22nd District Agricultural Association and its Blended Component Units

Financial Report
December 31, 2016

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Contents

RSM US LLP

Independent Auditor's Report

To the Board of Directors of the
22nd District Agricultural Association and its Blended Component Units
Del Mar, California

Report on the Financial Statements
We have audited the accompanying financial statements of the 22nd District Agricultural Association (a component unit of the state of California) and its blended component units, the State Racetrack Leasing Commission and the Del Mar Race Track Authority (collectively referred to hereafter as the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 District'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 District'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 my management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2016 and the changes in its financial position and it's cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and proportionate share of net pension liability and the schedule of contributions 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The supplemental schedule of fair revenues and expenses, and combining financial statements on pages 34 through 36 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedule of fair revenues and expenses, and combining 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the supplemental schedule of fair revenues and expenses, and combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Irvine, California
December 14, 2017

Overview

The 22nd District Agricultural Association (the DAA) is a state agency that owns and operates the Del Mar Fairgrounds (the Fairgrounds), a 400-acre multi-use entertainment, exhibit, and horseracing facility, as well as the Horsepark equestrian facility. Our main event is the San Diego County Fair (the Fair), which in 2015 was the sixth largest fair in North America. We appeal to a very broad audience in San Diego County and beyond both county lines and country borders into Mexico. We are also producers of one of the top three horse shows in the country, the Del Mar National Horse Show. In the fall, we hold our annual Scream Zone haunted house. The Fairgrounds was the site of over 300 interim events in 2016, including car shows, rodeos, concerts, music festivals and many consumer shows.

The following analysis of the combined financial results of the DAA, Race Track Authority (RTA), and Race Track Leasing Commission (RTLC) (collectively the District) has been prepared to provide a more thorough understanding of the financial performance of these combined entities for the years ended December 31, 2016 and 2015. Please read this analysis in conjunction with the financial statements that follow this section.

This annual financial report includes three items:

1. Management's discussion and analysis.

2. Independent auditors' report.

3. Combined financial statements and supplemental schedules for the years ended December 31, 2016 and 2015, including notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

Statement of net position: The statement of net position includes all of the District's assets, deferred outflow of resources, liabilities and deferred inflow of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities), and net position—the difference between assets and liabilities—of the District and the changes in them. The statement of net position also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Condensed statements of net position as of December 31 (dollars in thousands):

	2016	2015
Assets and Deferred Outflow of Resources		
Assets:		
Current assets	$ 33,492	$ 38,445
Current portion of restricted investments	3,297	3,190
Noncurrent restricted investments	3,297	3,297
Capital assets	107,587	108,966
Total assets	147,673	153,898
Deferred outflow of resources:		
Deferred outflow of pension liability	5,083	1,929
Total deferred outflow of resources	5,083	1,929
Total assets and deferred outflow of resources	$ 152,756	$ 155,827
Liabilities, Deferred Inflow of Resources and Net Position		
Liabilities:		
Current liabilities	$ 9,574	$ 10,032
Long-term debt	45,056	46,449
Other long-term liabilities	31,678	23,755
Total liabilities	86,308	80,236
Deferred inflow of resources:		
Deferred gain on debt defeasance	509	568
Deferred inflow of pension liability	-	4,635
Total deferred inflow of resources	509	5,203
Net position	65,938	70,388
Total net position	65,938	70,388
Total liabilities, deferred inflow of resources and net position	$ 152,756	$ 155,827

