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Alaska State Legislature

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POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
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Senate

Committee on Resources

May 18, 1981
1:30 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

Senator Fahrenkamp
Senator Mulcahy
Senator Eliason
Senator Gilman
Senator Bradley
Senator Sturgulewski

Hearing:

- SJR 45 Relating to construction of the Snettisham II (Crater Lake) hydroelectric project.
- SB 370 An Act making a special appropriation to the Department of Community and Regional Affairs for a Bristol Bay Native Association gardening project.
- SB 401 An Act cancelling certain claims for reimbursement of state money granted to fair associations as state aid to fairs.
- HB 216 An Act authorizing the Alaska Agricultural Action Council to construct and dispose of grain terminals and elevators.

Senator Sturgulewski put forth the motion to move SB 370 with individual recommendations.

Senator Gilman put forth the motion to move SB 401 with individual recommendations.

Staff suggested amending HB 216 inserting an effective date clause. Senator Mulcahy put forth the motion to add an immediate effective date clause starting on page 1, line 17 which was accepted. Senator Mulcahy put forth the motion to move HB 216, as amended, with individual recommendations.

SENATE RESOURCES COMMITTEE

Page: 2

May 18, 1981

Phil Holdsworth stated that SJR 45 recommends that the funds be expended to complete Phase II of the Snettisham hydroelectric project. Phase II needs to be completed because all of the new homes under construction in Juneau are electric. There are plans to build a transmission line to Hoonah, which will go near the Greens Creek mining operation. The existing facility will not be able to handle the extra usage.

Senator Eliason put forth the motion to add another "Whereas" to the resolution pointing out the plans for Hoonah and the Greens Creek mining operation.

Senator Mulcahy put forth the motion to move CSSJR 45 (res) with individual recommendations.

The Committee adjourned at 2:05 p.m.

(8) ANTI-LITTER PROGRAM:

One of the development problems experienced in Bethel is the high cost of landfill when dirt and gravel must be used as fill. In order to attempt to alleviate this problem and to alleviate the problem involved in disposing of old cars, trucks and other steel items that currently litter the riverfront and other areas of town, the City of Bethel is interested in constructing a large crusher. This crusher would allow us to take the debris around town, crush it, and use it as landfill, thus reducing the costs incurred when trying to develop certain areas of town. We believe this project will assist growth in Bethel both by enabling us to clean areas of town currently littered with steel items and to provide landfill as a cheaper cost that can be done at present. Estimated cost: \$25,000.

(9) YUKON-KUSKOKWIM STATE FAIR FORGIVENESS:

The Yukon-Kuskokwim State Fair Committee receives funding for some of its activities from the State of Alaska. A recent audit of those funds has specified an audit exception of \$39,000. This audit exception is due to a misunderstanding of the regulations governing the use of State funds in this area. The Yukon-Kuskokwim State Fair Committee does not have the funds to reimburse the State of Alaska the full amount, therefore, we herein request that the State forgive this debt. Cost: \$39,000.

(10) FAMILY SHELTER:

Domestic violence has become a world wide problem. The City of Bethel, and the surrounding area, is no exception to this statement. A Family Shelter is currently operated in Bethel by the Tundra Womens Coalition (T.W.C.) in an aging quonset hut leased to them by the City of

A SPECIAL REVIEW OF THE
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AID TO AGRICULTURAL AND
INDUSTRIAL FAIRS PROGRAM

February 1, 1980

Commissioner, Department of
Natural Resources
Deputy Commissioner, Department
of Natural Resources

Robert E. LeResche

Geoffrey Haynes

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Department of Natural Resources	24(a)

PURPOSE OF THE REVIEW

In accordance with a special request of the Legislative Budget and Audit Committee and Title 24 of the Alaska Statutes, a review of the Department of Natural Resources, Division of Agriculture, Aid to Agricultural and Industrial Fairs Program, was conducted to determine:

1. if the financial statements appearing in the State's Annual Financial Report for Fiscal Year 1979 are fairly presented;
2. the compliance by the Division of Agriculture and the State fair associations with Title 3, Chapter 20 of the Alaska Statutes; and
3. the effectiveness and efficiency of the Division of Agriculture's management of the program.

