Miscellaneous Non-Fair	-	487,575	392,205	451,190	(36,385)	108%
Interim Revenue	30,844	450,248	375,185	423,000	(27,248)	106%
Prior Year Revenue Adjustment	-	3,339	(1,340)	-	(3,339)	-
Other Revenue	19,014	42,214	46,151	43,500	1,286	97%
TOTAL REVENUES	**$ 72,244**	**$ 2,217,294**	**$ 1,888,367**	**$ 2,114,288**	**$ (103,006)**	**105%**
EXPENDITURES						
Administration	31,496	413,565	395,001	440,214	26,649	94%
Maintenance and Operations	27,354	277,945	273,134	379,959	102,014	73%
Publicity	1,721	82,565	46,750	60,762	(21,803)	136%
Attendance Operations	-	157,745	95,980	112,021	(45,724)	141%
Miscellaneous Fair	-	33,050	21,754	27,419	(5,631)	121%
Miscellaneous Non-Fair	-	147,840	118,226	137,829	(10,011)	107%
Premiums	24	23,986	9,262	11,500	(12,486)	209%
Exhibits	295	93,296	99,057	130,081	36,785	72%
Horse Show	-	200	200	200	-	100%
Satellite Wagering	28,425	191,637	245,997	289,460	97,823	66%
Fairtime Attractions	-	337,539	279,198	289,394	(48,145)	117%
Interim Entertainment	2,919	70,756	64,829	63,471	(7,285)	111%
Equipment funded by fair	-	-	6,940	25,000	25,000	0%
Prior Year Expense Adjustment	1,177	246	3,182	-	(246)	-
Cash (over/under)	-	-	74	-	-	-
Capital Expenditures (fair funded)	-	-	35,151	-	-	-
TOTAL EXPENDITURES	**$ 93,411**	**$ 1,830,370**	**$ 1,694,735**	**$ 1,967,310**	**$ 136,940**	**93%**
OPERATING PROFIT/LOSS	**(21,167)**	**386,924**	**193,632**	**146,978**		
Local/Base Allocation	-	105,000	105,000	105,000		
Funds from State or outside sources	-	8,370	137,483	-		
Depreciation Expense	(17,032)	(153,293)	(74,673)	(110,438)		
Profit/Loss adjusted	**(38,199)**	**347,001**	**361,442**	**141,540**		

Sample Balance Sheet with Variance Analysis

PLEASANT VALLEY FAIR
BALANCE SHEET
(Variance Analysis)
September 30, 2008 and 2007

	9/30/08	9/30/07	Net Change
Current Assets:			
Cash	2,084,359	1,889,570	194,789
Accounts Receivable	18,845	32,532	(13,686)
Other Assets	479	8,182	(7,703)
Total Current Assets	**2,103,684**	**1,930,284**	**173,399**
Property, Plant & Equipment:			
Construction in Progress	133,799	248,471	(114,672)
Land	98,142	98,142	-
Buildings & Improvements	4,495,036	3,312,780	1,182,257
Accumulated Depreciation - Bldgs. & Impr.	(2,076,214)	(1,800,368)	(275,846)
Equipment	403,119	326,461	76,657
Accumulated Depreciation - Equipment	(287,675)	(215,031)	(72,645)
Equipment	1,393,941	-	1,393,941
Accumulated Depreciation - Equipment	(78,938)	-	(78,938)
Total Property, Plant & Equipment	**4,081,209**	**1,970,454**	**2,110,754**
TOTAL ASSETS	**6,184,892**	**3,900,739**	**2,284,154**
Liabilities:			
Insurance Fees Payable	3,013	1,557	1,456
Accounts Payable	47,117	6,469	40,649
Taxes and Retirement Payable	2,686	13,984	(11,298)
Deferred Revenue	-	1,500	(1,500)
Other Liabilities	9,841	2,280	7,561
Guarantee Deposits	50,823	79,377	(28,554)
Compensated Absences	85,224	92,449	(7,225)
Long-term Debt	1,020,555	26,376	994,179
Total Liabilities	**1,219,258**	**223,990**	**995,267**
Net Resources:			
Investment in Capital Assets, net of related debt	3,060,654	1,944,078	1,116,575
Unrestricted Net Resources	1,756,970	1,601,903	155,067
Reserve for JLA	148,010	130,767	17,243
Total Net Resources	**4,965,634**	**3,676,748**	**1,288,886**
TOTAL LIABILITIES & RESERVES	**$ 6,184,892**	**$ 3,900,739**	**$ 2,284,153**

Sample Statement of Changes in Net Resources for Operations

PLEASANT VALLEY FAIR
STATEMENT OF CHANGES IN NET RESOURCES FOR OPERATIONS
(Operating Reserves Analysis)
September 30, 2008

	9/30/08	9/30/07	Net Change
Current Assets			
Cash (all accounts)	$ 2,084,359	$ 1,889,570	194,789
Accounts receivable	18,845	32,532	(13,686)
Other Assets	479	8,182	(7,703)
Total current assets	2,103,684	1,930,284	173,399
Current liabilities			
Insurance Fees Payable	31	(3)	34
Accounts Payable	8,665	21,092	(12,427)
Taxes and Retirement Payable	10,900	10,752	148
Deferred Revenue	5,000	5,000	-
Other Liabilities	7,700	7,700	-
Guarantee Deposits	99,386	102,870	(3,484)
Compensated Absences	61,252	70,459	(9,207)
Total current liabilities	192,933	217,872	(24,936)
Long Term Debt	106,574	88,175	18,398
Net Resources for Operations	**1,804,177**	**1,624,237**	**179,937**

Sample Cash Analysis

PLEASANT VALLEY FAIR
CASH ANALYSIS
September 30, 2008

CASH RESOURCES	
Unrestricted Cash in Bank	$ 1,842,800
Restricted Cash in Bank	241,559
Cash on Hand (petty cash, change fund)	0
TOTAL AVAILABLE CASH	**2,084,359**
CASH REQUIRED FOR CURRENT* OPERATIONS	
Accounts Payable:	
Over 90 days	
61-90 days	
31-60 days	
0-30 days	47,117
TOTAL A/P	**47,117**
Payroll Liabilities (PST, PERS, Union Dues, taxes withheld, health benefit premiums, etc.)	2,686
Other Liabilities (Business licenses, sales tax payable, etc.)	9,841
TOTAL CASH REQUIRED	**59,644**
CASH EXCESS/(SHORTAGE)	**2,024,715**
OTHER POSSIBLE CASH REQUIREMENTS	
Guaranteed Deposits (Security, key, and deposits)	**50,823**
CASH EXCESS/(SHORTAGE)	**1,973,893**

Sample Accounts Receivable and Accounts Payable Report

PLEASANT VALLEY FAIR
ACCOUNTS RECEIVABLE & ACCOUNTS PAYABLE

NAME	PURPOSE	AMOUNT
R&R Concessions	NSF	433.00
SB Bank & Trust	rental fee	1,500.00
SB Bank & Trust Banner	rental fee	500.00
JLA A/R		14,383.65
UI Receivable		2,461.80
	Total Accounts Receivable	19,278.45
	Less Allowance for Doubtful Accounts	-433.00
	Net Accounts Receivable	18,845.45

NAME	PURPOSE	AMOUNT
Neighborhood Boys & Girls Club	Security Deposit Refund #26-01	2,500.00
Rotary Club	Security Deposit Refund #40-01	2,500.00
Kiwanis Club	Security Deposit Refund #52-01	2,500.00
Kaiser Permanente	10/08 Premium	2,592.30
Blue Shield of CA	10/08 Premium	1,326.84
Delta Dental of CA	10/08 Premium	590.50
Pacific Saw & Mower	Maintenance Supplies	4,500.00
Pacific Bell	Telephone Service	516.70
Pleasant Valley Water Agency	Untreated Water	1,114.18
Pleasant Valley Bee	Printing - Premium Book	2,913.21
PERS	10/05 Contributions	2,643.19
Dukes	Misc. expense	109.00
Meter	573R53	5,011.16
Meter	19P698	6,407.64
Fair Advertising		11,892.50
	Total Accounts Payable	47,117.22

CHAPTER 19: PERFORMANCE RATING

19.0 OVERVIEW

F&E administers annual performance ratings for fairs to encourage the fair industry to follow best business practices. The program involves an assessment of fair organization performance based on selected performance measures and criteria. Performance ratings are utilized to determine the fair funding allocation.

19.1 GOALS AND OBJECTIVES

The specific objectives of the fairs performance rating are to:

- Identify attributes that would define the target performance of fairs
- Develop reasonable performance standards that reflect the inherent variability in performance
- Provide a mechanism for determining funding levels based on performance

19.2 BENEFITS OF PERFORMANCE MANAGEMENT

- Supports F&E's future vision planning and goal-setting
- Strengthens accountability
- Enhances fair management and fair boards decision making
- Assist fairs in determining effective resource use

19.3 PERFORMANCE STANDARDS

The performance standards for a given measure are used as a basis for determining the fair funding allocation. The guiding principles used to develop the performance standards required that they acknowledge the inherent variability in performance and simultaneously motivate improvement in performance. To that end, F&E uses four specified performance levels.

- A Rating (Performance target)
- B Rating (Acceptable performance)
- C Rating (Minimum acceptable performance)
- D Rating (Less than acceptable performance)

19.31 Internal Performance Benchmarks

Performance on the measures is based upon internal or external benchmarks. The method of calculation of the benchmarks is described below.

F&E - Fiscal

- STOP (most current on file)
- Budget (most current on file)
- Fair's current financial position and past trends
- Additional Reporting requirement (if applicable)

19.32 External Performance Benchmarks

Audit Office - Audits results (most current on file)

19.4 INCENTIVE BASED FUNDING ALLOCATION MODEL

To allocate funds, F&E compares actual performance relative to the four performance levels and determines what portions of the funds are to be allocated to the Fair.
The three categories of funding:

1) Full Funding (Flex Capital – Base plus bonus)
2) Partial Funding (Flex Capital - Base plus partial bonus)
3) No Funding (Base placed on hold until deficiencies are remedied. No bonus.)

Full Funding
Fair followed best business practices and did not have significant compliance or fiscal issues. If actual performance is within the Performance Target (Range A), full funding is provided directly to the fairs.

Partial Funding
Fair had some outstanding compliance and/or fiscal issues. If actual performance is above the Unacceptable Performance Level (Range D), but below the Performance Target (Range A) partial funding is provided.

No Funding
Fair had significant compliance and/or fiscal issues. If actual performance on a given measure is below the Minimum Acceptable Performance Level (Range C), base level may be available (no bonus). These fairs will be expected to work with F&E to address outstanding issues and concerns. Eligibility for base level funding is dependent upon satisfactory resolution of deficiencies as determined by F&E.

19.5 RE-RATING

In the event that additional funding is denied to individual fairs based on the Fairs' final rating, each Fair will have the opportunity to appeal F&E's rating within 30 days from the date of submittal. Funds will be reallocated once F&E re-rates the individual fair's performance based on additional information submitted by the Fair.

CHAPTER 20: FAIR INTERVENTION PROGRAM

20.1 OVERVIEW

F&E is authorized by law to assume full responsibility of the California Exposition and State Fair or District Agricultural Association board of directors if necessary in the best interest of the fair and state of California.

Business and Professions Codes 19622.2(c) and 19622.3(c) state:

> *Notwithstanding any other provision of law, and in order to protect the integrity of the Fair and Exposition Fund, the department may assume all rights, duties, and powers of the Board of Directors of the California Exposition and State Fair (or district agricultural association) if the department determines there is insufficient fiscal or administrative control. The board of directors shall again exercise these rights, duties, and powers when the department determines that the fair has been restored to solvency and is in compliance with this section.*

Intervention is a last step in a program that will begin with additional reporting. F&E has designed the additional reporting to encourage self-sufficiency and accountability of fair organizations. The purpose of the additional reporting is to identify ways of reversing negative trends so that the fair organization can continue to meet community needs and pursue success at the local level. It is important to note that the intervention program is not designed to direct fair staff and board members on how to operate the organization, but simply to facilitate the development of options which may support them in identifying success strategies.

20.2 ADDITIONAL REPORTING FAIRS

During the annual budget review, F&E attempts to identify fiscally challenged fairs. Identifying the “red flags” during the annual budget review cycle allows F&E to identify those fairs that require monitoring, may need assistance, or require intervention by F&E.

Some of the fairs identified may already be a participant in F&E’s Additional Reporting Program, while other fairs may be required to participate in the program for the very first time. Fiscal monitoring by F&E will dictate what actions are ultimately necessary to help challenged fairs remain solvent and a viable community institution.

Criteria used by F&E to identify prospective additional reporting fairs include:

- Negative or minimal reserves
- Low cash availability
- History of decreasing reserves
- History of exceeding budgeted expenses.

Fairs will be notified about their status within F&E's Additional Reporting Program through the budget approval letter and a subsequent Additional Reporting letter. The Additional Reporting letter for newly enrolled fairs will include the "Additional Reporting Preparation Guide".

The guide details the reporting format and provides step-by-step instructions for completing the required reports such as cash analysis, cash budget and projected revenue and expense report. Other required reports include balance sheet, income and expense statement and summary trial balance which could be generated by the fairs accounting software. The guide and reporting templates can be found at http://cdfa.ca.gov/fe/. In addition, monthly board minutes need to be submitted. These reports are required to be submitted to F&E on a monthly basis unless otherwise noted. Failure to comply and submit the required reports may impact the fairs' performance rating.

If and when F&E determines that intervention may be necessary, F&E will contact the fair to arrange a meeting with fair management and its Board of Directors to discuss F&E's preliminary observations. Assuming fair management and the Board acknowledges and concurs with F&E's observations regarding the fair's financial and/or operational challenges, F&E will present the fair with available options to assist the fair with its challenges. Assistance from F&E may include, but is not limited to, financial assistance, strategic planning, the use of external consultants and fair experts, and fair-time assessments.

If the fair is interested in F&E's assistance, F&E requires a board resolution requesting F&E's assistance before any work is performed. While F&E has intervention authority by law, F&E endorses a cooperative approach with the fair during any intervention-related engagement.

After the Board resolution has been received, F&E will develop a Memorandum of Understanding with the Board to memorialize the agreed-upon action plan and responsibilities of all parties. F&E will also, at the minimum, request that the fair furnish F&E with a business plan that mitigates the existing challenges and presents a "road map" for the future. F&E also encourages all fair organizations to pursue community outreach programs because of the important role the community will play in the development of the business plan.

In 2009, F&E established its formal intervention program with dedicated staff to address fiscally challenged fairs and offer services that will aid in the financial recovery of these challenged organizations.

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ABBREVIATIONS

Board	The Board of Directors of a fair
BOC	Board of Control
CARF	California Authority of Racing Fairs
CD	Certificate of Deposit
CCA	California Construction Authority
CDFA	California Department of Food and Agriculture
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFSA	California Fair Services Authority
CTO	Compensated Time Off
DAA	District Agricultural Association
DGS	Department of General Services
DOF	Department of Finance
DPA	Department Personnel Administration
EDD	Employment Development Department
F&E	Division of Fairs and Expositions
FLSA	Fair Labor Standards Act
FTB	Franchise Tax Board
JLA	Junior Livestock Auction
JPA	Joint Powers Authority
LAIF	Local Agency Investment Fund
PERS	Public Employees Retirement System
SAM	State Administrative Manual
SCO	State Controller’s Office
STD	Standard Form
STO	State Treasurer’s Office
STOP	Statement of Operations

FORMS

For the convenience of the user, blank copies of the forms discussed and not included within the sections of the manual are assembled with the pages that follow. Pages were not numbered to facilitate photocopying.

EDD Form DE 6: Quarterly Wage and Withholding Report
EDD Form DE 7: Annual Reconciliation Statement
EDD Form DE 34: Report of New Employee(s)
EDD Form DE 88 ALL: Payroll Tax Deposit
EDD Form DE 542: Report of Independent Contractor(s)
FTB Form 588: Nonresident Withholding Waiver Request,
FTB Form 589: Nonresident Reduced Withholding Request
FTB Form 590: Withholding Exemption Certificate
FTB Form 592: Quarterly Resident and Nonresident Withholding Statement
FTB Form 592-B: Resident and Nonresident Withholding Tax Statement
FTB Form 594: Notice to Withhold Tax at Source
IRS Form 941: Employer's Quarterly Federal Tax Return
IRS Form 1096: Annual Summary and Transmittal of U.S. Information Returns
IRS Form 1099 MISC: Miscellaneous Income
IRS Form 8109B: Federal Tax Deposit Coupon
IRS Form W-2: Wage and Tax Statement
IRS Form W-3: Transmittal of Wage and Tax Statements
IRS Form W-4: Employee's Withholding Allowance Certificate
IRS Form W-9: Request for Taxpayer Identification Number and Certification
STD Form 152: Property Survey Report
STD Form 262: Travel Expense Claim
USCIS Form I-9: Employment Eligibility Verification

Employment Development Department
State of California

Page number _____ of _____

QUARTERLY WAGE AND WITHHOLDING REPORT

PLEASE TYPE THIS FORM PER INSTRUCTIONS ON REVERSE
You must FILE this report even if you had no payroll. If you had no payroll, complete Items C or D and P.

00060198

YR QTR

QUARTER ENDED

DUE

DELINQUENT IF NOT POSTMARKED OR RECEIVED BY

EMPLOYER ACCOUNT NO.

DO NOT ALTER THIS AREA

P1 C T S W A

EFFECTIVE DATE Mo. Day Yr.

WIC

A. **EMPLOYEES** full-time and part-time who worked during or received pay subject to UI for the payroll period **which includes the 12th** of the month.

1st Mo. 2nd Mo. 3rd Mo.

B. ☐ Check this box if you are reporting ONLY Voluntary Plan DI wages on this page. Report PIT Wages and PIT Withheld, if appropriate. (See instructions for Item B.)

C. ☐ NO PAYROLL

D. ☐ OUT OF BUSINESS/FINAL REPORT

Date_____

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

J. TOTAL SUBJECT WAGES THIS PAGE 0.00

K. TOTAL PIT WAGES THIS PAGE 0.00

L. TOTAL PIT WITHHELD THIS PAGE 0.00

M. GRAND TOTAL SUBJECT WAGES

N. GRAND TOTAL PIT WAGES

O. GRAND TOTAL PIT WITHHELD

P. I declare that the information herein is true and correct to the best of my knowledge and belief.

Preparer's Signature_____ Title _____ (Owner, Accountant, Preparer, etc.) Phone ( ) _____ Date _____

DE 6 Rev. 5 (1-08) **(INTERNET)** MAIL TO: State of California / Employment Development Department / P.O. Box 826288 / Sacramento, CA 94230-6288

CU

Fast, Easy, and Convenient!
Visit EDD's Web site at **www.edd.ca.gov**

INSTRUCTIONS FOR COMPLETING QUARTERLY WAGE AND WITHHOLDING REPORT
PLEASE TYPE ALL INFORMATION - TYPE DOUBLE SPACE ONLY – DO NOT SINGLE SPACE

For a faster, easier, and more convenient method of reporting your DE 6 information, visit our Web site at www.edd.ca.gov. Contact our Taxpayer Assistance Center at 1-888-745-3886 voice or TTY 1-800-547-9565 for additional forms or inquiries regarding reporting wages or the subject status of employees. You may also refer to the *California Employer's Guide* (DE 44) for additional information.

Please record information in the spaces provided. If you use a typewriter or printer, ignore the boxes and type in UPPER CASE as shown. **When reporting dollar amounts, use DOLLARS AND CENTS**. Do not use dashes or slashes.

EMPLOYEE FIRST NAME	M.I.	EMPLOYEE LAST NAME	TOTAL SUBJECT WAGES
IMOGENE	A	SAMPLE	12345.67

If you must hand write this form, print each letter or number in a separate box as shown. Do not write commas or decimal points.

EMPLOYEE FIRST NAME	M.I.	EMPLOYEE LAST NAME	TOTAL SUBJECT WAGES
IMOGENE	A	SAMPLE	1234500

IF YOU STILL OWE TAXES when preparing this report, submit a Payroll Tax Deposit (DE 88) with your payment to the address on the DE 88.

Retain a copy of the DE 6(s) for your records. If you have more than seven employees, use additional pages or a format approved by the Department. If using more than one page, number the pages consecutively at the top of the form. If the form is not preprinted, enter your account number, business name and address, the year, and quarter the report is for. For information, specifications and approvals of alternate forms, contact the Alternate Forms Coordinator at (916) 255-0649.

ITEM A. NUMBER OF EMPLOYEES: **Page 1 only:** Enter the number of full-time and part-time workers who worked during or received pay subject to Unemployment Insurance for the payroll period **which includes the 12th** of the month. **Please provide a count for each of the three months.** Blank fields will be identified as missing data.

ITEM B. Check this box ONLY if the employees reported are covered by an employer sponsored Voluntary Plan for the payment of disability benefits. If you also have employees covered under the State Plan for disability benefits, report their wages and withholdings separately on another page of the DE 6.

WAGES AND WITHHOLDINGS TO REPORT ON A SEPARATE DE 6

Prepare a DE 6 to report the types of exemptions listed below. All three exemptions can be reported on one DE 6. Write the exemption title(s) at the top of the form (e.g., SOLE SHAREHOLDER), and report only those individuals under these categories. **Report all other employees or individuals without exemptions on a separate DE 6.**

- **Religious Exemption:** Employees who file and are approved by the Department for an exemption from SDI taxes under Section 2902 of the California Unemployment Insurance Code (CUIC).
- **Sole Shareholder**: An individual who elects and is approved by the Department to be excluded from SDI coverage for benefits and taxes under Section 637.1 of the CUIC.
- **Third Party Sick Pay**: Recipients exempt from SDI taxes under Section 931.5 of the CUIC. Refer to the Employer's Guide for detailed instructions on how to report.

ITEM C. NO PAYROLL: Check this box if you had no payroll this quarter. Enter zeroes in each box in Item A and in Items M, N, and O.

ITEM D. OUT OF BUSINESS/FINAL REPORT: Check this box if this is your final report and you will not be reporting wages in any subsequent quarter. You must also complete an Annual Reconciliation Statement (DE 7) and pay any amounts due with a Payroll Tax Deposit (DE 88), within 10 days of quitting business to avoid penalty and interest charges. In the date line, please indicate the date your business closed.

ITEM E. SOCIAL SECURITY NUMBER (SSN): Enter the SSN of each employee or individual to whom you paid wages in subject employment, paid PIT wages, and/or from whom you withheld state income taxes during the quarter. If someone does not have an SSN, report their name, wages and/or withholdings without the SSN and TAKE IMMEDIATE STEPS TO SECURE ONE. Report the correct SSN to EDD as soon as possible on a Tax and Wage Adjustment Form (DE 678).

ITEM F. EMPLOYEE NAME: Enter the name of each employee or individual to whom you paid wages in subject employment, paid PIT wages, and/or from whom you withheld state income taxes during the quarter.

ITEM G. TOTAL SUBJECT WAGES: Enter the total subject wages paid (including cents) to each employee during the quarter. Generally, most wages are considered "subject" wages. For special classes of employment and payments considered subject wages, refer to the California Employer's Guide Appendix under "Types of Employment" and "Types of Payments."

ITEM H. PIT WAGES: Enter the amount of wages paid (including cents) that are subject to California state income taxes, even if you do not withhold PIT from the wages. You must enter PIT wages even if they are the same as total subject wages. For additional information regarding PIT wages, refer to the Information Sheet: Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report (DE 231PIT).

ITEM I. PIT WITHHELD: Enter the amount of PIT withheld from each individual during the quarter.

ITEM J. Enter the total subject wages paid (Item G) for each separate page. Do not carry this total forward from page to page.

ITEM K. Enter the total amount of PIT wages (Item H) for each separate page. Do not carry this total forward from page to page.

ITEM L. Enter the total PIT withheld (Item I) for each separate page. Do not carry this total forward from page to page.

ITEM M. ON PAGE 1 or the last page, enter the grand total of total subject wages paid (Item J) for all pages for the quarter.*

ITEM N. ON PAGE 1 or the last page, enter the grand total of PIT wages (Item K) for all pages for the quarter.*

ITEM O. ON PAGE 1 or the last page, enter the grand total of PIT withheld from all the employees (Item L) for all pages for the quarter.*

***NOTE:** **Provide separate grand totals for Voluntary Plan DI reporting and special exemption reporting (Religious Exemption, Sole Shareholder, Third Party Sick Pay). Combine all other wage and withholding reports to arrive at the grand totals for Items M, N, and O.**

ITEM P. ON PAGE 1 ONLY, please sign, state your title, enter your telephone number, and date the form.

