



Chavan and Associates, LLP
Certified Public Accountants

To the Board of Directors
San Mateo County Exposition and Fair Association

We have audited the basic financial statements of the San Mateo County Exposition and Fair Association (the "Association") as of and for the year ended December 31, 2022, and have issued our report thereon dated August 8, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Association solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing San Mateo County Exposition and Fair Association's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope we previously communicated to you in our engagement letter.



Compliance with all Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the San Mateo County Exposition and Fair Association is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2022.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements include the fair value of investments. We evaluated the key factors and assumptions used to develop the identified estimates and determined that they were reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Association's financial statements relate to the liquidity and availability of assets, investments, and net assets with donor restrictions.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the



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relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements as a result of our audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were not material corrected misstatements noted.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in a letter addressed to us dated August 8, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with the Association, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Association's auditors.

This report is intended solely for the information and use of the Board and management of the Association and is not intended to be and should not be used by anyone other than these specified parties.

C & A LLP

August 8, 2023
Morgan Hill, California



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San Mateo County Exposition and Fair Association
2495 South Delaware St.,
San Mateo, CA 94403

Introduction and Internal Controls

In planning and performing our audit of the basic financial statements of the San Mateo County Exposition and Fair Association, as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered San Mateo County Exposition and Fair Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Exposition and Fair Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Upcoming Accounting Pronouncements

The following is a summary of new accounting pronouncements from the Governmental Accounting Standards Board:

GASB Statement No. 94, Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has



the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. The Association does not believe this statement will have a significant impact on the Association's financial statements.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

Issued in May 2020, the statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement will be effective beginning fiscal year 2023. The Association does not believe this statement will have a significant impact on the Association's financial statements.

GASB Statement No. 99, Omnibus 2022

Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – Leases, GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements, and GASB 96 – Subscription-Based Information Technology Arrangements.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic.



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GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Association does not believe this statement will have a significant impact on the Association's financial statements.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Association does not believe this statement will have a significant impact on the Association's financial statements.



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Purpose of Communication

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing, and communicate additional information that may be relevant to future Association decision making. Accordingly, this communication is not intended to be and should not be used for any other purpose.

C & A LLP

August 8, 2023
Morgan Hill, California

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**SAN MATEO COUNTY EXPOSITION
AND FAIR ASSOCIATION**

SAN MATEO, CALIFORNIA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022

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Chavan & Associates, LLP

Certified Public Accountants

15105 Concord Circle, Suite 130

Morgan Hill, CA 95037

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Mateo County Exposition and Fair Association
San Mateo, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements San Mateo County Exposition and Fair Association (the "Association") (a nonprofit corporation), which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether 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 one year after the date that the financial statements are issued.

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



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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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment 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 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 judgment, 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.

Report on Summarized Comparative Information

We have previously audited the San Mateo County Exposition and Fair Association's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated September 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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.



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We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated August 8, 2023 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control over financial reporting and compliance.

C & A LLP

August 8, 2023
Morgan Hill, California

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

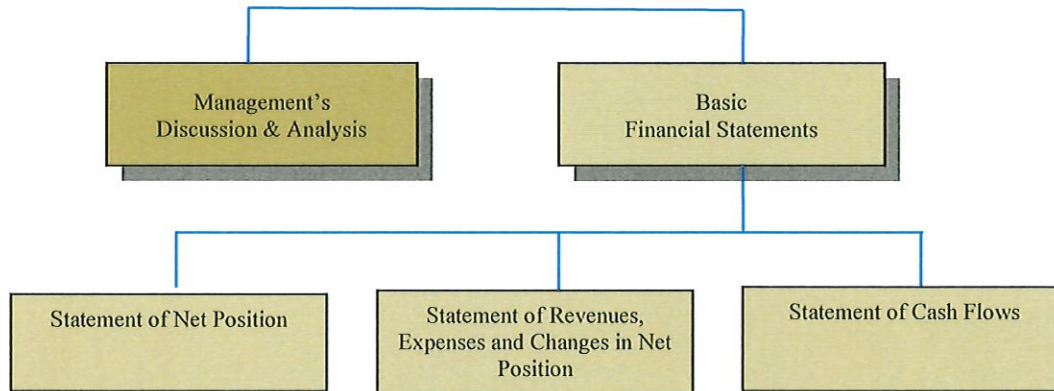
The Management's Discussion and Analysis (MD&A) is a required section of the Association's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the Association's financial performance during the year ended December 31, 2022. This report will (1) focus on significant financial issues, (2) provide an overview of the Association's financial activity, (3) identify changes in the Association's financial position, and (4) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the Association's operations and financial standing.

