

CALIFORNIA EXPOSITION & STATE FAIR  
AUDITED FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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CALIFORNIA EXPOSITION & STATE FAIR

AUDITED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
California Exposition & State Fair  
Sacramento, California

### **Report on Financial Statements**

We have audited the accompanying financial statements of California Exposition & State Fair (Cal Expo), which comprise the statements of net position as of December 31, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Controller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors  
California Exposition & State Fair

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cal Expo, as of December 31, 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 38 to 39 be presented to supplement the basic financial statements. Such information, 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 the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

### **Report on Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cal Expo's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024, on our consideration of Cal Expo's internal control over financial reporting and on our tests of its

To the Board of Directors  
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compliance with certain provisions of laws, regulations and 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 Cal Expo's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

December 12, 2024

CALIFORNIA EXPOSITION & STATE FAIR

STATEMENTS OF NET POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,522,859	\$ 7,890,724
Restricted cash	5,386,758	10,229,210
Accounts receivable, net	2,803,899	1,533,975
Prepaid expenses	131,232	485,382
Capital projects deposits	2,560,170	1,886,671
Total Current Assets	<u>15,404,918</u>	<u>22,025,962</u>
Noncurrent Assets:		
Capital assets:		
Land	1,643,577	1,643,577
Construction in progress	3,889,355	1,734,505
Buildings and improvements	79,460,007	79,173,998
Equipment and machinery	6,679,509	6,379,341
Less accumulated depreciation	<u>(73,730,598)</u>	<u>(73,212,767)</u>
Net capital assets	<u>17,941,850</u>	<u>15,718,654</u>
TOTAL ASSETS	<u>33,346,768</u>	<u>37,744,616</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	5,895,257	5,609,409
Other post employment benefits	1,252,609	914,589
TOTAL DEFERRED OUTFLOWS	<u>7,147,866</u>	<u>6,523,998</u>

(Continued)

CALIFORNIA EXPOSITION & STATE FAIR  
STATEMENTS OF NET POSITION (Continued)

December 31, 2020 and 2019

	2020	2019
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 2,700,941	\$ 2,305,018
Accrued wages and benefits	781,800	692,885
Deposits	582,025	616,742
Unearned revenue	136,675	132,655
Unearned revenue - deferred maintenance funds	7,702,540	5,801,774
Compensated absences, current portion	539,383	575,078
Notes payable, current portion	22,000	25,618
Self-insurance		44,399
Total Current Liabilities	12,465,364	10,194,169
Noncurrent Liabilities:		
Notes payable	1,610,334	1,626,834
Self-insurance	66,006	214,769
Net OPEB liability	18,316,875	20,034,247
Net pension liability	16,353,055	16,325,437
Compensated absences	732,691	905,093
Unearned revenue - deferred maintenance funds		6,157,464
Total Noncurrent Liabilities	37,078,961	45,263,844
TOTAL LIABILITIES	49,544,325	55,458,013
DEFERRED INFLOWS OF RESOURCES		
Pensions	1,592,201	828,331
OPEB	10,725,702	9,918,011
TOTAL DEFERRED INFLOWS	12,317,903	10,746,342
NET POSITION		
Net investment in capital assets	12,770,146	15,669,202
Unrestricted	(34,137,740)	(37,604,943)
TOTAL NET POSITION	\$ (21,367,594)	\$ (21,935,741)

The accompanying notes are an integral part of these financial statements.

CALIFORNIA EXPOSITION & STATE FAIR

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
State appropriations	\$ 6,658,440	
State fair	116,369	\$ 16,574,303
Exposition events	1,777,481	4,293,853
Harness / Watch & Wager	99,850	105,404
Charges for services	2,526,575	4,272,490
Simulcast	709,759	882,588
Grants	438,858	642,819
Raging Waters	18	333,153
Miscellaneous	73,094	30,241
<b>TOTAL OPERATING REVENUES</b>	<u>12,400,444</u>	<u>27,134,851</u>
<b>OPERATING EXPENSES</b>		
Personnel:		
Salaries and wages	5,585,197	8,940,610
Benefits	2,841,163	6,077,421
<b>Total Personnel Expenses</b>	<u>8,426,360</u>	<u>15,018,031</u>
General and Administrative:		
General	490,330	2,045,762
Professional services	1,089,637	5,065,326
Advertising	61,857	1,066,333
Utilities	1,129,423	1,578,648
Entertainment	19,584	785,640
Facilities operation	983,177	744,420
Awards		223,587
Insurance	842,323	976,941
Printing	29,664	123,544
Telecommunications	129,702	147,888
Equipment	63,782	271,278
State administrative costs	677,689	748,940
Data processing	89,880	99,522
Travel and training	5,924	30,236
Postage	14,078	32,611
Judges	4,204	69,829
Other	420,504	96,156
<b>Total General and Administrative Expenses</b>	<u>6,051,758</u>	<u>14,106,661</u>

(Continued)

CALIFORNIA EXPOSITION & STATE FAIR

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Depreciation	\$ 1,690,269	\$ 1,664,366
TOTAL OPERATING EXPENSES	<u>16,168,387</u>	<u>30,789,058</u>
OPERATING LOSS	(3,767,943)	(3,654,207)
NON-OPERATING (EXPENSES) REVENUES		
Interest and dividends income	52,698	174,935
Loss on disposal of capital assets	(6,480)	(7,724)
Interest expense	(30)	(564)
TOTAL NON-OPERATING (EXPENSES) REVENUES	<u>46,188</u>	<u>166,647</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(3,721,755)	(3,487,560)
CAPITAL CONTRIBUTIONS		
Deferred maintenance funds	4,289,902	3,178,333
Other		200,000
TOTAL CAPITAL CONTRIBUTIONS	<u>4,289,902</u>	<u>3,378,333</u>
CHANGES IN NET POSITION	568,147	(109,227)
Net position, beginning of year	<u>(21,935,741)</u>	<u>(21,826,514)</u>
NET POSITION, END OF YEAR	<u>\$ (21,367,594)</u>	<u>\$ (21,935,741)</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA EXPOSITION & STATE FAIR

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 11,099,823	\$ 26,992,764
Cash payments to suppliers for goods and services	(5,212,770)	(12,955,728)
Cash payments to employees for services	(9,569,680)	(13,391,708)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(3,682,627)</u>	<u>645,328</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts of restricted cash for capital activities		15,000,000
Acquisitions and construction of capital assets	(3,919,945)	(3,407,430)
Capital projects deposits received		101,661
Capital projects deposits paid	(673,499)	(1,886,669)
Interest earned on restricted cash		137,569
Principal paid on long-term debt	(20,118)	(36,027)
Interest paid on long-term debt	(30)	(564)
Capital grants received	33,204	151,525
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,580,388)</u>	<u>10,060,065</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	52,698	174,935
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>52,698</u>	<u>174,935</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	  (8,210,317)	  10,880,328
 Cash and cash equivalents at beginning of year	  <u>18,119,934</u>	  <u>7,239,606</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	  <u>\$ 9,909,617</u>	  <u>\$ 18,119,934</u>
 Cash and cash equivalents - financial statement classification		
Cash and cash equivalents	\$ 4,522,859	\$ 7,890,724
Restricted cash and cash equivalents	5,386,758	10,229,210
 TOTAL CASH AND CASH EQUIVALENTS	  <u>\$ 9,909,617</u>	  <u>\$ 18,119,934</u>

(Continued)

CALIFORNIA EXPOSITION & STATE FAIR

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net loss from operation	\$ (3,767,943)	\$ (3,654,207)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,690,269	1,664,366
(Increase) Decrease in:		
Accounts receivable, current services	(1,269,924)	116,864
Prepaid expense	354,150	(290,821)
Deferred outflows	(623,868)	2,319,446
Increase (Decrease) in:		
Accounts payable	395,923	1,005,753
Accrued expenses and other liabilities	88,915	151,323
Deposits	(34,717)	(185,799)
Unearned revenue	4,020	(73,140)
Compensated absences	(208,097)	(49,223)
Self insurance	(193,162)	(142,558)
Net OPEB obligation	(1,717,372)	(7,732,753)
Net pension obligation	27,618	(80,248)
Deferred inflows	<u>1,571,561</u>	<u>7,596,325</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (3,682,627)</u>	<u>\$ 645,328</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Contributed assets received		\$ 48,475
Loss on disposal of capital assets	\$ 6,480	7,724

The accompanying notes are an integral part of these financial statements.