Analysis of the Statement of Net Position

- Current assets of the District, excluding the current portion of restricted investments, decreased $5.0 million in 2016. District cash and cash equivalents decreased $68,000. Short-term investments for the District decreased $2.2 million, as pledged revenues were paid for the 2015 revenue bonds. Positive results from operations increased cash reserves $2.1 million, of which $1.8 million was restricted as contributed capital to be transferred to the RTA to pay for approved projects. RTA cash and equivalents decreased $534,000 as the operating checking account balance had a lower balance as more invoices were paid prior to year-end. RTA investments decreased $4.2 million as payments were made from the Project Fund for bond-related projects. When these bonds were issued, $25 million was deposited to the Project Fund to fund bond-related projects. At December 31, 2016, a balance of $16.4 million remained in this fund. The District's accounts receivable decreased $83,000, due to collection of bad debts and outstanding receivables. Accounts receivable for the RTA decreased $65,000, as costs of issuance for the 2015 bonds were recorded as a receivable at the end of 2015 and were reimbursed to the RTA in early 2016. The amount due to the Race Track Leasing Commission from the Del Mar Thoroughbred Club for the fall race meet decreased $5,000. The District's prepaid expenses increased $46,000 due to increases in interest accrued on investments and higher amounts paid in advance for insurance, while interest receivable to the RTA earned on investments increased $12,000. The RTA's prepaid expenses decreased $17,000 as the premiums paid for earthquake insurance declined in 2016.

- The District's current portion of restricted investments increased $107,000 as the RTA's debt service requirement for 2016 was greater than in 2015, due to the issuance of the 2015 bonds.

- Noncurrent restricted investments remained in line with 2015 as the required balance for the Bond Reserve Fund remained constant.

- Capital assets net of depreciation decreased $1.4 million. Capital assets for the District decreased $844,000 with the disposal of 1983 racing improvements. Construction in progress for the RTA increased $2 million with bond funded projects underway. Building and land improvements increased $2.4 million. As the RTA has completed projects, such as the main track replacement in 2015, depreciation expense amounted to roughly $5.1 million.

- Current liabilities of the District decreased $458,000 in 2016. Accounts payable for the District decreased $63,000, as more invoices were received and paid prior to year-end. Accounts payable for the RTA increased $423,000, primarily due to invoices received in January 2017 for RTA bond funded projects. Short-term debt for the Race Track Authority decreased $1.1 million as a significant portion of bond debt was required for consent order work in 2016. Accrued interest payable decreased $399,000. The 2015 revenue bonds were issued in August 2015, and interest accrued through the end of that year. In 2016, interest was accrued for only two months after the October interest payment for the bonds. Accrued liabilities increased $616,000. The District's liability for accrued employee absences increased $85,000. Amounts due to the District from the Race Track Authority increased $26,000 in 2016.

- Long-term debt decreased $1.4 million as principal payments were made on the 2015 bonds.

- Other long-term liabilities increased $7.9 million. Net pension liability of $31.4 million was recorded for 2016 as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 68. In 2015, this liability was $23.5 million. Please refer to Note 10 for further explanation of this reporting requirement for state entities that share the cost of employee pensions through CalPERS. A long-term debt to the Department of General Services in the amount of $21,000 is payable in 2017, and was moved to short-term debt in the current year.

Statements of revenue, expenses and changes in net position: All of the District's revenue, expenses and other changes in net position are accounted for in the statements of revenue, expenses and changes in net position. This statement measures the success of the District's operations during the years presented and can be used to determine whether the District has successfully recovered all of its costs through its fees and other sources of revenue. It also shows profitability and creditworthiness. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

Condensed combined statements of revenues, expenses and changes in net position for the years ended December 31 (dollars in thousands):

	2016	2015
Operating revenues	$ 78,196	$ 77,760
Operating expenses	81,201	77,431
Income from operations	(3,005)	329
Nonoperating expenses	(1,445)	(1,885)
Change in net position	(4,450)	(1,556)
Beginning net position	70,388	98,276
Restatement	-	(26,332)
Ending net position	$ 65,938	$ 70,388

Analysis of the statement of revenues, expenses and changes in net position: Operating revenues increased $437,000 in 2016 due to the following:

- Food and beverage revenues increased $64,000 in 2016. Gross sales and catering for the 2016 San Diego County Fair increased with an additional day. This was offset by a decrease in revenues for the race meets of $44,000, as there were six less days of racing in 2016.

- Concessions and carnival revenues increased $1.01 million for the 2016 fair. Gross carnival ride revenues increased $569,000. The District's share of fairtime food concessions revenue increased $321,000. Carnival games revenues increased $5,000. Commercial space rentals increased $115,000.