USING THE ANNUAL REPORT

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position comprise the government-wide financial statements and provide information about the activities of the whole Association, presenting both an aggregate view of the Association's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Required Components of the Annual Financial Report



The view of the Association as a whole looks at all financial transactions and asks the question, "How did we do financially during the year?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the Association's net position and changes in net position. This change in net position is important because it tells the reader that, for the Association as a whole, the financial position of the Association has improved or diminished. The causes of this change may be the result of many

factors, some financial, and some not. Non-financial factors include changing laws in California restricting revenue growth, facility conditions and other factors.

The *statement of cash flows* reflects inflows and outflows of cash, summarized by operating, capital, financing and investing activities. The direct method was used to prepare this information, which means that gross rather than net amounts were presented for the year's activities.

The *notes to the financial statements* on provide additional information that is essential to the full understanding of the data provided in the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended December 31, 2022 were as follows:

- Total net position increased by \$2,024,646, or 19%, from 2021 to 2022.
- Total revenue decreased by \$2,559,353 or 16%, from 2021 to 2022 because of the decrease in revenue from other agencies.
- Capital assets, net of accumulated depreciation, increased by \$945,170 mostly due to the current year Construction-in-Progress of \$1,217,047.
- Current liabilities decreased by \$1,116,979, or 67%, because of the decrease in balances of accounts payable and the forgiveness of the Paycheck Protection Program (PPP) second draw loan.
- Noncurrent liabilities decreased by \$55,320, or 30%, because of the decrease in accrued employee leave.
- Of the \$12,464,097 in net position, \$10,378,735 was from current assets which is mostly liquid cash and investments and \$2,085,362 was net investment in capital assets.

San Mateo County Exposition and Fair Association
Management's Discussion and Analysis
For the Year Ended December 31, 2022

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SUMMARY FINANCIAL INFORMATION

Table 1 provides a summary of the Association's net position as of December 31, 2022 as compared to December 31, 2021:

Table 1 - Summary of Statement of Net Position					
Description	2022	2021	Change	Percentage Change	2020
Assets					
Current Assets	\$ 11,058,608	\$ 11,151,431	\$ (92,823)	-0.83%	\$ 7,387,267
Capital Assets - Net	2,085,362	1,140,192	945,170	82.90%	649,817
Total Assets	\$ 13,143,970	\$ 12,291,623	\$ 852,347	6.93%	\$ 8,037,084
Liabilities					
Current Liabilities	\$ 547,461	\$ 1,664,440	\$ (1,116,979)	-67.11%	\$ 1,194,128
Noncurrent Liabilities	132,412	187,732	(55,320)	-29.47%	160,483
Total Liabilities	\$ 679,873	\$ 1,852,172	\$ (1,172,299)	-63.29%	\$ 1,354,611
Net Position					
Net Investment in Capital Assets	\$ 2,085,362	\$ 1,140,192	\$ 945,170	82.90%	\$ 649,817
Unrestricted	10,378,735	9,299,259	1,079,476	11.61%	6,032,656
Total Net Position	\$ 12,464,097	\$ 10,439,451	\$ 2,024,646	19.39%	\$ 6,682,473

As noted in the financial highlights, total net position increased by 19.4% from last year. In addition, total assets increased by 6.9% while current liabilities decreased by 67.1% and total liabilities decreased by 63.3%. The decrease in liabilities was directly attributable to the decrease in balances of accounts payable and the forgiveness of the Paycheck Protection Program (PPP) second draw loan.

San Mateo County Exposition and Fair Association
Management's Discussion and Analysis
For the Year Ended December 31, 2022

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Table 2 shows the changes in net position for fiscal year 2022 as compared to 2021.