Twelve fair associations received operation and maintenance funds totaling \$165,500 in Fiscal Year 1979 (Appendix A). Since state aid to Sitka was returned, our scope included the remaining eleven. Field audits were conducted on eight of the eleven fairs which enabled us to review 96% of the operation and maintenance state aid disbursed during the period. State aid disbursed during Fiscal Year 1978 was reviewed at those fair associations where it appeared appropriate.

Six of the fair associations received a total of \$163,000 in capital improvement aid for Fiscal Year 1979. The audit focused on the use of the Fiscal Year 1979 funds as well as the use of state aid disbursed for capital improvements during the past four to five years.

ORGANIZATION AND FUNCTION

The original statute establishing the Aid to Agricultural and Industrial Fairs Program was passed in 1925 and amended in 1927. The 1927 amendment provides the framework for the current law with much of the language still intact. The major revisions that have been made since 1927 are the following:

1. Available funding has risen from \$2,000 per judicial district in 1927 to a maximum of \$25,000 per house district, providing the fair has been operating at least ten years. Otherwise, the current maximum is \$8,000. These amounts will change again, effective July 1, 1980. A fair will be eligible to receive \$2,500 for each year of existence to a maximum of \$75,000. Fairs in existence less than five years may receive a basic grant of \$10,000. These funds are to be used for operation and maintenance costs (O&M).
2. Effective in 1967, the first and only restriction placed on the expenditure of O&M funds resulted from AS 03.20.030(c) which requires at least 25% of O&M funds received be used for premiums or transportation costs of exhibits.
3. In 1972, another category of available funding for fairs was created in the form of capital improvement grants. Such grants have no maximums and may be disbursed by the fair associations over a five-year period.

Before statehood, the program was under the authority of the Territorial Governor. In 1959, the Governor assigned the program to the Department of Natural Resources and it is currently administered by the Division of Agriculture.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The Division should require reimbursement of State operation and maintenance funds in the amount of \$39,000 from the Yukon-Kuskokwim Fair Association (Y-K).

Y-K is not in compliance with AS 03.20.020 and AS 03.20.030(a) and (b) which provides that fair associations are not eligible for State aid unless they spend, from their own funds, an amount at least equal to the State aid received. The application process for these operation and maintenance funds requires a certificate to this effect be signed by the president and treasurer of the fair association. The resulting pledge, based on the language of the statutes, presumes that the fair associations will spend their internally-generated funds before any State funds can be used so that a proper match is achieved.

Y-K received \$19,500 of operation and maintenance aid to be applied to their February, 1978 and 1979 fairs. However, the funds never were applied since total cash expenditures (Appendix B) were below the \$19,500 level in both years. In 1978, Y-K claimed \$31,000 of donated labor and materials which, if added to total cash expenditures, would place them over the minimum required expenditure level of \$39,000. The donations were accepted by the Division, but we found no authority in the statutes to allow the donations. A 1979 amendment to AS 03.20.020, effective July 1, 1980, provides the first statutory reference to allowable donations, thus indicating that there had not been legislative intent on this issue prior to the amendment. A memorandum of our attorney's opinion is shown at pages 17 and 18 of this report clearly indicating donated items can not be included as local matching funds. The Y-K donations, in addition to being unsupported by statute, could not be substantiated during our field audit making the donations disallowable in any case.

Recommendation No. 2

The Division should require reimbursement of State operation and maintenance funds in the amount of \$1,242 from the Southeast Alaska State Fair Association.

Southeast is not in compliance with AS 03.20.020 and AS 03.20.030 (a) and (b) which provides that fair associations are not eligible for State aid unless they spend, from their own funds, an amount at least equal to the State aid received. The application process for these operation and maintenance funds requires a certificate to this effect be signed by the president and treasurer of the fair association. The resulting pledge, based on the language of the statutes, presumes that the fair associations will spend their internally-generated funds before any State funds can be used so that a proper match is achieved.