- Admissions increased $539,000. Fair admissions increased $379,000 with higher attendance at the 2016 fair. Attendance in 2016 was 1,609,481. This represents an increase of 105,943, or 7.05 percent over 2015. Fairtime concert revenues were stronger in 2016 than in 2015, resulting in an increase in concert sales of $159,000. Admissions to the Del Mar National Horse Show increased $14,000. Revenues for the Scream Zone, our Halloween event, decreased $13,000.

- Facility rentals decreased $360,000 due in large part to the KAABOO three-day music festival. In 2016, they provided their own peer security. This resulted in less reimbursed costs to the District. This is offset by lower expenses to the District for these services.

- Satellite wagering revenues decreased $79,000, primarily due to increased competition of mini-satellite locations in San Diego County, and internet wagering. Admissions and memberships declined $3,900. Program sales increased $2,800. Track commissions declined $48,000. Account wagering and mini-satellite revenue declined $8,700. Lottery sales decreased $21,000.

- Parking revenues increased $52,000 with increased attendance at the 2016 fair.

- Leases/operating agreement revenue of the District decreased $1.5 million. The DMTC's final net profits payable to the RTLC was $1,580,000 less than in 2015. Revenues from racing were down because of a decline in wagering during the first part of the summer meet, and a one-time write-off of purses that were paid, while wagering revenues did not offset this liability. There were smaller field sizes on the main track early in the summer race meet, as a result of Santa Anita closing its turf track. This meant more horses ran on the "dirt" at that track, and were not entered into Del Mar races until later in the summer. DMTC paid the District $400,000 to offset the loss of facility rentals during the fall race meet, the same amount that was paid to the District in 2015. The District's lease revenues for Surf & Turf recreation park and cell sites increased $95,000.

- Surf & Turf driving range, miniature golf and RV park revenues decreased $69,000, largely due to very heavy rains, which closed or adversely affected use of both the driving range and miniature golf for over 30 days in 2016.

- Sponsorship revenues decreased $139,000 as two fairtime sponsors did not renew their contracts. There were also less cash-in-kind sponsors for the fair, who trade services for sponsorship benefits.

- Other income increased $904,000. The District took over the promotion of County horse shows held at Horsepark. These were previously hosted by promoters who paid the District rent for use of the facility. Revenues to the District from entry fees and feed and bedding sales were $632,000. Entry fees increased $139,000 for the Del Mar National Horse Show and $93,000 for the San Diego County Fair. Merchandise sales increased $30,000 with the popular theme of the 2016 fair.

Operating expenses increased $3.77 million in 2016 due to the following:

- Payroll and related benefits increased $1.8 million. The state granted permanent employees who are excluded from collective bargaining a 3.0 percent Cost of Living Adjustment (COLA) on October 1, 2016. Union bargaining units remained in negotiations with the state until the spring of 2017. Vacant positions were also filled, promotions were given and some temporary positions were changed to semi-permanent. These factors contributed to an increase in payroll expense for permanent employees of $485,000. On January 1, 2016, the state raised its minimum hourly wage from $9.00 to $10.00. In addition, the District added one day to the San Diego County Fair. These factors resulted in an increase in payroll for temporary employees of $673,000. The employer share of CalPERS contributions rose $383,000 in 2016. Contributing to this increase is a debit adjustment to pensions as required by GASB 68 in the amount of $154,000. The cost of employee health benefits increased $61,000. The District's share of payroll taxes increased $67,000. Unemployment taxes decreased $39,000. The District, as a state agency, must pay on a pooled, claims-made basis, which has no upper limit. The expenses for unused leave liability decreased $25,000 as employees took more vacation than was accrued or retired and were paid the remaining balance of unused leave credits.

- Food and beverage expense increased $474,000, due in large part to an increase in labor costs, health insurance, payroll taxes and workers' compensation insurance for the employees of Premier Food Services.

- Entertainment expenses increased $852,000 in 2016. The carnival ride operators' split increased $282,000 with increased attendance at the Fair, as well as the popularity of the rides. The cost of headliner performers on the Grandstand stage increased $283,000. The District paid $200,000 to add a concert to the lineup for the summer race meet. With increased participation in contests at the fair, prizes paid increased $50,000. The Del Mar National horse show had more horses entered and, as a result, the District paid out an additional $27,000 in prize money.