CALIFORNIA EXPOSITION & STATE FAIR  
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A – ORGANIZATION, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, AND LIQUIDITY RISK

Organization and Reporting Entity: In 1980, state law established the California Exposition and State Fair (Cal Expo) as a component unit of the State of California. On February 25, 1986, the enactment of Chapter 8, Statutes of 1986, created the California Exposition and State Fair Enterprise Fund. Cal Expo is responsible for managing the annual California State Fair (State Fair) and providing a site for events held during the remainder of the year (interim events). These events include satellite wagering for horse racing, live harness racing, interim show and trade exhibitions, and aquatic park, Papa Murphy's Park home of the Sacramento Republic professional soccer team, and a themed family entertainment restaurant Rock & Brews.

Basis of Accounting: Cal Expo's activities are accounted for as an enterprise fund and the accounting records are maintained on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Cal Expo distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Cal Expo's principal ongoing fair and interim operations. The principal operating revenues of Cal Expo are charges to customers during the annual State Fair and interim events. Operating expenses for Cal Expo include personnel expenses, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted net position is available for use, it is Cal Expo's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents: For purposes of the statement of cash flows, Cal Expo considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2020 and 2019, cash and cash equivalents consist of cash, demand deposits, and amounts on deposit in the State Local Agency Investment Fund (LAIF).

Investments: Cal Expo reports certain investments at fair value in the statement of net position and recognizes the corresponding change in fair value of investments in the year in which the change occurred. Investments in LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board. The fair value of Cal Expo's position in LAIF may be greater or less than the value of the shares. Investments in LAIF are valued in these financial statements using a fair value factor provided by LAIF applied to the value of Cal Expo's shares in the investment pool. Cal Expo is authorized by statute to invest in the same types of investment vehicles permitted by the State's Centralized Treasury System.

Restricted Cash: Certain resources of Cal Expo are classified as restricted cash on the statements of net position because they are maintained in a separate bank account and their use is limited per contractual agreement. Restricted cash at December 31, 2020 and 2019, represent deposits from users of Cal Expo's property and Deferred Maintenance Funds subject to Senate Bill 840, Control Section 6.10 of the Budget Act of 2018 not yet expended.

Accounts Receivable: At December 2020 and 2019, Cal Expo's accounts receivable consists of amounts due from State Fair activities and Cal Expo event promoters. Cal Expo analyzes all accounts receivables greater than 120 days and records an allowance for uncollectible accounts for those receivables that are determined unlikely to be received. At December 31, 2020 and 2019, the allowance for uncollectible accounts totaled \$255,001 and \$5,494, respectively.

CALIFORNIA EXPOSITION & STATE FAIR  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 (Continued)

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Projects Deposits: Cal Expo works directly with the California Construction Authority (CCA), a construction management agency for California fairs, to provide project management for capital projects. CCA requires a deposit to be made in the amount of the estimated cost of the capital project plus a nominal project management fee. CCA pays the contractors on behalf of Cal Expo as well as ensures all code compliance, architectural and engineering requirements, and State rules and regulations are met. These deposits represent amounts held by CCA that have not yet been expended.

Capital Assets: Cal Expo’s capital assets are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, or in the case of assets under capital leases over the lease term as follows:

Description	Estimated Life
Buildings and improvements	5-40 years
Equipment and machinery	3-10 years

Cal Expo adheres to the State of California’s State Administrative Manual (SAM) policy to capitalize all property and equipment with a cost greater than \$5,000 and a useful life of more than 1 year.

Deposits: Cal Expo’s deposits (current liabilities) represent cash received in advance as security deposits from organizations scheduled to utilize Cal Expo facilities at a future date. Deposits are settled at the end of each event and may be refunded to the organization.

Unearned Revenue: Cal Expo’s unearned revenue represents interim events revenue received in advance and will be recognized as revenue in future periods.

Unearned Revenue – Deferred Maintenance Funds: Pursuant to Senate Bill 840, Control Section 6.10 of the Budget Act of 2018, the State Legislature allocated Cal Expo \$15 million to be spent on approved deferred maintenance projects. The intent of the funding is to keep state infrastructure in acceptable condition, to preserve the condition, or extend the useful life of the infrastructure. The amount allocated is available for encumbrance or expenditure until December 31, 2021. At December 31, 2020, Cal Expo classified \$7,702,540 of this amount as a current liability. At December 31, 2019, Cal Expo classified \$5,801,774 of this amount as a current liability and \$6,154,464 as a noncurrent liability.

Self-Insurance: Cal Expo is self-insured for workers’ compensation claims for injuries occurring prior to July 1, 1994. As the statute of limitations has expired, no new claims have been accrued. However, previously accrued claims are periodically adjusted based on actuarial estimates of ultimate claim cost and related administrative charges; claim liabilities have not been discounted to their present values.

Effective July 1, 1994, Cal Expo became a member of California Fair Services Authority (CFSA), a joint powers insurance pool serving various fairs throughout California. CFSA bears the risk for workers’ compensation for all claims incurred on or after July 1, 1994, up to \$500,000. Cal Expo, through CFSA, purchases additional insurance to cover claims exceeding \$500,000 up to \$5,000,000 per occurrence.

CALIFORNIA EXPOSITION & STATE FAIR  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Cal Expo also purchases additional general liability insurance to cover claims exceeding \$1,000,000 up to \$10,000,000 per occurrence.

Cal Expo pays an annual workers' compensation premium to the CFSA insurance pool based on various factors, including the experience of the pool members on a prospective basis. Cal Expo has no deductible for workers' compensation and nominal amounts of deductibles on certain types of general liability insurance.

There has been no significant reduction in self-insurance coverage and no claims have exceeded self-insurance coverage during the past three years.

Compensated Absences: The bargaining agreements with the State of California allow for all employees to accrue up to 640 of vacation/annual leave hours. Unused accrued vacation is paid to the employee upon termination from employment. At December 31, 2020 and 2019, accrued compensated absences for all Cal Expo employees amounted to \$1,272,074 and \$1,480,171 respectively, of which \$539,383 and \$575,078 are classified as a current liability, respectively.

Nonmonetary Transactions: Cal Expo engages in nonmonetary transactions for some of its sponsorships for marketing and advertising in exchange of goods and services to support its State Fair. All nonmonetary transactions are approved and evaluated for fairness by Cal Expo's Marketing Manager and recorded at their fair value. At December 31, 2020 and 2019, total State Fair nonmonetary sponsorships were \$0 and \$557,795 respectively. No gains or losses were recognized for these transactions.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

Liquidity Risk: Liquidity risk is the risk of not having sufficient financial resources to meet current and future obligations as they become due. Cal Expo's traditional business model relies heavily on the success of the annual State Fair and the revenue generated over the course of 17 days. Cal Expo is an independent self-supporting State agency. As an independent state agency, Cal Expo is not a part of the Governor's budget act, therefore, does not receive general fund dollars to support its statutory mandate of holding an annual State Fair. Additionally, Cal Expo has a contractual obligation, with the State Legislature, to perform as the backup seat of the government in the event of an extreme emergency.

Cal Expo has experienced operating losses of \$3.8 million in 2020 and \$3.7 million in 2019. Cal Expo, a component unit of the State of California, received State appropriations of \$6,658,440 for operating expenses as of December 31, 2020, and is also responsible for funding State mandated operational costs, like property insurance, employee raises associated with collective bargaining agreements, and State pension and medical costs.

Cal Expo is responsible for maintaining the 768 acre facility that includes more than 100 building structures. Starting in 2017, Cal Expo contracted with Sierra West Group, a construction cost estimating firm, to analyze and assess the current conditions of its facilities. The study noted that the facility would require more than \$138 million of infrastructure work in order to continue operations for an additional 50 years. Approximately 50% of the quoted costs are due to new regulations and changes in

## CALIFORNIA EXPOSITION & STATE FAIR

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

#### NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

building standards related to energy conservation, water, and Americans with Disabilities Act (ADA) requirements. On an annual basis, Cal Expo allocates approximately \$2 million in the budget for capital improvements; however, most of these funds are spent on items that have completely failed and require immediate attention to not significantly impact operations. In 2018, pursuant to Senate Bill 840, Control Section 6.10 of the Budget Act of 2018, Cal Expo was allocated \$15 million from the State's General Fund to be spent on approved deferred maintenance projects. The intent of the funding is to keep State infrastructure in acceptable condition, to preserve the condition, or extend the useful life of the infrastructure. Cal Expo has prioritized the projects identified in the Sierra West study and is on track to utilize all allocated funds by the December 31, 2021 encumbrance deadline. With many structures reaching their serviceable life span, Cal Expo acknowledges additional funds in excess of the already allocated \$15 million will need to be invested into the aging infrastructure in order to remain a top fair in North America.