Southeast received \$25,000 of operation and maintenance aid in 1978. Their total cash expenditures of \$48,758 (Appendix D) were below the minimum required expenditure level of \$50,000. As with Y-K, Southeast claimed enough donations (\$11,000) to increase total expenditures above the minimum. Southeast had been advised by the Division in writing that such donations would satisfy the matching requirement. As explained in Recommendation No. 1, we are questioning the donations due to the lack of statutory authority.

Recommendation No. 3

The Division should require reimbursement of state operations and maintenance funds in the amount of \$23,906 from the Kodiak Rodeo and State Fair Association (Kodiak).

Kodiak is not in compliance with AS 03.20.020 and AS 03.20.030 (a) and (b) which provides that fair associations are not eligible for State aid unless they spend, from their own funds, an amount at least equal to the State aid received. The application process for these operation and maintenance funds requires a certificate to this effect be signed by the president and treasurer of the fair association. The resulting pledge, based on the language of the statutes, presumes that the fair associations will spend their internally-generated funds before any State funds can be used so that a proper match is achieved.

Kodiak received \$25,000 of operation and maintenance aid in 1978. Their total cash expenditures of \$26,094 (Appendix E) were below the minimum required expenditure level of \$50,000. Kodiak claimed \$1,200 of donations which are unallowable pursuant to our attorney's opinion of the relevant statutes (see Recommendation No. 1).

The results for 1979 were not completely available for audit as of the end of our field work due to the continuous financial activity of the fair association.

Recommendation No. 4

AS 03.20.070(b) should be amended to reduce from five years to two years the period of time that fair associations may retain unspent State aid for capital improvements.

AS 03.20.035 describes the procedure for fair associations to receive State aid for capital improvements. A five-year capital improvement plan must be submitted as part of the application. Once the application is approved and funds disbursed to the associations, AS 03.20.070 allows the associations to retain the unspent funds for the entire five-year period covered by the plan.

For example, an association may retain for four years in an interest bearing account a large capital improvement grant and spend the funds in the fifth year.

The Yukon Nuskokwim Fair Association has received in total, \$42,000 capital funding during the last three fiscal years (1977-79). Although Y-K filed the required five-year plan, during our field work the Fair Association could not describe any current plans to utilize the funds. Interest earned during the three year period on these funds has been approximately \$4,000.

With the exception of Y-K and the Ninilchik Fair Association, which took 31 months to spend a \$50,000 grant, capital funding by other fairs has been spent within a two-year period. By requiring these funds to be spent within two years, the Division would have better control over the use of those funds and the state would not lose as much interest income by disbursing funds so far in advance of their being needed.

Recommendation No. 5

The Division should exercise more effective control over the Program through the following measures which should not result in staff increases:

- a. Preparation of a manual for distribution to the fair associations outlining, in simple form, their operating, accounting, and reporting responsibilities under the statutes.
- b. Modification of the annual report format to provide for specific donation and premium data which will be necessitated by the enactment of AS 03.20.020(c) and (d).

The growth in State fair funding is evidenced by the fact that capital improvements increased from \$163,000 in Fiscal Year 1979 to \$585,000 in Fiscal Year 1980. While the operation and maintenance budgets did not increase in Fiscal Year 1980, a major increase is expected in Fiscal Year 1981, when the maximum funding level increases from \$25,000 to \$75,000.

Whether or not expected increases in State aid appropriations actually occur, we believe the better controls are necessary because of the problems noted in Recommendations 1, 2 and 3, and from the following examples of findings at various fairs:

1. The Palmer Fair has not been including the cost of labor in the valuation of capital assets.
2. The Y-K Fair included as its gross revenue the sale of arts and crafts by local residents.
3. The Ninilchik Fair understated 1978 revenues and expenditures by omitting seven months of financial activity.
4. Deficiencies at various fairs were noted in the internal control of cash collected during fairs.

Turnover of board members is a constant problem for the smooth operation of the fairs, particularly the smaller fairs. Some board members also feel there is a need for improved communications between their fairs and the Division. Preparation of a manual designed to guide fair boards toward procedures which comply with statutes would help alleviate these problems as well as provide the Division with a more definitive set of detailed rules. Such a manual could act as the quick reference for fair management in understanding Division policy and for planning their own operations in accordance with that policy.