Table 2 - Summary of Changes in Net Position					
Description	2022	2021	Change	Percentage Change	2020
Revenues					
Facilities	\$ 3,722,021	\$ 4,422,834	\$ (700,813)	-15.85%	\$ 3,231,232
Food and beverage	1,323,772	540,641	783,131	144.85%	517,216
Jockey Club	2,124,366	2,032,052	92,314	4.54%	1,788,529
Fair	2,352,264	2,180,595	171,669	7.87%	24,887
Parking and RV park	1,853,439	983,789	869,650	88.40%	1,235,843
Revenue from other agencies	1,898,806	5,763,318	(3,864,512)	-67.05%	747,287
Other operating revenues	78,037	69,000	9,037	13.10%	66,965
Investment earnings	95,553	15,382	80,171	521.20%	73,123
Total Revenues	13,448,258	16,007,611	(2,559,353)	-15.99%	7,685,082
Expenses					
Cost of sales	280,436	78,954	201,482	255.19%	90,904
Payroll and related	5,740,244	7,309,003	(1,568,759)	-21.46%	4,701,539
Supplies and services	4,117,873	3,550,671	567,202	15.97%	1,942,728
Advertising and promotion	479,882	356,302	123,580	34.68%	38,720
Depreciation	150,084	232,283	(82,199)	-35.39%	707,847
Other operating expenses	-	4,241	(4,241)	-100.00%	-
Capital expenses	645,560	703,140	(57,580)	-8.19%	243,078
Total Expenses	11,414,079	12,234,594	(820,515)	-6.71%	7,732,217
Change in Net Position	2,034,179	3,773,017	(1,738,838)	-46.09%	(47,135)
Prior Period Adjustment	(9,533)	(16,039)	6,506	-40.56%	(47,455)
Beginning Net Position	10,439,451	6,682,473	3,756,978	56.22%	6,777,063
Ending Net Position	\$ 12,464,097	\$ 10,439,451	\$ 2,024,646	19.39%	\$ 6,682,473

Total revenues decreased by 16% and operating expenses decreased by 6.7% from prior year mainly because of the decreases in revenue from other agencies and payroll and related liabilities.

San Mateo County Exposition and Fair Association
Management's Discussion and Analysis
For the Year Ended December 31, 2022

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CAPITAL ASSETS

Table 3 shows December 31, 2022 capital asset balances as compared to December 31, 2021.

Table 3 - Summary of Capital Assets Net of Depreciation					
Description	2022	2021	Change	Percentage Change	2020
Construction-in-Progress	\$ 1,217,047	\$ 582,544	634,503	100.00%	\$ -
Equipment	326,927	143,650	183,277	127.59%	219,016
Leasehold improvements	541,388	413,998	127,390	30.77%	430,801
Total Capital Assets, Net	\$ 2,085,362	\$ 1,140,192	\$ 945,170	82.90%	\$ 649,817

FACTORS BEARING ON THE ASSOCIATION'S FUTURE

In 1939 the San Mateo County Exposition and Fair Association was incorporated, and the San Mateo County Fair became an annual community event enjoyed by all. The mission of the San Mateo County Exposition and Fair Association is to provide a resilient space that enhances daily life through connectedness, economic opportunity, and community well-being.

Today, the Fairgrounds has evolved to become the San Mateo County Event Center, a Bay Area top destination venue for consumer and trade events, catering, meetings, festivals, corporate events, sporting events and much more, in addition to hosting the annual San Mateo County Fair.

The San Mateo County Event Center is the only venue serving all the major population centers in the Bay Area via freeways.

Convenience

- 195,000 Sq. Ft. of facility sizes from small meeting space up to the only 100,000+ Sq. Ft. exposition hall outside of San Francisco
- Professional team of events managers offering 24/7 single-point contact
- Easy access to all three major airports and Cal Trans
- 48 acres of parking and outside activities space

Elements of Success

- Accessibility
- Food (In-House Catering Team)
- Concessions
- Committed, Professional Staff
- Lighting, Decorating and Security
- AV/Technology
- Parking/RV Parking

Professional Staff

- In-house event production services, flexible approaches and professionals that anticipate your needs
- Single point of contact available 24/7

San Mateo County Exposition and Fair Association
Management's Discussion and Analysis
For the Year Ended December 31, 2022

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Revenues are generated from facility rentals, parking, catering, food and beverage concessions and the Jockey Club offering satellite wagering.

As public gatherings were stopped by the COVID Pandemic of 2020, the Event Center became a vital partner to the County of San Mateo in their response to COVID serving as a testing and vaccination site, warehousing of PPE, housing of persons as they quarantined awaiting test results, and overflow hospital site.

The current focus of the Board and Management is to maintain our successful rental program, continue to run the Jockey Club in a profitable manner, and manage a successful San Mateo County Fair.

The Association continues to increase revenue opportunities along with increasing mid-week business related to the corporate meetings and convention business. Long term, the Board and Management staff are exploring additional methods to keep the Fair and Event Center relevant to the community today and in the future.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Association's finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to San Mateo County Exposition and Fair Association, 2495 South Delaware Street, San Mateo, CA 94403.

