

**CALIFORNIA EXPOSITION AND STATE FAIR**

Report to the Audit Committee

For the Year Ended December 31, 2018



Certified  
Public  
Accountants

**CALIFORNIA EXPOSITION AND STATE FAIR**

Report to the Audit Committee  
For the Year Ended December 31, 2018

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To the Audit Committee  
California Exposition and State Fair  
Sacramento, California

In planning and performing our audit of the financial statements of the California Exposition and State Fair (Cal Expo) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Cal Expo's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cal Expo's internal control. Accordingly, we do not express an opinion on the effectiveness of Cal Expo's internal control.

This letter does not affect our report dated May 20, 2019, on the financial statements of Cal Expo for the year ended December 31, 2018.

Additionally, we have included in this letter a report on communications with the Audit Committee as required by auditing standards generally accepted in the United States of America.

We would like to thank Cal Expo's management and staff for the courtesy and cooperation extended to us during the course of our engagement.

This communication is intended solely for the information and use of the Audit Committee, and others within Cal Expo, and is not intended to be and should not be used by anyone other than these specified parties.

Sacramento, California  
May 20, 2019

## CALIFORNIA EXPOSITION AND STATE FAIR

Report to the Audit Committee  
Required Communications  
For the Year Ended December 31, 2018

We have audited the financial statements of Cal Expo for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We communicated such information in our letter to you dated January 25, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cal Expo are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, effective January 1, 2018, Cal Expo adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the cumulative effect of the accounting change is reported in the statement of revenues, expenses, and changes in fund net position as a reduction of \$19,425,550 to net position at January 1, 2018. We noted no transactions entered into by Cal Expo during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Cal Expo's financial statements were:

- Management's estimate of uncollectible accounts receivable is based on evaluation of individual accounts with outstanding balances greater than 120 days old.
- Management's estimate of the depreciation for capital assets is based on estimated useful lives of the related assets.
- Accrual and disclosure of self-insured claims liabilities is based on historical loss levels and actual claims.
- Management's estimate of the current portion of compensated absence liability is based on the historical five year average of usage.
- The actuarial OPEB data contained in Note 8 to the financial statements and required supplementary information (unaudited) is based on actuarial valuations performed in accordance with the parameters set forth in GASB Statement No. 75 and actuarial standards of practice.
- The actuarial pension data contained in Note 7 to the financial statements and required supplementary information (unaudited) is based on actuarial valuations performed in accordance with the parameters set forth in GASB Statement No. 68 and actuarial standards of practice.

## **CALIFORNIA EXPOSITION AND STATE FAIR**

Report to the Audit Committee (Continued)

Required Communications

For the Year Ended December 31, 2018

We evaluated the key factors and assumptions in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached *Schedule of Uncorrected Financial Statement Misstatement* summarizes the uncorrected financial statement misstatement whose effect, as determined by management, is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated May 20, 2019.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Cal Expo's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Cal Expo's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**CALIFORNIA EXPOSITION AND STATE FAIR**

Report to the Audit Committee (Continued)

Required Communications

For the Year Ended December 31, 2018

**Other Matters**

As discussed in Note 1 to the financial statements, Cal Expo has suffered recurring losses from operations, has aging infrastructure which requires material capital improvements, and has stated that doubt exists about Cal Expo's ability to continue operations into the future. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements did not include any adjustments that might result from the outcome of this uncertainty. Our opinion was not modified with respect to this matter.

We applied certain limited procedures to Management's Discussion and Analysis and the Schedule of Cal Expo's Proportionate Share of the Net Pension Liability, Schedule of Cal Expo's Pension Contributions, Schedule of Cal Expo's Proportionate Share of the Net OPEB Liability, and the Schedule of Cal Expo's OPEB Contributions, which are Required Supplementary Information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**CALIFORNIA EXPOSITION AND STATE FAIR  
SCHEDULE OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENT  
DECEMBER 31, 2018**

<u>Description</u>	<u>Increase (Decrease)</u>					
	<u>Assets</u>	<u>Liabilities</u>	<u>Beginning Net Position</u>	<u>Ending Net Position</u>	<u>Revenues</u>	<u>Expenses</u>
Operating Expenses - Benefits						\$ 116,999
Noncurrent Liabilities - Compensated Absences		\$ 116,999				

*To adjust the compensated absences liability to include Federal Insurance Contributions Act (FICA) payable related to this balance.*