In order to properly account for fair operations in accordance with the new statutes, and to increase understanding on the part of the fairs, the following revisions to the current annual report form are recommended:

1. Include a line for the amount of donations allowed under AS 03.20.020(c). Effective July 1, 1980, the fairs will be allowed to use donated labor, materials, or services in amounts up to 50% of their operation and maintenance aid. The donations should be reported under the "Fair Funds" column.
2. Detail for the expenditures of premiums should be provided on the form since the Division will need to compare the reported use of premiums to the newly-defined allowable premium criteria as found in AS 03.20.020(d).

The intent behind the report format should be fully explained in the proposed manual. We noted most part-time bookkeepers of the smaller fairs were confused by the separate columns for State Aid and Fair Funds and wondered why the exhibit information was needed.

Recommendation No. 6

The Division should ensure that prior year annual reports are received and reviewed before current year funds are disbursed to fair associations.

The Division disbursed \$24,500 of Fiscal Year 1980 operation and maintenance funds to Kodiak prior to receipt of their 1978 annual report (due January 20, 1979). The effect of this was to allow the entitlement of state funds under the program before statutory compliance of prior years' fairs could be verified. In the case of the 1978 fair, Kodiak was not in compliance (Recommendation No. 3), but the Division was not aware of this at the time of the release of the funds in July of 1979.

The Division has had a long-standing policy of requiring an annual report on the prior fair before disbursing new State aid; however, in this instance, it was not followed. One way to provide assurance that the policy is followed would be to insert a checklist of requirements in each fair's file and have the Division's program manager mark the date of receipt so that requirements are not overlooked.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99801
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 4, 1980

SUBJECT: Donated labor and materials as matching for
fair grants

TO: Gerald L. Wilkerson
Legislative Auditor

FROM: Billy G. Berrier *BGB*
Director
Division of Legal Services

RECEIVED

MAR 4 1980

LEGISLATIVE
AUDIT

You have asked whether in our opinion the value of donated labor and materials may be used to meet matching requirements of AS 03.20.020. You have furnished us with background materials including a letter from the Division of Agriculture stating these can be allowed.

In my opinion, the statute is clear that the matching requirement is a money, not an in-kind, match. The interpretation of the Division to the contrary may not be relied on when the law is clear. The in-kind match of up to 50 percent is allowed effective July 1, 1980, under certain conditions, by AS 03.20.020(c); but this is not relevant to the situation you are auditing.

Before the amendment effective July 1, 1980, AS 03.20.020(a) read:

"Sec. 03.20.020. AMOUNT AND CONDITIONS OF AID. (a) Fairs may be held each year in each of the house election districts and state aid for the operation and maintenance of the fairs may not exceed the sum of \$25,000 each for fairs having an annual event the 10 previous years and may not exceed \$8,000 for other fairs held annually. The people of each district sponsoring a fair are not eligible for state aid unless they subscribe to spend from their own funds for that purpose an amount equal to the amount of the state aid and have or organize an

Gerald L. Wilkerson
Page 2
March 4, 1980

agricultural and industrial fair association for the operation and maintenance of the fair. Each fair receiving state aid is open to entries by the people of the whole state and special provision shall be made for exhibits from boys' and girls' clubs.

"(b) An agricultural and industrial fair association qualifying for and applying for operation and maintenance grants may also apply for capital improvement grants."
(emphasis supplied)

Further AS 03.20.030(b) provides in relevant part:

". . . Each association shall furnish a statement executed and acknowledged by the president and secretary, covering the disbursements by the association of all operation and maintenance funds, for fairs held under this chapter. The statement shall definitely set forth that whenever any state aid money has been disbursed that a like amount of fair association fund money has been expended and that in no instance has the expenditure of state money exceeded the expenditure of fair association money. . . ." (emphasis supplied)

The language is clear and unambiguous. The fair associations are required to spend from their own funds an amount equal to the state aid and show that whenever any state aid money has been disbursed a like amount of fair association money has been expended. Both "spend" and "money" have clear meaning in popular usage and there is no indication they were used in any other sense here.

Although it is unfortunate that fair associations may have been misled by the Division, an administrative interpretation of the law cannot vary the clear terms of the law; and a person is not entitled to rely on that interpretation and thereby fail to comply with the law.