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BASIC FINANCIAL STATEMENTS

San Mateo County Exposition and Fair Association
Statement of Net Position
December 31, 2022
(With Comparative Totals as of December 31, 2021)

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	2022	2021
Assets		
Current Assets:		
Cash and investments	\$ 10,805,123	\$ 8,663,130
Accounts receivable, net	142,953	2,357,467
Inventory	53,856	66,284
Prepaid expenses and other current assets	56,676	64,550
Total Current Assets	11,058,608	11,151,431
Noncurrent Assets:		
Capital assets, net of accumulated depreciation	2,085,362	1,140,192
Total Assets	\$ 13,143,970	\$ 12,291,623
Liabilities		
Current Liabilities:		
Accounts payable	\$ 154,734	\$ 358,350
Payroll and related liabilities	-	179,033
Accrued expenses and other current liabilities	66,990	65,117
Unearned revenue	325,737	380,440
PPP Loan second draw	-	681,500
Total Current Liabilities	547,461	1,664,440
Noncurrent Liabilities:		
Accrued employee leave	132,412	187,732
Total Liabilities	\$ 679,873	\$ 1,852,172
Net Position		
Net Investment in Capital Assets	\$ 2,085,362	\$ 1,140,192
Unrestricted	10,378,735	9,299,259
Total Net Position	\$ 12,464,097	\$ 10,439,451

The notes to the financial statements are an integral part of this statement.

San Mateo County Exposition and Fair Association
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

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	2022	2021
Operating Revenues:		
Facilities	\$ 3,722,021	\$ 4,422,834
Food and beverage	1,323,772	540,641
Jockey Club	2,124,366	2,032,052
Fair	2,352,264	2,180,595
Parking and RV park	1,853,439	983,789
Revenue from other agencies	1,898,806	5,763,318
Other operating revenues	78,037	69,000
Total operating revenues	<u>13,352,705</u>	<u>15,992,229</u>
Operating Expenses:		
Cost of sales	280,436	78,954
Payroll and related	5,740,244	7,309,003
Supplies and services	4,117,873	3,551,562
Advertising and promotion	479,882	356,302
Depreciation	150,084	232,283
Other operating expenses	-	3,350
Total operating expenses	<u>10,768,519</u>	<u>11,531,454</u>
Operating Income (Loss)	<u>2,584,186</u>	<u>4,460,775</u>
Nonoperating Revenues (Expenses):		
Investment earnings	<u>95,553</u>	<u>15,382</u>
Income before capital improvements	2,679,739	4,476,157
Capital expenses	<u>(645,560)</u>	<u>(703,140)</u>
Change in Net Position	2,034,179	3,773,017
Prior Period Adjustments	(9,533)	(16,039)
Beginning Net Position	<u>10,439,451</u>	<u>6,682,473</u>
Ending Net Position	<u><u>\$ 12,464,097</u></u>	<u><u>\$ 10,439,451</u></u>

The notes to the financial statements are an integral part of this statement.

San Mateo County Exposition and Fair Association

Statement of Cash Flows

For the Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

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	2022	2021
Cash Flows from Operating Activities:		
Cash received from customers and other agencies	\$ 14,831,016	\$ 13,879,720
Cash payments to suppliers for goods and services	(5,069,165)	(3,829,480)
Cash payments to employees for services	(5,974,597)	(7,117,792)
Net Cash Provided (Used) by Operating Activities	<u>3,787,254</u>	<u>2,932,448</u>
Cash Flows from Capital and Related Financing Activities:		
Principal received (paid) on debt	-	681,500
Acquisition and construction of non-capitalized improvements	(645,560)	(703,140)
Acquisition and construction of capital assets	(1,095,254)	(722,658)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,740,814)</u>	<u>(744,298)</u>
Cash Flows from Investing Activities:		
Investment earnings	95,553	15,382
Net Cash Provided (Used) by Investing Activities	<u>95,553</u>	<u>15,382</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,141,993	2,203,532
Cash and Cash Equivalents Beginning	<u>8,663,130</u>	<u>6,459,598</u>
Cash and Cash Equivalents Ending	<u><u>\$ 10,805,123</u></u>	<u><u>\$ 8,663,130</u></u>
Reconciliation of Operating Income to Cash Flows Provided by (Used) in Operating Activities:		
Operating Income (Loss)	\$ 2,584,186	\$ 4,460,775
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	150,084	232,283
PPP loan forgiven - second draw	(681,500)	
PPP loan forgiven	-	(707,693)
Net change in:		
Accounts receivable, net	2,214,514	(1,552,482)
Inventory	12,428	(378)
Prepaid expenses and other current assets	7,874	(7,772)
Accounts payable	(203,616)	189,683
Accrued payroll	(179,033)	163,962
Accrued expenses and other current liabilities	(7,660)	(20,845)
Unearned revenue	(54,703)	147,666
Accrued employee leave	(55,320)	27,249
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 3,787,254</u></u>	<u><u>\$ 2,932,448</u></u>

The notes to the financial statements are an integral part of this statement.