- Maintenance expenses increased $95,000. The DAA's expenses increased $94,000. Temporary labor services increased $145,000 due mainly to the cost of stall cleaning after the additional horse shows at Horsepark. Gas used for DAA vehicles was moved to a new account under Facilities and related supplies in 2016, reducing maintenance expenses by approximately $150,000. The cost of utilities for gas, electricity and water increased $79,000. The remainder was attributable to general repairs of the facility, equipment and vehicles. Maintenance expenses for the RTA remained flat.

- Facilities and related supplies increased $204,000 in 2016. The largest increase was $137,000 for expenses related to county horse shows, including feed and bedding, jumps for the show rings, and contracted horse show management, which were hosted by the District, and took place at Horsepark. Vehicle gas expense was moved from Maintenance to Facilities expense in 2016, resulting in an increase in this category of approximately $150,000.

- Insurance expense increased $80,000 due in large part to increases in workers' compensation costs, as payroll increased with California's additional increase in minimum wage effective July 1, 2016 that increased wages for temporary employees.

- Depreciation expense increased $243,000. Depreciation for the District increased $81,000. A new server, software and various equipment was purchased in 2015, which increased depreciation expense in 2016. Depreciation for the RTA increased $162,000 as the new main track surface was put into service.

- Professional services increased $108,000. Horsepark incurred costs of $77,000 for the technical management of the county shows. The cost of peer security for the fair increased $72,000 with the increase in minimum wage in California from $9 to $10 per hour on January 1, 2016. Costs for services of the Sheriff increased $68,000 with the new contract. Marketing services increased $117,000. HR consulting fees increased $28,000. These increases were offset by lower expenses for non-fair peer security of $242,000, as KAABOO provided their own peer security for their 2016 event.

- Marketing expenses decreased $277,000. The expense for cash-in-kind sponsorships decreased $125,000, in line with the same decrease in revenue. Advertising expenses decreased $133,000 as we spent less on print and billboard advertising, in favor of online marketing. Public relations expenses for the fair media event decreased $21,000, as this was held on the first evening of the fair rather than as a separate event prior to the fair.

- Other expenses increased $212,000 for the District. The District paid $96,000 less from the Food & Beverage Reserve Account for equipment related to Food & Beverage operations, as a large quantity of point-of-sale systems were purchased in 2015, but this was not repeated in 2016. Dues and subscriptions increased $31,000, largely due to horse show dues paid for the new county shows held at Horsepark. Fees paid to Ticketmaster increased $21,000. Credit card fees increased $23,000 as more patrons used credit cards to make purchases at the fair. Travel expense increased $12,500, bad debt expense $10,000 and miscellaneous fairtime expenses $20,000. RTA's other expenses decreased $55,000 as we canceled two projects that had incurred initial environmental expenses in 2015 but, due to lack of funding, will not be completed.

Economic and Other Factors

Recruitment and retention: The District, as a state agency, falls under the purview of the California Department of Human Resources (CalHR). This department was created on July 1, 2012, by Governor Brown's reorganization plan, which consolidated the Department of Personnel Administration with the State Personnel Board. CalHR sets all pay scales and administers health benefits for state employees. Under this state system, about 45 percent of the District's permanent employees have reached the top of their pay scales. Permanent employees received a 3.5 percent COLA on July 1, 2006, a 3.4 percent COLA on July 1, 2007, 2.0 percent in 2014 and 2.5 percent in 2015. On October 1, 2016, permanent employees excluded from collective bargaining received a 3.0 percent COLA. This 2016 increase was the sixth COLA since August 2000. Most of the bargaining units represented at the Fairgrounds entered into union contracts with the state in July 2010 that called for a 4.62 percent reduction in pay and an increase of 3 percent in the employee contribution to CalPERS for the remainder of the contract period or June 30, 2013. The most current contracts run from July 2, 2013 to July 1, 2016. Negotiations with bargaining units continued through 2017 before contracts were ratified and signed between the state and unions.

Over the past several years, these compensation circumstances have posed challenges to the District to recruit and retain qualified, highly competent personnel. Legislation that would allow the Board of Directors more autonomy in determining pay levels that are competitive with those in the San Diego area has to date not been successful. In 2006, senior management requested that the Department of Personnel Administration approve a recruiting and retention differential for the District's represented employees to help offset salary levels that have fallen woefully behind the market in San Diego. To date, this request has not been approved.