In my opinion, your recommendations are those required by the law. Any relief, if this situation the fair associations now find themselves in is considered unfair, would be legislative.

BGB:jdn

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU, ALASKA 99811

February 1, 1980

Members of the
Legislative Budget and Audit Committee:

We have examined the Statement of Expenditures and Encumbrances Compared With Appropriations for Operating Programs and the Statement of Expenditures and Encumbrances Compared with Appropriations for Capital Outlays for the Department of Natural Resources, Division of Agriculture, State Aid to Agricultural and Industrial Fairs Program, for the Fiscal Year ending June 30, 1979. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the appropriations, expenditures, encumbrances, and closing balances of the Department of Natural Resources, Division of Agriculture, State Aid to Agricultural and Industrial Fairs Program, at June 30, 1979, in accordance with the accounting policies as stated in Note 1, on a basis consistent with that of the preceding year.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

STATE OF ALASKA
 DEPARTMENT OF NATURAL RESOURCES
 DIVISION OF AGRICULTURE
 AID TO AGRICULTURAL AND INDUSTRIAL FAIRS
 STATEMENT OF EXPENDITURES AND ENCUMBRANCES
 COMPARED WITH APPROPRIATIONS FOR OPERATING PROGRAMS
 July 1, 1978 - June 30, 1979

<u>Budget Category</u>	<u>1978-1979 Budget Act</u>	<u>Continuations Supplementals and Revisions</u>	<u>Total Authorizations</u>	<u>Expenditures</u>	<u>Encumbrances at Close of Year</u>	<u>Unencumbered Continuing Programs</u>	<u>Balances Lapsed</u>
<u>Development</u>							
State Fairs	\$165,500	\$-0-	\$165,500	\$165,500	\$(5,054)	\$-0-	\$5,054
<u>Total Budget Category</u>	<u>\$165,500</u>	<u>\$-0-</u>	<u>\$165,500</u>	<u>\$165,500</u>	<u>\$(5,054)</u>	<u>\$-0-</u>	<u>\$5,054</u>
<u>By Object</u>							
Assistance, Grants and Benefits	\$165,500	\$-0-	\$165,500	\$165,500	\$(5,054)	\$-0-	\$5,054
<u>Totals By Object</u>	<u>\$165,500</u>	<u>\$-0-</u>	<u>\$165,500</u>	<u>\$165,500</u>	<u>\$(5,054)</u>	<u>\$-0-</u>	<u>\$5,054</u>
<u>Source of Funds</u>							
<u>General Fund</u>							
Appropriation Act (SIA 1978 Chapter 113)	\$165,500						
<u>Total Source of Funds</u>	<u>\$165,500</u>						

See Accompanying Notes to the Financial Statements

STATE OF ALASKA
DIVISION OF LEGISLATIVE AUDIT

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
AID TO AGRICULTURAL AND INDUSTRIAL FAIRS
STATEMENT OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH APPROPRIATIONS FOR CAPITAL OUTLAYS
July 1, 1978 - June 30, 1979

<u>Budget Category</u>	<u>1978-1979 Budget Act</u>	<u>Continuations Supplementals and Revisions</u>	<u>Total Authorizations</u>	<u>Expenditures</u>	<u>Encumbrances at Close of Year</u>	<u>Balances</u>	
						<u>Continuing Programs</u>	<u>Lapsed (Note 2)</u>
Development							
State Fairs-Palmer	\$ 55,000	\$ 55,000	\$110,000	\$ 55,000	\$ 53,900	\$ -0-	\$ 1,100
State Fairs-Kodiak	12,000	-0-	12,000	12,000	-0-	-0-	-0-
State Fairs-Ninilchik	12,000	-0-	12,000	12,000	-0-	-0-	-0-
State Fairs-Southeast AK	12,000	100,000	112,000	12,000	98,000	-0-	2,000
State Fairs-Tanana Valley	55,000	425,000	480,000	55,000	416,500	-0-	8,500
State Fairs-Yukon Kuskokwim	12,000	-0-	12,000	12,000	-0-	-0-	-0-
State Fairs-Haines- Smoke Alarms	5,000	-0-	5,000	5,000	-0-	-0-	-0-
State Fairs-Galena	-0-	5,000	5,000	-0-	-0-	5,000	-0-
<u>Total Budget Category</u>	<u>\$163,000</u>	<u>\$585,000</u>	<u>\$748,000</u>	<u>\$163,000</u>	<u>\$568,400</u>	<u>\$5,000</u>	<u>\$11,600</u>
By Object							
Assistance, Grants and Benefits	\$163,000	\$585,000	\$748,000	\$163,000	\$568,400	\$5,000	\$11,600
<u>Totals By Object</u>	<u>\$163,000</u>	<u>\$585,000</u>	<u>\$748,000</u>	<u>\$163,000</u>	<u>\$568,400</u>	<u>\$5,000</u>	<u>\$11,600</u>
Source of Funds							
<u>General Fund</u>							
Appropriation Act (SLA 1978 Chapter 113)	\$163,000						
Appropriation Act (SLA 1979 Chapter 80)	\$585,000						
<u>Total Source of Funds</u>	<u>\$748,000</u>						