San Mateo County Exposition and Fair Association
Notes to Basic Financial Statements
December 31, 2022

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NOTE 1 - NATURE OF ORGANIZATION

The San Mateo County Exposition and Fair Association (Association) is a California nonprofit organization under section 501(c)(3) of the Internal Revenue Code. The Association was incorporated on August 8, 1938, for the purpose of conducting the annual County Fair and managing the Event Center, and its buildings and facilities, which includes a satellite wagering facility, under agreement with the County of San Mateo (the County) pursuant to Section 25906 of the California Government Code. The term of the agreement is from November 1, 2008 to December 31, 2030. The Association is governed by an eleven-member Board of Directors appointed by the County Board of Supervisors. The Association is subject to the policies, procedures and regulations set forth in the California Government Code, California Business and Professional Code, Public Contracts Code, Food and Agriculture Code, State Administration Manual and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The Association's Basic Financial Statements conform to accounting principles generally accepted in the United States of America, and as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants and include the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows.

The Association is accounted for as an enterprise fund because the intent of the governing body is that the cost (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

Enterprise funds are accounted for on a cost of services or economic resources measurement focus, which means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Deferred outflows of resources is a consumption of net assets by the Association that is applicable to a future reporting period. For example, prepaid pension expenses and deferred charges. Deferred inflows of resources is an acquisition of net assets by the Association that is applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

The Authority applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued *GASB No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In

San Mateo County Exposition and Fair Association
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June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

Statement of Net Position

The statement of net position is designed to display the financial position of the Association. The Association's net position is classified into three categories as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.
- Restricted - This component of net position consists of constraints placed on an assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The Association first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Statement of Revenues, Expenses, and Changes in Net Position

Enterprise funds are a subset of proprietary funds. The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues and expenses generally result from providing services in connection with the Association's principal ongoing operations. The principal operating revenues of the Association are charges for events, facilities rentals, memberships, food, beverages and other services as noted below. Operating expenses for the Association include the cost of sales, payroll, supplies, services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

San Mateo County Exposition and Fair Association
Notes to Basic Financial Statements
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Facilities Revenue

The Association rents its buildings and grounds during the year for a variety of events. Included in the facilities revenue are rents charged for the use of buildings and facilities, labor, parking, equipment rental fees and a percentage of concessions.

Food and Beverage Revenue

Food and beverage revenues includes the following:

1. Jockey Club menu and concession items along with alcohol.
2. Facilities and mostly concessions from trade shows and full catering services and full bar service.
3. Expo Café offering buffet and concessions during large events.

Food and beverage revenue increased by \$783,131, 145%, from 2021 to 2022.

Jockey Club Revenue

The Jockey Club satellite wagering facility is located on County owned property. Included in Jockey Club revenues are track commissions received for live race meets held throughout California during the year, and fees charged for admission, program sales, and lottery sales.

Jockey Club revenue increased by \$92,314, 5%, from 2021 to 2022.

Fair Revenue

Fair revenues are mainly from fees charged for admission to the Annual Fair. Commercial space rentals, sponsorships, parking, and a percentage of carnival and concession revenues are also included in fair revenues.

Fair revenue increased by \$171,669, 8%, from 2021 to 2022.

Parking and RV Park

Parking and RV park revenues and expenses were separated from the Facility department in order to better monitor and manage the department. Parking fees are charged at \$15.00 for most events. RV revenues come from the daily rental of RV spaces primarily from exhibit shows and is not open to the general public at this time.

Parking and RV park revenue increased by \$869,650, 88%, from 2021 to 2022.

Overall, total revenues decreased by \$2.640 million from 2021 to 2022 mainly due to the decrease in revenue from other agencies. Accordingly, the Association decreased operating expenses by \$762,935 from 2021 to 2022.

Cash and Cash Equivalents

Cash and cash equivalents include all monies held in banks, highly liquid investments with maturities of less than twelve months, cash held in the San Mateo County Investment Pool (County Pool) and cash held in the Local Agency Investment Fund (LAIF). For the cash held in the County Pool, a portion of the cash balance is pooled with other funds of the County to earn a higher rate of return than could be earned by investing the funds individually.