Minimum wage: The state of California increased its minimum wage from $9.00 to $10.00 on January 1, 2016. It will increase to $10.50 on January 1, 2017. Each year after that, minimum wage will increase by $1.00 per year until January 1, 2023, when the state minimum wage will be $15.00 per hour.

Employer pension costs: The rates to the District for pension contributions for its tier one employees increased by 1.58 percent in July 2016 to 26.728 percent, up from 25.15 percent for the fiscal years 2015 and 2016.

Indian casinos/advance deposit wagering and off-track wagering: In 2016, attendance and handle continued to decline across the nation. Legislation in the state of California allows mini-satellites to open as long as they are not within 20 miles of an established satellite wagering facility. A mini-satellite about 30 miles to the north of our facility opened in 2011. In 2014, Ocean's Eleven Casino in Oceanside, California, opened for satellite wagering, and in 2016, Striders opened in San Diego. Since two of the mini-satellites are within 20 miles of our facility, the District had the right to approve their operations, and gave its approval for these mini-satellites. An agreement is in place to share in the revenues. Revenues from these two mini-satellites increased $2,000 in 2016 to $81,000.

Handle at our satellite wagering facility decreased $2.5 million in 2016. Online wagering declined $36,000. Attendance declined 3,600 to 56,067.

Legislation passed or pending: In October 2010, Assembly Bill 1321 was chaptered by the Secretary of State. This bill was enacted to set a sunset date for the State Race Track Leasing Commission of January 1, 2013. In February 2011, Senator Christine Kehoe introduced Senate Bill 855, which would extend the operative date of the State Race Track Leasing Commission until January 1, 2023, and later amended that date to January 1, 2018. The Series 2015 term bonds do not mature until October 1, 2038. In January 2012, Senator Kehoe amended SB 1, which formerly had allowed the sale of the Fairgrounds to the City of Del Mar, to a bill that would repeal the sunset date of the RTLC, thereby indefinitely extending the existence of the Commission. That bill was chaptered in August 2012.

In March 2011, Assembly Bill 95 was enrolled and chaptered as urgency legislation. This legislation, along with the passing of the state's 2011/2012 budget, cut all General Fund financial assistance to the state's 54 District Agricultural Associations. While the 22nd DAA did not receive allocations from the state, the elimination of funding to Fairs may result in changes in the manner in which Fairs conduct their business, as well as their form of governance.

On September 15, 2014, Assembly Bill 2490 was chaptered. This bill affects all District Agricultural Associations in California. It revised the oversight responsibilities of the Department of Food and Agriculture, and the Department of General Services. Its intent is to reduce some of the cumbersome bureaucracy and preapproval requirements that impact the ability of the DAAs to operate by streamlining the contracting and procurement processes. It is also intended to give greater authority to local fair boards.

In July 2017, California Assembly Constitutional Amendment Number 18 (ACA 18) was introduced. Under existing federal law, referred to as the Professional and Amateur Sports Protection Act (PASPA), a governmental entity or a person is prohibited from conducting betting or wagering on competitive games or performances in which amateur or professional athletes participate. This federal law prohibits sports betting in all states other than Nevada, Oregon, Delaware and Montana. The state of New Jersey's case, Chris Christie vs. National Collegiate Athletics Association, is expected to be heard by the Supreme Court early in 2018. If New Jersey prevails, sports betting would become legal only as each state allows it. ACA 18 would amend the constitution of the state of California to allow sports betting if federal law is changed. If ACA 18 passes the state legislature with a two-thirds majority, it will then go to a statewide referendum. The District is in support of this legislation, as well as the Del Mar Thoroughbred Club.

Other matters pending: With the decline in attendance and revenue from off-track wagering, the District has considered alternative uses for a large portion of its 90,000 square foot Satellite Wagering facility. This repurposing will include a small concert venue, museum and garden, and eating areas. Plans and designs have been drawn. The District Board of Directors has approved loan funding of up to $16 million for this project. It is anticipated that construction will begin in the spring of 2018.

