

**EL DORADO COUNTY FAIR
ASSOCIATION**

**FINANCIAL STATEMENTS – INCOME TAX BASIS
AND INDEPENDENT AUDITOR’S REPORT
for the year ended December 31, 2023**

ROBERT W. JOHNSON
Certified Public Accountant

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Robert W. Johnson
an accountancy corporation

6234 Birdcage Street, Citrus Heights, California 95610 | robertwjohansoncpagroup@gmail.com | 916.723.2555
www.bob-johnson-cpa.com

Independent Auditor's Report

To the Board of Directors
El Dorado County Fair Association
Placerville, California

Opinion

We have audited the accompanying financial statements of El Dorado County Fair Association (the Association), which comprise the statement of assets, liabilities, and net assets —income tax basis as of December 31, 2023, and the related statements of support, revenues, expenses, and other changes in net assets —income tax basis, and of cash flows—income tax basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with the basis of accounting the Association uses for income tax purposes as described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Association uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting described in Note 2; this includes determining that the income tax basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California
May 23, 2024

EL DORADO COUNTY FAIR ASSOCIATION
 STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – INCOME TAX BASIS
 December 31, 2023

ASSETS

Current assets:		
Cash and investments (Note 3)		\$1,721,918
Accounts receivable	\$ 56,370	
Less, allowance for doubtful accounts	<u> -</u>	
Other receivables		56,370
Prepaid expenses		40,950
		<u>19,268</u>
Total current assets		1,838,506
Capital assets, at cost (Note 4)	6,878,876	
Less accumulated depreciation	<u>4,292,073</u>	
	2,586,803	
Construction in progress	<u>43,048</u>	
		<u>2,629,851</u>
		<u>\$4,468,357</u>

See notes to financial statements – Income Tax Basis

LIABILITIES AND NET ASSETS

Current liabilities:

Current portion of long-term debt (Note 5)	\$ 22,809
Accounts payable	22,696
Payroll liabilities	949
Guarantee deposits	3,800
Compensated absences	55,154
Deferred revenue	<u>55,783</u>

Total current liabilities 161,191

Long-term debt, net of current portion (Note 5) 68,427

Net assets:

Net assets 4,238,739

\$4,468,357

EL DORADO COUNTY FAIR ASSOCIATION
STATEMENT OF SUPPORT, REVENUES, EXPENSES, AND OTHER CHANGES IN NET
ASSETS – INCOME TAX BASIS
for the year ended December 31, 2023

Revenues and support:

State allocation and other assistance		\$ 40,000
Grants		98,072
Admissions		371,260
Commercial space		84,551
Concessions		171,936
Carnival		210,103
Exhibits		34,259
Horse show		23,628
Fair attractions - interim		91,919
Miscellaneous Fair		69,846
Capital bar revenue		81,179
Interim buildings & grounds rental		192,796
Interim revenue		208,157
RV space rentals		94,472
Racetrack rental		78,500
Interest income		21,655
Prior year revenue		200
Other revenue		<u>3,586</u>
 Total revenues		 1,876,119

Expenses:

Administration		\$ 473,918
Maintenance and operations		631,663
Publicity		46,733
Attendance		95,015
Miscellaneous Fair		51,705
Miscellaneous Non-Fair		52,808
Premiums		21,088
Exhibits		44,368
Horse Show		18,615
Fair entertainment		128,633

See notes to financial statements – Income Tax Basis

EL DORADO COUNTY FAIR ASSOCIATION
 STATEMENT OF SUPPORT, REVENUES, EXPENSES, AND OTHER CHANGES IN NET
 ASSETS – INCOME TAX BASIS, continued
 for the year ended December 31, 2023

Expenses, continued:		
Interim entertainment	\$ 20,951	
Equipment - minor	-	
Prior year expense	(8,065)	
Cash under (over)	(1,410)	
Other expense	-	
Depreciation	<u>168,235</u>	
Total expenses		<u>\$1,744,257</u>
Increase (decrease) in net assets		131,862
Net assets at beginning of year		<u>4,106,877</u>
Net assets at end of year		<u>\$4,238,739</u>

See notes to financial statements – Income Tax Basis

EL DORADO COUNTY FAIR ASSOCIATION
STATEMENT OF CASH FLOWS – INCOME TAX BASIS
for the year ended December 31, 2023

Cash flows from operating activities:		
Increase in net assets		\$ 131,862
Adjustments to reconcile increase in net assets		
to net cash provided to		
operating activities:		
Depreciation	\$ 168,235	
Changes in operating assets		
and liabilities:		
Accounts receivable	500,573	
Prepaid expenses	10,373	
Accounts payable	(61,507)	
Guarantee deposits	(3,891)	
Compensated absences	17,985	
Deferred revenue	<u>16,000</u>	
Total adjustments		647,768
Cash flows from investing activities:		
Construction in progress and capital improvements		(567,173)
Cash flows from financing activities:		
Decrease – LT debt		<u>(22,809)</u>
Net increase in cash and cash equivalents		189,648
Cash and cash equivalents:		
Beginning of year		<u>1,532,270</u>
End of year		<u>\$1,721,918</u>

See notes to financial statements – Income Tax Basis

EL DORADO COUNTY FAIR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS – INCOME TAX BASIS
for the year ended December 31, 2023

1. Organization:

El Dorado County Fair Association (the “Association”) was formed in 1952, and became a 501(c)(3) non-profit corporation in 1990.