Employment Development Department
State of California

ANNUAL RECONCILIATION STATEMENT

PLEASE TYPE THIS FORM - DO NOT ALTER PREPRINTED INFORMATION

00070104

YEAR ENDED _____ DUE _____ DELINQUENT IF NOT POSTMARKED OR RECEIVED BY _____ YEAR

EMPLOYER ACCOUNT NO.

DEPT. USE ONLY

DO NOT ALTER THIS AREA

P1 P2 C P U S A

T

EFFECTIVE DATE Mo. Day Yr.

FEIN

ADDITIONAL FEINS

CHECK BOX IF:

A. NO WAGES PAID THIS YEAR ☐

B. OUT OF BUSINESS_____ ☐
Date

C. TOTAL SUBJECT WAGES PAID THIS CALENDAR YEAR ➤

D. UNEMPLOYMENT INSURANCE (UI) (Total Employee Wages up to per employee per calendar year)

(D1) UI % TIMES (D2) UI TAXABLE WAGES = (D3) UI CONTRIBUTIONS

E EMPLOYMENT TRAINING TAX (ETT)

(E1) ETT % TIMES UI Taxable Wages (D2)..... = (E2) ETT CONTRIBUTIONS

F. STATE DISABILITY INSURANCE (SDI) (Total Employee Wages up to $ per employee per calendar year)

(F1) SDI % TIMES (F2) SDI TAXABLE WAGES = (F3) SDI EMPLOYEE CONTRIBUTIONS WITHHELD

PIT WITHHELD PER FORMS W-2 AND/OR 1099R

G. CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHELD ➤

H. **SUBTOTAL** (Add Items D3, E2, F3, and G) ➤

I. LESS: CONTRIBUTIONS AND WITHHOLDINGS PAID FOR THE YEAR (**DO NOT** INCLUDE PENALTY AND INTEREST PAYMENTS) ➤

J. TOTAL TAXES DUE OR OVERPAID (Item H minus Item I) ➤

If amount due, prepare a *Payroll Tax Deposit* (DE 88), include the correct payment quarter, and mail to: Employment Development Department, P.O. Box 826276, Sacramento, CA 94230-6276. Mailing payments with DE 7 delays payment processing and may result in erroneous penalty and interest charges. **Mandatory EFT filers must remit all SDI/PIT deposits by EFT to avoid a noncompliance penalty.**

K. Be sure to sign this declaration: *I declare that the information herein is true and correct to the best of my knowledge and belief.*

Signature _____ Title _____ (Owner, Accountant, Preparer, etc.) Phone ( ) _____ Date _____

SIGN AND MAIL TO: State of California / Employment Development Department / P.O. Box 826286 / Sacramento CA 94230-6286

INSTRUCTIONS AND INFORMATION FOR COMPLETING ANNUAL RECONCILIATION STATEMENT

FOR ASSISTANCE IN COMPLETING THIS FORM, obtaining additional forms or any information, contact **our Taxpayer Assistance Center at 1-888-745-3886. For TTY (non verbal) access, call 1-800-547-9565**

PLEASE TYPE ALL INFORMATION.

INSTRUCTIONS

You must file this return even though you had no payroll. If you had no payroll, check the box for Item A and complete Item K.

When reporting dollar amounts, use DOLLARS AND CENTS. Do not use dashes or slashes.

Verify/enter your Federal Employer Identification Number (FEIN): The number should be the same as your federal account number. If the number is not correct, line it out and enter correct number. If you have more than one FEIN relating to the state number, enter the additional FEINs in spaces indicated.

LINE A. No Wages Paid This Year - Check this box if you did not pay subject wages during the calendar year.

LINE B. Out of Business (Date) - Check this box if you quit business and this is your final statement. Show the out of business date.

NOTE: IF YOU QUIT BUSINESS, YOU MUST FILE THIS FINAL STATEMENT AND THE QUARTERLY WAGE AND WITHHOLDING REPORT AND PAY ANY AMOUNTS DUE WITHIN 10 DAYS OF QUITTING BUSINESS TO AVOID PENALTY AND INTEREST.

LINE C. Total Subject Wages - Enter the total subject wages paid to each employee during the year. Generally, most wages are considered "subject" wages.

LINE D. Unemployment Insurance (UI)
D1. UI Rate - Note*: If you had a rate change which was not effective for the entire year, you will need to file a separate Annual Reconciliation Statement for the period of time covered by each rate.* ***For tax rate or benefit charge information, call (916) 653-7795.***
D2. UI Taxable Wages - Enter total UI taxable wages for the year. DO NOT INCLUDE EXEMPT WAGES.
D3. Employer's UI taxes - Multiply D1 by the amount entered in D2 and enter this calculated amount in D3.

LINE E. Employment Training Tax (ETT)
E1. ETT rate **E2.** Employment Training Tax - Multiply E1 by the amount entered in D2 and enter this calculated amount in E2.

LINE F. State Disability Insurance (SDI)
F1. SDI Rate (Includes Paid Family Leave amount)
F2. SDI Taxable Wages – Enter the total SDI taxable wages for the year. DO NOT INCLUDE EXEMPT WAGES.
F3. Multiply F1 by the amount entered in F2 and enter this calculated amount in F3.

LINE G. California Personal Income Tax (PIT) Withheld
Enter total California Personal Income Tax withheld, as reported on Forms W-2, and/or 1099-R. **NOTE: DO NOT SEND W-2s TO EDD**.
CAUTION: TO AVOID A POTENTIAL ASSESSMENT, DO NOT ENTER TOTAL WAGES, FEDERAL WITHHOLDING, OR TOTAL PAYMENTS MADE FOR THE YEAR.
All magnetic media of 1099-R must be submitted to:

Franchise Tax Board	ATTN: Magnetic Media Coordination, #599
P.O. Box 942840	Sacramento, CA 94240-6090

LINE H. Subtotal - Add Items D3, E2, F3, and G, enter in the SUBTOTAL box.

LINE I. Taxes and Withholdings paid for the year - Total of all payments of UI, ETT, SDI and PIT paid for this calendar year.
NOTE: *Do not include any payments made during the year for any prior years, or payments for penalty and interest.*

LINE J. Total Taxes Due or Overpaid - Item H minus Item I (this should be zero if all payments have been properly paid). If amount is due, prepare a Payroll Tax Deposit coupon (DE 88). The payroll date, payment type, and payment quarter must be completed in order to process your payment coupon correctly. Failure to complete these items may result in your payment being posted to the wrong quarter/year and interest and penalty may be assessed. If taxes are overpaid, a refund will be generated.

LINE K. Signature of preparer or responsible individual, including title, phone number, and date.

THIRD-PARTY SICK PAY

Third-Party Payers of Sick Pay: Include withholdings for Third-Party Sick Pay in Item G. Attach a copy of the third-party sick pay statement provided to the employer.

Employers: Include third-party sick pay in lines C, D, and E. **DO NOT** include third-party sick pay withholdings in lines G or H. Attach a copy of third-party sick pay statement provided by the payer.

INFORMATION

FILING THIS STATEMENT - This statement must report all UI/SDI subject California wages paid and California Personal Income Tax withheld during the calendar year as shown on the Forms W-2 and/or 1099-R.
NOTE: DO NOT SEND W-2s TO EDD.

PENALTY of $1,000.00 or five percent (5%) of the taxes required to be reconciled will be imposed for failure to file this statement within 30 days of notice to the employer because of his/her failure to file. Interest accrues from the **delinquent date of January 31st of the following year.**

QUARTERLY PAYMENTS: UI, ETT, and SDI and PIT withholdings are required to be paid at least quarterly throughout the year (SDI and PIT may be paid more often—see below). If you desire to remit these taxes more often you may do so by sending your payment with a Payroll Tax Deposit coupon (DE 88).

NEXT BANKING DAY/SEMIWEEKLY/MONTHLY DEPOSITS:
Deposits of withheld employee SDI taxes and PIT may be required throughout the year, depending upon the amount of PIT withheld and federal deposit requirements. Penalty and interest will be charged on late deposits.

If business was discontinued or if a change in ownership occurred during the period covered by this Annual Reconciliation Statement, each ownership must file a separate statement covering only that part of the year during which the particular ownership operated.

TAXABLE WAGE LIMITS - Individual employee wages are taxable to specific limits per calendar year for UI/ETT and SDI. Wages for each employee in excess of the taxable wage limit are exempt. For example, if the UI taxable wage limit is $7,000 per employee, individual employee wages exceeding $7,000 are exempt from UI/ETT taxes. For current and past taxable wage limits for UI/ETT and SDI, refer to our publication *Tax Rates*, *Wage Limits*, and *Value of Meals and Lodging* (DE 3395) or our Web site at **www.edd.ca.gov/taxrep/de3395.pdf.**

If an active business was taken over and continued, wages paid by the former ownership shall be counted toward the UI, ETT, and SDI taxable limits by the new ownership. Otherwise, wages paid by other employers are not to be counted toward the taxable limits.

If an employer paid wages to the same employee for work in another state and reported the wages to the other state for UI purposes, the out-of-state wages shall also be counted toward the UI taxable limits. These wages are NOT used in computing the taxable limit for SDI.

Employers who would like to participate in Electronic Funds Transfer (EFT) filing, contact EDD's EFT Unit at (916) 654-9130.

FOR MORE INFORMATION ABOUT COMPLETING THIS FORM, PLEASE REFER TO THE CALIFORNIA EMPLOYER'S GUIDE (DE 44) OR CONTACT OUR TAXPAYER ASSISTANCE CENTER AT THE NUMBER ABOVE.

Employment Development Department
State of California

REPORT OF NEW EMPLOYEE(S)

See detailed instructions on page 2. Please type or print.
NOTE: Report new employees within 20 days of start-of-work date.

00340600

DATE	CA EMPLOYER ACCOUNT NO.	BRANCH CODE	FEDERAL ID NO.
M M D D Y Y			

BUSINESS NAME	CONTACT PERSON	TELEPHONE NO.

ADDRESS	STREET	CITY	STATE	ZIP

EMPLOYEE FIRST NAME | MI | EMPLOYEE LAST NAME
SOCIAL SECURITY NO. | STREET NO. | STREET NAME | UNIT/APT
CITY | STATE | ZIP | START-OF-WORK DATE (M M D D Y Y)

EMPLOYEE FIRST NAME | MI | EMPLOYEE LAST NAME
SOCIAL SECURITY NO. | STREET NO. | STREET NAME | UNIT/APT
CITY | STATE | ZIP | START-OF-WORK DATE (M M D D Y Y)

EMPLOYEE FIRST NAME | MI | EMPLOYEE LAST NAME
SOCIAL SECURITY NO. | STREET NO. | STREET NAME | UNIT/APT
CITY | STATE | ZIP | START-OF-WORK DATE (M M D D Y Y)

EMPLOYEE FIRST NAME | MI | EMPLOYEE LAST NAME
SOCIAL SECURITY NO. | STREET NO. | STREET NAME | UNIT/APT
CITY | STATE | ZIP | START-OF-WORK DATE (M M D D Y Y)

EMPLOYEE FIRST NAME | MI | EMPLOYEE LAST NAME
SOCIAL SECURITY NO. | STREET NO. | STREET NAME | UNIT/APT
CITY | STATE | ZIP | START-OF-WORK DATE (M M D D Y Y)

EMPLOYEE FIRST NAME | MI | EMPLOYEE LAST NAME
SOCIAL SECURITY NO. 0.00 | STREET NO. 0.00 | STREET NAME 0.00 | UNIT/APT
CITY | STATE | ZIP | START-OF-WORK DATE (M M D D Y Y)

INSTRUCTIONS FOR COMPLETING THE REPORT OF NEW EMPLOYEE(S)

WHO MUST BE REPORTED:

Federal law requires all employers to report all newly hired or rehired workers to EDD within 20 days of their start-of-work date. State and county agencies use this information to assist them in locating parents who are delinquent in their child support obligations.

An individual is considered a **new hire** on the first day in which he/she performs services for wages. An individual is considered a **rehire** if the employer/employee relationship has ended and the returning individual is required to submit a W-4 form to the employer.

WHAT MUST BE REPORTED ON THIS FORM:

Employer's:

- California Employer Account Number ***on each form completed***
- Branch Code - Complete only if employer was assigned a Branch Code number
- Federal Employer Identification Number
- Business name and address
- Contact person and telephone number

Employee's

- First name, middle initial, and last name
- Social Security Number
- Home address
- Start-of-work date (hire date)

HOW TO COMPLETE THIS FORM:

Please complete the following information in the spaces provided. If you type the information, ignore the boxes and type in UPPER CASE as shown. Do not use dashes or slashes.

EMPLOYEE FIRST NAME	MI	EMPLOYEE LAST NAME	
IMOGENE	A	SAMPLE	
SOCIAL SECURITY NO.	STREET NO.	STREET NAME	UNIT/APT
123456789	1234	ANY STREET	312

If you **must hand write this form**, print each letter or number in a separate box as shown. Do not use commas or periods.

EMPLOYEE FIRST NAME	MI	EMPLOYEE LAST NAME	
I M O G E N E	A	S A M P L E	
SOCIAL SECURITY NO.	STREET NO.	STREET NAME	UNIT/APT
1 2 3 4 5 6 7 8 9	1 2 3 4	A N Y S T R E E T	3 1 2

ADDITIONAL INFORMATION:

For additional DE 34 forms, visit our Internet site at **http://www.edd.ca.gov/Forms/default.asp** or call (888) 745-3886.

If you have any questions concerning this reporting requirement, you may visit your local Employment Tax Office listed in the *California Employer's Guide* (DE 44) and our Web site at **http://www.edd.ca.gov/Payroll_Taxes/Reporting_Requirements.htm.** You may also call us at (916) 657-0529.

HOW TO REPORT:

Please complete the information in the spaces provided and mail it to the following address or fax to (916) 319-4400.

EMPLOYMENT DEVELOPMENT DEPARTMENT
Document Management Group, MIC 96
P.O. Box 997016
West Sacramento, CA 95799-7016

You may also report your DE 34 information online using our Internet NER program at **https://eddservices.edd.ca.gov.** To obtain information for submitting DE 34 reports on magnetic media, access EDD's Web site at **http://www.edd.ca.gov/pdf_pub_ctr/de340.pdf** or call (916) 651-6945.

Employment Development Department
State of California

PAYROLL TAX DEPOSIT DE 88ALL

(TYPE OR PRINT IN BLACK INK ONLY)

1. PAY DATE:
MUST BE COMPLETED

(Last PAY DATE covered by deposit)

P O BOX 826276
SACRAMENTO, CA 94230-6276

Employer Name

Employer DBA

Indicate your Account Number here; Please enter on your check

2. DEPOSIT SCHEDULE:
(MUST MARK **ONE** BOX)

- NEXT BANKING DAY
- SEMIWEEKLY
- MONTHLY
- QUARTERLY

3. QUARTER COVERED

4. DEPOSIT AMOUNTS:

		Rate	Tax
A)	**UI**		
B)	**ETT**		
C)	**SDI**		
D)	**California PIT**		
E)	**Penalty**		
F)	**Interest**		
G)	**TOTAL PAID**		$

EMPLOYMENT DEVELOPMENT DEPARTMENT

01880698

PAY THIS AMOUNT
TOTAL LINES A THROUGH F.
DO NOT FOLD OR STAPLE.
Make check payable to EDD.

PREPARER'S SIGNATURE
X

TELEPHONE NO.
( )

DEPARTMENT USE ONLY

DE 88ALL Rev. 16 (1-04) **(INTERNET)**

CUT ALONG DASHED LINES

CUT ALONG DASHED LINES

CUT ALONG DASHED LINES

Employment Development Department
State of California

REPORT OF INDEPENDENT CONTRACTOR(S)

05420101

See detailed instructions on page 2. Please type or print.

SERVICE-RECIPIENT (BUSINESS OR GOVERNMENT ENTITY):

DATE | FEDERAL ID NO. | CA EMPLOYER ACCOUNT NO. | SOCIAL SECURITY NO.

SERVICE-RECIPIENT NAME / BUSINESS NAME | CONTACT PERSON

ADDRESS | TELEPHONE NO.

CITY | STATE | ZIP

SERVICE-PROVIDER (INDEPENDENT CONTRACTOR):

FIRST NAME | MI | LAST NAME

SOCIAL SECURITY NO. | STREET NO. | STREET NAME | UNIT/APT

CITY | STATE | ZIP

START DATE OF CONTRACT (M M D D Y Y) | AMOUNT OF CONTRACT , , . | CONTRACT EXPIRATION DATE (M M D D Y Y) | CHECK HERE IF CONTRACT IS ONGOING

FIRST NAME | MI | LAST NAME

SOCIAL SECURITY NO. | STREET NO. | STREET NAME | UNIT/APT

CITY | STATE | ZIP

START DATE OF CONTRACT (M M D D Y Y) | AMOUNT OF CONTRACT , , . | CONTRACT EXPIRATION DATE (M M D D Y Y) | CHECK HERE IF CONTRACT IS ONGOING

FIRST NAME | MI | LAST NAME

SOCIAL SECURITY NO. | STREET NO. | STREET NAME | UNIT/APT

CITY | STATE | ZIP

START DATE OF CONTRACT (M M D D Y Y) | AMOUNT OF CONTRACT , , . | CONTRACT EXPIRATION DATE (M M D D Y Y) | CHECK HERE IF CONTRACT IS ONGOING

INSTRUCTIONS FOR COMPLETING THE REPORT OF INDEPENDENT CONTRACTOR(S)

WHO MUST REPORT:

Any business or government entity (defined as a "Service-Recipient") that is required to file a Federal Form 1099-MISC for service performed by an independent contractor (defined as a "Service-Provider") must report. You must report to the Employment Development Department within twenty (20) days of EITHER making payments of $600 or more OR entering into a contract for $600 or more with an independent contractor in any calendar year, whichever is earlier. This information is used to assist state and county agencies in locating parents who are delinquent in their child support obligations.

An independent contractor is further defined as an individual who is not an employee of the business or government entity for California purposes and who receives compensation or executes a contract for services performed for that business or government entity either in or outside of California. For further clarification, request *Information Sheet: Employment Work Status Determination* (DE 231ES). See below for additional information on how to obtain forms.

YOU ARE REQUIRED TO PROVIDE THE FOLLOWING INFORMATION THAT APPLIES:

Service-Recipient (Business or Government Entity):

- Federal employer identification number
- California employer account number
- Social security number
- Service-recipient name/business name, address, and telephone number

Service-Provider (Independent Contractor):

- First name, middle initial, and last name
- Social security number
- Address
- Start date of contract (if no contract, date payments equal $600 or more)
- Amount of contract including cents (if applicable)
- Contract expiration date (if applicable)
- Ongoing contract (check box if applicable)

HOW TO COMPLETE THIS FORM:

If you use a typewriter or printer, ignore the boxes and type in UPPER CASE as shown. Do not use commas or periods.

FIRST NAME	MI	LAST NAME
IMOGENE	A	SAMPLE

SOCIAL SECURITY NO.	STREET NO.	STREET NAME	UNIT / APT.
123456789	12345	MAIN STREET	301

If you **handwrite this form**, print each letter or number in a separate box as shown. Do not use commas or periods.

FIRST NAME	MI	LAST NAME
IMO GENE		A SAMPLE

SOCIAL SECURITY NO.	STREET NO.	STREET NAME	UNIT / APT.
123456789	12345	MAIN STREET	

GENERAL INFORMATION:

If you have any questions concerning this reporting requirement, please call (916) 657-0529. You may also contact your local Employment Tax Office listed in your telephone directory in the State Government section under "Employment Development Department," or you may access our Internet site at www.edd.ca.gov.

To obtain additional DE 542 forms:

- Visit our Internet site at www.edd.ca.gov; or
- For 25 or more forms, telephone (916) 322-2835
- For less than 25 forms, telephone (916) 657-0529

To obtain information for submitting *Report of Independent Contractors* on magnetic media, call (916) 651-6945.

HOW TO REPORT:

Please record the information in the spaces provided and mail to the following address or fax to (916) 319-4410.

EMPLOYMENT DEVELOPMENT DEPARTMENT
P. O. Box 997350, Document Management Group, MIC 96
Sacramento, CA 95899-7350

YEAR

CALIFORNIA FORM

2009 Nonresident Withholding Waiver Request 588

Part I **Type Of Income Payments Subject To Withholding** (please check appropriate box)

☐ Partnership Distributions
☐ Payment to Independent Contractor
☐ Trust Distributions
☐ Limited Liability Company (LLC) Distributions
☐ Rents or Royalties
☐ Estate Distributions
☐ S Corporation Distributions
☐ Other Payments (specify)_____

Part II **Requester Information**

Name of requester | ☐ SSN or ITIN ☐ CA Corp. ☐ FEIN

Address (including number and street, PO Box, or PMB no.) | Apt. no./Ste. no.

City | State | ZIP Code

Name of contact person | Daytime telephone number ( ) | FAX number ( )

Part III **Withholding Agent Information.**

Name of withholding agent, S corp., partnership, LLC, estate, or trust (If more than one, attach a separate list.) | ☐ SSN or ITIN ☐ CA Corp. ☐ FEIN

Address (including number and street, PO Box, or PMB no.) | Apt. no./Ste. no.

City | State | ZIP Code

Name of contact person | Daytime telephone number ( ) | FAX number ( )

If more space is needed, attach a separate list.

Check the box if you would like a copy of the reply sent to the withholding agent. ☐

Part IV **Vendor/Payee Information.** (Use the letter codes listed below.)

Name of Vendor/Payee | ☐ SSN or ITIN ☐ CA Corp. ☐ FEIN | Reason for Waiver Request (Letter Code)

Address | State | Zip Code

Name of Vendor/Payee | ☐ SSN or ITIN ☐ CA Corp. ☐ FEIN | Reason for Waiver Request (Letter Code)

Address | State | Zip Code

If more than two Vendor/Payees, use Vendor/Payee Information, Page 2.

Reason For Waiver Request

A Vendor/payee has California state tax returns on file for the two most recent taxable years in which the vendor/payee has a filing requirement. Vendor/payee is considered current on any outstanding tax obligations with the Franchise Tax Board.

B Vendor/payee is making timely estimated tax payments for the current taxable year. Vendor/payee is considered current on any outstanding tax obligations with the Franchise Tax Board.

C Vendor, S corporation shareholder, partner, or member is a corporation that is not qualified to do business and does not have a permanent place of business in California but is filing a tax return based on a combined report with a corporation that does have a permanent place of business in California. On an attached sheet explain fully and provide the name and California corporation number of the corporation filing the combined report. Attach a copy of Schedule R-7 from the combined report.

D Shareholder, partner, or member is a newly admitted S corporation shareholder, partner, or member. A newly admitted S corporation shareholder, partner, or member is any entity that becomes a shareholder, partner, or member in the above-listed S corporation, partnership, or LLC after the end of the S corporation's, partnership's, or LLC's taxable year. Provide the date that this shareholder, partner, or member was admitted under the letter code entered in the Reason for Waiver request box above.

E Other – Attach specific reason and include substantiation that would justify a waiver of withholding.

Perjury Statement

Under penalties of perjury, I declare that I have examined this request, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of paid preparer is based on all information of which preparer has any knowledge.

Requester's name and title (type or print) | (_____) Daytime telephone no.

Requester's signature | Date

Name of Requestor	☐ SSN or ITIN ☐ CA Corp. ☐ FEIN

Name of Vendor/Payee	☐ SSN or ITIN ☐ CA Corp. ☐ FEIN		Reason for Waiver Request (Letter Code)
Address	State	Zip Code	

Name of Vendor/Payee	☐ SSN or ITIN ☐ CA Corp. ☐ FEIN		Reason for Waiver Request (Letter Code)
Address	State	Zip Code	

Name of Vendor/Payee	☐ SSN or ITIN ☐ CA Corp. ☐ FEIN		Reason for Waiver Request (Letter Code)
Address	State	Zip Code	

Name of Vendor/Payee	☐ SSN or ITIN ☐ CA Corp. ☐ FEIN		Reason for Waiver Request (Letter Code)
Address	State	Zip Code	

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Address	State	Zip Code	

Name of Vendor/Payee	☐ SSN or ITIN ☐ CA Corp. ☐ FEIN		Reason for Waiver Request (Letter Code)
Address	State	Zip Code	

Name of Vendor/Payee	☐ SSN or ITIN ☐ CA Corp. ☐ FEIN		Reason for Waiver Request (Letter Code)
Address	State	Zip Code	

Instructions for Form 588

Nonresident Withholding Waiver Request

General Information

A Purpose

Use Form 588, Nonresident Withholding Waiver Request, to request a waiver on withholding payments of California source income to nonresident vendors/payees.