22nd District Agricultural Association and its Blended Component Units

Statement of Net Position
December 31, 2016

Assets and Deferred Outflow of Resources		
Current assets:		
Cash and cash equivalents (Note 4)	$	31,695,034
Current portion of restricted investments (Note 4)		3,296,451
Accounts receivable, net (Note 5)		1,267,111
Prepaid expenses and other		529,436
Total current assets		36,788,032
Restricted investments, long-term portion (Notes 4 and 7)		3,297,260
Capital assets, net (Note 6)		107,587,471
Total assets		147,672,763
Deferred outflow of resources:		
Deferred outflow of pension liability (Note 10)		5,082,739
Total deferred outflow of resources		5,082,739
Total assets and deferred outflow of resources	$	152,755,502
Liabilities, Deferred Inflow of Resources and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	$	1,653,123
Accrued interest		350,243
Accrued liabilities and other		3,082,439
Accrued compensated absences		2,488,852
Current portion of other long-term liabilities (Note 9)		804,302
Current portion of bonds payable (Note 7)		1,195,000
Total current liabilities		9,573,959
Other long-term liabilities (Note 9)		264,645
Bonds payable, long-term portion (Note 7)		45,055,958
Net pension liability (Note 10)		31,413,325
Total liabilities		86,307,887
Deferred inflow of resources:		
Deferred gain on debt defeasance (Note 7)		509,450
Total deferred inflow of resources		509,450
Commitments and contingencies (Notes 8, 9 and 12)		
Net position:		
Net investment in capital assets		60,827,063
Restricted for debt service		6,593,711
Unrestricted		(1,482,609)
Total net position		65,938,165
Total liabilities, deferred inflow of resources and net position	$	152,755,502

See notes to financial statements.

22nd District Agricultural Association and its Blended Component Units

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2016

Operating revenues:	
Food and beverage (Note 8)	$ 23,211,411
Concessions/carnivals	19,505,714
Admissions	10,899,313
Facility rentals	7,390,969
Satellite wagering	1,592,044
Parking	4,417,741
Leases/operating agreement	2,791,758
Surf & turf	1,468,812
Sponsorships	2,792,070
Other	4,126,609
Total operating revenues	78,196,441
Operating expenses:	
Payroll and related benefits (Note 10)	24,605,260
Food and beverage (Note 8)	16,967,680
Entertainment	9,986,158
Maintenance	8,803,208
Facilities and related supplies	2,776,582
Insurance	1,373,277
Depreciation (Note 6)	6,567,623
Professional services	5,442,951
Marketing	1,840,700
Other	2,837,521
Total operating expenses	81,200,960
Loss from operations	(3,004,519)
Nonoperating revenues (expenses):	
Interest income	190,428
Interest expense	(1,574,547)
Other	(60,694)
Total nonoperating expenses, net	(1,444,813)
Change in net position	(4,449,332)
Net position, beginning of year	70,387,497
Net position, end of year	$ 65,938,165

See notes to financial statements.

22nd District Agricultural Association and its Blended Component Units

Statement of Cash Flows
Year Ended December 31, 2016

Cash flows from operating activities:	
Receipts from operations	$ 78,503,123
Payments to vendors	(49,861,551)
Payments to employees	(23,750,484)
Net cash provided by operating activities	4,891,088
Cash flows from capital and related financing activities:	
Purchases of capital assets	(5,011,384)
Proceeds from disposal of capital assets	(60,694)
Payments on long-term debt	(2,335,935)
Interest paid	(2,407,590)
Net cash used in capital and related financing activities	(9,815,603)
Cash flows from investing activities:	
Sales of investments	515,765
Interest income	190,428
Net cash provided by investing activities	706,193
Net decrease in cash	(4,218,322)
Cash and cash equivalents, beginning of year	35,913,356
Cash and cash equivalents, end of year	$ 31,695,034
Reconciliation of income from operations to net cash provided by operating activities:	
Loss from operations	$ (3,004,519)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation	6,567,623
Changes in assets and liabilities:	
Accounts receivable, net	153,509
Prepaid expenses and other	(40,419)
Accounts payable	360,118
Accrued liabilities and other	615,623
Accrued compensated absences	84,796
Net pension liability	154,357
Net cash provided by operating activities	$ 4,891,088
Noncash disclosures of capital and related financing activities:	
Construction payables for acquisitions of capital assets	$ 627,766
Amortization of bond premium	$ 198,015