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Notes to Basic Financial Statements
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Investments

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

The Association participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Revenue and Receivables

All receivables are current and reported net of an allowance for uncollectible accounts as applicable. The allowance for uncollectible accounts was zero as of December 31, 2022. Two customers totaled 85% of accounts receivable at year end. Revenue was concentrated by type as follows: facilities revenue 28%, fair revenue 18%, Jockey Club revenue 16%, Parking and RV park revenue 14%, and Revenue from Other Agencies 14%.

Inventory

The costs of items held for food and beverage sales are included in inventory, which is stated at the lower of cost or market on a first-in, first-out basis.

San Mateo County Exposition and Fair Association
Notes to Basic Financial Statements
December 31, 2022

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Prepaid Expenses

The Association reports expenses for prepaid items during the benefiting period. An asset is established at the date of payment, prepaid expense, and amortized over the accounting periods that are expected to benefit from the initial payment.

Capital Assets

Property, plant and equipment contributed to the Association are stated at estimated fair value at the time of contribution. Improvements over \$50,000 and a useful life of more than one year are capitalized and depreciated over the lease term. Equipment purchases over \$5,000 are capitalized and depreciated over a useful life of 3 to 10 years. Amounts spent on projects that have not been placed in service are reported as construction-in-progress until the project is completed and the asset is placed in service. Assets acquired through donations are recorded at their estimated fair value at the time of acquisition. Amounts spent on repairs and maintenance to County owned property are expensed as incurred by the Association.

Accrued Employee Leave

The liability for unpaid employee leave benefits is computed at the end of each year and includes the liability for unused holiday compensatory, personal, vacation, and twenty percent of unused sick leave, which has accrued and has not been paid up to the limits set forth in the Association's administrative policies. During the year, accrued employee leave decreased by \$55,320, 30%.

Noncurrent Liabilities

In the basic financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Risk Management

The Association is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disaster. The California Fair Services Authority provides the Association with worker's compensation and general liability insurance. The existing insurance coverage is current as of the issuance of this report. Under an agreement with the County, the County Counsel provides legal representation for any claims or litigation involving the Association. Claims have not exceeded coverage in any of the past several years and there has not been a significant reduction in coverage during the current year.

Income Taxes

The Association is publicly supported and has applied for, and received, tax-exempt status under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements.

San Mateo County Exposition and Fair Association
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Provisions for Taxes

The Association has adopted “Accounting for Uncertainty in Income Taxes” under Accounting Standards Codification (ASC) 740 Income Taxes. The Codification requires the evaluation of tax positions taken or expected to be taken in the Association’s tax returns and does not allow recognition of tax positions which do not meet a “more-likely-than-not” threshold of being sustained by the applicable tax authority. The Association does not believe it has taken any tax positions that would not meet this threshold.

The Association’s federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal income tax returns have a three-year statute of limitations, and the state income tax returns have a four-year statute of limitations. The Association’s policy is to reflect interest and penalties related to uncertain tax positions as part of income tax expense, when and if they become applicable.

Implemented Accounting and Reporting Changes

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2019, but were extended to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. As of December 31, 2022, management had determined that the Association did not have any material contracts that were required to be reported as leases under GASB 87.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*

Issued in June 2020, the statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (e.g., certain Section 457 plans), while mitigating the costs associated with reporting those plans. This statement did not have a significant impact on the Association’s financial statements.

Upcoming Accounting and Reporting Changes

The Association is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 94, *Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or

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nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. The Association does not believe this statement will have a significant impact on the Association's financial statements.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

Issued in May 2020, the statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement will be effective beginning fiscal year 2023. The Association does not believe this statement will have a significant impact on the Association's financial statements.

GASB Statement No. 99, Omnibus 2022

Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – Leases, GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements, and GASB 96 – Subscription-Based Information Technology Arrangements.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic.

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GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Association does not believe this statement will have a significant impact on the Association's financial statements.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Association does not believe this statement will have a significant impact on the Association's financial statements.

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NOTE 3 - CASH AND INVESTMENTS

The Association's cash and investments consisted of the following as of December 31, 2022:

Cash and Investments	2022	2021
Cash on hand	\$ 52,500	\$ 47,688
Cash in bank:		
City National Bank	1,533,677	1,492,049
<u>Total Cash</u>	<u>1,586,177</u>	<u>1,539,737</u>
Investments:		
San Mateo County Pool	397,922	392,937
LAIF Pool	8,821,024	6,730,456
<u>Total Investments</u>	<u>9,218,946</u>	<u>7,123,393</u>
<u>Total Cash and Investments</u>	<u>\$10,805,123</u>	<u>\$ 8,663,130</u>

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The following recurring fair value measurements were not subject to the valuation techniques established by GASB 72 as of December 31, 2022:

- California Local Agency Investment Fund (LAIF) of \$8,656,858.
- Santa Mateo County Pool of \$385,129.

