

Santa Clara Stadium Authority Report to the Audit Committee

Audit results for the year ended March 31, 2020

September 24, 2020



POST MEETING MATERIAL



Executive Summary



AUDIT DEBRIEF



**REQUIRED
COMMUNICATIONS**

Required Audit Committee Communications

Presented on: 09/24/2020



Summary: Audit results required communications and other matters

Audit Results		Response
Audit Results	Outstanding matters	<p>Outstanding matters as of September 24, 2020:</p> <ul style="list-style-type: none"> - Management representation letter - Debt Compliance Certificate - Audit documentation assembly <p>The following reports will be issued:</p> <ul style="list-style-type: none"> - Financial statements - Debt compliance letter - ICOFR (Internal Control over Financial Reporting) letter
	Significant unusual transactions	No significant unusual transactions identified during the audit.
	Uncorrected audit misstatements	No uncorrected misstatements identified during the audit.
	Corrected audit misstatements	No corrected misstatements identified during the audit.
	Financial presentation and disclosure omissions	No matters to communicate.
	Non-GAAP policies and practices	No matters to report.
	Auditors' report	<p>As of September 24 2020, we expect to issue an unqualified opinion on the financial statements of the Authority.</p> <p>Further, it is expected that the audit opinion will include an emphasis of matter paragraph and other matter paragraph in our auditors' report. Refer to slide 5.</p>
	Changes to our planned risk assessment and audit strategy	No matters to report.
	Significant accounting policies and practices	<p>Significant accounting policies and practices relate to:</p> <ul style="list-style-type: none"> - Cash and cash equivalents and restricted cash - Accounts receivable - Capital assets - Unearned revenue and revenue recognition <p>Refer to slide 6 for further detail and our response.</p>
	Significant accounting estimates	No matters to report.
	Significant financial statement disclosures	No matters to report.



Summary: Audit results required communications and other matters

Response	
Audit Results	Related parties
	Certain costs, primarily staff salaries and related costs, are charged to the Authority from the City of Santa Clara. Not considered a significant related party transaction.
	Going concern
	No matters to report.
	Other information
	Our responsibility with respect to information in a document does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. However, we do have a responsibility to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. As a result of our consideration of the other information, no material inconsistencies or material misstatements of facts were identified related to other information.
	Subsequent events
	No matters to report.
	Illegal acts or fraud
	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
	Noncompliance with laws and regulations
	No matters to report.
	Significant difficulties encountered during the audit
	No matters to report.
	Significant findings or issues discussed, or the subject of correspondence, with management
	No matters to report.
	Management's consultation with other accountants
	No matters to report.
	Difficult or contentious matters for which the auditor consulted
	No matters to report.
	Disagreements with management
	No matters to report.
	Other significant matters
	No matters to report.
	Written communications
	Engagement letter signed on May 13, 2019. Management representation letter is currently outstanding to be provided by the engagement team to management.
Independence	
In our professional judgement, we are independent with respect to the Authority, as to the term as defined by the professional standards.	
Inquiries	
Refer to slide 8.	



Auditors' report

Emphasis of matter or other matter paragraphs

- Expected language of additional paragraphs to be added to the report, including:

- Emphasis of matter paragraph

“As discussed in note 2 to the financial statements, the financial statements present only the Stadium Authority and do not purport to and do not present fairly the financial position of the City of Santa Clara, California as of March 31, 2020 and 2019, the changes in its financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.”

- Other matter paragraph

“U.S. generally accepted accounting principles require that the management’s discussion and analysis on pages 3–7 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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.”



Significant accounting policies and practices

Description of significant accounting policies and practices

- Cash and cash equivalents and restricted cash
- Accounts receivable
- Capital assets
- Unearned revenue and revenue recognition

Audit findings

Qualitative aspects

Refer to Note 2 of the financial statements for the detailed description of the significant accounting policies. Management has appropriately applied such policies to the Entity's books and records as of and for the year ended March 31, 2020. No issues identified by the engagement team during the period under audit.

Audit procedures on certain significant accounts

- Cash and cash equivalents and restricted cash
 - Cash reconciliation testing
 - Cash confirmation testing
- Accounts receivable
 - Recalculation of naming rights receivable and revenue
- Capital assets
 - Rollforward procedures
 - Depreciation recalculation testing
 - Impairment evaluation
- Unearned revenue and revenue recognition
 - Straight line rental income recalculation
 - Sampling of SBL current year payments; recalculation of revenue amortization
 - Non-NFL revenue and expense sampling
 - Ticket surcharge recalculation
- Stadium Manager expense
 - Sampling of expense population; vouching to invoices and payment support
 - Verified the expense allocation between the Authority and StadCo in accordance with the Stadium Lease agreement



Audit and professional services fees

We have summarized the fees paid or payable to our firm relating to the audit of the 2020 financial statements, with comparison to the prior year.

Service	2020	2019
Audit	Fee: \$104,000 \$0 payable	Fee: \$104,000 \$0 payable

Payment of Fees – Audit and All Other Professional Services

Professional standards require that fees for any previously rendered professional service provided more than one year prior to the date of the current year audit report have been paid.



Inquiries

The following inquiries are in accordance with AU-C 260

Is the audit committee aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Does the audit committee have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Entity?

Additional inquiries:

- What are the audit committee's views about fraud risks in the Entity?
- Who is the appropriate person (audit committee chair or full committee) for communication of audit matters during the audit?
- How are responsibilities allocated between management and the audit committee?
- What are the Entity's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are the audit committee's attitudes, awareness, and actions concerning (a) the Entity's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the Entity entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?
- Have any subsequent events occurred that might affect the financial statements?



Audit quality and transparency

2019 Audit Quality Report

- Highlights the steps we have taken in 2019 to evolve and enhance our audit practice and our firm
- Provides an overview of how we are strengthening our culture, continuing to invest in our people, and the new technologies that will enable our workforce



2019 Transparency Report

- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's structure, governance and approach to audit quality
- Discusses how the firm aligns with the requirements and intent of applicable professional standards



Reports and supplements available at:
read.kpmg.us/auditquality

Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit KPMG's Audit Committee Institute (ACI) at www.kpmg.com/ACI

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