See Accompanying Notes to the Financial Statements.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
NOTES TO THE FINANCIAL STATEMENTS
July 1, 1978 - June 30, 1979

Note 1 - Summary of Significant Accounting Policies

Alaska Statute 37.05.150 requires the State of Alaska to conform to generally accepted accounting principles. The following is a summary of the significant policies applicable to the Department of Natural Resources.

Basis of Accounting. The accrual basis of accounting is followed, with minor exceptions, by the Enterprise, Intergovernmental Service, Capital Project, Trust and Agency or Special Assessment Fund(s). The General, Special Revenue, or Debt Service Fund(s) utilize(s) the modified accrual basis of accounting. Modifications in such method from the accrual basis and modifications used by the Department are as follows:

1. Revenues are recorded as received in cash except for:
 - (a) revenues susceptible to accrual; and
 - (b) material revenues that are not received at the normal time of receipt.
2. Expenditures are recorded on accrual basis except for:
 - (a) Certain types of expenses which are considered expenditures at time of purchase:
 - (1) inventory items;
 - (2) prepaid expenses, such as insurance; and
 - (3) interest on long-term debt.
 - (b) Encumbrances which represent:
 - (1) valid obligations accrued at June 30, 1979 and paid during the July - August reappropriation period; and
 - (2) purchase order and contract commitments at June 30, 1979 which were recorded by August 31, 1979.

Note 2

Lapsed capital outlay appropriations shown on the Statement of Expenditures and Encumbrances Compared With Appropriations for Capital Outlays in the amount of \$11,600 represent 2% of the appropriation from Chapter 80, SLA 1979, except for the \$5,000 appropriated for Galena. These amounts were withheld during Fiscal Year 1979 to fund fair association audits which the Division of Agriculture intended to underwrite. However, the withholding was deemed to be illegal by the Attorney General, and the \$11,600 was disbursed to the three fair associations in February, 1980.

SUPPLEMENTAL INFORMATION

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF—STATE CAPITOL

JUNEAU, ALASKA 99811

February 1, 1980

Members of the
Legislative Budget and Audit Committee:

Our examination of the financial statements presented in the preceding section of this report was made primarily to form an opinion on such financial statements. The supplementary information, contained in the following pages, is not considered necessary for the fair presentation of the financial statements of the State of Alaska, Department of Natural Resources, Division of Agriculture, Aid to Agricultural and Industrial Fairs Program, but is presented as additional analytical data. However, the following information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

Appendix A

FISCAL YEAR 1979 APPROPRIATION FOR
AID TO AGRICULTURAL AND INDUSTRIAL FAIRS

	<u>Operation & Maintenance</u>	<u>Capital Improvements</u>
Anchorage 4-H Fair (1)	\$ 1,500	\$ -0-
Anchorage Fur Rendezvous (1)	25,000	-0-
Chevak Village Youth Association	5,800	-0-
Juneau 4-H Fair	350	-0-
Kodiak Rodeo and State Fair (1)	25,000	12,000
Ninilchik Fair (1)	8,000	12,000
Palmer State Fair (1)	25,000	55,000
Sitka Fair	5,000	-0-
Southeast Alaska State Fair (Haines) (1)	25,000	17,000 (2)
Tanana Valley State Fair (1)	25,000	55,000
Wrangell 4-H Fair	350	-0-
Yukon-Kuskokwim State Fair (1)	19,500	12,000
	<u>\$165,500</u>	<u>\$163,000</u>

(1) Field audit performed.