The Association was created to manage the Fairgrounds annually and conduct the County Fair each year in Placerville, CA.

The grounds, buildings, operations and improvements are paid for through revenues created on the fairgrounds for the Fair Association. Revenues are collected during the annual fair, interim rentals, horse shows, fundraisers, such as Crab Feeds, wine awards ceremonies, and collaborations with other groups in El Dorado County.

The Board of Directors is made up of 11 Board Members, all four year terms, no term limits: five are appointed by the five Supervisor Districts in El Dorado County and the remaining six, voted in by Association Members, which pay annual dues to continue membership. The Board of Directors is responsible for hiring the CEO (Secretary/Manager) and setting policy. The CEO is responsible for daily operations.

2. Significant Accounting Policies:

The financial statements of El Dorado County Fair Association have been prepared in conformity with the basis of accounting the Association uses for income tax purposes. The more significant of the Association’s accounting policies are described below.

Basis of Accounting

The accounting records and the accompanying financial statements have been maintained and prepared on the accrual method of accounting in accordance with practices permitted for federal income tax purposes, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The following are the more significant differences between tax basis and GAAP:

EL DORADO COUNTY FAIR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS – INCOME TAX BASIS, continued
for the year ended December 31, 2023

2. Significant Accounting Policies, continued:

Basis of Accounting, continued

1. As permitted for income tax reporting purposes, the Association records contributions and grants when they are received or pledged. Restricted funds are recognized as revenue in the appropriate fund upon the Associations' compliance with the specific restrictions. Amounts received but not yet recognized are recorded as deferred restricted support in the accompanying statement of assets, liabilities, and net assets – income tax basis. Under GAAP, contributions received would be recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence or nature of any donor restrictions. Contributions with donor restrictions would be reclassified to net assets without donor restrictions upon compliance with the specific restrictions. In addition, GAAP would require pledges receivable to be collected in greater than one year to be recorded at their present value in the accompanying financial statements.
2. As permitted for income tax reporting purposes, the Association has not implemented all of the financial reporting requirements of GAAP. Specifically, the Association has not classified the difference between its assets and liabilities as net assets without donor restrictions and net assets with donor restrictions based on the existence or absence of donor-imposed restrictions. In addition, the Association has not reported the changes in each of those classes of net assets in the accompanying financial statements. That presentation is required by GAAP.
3. The Association received donated services and facilities that are not reflected in the accompanying financial statements. Under GAAP, the fair value of contributed services meeting certain requirements would be recognized as contributions and charged to assets or expenses in the accompanying financial statements.
4. As permitted for income tax reporting purposes, the Association recognizes revenue upon completion of services provided under authorized contractual agreement. Under GAAP, revenue is recognized when its transfers promised goods or services to customers in an amount that reflect the consideration to which the organization expects to be entitled in exchange for those goods or services. In doing so, organizations will need to use more judgement and make more estimates under current guidance. These judgements may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

EL DORADO COUNTY FAIR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS – INCOME TAX BASIS, continued
for the year ended December 31, 2023

2. Significant Accounting Policies, continued:

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting the Association uses for income tax purposes requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash in checking, savings and County cash are considered to be cash and cash equivalents.

Income Taxes

The Association is a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. No activities are considered unrelated business income, thus no provision for income taxes required at December 31, 2023.

The preparation of the financial statements in conformity with the basis of accounting the Association uses for income tax purposes requires the Association to report information regarding its exposure to various tax positions taken. The Association has evaluated its uncertain tax positions and related income tax contingencies. The Association does not believe that any material uncertain tax positions exist. The Association's returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California tax authorities.

Investments

Investments consist of deposits in an investment pool maintained by the El Dorado County Treasurer. The Association also maintains checking and saving accounts with local banks.

EL DORADO COUNTY FAIR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS – INCOME TAX BASIS, continued
for the year ended December 31, 2023

2. Significant Accounting Policies, continued:

Revenue Recognition

Generally, the Association recognizes revenues upon completion of services provided under authorized contractual agreements.

Donated Services

The Association receives donated services from a variety of unpaid volunteers for both program and supporting services. No amounts have been recognized in the accompanying financial statements.

Property and Equipment

Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired asset, if greater than \$5,000 and a useful life of one or more years, is recorded at cost.

Depreciation is computed using the straight-line method over the estimated useful life of the asset. Buildings and improvements are depreciated over 5 to 30 years, and equipment is depreciated over 5 years. Capitalized infrastructure assets, such as drainage systems and paving, may be depreciated over 20 to 40 years.

Compensated Absences

Vested or accumulated vacation, personal leave and compensatory time off that are expected to be liquidated with expendable available financial resources are reported as an expense and as a current liability. Sick pay is not vested.