Do not use Form 588 to request a waiver if you are a:

- **Foreign (non-U.S.) partner or member.** There are no provisions in the California Revenue and Taxation Code (R&TC) to waive withholding for foreign partners or members.
- **Seller of California real estate.** Sellers of California real estate should use Form 593-C, Real Estate Withholding Certificate.

Form 588 does not apply to payments for wages to employees. Wage withholding is administered by the California Employment Development Department (EDD). For more information, go to their website at **www.edd.ca.gov** or contact EDD customer service at **888**.745.3886.

B Requirement

R&TC Section 18662 requires withholding of income or franchise tax on certain payments made to nonresidents for income received from California sources. The withholding rate is seven percent unless a waiver is granted by the Franchise Tax Board (FTB).

C Income Subject to Withholding

The items of income subject to withholding include, but are not limited to:

- Compensation for services performed in California by nonresidents (including payment of expenses). For more information, get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines.
- Rent paid to nonresidents on commercial real or personal property located in California if the rent is paid in the course of the withholding agent's business.
- Royalties paid to nonresidents for the right to use natural resources located in California.
- Distributions of California source taxable income to nonresident beneficiaries from an estate or trust.
- Prizes and winnings received by nonresidents for contests in California.
- Distributions of California source taxable income to a domestic (nonforeign) nonresident S corporation shareholder, partner, or member. For more information, get FTB Pub. 1017.
- Allocations of California source income or gain to foreign (non-U.S.) nonresident partners or members. For more information, get FTB Pub. 1017. There are no provisions in the California R&TC to waive withholding for foreign (non-U.S.) S corporation shareholders, partners, or members.
- Other California source income paid to nonresidents.

Compensation for services includes payments for personal services rendered in California, commissions paid to salespersons or agents for orders received or sales made in California, fees for professional services rendered in California, and payments to entertainers, wrestlers, boxers, etc., for performances in California.

When compensation is paid for services performed both within and outside of California, the portion paid for services rendered in California and subject to withholding should be determined by an allocation. Refer to Form 587, Nonresident Withholding Allocation Worksheet.

Use Form 592, Quarterly Resident and Nonresident Withholding Statement, Form 592-A, Foreign Partner or Member Quarterly Withholding Remittance Statement, and Form 592-F, Foreign Partner or Member Annual Return, to report and remit withholding to the FTB.

Domestic nonresidents may use Form 589, Nonresident Reduced Withholding Request, to request the reduction in the standard seven percent withholding amount that is applicable to California source payments made to nonresidents.

D Exceptions to Withholding

Withholding is not required when:

- The payment is for goods.
- The payment is being made to a resident of California, an S corporation, a partnership, or an LLC that has a permanent place of business in California. Form 590, Withholding Exemption Certificate, can be used by vendors/payees to certify that they are residents of California or have a permanent place of business in California. Withholding agents should keep the signed form containing this certification and provide it to the FTB upon request. Withholding agents are relieved of the withholding requirements if they rely in good faith on a signed certification (Form 590) that the vendor/payee is a resident of California or has a permanent place of business in California. This exception does not apply, if the resident, S corporation, partnership, or LLC that has a permanent place of business in California is acting as an agent for the actual vendor/payee.
- The withholding agent's total payments of California source income to the vendor/payee are $1,500 or less for the calendar year.
- The payments are for income from intangible personal property, such as interest and dividends, unless derived in a trade or business or the property has acquired a business situs in California.
- The payments are for services performed outside of California or for rents, royalties, and leases on property located outside of California.
- The payment is to a nonresident corporate director for director services, including attendance at board meetings.
- The vendor/payee is a tax-exempt organization under either California or federal law (provide a completed Form 590 to the withholding agent to certify).
- The vendor/payee receives a written authorization from the FTB waiving the withholding.
- The domestic (nonforeign) nonresident S corporation shareholder, partner, or member provides the S corporation, partnership, or LLC with a properly completed and signed Form 590-P, Nonresident Withholding Exemption Certificate for Previously Reported Income.
- The income of nonresident S corporation shareholders, partners, or members, including a bank or corporation, is derived from qualified investment securities of an investment partnership.

Withholding Waivers

The FTB issues a determination letter. A withholding agent must have received the determination letter authorizing a waiver of withholding before eliminating withholding on payments made to nonresidents. The withholding agent retains the waiver for a minimum of five years.

Withholding waivers issued by the FTB apply only for the limited purpose of determining the withholding obligation under R&TC Section 18662. They do not apply to the taxability of income. A withholding waiver is effective for a maximum of two years from the date the waiver is granted. If you previously received a withholding waiver and wish to have it extended, submit a new request on Form 588 and attach a copy of the original authorization letter. The acceptance of evidence submitted with the application is not binding on the FTB for any purpose other than for issuing a withholding waiver.

Specific Instructions

The withholding agent, S corporation, partnership, LLC, vendor/payee, estate, or trust may complete and sign this form.

Complete the entire form and attach the information supporting your request. Failure to include necessary information and documents may delay issuance or denial of the waiver.

Private Mail Box
Include the Private Mail Box (PMB) in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Part I – Check the box indicating the type of payment for which a waiver is being requested.

Part II – Enter the name, address (including PMB, if applicable), and to whose attention the withholding certificate is to be mailed. Include a daytime telephone number, with area code, so we can call if we need additional information.

Part III – Enter the information related to the withholding agent, S corporation, partnership, LLC, estate, or trust making the payments. Use a separate form or attach a list if there is more than one withholding agent.

Part IV – List the name, address and social security number (SSN), individual taxpayer identification number (ITIN), California corporation number, or federal employer identification number (FEIN) of the nonresident vendor/payee. If there are more than two Vendor/Payees enter than information on Side 2. Use additional pages as needed.

Under "Reason for Waiver Request," enter the letter code that corresponds to your reason for requesting a waiver.

If you choose Reason D, provide the date that the shareholder, partner, or member was admitted below the letter code (D) in the Reason for Waiver Request box.

If you choose Reason E, provide all of the required additional information.

If vendor/payee chooses Reason B, but does not have California taxable returns on file for the two most recent taxable years (as described in Reason A), then the resulting waiver will be effective for one year.

Part V – Sign and date the request.

When and Where to File

Submit your request for a waiver at least 21 business days before making a payment to allow the FTB time to process your request.

Mail Form 588 to:

WITHHOLDING SERVICES AND
COMPLIANCE MS F182
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

Or

Fax to: 916.845.9512

Where to get Publications, Forms, and Information

By Internet: You can download, view, and print California tax forms and publications from our website at **ftb.ca.gov**.

By Phone: To have publications or forms mailed to you, or to get additional nonresident withholding information, contact Withholding Services and Compliance at the address or automated number below:

WITHHOLDING SERVICES AND
COMPLIANCE MS F182
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

Telephone: **888.**792.4900
916.845.4900 (not toll-free)

Fax: 916.845.9512

Where to get Publications, Forms, and Information Unrelated to Nonresident Withholding

By Automated Phone Service: Use this service to check the status of your refund, order California forms, obtain payment and balance due information, and hear recorded answers to general questions. This service is available 24 hours a day, 7 days a week, in English and Spanish.

From within the
United States. 800.338.0505

From outside the
United States. 916.845.6600
(not toll-free)

Follow the recorded instructions. Have paper and pencil handy to take notes.

By Mail: Allow two weeks to receive your order. If you live outside of California, allow three weeks to receive your order. Write to:

TAX FORMS REQUEST UNIT MS F284
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

In Person: Many libraries now have internet access. A nominal fee may apply to download, view, and print California forms and publications. Employees at libraries cannot provide tax information or assistance.

Assistance for persons with disabilities
We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments call:

TTY/TDD: 800.822.6268

Asistencia para personas discapacitadas. Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o dificultad con el habla pueden llamar al TTY/TDD 800.822.6268.

TAXABLE YEAR

CALIFORNIA FORM

2009 Nonresident Reduced Withholding Request 589

Part I Vendor/Payee

Name of Vendor/Payee (include DBA if entertainer)			☐ SSN or ITIN
Address (including suite, room, PO Box, or PMB no.)			☐ FEIN ☐ CA Corp no.
City	State	ZIP Code	Vendor/Payee fax number ( )

Part II Withholding Agent

Name of Withholding Agent			☐ SSN or ITIN
Venue			☐ FEIN ☐ CA Corp no.
Address (including suite, room, PO Box, or PMB no.)			Withholding Agent fax number ( )
City	State	ZIP Code	Daytime telephone number ( )

Part III Type of Income Subject to Withholding

Check one type only. •

A ☐ Payment to Independent Contractor (I/C)
B ☐ Payment to I/C Entertainers/Athletes/Speakers
C ☐ Trust Distributions
• Date(s) of Service _____ – _____
MM/DD/YYYY - MM/DD/YYYY
D ☐ Rents or Royalties
E ☐ Distributions to Domestic Nonresident S Corporation Shareholders/Partners/Members/Beneficiaries
F ☐ Estate Distributions
G ☐ Other _____

Part IV Withholding Amount

1 **Gross California Source Payment** ..... • 1 _____

Expenses:

2 Advertising ..... 2 _____
3 Commissions and fees ..... 3 _____
4 Cost of labor (contract labor) ..... 4 _____
5 Insurance ..... 5 _____
6 Legal, professional, and/or management fees ..... 6 _____
7 Rent or lease ..... 7 _____
8 Supplies ..... 8 _____
9 Travel, meals, and entertainment ..... 9 _____

Other Expenses (specify)

10 _____ ..... 10 _____
11 _____ ..... 11 _____

12 **Total amount of expenses.** Add line 2 through 11 and enter the amount here ..... • 12 _____ 0
13 **Net California Source Payment.** Subtract line 12 from line 1 and enter the amount here ..... 13 _____
14 **Withholding Amount.** Multiply the amount on line 13 by seven percent (.07) and enter the amount on line 14. This is the proposed reduced withholding amount. This amount must be verified and approved by the Franchise Tax Board (FTB) prior to the requestor receiving payment for services ..... 14 _____ 0

Submit requests to: WITHHOLDING SERVICES AND COMPLIANCE, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0651
Or, FAX the request to the FTB at (916) 845-9512.

Part V Vendor's/Payee's Signature

Under penalties of perjury, I hereby certify that the information provided is, to the best of my knowledge, true and correct. I understand that the Franchise Tax Board may review all relevant documentation upon request in order to verify the payment amount and expenses above. This form is a request for a reduced withholding amount and does not guarantee the requestor the reduced withholding amount unless approved by the Franchise Tax Board in writing. If this request is approved and I subsequently receive a gross California source payment exceeding the amount on line 1, I understand that the withholding agent will withhold seven percent of the additional gross California source payment amount in excess of the amount on line 1.

Vendor's/Payee's Name _____ Phone Number: ( ) _____

Vendor's/Payee's Signature _____ Date: _____

Preparer's Name _____ Phone Number: ( ) _____

Preparer's Signature _____ Date: _____ Preparer's SSN/PTIN _____

Instructions for Form 589

Nonresident Reduced Withholding Request

General Information

Beginning January 1, 2008:

- Domestic nonresidents may request a reduction in the standard seven percent withholding amount that is applicable to California source payments made to nonresidents using Form 589, Nonresident Reduced Withholding Request.
- Tax withheld on California source payments to domestic nonresidents is remitted to the Franchise Tax Board (FTB) on a quarterly basis (similar to estimate tax payments). For more information, get Form 592, Quarterly Resident and Nonresident Withholding Statement.

Round Cents To Dollars – Round cents to the nearest whole dollar. For example, round $50.50 up to $51 or round $25.49 down to $25.

A Purpose

A domestic nonresident taxpayer that can show that the required seven percent rate of withholding will result in excessive withholding, should use Form 589, to apply for a reduction in the amount to be withheld (see R&TC Section 18662).

Do not use Form 589 to request a reduced withholding amount if you are one of the following:

- Foreign (non-U.S.) partner or member. There are no provisions in the California R&TC to waive or reduce withholding for foreign partners or members.
- Seller of California real estate. Sellers of California real estate should use Form 593-C, Real Estate Withholding Certificate.

Form 589 does not apply to payments for wages to employees. Wage withholding is administered by the California Employment Development Department (EDD). For more information, contact EDD customer service at **888**.745.3886 or go to their website at **www.edd.ca.gov.**

For California withholding purposes only, a reference in these instructions to:

- "Nonresident" includes all of the following:
  - Individuals who are not residents of California.
  - Corporations not qualified through the Secretary of State to do business in California or having no permanent place of business in California.
  - Partnerships or limited liability companies (LLCs) with no permanent place of business in California.
  - Any trust without a resident grantor, beneficiary, or trustee, or estates where the decedent was not a California resident.
- "Foreign" refers to non-U.S.

B When and Where to File

The vendor/payee must submit Form 589 to the FTB before receiving payment for services. Form 589 is a request for a reduced withholding amount and does not guarantee the domestic nonresident vendor/payee a reduction in withholding unless approved by the FTB prior to the payment for services being performed. Allow 10 business days for processing. Submit requests to:

WITHHOLDING SERVICES AND COMPLIANCE
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

FAX: 916.845.9512

In an effort to accommodate requests as timely as possible, requests for reduced withholding amounts should be received by the FTB at least 10 business days prior to payment for the services performed. Failure to submit timely requests may result in a seven percent withholding requirement.

Upon receipt of the completed and signed Form 589, the FTB will review the request for a reduced withholding amount. A signature is required on Form 589 from the requestor or vendor/payee, in order for the FTB to process. The FTB may request to review all relevant documentation including, but not limited to, receipts and contracts, in order to verify the payment and expense amounts. Upon reviewing the request and supporting documentation, the FTB will make a determination of how much withholding is appropriate for the services performed. Upon making a determination, the FTB will provide a notice to the vendor/payee and the withholding agent with the approved amount to be withheld on the payment outlined on Form 589. The withholding agent will be instructed to withhold the approved amount and remit to the FTB with their next Form 592. In addition, the withholding agent will be instructed to withhold and remit seven percent of any payment made to the vendor/payee in excess of the gross California source payment amount reported on Form 589.

Specific Instructions

Taxable Year – Make sure the year in the upper left corner of Form 589 represents the taxable year for which the services are being performed.

Part I – Vendor/Payee

Enter the identification number, name, and address for the vendor/ payee who will be performing the services. Include the Doing Business As (DBA), in this field, if you are an entertainer and performing under a different name.

Include the Private Mail Box (PMB) in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Foreign Address: Enter the information in the following order: City, Country, Province/ Region, and Postal Code. Follow the country's practice for entering the postal code. Do not abbreviate the country's name.

Part II – Withholding Agent

Enter the withholding agent's name, identification number, and address. The withholding agent is the party that will be providing payment to the vendor/payee for services performed. Include the Private Mail Box (PMB) in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Part III – Type of Income Subject to Withholding

Check the box that reflects the type of payment that will be received for services performed on the date(s) specified. Check one type only.

Date(s) of Service – Enter the date(s) the services are being performed. The dates of service should reflect the same taxable year as shown in the upper left corner of Form 589.

Part IV – Withholding Amount

Line 1 – Enter the total gross California source payment the vendor/payee expects to receive for performing services. If the vendor/payee and withholding agent have entered into a contract for services, this amount should match the gross payment.

Expenses – The vendor/payee should enter any direct expenses on lines 2-11 that will be incurred or paid by the vendor/payee for performing the services in California. The FTB may verify the expenses by requesting supporting documentation. Payments the vendor/payee makes to nonresident third parties may meet the requirements for withholding and remitting seven percent of the payment to the FTB.

Line 2 – Advertising
Enter any advertising expenses that are directly related to the date(s) of the services performed.

Line 3 – Commissions and Fees
Enter any commissions and fees paid that are directly related to the date(s) of the services performed.

Line 4 – Cost of Labor (Contract Labor)
Enter the total cost of labor for the date(s) of services performed. **Do not** include salaries and wages paid to your employees.

Line 5 – Insurance
Enter the premiums paid for business insurance related to the date(s) of services performed. **Do not** enter amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for the lost earnings due to sickness or disability.

Line 6 – Legal, Professional, and/or Management Fees
Enter the fees paid for legal, professional, and/or management advice related to the date(s) of the services performed.

Line 7 – Rent or Lease
Enter the amount paid to rent or lease vehicles, machinery, equipment, or other property, such as office space, that is related to the date(s) of the services performed.

Line 8 – Supplies
Enter the cost of supplies consumed and used during the date(s) of the services performed.

Line 9 – Travel, Meals, and Entertainment
Enter the expenses for lodging and transportation connected with overnight travel away from your home that is directly related to the date(s) of the services performed. Enter only the deductible portion of the business meal and entertainment expenses that are directly related to the date(s) of the services performed.

Line 10 and Line 11 – Other Expenses (specify)
Enter other direct expenses, costs, or special circumstances that justify reduced withholding, including all ordinary and necessary business expenses not deducted elsewhere on Form 589. List the type and amount of each expense separately in the space provided. **Do not** include the expenses paid or incurred by a third party, such as a booking agent or performance venue. **Do not** include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses. **Do not** include charitable contributions. In addition, you cannot deduct fines or penalties paid to a city, county, or state government agency for violating any law. If additional space is needed, attach a separate schedule that lists the type and amount of of each expense.

Line 12 – Total Amount of Expenses
Add lines 2 through 11. This is the total amount of direct expenses the vendor/payee incurred or paid for the date(s) of the services performed.

Line 13 – Net California Source Payment
Subtract line 12 from line 1. This is the net California source payment after the vendor/payee subtracts all direct expenses. This is the amount subject to seven percent withholding.

Line 14 – Withholding Amount
Multiply the amount on line 13 by seven percent (.07). This is the proposed reduced withholding amount. This amount must be verified and approved by the FTB prior to the vendor/payee receiving payment for services.

Part V – Vendor's/Payee's Signature

Complete the vendor's/payee's and preparer's information. The FTB will not process this form without a signature.

Additional Information

For additional information regarding nonresident withholding go to our website at **ftb.ca.gov** and search for nonresident withholding. To speak to a representative regarding this form, call Withholding Services and Compliance automated telephone service at: **888**.792.4900 or 916.845.4900 (not toll-free).

OR write to:

WITHHOLDING SERVICES AND COMPLIANCE
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

For information on requirements to file a California tax return or to get forms, call:

From within the United States 800.852.5711

From outside the United States . . . . . .916.845.6500 (not toll-free)

You can download, view, and print California tax forms and publications from our website at **ftb.ca.gov**.

OR to get forms by mail write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

Assistance for Persons with Disabilities
We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments, please call:

TTY/TDD 800.822.6268

Asistencia Telefonica y en el Internet

Dentro de los Estados Unidos, llame al 800.852.5711

Fuera de los Estados Unidos, llame al . . . . . .916.845.6500 (cargos aplican)

Sitio web: **ftb.ca.gov**

Asistencia para personas discapacitadas
Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla pueden llamar al TTY/TDD 800.822.6268.

YEAR **2009**

Withholding Exemption Certificate

(This form can only be used to certify exemption from nonresident withholding under California R&TC Section 18662. Do not use this form for exemption from wage withholding.)

CALIFORNIA FORM **590**

File this form with your withholding agent. (Please type or print)

Withholding agent's name

Vendor/Payee's name

Vendor/Payee's ☐ SSN or ITIN ☐ SOS file no. ☐ CA corp. no. ☐ FEIN

Address (including number and street, PO Box, or PMB no.)

Apt. no./ Ste. no.

City

State

ZIP Code

Read the following carefully and check the box that applies to the vendor/payee.

I certify that for the reasons checked below, the entity or individual named on this form is exempt from the California income tax withholding requirement on payment(s) made to the entity or individual.

☐ **Individuals — Certification of Residency:**
I am a resident of California and I reside at the address shown above. If I become a nonresident at any time, I will promptly notify the withholding agent. See instructions for General Information D, Who is a Resident, for the definition of a resident.

☐ **Corporations:**
The above-named corporation has a permanent place of business in California at the address shown above or is qualified through the California Secretary of State (SOS) to do business in California. The corporation will file a California tax return and withhold on payments of California source income to nonresidents when required. If this corporation ceases to have a permanent place of business in California or ceases to do any of the above, I will promptly notify the withholding agent. See instructions for General Information E, What is a Permanent Place of Business, for the definition of permanent place of business.

☐ **Partnerships:**
The above-named partnership has a permanent place of business in California at the address shown above or is registered with the California SOS, and is subject to the laws of California. The partnership will file a California tax return and will withhold on foreign and domestic nonresident partners when required. If the partnership ceases to do any of the above, I will promptly inform the withholding agent. For withholding purposes, a Limited Liability Partnership (LLP) is treated like any other partnership.

☐ **Limited Liability Companies (LLC):**
The above-named LLC has a permanent place of business in California at the address shown above or is registered with the California SOS, and is subject to the laws of California. The LLC will file a California tax return and will withhold on foreign and domestic nonresident members when required. If the LLC ceases to do any of the above, I will promptly notify the withholding agent.

☐ **Tax-Exempt Entities:**
The above-named entity is exempt from tax under California R&TC Section 23701 _____ (insert letter) or Internal Revenue Code Section 501(c) _____ (insert number). The tax-exempt entity will withhold on payments of California source income to nonresidents when required. If this entity ceases to be exempt from tax, I will promptly notify the withholding agent. Individuals cannot be tax-exempt entities.

☐ **Insurance Companies, IRAs, or Qualified Pension/Profit Sharing Plans:**
The above-named entity is an insurance company, IRA, or a federally qualified pension or profit-sharing plan.

☐ **California Trusts:**
At least one trustee of the above-named trust is a California resident. The trust will file a California fiduciary tax return and will withhold on foreign and domestic nonresident beneficiaries when required. If the trustee becomes a nonresident at any time, I will promptly notify the withholding agent.

☐ **Estates — Certification of Residency of Deceased Person:**
I am the executor of the above-named person's estate. The decedent was a California resident at the time of death. The estate will file a California fiduciary tax return and will withhold on foreign and domestic nonresident beneficiaries when required.

CERTIFICATE: Please complete and sign below.

Under penalties of perjury, I hereby certify that the information provided in this document is, to the best of my knowledge, true and correct. If conditions change, I will promptly notify the withholding agent.

Vendor/Payee's name and title (type or print) _____ Daytime telephone no._____

Vendor/Payee's signature ▶ _____ Date _____

Instructions for Form 590

Withholding Exemption Certificate

References in these instructions are to the California Revenue and Taxation Code (R&TC).

General Information

For purposes of California income tax, references to a spouse, a husband, or wife also refer to a Registered Domestic Partner (RDP) unless otherwise specified. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

Private Mail Box. Include the Private Mail Box (PMB) in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

A Purpose

Use Form 590, Withholding Exemption Certificate, to certify an exemption from nonresident withholding. California residents or entities should complete and present Form 590 to the withholding agent. The withholding agent is then relieved of the withholding requirements if the agent relies in good faith on a completed and signed Form 590 unless told by the Franchise Tax Board (FTB) that the form should not be relied upon.

Important – This form cannot be used for exemption from wage withholding. If you are an employee, any wage withholding questions should be directed to the FTB General Information number, 800.852.5711. Employers should direct their calls to the California Employment Development Department (EDD) at **888**.745.3886 or go to their website at **www.edd.ca.gov**.

Sellers of California real estate use Form 593-C, Real Estate Withholding Certificate, not Form 590.

B Requirement

R&TC Section 18662 requires withholding of income or franchise tax on payments of California source income made to nonresidents of California.

Withholding is required on the following, but is not limited to:

- Payments to nonresidents for services rendered in California.
- Distributions of California source income made to domestic nonresident S corporation shareholders, partners and members and allocations of California source income made to foreign partners and members.
- Payments to nonresidents for rents if the payments are made in the course of the withholding agent's business.
- Payments to nonresidents for royalties for the right to use natural resources located in California.
- Distributions of California source income to nonresident beneficiaries from an estate or trust.
- Prizes and winnings received by nonresidents for contests in California.

For more information on withholding and waiver requests, get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines. To get a withholding publication see General Information G, Where to Get Publications, Forms, and Additional Information.