Cal Expo's Board of Directors and Executive Team's current plans include identifying possible revenue and cost cutting opportunities as well as potential legislative and State support in order to preserve the valuable State asset.

In December 2019, a global outbreak of a highly infectious respiratory illness known as the Coronavirus (COVID-19) began widely spreading throughout the world. Due to the highly contagious nature of COVID-19 and to help protect public health and slow the spread, emergency measures were taken by the State of California and California Department of Public Health. California's Governor, Gavin Newsom, issued a State of Emergency and Executive Order N-33-20 declaring shelter-in-place order and later limiting mass gatherings. State Fairs were not held in 2020 or 2021.

Beginning March 2020, Cal Expo experienced a significant decline in revenue due to having to postpone or cancel events due to uncertainty of the COVID-19 pandemic. As a self-supporting State agency, who is highly dependent on revenues generated from large events, the pandemic has been devastating to all of Cal Expo's revenue streams. Losses were further compounded when the directives issued by Governor Gavin Newsom and the California Department of Public Health resulted in the cancellation of the annual California State Fair, which accounts for 60% of the Cal Expo's operating revenue budget.

On June 29, 2020, Governor Gavin Newsom approved a budget augmentation under Assembly Bill (AB) 75. AB 75 provided \$40.3 million in General Fund support for District Agricultural Associations (DAAs) and Cal Expo in order to assist Fairs, that are projected to have insufficient reserves, to pay legally mandated costs that may be incurred during a state civil service layoff process. Use of these funds is limited to state civil service employee salaries, benefits, retirement payments, unemployment insurance costs, and payouts of leave balances. Appropriated funds are available for state-affiliated fairs, including Cal Expo, and available for encumbrance or expenditure until December 31, 2021. On July 15, 2020, Cal Expo management regrettably notified staff of the start of an approved state civil service staff reduction plan. Cal Expo received its first allocation of AB 75 funds in early August 2020.

In mid-2020, Cal Expo became a Covid Response Center and received income from Kaiser Permanente, the County of Sacramento, FEMA, and a small portion from the City of Sacramento. The Covid response services expanded in 2021 to include vaccinations.

## CALIFORNIA EXPOSITION & STATE FAIR

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

#### NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

With limited revenue coming in and with no indication of when large events would be permitted in California again, Cal Expo continued to reduce expenses as much as operationally feasible. Even with these efforts, Cal Expo continued to experience severe strains to their cash reserves. On September 9, 2020, the Governor amended the Budget Act of 2020 through Senate Bill 115 (SB 115), appropriating an initial \$3 million to Cal Expo to support its payroll and operational costs. An additional \$3 million could be authorized by the Director of the Department of Finance (Finance) if deemed necessary to sustain Cal Expo's operations. Through SB 115 and pursuant to subdivision (f) of Section 19622.1 of the Business and Professions Code, the Director of Finance could also authorize a short-term cash loan of up to \$3 million from the General Fund to support the payment of payroll and operational costs of Cal Expo until reimbursement for emergency operations support and other activities is received. Repayment of the cash flow loan would be subject to the terms and conditions for repayment as prescribed by Finance. Interest charges could be waived pursuant to subdivision (e) of Section 16314 of the Government Code. As of December 2024, Cal Expo has not received any cash flow loans from the General Fund.

Due to the employee layoffs in 2020 and 2021, Cal Expo continued to experience the loss of key operational and financial staff electing to retire or seek other employment. This has, and will continue to cause huge strains on the day-to-day business operations as remaining staff are tasked with covering duties outside of their expertise and in a very unique industry, years of valuable, historical knowledge is lost.

The efforts to improve liquidity is dependent upon establishing new ways to increase operating revenues. Cal Expo's implementation of new revenue generating endeavors with current partners: Sacramento Republic soccer at its Multi-use Sports Facility, Aquatic Park, Watch & Wager Harness Racing, and a themed family entertainment restaurant, Rock & Brews, became increasingly difficult during the COVID-19 pandemic. Beginning in 2022, as well as additional efforts in 2023, Cal Expo entered into a long-term agreement with a new Water Park operator. Revenues from a newly renovated Water Park are expected to commence in 2026. The new operator has assumed the expenses of the water park renovations and ongoing upkeep, thereby saving Cal Expo the expense of maintaining a non-operational facility. In 2023, Cal Expo also gained full operational ownership of the Multi-use Sports Field which was once operated by a third-party. As part of the new ownership status, Cal Expo was able to book multiple festivals and concerts that resulted in additional revenue. In 2023 and 2024, Cal Expo realized close to \$1 million dollars of additional operational revenue funds. Prior to the change, Cal Expo rarely exceeded \$100,000 in revenues per year at the Multi-use Sports Facility. With the return of the annual state fair in 2022, Cal Expo began a variety of work to make changes to increase attendance rates in hopes to bring in additional revenue to support the unfunded statutorily mandated endeavor.

Consistent with a majority of businesses during the Covid-19 pandemic, both 2020 and 2021 were highly complex and difficult years. The effects of losing some of its customers, increased costs for staffing, contracted vendors, materials and equipment, and long-term staff, challenged Cal Expo to reassess its operational needs. As Cal Expo turns a corner with hiring new multi-disciplined staff, retooling its offerings, and bringing in new business, they are rapidly gaining a renewed based of the knowledge, skills, and abilities it takes to attract new business. The efforts Cal Expo is undergoing have a strong potential to create a positive impact to its overall financial well-being in the long range vision of the organization.

The California Exposition and State Fair (Cal Expo) is a vital asset for the State and the Sacramento Region due to its strategic location and unique ability to provide a sense of security and comfort in times of uncertainty. The California State Fair began highlighting the best that California has to offer over 170 years ago and relocated to the newly built 800-acre facility, California Exposition, in 1968.

CALIFORNIA EXPOSITION & STATE FAIR  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Since its opening, Cal Expo maintains the nearly 800-acre State Fair facility, including structures, water wells, roadways, bridges, tunnels, parking lots, etc. Cal Expo has fulfilled its statutorily required programmatic functions, maintaining and enhancing the State Fairgrounds through revenues generated from events with little to no funding assistance from the State of California.

Cal Expo sought out opportunities to secure outside grants for projects as they relate to Resiliency or Public Safety to improve its facilities. With the approval of various grants, coupled with the funds received as a COVID response facility, and an increase in long-term leases and event rentals, Cal Expo has proven itself to be fiscally independent, responsible, and well positioned to hold large scale events and to receive additional funding from government sources to continue its statutory mandates.

In addition to the services Cal Expo provides, the State of California “Continuity of Governance Plan” has designated Cal Expo as the emergency seat of State Government for the State Capitol. Cal Expo has put great effort into expanding its emergency capabilities to meet the needs of the State and the Sacramento Region. Throughout the pandemic, State and local governments extensively used the grounds at Cal Expo for a variety of COVID-19 related activities. In close coordination with FEMA and the City of Sacramento, portions of the State Fairgrounds served as an Isolation Trailer Facility to house unhoused people who were at risk of COVID.

Early in the pandemic, Cal Expo was called upon to create the first indoor drive-through testing facility in the state resulting in over 60,000 tests administered in 2020. Later, Cal Expo serve as the primary vaccination site for essential workers. Vaccination efforts continued to increase to the point that the State designated Cal Expo as a “Super-Vaccination Site”. Simultaneously, Cal Expo made other buildings available to Kaiser Permanente, where they administered over 80,000 vaccinations. The County of Sacramento also used Cal Expo as a restocking facility and home for administering over 40,000 vaccinations.

Cal Expo is also designated as the National Pharmaceutical Stockpile for Northern California, and a Tsunami Recovery Center for the San Francisco Bay Area. The state fairgrounds continue to serve as a regional evacuation center for people and animals, as well as a key distribution hub during natural disasters. In the height of California’s wildfire season, Cal Expo assists the Governor’s Office of Emergency Services, Cal Fire, FEMA, National Guard, Red Cross, and other agencies with coordination of services and infrastructure for emergency operations.

During the years of 2020 and 2021, the National Guard used Cal Expo facilities as an operating base and housing compound for more than 1,000 troops during periods of civil unrest. The County of Sacramento and the City of Sacramento uses Cal Expo as a regional law enforcement command center, and as a mass booking jail facility.

Cal Expo also lends equipment and resources to other State Agencies, fairgrounds, and evacuation centers. Cal Expo’s barricades remain deployed around the perimeter of the Capitol for enhanced security. Cal Expo provides bleachers, staging, and staff support to the Capitol for the annual Christmas Tree Lighting ceremony.