Cash in Banks

Cash balances in banks are insured up to \$250,000 per insured bank by the Federal Deposit Insurance Corporation ("FDIC"). The Association's accounts are held with the City National Bank as noted above. As of December 31, 2022, the Association's bank balances exceeded FDIC coverage by \$1,371,225. However, this balance was fully collateralized per Government Code. The differences between the bank balances and the carrying amount are due to reconciling items such as deposits in transit and outstanding checks.

Collateral and Categorization Requirements

The California Government Code requires California banks and savings and loan associations to secure an agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of at least 150% of an agency's total deposits.

Cash in San Mateo County Treasury

San Mateo County is a fiscal agent of the Association. The fair value of the Association's investment in the county pool is reported at amounts based on the Association's pro-rata share of the fair value provided by the

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County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. San Mateo County investment pool funds were available for withdrawal on demand and had an average weighted maturity of 1.41 years. The total amount invested by the pool was \$7.642 billion as of December 31, 2022.

All cash and investments are stated at fair value. Pooled investment earnings are allocated monthly based on the average cash and investment balances of the various funds of the County.

California Local Agency Investment Fund

The Association participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities, defined as follows:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

LAIF allows local agencies such as the Association to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value.

The total amount invested by all public agencies in LAIF, as of December 31, 2022, was approximately \$198.5 billion. The balance in LAIF is available for withdrawal on demand.

Policies and Practices

The Association's Investment Policy and the California Government Code allow the Association to invest in the following, provided the credit ratings of the issuers are acceptable to the Association and approved percentages and maturities are not exceeded.

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The table below also identifies certain provisions of the California Government Code or the Association's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Medium Term Notes	5 years	30%	No Limit
Money Market and Mutual Funds	N/A	20%	10%
U.S. Treasury Obligations	5 years	No Limit	No Limit
Local Agency Bonds, Notes, Warrants	5 years	No Limit	No Limit
Registered State Bonds, Notes, Warrants	5 years	No Limit	No Limit
U.S. Agency Securities	5 years	No Limit	No Limit
Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	No Limit
County Pooled Investment Funds	N/A	No Limit	No Limit
Joint Power Authority Pools	N/A	No Limit	No Limit
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	No Limit
Repurchase Agreements	1 year	No Limit	No Limit
Reverse Repurchase Agreements	92 days	20%	No Limit
Local Agency Investment Fund (LAIF)	N/A	No Limit	No Limit

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The Association manages its exposure to interest rate risk by investing in the San Mateo County investment pool and LAIF.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and the County's investment policy limit the County's investments in commercial paper to the rating of A-1 or better by Standard & Poor's, or P-1 or better by Moody's Investors Service; and corporate bonds to the rating of A or higher by both Standard & Poor's and Moody's Investors Service. No limits are placed on the U.S. government agency securities and U.S. Treasuries. The County's Investment pool was unrated. Standard & Poor's and Moody's Investors Service are major rating agencies that issue opinions on the quality of securities, which investors may consider when assessing risk.

Foreign Currency Credit Risk

The Association does not invest in foreign securities.

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Concentration of Credit Risk

The Association invested 82% of its cash with LAIF and 4% of its cash with the San Mateo County Pool as of December 31, 2022. The following summarizes the investment percentages by type for LAIF: .19% in loans, 3.95% in commercial paper, .27% in corporate bonds, 2.58% in time deposits, 6.26% in CD's and bank notes, 20.08% in agencies and 66.67% in treasuries. The County Pool had investments that were subject to credit risk as follows: 27% in U.S. treasuries, 46% in government agencies, 10% in corporate securities, 4% in U.S. instrumentalities, and 5% in negotiable certificate of deposits.

NOTE 4 - CAPITAL ASSETS

The Association's capital assets consisted of the following:

Capital Assets	December 31, 2021	Additions	Deletions	December 31, 2022
Non-depreciable:				
Construction in progress	\$ 582,544	\$ 895,074	\$ (260,571)	\$ 1,217,047
Total Non-Depreciable	582,544	895,074	(260,571)	1,217,047
Depreciable:				
Equipment	2,940,413	284,728	(679,310)	2,545,831
Improvements	7,190,366	180,179	(125,488)	7,245,057
Total Depreciable	10,130,779	464,907	(804,798)	9,790,888
Less Accumulated Depreciation for:				
Equipment	(2,796,763)	(97,296)	675,155	(2,218,904)
Improvements	(6,776,368)	(52,788)	125,487	(6,703,669)
Total Accumulated Depreciation	(9,573,131)	(150,084)	800,642	(8,922,573)
Total Depreciable, Net	557,648	314,823	(4,156)	868,315
Total Capital Assets, Net	\$ 1,140,192	\$ 1,209,897	\$ (264,727)	\$ 2,085,362

Depreciation expense for the year ended December 31, 2022 was \$150,084.