C Who can Execute this Form

Form 590 can be executed by the entities listed on this form.

For payments made for services of a performing entity, the performing entity or the performing entity's partnership or corporation should complete this form. The performing entity's agent or other third party cannot complete this form.

The grantor of a grantor trust shall be treated as the vendor/payee for withholding purposes. Therefore, if the vendor/payee is a grantor trust and one or more of the grantors is a nonresident, withholding is required. If all of the grantors on the trust are residents, no withholding is required. Resident grantors can check the box on Form 590 labeled "Individuals — Certification of Residency."

D Who is a Resident

A California resident is any individual who is in California for other than a temporary or transitory purpose or any individual domiciled in California who is absent for a temporary or transitory purpose.

An individual domiciled in California who is absent from California for an uninterrupted period of at least 546 consecutive days under an employment-related contract is considered outside California for other than a temporary or transitory purpose.

An individual is still considered outside California for other than a temporary or transitory purpose if return visits to California do not total more than 45 days during any taxable year covered by an employment contract.

This provision does not apply if an individual has income from stocks, bonds, notes, or other intangible personal property in excess of $200,000 in any taxable year in which the employment-related contract is in effect.

A spouse/RDP absent from California for an uninterrupted period of at least 546 days to accompany a spouse/RDP under an employment-related contract is considered outside of California for other than a temporary or transitory purpose.

Generally, an individual who comes to California for a purpose which will extend over a long or indefinite period will be considered a resident. However, an individual who comes to perform a particular contract of short duration will be considered a nonresident. For assistance in determining resident status, get FTB Pub. 1031, Guidelines for Determining Resident Status, or call the FTB at 800.852.5711 or 916.845.6500 (not toll-free).

E What is a Permanent Place of Business

A corporation has a permanent place of business in California if it is organized and existing under the laws of California or if it is a foreign corporation qualified to transact intrastate business by the California SOS. A corporation that has not qualified to transact intrastate business (e.g., a corporation engaged exclusively in interstate commerce) will be considered as having a permanent place of business in California only if it maintains a permanent office in California that is permanently staffed by its employees.

F Withholding Agent

Keep Form 590 for your records. Do **not** send this form to the FTB unless it has been specifically requested.

For more information, contact Withholding Services and Compliance, see General Information G.

The vendor/payee must notify the withholding agent if any of the following situations occur:

- The individual vendor/payee becomes a nonresident.
- The corporation ceases to have a permanent place of business in California or ceases to be qualified to do business in California.
- The partnership ceases to have a permanent place of business in California.
- The LLC ceases to have a permanent place of business in California.
- The tax-exempt entity loses its tax-exempt status.

The withholding agent must then withhold and remit the withholding using Form 592-A, Foreign Partner or Member Quarterly Withholding Remittance Statement. Form 592, Quarterly Resident and Nonresident Withholding Statement, and Form 592-B, Resident and Nonresident Withholding Tax Statement, is retained by the withholding agent and a copy is given to the payee.

G Where to Get Publications, Forms, and Additional Information

You can download, view, and print California tax forms and publications from our website at **ftb.ca.gov**.

To have publications or forms mailed to you or to get additional nonresident withholding information, contact the Withholding Services and Compliance.

WITHHOLDING SERVICES AND
COMPLIANCE MS F182
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

Telephone: **888**.792.4900
916.845.4900 (not toll-free)
Fax: 916.845.9512

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments call TTY/TDD 800.822.6268.

Asistencia para personas discapacitadas. Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos pueden llamar al TTY/TDD 800.822.6268.

TAXABLE YEAR **2009**

Quarterly Resident and Nonresident Withholding Statement

CALIFORNIA FORM **592**

☐ Amended

FTB Use Only: Total Payment Enclosed: .00

Payment Due Date: ● ☐ April 15, 2009 ● ☐ June 15, 2009 ● ☐ September 15, 2009 ● ☐ January 15, 2010

Part I Withholding Agent

Name of Withholding Agent (Payer)		SSN or ITIN
Address (including suite, room, PO Box, or PMB no.)		FEIN or CA Corp no.
City	State	ZIP Code

Total Number of Payees Included	Total California Source Income Subject to Withholding .00

Part II Type of Income

Check one type only. ●

A ☐ Payment to Independent Contractor
B ☐ Payment to Independent Contractor Entertainers/Athletes/Speakers
C ☐ Trust Distributions
D ☐ Rents or Royalties
E ☐ Distributions to Domestic Nonresident Partners/Members/Beneficiaries/ S Corporation Shareholders
F ☐ Estate Distributions
G ☐ Other _____

1	Total Tax Withheld (Side 1)	● 1	.00
2	Total Tax Withheld (Side 2 and any additional pages)	● 2	.00
3	Add line 1 and line 2. This is the total Tax Withheld	● 3	.00
4	Enter amounts of prior payments not previously distributed	● 4	.00
5	Enter amount withheld by another entity and being distributed	● 5	.00
6	Add line 4 and line 5	● 6	.00
7	**Total Withholding Amount Due.** Subtract line 6 from line 3	● 7	.00

Schedule of Payees

ID Number	ID Type	Total Income	Amount of Tax Withheld
	☐ SSN or ITIN ☐ FEIN ☐ CA Corp no.		
Name			
Address (including suite, room, PO Box, or PMB no.)			

ID Number	ID Type	Total Income	Amount of Tax Withheld
	☐ SSN or ITIN ☐ FEIN ☐ CA Corp no.		
Name			
Address (including suite, room, PO Box, or PMB no.)			

Total Tax Withheld this page .00

Part III Perjury Statement

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than withholding agent) is based on all information of which preparer has any knowledge.

Withholding Agent's name _____ Withholding Agent's daytime phone number ( ) _____

Withholding Agent's signature _____

Preparer's name _____ Preparer's signature _____

Preparer's address _____

Preparer's SSN/PTIN _____ Preparer's phone daytime phone number ( ) _____

Quarterly Resident and Nonresident Withholding Statement

Name of Withholding Agent (Payer)	SSN/ITIN, FEIN, or CA Corp no.

Schedule of Payees

ID Number	ID Type	Total Income	Amount of Tax Withheld
	☐ SSN or ITIN ☐ FEIN ☐ CA Corp no.		
Name			
Address (including suite, room, PO Box, or PMB no.)			

ID Number	ID Type	Total Income	Amount of Tax Withheld
	☐ SSN or ITIN ☐ FEIN ☐ CA Corp no.		
Name			
Address (including suite, room, PO Box, or PMB no.)			

ID Number	ID Type	Total Income	Amount of Tax Withheld
	☐ SSN or ITIN ☐ FEIN ☐ CA Corp no.		
Name			
Address (including suite, room, PO Box, or PMB no.)			

ID Number	ID Type	Total Income	Amount of Tax Withheld
	☐ SSN or ITIN ☐ FEIN ☐ CA Corp no.		
Name			
Address (including suite, room, PO Box, or PMB no.)			

ID Number	ID Type	Total Income	Amount of Tax Withheld
	☐ SSN or ITIN ☐ FEIN ☐ CA Corp no.		
Name			
Address (including suite, room, PO Box, or PMB no.)			

ID Number	ID Type	Total Income	Amount of Tax Withheld
	☐ SSN or ITIN ☐ FEIN ☐ CA Corp no.		
Name			
Address (including suite, room, PO Box, or PMB no.)			

ID Number	ID Type	Total Income	Amount of Tax Withheld
	☐ SSN or ITIN ☐ FEIN ☐ CA Corp no.		
Name			
Address (including suite, room, PO Box, or PMB no.)			

ID Number	ID Type	Total Income	Amount of Tax Withheld
	☐ SSN or ITIN ☐ FEIN ☐ CA Corp no.		
Name			
Address (including suite, room, PO Box, or PMB no.)			

Total Tax Withheld this page 00

Instructions for Form 592

Quarterly Resident and Nonresident Withholding Statement

What's New

For taxable years beginning on or after January 1, 2009, the title for Form 592 has changed from, Quarterly Nonresident Withholding Statement, to Quarterly Resident and Nonresident Withholding Statement, however, the filing requirements have not changed.

General Information

Tax withheld on California source payments is remitted to the Franchise Tax Board (FTB) on a quarterly basis (similar to estimated tax payments) using Form 592, Quarterly Resident and Nonresident Withholding Statement. Form 592 includes a Schedule of Payees section that requires the withholding agent to identify the payment recipients (vendor/payee) and the income and withholding amounts. This schedule will allow the FTB to allocate the withholding payments to the taxpayer (payee) upon receipt of the completed Form 592.

The revised quarterly Form 592 process replaces the prior version of Form 592, Nonresident Withholding Annual Return, and Form 592-A, Foreign Partner or Member Quarterly Withholding Remittance Statement. In addition, when filing Form 592 with the FTB, the withholding agent is no longer required to submit a Form 592-B, Resident and Nonresident Withholding Tax Statement, to the FTB, for each payee. However, withholding agents must continue to provide the payees with paper Forms 592-B at the end of the year which show the total amount withheld for that year.

Round Cents To Dollars – Round cents to the nearest whole dollar. For example, round $50.50 up to $51 or round $25.49 down to $25.

For California withholding purposes only, a reference in these instructions to:

- "Nonresident" includes all of the following:
  - Individuals who are not residents of California.
  - Corporations not qualified through the Secretary of State to do business in California or having no permanent place of business in California.
  - Partnerships or limited liability companies (LLCs) with no permanent place of business in California.
  - Any trust without a resident grantor, beneficiary, or trustee, or estates where the decedent was not a California resident.
- "Foreign" refers to non-U.S.

A Purpose

Use Form 592 to report the total withholding for each quarter under California Revenue and Taxation Code (R&TC) Section 18662. The amount of tax to be withheld shall be computed by applying a rate or 7% or such lesser rate as authorized in writing by the Franchise Tax Board. Get Form 589, Resident and Nonresident Reduced Withholding Request, for more information. Also, Form 592 is used by pass-through entities to flow through withholding credit to their S corporation shareholders, partners, members, or beneficiaries.

Important: This form is also used to report and remit withholding payments by a resident payee.

Do not use Form 592 if you are the buyer or escrow person withholding on the sale of real estate. Use Form 593, Real Estate Withholding Tax Statement, to remit and report real estate withholding. **Do not** use Form 592 to report tax withheld on foreign partners. For more information regarding reporting tax withheld on foreign partners, get Form 592-A, Foreign Partner or Member Quarterly Withholding Remittance Statement, and Form 592-F, Foreign Partner or Member Annual Return.

B Common Errors/Helpful Hints

If you are filing Form 592 only to flow through withholding credits to your S corporation shareholders, partners, members, or beneficiaries, enter your information in Part I as the withholding agent. **Do not** enter the name or ID number of the entity which originally withheld payments from you.

C When and Where to File

The tax withheld on payments to independent contractors, recipients of rents and royalties, distributions to domestic nonresident S corporation shareholders, partners, members, and beneficiaries of estates and trusts, are remitted quarterly. Each quarter has a specific payment due date. The payment quarters and due dates are:

For the payment quarter:	Due Date:
January 1 through March 31, 2009	April 15, 2009
April 1 through May 31, 2009	June 15, 2009
June 1 through August 31, 2009	September 15, 2009
September 1 through December 31, 2009	January 15, 2010

If the due date falls on a weekend, or legal holiday, use the next business day.

Send any payment due and Form 592 to:

WITHHOLDING SERVICES AND COMPLIANCE
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

Federal law requires that payees be notified within 10 days of the quarterly installment payment date regarding any tax withheld. For California withholding purposes, withholding agents should make similar notification. No particular form is required for this notification, and it is commonly done on the statement accompanying the distribution or payment. However, the withholding agent may choose to report the tax withheld to the payee on a Form 592-B.

D Amending Form 592

Amended forms can only be filed by the withholding agent. To amend Form 592:

- Complete a new Form 592 with the correct information.
- Check the "Amended" box at the top of the revised form.
- Include a letter explaining what changes were made and why.
- Send the amended form and letter to the address listed under General Information C, When and Where to File.

E Electronic Filing and Magnetic Media Requirements

Form 592 information must be filed with the FTB via magnetic media or electronically, using FTB's Secure Web Internet File Transfer (SWIFT), instead of paper when the number of payees on Form 592 is 250 or more. However, withholding agents must continue to provide vendors/payees with paper Forms 592-B.

Submitting Form 592:

- For electronic filing, submit your file using the SWIFT process as outlined in FTB Pub 923, SWIFT Guide for Nonresident and Real Estate Withholding.
- For magnetic media, submit all the information from Form 592 on a disk to:

  WITHHOLDING SERVICES AND COMPLIANCE
  FRANCHISE TAX BOARD
  PO BOX 942867
  SACRAMENTO CA 94267-0651

For the required file format and record layout for both electronic and magnetic media filing, get FTB Pub. 1023S, Resident and Nonresident Withholding Electronic Submission Requirements.

If you are the preparer for more than one withholding agent, provide a separate electronic file or disk for each withholding agent.

For electronic filing or magnetic media, submit your payment using Electronic Funds Transfer (EFT) or Form 592-V, Payment Voucher for Resident and Nonresident Withholding Electronic Submission.

F Interest and Penalties

Interest on late payments is computed from the due date of the withholding to the date paid. Failure to withhold may result in the withholding agent being personally liable for the amount of tax that should have been withheld and for interest and penalties. Failure to provide correct Forms 592-B to the payees

by the due date may result in penalties up to $100 per Form 592-B.

Specific Instructions

Taxable Year – Make sure the year in the upper left corner of Form 592 represents the calendar year in which the withholding took place. However, if current distribution represents prior taxable year California source income, attach a letter explaining that the distribution took place in the current withholding year, but was for a prior taxable year.

Magnetic Media or Electronic Filing – Check the box if providing the schedule of payees to the FTB electronically or via magnetic media.

Magnetic media or electronic filing is required if you withheld on 250 or more payees.

Payment Due Date – Check the appropriate box representing the quarterly due date for the tax withheld.

Part I – Enter the withholding agent's name, ID number, and address. If your entity is an S corporation, partnership, LLC, estate, or trust that received payments or distributions that were withheld upon by another entity and you are flowing through the withholding credit to your S corporation shareholders, partners, members, or beneficiaries, enter your entity's name, ID number, and address in the withholding agent area.

Include the Private Mail Box (PMB) in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Enter the total number of payees listed on the Schedule of Payees.

Enter the total California source income subject to withholding from the attached schedule of payees.

Part II

Type of Income – Check the box that reflects the type of income withheld upon during this quarter. **Only one type of income can be checked.** If you withheld tax on more than one type of income for the quarter, submit a separate Form 592 for each type of income.

Line 1 – Enter the total tax withheld from the Schedule of Payees on Side 1.

Line 2 – Enter the total tax withheld from any additional pages of the Schedule of Payees.

Line 3 – Add line 1 and line 2. This is the total amount of tax withheld.

Line 4 – Enter the amount of prior payments made to FTB and not previously distributed to payees on a prior Form 592.

Line 5 – Enter the amount withheld by another entity that's being allocated to your S corporation shareholders, partners, members, or beneficiaries. If any of the amount withheld by the other entity is to be used against the tax owed by your entity, do **not** include that amount in line 5. Attach a note to Form 592 explaining how much of the credit will be used to offset your tax due.

Line 7 – Subtract line 6 from line 3 and enter the balance due. If less than zero, enter -0-. Attach a check or money order for the full amount payable to the "Franchise Tax Board." Write the withholding agent's ID number and "2009 Form 592" on the check or money order.

Schedule of Payees – Enter all the requested information for each payee you report as having received California source income to guarantee each payee's withholding payment is timely and applied properly. If you withheld tax on multiple payees for the quarter, use additional pages as necessary, starting with Side 2. Be sure to include the withholding agent's name and ID number at the top of each additional page.

ID Number, Name, and Address – Enter the ID number, name, and address for the payee.

Total Quarterly Income – Enter the amount of income/distributions withheld upon for the quarter. **Do not** include return of capital.

Amount of Tax Withheld – Enter the total amount withheld for the quarter.

Part III – Complete the withholding agent's and preparer's information.

Additional Information

For additional information or to speak to a representative regarding this form, call the Withholding Services and Compliance automated telephone service at: **888.**792.4900 or 916.845.4900 (not toll-free).

OR write to:

WITHHOLDING SERVICES AND COMPLIANCE
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

For information on requirements to file a California tax return or to get forms, call:

From within the United States. 800.852.5711
From outside the United States. . . . . 916.845.6500 (not toll-free)

You can download, view, and print California tax forms and publications from our website at **ftb.ca.gov**.

OR to get forms by mail write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

Assistance for Persons with Disabilities
We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call:

TTY/TDD 800.822.6268

Asistencia Telefonica y en el Internet
Dentro de los Estados Unidos,

llame al 800.852.5711
Fuera de los Estados Unidos, llame al . . . . . 916.845.6500 (cargos aplican)

Sitio web: **ftb.ca.gov**

Asistencia para personas discapacitadas
Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla pueden llamar al TTY/TDD 800.822.6268.

TAXABLE YEAR **2009**

Resident and Nonresident Withholding Tax Statement

CALIFORNIA FORM **592-B**

Copy A FOR WITHHOLDING AGENT'S RECORDS

Part I Recipient

Name of Recipient		SSN or ITIN
Address (including suite, room, PO Box, or PMB no.)		☐FEIN ☐CA Corp no.
City	State	ZIP Code

Part II Withholding Agent

Name of Withholding Agent (Payer/S Corporation/Partnership/LLC/Trust)			SSN or ITIN
Address (including suite, room, PO Box, or PMB no.)			☐FEIN ☐CA Corp no.
City	State	ZIP Code	Daytime telephone number ( )

Part III Type of Income Subject to Withholding. Check the applicable box(es).

☐ Payment to Independent Contractor (I/C) ☐ Payment to I/C Entertainer/ Athletes/ Speakers ☐ Rents or Royalties ☐ Estate Distributions ☐ Trust Distributions ☐ Allocations to Foreign (non U.S.) Nonresident Partners/Members ☐ Distributions to Domestic (U.S.) Nonresident S corporation Shareholders/Partners/Members/Beneficiaries ☐ Other _____ (describe)

Part IV Tax Withheld

1 Total income subject to withholding	1		00
2 Total California tax withheld	2		00

Withholding Agent Instructions

What's New

Increase In Rates – For taxable years beginning on or after January 1, 2009, the maximum personal income tax rate is increased to 9.55%. In addition, non-California Partnerships are subject to withholding requirements on a sale of California real property at a rate of 3 1/3% of sales proceeds or 9.55% of gain. The alternative withholding rates for the sale of California real property by S corporations is increased to 11.05% and 13.05% for Financial S corporations.

For taxable years beginning on or after January 1, 2009, the title for Form 592-B has changed from, Nonresident Withholding Tax Statement, to Resident and Nonresident Withholding Tax Statement, however, the filing requirements have not changed.

General Information

Registered Domestic Partners (RDP) – RDPs under California law must file their California income tax returns using either the married/RDP filing jointly or married/RDP filing separately filing status. RDPs have the same legal benefits, protections, and responsibilities as married couples unless otherwise specified.

If you entered into in a same sex legal union in another state, other than a marriage, and that union has been determined to be substantially equivalent to a California registered domestic partnership, you are required to file a California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status. For more information on what states have legal unions that are considered substantially equivalent, go to our website at **ftb.ca.gov** and search for **RDP**.

For purposes of California Income tax, references to a spouse, a husband, or a wife also refer to a California registered domestic partner (RDP), unless otherwise specified. When we use the initials RDP they refer to both a California registered domestic "partner" and a California registered domestic "partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

Round Cents To Dollars – Round cents to the nearest whole dollar. For example, round $50.50 up to $51 or round $25.49 down to $25.

A Purpose

For purposes of this form, the term, nonresident, refers to both domestic and foreign recipients. A domestic nonresident is a person living outside of California, but living in the United States. If you are a resident living outside of the United States, you are a foreign nonresident.

Use Form 592-B, Resident and Nonresident Withholding Tax Statement, to show the amount of income subject to withholding and tax. Complete a separate Form 592-B for each resident or nonresident. Pass-through entities which were withheld upon by another entity should use Form 592, Quarterly Resident and Nonresident Withholding Statement, to flow-through the withholding to their S corporation shareholders, partners, members, or beneficiaries whether they are residents or nonresidents of California.

Use Form 592, to remit withholding payments during the year. To remit foreign partner withholding payments use Form 592-A, Foreign Partner or Member Quarterly Withholding Remittance Statement.

B Common Errors / Helpful Hints

- Get identification numbers from all payees.
- Complete all fields.
- Complete Form(s) 592-B timely to avoid penalties.

C Who Must Complete

Form 592-B must be completed by any person who:

- Has withheld on payments to residents or nonresidents.
- Is a pass-through entity that was withheld upon and must flow-through the withholding credit.

Give one copy of Form 592-B to the persons or entities withheld upon.

D When To Complete

Form 592-B must be provided to:

- Each resident or nonresident before January 31 following the close of the calendar year.
- Foreign partners in a partnership or members in a limited liability company (LLC) on or before the 15th day of the 4th month following the close of the taxable year.

If all the partners in the partnership or members in the LLC are foreign, Form(s) 592-B must be provided on or before the 15th day of the 6th month after the close of the taxable year.

Copy A of Form 592-B is retained by the withholding agent.
Copy B of Form 592-B is provided to the recipient to file with their state tax return.

Federal law requires that payees be notified within 10 days of the quarterly installment payment date regarding any tax withheld. For California withholding purposes, withholding agents should make similar notification. No particular form is required for this notification, and it is commonly done on the statement accompanying the distribution or payment. However, the withholding agent may choose to report the tax withheld to the payee on a Form 592-B.

E Penalties

The withholding agent must furnish complete and correct copies of Form(s) 592-B to the recipient (vendor/payee) by the due date.

If the withholding agent fails to provide complete, correct, and timely Form(s) 592-B to the recipient (vendor/payee), the penalty per Form 592-B is:

- $50 if provided late to the recipient.
- $100 or 10% of the amount required to be reported (whichever is greater) if the failure is due to intentional disregard of the requirement.

Specific Instructions

Year – Make sure the year in the upper left corner of Form 592-B represents the calendar year in which the withholding took place. However, if an S corporation's, partnership's, LLC's, or trust's current distribution represents a prior taxable year of California source income, attach a letter to that Form 592-B explaining that the distribution took place in the current withholding year, but was for a prior tax year. (Except for foreign partners, withholding of tax by withholding agents must be on a calendar-year basis, regardless of the accounting period adopted by the vendor/payee or withholding agent.)

For foreign partners in a partnership, or foreign members in an LLC, make sure the year in the upper left corner of Form 592-B is the year that the partnership's or LLC's taxable year ended. For example, if the partnership's or LLC's taxable year ended 12/31/08, use the 2008 Form 592-B.

Part I – Recipient

Enter the name, tax identification number, and address for the recipient (vendor/payee).

If the recipient is a **grantor trust**, enter the grantor's individual name and SSN or ITIN. **Do not enter the name of the trust or trustee information.** (For tax purposes, grantor trusts are transparent. The individual grantor must report the income and claim the withholding on the individual's California tax return.)

If the recipient is a **non-grantor trust**, enter the name of the trust and the trust's federal employer identification number (FEIN). **Do not enter trustee information.**

If the trust has applied for a FEIN, but it has not been received, zero fill the space for the trust's FEIN and attach a copy of the federal application behind Form 592-B. After the FEIN is received, amend Form 592-B to submit the assigned FEIN.

Only withholding agents can complete an amended Form 592-B. Upon completion, the withholding agent should provide Copy B to the recipient. If a recipient notices an error, the recipient should contact the withholding agent.

If the recipients are married/RDP, enter only the name and SSN or ITIN of the primary spouse/RDP. However, if the recipients intend to file separate California tax returns, the withholding agent should split the withholding and complete a separate Form 592-B for each spouse/RDP.

Part II – Withholding Agent

Enter the withholding agent's name, tax identification number, address, and telephone number.

Private Mail Box – Include the Private Mail Box (PMB) in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Part III – Type of Income Subject to Withholding

Check the box(es) for the type of income subject to withholding.

Part IV – Tax Withheld

Line 1
Enter the total income subject to withholding.