CALIFORNIA EXPOSITION & STATE FAIR  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

In the years following the 2020 Covid-19 Pandemic, Cal Expo was once again able to fulfill its statutory mandate and made a comeback in 2022 with its annual California State Fair, earning top awards and accolades for its California State Fairs in both 2023 and 2024. In 2024, Cal Expo was named top of the list for state fairs across the nation.

As part of its diversification in the events and entertainment business, Cal Expo has formed relationships with top quality promoters for large event promotions such as After-Shock, Country in the Park, X Games, festivals, and popular Spanish language concert events to name a few.

Cal Expo's event rental business revenue has been quick to return with comparable monies to pre-pandemic status. However, expenses for all services post-COVID have seen an average increase between 15 to 20%. Recognizing the need for additional revenue, Cal Expo prioritized its resources on revenue generating events. Cal Expo has incrementally brought on new highly qualified staff with the expressed purpose of ensuring market studies and deeper analysis of services and fees. We have changed some of our rental rate structures to align with what other local venues are offering. Some of the analysis caused Cal Expo to ensure that some expenses are accounted for within the rental rates to entice outside promoters to come to Cal Expo. With a newly hired Business Development Manager, this position brought in new sources of customers that have allowed Cal Expo to begin its steps forward in securing a long-term rental of event space.

In its efforts to better align our event services to market competitors, Cal Expo invested in new equipment and machinery that can be rented to promoters, used by staff, or in emergency situations instead of renting from outside sources. This will be a savings recognized for many years and contribute to an increase in available cash flow for the organization.

Cal Expo is working to significantly replenish and expand its former 1-megawatt photovoltaic array, to keep on track with the Administration's sustainability goals and to create the first energy independent fairgrounds in California. Cal Expo has the potential to create 15 megawatts of power as a solar farm whose collected energy can be used when the local power grid is overloaded, or off-line - which has happened several times in recent summers. Cal Expo is attempting to fund three solar power generation plans that would power specific areas of the State Fairgrounds and potentially provide power that could benefit other State Agencies. The first project identifies the Maintenance Building at Cal Expo as a prime location for roof mounted solar panels capable of generating 300 kilowatts of power. The second project would install solar panels on the roof of the extended walkway between Buildings A and B, and C and D to generate 300 kilowatts that would power these same buildings. The third project would replace the outdated solar array that is elevated above Parking Lot B, which has reached its end of useful life.

The above adjustments by Cal Expo post-COVID created a situation allowing Cal Expo to reimagine its business model, the use of its facilities, and begin to utilize its assets to create opportunities to expand on increasing a positive outcome for both Cal Expo and the community it serves. However, it is a struggle for Cal Expo without receiving any funding from the legislature or the Governor's Budget Act to fund some of its priorities. In order for the State to keep utilizing Cal Expo for emergencies, Cal Expo needs an annual disbursement to offset the cost of protecting and maintaining State property and the unpredictable costs associated with running the State Fairgrounds.

CALIFORNIA EXPOSITION & STATE FAIR  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

New Pronouncements: In June 2017, the GASB issued Statement No. 87, *Leases*. 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. 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. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease's guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after June 15, 2020.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement addresses issues related to public-private and public-public partnership arrangements (PPPs). PPPs are arrangements 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. This statement requires that PPPs that meet the definition of a lease apply guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement No. 87, as amended. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements that include 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. This Statement is effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

CALIFORNIA EXPOSITION & STATE FAIR  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 (Continued)

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the 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. 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. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

Cal Expo will fully analyze the impact of these new Statements prior to the effective dates listed above.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31 are classified in the accompanying financial statements as follows:

	2020	2019
Cash and cash equivalents	\$ 4,522,859	\$ 7,890,724
Restricted cash and cash equivalents	5,386,758	10,229,210
Total cash and investments	\$ 9,909,617	\$ 18,119,934

Cash and cash equivalents as of December 31 consisted of the following:

	2020	2019
Cash on hand	\$ 77,907	\$ 168,346
Cash in vault	30,000	70,000
Deposits with financial institutions	8,211,331	13,852,642
Total cash	8,319,238	14,090,988
Investments in Local Agency Investment Fund (LAIF)	1,590,379	4,028,946
Total investments	1,590,379	4,028,946
Total cash and investments	\$ 9,909,617	\$ 18,119,934

CALIFORNIA EXPOSITION & STATE FAIR  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Investment policy: California statutes authorize agencies to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for Cal Expo by the California Government Code (or Cal Expo's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of Cal Expo, rather than the general provisions of the California Government Code or Cal Expo's investment policy.

During the years ended December 31, 2020 and 2019, Cal Expo's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Agency Securities	5 years	None	None
Federal agency and supranational securities	5 years	None	None
Certificates of Deposits	5 years	None	None
Bankers Acceptances	180 days	None	30%
Commercial Paper	270 days	30%	10% of issuer's Commercial paper
Corporate bonds/notes	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	1 year	10%	None
LAIF	N/A	None	\$20 million

\*Excluding amounts held by the bond trustee that are not subject to California Government Code restrictions.

Investments Authorized to Debt Agreements: Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or Cal Expo's investment policy.

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 changes in market interest rates. The average maturity of the investment in LAIF is 191 days.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Cal Expo's investment in LAIF is not rated.

Concentration of Credit Risk: The investment policy of Cal Expo contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total Agency investments.

CALIFORNIA EXPOSITION & STATE FAIR  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and Cal Expo's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At December 31, 2020, the carrying amount of Cal Expo's deposits were \$8,211,331 and the balances in financial institutions were \$8,264,177. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$8,014,177 was covered by the pledging financial institution with assets held in a common pool for Cal Expo and other governmental agencies, but not in the name of Cal Expo. At December 31, 2019, the carrying amount of Cal Expo's deposits were \$13,852,642 and the balances in financial institutions were \$14,142,327. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$13,892,327 was covered by the pledging financial institution with assets held in a common pool for Cal Expo and other governmental agencies, but not in the name of Cal Expo.

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$107.8 billion and \$88.9 billion managed by the State Treasurer at December 31, 2020 and 2019 respectively. Of that amount, 3.28% and 2.09% is invested in structured notes and asset-backed securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of Cal Expo's investment in this pool is reported in the accompanying financial statements at amounts based upon Cal Expo's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CALIFORNIA EXPOSITION & STATE FAIR

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 and 2019 is as follows:

	Balance January 1, 2020	Additions	Deletions	Transfers	Balance December 31, 2020
Capital assets not being depreciated:					
Land	\$ 1,643,577				\$ 1,643,577
Construction in progress	1,734,505	\$ 2,789,713		\$ (634,863)	3,889,355
	<u>3,378,082</u>	<u>2,789,713</u>	<u>-</u>	<u>(634,863)</u>	<u>5,532,932</u>
Capital assets being depreciated:					
Building and improvements	79,173,998	830,064	\$ (1,178,918)	634,863	79,460,007
Equipment and machinery	6,379,341	300,168			6,679,509
	<u>85,553,339</u>	<u>1,130,232</u>	<u>(1,178,918)</u>	<u>634,863</u>	<u>86,139,516</u>
Less accumulated depreciation:					
Building and improvements	(67,661,960)	(1,465,509)	1,172,438		(67,955,031)
Equipment and machinery	(5,550,807)	(224,760)			(5,775,567)
	<u>(73,212,767)</u>	<u>(1,690,269)</u>	<u>1,172,438</u>	<u>-</u>	<u>(73,730,598)</u>
Net capital assets being depreciated	<u>12,340,572</u>	<u>(560,037)</u>	<u>(6,480)</u>	<u>634,863</u>	<u>12,408,918</u>
Net capital assets	<u>\$ 15,718,654</u>	<u>\$ 2,229,676</u>	<u>\$ (6,480)</u>	<u>\$ -</u>	<u>\$ 17,941,850</u>
	Balance January 1, 2019	Additions	Deletions	Transfers	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 1,643,577				\$ 1,643,577
Construction in progress	141,530	\$ 1,645,154	\$ (52,179)		1,734,505
	<u>1,785,107</u>	<u>1,645,154</u>	<u>(52,179)</u>		<u>3,378,082</u>
Capital assets being depreciated:					
Building and improvements	77,415,369	1,809,445	(50,816)		79,173,998
Equipment and machinery	6,334,256	53,485	\$ (8,400)		6,379,341
	<u>83,749,625</u>	<u>1,862,930</u>	<u>(59,216)</u>		<u>85,553,339</u>
Less accumulated depreciation:					
Building and improvements	(66,284,520)	(1,420,532)	43,092		(67,661,960)
Equipment and machinery	(5,315,373)	(243,834)	8,400		(5,550,807)
	<u>(71,599,893)</u>	<u>(1,664,366)</u>	<u>51,492</u>		<u>(73,212,767)</u>
Net capital assets being depreciated	<u>12,149,732</u>	<u>198,564</u>	<u>(7,724)</u>		<u>12,340,572</u>
Net capital assets	<u>\$ 13,934,839</u>	<u>\$ 1,843,718</u>	<u>\$ (59,903)</u>	<u>\$ -</u>	<u>\$ 15,718,654</u>

CALIFORNIA EXPOSITION & STATE FAIR  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE D – OPERATING LEASES

Cal Expo has various lease agreements with concessionaires and promoters for State Fair and non-State Fair events. The leases cover rental of Cal Expo property and equipment and are based on either fixed payments for the facility, on attendance, or as a percentage of revenue earned by the promoter. The terms of the leases are generally cancelable with terms ranging from one event to twenty years. Rental income earned on cancelable and noncancelable leases is included in operating revenue.