EL DORADO COUNTY FAIR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS – INCOME TAX BASIS, continued
for the year ended December 31, 2023

3. Cash and Investments:

Cash and investments as of December 31, 2023 consisted of the following:

Petty cash	\$ 200
Checking accounts	585,322
Cash with County – operating	<u>1,136,396</u>
Total cash and investments	<u>\$1,721,918</u>

At December 31, 2023, the carrying amount of the Fair's deposits was \$1,721,918 and the balance in financial institutions was \$1,749,290. Of the balance in the financial institutions, \$250,000 was covered by federal depository insurance and \$1,499,290 was collateralized as required by State Law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the Fair and other agencies, but not in the name of the Fair.

EL DORADO COUNTY FAIR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS – INCOME TAX BASIS, continued
for the year ended December 31, 2023

4. Capital Assets:

Changes in capital assets for the year ended December 31, 2023 are as follows:

	Balance, January 1, <u>2023</u>	<u>Additions</u>	<u>Disposals</u>	Balance, December 31, <u>2023</u>
Land	\$ 90,987	\$ -	\$ -	\$ 90,987
Buildings	5,947,740	412,385	-	6,360,125
Equipment	<u>282,458</u>	<u>145,306</u>	<u>-</u>	<u>427,764</u>
	<u>\$6,321,185</u>	<u>\$ 557,691</u>	<u>\$ -</u>	<u>\$6,878,876</u>

	Balance, January 1, <u>2023</u>	<u>Additions</u>	<u>Transfers</u>	Balance, December 31, <u>2023</u>
Construction in progress:				
Placerville Dr. gatehouse	\$ 19,546	\$ 359	\$ 19,905	\$ -
Capital Bar	3,920	3,778	7,698	-
Blue Gate	3,100	-	-	3,100
Board room renovation	<u>7,000</u>	<u>32,948</u>	<u>-</u>	<u>39,948</u>
	<u>\$ 33,566</u>	<u>\$ 37,085</u>	<u>\$ 27,603</u>	<u>\$ 43,048</u>

EL DORADO COUNTY FAIR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS – INCOME TAX BASIS, continued
for the year ended December 31, 2023

5. Long-term Debt:

Long-term debt activities for the year ended December 31, 2023 are as follows:

	<u>2022</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2023</u>	<u>Current Portion</u>
EDC Risk Management	\$ <u>114,045</u>	\$ <u>-</u>	\$ <u>22,809</u>	\$ <u>91,236</u>	\$ <u>22,809</u>

In 2017-18 fiscal year, the cumulative general liability allocated insurance and allocated claims payments totaled \$228,087, due to El Dorado County (EDC Risk Management). El Dorado County agreed to have the Association pay the liability in 10 equal payments of \$22,809, payable on June 1 of each year, and bears no interest.

The future annual maturities of all long-term borrowings as of December 31, 2023 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 22,809	\$ -	\$ 22,809
2025	22,809	-	22,809
2026	22,809	-	22,809
2027	<u>22,809</u>	<u>-</u>	<u>22,809</u>
	<u>\$ 91,236</u>	<u>\$ -</u>	<u>\$ 91,236</u>

EL DORADO COUNTY FAIR ASSOCIATION
NOTES TO FINANCIAL STATEMENTS – INCOME TAX BASIS, continued
for the year ended December 31, 2023

6. Defined Benefit Retirement Plan:

CalPERS

Plan Description

The Association contributes to the Miscellaneous Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issue a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute, depending on whether or not they are classic CalPERS (7.00%) or PEPRA (7.75%/8.25%), and the Association is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates are as follows:

January 1, 2023-June 30, 2023	9.31%
July 1, 2023-December 31, 2023	10.21%

The Association's contributions to CalPERS for fiscal year ending December 31, 2023, were \$81,475, and equal 100 percent of the required contributions for each year.

7. Subsequent Events:

Management has evaluated subsequent events through May 23, 2024, the date these December 31, 2023 financial statements were available to be issued.

SUPPLEMENTAL DATA

EL DORADO COUNTY FAIR ASSOCIATION
SCHEDULE OF AGED ACCOUNTS RECEIVABLE – INCOME TAX BASIS
December 31, 2023

	<u>Amount</u>
1 - 30 days	\$ 18,134
31 - 60 days	5,235
61 - 90 days	5,668
91 days and over	<u>27,333</u>
Total	<u>\$ 56,370</u>

EL DORADO COUNTY FAIR ASSOCIATION
SUMMARY COMPARISON – BUDGET – INCOME TAX BASIS
Year Ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Operating revenues and support	\$1,534,350	\$1,739,531	\$ 205,181
Operating expenses	<u>1,532,363</u>	<u>1,577,506</u>	<u>(45,143)</u>
	<u>1,987</u>	<u>162,025</u>	<u>160,038</u>
Other income (expense):			
State allocation and other	425,820	138,072	(287,748)
Depreciation expense	<u>(110,000)</u>	<u>(168,235)</u>	<u>(58,235)</u>
	<u>315,820</u>	<u>(30,163)</u>	<u>(345,983)</u>
Increase (decrease) in net assets	<u>\$ 317,807</u>	<u>\$ 131,862</u>	<u>\$ (185,945)</u>