Line 2
Enter the total California tax withheld. The amount of tax to be withheld is computed by applying a rate of 7% on items of income subject to withholding, i.e. interest, dividends, rents and royalties, prizes and winnings, premiums, annuities, emoluments, compensation for personal services, and other fixed or determinable annual or periodical gains, profits and income. For foreign partners the rate is 9.55%. For pass through entities, the amount withheld is allocated to partners, members, S corporation shareholders, or beneficiaries, whether they are residents or nonresidents of California, in proportion to their ownership or beneficial interest.

TAXABLE YEAR **2009**

Resident and Nonresident Withholding Tax Statement

CALIFORNIA FORM **592-B**

Copy B FILE WITH THE STATE RETURN

Part I Recipient

Name of Recipient		SSN or ITIN
Address (including suite, room, PO Box, or PMB no.)		☐FEIN ☐CA Corp no.
City	State	ZIP Code

Part II Withholding Agent

Name of Withholding Agent (Payer/S Corporation/Partnership/LLC/Trust)			SSN or ITIN
Address (including suite, room, PO Box, or PMB no.)			☐FEIN ☐CA Corp no.
City	State	ZIP Code	Daytime telephone number ( )

Part III Type of Income Subject to Withholding. Check the applicable box(es).

☐ Payment to Independent Contractor (I/C) ☐ Payment to I/C Entertainer/ Athletes/ Speakers ☐ Rents or Royalties ☐ Estate Distributions ☐ Trust Distributions ☐ Allocations to Foreign (non U.S.) Nonresident Partners/Members ☐ Distributions to Domestic (U.S.) Nonresident S corporation Shareholders/Partners/Members/Beneficiaries ☐ Other _____ (describe)

Part IV Tax Withheld

1 Total income subject to withholding	1		00
2 Total California tax withheld	2		00

For Privacy Notice, get form FTB 1131. 7101093 Form 592-B 2008

DETACH HERE

Instructions for Recipient

This withholding of tax does not relieve you of the requirement to file a California tax return within three months and fifteen days (two months and fifteen days for a corporation) after the close of your taxable year.

You may be assessed a penalty if:

- You do not file a California tax return.
- You file your tax return late.
- The amount of withholding does not satisfy your tax liability.

How to Claim the Withholding

Report the income as required and enter the amount from line 2 above on your California tax return as real estate and other withholding or nonresident withholding. Attach the top portion of Form 592-B, Copy B to the lower front of your California tax return. Make a copy for your records.

If you are a partnership or LLC, you may either flow-through the entire amount to your partners or members or claim the withholding, to the extent of your outstanding tax liability, on your tax return. If the withholding exceeds the amount of tax you still owe on your tax return, you must flow-through the excess to your partners or members. If you do not have an outstanding balance on your tax return, you must flow-through the entire amount to your partners or members. Use Forms 592 and 592-B to flow the withholding to your partners or members.

If you are an estate or trust, you must flow-through the withholding to your beneficiaries if the related income was distributed. Use Forms 592 and 592-B to flow-through the withholding to your beneficiaries. If you did not distribute the income, you must claim the withholding on the fiduciary return, Form 541, California Fiduciary Income Tax Return.

If you are an S corporation, you can flow-through all of the withholding to your shareholders, claim a portion on your corporation return, Form 100S, California S Corporation Franchise or Income Tax Return, and flow-through the rest to your shareholders, or claim all of the withholding on the S corporation return. Use Forms 592 and 592-B to flow-through the withholding to your shareholders.

The amount shown as "Total income subject to withholding" may be an estimate or may only reflect how withholding was calculated. Be sure to report your actual taxable California source income. If you are an independent contractor or receive rents or royalties, see your contract and/or Form 1099 to determine your California source income. If you are an S corporation shareholder, partner, member, or beneficiary of an S corporation, partnership, LLC, estate, or trust, see your California Schedule K-1 (100S, 565, 568, 541), Share of Income, Deductions, Credits, etc., issued by that entity to determine your California source income.

Additional Information

For more information or to speak to a representative regarding this form, call the Withholding Services and Compliance's automated telephone service at: **888.**792.4900 or 916.845.4900 (not toll free).

OR write to:

WITHHOLDING SERVICES AND COMPLIANCE
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

For information on requirements to file a California tax return or to get forms, call:

From within the United States. 800.852.5711
From outside the United States. . . . . 916.845.6500 (not toll-free)

You can download, view, and print California tax forms and publications from our website at **ftb.ca.gov**.

OR to get forms by mail, write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

Assistance for Persons with Disabilities

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call:

TTY/TDD 800.822.6268

Asistencia Telefonica y en el Internet

Sitio web: **ftb.ca.gov**

Dentro de los Estados Unido llame al 800.852.5711
Fuera de los Estados Unidos, llame al . . . . . 916.845.6500 (cargos aplican)

Asistencia para Personas Discapacitadas

Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla pueden llamar al TTY/TDD 800.822.6268.

YEAR

20____

Notice to Withhold Tax at Source

CALIFORNIA FORM

594

Notice Date:	Notice Confirmation Number:	Copy B — FILE WITH CALIFORNIA TAX RETURN

PART I

0004

0006

0008

Withholding agent's social security number: 0010

Withholding agent's ☐ CA corp. no. ☐ FEIN: 0020

Signature (withholding agent representative)

Printed Name (withholding agent rep.): 0030

Date: 0040

Telephone Number: ( ) 0050

Performance Dates: *0060 0062 0064 0066

Withholding Rate: 0070

Gross Amount Paid (before withholding): $ 0080 .

Venue: *0090

Payment Due Date: 0100

Amount Withheld: $ 0110 .

PART II

Performing Entity:

Name that will be shown on Performing Entity's tax return: 0120

Address: 0140 0150

Performing Entity's social security number: 0130

Performing Entity's ☐ CA corp. no. ☐ FEIN: 0160

Withholding Agent Instructions

California law requires you to do all of the following (see Revenue and Taxation Code Sections 18662 and 18668):

1. Withhold at the rate shown above from the gross payments made to the performing entity, or to the performing entity's representative on behalf of the performing entity. If the gross payments do not exceed $1,500, please call the Withholding Services and Compliance Section, Entertainment Program at (916) 845-6262 prior to the performance date.
2. Please verify the information printed in Part I of this notice. To make any corrections, line through the incorrect data and write the correct information above it.
3. Complete the remainder of Part I and distribute the copies as follows:

Copy A - Return Copy A with payment of tax withheld to:

FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

Mail the payment by the 20th of the month following the last date of the performance.

Copies B & C - Give to the performing entity.

Copy D - Retain for your files.

YOU ARE NOT LIABLE to the performing entity, or the performing entity's representative, for any amounts that you must withhold and pay to the Franchise Tax Board.

See Side 2 for Performing Entity Instructions and other information.

Withholding Services and Compliance Section
(916) 845-6262

Form **941 for 2009:** **Employer's QUARTERLY Federal Tax Return**

(Rev. April 2009) Department of the Treasury — Internal Revenue Service

950109

OMB No. 1545-0029

(EIN) Employer identification number ☐☐ – ☐☐☐☐☐☐☐

Name *(not your trade name)*

Trade name *(if any)*

Address

Number Street Suite or room number

City State ZIP code

Report for this Quarter of 2009
(Check one.)

☐ **1:** January, February, March

☐ **2:** April, May, June

☐ **3:** July, August, September

☐ **4:** October, November, December

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 **Number of employees who received wages, tips, or other compensation for the pay period including: *Mar. 12* (Quarter 1), *June 12* (Quarter 2), *Sept. 12* (Quarter 3), *Dec. 12* (Quarter 4)** **1**

2 **Wages, tips, and other compensation** . . . . . **2** ▪

3 **Income tax withheld from wages, tips, and other compensation** . . . . . **3** ▪

4 **If no wages, tips, and other compensation are subject to social security or Medicare tax** ☐ Check and go to line 6.

5 **Taxable social security and Medicare wages and tips:**

	Column 1		*Column 2*
5a Taxable social security wages	▪	× .124 =	▪
5b Taxable social security tips	▪	× .124 =	▪
5c Taxable Medicare wages & tips	▪	× .029 =	▪

5d **Total social security and Medicare taxes** (*Column 2,* lines 5a + 5b + 5c = line 5d) . . **5d** ▪

6 **Total taxes before adjustments** (lines 3 + 5d = line 6) . . . . . **6** ▪

7 **CURRENT QUARTER'S ADJUSTMENTS,** for example, a fractions of cents adjustment. See the instructions.

7a **Current quarter's fractions of cents** . . . . . ▪

7b **Current quarter's sick pay** . . . . . ▪

7c **Current quarter's adjustments for tips and group-term life insurance** ▪

7d **TOTAL ADJUSTMENTS.** Combine all amounts on lines 7a through 7c . . . . . **7d** ▪

8 **Total taxes after adjustments.** Combine lines 6 and 7d . . . . . **8** ▪

9 **Advance earned income credit (EIC) payments made to employees** . . . . . **9** ▪

10 **Total taxes after adjustment for advance EIC** (line 8 – line 9 = line 10) . . . . . **10** ▪

11 **Total deposits for this quarter, including overpayment applied from a prior quarter and overpayment applied from Form 941-X or Form 944-X** . . . . . ▪

12a **COBRA premium assistance payments** (see instructions) . . . . . ▪

12b **Number of individuals provided COBRA premium assistance reported on line 12a** . . . . . ☐

13 **Add lines 11 and 12a** . . . . . **13** ▪

14 **Balance due.** If line 10 is more than line 13, write the difference here . . . . . **14** ▪

For information on how to pay, see the instructions.

15 **Overpayment.** If line 13 is more than line 10, write the difference here ▪ Check one ☐ Apply to next return. ☐ Send a refund.

▶ You **MUST** complete both pages of Form 941 and **SIGN** it.

Next ➡

Name *(not your trade name)* | **Employer identification number (EIN)**

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see *Pub. 15 (Circular E),* section 11.

16 ☐ ☐ **Write the state abbreviation for the state where you made your deposits** OR **write "MU" if you made your deposits in *multiple* states.**

17 **Check one:** ☐ **Line 10 is less than $2,500.** Go to Part 3.

☐ **You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month.** Then go to Part 3.

Tax liability: Month 1 ▪

Month 2 ▪

Month 3 ▪

Total liability for quarter ▪ **Total must equal line 10.**

☐ **You were a semiweekly schedule depositor for any part of this quarter.** Complete *Schedule B (Form 941): Report of Tax Liability for Semiweekly Schedule Depositors,* and attach it to Form 941.

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

18 **If your business has closed or you stopped paying wages** . . . . . ☐ Check here, and enter the final date you paid wages / / .

19 **If you are a seasonal employer and you do not have to file a return for every quarter of the year** . . ☐ Check here.

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

☐ Yes. Designee's name and phone number ( ) –

Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS. ☐ ☐ ☐ ☐ ☐

☐ No.

Part 5: Sign here. You MUST complete both pages of Form 941 and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

X **Sign your name here**

Print your name here

Print your title here

Date / /

Best daytime phone ( ) –

Paid preparer's use only

Check if you are self-employed . . . . ☐

Preparer's name

Preparer's SSN/PTIN

Preparer's signature

Date / /

Firm's name (or yours if self-employed)

EIN

Address

Phone ( ) –

City

State

ZIP code

Form 941-V, Payment Voucher

Purpose of Form

Complete Form 941-V, Payment Voucher, if you are making a payment with Form 941, Employer's QUARTERLY Federal Tax Return. We will use the completed voucher to credit your payment more promptly and accurately, and to improve our service to you.

If you have your return prepared by a third party and make a payment with that return, please provide this payment voucher to the return preparer.

Making Payments With Form 941

To avoid a penalty, make your payment with Form 941 **only if:**

- Your net taxes for the quarter (line 10 on Form 941) are less than $2,500 and you are paying in full with a timely filed return or
- You are a monthly schedule depositor making a payment in accordance with the Accuracy of Deposits Rule. See section 11 of Pub. 15 (Circular E), Employer's Tax Guide, for details. In this case, the amount of your payment may be $2,500 or more.

Otherwise, you must deposit your payment at an authorized financial institution or by using the Electronic Federal Tax Payment System (EFTPS). See section 11 of Pub. 15 (Circular E) for deposit instructions. Do not use Form 941-V to make federal tax deposits.

Caution. *Use Form 941-V when making any payment with Form 941. However, if you pay an amount with Form 941 that should have been deposited, you may be subject to a penalty. See* Deposit Penalties *in section 11 of Pub. 15 (Circular E).*

Specific Instructions

Box 1—Employer identification number (EIN). If you do not have an EIN, apply for one on Form SS-4, Application for Employer Identification Number, and write "Applied For" and the date you applied in this entry space.

Box 2—Amount paid. Enter the amount paid with Form 941.

Box 3—Tax period. Darken the capsule identifying the quarter for which the payment is made. Darken only one capsule.

Box 4—Name and address. Enter your name and address as shown on Form 941.

- Enclose your check or money order made payable to the "United States Treasury." Be sure to enter your EIN, "Form 941," and the tax period on your check or money order. Do not send cash. Do not staple Form 941-V or your payment to Form 941 (or to each other).
- Detach Form 941-V and send it with your payment and Form 941 to the address in the Instructions for Form 941.

Note. You must also complete the entity information above Part 1 on Form 941.

▼ **Detach Here and Mail With Your Payment and Form 941.** ▼

Form **941-V**
Department of the Treasury
Internal Revenue Service

Payment Voucher

▶ **Do not staple this voucher or your payment to Form 941.**

OMB No. 1545-0029

2009

1 Enter your employer identification number (EIN).

2 **Enter the amount of your payment.** ▶ Dollars | Cents

3 Tax period

- 1st Quarter
- 2nd Quarter
- 3rd Quarter
- 4th Quarter

4 Enter your business name (individual name if sole proprietor).

Enter your address.

Enter your city, state, and ZIP code.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on Form 941 to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Subtitle C, Employment Taxes, of the Internal Revenue Code imposes employment taxes on wages, including income tax withholding. This form is used to determine the amount of the taxes that you owe. Section 6011 requires you to provide the requested information if the tax is applicable to you. Section 6109 requires filers and paid preparers to provide their identifying numbers. If you fail to provide this information in a timely manner, you may be subject to penalties and interest.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books and records relating to a form or instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file Form 941 will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	12 hr., 39 min.
Learning about the law or the form	40 min.
Preparing the form	1 hr., 49 min.
Copying, assembling, and sending the form to the IRS	16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 941 simpler, we would be happy to hear from you. You can write to: Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. **Do not** send Form 941 to this address. Instead, see *Where Should You File?* on page 4 of the Instructions for Form 941.

Attention:

This form is provided for informational purposes only. Copy A appears in red, similar to the official IRS form. Do **not** file copy A downloaded from this website. The official printed version of this IRS form is scannable, but the online version of it, printed from this website, is not. A penalty of $50 per information return may be imposed for filing forms that cannot be scanned.

To order official IRS forms, call 1-800-TAX-FORM (1-800-829-3676) or Order Information Returns and Employer Returns Online, and we'll mail you the scannable forms and other products.

See IRS Publications 1141, 1167, 1179 and other IRS resources for information about printing these tax forms.

Do Not Staple 6969

Form **1096**

Department of the Treasury
Internal Revenue Service

Annual Summary and Transmittal of U.S. Information Returns

OMB No. 1545-0108

2009

FILER'S name

Street address (including room or suite number)

City, state, and ZIP code

Name of person to contact	Telephone number ( )
Email address	Fax number ( )

For Official Use Only

1 Employer identification number	2 Social security number	3 Total number of forms	4 Federal income tax withheld $	5 Total amount reported with this Form 1096 $

6 Enter an "X" in only one box below to indicate the type of form being filed.

7 If this is your **final return**, enter an "X" here . . . . ▶ ☐

W-2G 32	1098 81	1098-C 78	1098-E 84	1098-T 83	1099-A 80	1099-B 79	1099-C 85	1099-CAP 73	1099-DIV 91	1099-G 86	1099-H 71	1099-INT 92	1099-LTC 93
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

1099-MISC 95	1099-OID 96	1099-PATR 97	1099-Q 31	1099-R 98	1099-S 75	1099-SA 94	3921 25	3922 26	5498 28	5498-ESA 72	5498-SA 27
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Return this entire page to the Internal Revenue Service. Photocopies are not acceptable.

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ **Title ▶** **Date ▶**

Instructions

Reminder. The only acceptable method of filing information returns with Enterprise Computing Center—Martinsburg (ECC—MTB) is electronically through the FIRE system. See Pub. 1220, Specifications for Filing Forms 1098, 1099, 3921, 3922, 5498, and W-2G Electronically.

Purpose of form. Use this form to transmit paper Forms 1099, 1098, 3921, 3922, 5498, and W-2G to the Internal Revenue Service. Do not use Form 1096 to transmit electronically. For electronic submissions, see Pub. 1220, Specifications for Filing Forms 1098, 1099, 3921, 3922, 5498, and W-2G Electronically.

Caution: If you are required to file 250 or more information returns of any one type, you must file electronically. If you are required to file electronically but fail to do so, and you do not have an approved waiver, you may be subject to a penalty. For more information, see part F in the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G.

Who must file. The name, address, and TIN of the filer on this form must be the same as those you enter in the upper left area of Forms 1099, 1098, 3921, 3922, 5498, or W-2G. A filer is any person or entity who files any of the forms shown in line 6 above.

Preaddressed Form 1096. If you received a preaddressed Form 1096 from the IRS with Package 1096, use it to transmit paper Forms 1099, 1098, 3921, 3922, 5498, and W-2G to the Internal Revenue Service. If any of the preprinted information is incorrect, make corrections on the form.

If you are not using a preaddressed form, enter the filer's name, address (including room, suite, or other unit number), and TIN in the spaces provided on the form.

When to file. File Form 1096 as follows.

- With Forms 1099, 1098, 3921, 3922, or W-2G, file by March 1, 2010.
- With Forms 5498, 5498-ESA, or 5498-SA, file by June 1, 2010.

Where To File

Send all information returns filed on paper with Form 1096 to the following:

If your principal business, office or agency, or legal residence in the case of an individual, is located in	Use the following three-line address
Alabama, Arizona, Arkansas, Connecticut, Delaware, Florida, Georgia, Kentucky, Louisiana, Maine, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Texas, Vermont, Virginia, West Virginia	Department of the Treasury Internal Revenue Service Center Austin, TX 73301

For more information and the Privacy Act and Paperwork Reduction Act Notice, see the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G.

Alaska, California, Colorado, District of Columbia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Utah, Washington, Wisconsin, Wyoming	Department of the Treasury Internal Revenue Service Center Kansas City, MO 64999

If your legal residence or principal place of business is outside the United States, file with the Department of the Treasury, Internal Revenue Service Center, Austin, TX 73301.

Transmitting to the IRS. Group the forms by form number and transmit each group with a separate Form 1096. For example, if you must file both Forms 1098 and 1099-A, complete one Form 1096 to transmit your Forms 1098 and another Form 1096 to transmit your Forms 1099-A. You need not submit original and corrected returns separately. Do not send a form (1099, 5498, etc.) containing summary (subtotal) information with Form 1096. Summary information for the group of forms being sent is entered only in boxes 3, 4, and 5 of Form 1096.

Box 1 or 2. Complete only if you are not using a preaddressed Form 1096. Make an entry in either box 1 or 2; not both. Individuals not in a trade or business must enter their social security number (SSN) in box 2; sole proprietors and all others must enter their employer identification number (EIN) in box 1. However, sole proprietors who do not have an EIN must enter their SSN in box 2. Use the same EIN or SSN on Form 1096 that you use on Forms 1099, 1098, 3921, 3922, 5498, or W-2G.

Box 3. Enter the number of forms you are transmitting with this Form 1096. Do not include blank or voided forms or the Form 1096 in your total. Enter the number of correctly completed forms, not the number of pages, being transmitted. For example, if you send one page of three-to-a-page Forms 1098 with a Form 1096 and you have correctly completed two Forms 1098 on that page, enter “2” in box 3 of Form 1096.

Box 4. Enter the total federal income tax withheld shown on the forms being transmitted with this Form 1096.

Box 5. No entry is required if you are filing Forms 1099-A or 1099-G. For all other forms, enter the total of the amounts from the specific boxes of the forms listed below.

Form W-2G	Box 1
Form 1098	Boxes 1, 2, and 4
Form 1098-C	Box 4c
Form 1098-E	Box 1
Form 1098-T	Boxes 1, 2, 4, 5, 6, and 10
Form 1099-B	Boxes 2 and 3
Form 1099-C	Box 2
Form 1099-CAP	Box 2
Form 1099-DIV	Boxes 1a, 2a, 3, 8, and 9
Form 1099-H	Box 1
Form 1099-INT	Boxes 1, 3, and 8
Form 1099-LTC	Boxes 1 and 2
Form 1099-MISC	Boxes 1, 2, 3, 5, 6, 7, 8, 10, 13, and 14
Form 1099-OID	Boxes 1, 2, and 6
Form 1099-PATR	Boxes 1, 2, 3, and 5
Form 1099-Q	Box 1
Form 1099-R	Box 1
Form 1099-S	Box 2
Form 1099-SA	Box 1
Form 3921	Boxes 3 and 4
Form 3922	Boxes 3, 4, and 5
Form 5498	Boxes 1, 2, 3, 4, 5, 8, 9, 10, 12b, 13a, 14a, and 15a
Form 5498-ESA	Boxes 1 and 2
Form 5498-SA	Box 1

Final return. If you will not be required to file Forms 1099, 1098, 3921, 3922, 5498, or W-2G in the future, either on paper or electronically, enter an “X” in the “final return” box.

Corrected returns. For information about filing corrections, see the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G. Originals and corrections of the same type of return can be submitted using one Form 1096.

Attention:

This form is provided for informational purposes only. Copy A appears in red, similar to the official IRS form. Do **not** file copy A downloaded from this website. The official printed version of this IRS form is scannable, but the online version of it, printed from this website, is not. A penalty of $50 per information return may be imposed for filing forms that cannot be scanned.

To order official IRS forms, call 1-800-TAX-FORM (1-800-829-3676) or Order Information Returns and Employer Returns Online, and we'll mail you the scannable forms and other products.

See IRS Publications 1141, 1167, 1179 and other IRS resources for information about printing these tax forms.

9595 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents $	OMB No. 1545-0115 2009 Form 1099-MISC	Miscellaneous Income
		2 Royalties $		
		3 Other income $	4 Federal income tax withheld $	Copy A For Internal Revenue Service Center File with Form 1096.
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds $	6 Medical and health care payments $	
RECIPIENT'S name		7 Nonemployee compensation $	8 Substitute payments in lieu of dividends or interest $	For Privacy Act and Paperwork Reduction Act Notice, see the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G.
Street address (including apt. no.)		9 Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale ▶ ☐	10 Crop insurance proceeds $	
City, state, and ZIP code		11	12	
Account number (see instructions)	2nd TIN not. ☐	13 Excess golden parachute payments $	14 Gross proceeds paid to an attorney $	
15a Section 409A deferrals $	15b Section 409A income $	16 State tax withheld $ $	17 State/Payer's state no.	18 State income $ $

Form **1099-MISC** Cat. No. 14425J Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents $	OMB No. 1545-0115 2009 Form 1099-MISC	Miscellaneous Income
		2 Royalties $		
		3 Other income $	4 Federal income tax withheld $	Copy 1 For State Tax Department
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds $	6 Medical and health care payments $	
RECIPIENT'S name		7 Nonemployee compensation $	8 Substitute payments in lieu of dividends or interest $	
Street address (including apt. no.)		9 Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale ► ☐	10 Crop insurance proceeds $	
City, state, and ZIP code		11	12	
Account number (see instructions)		13 Excess golden parachute payments $	14 Gross proceeds paid to an attorney $	
15a Section 409A deferrals $	15b Section 409A income $	16 State tax withheld $ $	17 State/Payer's state no.	18 State income $ $

Form **1099-MISC** Department of the Treasury - Internal Revenue Service

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents $	OMB No. 1545-0115	**Miscellaneous Income**
		2 Royalties $	2009 Form **1099-MISC**	
		3 Other income $	4 **Federal income tax withheld** $	**Copy B For Recipient**
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds $	6 Medical and health care payments $	
RECIPIENT'S name		7 Nonemployee compensation $	8 Substitute payments in lieu of dividends or interest $	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
Street address (including apt. no.)		9 Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale ► ☐	10 Crop insurance proceeds $	
City, state, and ZIP code		11	12	
Account number (see instructions)		13 Excess golden parachute payments $	14 Gross proceeds paid to an attorney $	
15a Section 409A deferrals $	**15b** Section 409A income $	16 State tax withheld $ $	17 State/Payer's state no.	18 State income $ $

Form **1099-MISC** (keep for your records) Department of the Treasury - Internal Revenue Service

Instructions for Recipients

Account number. May show an account or other unique number the payer assigned to distinguish your account.