In April 2011, Cal Expo entered into a lease agreement as lessor with Outfront Media, LLC (formerly known as CBS Outdoor, Inc.) where Cal Expo granted Outdoor Media a license to use Cal Expo's premises for the purposes of installing, operating and maintaining two new and updated electronic digital billboards to replace existing and outdated billboards at the same locations on the premises. The original term of the agreement is for twenty years commencing April 26, 2011. The agreement has an option to extend the term for two additional five year periods, which can be exercised independently or concurrently. Outfront Media pays rent to Cal Expo for the term of the agreement the minimum guarantee amount of \$18,750 per month for the first five years, increasing by ten percent every five years, or thirty percent of annual adjusted gross revenue share based on gross receipts of advertising sales, whichever is greater.

The minimum future rentals on noncancelable operating leases as of December 31, 2020, are as follows:

<u>Years Ended December 31:</u>	
2021	\$ 251,624
2022	272,304
2023	272,304
2024	272,304
2025	272,304
Thereafter	<u>1,742,528</u>
Total minimum future rentals (a)	<u><u>\$ 3,083,368</u></u>

(a) This amount does not include contingent rental income based on a percentage of gross revenue from advertising sales. Contingent rental income amounted to \$27,762 in 2020 and \$47,962 in 2019.

In August 2015, Cal Expo entered into a lease agreement as lessor with Outfront Media, LLC (formerly known as CBS Outdoor, Inc.) where Cal Expo granted Outfront Media a license to use Cal Expo's premises for the purposes of maintaining four two-sided static billboards, including above-ground supporting structures, devices, illumination facilities and connections, service ladders, and appurtenances. The original term of the agreement is for fifteen years and nine months commencing August 1, 2015. Outfront Media pays rent to Cal Expo for the term of the agreement the minimum guarantee amount of \$6,000 per month for the first year and three months, increasing to \$78,000 a year for the next five years, \$86,000 a year for the following five years, and then \$96,000 a year for the remainder of the agreement, or thirty percent of annual adjusted gross revenue share based on gross receipts of advertising sales, whichever is greater.

CALIFORNIA EXPOSITION & STATE FAIR  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE D – OPERATING LEASES (Continued)

The minimum future rentals on noncancelable operating leases as of December 31, 2020, are as follows:

Years Ended December 31:	
2021	\$ 79,334
2022	86,004
2023	86,004
2024	86,004
2025	86,004
Thereafter	503,670
Total minimum future rentals (a)	\$ 927,020

(a) This amount does not include contingent rental income based on a percentage of gross revenue from advertising sales.

NOTE E – LONG-TERM LIABILITIES

The activity of Cal Expo's long-term liabilities during the years ended December 31 was as follows:

	Balance January 1, 2020	Additions	(Reductions)	Balance December 31, 2020	Due Within One Year
Notes payable	\$ 49,452		\$ (20,118)	\$ 29,334	\$ 22,000
Loan payable - SMIF (SB 84)	1,603,000			1,603,000	
Compensated absences	1,480,171	\$ 462,799	(670,896)	1,272,074	539,383
	\$ 3,132,623	\$ 462,799	\$ (691,014)	\$ 2,904,408	\$ 561,383
	Balance January 1, 2019	Additions	(Reductions)	Balance December 31, 2019	Due Within One Year
Notes payable	\$ 85,479		\$ (36,027)	\$ 49,452	\$ 25,618
Loan payable - SMIF (SB84)	1,603,000			1,603,000	
Compensated absences	1,529,394	\$ 675,412	(724,635)	1,480,171	575,078
	\$ 3,217,873	\$ 675,412	\$ (760,662)	\$ 3,132,623	\$ 600,696

Notes Payable

During the year ended 2011, The California Department of Agriculture, Division of Fairs & Expositions loaned \$220,000 to Cal Expo for redevelopment. The loan's interest is 0%, and payable in monthly installments aggregating \$22,000 per year. The loan agreement was amended in September 2020 in order to defer loan payments for 12 months until September 1, 2021, due to financial hardships discussed in Note A of this report. The balance at December 31, 2020 and 2019, was \$29,334 and \$49,452 respectively.

CALIFORNIA EXPOSITION & STATE FAIR

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE E – LONG-TERM LIABILITIES (Continued)

During the year ended 2011, the California Department of Agriculture, Division of Fairs & Expositions loaned \$96,045 to Cal Expo for the rehabilitation of the electric vault. The loan's interest rate is 5%, and payable in monthly installments aggregating \$14,591 per year including interest, maturing March 2020. The balance was paid off as of December 31, 2020.

Annual debt service requirements to maturity for notes payable at December 31, 2020, are as follows:

Years Ended December 31:	Notes Payable	
	Principal	Interest
2021	\$ 7,334	\$ -
2022	22,000	-
	<u>\$ 29,334</u>	<u>\$ -</u>

Chapter 50, Statutes of 2017 (SB 84), authorized the State to make a one-time \$6 billion supplemental pension payment to CalPERS in 2017-2018, in addition to the annual State contribution. The additional pension payment is funded through a loan from the Surplus Money Investment Fund (SMIF). SB 84 requires the repayment of the loan principal and the payment of interest be made from the General Fund and other funds and accounts (Funds) that are required by law to fund the state's employer contribution to the Public Employees' Retirement Fund. Pursuant to the 2018 Budget Act, the \$6 billion supplemental pension payment funded by the loan from the SMIF is estimated to result in net savings of \$5.9 billion.

SB 84 requires all Funds to fully repay their principal and interest allocation by June 30, 2030. During the year ended 2018, Cal Expo established a loan payable to the SMIF for the principal of \$1,603,000, with an estimated interest amount of \$267,000 for the life of the loan. Due to the financial hardships noted in the "Liquidity Risk" section of this report, Cal Expo requested a deferment of the 2019-2020 and 2020-2021 installments, which was approved by the Department of Finance (DOF). Under the new repayment plan, the revised estimated interest amount increased to \$316,000 in which Cal Expo's first installment of \$450,000 is due during the 2021-2022 fiscal year, however the repayment schedules are still under negotiation.

Annual debt service requirements to maturity per the original and deferred loan payable schedules at December 31, 2020 are as follows:

Years Ended December 31:	Original Notes Payable Schedule		Deferred Notes Payable Schedule	
	Principal	Interest	Principal	Estimated Interest
2020	\$ 242,000	\$ 55,000		
2021	247,000	50,000		
2022	256,000	41,000	\$ 271,000	\$ 179,000
2023	266,000	31,000	402,000	48,000
2024	277,000	20,000	416,000	34,000
2025	315,000	70,000	514,000	55,000
	<u>\$ 1,603,000</u>	<u>\$ 267,000</u>	<u>\$ 1,603,000</u>	<u>\$ 316,000</u>

CALIFORNIA EXPOSITION & STATE FAIR

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE F – ACCRUED LIABILITY FOR WORKERS’ COMPENSATION SELF-INSURANCE

Changes in the balance of claims liability for workers’ compensation self-insurance is summarized as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Unpaid claims, beginning of fiscal year	\$ 259,168	\$ 401,720
Changes in estimates	(191,361)	(72,170)
Claim payments	(1,801)	(70,382)
Unpaid claims, end of fiscal year	\$ 66,006	\$ 259,168

NOTE G – PENSION PLANS

Plan Descriptions: All eligible employees of Cal Expo participate in the California Public Employees’ Retirement System (CalPERS), which is included in the State of California’s (State) Comprehensive Annual Financial Report as a fiduciary component unit. CalPERS administers the Public Employees’ Retirement Fund (PERF). PERF is an agent multiple-employer defined benefit pension plan. Cal Expo participates in the State Miscellaneous Plan, State Safety Plan, and State Peace Officers and Firefighters (SPOFF) Plan (the Plans) in cost-sharing arrangements in which all risks and costs are shared proportionately by participating State agencies. The Fair has the following rate plans:

- Miscellaneous Plan Tier 1
- Miscellaneous Plan Tier 2
- Safety Plan
- Peace Officers and Firefighters Plan

CalPERS issues a publicly available comprehensive annual financial report that may be obtained by writing to the California Public Employees’ Retirement System, Fiscal Services Division, P.O. Box 942703, Sacramento, California 94229 or by visiting the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRM Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the following: the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees’ Retirement Law.

