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Board of Directors and Management  
Solano County Fair Association  
900 Fairgrounds Drive  
Vallejo, CA 94589

In planning and performing our audit of the financial statements of the business-type activities of the Solano County Fair (Fair), a component unit of the County of Solano, as of and for the years ended December 31, 2019 and 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Fair's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fair's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fair's internal control.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the business-type activities of the Fair, as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Fair's basic financial statements, and have issued our report thereon dated July 17, 2020, with an emphasis of matter describing substantial doubt about the Fair's ability to continue as a going concern.

We had identified matters for your information in our letter dated October 9, 2018 and October 22, 2018 based on our audit of the Fair's financial statements as of and for the years ended December 31, 2017 and 2016. We subsequently issued a follow up review report dated September 3, 2019. As part of our audit of the financial statements, as of and for the years ended December 31, 2019 and 2018, we have obtained an update and management's responses as to the status of those matters that were still open, as of the date of the follow up review report, and are presented in Attachment A.

This communication is intended solely for the information and use of management of the Solano County Fair Association and County of Solano, Board of Directors of the Solano County Fair Association, and Board of Supervisors of the County of Solano, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "Denny Cheuk".

Denny Cheuk, CPA  
Deputy Auditor-Controller, County of Solano, ACO-Internal Audit Division  
Fairfield, California  
July 17, 2020

## **Attachment A**

### **Reporting Structure**

The Solano County Fair Association (SCFA) conducts, under an agreement with Solano County (County), the annual County Fair and oversees the day-to-day operations of the County's fairgrounds property. The SCFA is a 501(c)(3) nonprofit organization with its own Articles of Incorporation and By-Laws whose Board Members are appointed by the County's Board of Supervisors.

However, the activities of the Fair are accounted for as an enterprise fund and are presented in the County's Comprehensive Annual Financial Report (CAFR). In governmental accounting, an enterprise fund entity provides goods or services to the public for a fee that makes the entity self-supporting; similar to a commercial enterprise.

Additionally, staff conducting the Fair and overseeing the day-to-day operations of the fairgrounds property are SCFA employees but are also part of the County's pension (CalPERS) and medical plans.

Accounting for the SCFA's (a non-profit entity) activities in an enterprise fund while also including employees of the SCFA within the County's CalPERS plan creates an inconsistent reporting structure.

#### **Recommendation:**

The SCFA Board should work with the County Board of Supervisors to adopt an appropriate reporting structure reflecting Fair operation realities.

#### **Status:**

Recommendation is in-progress.

## **Fair Operations**

The Fair continues to experience increases to the net position deficit. As previously reported to the SCFA, the financial condition of the Fair since December 31, 2000 is presented below:

Year	Cash as of December 31	Revenues	Expenses	Change in Net Position
2019	\$461,422	\$3,169,121	\$3,366,157	(\$210,285)
2018	\$446,202	\$2,972,278	\$2,992,834	(\$35,527)
2017	\$190,671	\$3,296,306	\$3,518,456	(\$222,150)
2016	\$286,593	\$3,243,856	\$3,287,844	(\$43,987)
2015	\$241,290	\$3,026,853	\$3,097,196	(\$70,343)
2014	\$88,564	\$2,833,762	\$3,407,474	(\$573,712)
2013	\$693,568	\$2,967,269	\$3,374,264	(\$406,995)
2012	\$841,090	\$2,841,209	\$3,391,891	(\$550,682)
2011	\$1,135,685	\$3,522,315	\$3,507,490	\$14,825
2010	\$1,178,186	\$3,307,363	\$3,559,475	(\$252,112)
2009	\$939,286	\$3,716,343	\$4,307,505	(\$591,162)
2008	\$1,327,025	\$4,680,423	\$4,868,352	(\$187,929)
2007	\$1,343,783	\$5,154,299	\$5,296,075	(\$141,776)
2006	\$1,041,132	\$4,849,541	\$5,702,059	(\$852,518)
2005	\$1,147,200	\$4,597,682	\$4,707,722	(\$110,040)
2004	\$957,587	\$5,238,002	\$5,475,132	(\$237,130)
2003	\$1,122,886	\$5,102,944	\$5,640,583	(\$537,639)
2002	\$1,641,773	\$5,320,839	\$5,410,356	(\$89,517)
2001	\$1,971,113	\$5,298,283	\$5,182,459	\$115,824
2000	\$2,161,739	\$5,006,907	\$4,340,785	\$666,122

### **Recommendation:**

Fair management, in conjunction with the Solano County Board of Supervisors, should pursue plans to address this ongoing structural deficit.

### **Status:**

Recommendation is in-progress.