Amounts shown may be subject to self-employment (SE) tax. If your net income from self-employment is $400 or more, you must file a return and compute your SE tax on Schedule SE (Form 1040). See Pub. 334 for more information. If no income or social security and Medicare taxes were withheld and you are still receiving these payments, see Form 1040-ES, Estimated Tax for Individuals. Individuals must report as explained for box 7 below. Corporations, fiduciaries, or partnerships report the amounts on the proper line of your tax return.

Boxes 1 and 2. Report rents from real estate on Schedule E (Form 1040). If you provided significant services to the tenant, sold real estate as a business, rented personal property as a business, or you and your spouse elected to be treated as a qualified joint venture, report on Schedule C or C-EZ (Form 1040). For royalties on timber, coal, and iron ore, see Pub. 544.

Box 3. Generally, report this amount on the "Other income" line of Form 1040 and identify the payment. The amount shown may be payments received as the beneficiary of a deceased employee, prizes, awards, taxable damages, Indian gaming profits, payments from a former employer because you are serving in the Armed Forces or the National Guard for a period of 30 or fewer days, or other taxable income. See Pub. 525. If it is trade or business income, report this amount on Schedule C, C-EZ, or F (Form 1040).

Box 4. Shows backup withholding or withholding on Indian gaming profits. Generally, a payer must backup withhold at a 28% rate if you did not furnish your taxpayer identification number. See Form W-9, Request for Taxpayer Identification Number and Certification, and Pub. 505, for more information. Report this amount on your income tax return as tax withheld.

Box 5. An amount in this box means the fishing boat operator considers you self-employed. Report this amount on Schedule C or C-EZ (Form 1040). See Pub. 334.

Box 6. For individuals, report on Schedule C or C-EZ (Form 1040).

Box 7. Shows nonemployee compensation. If you are in the trade or business of catching fish, box 7 may show cash you received for the sale of fish. If payments in this box are SE income, report this amount on Schedule C, C-EZ, or F (Form 1040), and complete Schedule SE (Form 1040). You received this form instead of Form W-2 because the payer did not consider you an employee and did not withhold income tax or social security and Medicare tax. Contact the payer if you believe this form is incorrect or has been issued in error. If you believe you are an employee and cannot get this form corrected, report the amount from box 7 on Form 1040, line 7 (or Form 1040NR, line 8). You must also complete and attach to your return Form 8919, Uncollected Social Security and Medicare Tax on Wages.

Box 8. Shows substitute payments in lieu of dividends or tax-exempt interest received by your broker on your behalf as a result of a loan of your securities. Report on the "Other income" line of Form 1040.

Box 9. If checked, $5,000 or more of sales of consumer products was paid to you on a buy-sell, deposit-commission, or other basis. A dollar amount does not have to be shown. Generally, report any income from your sale of these products on Schedule C or C-EZ (Form 1040).

Box 10. Report this amount on line 8 of Schedule F (Form 1040).

Box 13. Shows your total compensation of excess golden parachute payments subject to a 20% excise tax. See the Form 1040 instructions for where to report.

Box 14. Shows gross proceeds paid to an attorney in connection with legal services. Report only the taxable part as income on your return.

Box 15a. May show current year deferrals as a nonemployee under a nonqualified deferred compensation (NQDC) plan that is subject to the requirements of section 409A, plus any earnings on current and prior year deferrals.

Box 15b. Shows income as a nonemployee under an NQDC plan that does not meet the requirements of section 409A. This amount is also included in box 7 as nonemployee compensation. Any amount included in box 15a that is currently taxable is also included in this box. This income is also subject to a substantial additional tax to be reported on Form 1040. See "Total Tax" in the Form 1040 instructions.

Boxes 16–18. Shows state or local income tax withheld from the payments.

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents $	OMB No. 1545-0115 2009 Form 1099-MISC	Miscellaneous Income
		2 Royalties $		
		3 Other income $	4 Federal income tax withheld $	
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds $	6 Medical and health care payments $	**Copy 2** **To be filed with recipient's state income tax return, when required.**
RECIPIENT'S name		7 Nonemployee compensation $	8 Substitute payments in lieu of dividends or interest $	
Street address (including apt. no.)		9 Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale ► ☐	10 Crop insurance proceeds $	
City, state, and ZIP code		11	12	
Account number (see instructions)		13 Excess golden parachute payments $	14 Gross proceeds paid to an attorney $	
15a Section 409A deferrals $	15b Section 409A income $	16 State tax withheld $ $	17 State/Payer's state no.	18 State income $ $

Form **1099-MISC** Department of the Treasury - Internal Revenue Service

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents $	OMB No. 1545-0115 2009 Form 1099-MISC	Miscellaneous Income
		2 Royalties $		
		3 Other income $	4 Federal income tax withheld $	Copy C For Payer
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds $	6 Medical and health care payments $	
RECIPIENT'S name		7 Nonemployee compensation $	8 Substitute payments in lieu of dividends or interest $	For Privacy Act and Paperwork Reduction Act Notice, see the **2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G.**
Street address (including apt. no.)		9 Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale ► ☐	10 Crop insurance proceeds $	
City, state, and ZIP code		11	12	
Account number (see instructions)	2nd TIN not. ☐	13 Excess golden parachute payments $	14 Gross proceeds paid to an attorney $	
15a Section 409A deferrals $	15b Section 409A income $	16 State tax withheld $ $	17 State/Payer's state no.	18 State income $ $

Form **1099-MISC** Department of the Treasury - Internal Revenue Service

Instructions for Payers

General and specific form instructions are provided as separate products. The products you should use to complete Form 1099-MISC are the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G and the 2009 Instructions for Form 1099-MISC. A chart in the general instructions gives a quick guide to which form must be filed to report a particular payment. To order these instructions and additional forms, visit the IRS website at *www.irs.gov* or call 1-800-TAX-FORM (1-800-829-3676).

Caution: *Because paper forms are scanned during processing, you cannot file with the IRS Forms 1096, 1098, 1099, 3921, 3922, or 5498 that you print from the IRS website.*

Due dates. Furnish Copy B of this form to the recipient by February 1, 2010. The due date is extended to February 16, 2010, if you are reporting payments in boxes 8 or 14.

File Copy A of this form with the IRS by March 1, 2010. If you file electronically, the due date is March 31, 2010. To file electronically, you must have software that generates a file according to the specifications in Pub. 1220, Specifications for Filing Forms 1098, 1099, 3921, 3922, 5498, and W-2G Electronically. IRS does not provide a fill-in form option.

Need help? If you have questions about reporting on Form 1099-MISC, call the information reporting customer service site toll free at 1-866-455-7438 or 304-263-8700 (not toll free). For TTY/TDD equipment, call 304-267-3367 (not toll free).

Attention:

This form is provided for informational purposes and should not be reproduced on personal computer printers by individual taxpayers for filing. The printed version of this form is designed as a "machine readable" form. As such, it must be printed using special paper, special inks, and within precise specifications.

Additional information about the printing of these specialized tax forms can be found in IRS Publications 1141, 1167, 1179, and other IRS resources.

The printed version of the form may be obtained by calling 1-800-829-4933. Be sure to order using the IRS form or publication number.

AMOUNT OF DEPOSIT (Do NOT type, please print.)

DOLLARS | CENTS

MONTH TAX YEAR ENDS

EMPLOYER IDENTIFICATION NUMBER

BANK NAME/ DATE STAMP

Name

Address

City

State ZIP

IRS USE ONLY

Telephone number ( )

Darken only one TYPE OF TAX: 941, 945, 1120, 1042, 943, 990-T, 720, 990-PF, CT-1, 944, 940

and

Darken only one TAX PERIOD: 1st Quarter, 2nd Quarter, 3rd Quarter, 4th Quarter

86

FOR BANK USE IN MICR ENCODING

Federal Tax Deposit Coupon

Form 8109-B (Rev. 12-2006)

SEPARATE ALONG THIS LINE AND SUBMIT TO DEPOSITARY WITH PAYMENT **OMB NO. 1545-0257**

What's new. The oval for Form 990-C has been deleted. Form 990-C has been replaced by Form 1120-C, U.S. Income Tax Return for Cooperative Associations. Filers of Form 1120-C must use the 1120 oval when completing Form 8109-B.

The type of tax ovals for the 1120, 1042, and 944 have been moved on the coupon. Read the type of tax to the right of the oval before you darken the oval.

Note. Except for the name, address, and telephone number, entries must be made in pencil. Use soft lead (for example, a #2 pencil) so that the entries can be read more accurately by optical scanning equipment. The name, address, and telephone number may be completed other than by hand. You cannot use photocopies of the coupons to make your deposits. Do not staple, tape, or fold the coupons.

The IRS encourages you to make federal tax deposits using the Electronic Federal Tax Payment System (EFTPS). For more information on EFTPS, go to *www.eftps.gov* or call 1-800-555-4477.

Purpose of form. Use Form 8109-B to make a tax deposit only in the following two situations.

1. You have not yet received your resupply of preprinted deposit coupons (Form 8109).

2. You are a new entity and have already been assigned an employer identification number (EIN), but you have not received your initial supply of preprinted deposit coupons (Form 8109). If you have not received your EIN, see *Exceptions* below.

Note. If you do not receive your resupply of deposit coupons and a deposit is due or you do not receive your initial supply within 5–6 weeks of receipt of your EIN, call 1-800-829-4933.

How to complete the form. Enter your name as shown on your return or other IRS correspondence, address, and EIN in the spaces provided. Do not make a name or address change on this form (see Form 8822, Change of Address). If you are required to file a Form 1120, 1120-C, 990-PF (with net investment income), 990-T, or 2438, enter the month in which your tax year ends in the MONTH TAX YEAR ENDS boxes. For example, if your tax year ends in January, enter 01; if it ends in December, enter 12. Make your entries for EIN and MONTH TAX YEAR ENDS (if applicable) as shown in Amount of deposit below.

Exceptions. If you have applied for an EIN, have not received it, and a deposit must be made, do not use Form 8109-B. Instead, send your payment to the IRS address where you file your return. Make your check or money order payable to the United States Treasury and show on it your name (as shown on Form SS-4, Application for Employer Identification Number), address, kind of tax, period covered, and date you applied for an EIN. Do not use Form 8109-B to deposit delinquent taxes assessed by the IRS. Pay those taxes directly to the IRS. See Pub. 15 (Circular E), Employer's Tax Guide, for information.

Amount of deposit. Enter the amount of the deposit in the space provided. Enter the amount legibly, forming the characters as shown below:

1 2 3 4 5 6 7 8 9 0

Hand print money amounts without using dollar signs, commas, a decimal point, or leading zeros. If the deposit is for whole dollars only, enter "00" in the CENTS boxes. For example, a deposit of $7,635.22 would be entered like this:

DOLLARS | CENTS

7,635.22

Caution. *Darken only one space for TYPE OF TAX and only one space for TAX PERIOD. Darken the space to the left of the applicable form and tax period. Darkening the wrong space or multiple spaces may delay proper crediting to your account. See below for an explanation of* Types of Tax *and* Marking the Proper Tax Period.

Types of Tax

Form 941	Employer's QUARTERLY Federal Tax Return (includes Forms 941-M, 941-PR, and 941-SS)
Form 943	Employer's Annual Tax Return for Agricultural Employees
Form 944	Employer's ANNUAL Federal Tax Return (includes Forms 944-PR, 944(SP), and 944-SS)
Form 945	Annual Return of Withheld Federal Income Tax
Form 720	Quarterly Federal Excise Tax Return
Form CT-1	Employer's Annual Railroad Retirement Tax Return
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return (includes Form 940-PR)
Form 1120	U.S. Corporation Income Tax Return (includes Form 1120 series of returns, such as new Form 1120-C, and Form 2438)
Form 990-T	Exempt Organization Business Income Tax Return
Form 990-PF	Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation
Form 1042	Annual Withholding Tax Return for U.S. Source Income of Foreign Persons

Marking the Proper Tax Period

Payroll taxes and withholding. For Forms 941, 940, 943, 944, 945, CT-1, and 1042, if your liability was incurred during:

- January 1 through March 31, darken the 1st quarter space;
- April 1 through June 30, darken the 2nd quarter space;
- July 1 through September 30, darken the 3rd quarter space; and
- October 1 through December 31, darken the 4th quarter space.

Note. If the liability was incurred during one quarter and deposited in another quarter, darken the space for the quarter in which the tax liability was incurred. For example, if the liability was incurred in March and deposited in April, darken the 1st quarter space.

Excise taxes. For Form 720, follow the instructions above for Forms 941, 940, etc. For Form 990-PF, with net investment income, follow the instructions on page 2 for Form 1120, 990-T, and 2438.

For Information Only
Do Not File

Income Taxes (Form 1120, 990-T, and 2438). To make an estimated tax deposit for any quarter of the current tax year, darken only the 1st quarter space.

Example 1. If your tax year ends on December 31, 2007, and a deposit for 2007 is being made between January 1 and December 31, 2007, darken the 1st quarter space.

Example 2. If your tax year ends on June 30, 2007, and a deposit for that fiscal year is being made between July 1, 2006, and June 30, 2007, darken the 1st quarter space.

To make a deposit for the prior tax year, darken only the 4th quarter space. This includes:

- Deposits of balance due shown on the return (Forms 1120, 990-T, and 990-PF).
- Deposits of balance due shown on Form 7004, Application for Automatic 6-Month Extension of Time To File Certain Business Income Tax, Information, and Other Returns (be sure to darken the 1120 or 1042 space as appropriate).
- Deposits of balance due (Forms 990-T and 990-PF filers) shown on Form 8868, Application for Extension of Time To File an Exempt Organization Return (be sure to darken the 990-T or 990-PF space as appropriate).
- Deposits of tax due shown on Form 2438, Undistributed Capital Gains Tax Return (darken the 1120 space).

Example 1. If your tax year ends on December 31, 2006, and a deposit for 2006 is being made after that date, darken the 4th quarter space.

Example 2. If your tax year ends on June 30, 2007, and a deposit for that fiscal year is being made after that date, darken the 4th quarter space.

How to ensure your deposit is credited to the correct account.

1. Make sure your name and EIN are correct;

2. Prepare only one coupon for each type of tax deposit;

3. Darken only one space for the type of tax you are depositing;

4. Darken only one space for the tax period for which you are making a deposit; and

5. Use separate FTD coupons for each return period.

Telephone number. We need your daytime telephone number to call if we have difficulty processing your deposit.

Miscellaneous. We use the "IRS USE ONLY" box to ensure proper crediting to your account. Do not darken this space when making a deposit.

How to make deposits. Mail or deliver the completed coupon with the amount of the deposit to an authorized depositary (financial institution) for federal taxes. Make your check or money order payable to that depositary. To help ensure proper crediting to your account, write your EIN, the type of tax (for example, Form 940), and the tax period to which the payment applies on your check or money order.

Authorized depositaries must accept cash, postal money orders drawn to the order of the depositary, or checks or drafts drawn on and to the order of the depositary. You can deposit taxes with a check drawn on another financial institution only if the depositary is willing to accept that form of payment.

If you prefer, you may mail your coupon and payment to Financial Agent, Federal Tax Deposit Processing, P.O. Box 970030, St. Louis, MO 63197. Make your check or money order payable to the Financial Agent.

Timeliness of deposits. The IRS determines whether deposits are on time by the date they are received by an authorized depositary. However, a deposit received by the authorized depositary after the due date will be considered timely if the taxpayer establishes that it was mailed in the United States in a properly addressed, postage prepaid envelope at least 2 days before the due date.

Note. If you are required to deposit any taxes more than once a month, any deposit of $20,000 or more must be received by its due date to be timely.

When to deposit. See the instructions for the applicable return. See Pub. 15 (Circular E) for deposit rules on employment taxes. Generally, you can get copies of forms and instructions by calling 1-800-TAX-FORM (1-800-829-3676) or by visiting IRS's website at *www.irs.gov.*

Penalties. You may be charged a penalty for not making deposits when due or in sufficient amounts, unless you have reasonable cause. This penalty may also apply if you mail or deliver federal tax deposits to unauthorized institutions or IRS offices, rather than to authorized depositaries. Additionally, a trust fund recovery penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, and paying over employment and excise taxes, and who acted willfully in not doing so. For more information on penalties, see Pub. 15 (Circular E). See the Instructions for Form 720 for when these penalties apply to excise taxes.

Privacy Act and Paperwork Reduction Act Notice. Internal Revenue Code section 6302 requires certain persons to make periodic deposits of taxes. If you do not deposit electronically, you must provide the information requested on this form. IRC section 6109 requires you to provide your EIN. The information on this form is used to ensure that you are complying with the Internal Revenue laws and to ensure proper crediting of your deposit. Routine uses of this information include providing it to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to federal and state agencies to enforce federal nontax criminal laws and to combat terrorism. We may give this information to other countries pursuant to tax treaties. Providing incomplete, incorrect, or fraudulent information may subject you to interest and penalties.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by IRC section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is 3 minutes. If you have comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, IR-6406, 1111 Constitution Ave. NW, Washington, DC 20224. Do not send this form to this address. Instead, see the instructions under *How to make deposits* on this page.

For Information Only
Do Not File

Attention:

This form is provided for informational purposes only. Copy A appears in red, similar to the official IRS form. Do **not** file copy A downloaded from this website with the SSA. The official printed version of this IRS form is scannable, but the online version of it, printed from this website, is not. A penalty of $50 per information return may be imposed for filing forms that cannot be scanned.

To order official IRS forms, call 1-800-TAX-FORM (1-800-829-3676) or Order Information Returns and Employer Returns Online, and we'll mail you the scannable forms and other products.

You may file Forms W-2 and W-3 electronically on the SSA's website at Employer Reporting Instructions & Information. You can create fill-in versions of Forms W-2 and W-3 for filing with SSA. You may also print out copies for filing with state or local governments, distribution to your employees, and for your records.

See IRS Publications 1141, 1167, 1179 and other IRS resources for information about printing these tax forms.

22222	Void ☐	a Employee's social security number	For Official Use Only ► OMB No. 1545-0008	
b Employer identification number (EIN)			1 Wages, tips, other compensation	2 Federal income tax withheld
c Employer's name, address, and ZIP code			3 Social security wages	4 Social security tax withheld
			5 Medicare wages and tips	6 Medicare tax withheld
			7 Social security tips	8 Allocated tips
d Control number			9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial	Last name	Suff.	11 Nonqualified plans	12a See instructions for box 12 Code
			13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	12b Code
			14 Other	12c Code
				12d Code
f Employee's address and ZIP code				

15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** **Wage and Tax Statement** 2009

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

22222	a Employee's social security number	OMB No. 1545-0008	
b Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld
		5 Medicare wages and tips	6 Medicare tax withheld
		7 Social security tips	8 Allocated tips
d Control number		9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial	Last name Suff.	11 Nonqualified plans	12a Code
		13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	12b Code
		14 Other	12c Code
			12d Code
f Employee's address and ZIP code			

15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** **Wage and Tax Statement**

2009

Department of the Treasury—Internal Revenue Service

Copy 1—For State, City, or Local Tax Department

	a Employee's social security number	OMB No. 1545-0008	**Safe, accurate, FAST! Use** IRS e-file Visit the IRS website at *www.irs.gov/efile*.
b Employer identification number (EIN)		**1** Wages, tips, other compensation	**2** Federal income tax withheld
c Employer's name, address, and ZIP code		**3** Social security wages	**4** Social security tax withheld
		5 Medicare wages and tips	**6** Medicare tax withheld
		7 Social security tips	**8** Allocated tips
d Control number		**9** Advance EIC payment	**10** Dependent care benefits
e Employee's first name and initial	Last name Suff.	**11** Nonqualified plans	**12a** See instructions for box 12 Code
		13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	**12b** Code
		14 Other	**12c** Code
			12d Code
f Employee's address and ZIP code			

15 State	Employer's state ID number	**16** State wages, tips, etc.	**17** State income tax	**18** Local wages, tips, etc.	**19** Local income tax	**20** Locality name

Form **W-2** **Wage and Tax Statement** 2009 Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

Notice to Employee

Refund. Even if you do not have to file a tax return, you should file to get a refund if box 2 shows federal income tax withheld or if you can take the earned income credit.

Earned income credit (EIC). You must file a tax return if any amount is shown in box 9.

You may be able to take the EIC for 2009 if (a) you do not have a qualifying child and you earned less than $13,440 ($16,560 if married filing jointly), (b) you have one qualifying child and you earned less than $35,463 ($38,583 if married filing jointly), or (c) you have more than one qualifying child and you earned less than $40,295 ($43,415 if married filing jointly). You and any qualifying children must have valid social security numbers (SSNs). You cannot take the EIC if your investment income is more than $3,100. **Any EIC that is more than your tax liability is refunded to you, but only if you file a tax return.** If you have at least one qualifying child, you may get as much as $1,826 of the EIC in advance by completing Form W-5, Earned Income Credit Advance Payment Certificate, and giving it to your employer.

Clergy and religious workers. If you are not subject to social security and Medicare taxes, see Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers.

Corrections. If your name, SSN, or address is incorrect, correct Copies B, C, and 2 and ask your employer to correct your employment record. Be sure to ask the employer to file Form W-2c, Corrected Wage and Tax Statement, with the Social Security Administration (SSA) to correct any name, SSN, or money amount error reported to the SSA on Form W-2. If your name and SSN are correct but are not the same as shown on your social security card, you should ask for a new card that displays your correct name at any SSA office or by calling 1-800-772-1213.

Credit for excess taxes. If you had more than one employer in 2009 and more than $6,621.60 in social security and/or Tier I railroad retirement (RRTA) taxes were withheld, you may be able to claim a credit for the excess against your federal income tax. If you had more than one railroad employer and more than $3,088.80 in Tier II RRTA tax was withheld, you also may be able to claim a credit. See your Form 1040 or Form 1040A instructions and Publication 505, Tax Withholding and Estimated Tax.

(Also see *Instructions for Employee* on the back of Copy C.)

	a Employee's social security number	OMB No. 1545-0008	This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.

b Employer identification number (EIN)	1 Wages, tips, other compensation	2 Federal income tax withheld
c Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld
	5 Medicare wages and tips	6 Medicare tax withheld
	7 Social security tips	8 Allocated tips
d Control number	9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial Last name Suff.	11 Nonqualified plans	12a See instructions for box 12 Code
	13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	12b Code
	14 Other	12c Code
		12d Code
f Employee's address and ZIP code		

15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** **Wage and Tax Statement**

Copy C—For EMPLOYEE'S RECORDS (See *Notice to Employee* **on the back of Copy B.)**

2009

Department of the Treasury—Internal Revenue Service

Safe, accurate, FAST! Use IRS e-file

Instructions for Employee (Also see *Notice to Employee,* on the back of Copy B.)

Box 1. Enter this amount on the wages line of your tax return.

Box 2. Enter this amount on the federal income tax withheld line of your tax return.

Box 8. This amount is **not** included in boxes 1, 3, 5, or 7. For information on how to report tips on your tax return, see your Form 1040 instructions.

Box 9. Enter this amount on the advance earned income credit payments line of your Form 1040 or Form 1040A.

Box 10. This amount is the total dependent care benefits that your employer paid to you or incurred on your behalf (including amounts from a section 125 (cafeteria) plan). Any amount over $5,000 is also included in box 1. You **must** complete Schedule 2 (Form 1040A) or Form 2441, Child and Dependent Care Expenses, to compute any taxable and nontaxable amounts.

Box 11. This amount is (a) reported in box 1 if it is a distribution made to you from a nonqualified deferred compensation or nongovernmental section 457(b) plan or (b) included in box 3 and/or 5 if it is a prior year deferral under a nonqualified or section 457(b) plan that became taxable for social security and Medicare taxes this year because there is no longer a substantial risk of forfeiture of your right to the deferred amount.

Box 12. The following list explains the codes shown in box 12. You may need this information to complete your tax return. Elective deferrals (codes D, E, F, and S) and designated Roth contributions (codes AA and BB) under all plans are generally limited to a total of $16,500 ($11,500 if you only have SIMPLE plans; $19,500 for section 403(b) plans if you qualify for the 15-year rule explained in Pub. 571). Deferrals under code G are limited to $16,500. Deferrals under code H are limited to $7,000.