(2) Includes \$5,000 for smoke alarms.

Appendix B

YUKON-KUSKOKWIM FAIR ASSOCIATION
SCHEDULE OF 1978 and 1979 DISBURSEMENTS

	<u>1979</u>	<u>1978</u>
Administration	\$ 2,834.00	\$ 3,327.32
Eskimo Dance	3,005.00	1,687.32
Arts & Crafts (1)	-	1,984.35
Eskimo Games	-	700.00
Dog Mushing	3,870.00	3,940.00
Motor Mushing	4,830.00	4,000.00
Small Events	381.57	310.47
Entertainment	-	25.00
Awards	1,012.01	454.69
Travel	-	724.78
Medical/Nurse Services	325.00	449.00
Skiing	-	640.72
Advertising	542.50	50.00
Food Premiums	662.00	377.00
4-H Premiums	13.00	23.00
Basketball Tournament	400.00	-
Miscellaneous	<u>207.24</u>	<u>183.51</u>
TOTAL DISBURSEMENTS	<u>\$18,082.32</u>	<u>\$18,877.16</u>

(1) Reimbursement to Bethel Council on the Arts still pending for 1979.

Appendix C

YUKON-KUSKOKWIM FAIR ASSOCIATION
CASH FLOW STATEMENT, CHECKING ACCOUNT

	1/1/78 Beginning Balance	\$ 4,896
Add:	State O&M Aid (1978)	\$19,500
	State Capital Aid (1978)	10,000
	1978 Fair Revenues	3,751
	Transfer from Closure of Other Checking Accounts	<u>1,630</u>
		<u>34,881</u>
		39,777
Less:	1978 Fair Disbursements	18,877
	Transfer to Savings Account (10/78)	8,900
	Purchase of CD (1/79)	<u>10,000</u>
		<u>37,777</u>
		2,000
Add:	State O&M Aid (1979)	19,500
	State Capital Aid (1979)	12,000
	1979 Fair Revenues	3,903
	CD Matures	10,600
	Transfer from Savings Account	<u>8,900</u>
		<u>54,903</u>
		56,903
Less:	1979 Fair Disbursements	18,082
	Purchase of CD (2/79)	<u>36,000</u>
		<u>54,082</u>
	10/1/79 Ending Balance	<u>\$ 2,821</u>
Cash on Hand, 10-1-79	Checking Account	\$ 2,821
	CD (FY 1977 Capital Improvement Aid Plus Interest)	23,050
	CD (2/79)	37,700
	Savings Account (approximate)	<u>150</u>
		<u>\$63,721</u>

Appendix C (Continued)

CD Computation (2/79):

Interest from maturing CD	\$ 600
State O&M Aid	19,500
State Capital Improvement Aid	12,000
Transfer from Savings Account	<u>8,900</u>
Less: Deposit (2/79)	41,000
Retained in Checking Account	<u>(5,900)</u>
Withdrawal for CD (2/79)	36,000
Interest to 10/31/79	<u>1,700</u>
CD Balance 10/31/79	<u>\$37,700</u>

SOUTHEAST ALASKA STATE FAIR ASSOCIATION
SCHEDULE OF 1978 DISBURSEMENTS

Premiums/Awards	\$ 7,976.96
Salaries	4,750.00
Premium Catalog	3,958.40
Entertainment	2,199.30
Maintenance	12,195.11
Utilities	3,232.29
Insurance	1,154.03
Horseshow	1,940.66
Judges	586.43
Supplies	1,499.22
Fair Workers Expense	573.71
Publicity	1,001.37
Security	936.75
Janitorial	574.01
Equipment Maintenance	364.27
Equipment Purchases	707.75
Exchanges	48.60
Parade	1,100.00
Banquet	700.00
Travel	979.78
Miscellaneous	<u>2,279.16</u>
TOTAL DISBURSEMENTS	<u>\$48,758.00</u>