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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE G – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at December 31 are summarized as follows:

	State Miscellaneous Plan				
	First Tier			Second Tier	
	Prior to January 15, 2011	January 15, 2011 to December 31, 2012	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date					
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 60	2.0% @ 62	1.25% @ 65	1.25% @ 67
Benefit vesting schedule	5 years service	5 years service	5 years service	10 years of service	10 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67	50 - 67	52 - 67	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	1.1% to 2.5%	1.092% to 2.418%	1.0% to 2.5%	0.5% to 1.25%	0.65% to 1.25%

  

	State Safety Plan			
	Prior to January 15, 2011	January 15, 2011 to December 31, 2012	January 15, 2011 to December 31, 2012	On or after January 1, 2013
	Hire date			
Benefit formula (at full retirement)	2.5% @ 55	2% @ 55	2.5% @ 60	2% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 60	50 - 60	50 - 60	50 - 60
Monthly benefits, as a % of eligible compensation	1.7% to 2.5%	1.426% to 2.000%	1.426% to 2.500%	1.426% to 2.000%

  

	State Peace Officers and Firefighters Plan				
	Prior to January 15, 2011	Prior to January 15, 2011	January 15, 2011 to December 31, 2012	On or after January 1, 2013	On or after January 1, 2013
	Hire date				
Benefit formula (at full retirement)	3% @ 55	3% @ 50	2.5% @ 55	2.5% @ 57	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 57	50 - 57	50 - 57	50 - 57	50 - 57
Monthly benefits, as a % of eligible compensation	2.4% to 3%	3%	2% to 2.5%	2% to 2.5%	2% to 2.7%

**Contributions:** Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of December 31 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution requirements may change if plan contracts are amended. Payment made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the fiscal years ended December 31, 2020 and 2019, the actuarially required contributions, additional contributions that the State is to make to offset the savings due to the increased member contributions, and reduced contributions in accordance with Government Code section 20825.1 due to an advance payment of the unfunded liability by the State under SB 90 for each plan were:

CALIFORNIA EXPOSITION & STATE FAIR

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE G – PENSION PLANS (Continued)

	Fiscal Year Ended December 31, 2020		Fiscal Year Ended December 31, 2019		
	Actuarially Required Employer Contribution Rate	Additional Statutory Contribution to Offset Increased Member Contributions	Actuarially Required Employer Contribution Rate Liability	Additional Statutory Contribution to Offset Increased Member Contributions	Reduction Due to an Advance Payment of the Unfunded Liability
State Miscellaneous Plan	31.430%	0.100%	30.138%	0.098%	-0.129%
State Safety Plan	21.280%	1.180%	20.939%	1.182%	-0.148%
State Peace Officers and Firefighters Plan	47.000%	1.650%	45.461%	1.647%	-0.732%

For the fiscal years ended December 31, 2020 and 2019, contributions were \$1,438,198 and \$1,763,510, respectively.

Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: Cal Expo reported net pension liabilities for its proportionate share of the Plans' net pension liabilities as of December 31, 2020 and 2019, in the amount of \$16,353,055 and \$16,325,436 respectively.

Cal Expo's net pension liability is measured as the proportionate share of the net pension liability of the Plans. The net pension liabilities as of December 31, 2020, are measured as of June 30, 2019, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. Cal Expo's proportionate share of the net pension liability of the Plans was based on the State Controller's Office (SCO) projection for Cal Expo based on its pensionable compensation (covered payroll). The SCO calculated and provided Cal Expo with their allocated pensionable compensation percentages by Plan. Cal Expo's proportionate share of the net pension liabilities for the Plans as of June 30, 2019, was 0.0463% (State Miscellaneous), 0.0039% (State Safety), and 0.0046% (State Peace Officers and Firefighters).

For the year ended December 31, 2020, Cal Expo recognized pension expense of \$1,368,507. At December 31, 2020, Cal Expo reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	State Miscellaneous		State Safety		State Peace Officers and Firefighters	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 2,373,040		\$ 41,872		\$ 87,885	
Changes in assumptions	655,982	\$ (326,664)	7,905	\$ (838)	50,229	\$ (686)
Differences between actual and expected experience	817,170	(44,797)	6,902	(1,735)	34,308	(5,516)
Net differences between projected and actual earnings on plan investments		(115,964)	1	(1,233)		(5,061)
Change in proportion	1,567,227	(494,548)	34,590	(88,811)	218,146	(506,348)
Total	\$ 5,413,419	\$ (981,973)	\$ 91,270	\$ (92,617)	\$ 390,568	\$ (517,611)

CALIFORNIA EXPOSITION & STATE FAIR  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE G – PENSION PLANS (Continued)

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability as follows:

Years Ending December 31,	State Miscellaneous	State Safety	State Peace Officers and Firefighters
2021	\$ 1,647,450	\$ 31,022	\$ 65,350
2022	725,590	10,850	22,535
Total	<u>\$ 2,373,040</u>	<u>\$ 41,872</u>	<u>\$ 87,885</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ending December 31,	State Miscellaneous	State Safety	State Peace Officers and Firefighters
2021	\$ 1,535,183	\$ (3,984)	\$ 34,715
2022	313,765	(17,162)	(54,812)
2023	149,006	(17,226)	(96,307)
2024	60,452	(4,847)	(98,524)
	<u>\$ 2,058,406</u>	<u>\$ (43,219)</u>	<u>\$ (214,928)</u>

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

	December 31, 2020	December 31, 2019
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.5%	2.50%
Payroll Growth	Varies (a)	Varies (a)
Mortality <sup>1</sup>	Derived using CalPERS Membership Data for all Funds	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Up to 2.5% (b)	Up to 2.00% (c)

(a) Depending on entry age and service

(b) Contract COLA up to 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

(c) Contract COLA up to 2.00% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

CALIFORNIA EXPOSITION & STATE FAIR

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE G – PENSION PLANS (Continued)

<sup>1</sup> The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% at both December 31, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class for the Plan as of the measurement dates of December 31. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	2020			2019		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%	28.0%	1.00%	2.62%
Inflation Sensitive		0.77%	1.81%		0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%	13.0%	3.75%	4.93%
Liquidity	1.0%		(0.92)%	1.0%		(0.92)%
Total	<u>100.0%</u>			<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

CALIFORNIA EXPOSITION & STATE FAIR

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE G – PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents Cal Expo's proportionate share of the net pension liability for the Plans as June 30, 2019 (measurement date), calculated using the discount rate for the Plans, as well as what Cal Expo's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>State Miscellaneous</b>		
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Cal Expo's proportionate share of plan's net pension liability	\$ 22,188,751	\$ 15,572,256	\$ 10,029,767
	<b>State Safety</b>		
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Cal Expo's proportionate share of plan's net pension liability	\$ 182,759	\$ 109,704	\$ 46,230
	<b>State Peace Officers and Firefighters</b>		
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Cal Expo's proportionate share of plan's net pension liability	\$ 988,148	\$ 671,095	\$ 411,131

The following presents Cal Expo's proportionate share of the net pension liabilities of the Plans as of June 30, 2018 (measurement date), calculated using the discount rate for the Plans:

	<b>State Miscellaneous</b>		
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Cal Expo's proportionate share of plan's net pension liability	\$ 21,392,362	\$ 14,921,909	\$ 9,499,551
	<b>State Safety</b>		
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Cal Expo's proportionate share of plan's net pension liability	\$ 261,384	\$ 156,072	\$ 68,886
	<b>State Peace Officers and Firefighters</b>		
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Cal Expo's proportionate share of plan's net pension liability	\$ 1,841,286	\$ 1,247,455	\$ 760,999

## CALIFORNIA EXPOSITION & STATE FAIR

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

#### NOTE G – PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position: Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports that can be obtained by visiting the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

#### NOTE H – OTHER POST-RETIREMENT BENEFITS

Plan Description: The State provides postemployment medical and prescription drug benefits to employees and dependents through CalPERS under the Public Employees' Medical and Hospital Care Act, and dental benefits under the State Employees' Dental Care Act. The State, and certain bargaining units and judicial employees (valuation groups) have agreed to prefund retiree healthcare benefits. Assets are held in separate accounts by valuation group within the California Employees' Retiree Benefit Trust (CERBT) administered by CalPERS, an agent multiple-employer defined benefit other postemployment benefits plan (State's Substantive Plan). Assets within each valuation group benefit retirees and dependents associated with that valuation group. CalPERS reports on the CERBT as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The State had identified 25 separate valuation groups within the State Substantive Plan. For each agency and/or fund, the State Controller's Office (SCO) determined the proportion of pensionable compensation attributable to employees within these valuation groups. The SCO then used these proportions to allocate the OPEB accounting elements from the State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report to State agencies and their funds.