However, if you were at least age 50 in 2009, your employer may have allowed an additional deferral of up to $5,500 ($2,500 for section 401(k)(11) and 408(p) SIMPLE plans). This additional deferral amount is not subject to the overall limit on elective deferrals. For code G, the limit on elective deferrals may be higher for the last 3 years before you reach retirement age. Contact your plan administrator for more information. Amounts in excess of the overall elective deferral limit must be included in income. See the “Wages, Salaries, Tips, etc.” line instructions for Form 1040.

Note. If a year follows code D through H, S, Y, AA, or BB, you made a make-up pension contribution for a prior year(s) when you were in military service. To figure whether you made excess deferrals, consider these amounts for the year shown, not the current year. If no year is shown, the contributions are for the current year.

A—Uncollected social security or RRTA tax on tips. Include this tax on Form 1040. See “Total Tax” in the Form 1040 instructions.

B—Uncollected Medicare tax on tips. Include this tax on Form 1040. See “Total Tax” in the Form 1040 instructions.

C—Taxable cost of group-term life insurance over $50,000 (included in boxes 1, 3 (up to social security wage base), and 5)

D—Elective deferrals to a section 401(k) cash or deferred arrangement. Also includes deferrals under a SIMPLE retirement account that is part of a section 401(k) arrangement.

E—Elective deferrals under a section 403(b) salary reduction agreement

(continued on back of Copy 2)

	a Employee's social security number	OMB No. 1545-0008
b Employer identification number (EIN)	**1** Wages, tips, other compensation	**2** Federal income tax withheld
c Employer's name, address, and ZIP code	**3** Social security wages	**4** Social security tax withheld
	5 Medicare wages and tips	**6** Medicare tax withheld
	7 Social security tips	**8** Allocated tips
d Control number	**9** Advance EIC payment	**10** Dependent care benefits
e Employee's first name and initial Last name Suff.	**11** Nonqualified plans	**12a** Code
	13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	**12b** Code
	14 Other	**12c** Code
		12d Code
f Employee's address and ZIP code		

15 State	Employer's state ID number	**16** State wages, tips, etc.	**17** State income tax	**18** Local wages, tips, etc.	**19** Local income tax	**20** Locality name

Form **W-2** **Wage and Tax Statement**

2009

Department of the Treasury—Internal Revenue Service

Copy 2—To Be Filed With Employee's State, City, or Local Income Tax Return.

Instructions for Employee *(continued from back of Copy C)*

F—Elective deferrals under a section 408(k)(6) salary reduction SEP

G—Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan

H—Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan. See “Adjusted Gross Income” in the Form 1040 instructions for how to deduct.

J—Nontaxable sick pay (information only, not included in boxes 1, 3, or 5)

K—20% excise tax on excess golden parachute payments. See “Total Tax” in the Form 1040 instructions.

L—Substantiated employee business expense reimbursements (nontaxable)

M—Uncollected social security or RRTA tax on taxable cost of group-term life insurance over $50,000 (former employees only). See “Total Tax” in the Form 1040 instructions.

N—Uncollected Medicare tax on taxable cost of group-term life insurance over $50,000 (former employees only). See “Total Tax” in the Form 1040 instructions.

P—Excludable moving expense reimbursements paid directly to employee (not included in boxes 1, 3, or 5)

Q—Nontaxable combat pay. See the instructions for Form 1040 or Form 1040A for details on reporting this amount.

R—Employer contributions to your Archer MSA. Report on Form 8853, Archer MSAs and Long-Term Care Insurance Contracts.

S—Employee salary reduction contributions under a section 408(p) SIMPLE (not included in box 1)

T—Adoption benefits (not included in box 1). You **must** complete Form 8839, Qualified Adoption Expenses, to compute any taxable and nontaxable amounts.

V—Income from exercise of nonstatutory stock option(s) (included in boxes 1, 3 (up to social security wage base), and 5)

W—Employer contributions to your Health Savings Account. Report on Form 8889, Health Savings Accounts (HSAs).

Y—Deferrals under a section 409A nonqualified deferred compensation plan.

Z—Income under section 409A on a nonqualified deferred compensation plan. This amount is also included in box 1. It is subject to an additional 20% tax plus interest. See “Total Tax” in the Form 1040 instructions.

AA—Designated Roth contributions under a section 401(k) plan.

BB—Designated Roth contributions under a section 403(b) plan.

Box 13. If the “Retirement plan” box is checked, special limits may apply to the amount of traditional IRA contributions that you may deduct.

Note. Keep **Copy C** of Form W-2 for at least 3 years after the due date for filing your income tax return. However, to help **protect your social security benefits,** keep Copy C until you begin receiving social security benefits, just in case there is a question about your work record and/or earnings in a particular year. Compare the Social Security wages and the Medicare wages to the information shown on your annual (for workers over 25) Social Security Statement.

Void ☐	**a** Employee's social security number	OMB No. 1545-0008
b Employer identification number (EIN)	**1** Wages, tips, other compensation	**2** Federal income tax withheld
c Employer's name, address, and ZIP code	**3** Social security wages	**4** Social security tax withheld
	5 Medicare wages and tips	**6** Medicare tax withheld
	7 Social security tips	**8** Allocated tips
d Control number	**9** Advance EIC payment	**10** Dependent care benefits
e Employee's first name and initial Last name Suff.	**11** Nonqualified plans	**12a** See instructions for box 12 Code
	13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	**12b** Code
	14 Other	**12c** Code
		12d Code
f Employee's address and ZIP code		

15 State	Employer's state ID number	**16** State wages, tips, etc.	**17** State income tax	**18** Local wages, tips, etc.	**19** Local income tax	**20** Locality name

Form **W-2** **Wage and Tax Statement**

Copy D—For Employer.

2009

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see the back of Copy D.

Employers, Please Note—

Specific information needed to complete Form W-2 is available in a separate booklet titled 2009 Instructions for Forms W-2 and W-3. You can order those instructions and additional forms by calling 1-800-TAX-FORM (1-800-829-3676). You can also get forms and instructions from the IRS website at *www.irs.gov.*

Caution. *You cannot file Forms W-2/W-2c and W-3/W-3c that you print from the IRS website with SSA because they process paper forms by machine. Instead, you can use the SSA website at* www.ssa.gov/employer/bsohbnew.htm *to create and file electronic fill-in versions of Forms W-2/W-2c and W-3/W-3c. If you use SSA's online application to create W-2 or W-2c, the W-3 or W-3c will be automatically created.*

Due dates. Furnish Copies B, C, and 2 to the employee generally by February 1, 2010.

File Copy A with the SSA by March 1, 2010. Send all Copies A with Form W-3, Transmittal of Wage and Tax Statements. If you file electronically, the due date is March 31, 2010.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on Forms W-2 and W-3 to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Section 6051 and its regulations require you to furnish wage and tax statements to employees and to the Social Security Administration. Section 6109 requires you to provide your employer identification number (EIN). If you fail to provide this information in a timely manner, you may be subject to penalties.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the Internal Revenue Service to disclose or give the information shown on your return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice for civil and/or criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average times are: **Form W-2**—30 minutes, and **Form W-3**—28 minutes. If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. **Do not** send Forms W-2 and W-3 to this address. Instead, see *Where to file paper forms* in the Instructions for Forms W-2 and W-3.

Attention:

This form is provided for informational purposes only. Copy A appears in red, similar to the official IRS form. Do **not** file copy A downloaded from this website with the SSA. The official printed version of this IRS form is scannable, but the online version of it, printed from this website, is not. A penalty of $50 per information return may be imposed for filing forms that cannot be scanned.

To order official IRS forms, call 1-800-TAX-FORM (1-800-829-3676) or Order Information Returns and Employer Returns Online, and we'll mail you the scannable forms and other products.

You may file Forms W-2 and W-3 electronically on the SSA's website at Employer Reporting Instructions & Information. You can create fill-in versions of Forms W-2 and W-3 for filing with SSA. You may also print out copies for filing with state or local governments, distribution to your employees, and for your records.

See IRS Publications 1141, 1167, 1179 and other IRS resources for information about printing these tax forms.

DO NOT STAPLE

33333	a Control number	For Official Use Only ▶ OMB No. 1545-0008

b Kind of Payer: 941 ☐ Military ☐ 943 ☐ 944 ☐ CT-1 ☐ Hshld. emp. ☐ Medicare govt. emp. ☐ Third-party sick pay ☐	1 Wages, tips, other compensation	2 Federal income tax withheld
	3 Social security wages	4 Social security tax withheld
c Total number of Forms W-2 / d Establishment number	5 Medicare wages and tips	6 Medicare tax withheld
e Employer identification number (EIN)	7 Social security tips	8 Allocated tips
f Employer's name	9 Advance EIC payments	10 Dependent care benefits
	11 Nonqualified plans	12 Deferred compensation
	13 For third-party sick pay use only	
g Employer's address and ZIP code	14 Income tax withheld by payer of third-party sick pay	
h Other EIN used this year		
15 State / Employer's state ID number	16 State wages, tips, etc.	17 State income tax
	18 Local wages, tips, etc.	19 Local income tax
Contact person	Telephone number ( )	For Official Use Only
Email address	Fax number ( )	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ Title ▶ Date ▶

Form **W-3** **Transmittal of Wage and Tax Statements** 2009

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Reminder

Separate instructions. See the 2009 Instructions for Forms W-2 and W-3 for information on completing this form.

Purpose of Form

A Form W-3 Transmittal is completed only when paper Copy A of Form(s) W-2, Wage and Tax Statement, are being filed. Do not file Form W-3 alone. Do not file Form W-3 for Form(s) W-2 that were submitted electronically to the Social Security Administration (see below). All paper forms **must** comply with IRS standards and be machine readable. Photocopies and hand-printed forms are **not** acceptable. Use a Form W-3 even if only one paper Form W-2 is being filed. Make sure both the Form W-3 and Form(s) W-2 show the correct tax year and Employer Identification Number (EIN). Make a copy of this form and keep it with Copy D (For Employer) of Form(s) W-2 for your records.

Electronic Filing

The Social Security Administration strongly suggests employers report Form W-3 and W-2 Copy A electronically instead of on paper. SSA provides two e-file options:

- Free online, fill-in Forms W-2 for employers who file 20 or fewer Form(s) W-2.
- Upload a file for employers who use payroll/tax software to print Form(s) W-2, if the vendor software creates a file that can be uploaded to SSA.

For more information, go to *www.socialsecurity.gov/employer* and select "First Time Filers" or "Returning Filers" under "BEFORE YOU FILE."

When To File

Mail any paper Forms W-2 under cover of this Form W-3 Transmittal by March 1, 2010. Electronic fill-in forms or uploads are filed through SSA's Business Services Online (BSO) Internet site and will be on time if submitted by March 31, 2010.

Where To File Paper Forms

Send this entire page with the entire Copy A page of Form(s) W-2 to:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001

Note. If you use "Certified Mail" to file, change the ZIP code to "18769-0002." If you use an IRS-approved private delivery service, add "ATTN: W-2 Process, 1150 E. Mountain Dr." to the address and change the ZIP code to "18702-7997." See Publication 15 (Circular E), Employer's Tax Guide, for a list of IRS-approved private delivery services.

For Privacy Act and Paperwork Reduction Act Notice, see the back of Copy D of Form W-2.

Form W-4 (2009)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2009 expires February 16, 2010. See Pub. 505, Tax Withholding and Estimated Tax.

Note. You cannot claim exemption from withholding if (a) your income exceeds $950 and includes more than $300 of unearned income (for example, interest and dividends) and (b) another person can claim you as a dependent on their tax return.

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earner/multiple job situations. Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

Nonresident alien. If you are a nonresident alien, see the Instructions for Form 8233 before completing this Form W-4.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the amount you are having withheld compares to your projected total tax for 2009. See Pub. 919, especially if your earnings exceed $130,000 (Single) or $180,000 (Married).

Personal Allowances Worksheet (Keep for your records.)

A Enter "1" for **yourself** if no one else can claim you as a dependent . . . . . **A** _____

B Enter "1" if:
- You are single and have only one job; or
- You are married, have only one job, and your spouse does not work; or
- Your wages from a second job or your spouse's wages (or the total of both) are $1,500 or less.

. . **B** _____

C Enter "1" for your **spouse.** But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) . . . . . **C** _____

D Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return . . . . . **D** _____

E Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above) . **E** _____

F Enter "1" if you have at least $1,800 of **child or dependent care expenses** for which you plan to claim a credit . . **F** _____
(**Note.** Do **not** include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)

G **Child Tax Credit** (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information.
- If your total income will be less than $61,000 ($90,000 if married), enter "2" for each eligible child; then **less** "1" if you have three or more eligible children.
- If your total income will be between $61,000 and $84,000 ($90,000 and $119,000 if married), enter "1" for each eligible child plus "1" **additional** if you have six or more eligible children. **G** _____

H Add lines A through G and enter total here. (**Note.** This may be different from the number of exemptions you claim on your tax return.) ▶ **H** _____

For accuracy, **complete all worksheets that apply.**
- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you have **more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed $40,000 ($25,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ **Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.**

OMB No. 1545-0074
2009

1 Type or print your first name and middle initial.	Last name	**2 Your social security number**
Home address (number and street or rural route)	**3** ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate. **Note.** If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.	
City or town, state, and ZIP code	**4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card.** ▶ ☐	

5 Total number of allowances you are claiming (from line **H** above **or** from the applicable worksheet on page 2) **5** _____

6 Additional amount, if any, you want withheld from each paycheck . . . . . **6** $ _____

7 I claim exemption from withholding for 2009, and I certify that I meet **both** of the following conditions for exemption.
- Last year I had a right to a refund of **all** federal income tax withheld because I had **no** tax liability **and**
- This year I expect a refund of **all** federal income tax withheld because I expect to have **no** tax liability.

If you meet both conditions, write "Exempt" here . . . . . ▶ **7** _____

Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature
(Form is not valid unless you sign it.) ▶ **Date** ▶

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)	**9** Office code (optional)	**10** Employer identification number (EIN)

Deductions and Adjustments Worksheet

Note. Use this worksheet *only* if you plan to itemize deductions, claim certain credits, adjustments to income, or an additional standard deduction.

1 Enter an estimate of your 2009 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions. (For 2009, you may have to reduce your itemized deductions if your income is over $166,800 ($83,400 if married filing separately). See *Worksheet 2* in Pub. 919 for details.) . . . 1 $ _____

2 Enter: { $11,400 if married filing jointly or qualifying widow(er) / $ 8,350 if head of household / $ 5,700 if single or married filing separately } . . . . . 2 $ _____

3 **Subtract** line 2 from line 1. If zero or less, enter "-0-" . . . . . 3 $ _____

4 Enter an estimate of your 2009 adjustments to income and any additional standard deduction. (Pub. 919) . . . . . 4 $ _____

5 **Add** lines 3 and 4 and enter the total. (Include any amount for credits from *Worksheet 8* in Pub. 919.) . 5 $ _____

6 Enter an estimate of your 2009 nonwage income (such as dividends or interest) . . . . . 6 $ _____

7 **Subtract** line 6 from line 5. If zero or less, enter "-0-" . . . . . 7 $ _____

8 **Divide** the amount on line 7 by $3,500 and enter the result here. Drop any fraction . . . . . 8 _____

9 Enter the number from the **Personal Allowances Worksheet,** line H, page 1 . . . . . 9 _____

10 **Add** lines 8 and 9 and enter the total here. If you plan to use the **Two-Earners/Multiple Jobs Worksheet,** also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, page 1 10 _____

Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)

Note. Use this worksheet *only* if the instructions under line H on page 1 direct you here.

1 Enter the number from line H, page 1 (or from line 10 above if you used the **Deductions and Adjustments Worksheet**) 1 _____

2 Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here. **However,** if you are married filing jointly and wages from the highest paying job are $50,000 or less, do not enter more than "3." . . . . . 2 _____

3 If line 1 is **more than or equal to** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "-0-") and on Form W-4, line 5, page 1. **Do not** use the rest of this worksheet . . . . . 3 _____

Note. If line 1 is *less than* line 2, enter "-0-" on Form W-4, line 5, page 1. Complete lines 4–9 below to calculate the additional withholding amount necessary to avoid a year-end tax bill.

4 Enter the number from line 2 of this worksheet . . . . . 4 _____

5 Enter the number from line 1 of this worksheet . . . . . 5 _____

6 **Subtract** line 5 from line 4 . . . . . 6 _____

7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here . . . . 7 $ _____

8 **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding needed . . 8 $ _____

9 Divide line 8 by the number of pay periods remaining in 2009. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2008. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck . . . . . 9 $

Table 1

Married Filing Jointly		All Others	
If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above
$0 - $4,500	0	$0 - $6,000	0
4,501 - 9,000	1	6,001 - 12,000	1
9,001 - 18,000	2	12,001 - 19,000	2
18,001 - 22,000	3	19,001 - 26,000	3
22,001 - 26,000	4	26,001 - 35,000	4
26,001 - 32,000	5	35,001 - 50,000	5
32,001 - 38,000	6	50,001 - 65,000	6
38,001 - 46,000	7	65,001 - 80,000	7
46,001 - 55,000	8	80,001 - 90,000	8
55,001 - 60,000	9	90,001 - 120,000	9
60,001 - 65,000	10	120,001 and over	10
65,001 - 75,000	11		
75,001 - 95,000	12		
95,001 - 105,000	13		
105,001 - 120,000	14		
120,001 and over	15		

Table 2

Married Filing Jointly		All Others	
If wages from **HIGHEST** paying job are—	Enter on line 7 above	If wages from **HIGHEST** paying job are—	Enter on line 7 above
$0 - $65,000	$550	$0 - $35,000	$550
65,001 - 120,000	910	35,001 - 90,000	910
120,001 - 185,000	1,020	90,001 - 165,000	1,020
185,001 - 330,000	1,200	165,001 - 370,000	1,200
330,001 and over	1,280	370,001 and over	1,280

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. The Internal Revenue Code requires this information under sections 3402(f)(2)(A) and 6109 and their regulations. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may also subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws, and using it in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Form **W-9**
(Rev. October 2007)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give form to the requester. Do not send to the IRS.

Print or type
See **Specific Instructions** on page 2.

Name (as shown on your income tax return)

Business name, if different from above

Check appropriate box: ☐ Individual/Sole proprietor ☐ Corporation ☐ Partnership
☐ Limited liability company. Enter the tax classification (D=disregarded entity, C=corporation, P=partnership) ▶
☐ Other (see instructions) ▶

☐ Exempt payee

Address (number, street, and apt. or suite no.)

Requester's name and address (optional)

City, state, and ZIP code

List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number

or

Employer identification number

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. See the instructions on page 4.

Sign Here **Signature of U.S. person ▶** **Date ▶**

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),

2. Certify that you are not subject to backup withholding, or

3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,

- The U.S. grantor or other owner of a grantor trust and not the trust, and
- The U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

Foreign person. If you are a foreign person, do not use Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.

2. The treaty article addressing the income.

3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.

4. The type and amount of income that qualifies for the exemption from tax.

5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS 28% of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,

2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),

3. The IRS tells the requester that you furnished an incorrect TIN,

4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or

5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate Instructions for the Requester of Form W-9.

Also see *Special rules for partnerships* on page 1.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a $500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Name

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

Sole proprietor. Enter your individual name as shown on your income tax return on the "Name" line. You may enter your business, trade, or "doing business as (DBA)" name on the "Business name" line.

Limited liability company (LLC). Check the "Limited liability company" box only and enter the appropriate code for the tax classification ("D" for disregarded entity, "C" for corporation, "P" for partnership) in the space provided.

For a single-member LLC (including a foreign LLC with a domestic owner) that is disregarded as an entity separate from its owner under Regulations section 301.7701-3, enter the owner's name on the "Name" line. Enter the LLC's name on the "Business name" line.

For an LLC classified as a partnership or a corporation, enter the LLC's name on the "Name" line and any business, trade, or DBA name on the "Business name" line.

Other entities. Enter your business name as shown on required federal tax documents on the "Name" line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name" line.

Note. You are requested to check the appropriate box for your status (individual/sole proprietor, corporation, etc.).

Exempt Payee

If you are exempt from backup withholding, enter your name as described above and check the appropriate box for your status, then check the "Exempt payee" box in the line following the business name, sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

Note. If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

The following payees are exempt from backup withholding:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2),

2. The United States or any of its agencies or instrumentalities,

3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities,

4. A foreign government or any of its political subdivisions, agencies, or instrumentalities, or

5. An international organization or any of its agencies or instrumentalities.

Other payees that may be exempt from backup withholding include:

6. A corporation,

7. A foreign central bank of issue,

8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States,

9. A futures commission merchant registered with the Commodity Futures Trading Commission,

10. A real estate investment trust,

11. An entity registered at all times during the tax year under the Investment Company Act of 1940,

12. A common trust fund operated by a bank under section 584(a),

13. A financial institution,

14. A middleman known in the investment community as a nominee or custodian, or

15. A trust exempt from tax under section 664 or described in section 4947.

The chart below shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 15.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 9
Broker transactions	Exempt payees 1 through 13. Also, a person registered under the Investment Advisers Act of 1940 who regularly acts as a broker
Barter exchange transactions and patronage dividends	Exempt payees 1 through 5
Payments over $600 required to be reported and direct sales over $5,000[1]	Generally, exempt payees 1 through 7[2]

[1] See Form 1099-MISC, Miscellaneous Income, and its instructions.

[2] However, the following payments made to a corporation (including gross proceeds paid to an attorney under section 6045(f), even if the attorney is a corporation) and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, and payments for services paid by a federal executive agency.

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited liability company (LLC)* on page 2), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

Note. See the chart on page 4 for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at *www.ssa.gov*. You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at *www.irs.gov/businesses* and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting *www.irs.gov* or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

Note. Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

Caution: *A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.*

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if items 1, 4, and 5 below indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). Exempt payees, see *Exempt Payee* on page 2.

Signature requirements. Complete the certification as indicated in 1 through 5 below.

1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983. You must give your correct TIN, but you do not have to sign the certification.

2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number To Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account [1]
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor [2]
4. a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee [1]
b. So-called trust account that is not a legal or valid trust under state law	The actual owner [1]
5. Sole proprietorship or disregarded entity owned by an individual	The owner [3]
For this type of account:	**Give name and EIN of:**
6. Disregarded entity not owned by an individual	The owner
7. A valid trust, estate, or pension trust	Legal entity [4]
8. Corporate or LLC electing corporate status on Form 8832	The corporation
9. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
10. Partnership or multi-member LLC	The partnership
11. A broker or registered nominee	The broker or nominee
12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

[1] List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

[2] Circle the minor's name and furnish the minor's SSN.

[3] You must show your individual name and you may also enter your business or "DBA" name on the second name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

[4] List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 1.

Note. If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

Call the IRS at 1-800-829-1040 if you think your identity has been used inappropriately for tax purposes.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes. Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to *phishing@irs.gov.* You may also report misuse of the IRS name, logo, or other IRS personal property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: *spam@uce.gov* or contact them at *www.consumer.gov/idtheft* or 1-877-IDTHEFT(438-4338).

Visit the IRS website at *www.irs.gov* to learn more about identity theft and how to reduce your risk.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA, or Archer MSA or HSA. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. possessions to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You must provide your TIN whether or not you are required to file a tax return. Payers must generally withhold 28% of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to a payer. Certain penalties may also apply.

STATE OF CALIFORNIA

PROPERTY SURVEY REPORT

STD. 152 (REV. 9-2000c)

Record as of disposition data (lost, stolen or destroyed property--record as of the date such determination was made).

RETURN TO:

REPORTING DEPARTMENT/AGENCY	ATTENTION	DOCUMENT NUMBER
RETURN ADDRESS	IMS CODE	DATE
CITY	ZIP CODE	REPLACEMENTS: SEE PURCHASE ESTIMATE NUMBER

Authority is requested to dispose of the following State property:

FUND OWNED BY	CONTACT PERSON	TELEPHONE NUMBER

ATTACHED

ITEM--DESCRIPTION, MODEL NUMBER, SERIAL NUMBER, ETC.	STATE IDENT. NO. (1)	DATE PURCHASED	ORIGINAL COST	LOCATION (CITY)	PRESENT CONDITION	DISP. CODE*	PRICE OFFERED (2)	PRICE RECEIVED (3)	RECEIPT NUMBER
1.									
2.									
3.									
4.									
5.									
6.									
7.									