Appendix E

KODIAK RODEO AND STATE FAIR ASSOCIATION
SCHEDULE OF 1978 DISBURSEMENTS

Utilities	\$ 2,138.71
Advertising and Promotion	5,591.37
Insurance	3,940.00
Travel and Entertainment	2,080.00
"State Fair Operations"	3,535.98
4-H Fair	1,051.64
Supplies and Office Expense	59.60
Bar-B-Q, Horses, Band	7,570.07
Miscellaneous	<u>126.30</u>
TOTAL DISBURSEMENTS	<u>\$26,093.67</u>

Appendix F

KODIAK RODFO AND STATE FAIR ASSOCIATION
CASH FLOW STATEMENT, CHECKING ACCOUNT

1/1/78 Beginning Balance (Unused State Capital Improvements Aid)		\$ 9,586
Add: 1978 Fair Revenues	\$ 18,874	
Add: State O&M Aid	25,000	
Add: State Capital Aid	12,000	
Less: 1978 Fair O&M Disbursements	(26,093)	
1978 Capital Disbursements	(18,849)	<u>\$10,932</u>
12/31/78 Ending Balance		<u>\$20,518</u>

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

POUCH M - JUNEAU 99811

May 23, 1980

RECEIVED

MAY 23 1980

LEGISLATIVE
AUDIT

Mr. Gerald L. Wilkerson
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, Alaska 99811

Dear Mr. Wilkerson:

RE: Audit of Aid to State Fairs

Recommendation No. 1.

The Division should require reimbursement of State operations and maintenance funds in the amount of \$39,000 from the Yukon-Kuskokwim Fair Association.

Response: The Division will request reimbursement. If reimbursement is not forthcoming, the Division will withhold FY 81 grants.

Recommendation No. 2.

The Division should require reimbursement of State Operation and Maintenance funds in the amount of \$1,242 from the Southeast Alaska State Fair Association.

Response: The Division will request reimbursement. If reimbursement is not forthcoming, the Division will withhold sufficient FY 81 grants.

Recommendation No. 3.

The Division should require reimbursement of State Operation and Maintenance funds in the amount of \$23,906 from the Kodiak Rodeo and State Fair Association.

Response: The Division will request reimbursement. If reimbursement is not forthcoming, the Division will withhold FY 81 grants.

Recommendation No. 4.

AS 03.20.070 (b) should be amended to reduce from five years to two years the period of time that fair associations may retain unspent state aid for capital improvements.

Response: The Division concurs.

Recommendation No. 5.

The Division should exercise more effective control over the program through the following measures which should not result in stall increases:

- a. Preparation of a manual for distribution to the fair associations outlining, in simple form, their operating, accounting, and reporting responsibilities under the statutes.
- b. Modification of the annual report format to provide for specific donation and premium data which will be necessitated by the enactment of AS 03.20.020 (c) and (d)

Response: Aid to State Fairs is a separate component (10-71-3-100) within the Division of Agriculture. The entire appropriation to the component, \$162,300, is in line item 700 (assistance, grants) funds. There is no appropriation for administration. The Department has made several attempts to secure funds to ensure that recipients are in compliance with their grants, but has been unsuccessful:

1. At the commencement of the FY 80 budget year, the Division of Agriculture withheld three percent of each grant for audit and overhead purposes. Several fair grantees complained and the Department of Law issued an opinion disallowing the withholding of administrative expenses. The withheld funds were returned to the fairs.
2. During the FY 81 budget cycle, the Division of Agriculture requested \$25,000 for audit purposes in the State Fair component. The funds were disallowed by the Budget Review Committee. Since that time, the House and Senate have added \$125,000 to the State Fair component, but all of the additional funds are for increased grants.

Therefore, the Division would recommend that administration of the Aid to State Fairs component be moved to the new municipal grants category.

Recommendation No. 6.

The Division should ensure that prior year annual reports are received and reviewed before current year funds are disbursed to fair associations.

Response: The Division concurs.

Sincerely,


Robert E. LeResche
Commissioner 