Benefits Provided: In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of family members of annuitants. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending upon the completed years of credited state service at retirement and the dental coverage selected. The maximum 2019 State Contribution was \$734 for one-party, \$13,98 for two-party coverage, and \$1,788 for family coverage. To be eligible for these benefits, first-tier plan annuitants must retire on or after age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from employment to be eligible to receive these benefits.

Contributions: The design of the postemployment health and dental benefit programs can be amended by the CalPERS Board of Administration and the California Department of Human Resources, respectively. Employer and retiree contributions are governed by the State and may be amended by the Legislature. Cal Expo participates in the State's Substantive Plan on a cost-sharing basis. The State funds the cost of providing health and dental insurance to annuitants primarily on a pay-as-you-go basis. The State obtains an annual actuarial valuation of the State's Substantive Plan which can be found on the SCO's website at [www.sco.ca.gov](http://www.sco.ca.gov). Contributions to the State's Substantive Plan from Cal Expo were \$567,923 and \$612,780 for the years ended December 31, 2020 and December 31, 2019, respectively.

Total OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB: At December 31, 2020, Cal Expo reported a liability of \$18,316,875 for its proportionate share of the State's Substantive Plan net OPEB liability. At December 31, 2019, Cal Expo reported a liability of \$20,034,247 for its proportionate share of the State's Substantive Plan net OPEB liability. The net OPEB liability and total OPEB liability used to calculate the net OPEB liability was measured as of June 30, 2019, and June 30, 2018, respectively, by an actuarial valuation. Cal Expo's proportion of the net OPEB

CALIFORNIA EXPOSITION & STATE FAIR  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE H – OTHER POST-RETIREMENT BENEFITS (Continued)

liability was based on the SCO's projection for Cal Expo. Cal Expo's combined proportionate share, based on its attributable employee valuation groups' pensionable compensation, as of June 30, 2019 was 0.024681% and as of June 30, 2018 was 0.023406%.

For the year ended December 31, 2020, Cal Expo recognized OPEB credit of \$1,247,701. At December 31, 2020, Cal Expo reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to measurement date	\$ 672,076		\$ 896,280	
Change in proportion		\$ (7,941,748)	17,953	\$ (6,269,647)
Differences between actual and expected experience	26,053	(1,310,990)		(1,493,356)
Changes in assumptions	554,246	(1,471,369)		(2,154,732)
Net differences between projected and actual earnings on plan investments	234	(1,595)	356	(276)
Total	<u>\$ 1,252,609</u>	<u>\$ (10,725,702)</u>	<u>\$ 914,589</u>	<u>\$ (9,918,011)</u>

The \$672,076 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability as follows:

Years Ending December 31,	
2021	\$ 593,000
2022	<u>79,076</u>
Total	<u>\$ 672,076</u>

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in Cal Expo's OPEB expense as follows:

Year Ended June 30	
2021	\$ (1,985,650)
2022	(1,905,883)
2023	(1,911,619)
2024	(1,793,132)
2025	(1,169,856)
Thereafter	<u>(1,379,029)</u>
	<u>\$ (10,145,169)</u>

CALIFORNIA EXPOSITION & STATE FAIR

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE H – OTHER POST-RETIREMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs: For the measurement period ending June 30, 2019 (the measurement date), the total OPEB liability was determined using a June 30, 2018 valuation date. For the measurement period ended June 30, 2018 (the measurement date), the total OPEB liability was determined using a June 30, 2018 valuation date. The total OPEB liability was based on the following actuarial methods and assumptions:

Valuation date:	June 30, 2018	June 30, 2018
Actuarial Cost Method:	Entry-Age Normal	Entry-Age Normal
Actuarial assumptions:		
Discount Rate	Blended rate consisting of 6.75% when assets are available to pay benefits, otherwise 20-year Municipal G.O Bond AA Index rate of 3.13%	Blended rate ranges from 3.620% to 4.066%, depending on the valuation group
Inflation	2.25%	2.50%
Salary Increases	Varies on entry age and service	Varies on entry age and service
Health care cost trend rates	<i>Pre-Medicare coverage and Post-Medicare coverage:</i> Actual rates for 2020, increasing to 7.50% in 2021, graded down over a six-year period until a trend rate of 4.50% in 2027, remains at 4.50% for ten years over the ultimate rate of 4.25% is reached in 2037. <i>Dental coverage:</i> 0.01% in 2020 and 4.50% thereafter.	<i>CalPERS' Membership Data Pre-Medicare and Post-Medicare coverage:</i> Actual rates for 2019, increasing to 7.50% in 2020, decreasing 0.50% per year to an ultimate rate of 4.50% for 2026 and later years. <i>Dental coverage:</i> 0.26% in 2019 and 4.50% thereafter.
Mortality Rate Table	CalPERS' Membership data	CalPERS' Membership data

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 90% Scale MP 2016. For more details on this table, refer to the 2017 *CalPERS Experience Study and Review of Actuarial Assumptions* report (Experience Study) for the period from 1997 to 2015. Other demographic assumptions used in the June 30, 2019 valuation were also based on the results of the Experience Study, including updates to termination, disability, mortality assumptions, and retirement rates. The Experience Study report can be obtained from CalPERS' website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Healthcare related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors are based on the 2018 experience study performed by Gabriel, Roeder, Smith and Company (GRS) for the period 2014 to 2018. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. A copy of the GRS experience study available at [www.sco.ca.gov](http://www.sco.ca.gov).

Changes in Assumptions: For the actuarial valuation as of June 30, 2019, healthcare related assumptions including per capita healthcare cost and healthcare trend rates, were updated based on experience through June 30, 2019. The discount rate was increased from 4.066% to 6.75% and the inflation rate was reduced from 2.50% to 2.25% as of December 31, 2020.

CALIFORNIA EXPOSITION & STATE FAIR

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE H – OTHER POST-RETIREMENT BENEFITS (Continued)

Discount Rate: The blended rates used to measure the December 31, 2019 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.13% as of June 30, 2019, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.75% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarial determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time as scheduled in future years. The prefunding agreements are subject to collective bargaining and legislative approval.

Detail information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2019*, on the State Controller’s Office website, at [www.sco.ca.gov](http://www.sco.ca.gov).

The long-term expected rate of return on OPEB plan investments was determined by Gabriel, Roeder, Smith & Company using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) real returns were calculated over a closed period. Based on separate expected real returns for the short-term (first 10 years) and the long-term (11-40 years), and an average inflation assumption of 2.25%, a single expected nominal return rate of 6.75% was calculated for the combined short-term and long-term periods. If applied to expected cash flows during that period, the resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

The following table reflects the long-term expected real rate of return by asset class.