(1) PROPERTY TAG NUMBER OR "E" NUMBER FOR VEHICLE (2) DO NOT OBTAIN BIDS ON TRADE-INS. ESTIMATE PRICE OFFERED (3) AMOUNT ALLOWED IF TRADED IN OR SOLD

***DISPOSITION CODE**

1. TRADE-IN
2. SALE (INCLUDING JUNK SALE)
3. JUNK - VALUELESS
4. LOST**
5. STOLEN**
6. **DESTROYED (AS BY FIRE, ETC.)****
7. TO BE SALVAGED
8. PROPERTY REUTILIZATION--GENERAL SERVICES, SURPLUS PROPERTY

} DEPARTMENT OF GENERAL SERVICES REVIEW NOT REQUIRED

**IF LOST, STOLEN OR DESTROYED, REFER TO SAM SECTION 8643 FOR INSTRUCTIONS.

EXPLANATION--REASONS FOR PROPOSED DISPOSITION OF EACH ITEM

APPROVED BY PROPERTY SURVEY BOARD

(A minimum of two signatures is required)

The above statements regarding state property are true and correct; culpable negligence (check appropriate box)

☐ *was* ☐ *was not*

involved in loss, theft, or damage; the disposition proposed is best for the public interest.

SIGNATURE	DATE SIGNED
1.	
2.	
3.	

CERTIFICATION OF DISPOSITION

The above described property was disposed of as follows: (specify if no consideration was received)

MANNER OF DISPOSAL

DISPOSAL DATE

SIGNATURE *(Officer Supervising Disposal of the Property)*

TITLE

REVIEWED BY DEPT. OF GENERAL SERVICES

FOR DGS REVIEW, SEND TO:

Department of General Services
State Agency for Surplus Property

NORTH	SOUTH
1700 National Drive	701 Burning Tree Road
Sacramento, CA 95834	Fullerton, CA 92833

FOR DISPOSITION OF VEHICLES AND MOBILE EQUIPMENT, SEND TO:

Department of General Services
Office of Fleet Administration
802 Q Street
Sacramento, CA 95814

SIGNATURE

DATE SIGNED

(DO NOT USE HALF SHEETS OR STAPLES)

152PRT.FRP

Clear | Print | Important Note

STATE OF CALIFORNIA – DEPARTMENT OF PERSONNEL ADMINISTRATION

TRAVEL EXPENSE CLAIM

STD. 262 (REV. 9/2007)

*See Instructions and *Privacy Statement On Reverse Side*

Page _____ of _____ Pages

CLAIMANT'S NAME		SSN or EMPLOYEE NUMBER*	DEPARTMENT
POSITION	CB/ID No.	DIVISION or BUREAU	INDEX NUMBER
RESIDENCE ADDRESS *		HEADQUARTERS ADDRESS	TELEPHONE NUMBER
CITY STATE ZIP CODE		CITY STATE ZIP CODE	
(1) NORMAL WORK HOURS		(2) PRIVATE VEHICLE LICENSE NUMBER	(3) MILEAGE RATE CLAIMED

(4) MONTH/YEAR (5) DATE	TIME	(6) LOCATION WHERE EXPENSES WERE INCURRED	(7) LODGING	(8) MEALS BREAK-FAST	LUNCH	O.T., L/T, N/C, RELO. OR DINNER	(9) INCIDEN-TALS	(10) TRANSPORTATION (A) COST OF TRANS.	(B) TYPE USED	(C) CARFARE, TOLLS, PARKING	(D) PRIVATE CAR USE MILES	AMOUNT	(11) BUSINESS EXPENSE	(12) TOTAL EXPENSES FOR DAY
												0.00		0.00
												0.00		0.00
												0.00		0.00
												0.00		0.00
												0.00		0.00
												0.00		0.00
												0.00		0.00
												0.00		0.00
												0.00		0.00
												0.00		0.00
												0.00		0.00
												0.00		0.00
(13) **SUBTOTALS**			0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00
COLUMN CODE (ACCTG. USE ONLY)														

CLAIM TOTAL $0.00

(14) PURPOSE OF TRIP, REMARKS AND DETAILS (Attach receipts/vouchers when required)

AGENCY ACCOUNTING OFFICE USE ONLY

PAID BY REVOLVING FUND CHECK NUMBER

(15) I HEREBY CERTIFY That the above is a true statement of the travel expenses incurred by me in accordance with DPA rules in the service of the State of California. If a privately owned vehicle was used, and if mileage rates exceed the minimum rate, I certify that the cost of operating the vehicle was equal to or greater than the rate claimed, and that I have met the requirements as prescribed by SAM Sections 0750, 0751, 0752, 0753 and 0754 pertaining to vehicle safety and seat belt usage.

CLAIMANT'S SIGNATURE	DATE	(16) SIGNATURE OF OFFICER APPROVING TRAVEL AND PAYMENT	DATE

(17) SPECIAL EXPENSE AUTHORIZATION - SIGNATURE and TITLE *(See Item 17 on reverse)* DATE

STATE OF CALIFORNIA – DEPARTMENT OF PERSONNEL ADMINISTRATION

TRAVEL EXPENSE CLAIM

STD. 262 (REV. 9/2007)

INSTRUCTIONS

Expense accounts are to be submitted at least once a month and not more often than twice a month, except where the amount claimed is less than $10, the claim need not be submitted until it exceeds $10 or until June 30, whichever occurs first. Requests for reimbursement of out-of-state travel expenses must be claimed separately. Requests for reimbursement of travel expenses which are incurred in different fiscal years must be claimed separately. A brief statement, one line if possible, of the purpose or objective, of the trip must be entered on the line immediately below the last entry for each trip. If the claim is for several trips for the same purpose or objective, one statement will suffice for those trips. Vouchers which are required in support of various expenses must be arranged in chronological order and attached to the claim. Each voucher must show the date, cost, and nature of the expense.

MULTIPLE PAGES–If your claim is more than one page, indicate page number and total number of pages. DO NOT total each page. Use subtotals and enter the total amount of the claim on the last page of the claim in the space for "TOTALS" and "CLAIM TOTAL."

COLUMN ENTRIES

(1) NORMAL WORK HOURS–Enter your beginning and ending normal work hours using twenty-four-hour clock (example: 0800 = 8:00 a.m.).

(2) PRIVATE VEHICLE LICENSE NUMBER–Enter license number of the privately owned vehicle used on official State business. To claim reimbursement, you must have met the requirements as prescribed by SAM Sections 0751, 0752 and 0753 pertaining to operator requirements, vehicle safety, seat belt usage and authorization.

(3) MILEAGE RATE CLAIMED–Enter the rate of reimbursement being claimed for private vehicle use. Rate will not exceed rate established in contracts and DPA rule 599.631 .

(4) MONTH/YEAR–Enter numerical designation of month and last two digits of the year in which the first expenses shown on the form were incurred.

(5) DATE/TIME–Enter date and time of departure on the appropriate line using twenty-four-hour clock (example: 1700 = 5:00 p.m.). Show time of departure on date of departure, show time of return on the date of return. If departure and return are on the same date, enter departure time above and return time below on the same line. Where the first date shown is a continuation of trip, enter "Continuing" above that date, and where a trip is continuing beyond the last date shown, write "Continuing" after the last date.

(6) LOCATIONS WHERE EXPENSES WERE INCURRED–Enter the name of the city, town, or location where expenses were incurred. Abbreviations may be used.

(7) LODGING–Enter the actual cost of the lodging in accordance with and not to exceed the maximum amount authorized by current Department of Personnel Administration (DPA) regulations and bargaining agreements. A receipt is required for any lodging expense.

(8) MEALS–Enter the actual cost of each meal not to exceed the maximum amount for each meal as authorized by current DPA regulations and in accordance with bargaining agreements. Dinner column is to be used to claim dinner on regular travel, overtime meals, and long term and relocation daily meal expenses. Receipts for meals must be maintained by the employee as substantiation that the amount claimed was not in excess of the amount of actual expense.

OVERTIME MEAL AND BUSINESS RELATED MEAL–Enter the actual cost of the meal not to exceed the maximum amount authorized by current DPA regulations, and bargaining agreements. Refer to DPA Management Memos for receipt requirements.

(9) INCIDENTALS–The term incidentals includes, but is not limited to, expenses for laundry, cleaning and pressing of clothing, and fees and tips for services, such as for porters and baggage carriers. It does not include taxicab fares, lodging taxes or the costs of telegrams or telephone calls. Enter the total actual cost of incidentals not to exceed the maximum amount authorized by current DPA regulations and agreements.

(10) TRANSPORTATION–Purchase the least expensive round-trip or special rate ticket available. Otherwise the difference will be deducted from the claim. If you travel between the same points without using round-trip tickets, an explanation should be given.

(A) COST OF TRANSPORTATION–Enter the cost of purchased transportation. Show how transportation was obtained if fare was not purchased for cash. Use "CC" for credit card and "C" for cash. If transportation was paid by the State, enter method of payment only. Use "SCC" for State credit card, "TO" for ticket order or "BSA" for billed to State agency. Attach all passenger coupons and ticket order stubs including the unused portion of tickets, other credit documents or premiums, where credits or refunds are due to the State.

(B) TYPE OF TRANSPORTATION USED–Enter method of transportation used. Use "R" for railway, "B" for bus, airporter, light rail, or BART, "A" for scheduled commercial airline, "RA" for rental aircraft, "DA" for department-owned aircraft, "PA" for privately owned aircraft, "PC" for privately owned car, truck or other privately owned vehicles, "SV" for specially equipped vehicle for the handicapped, "SC" for State vehicles, "RC" for rental vehicles, "T" for taxi, and "BI" for bicycle. Supervisors shall not authorize the use of motorcycles on official State business, and no reimbursement will be allowed for motorcycles.

(C) CAR FARE, TOLLS, AND PARKING–Enter streetcar, ferry, local rapid transit, taxi, shuttle or hotel-bus fares, bridge and road tolls, and parking charges; attach a voucher for any parking charge in excess of $10.00 for any one continuous period of parking and each item of expense in this item.

(D) PRIVATE CAR USE–Enter number of miles traveled and amount due for mileage for the use of privately owned automobiles as authorized by current agreements and DPA regulations 599.631.

(11) BUSINESS EXPENSE–Claims for phone calls must include the place and party called. If charge exceeds $5.00, support by vouchers or other evidence. Emergency purchases of equipment, clothing or supplies, travel expenses of inmates, wards, or patients of institutions, and all other charges in excess of $1.00 require receipts and an explanation.

(12) ENTER TOTAL EXPENSES FOR DAY

(13) ENTER SUBTOTALS OR TOTALS

(14) PURPOSE OF TRIP, REMARKS OR DETAILS–Explain need for travel and any unusual expenses. Enter detail or explanation of items in other columns, if necessary. Vouchers must be provided for any miscellaneous item of expense.

(15) CLAIMANT'S CERTIFICATION AND SIGNATURE–Your signature certifies that expenses claimed were actually incurred as a result of conducting state business and that the cost of operating the vehicle is at or above the rate claimed.

(16) SIGNATURE OF OFFICER APPROVING PAYMENT–Certifies and authorizes travel; approves expenses as incurred on State business.

(17) SIGNATURE OF AUTHORITY FOR SPECIAL EXPENSES–When a claim for conference or convention expense under Sections 599.635 and 599.635.1 of the DPA regulations and detailed in SAM Section 0724 is included, or when reimbursement of a business expense exceeds $25.00 or when reimbursement for Bar dues or license fees is included, the signature of the approving officer is required, either on a separate document attached to this claim or by signature in this block.

* PRIVACY STATEMENT

The Information Practices Act of 1977 (Civil Code Section 1798.17) and the Federal Privacy Act (Public Law 93-579) require that the following notice be provided when collecting personal information from individuals.

AGENCY NAME: Appointing powers and the State Controller's Office (SCO).

UNITS RESPONSIBLE FOR MAINTENANCE: The accounting office within each appointing power and the Audits Division, SCO, 3301 C Street, Room 404, Sacramento, CA 95816.

AUTHORITY: The reimbursement of travel expenses is governed by Government Code Sections 19815.4(d), 19816, and 19820. These sections allow the Department of Personnel Administration (DPA) to establish rules and regulations which define the amount, time, and place that expenses and allowances may be paid to representatives of the State while on State business.

PURPOSE: The information you furnish will allow the above-named agencies to reimburse you for expenses you incur while on official State business.

OTHER INFORMATION: While your social security account number (SSAN) and home address are voluntary information under Civil Code Section 1798.17, the absence of this information may cause payment of your claim to be delayed or rejected. You should contact your department's Accounting Office to determine the necessity for this information.

OMB No. 1615-0047; Expires 08/31/12

Department of Homeland Security
U.S. Citizenship and Immigration Services

Form I-9, Employment Eligibility Verification

Instructions

Read all instructions carefully before completing this form.

Anti-Discrimination Notice. It is illegal to discriminate against any individual (other than an alien not authorized to work in the United States) in hiring, discharging, or recruiting or referring for a fee because of that individual's national origin or citizenship status. It is illegal to discriminate against work-authorized individuals. Employers **CANNOT** specify which document(s) they will accept from an employee. The refusal to hire an individual because the documents presented have a future expiration date may also constitute illegal discrimination. For more information, call the Office of Special Counsel for Immigration Related Unfair Employment Practices at 1-800-255-8155.

What Is the Purpose of This Form?

The purpose of this form is to document that each new employee (both citizen and noncitizen) hired after November 6, 1986, is authorized to work in the United States.

When Should Form I-9 Be Used?

All employees (citizens and noncitizens) hired after November 6, 1986, and working in the United States must complete Form I-9.

Filling Out Form I-9

Section 1, Employee

This part of the form must be completed no later than the time of hire, which is the actual beginning of employment. Providing the Social Security Number is voluntary, except for employees hired by employers participating in the USCIS Electronic Employment Eligibility Verification Program (E-Verify). **The employer is responsible for ensuring that Section 1 is timely and properly completed.**

Noncitizen nationals of the United States are persons born in American Samoa, certain former citizens of the former Trust Territory of the Pacific Islands, and certain children of noncitizen nationals born abroad.

Employers should note the work authorization expiration date (if any) shown in **Section 1**. For employees who indicate an employment authorization expiration date in **Section 1**, employers are required to reverify employment authorization for employment on or before the date shown. Note that some employees may leave the expiration date blank if they are aliens whose work authorization does not expire (e.g., asylees, refugees, certain citizens of the Federated States of Micronesia or the Republic of the Marshall Islands). For such employees, reverification does not apply unless they choose to present in Section 2 evidence of employment authorization that contains an expiration date (e.g., Employment Authorization Document (Form I-766)).

Preparer/Translator Certification

The Preparer/Translator Certification must be completed if **Section 1** is prepared by a person other than the employee. A preparer/translator may be used only when the employee is unable to complete **Section 1** on his or her own. However, the employee must still sign **Section 1** personally.

Section 2, Employer

For the purpose of completing this form, the term "employer" means all employers including those recruiters and referrers for a fee who are agricultural associations, agricultural employers, or farm labor contractors. Employers must complete **Section 2** by examining evidence of identity and employment authorization within three business days of the date employment begins. However, if an employer hires an individual for less than three business days, **Section 2** must be completed at the time employment begins. Employers cannot specify which document(s) listed on the last page of Form I-9 employees present to establish identity and employment authorization. Employees may present any List A document **OR** a combination of a List B and a List C document.

If an employee is unable to present a required document (or documents), the employee must present an acceptable receipt in lieu of a document listed on the last page of this form. Receipts showing that a person has applied for an initial grant of employment authorization, or for renewal of employment authorization, are not acceptable. Employees must present receipts within three business days of the date employment begins and must present valid replacement documents within 90 days or other specified time.

Employers must record in Section 2:

1. Document title;
2. Issuing authority;
3. Document number;
4. Expiration date, if any; and
5. The date employment begins.

Employers must sign and date the certification in **Section 2**. Employees must present original documents. Employers may, but are not required to, photocopy the document(s) presented. If photocopies are made, they must be made for all new hires. Photocopies may only be used for the verification process and must be retained with Form I-9. **Employers are still responsible for completing and retaining Form I-9.**

For more detailed information, you may refer to the *USCIS Handbook for Employers* (Form M-274). You may obtain the handbook using the contact information found under the header "USCIS Forms and Information."

Section 3, Updating and Reverification

Employers must complete **Section 3** when updating and/or reverifying Form I-9. Employers must reverify employment authorization of their employees on or before the work authorization expiration date recorded in **Section 1** (if any). Employers **CANNOT** specify which document(s) they will accept from an employee.

A. If an employee's name has changed at the time this form is being updated/reverified, complete Block A.

B. If an employee is rehired within three years of the date this form was originally completed and the employee is still authorized to be employed on the same basis as previously indicated on this form (updating), complete Block B and the signature block.

C. If an employee is rehired within three years of the date this form was originally completed and the employee's work authorization has expired **or** if a current employee's work authorization is about to expire (reverification), complete Block B; and:

1. Examine any document that reflects the employee is authorized to work in the United States (see List A **or** C);
2. Record the document title, document number, and expiration date (if any) in Block C; and
3. Complete the signature block.

Note that for reverification purposes, employers have the option of completing a new Form I-9 instead of completing **Section 3.**

What Is the Filing Fee?

There is no associated filing fee for completing Form I-9. This form is not filed with USCIS or any government agency. Form I-9 must be retained by the employer and made available for inspection by U.S. Government officials as specified in the Privacy Act Notice below.

USCIS Forms and Information

To order USCIS forms, you can download them from our website at www.uscis.gov/forms or call our toll-free number at 1-800-870-3676. You can obtain information about Form I-9 from our website at www.uscis.gov or by calling 1-888-464-4218.

Information about E-Verify, a free and voluntary program that allows participating employers to electronically verify the employment eligibility of their newly hired employees, can be obtained from our website at www.uscis.gov/e-verify or by calling 1-888-464-4218.

General information on immigration laws, regulations, and procedures can be obtained by telephoning our National Customer Service Center at 1-800-375-5283 or visiting our Internet website at www.uscis.gov.

Photocopying and Retaining Form I-9

A blank Form I-9 may be reproduced, provided both sides are copied. The Instructions must be available to all employees completing this form. Employers must retain completed Form I-9s for three years after the date of hire or one year after the date employment ends, whichever is later.

Form I-9 may be signed and retained electronically, as authorized in Department of Homeland Security regulations at 8 CFR 274a.2.

Privacy Act Notice

The authority for collecting this information is the Immigration Reform and Control Act of 1986, Pub. L. 99-603 (8 USC 1324a).

This information is for employers to verify the eligibility of individuals for employment to preclude the unlawful hiring, or recruiting or referring for a fee, of aliens who are not authorized to work in the United States.

This information will be used by employers as a record of their basis for determining eligibility of an employee to work in the United States. The form will be kept by the employer and made available for inspection by authorized officials of the Department of Homeland Security, Department of Labor, and Office of Special Counsel for Immigration-Related Unfair Employment Practices.

Submission of the information required in this form is voluntary. However, an individual may not begin employment unless this form is completed, since employers are subject to civil or criminal penalties if they do not comply with the Immigration Reform and Control Act of 1986.

Paperwork Reduction Act

An agency may not conduct or sponsor an information collection and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number. The public reporting burden for this collection of information is estimated at 12 minutes per response, including the time for reviewing instructions and completing and submitting the form. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: U.S. Citizenship and Immigration Services, Regulatory Management Division, 111 Massachusetts Avenue, N.W., 3rd Floor, Suite 3008, Washington, DC 20529-2210. OMB No. 1615-0047. **Do not mail your completed Form I-9 to this address.**

OMB No. 1615-0047; Expires 08/31/12

Department of Homeland Security
U.S. Citizenship and Immigration Services

Form I-9, Employment Eligibility Verification

Read instructions carefully before completing this form. The instructions must be available during completion of this form.

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) they will accept from an employee. The refusal to hire an individual because the documents have a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Verification *(To be completed and signed by employee at the time employment begins.)*

Print Name: Last	First	Middle Initial	Maiden Name
Address *(Street Name and Number)*		Apt. #	Date of Birth *(month/day/year)*
City	State	Zip Code	Social Security #

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following):

- ☐ A citizen of the United States
- ☐ A noncitizen national of the United States (see instructions)
- ☐ A lawful permanent resident (Alien #) _____
- ☐ An alien authorized to work (Alien # or Admission #) _____ until (expiration date, if applicable - *month/day/year*)

Employee's Signature | Date *(month/day/year)*

Preparer and/or Translator Certification *(To be completed and signed if Section 1 is prepared by a person other than the employee.) I attest, under penalty of perjury, that I have assisted in the completion of this form and that to the best of my knowledge the information is true and correct.*

Preparer's/Translator's Signature	Print Name
Address *(Street Name and Number, City, State, Zip Code)*	Date *(month/day/year)*

Section 2. Employer Review and Verification *(To be completed and signed by employer. Examine one document from List A OR examine one document from List B and one from List C, as listed on the reverse of this form, and record the title, number, and expiration date, if any, of the document(s).)*

	List A	OR	List B	AND	List C
Document title:					
Issuing authority:					
Document #:					
Expiration Date *(if any)*:					
Document #:					
Expiration Date *(if any)*:					

CERTIFICATION: I attest, under penalty of perjury, that I have examined the document(s) presented by the above-named employee, that the above-listed document(s) appear to be genuine and to relate to the employee named, that the employee began employment on *(month/day/year)* _____ and that to the best of my knowledge the employee is authorized to work in the United States. (State employment agencies may omit the date the employee began employment.)

Signature of Employer or Authorized Representative	Print Name	Title
Business or Organization Name and Address *(Street Name and Number, City, State, Zip Code)*		Date *(month/day/year)*

Section 3. Updating and Reverification *(To be completed and signed by employer.)*

A. New Name *(if applicable)*	B. Date of Rehire *(month/day/year) (if applicable)*

C. If employee's previous grant of work authorization has expired, provide the information below for the document that establishes current employment authorization.

Document Title: _____ Document #: _____ Expiration Date *(if any)*: _____

I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

Signature of Employer or Authorized Representative	Date *(month/day/year)*

LISTS OF ACCEPTABLE DOCUMENTS

All documents must be unexpired

LIST A Documents that Establish Both Identity and Employment Authorization	OR	LIST B Documents that Establish Identity	AND	LIST C Documents that Establish Employment Authorization
1. U.S. Passport or U.S. Passport Card		1. Driver's license or ID card issued by a State or outlying possession of the United States provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address		1. Social Security Account Number card other than one that specifies on the face that the issuance of the card does not authorize employment in the United States
2. Permanent Resident Card or Alien Registration Receipt Card (Form I-551)				2. Certification of Birth Abroad issued by the Department of State (Form FS-545)
3. Foreign passport that contains a temporary I-551 stamp or temporary I-551 printed notation on a machine-readable immigrant visa		2. ID card issued by federal, state or local government agencies or entities, provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address		3. Certification of Report of Birth issued by the Department of State (Form DS-1350)
4. Employment Authorization Document that contains a photograph (Form I-766)		3. School ID card with a photograph		
		4. Voter's registration card		4. Original or certified copy of birth certificate issued by a State, county, municipal authority, or territory of the United States bearing an official seal
5. In the case of a nonimmigrant alien authorized to work for a specific employer incident to status, a foreign passport with Form I-94 or Form I-94A bearing the same name as the passport and containing an endorsement of the alien's nonimmigrant status, as long as the period of endorsement has not yet expired and the proposed employment is not in conflict with any restrictions or limitations identified on the form		5. U.S. Military card or draft record		
		6. Military dependent's ID card		
		7. U.S. Coast Guard Merchant Mariner Card		5. Native American tribal document
		8. Native American tribal document		6. U.S. Citizen ID Card (Form I-197)
		9. Driver's license issued by a Canadian government authority		
		For persons under age 18 who are unable to present a document listed above:		7. Identification Card for Use of Resident Citizen in the United States (Form I-179)
6. Passport from the Federated States of Micronesia (FSM) or the Republic of the Marshall Islands (RMI) with Form I-94 or Form I-94A indicating nonimmigrant admission under the Compact of Free Association Between the United States and the FSM or RMI		10. School record or report card		8. Employment authorization document issued by the Department of Homeland Security
		11. Clinic, doctor, or hospital record		
		12. Day-care or nursery school record		

Illustrations of many of these documents appear in Part 8 of the Handbook for Employers (M-274)

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