Per the agreement with the County, the buildings, tenant improvements and all other fixed assets on the fairgrounds remain the property of the County. Construction-in-progress, improvements and equipment are acquired with operating funds and funds allocated by the State and County.

NOTE 5 - NONCURRENT LIABILITIES

The Association's noncurrent liabilities consisted of the following:

Noncurrent Liabilities	December 31, 2021	Additions	Deductions	December 31, 2022
Accrued employee leave	\$ 187,732	\$ -	\$ 55,320	\$ 132,412

NOTE 6 - POSTEMPLOYMENT BENEFITS

Tax-Sheltered Annuity Plan

The Association has a tax-sheltered annuity plan under IRC Section 403(b). The plan, which is administered by American United Life Insurance Company, a One America Company, accepts pretax employee contributions. The Association does not contribute to the plan. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

Pension Plan

The Association has established a defined contribution pension plan to provide benefits at retirement to eligible employees. The plan is a Money-Purchase Pension Plan created in accordance with IRC Section 401(a). Benefits are solely dependent upon amounts contributed to the plan plus investment earnings. The plan provisions, including the contribution requirements, are established under a plan agreement. American United Life Insurance Company, a One America Company, administers the plan. The funds are held by a designated plan trustee predetermined by the plan participants and are invested by either the plan trustee or the participant. The Association has the right to amend the plan at any time; however, in no event will any amendment authorize or permit any part of the plan assets to be used for purposes other than the exclusive benefit of participants or their beneficiaries.

All employees who have completed one year of service, or 1,000 hours of service, are eligible to participate in the plan. For participants hired prior to June 1, 2008, the Association contributes 20% of each participant's quarterly compensation to the plan. Effective June 1, 2008, a resolution was adopted by the Board to change the Association's contribution rate to 5% for all new non-union, permanent and full-time employees hired on or after June 1, 2008. Voluntary contributions by employees are prohibited. The Association's contributions for each employee and the interest allocated to the employee's account are vested at the rate of 20% for every year of service, with full vesting after 5 years of service. The non-vested portion of the Association's contributions plus interest for employees who leave employment before 5 years of service are used to reduce the Association's current period contribution.

The actual contributions made by the Association after deducting forfeitures relating to employees who left employment before completing 5 years of service amounted to \$293,851 for the year ended December 31, 2022.

As of December 31, 2022, the deferred compensation plan and pension plan had combined net position of \$4,245,223.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Association may be at risk to be a defendant in certain lawsuits which arise in the normal course of business. Association management is of the opinion that the ultimate outcome of such matters will not have a significant effect on the financial position of the Association.

NOTE 8 - U.S. SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM LOAN SECOND DRAW (SBA LOAN)

On January 27, 2021, the Association was issued a \$681,500 U.S. Small Business Administration loan bearing interest annually at 1% with a short-term maturity. This loan was issued by City National Bank under the Paycheck Protection Program and the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Association may apply to City National Bank for loan forgiveness

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in an amount equal to the sum of payroll costs, interest on a covered mortgage obligation, covered rent obligations, and covered utility payments incurred during the 8-week or 24-week period beginning on the date of the loan origination. The period must be selected when applying for loan forgiveness. This is a non-recourse loan unless used for unauthorized purposes. Unless forgiven, the Association will begin making monthly payments of principal in equal installments in an amount that would fully amortize the loan by the maturity date, plus interest, in arrears, calculated based upon the original principal amount until the date of any forgiveness and on the remaining outstanding principal balance thereafter, of the loan and a per annum interest rate of one percent (1.00%). The Association initially recorded a note payable during the year ended December 31, 2021 and subsequently recorded forgiveness when the loan obligation was legally released during the year ended December 31, 2022. The Association recognized \$681,500 of loan forgiveness income as federal grant revenue during the year ended December 31, 2022.

NOTE 9 - SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

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**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



Chavan and Associates, LLP
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
San Mateo County Exposition and Fair Association
San Mateo, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Mateo County Exposition and Fair Association (the "Association") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents, and have issued our report thereon dated August 8, 2023.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Chavan and Associates, LLP
Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management in a separate letter dated August 8, 2023.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

August 8, 2023
Morgan Hill, California