Asset Class	Target Asset Allocation	Real Return Years 1 - 10	Real Return Years 11 - 40
Global Equity	59.0%	4.80%	5.98%
Fixed Income	25.0%	1.10%	2.62%
Treasury Inflation-Protected Securities	5.0%	0.25%	1.46%
Real Estate Investment Trusts	8.0%	3.50%	5.00%
Commodities	3.0%	1.50%	2.87%
	100.0%		

CALIFORNIA EXPOSITION & STATE FAIR  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE H – OTHER POST-RETIREMENT BENEFITS (Continued)

Changes in the Total OPEB Liability: The changes in the net OPEB liability for the plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at December 31, 2019	\$ 20,115,405	\$ 81,158	\$ 20,034,247
Changes in the year:			
Service cost	590,751		590,751
Interest on the total OPEB liability	700,332		700,332
Contribution - employer		515,412	(515,412)
Net investment income		10,162	(10,162)
Differences between expected and actual experience	(274,955)		(274,955)
Changes in assumptions	625,728		625,728
Employer prefunding contribution		52,511	(52,511)
Active member contribution		52,511	(52,511)
Proportionate share allocation	(2,741,822)	(13,164)	(2,728,658)
Administrative expenses		(26)	26
Benefit payments	(515,412)	(515,412)	-
Net changes	<u>(1,615,378)</u>	<u>101,994</u>	<u>(1,717,372)</u>
Balance at December 31, 2020 (June 30, 2019 measurement date)	<u>\$ 18,500,027</u>	<u>\$ 183,152</u>	<u>\$ 18,316,875</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of Cal Expo, as well as what Cal Expo's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2020		
	Current		
	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Net OPEB liability	\$ 21,541,181	\$ 18,316,875	\$ 15,742,238
	2019		
	Current		
	1% Decrease 3.066%	Discount Rate 4.066%	1% Increase 5.066%
Net OPEB liability	\$ 23,543,969	\$ 20,034,247	\$ 17,231,289

CALIFORNIA EXPOSITION & STATE FAIR

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

December 31, 2020 and 2019

NOTE H – OTHER POST-RETIREMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of Cal Expo, as well as what Cal Expo’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	2020		
	Current Healthcare Cost		
	1% Decrease (6.5% Medical decreasing to 3.25%)	Trend Rates (7.5% Medical decreasing to 4.25%)	1% Increase (8.5% Medical decreasing to 5.25%)
Net OPEB liability	\$ 15,587,645	\$ 18,316,875	\$ 21,802,172

  

	2019		
	Current Healthcare Cost		
	1% Decrease (6.5% Medical decreasing to 3.5%)	Trend Rates (7.5% Medical decreasing to 4.5%)	1% Increase (8.5% Medical decreasing to 5.5%)
Net OPEB liability	\$ 17,548,707	\$ 20,034,247	\$ 23,206,208

OPEB Plan Fiduciary Net Position: Detailed information about the State’s Plan fiduciary net position is available on CalPERS website in an annual report titled “California Employers’ Retiree Benefit Trust, Agent Multiple-Employer Other Postemployment Benefits Plan, Schedule of Changes in Fiduciary Net Position by Employer.”

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REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA EXPOSITION & STATE FAIR  
REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2020

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY (UNAUDITED)  
Last 10 Years**

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
<b>STATE MISCELLENEOUS PLAN</b>						
Proportion of the net pension liability	0.046297%	0.047500%	0.040431%	0.038143%	0.035149%	0.034160%
Proportionate share of the net pension liability	\$ 15,572,256	\$ 14,921,909	\$ 14,771,520	\$ 12,630,548	\$ 9,926,847	\$ 8,132,903
Covered payroll - measurement period	\$ 5,978,469	\$ 5,820,873	\$ 4,686,540	\$ 4,268,154	\$ 3,740,197	\$ 3,422,649
Proportionate share of the net pension liability as a percentage of covered payroll	260.47%	256.35%	315.19%	295.93%	265.41%	237.62%
Plan fiduciary net position as a percentage of the total pension liability	71.34%	71.83%	66.42%	66.81%	70.68%	74.17%
<b>STATE SAFETY PLAN</b>						
Proportion of the net pension liability	0.003884%	0.006058%	0.008471%	0.006186%	0.005984%	0.002877%
Proportionate share of the net pension liability	\$ 109,704	\$ 156,072	\$ 256,843	\$ 168,438	\$ 129,357	\$ 42,529
Covered payroll - measurement period	\$ 95,852	\$ 141,731	\$ 183,594	\$ 129,915	\$ 119,910	\$ 54,701
Proportionate share of the net pension liability as a percentage of covered payroll	114.45%	110.12%	139.90%	129.65%	107.88%	77.75%
Plan fiduciary net position as a percentage of the total pension liability	80.12%	80.36%	75.51%	75.31%	79.03%	81.46%
<b>STATE POFF PLAN</b>						
Proportion of the net pension liability	0.004551%	0.008967%	0.009023%	0.007575%	0.004900%	0.005769%
Proportionate share of the net pension liability	\$ 671,095	\$ 1,247,455	\$ 1,377,321	\$ 1,036,786	\$ 524,032	\$ 586,018
Covered payroll - measurement period	\$ 167,329	\$ 318,961	\$ 308,293	\$ 245,585	\$ 139,872	\$ 174,827
Proportionate share of the net pension liability as a percentage of covered payroll	401.06%	391.10%	446.76%	422.17%	374.65%	335.20%
Plan fiduciary net position as a percentage of the total pension liability	70.56%	70.53%	65.89%	66.10%	69.61%	72.80%
Measurement Date:	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Notes to Schedule:

Change in Benefit Terms: For the measurement dates ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014 there were no changes to the benefit terms.

Changes in assumptions: For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2016 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the discount rate was reduced from 7.65% to 7.15%. For the measurement date ended June 30, 2019 and 2018, the discount rate remained at 7.15%.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

CALIFORNIA EXPOSITION & STATE FAIR  
REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2020

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (UNAUDITED)**  
**Last 10 Years**

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
<b>STATE MISCELLENEOUS PLAN</b>						
Contractually required contribution (actuarially determined)	\$ 1,647,450	\$ 1,666,716	\$ 1,550,154	\$ 1,378,640	\$ 1,161,636	\$ 985,083
Contributions in relation to the actuarially determined contributions	(1,647,450)	(1,666,716)	(2,993,154)	(1,378,640)	(1,161,636)	(985,083)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,443,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year	\$ 4,488,466	\$ 5,569,321	\$ 5,794,408	\$ 5,027,424	\$ 4,524,978	\$ 4,080,467
Contributions as a percentage of covered - employee payroll	36.70%	29.93%	26.75%	27.42%	25.67%	24.14%
<b>STATE SAFETY PLAN</b>						
Contractually required contribution (actuarially determined)	\$ 31,022	\$ 27,226	\$ 24,567	\$ 34,362	\$ 30,305	\$ 19,489
Contributions in relation to the actuarially determined contributions	(31,022)	(27,226)	(49,567)	(34,362)	(30,305)	(19,489)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year	\$ 117,403	\$ 122,343	\$ 108,815	\$ 158,755	\$ 166,788	\$ 103,098
Contributions as a percentage of covered - employee payroll	26.42%	22.25%	22.58%	21.64%	18.17%	18.90%
<b>STATE POLICE OFFICER AND FIREFIGHTER PLAN</b>						
Contractually required contribution (actuarially determined)	\$ 65,350	\$ 69,568	\$ 115,340	\$ 136,035	\$ 120,855	\$ 60,295
Contributions in relation to the actuarially determined contributions	(65,350)	(69,568)	(250,340)	(136,035)	(120,855)	(60,295)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (135,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year	\$ 131,196	\$ 133,872	\$ 256,091	\$ 317,050	\$ 298,808	\$ 159,038
Contributions as a percentage of covered - employee payroll	49.81%	51.97%	45.04%	42.91%	40.45%	37.91%
Notes to Schedule:						
Valuation date:	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Methods and assumptions used to determine contribution rates:						
Actuarial cost method			Entry age normal			
Amortized method			Level percentage of payroll, closed			
Remaining amortization period			Varies, not more than 30 years			
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases			Varies by Entry Age and Service			
Payroll growth	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015, thus information prior to this date was not presented.

CALIFORNIA EXPOSITION & STATE FAIR

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 SCHEDULE OF CAL EXPO'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	0.024681%	0.023406%	0.030511%
Proportionate share of the net OPEB liability	\$ 18,316,875	\$ 20,034,247	\$ 27,767,000
Covered-employee payroll	\$ 6,241,650	\$ 6,281,565	\$ 5,178,427
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	293.46%	318.94%	536.21%
Plan fiduciary net position as a percentage of the total OPEB liability	0.99%	1.01%	0.55%
Notes to schedule:			
Valuation date	June 30, 2019	June 30, 2018	June 30, 2017
Measurement period	June 30, 2019	June 30, 2018	June 30, 2017

Benefit changes: None since June 30, 2018.

Changes in assumptions: Healthcare related assumptions were updated based on experience through the Measurement Date.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

CALIFORNIA EXPOSITION & STATE FAIR  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 SCHEDULE OF CAL EXPO'S OPEB CONTRIBUTIONS

December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 567,923	\$ 612,780	\$ 561,895
Contributions in relation to the contractually required contributions	<u>(567,923)</u>	<u>(612,780)</u>	<u>(561,895)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll - fiscal year	\$ 4,737,091	\$ 5,825,536	\$ 6,159,314
Contributions as a percentage of covered payroll	11.99%	10.52%	9.12%
Notes to schedule:			
Valuation date	June 30, 2019	June 30, 2018	June 30, 2017
Measurement period	June 30, 2019	June 30, 2018	June 30, 2017

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

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