See notes to financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization and reporting entity: The 22nd District Agricultural Association (the DAA), a component unit of the state of California, operates fairground facilities located in Del Mar, California. The DAA conducts an annual summer fair, operates an off-track horse race betting facility, and rents the fairground facilities for various non-fair events. The board members of the DAA are appointed by the Governor of the state of California. The state of California, Department of Food and Agriculture (CDFA), through the Division of Fairs and Expositions, supervises the activities of the DAA.

The accompanying financial statements present a one-column combination of the accounts and activities of the DAA, the State Race Track Leasing Commission (RTLC), and the Del Mar Race Track Authority (RTA) (collectively, the District). All inter-entity transactions have been eliminated.

The District evaluates its financial reporting entity in accordance with Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*, which sets the criteria for defining the reporting entity of a governmental unit for financial reporting. It states that, if certain criteria are met, the financial data of a separate governmental unit is to be included as part of the reporting entity. The RTLC, created by the state of California in January 1968 to oversee capital improvement funds provided by the horse racing operating agreement described in Note 8, meets these criteria because of its financial interdependence with the District and as such is reported as a blended component unit. The RTLC is managed by a commission consisting of six members, appointed by statute in the CDFA Code Section 4351, who are empowered to oversee the development of ground improvements and structures. Once constructed, the assets approved and funded by the RTLC become the property of the District.

In addition, the RTA is included as part of the reporting entity as a blended component unit in the financial statements because it also meets the aforementioned criteria. The RTA is a joint powers authority created in August 1990 by a joint exercise of powers agreement between the RTLC and the District to finance the construction of a new grandstand and related facilities at the Del Mar Fairgrounds (the Fairgrounds) of the District. The RTA is managed by a board of six directors, who are the six members of the RTLC commission, who oversaw the financing for the grandstand construction project and who continue to oversee the financing and improvements at the Fairgrounds. The RTA is funded through operating transfers from the District and the RTLC. The joint exercise of powers agreement expires in August 2040. Upon the termination of the joint powers agreement, title to the grandstand will vest to the District.

A summary of the District’s significant accounting policies is as follows:

Basis of accounting: The District is reported similar to a special purpose government engaged in only business-type activities. As such, its financial statements are presented in accordance with the requirements established for enterprise funds. An enterprise fund is defined by the GASB as a fund related to an organization financed and operated similar to a private business enterprise where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Accordingly, the District’s accounts are maintained on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash flow takes place. The District defines its operating revenues and expenses in the accompanying statement of revenues, expenses and changes in net position as consisting of all revenues and expenses except those related to financing and investing activities (interest income and interest expense).

Cash and cash equivalents: Cash consists of cash on hand and cash in banks. For the purposes of the statement of cash flows, the District considers all pooled funds with the California Local Agency Investment Fund (LAIF) to be cash equivalents. Investments in LAIF are reported at fair value. Interest income is recognized when earned.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Restricted investments: Restricted investments as of December 31, 2016 relate to the Series 2015 Revenue Bonds (Series 2015 Bonds) as discussed in Note 4. Restricted investments are reported at fair value. As defined in GASB Statement No. 72, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains and losses are reported in the statement of revenues, expenses and changes in net position. Interest and dividend income is recognized when earned.

Accounts receivable: Accounts receivable are carried at original invoice amount less an estimate made for uncollectible receivables based on a review of outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Prepaid expenses and other: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying statement of net position. Other items include interest receivable, inventory, and deposits.

Capital assets: Capital assets are recorded at cost less accumulated depreciation, or acquisition value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Useful lives range from five years for equipment to 40 years for buildings. The District has capitalized infrastructure assets, such as drainage systems and paving, which are depreciated over 20 to 40 years.

The District periodically evaluates whether events or circumstances have occurred that may have resulted in an impairment of its capital assets. No such impairment occurred in the year ended December 31, 2016

Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest costs of $177,591 were capitalized for the year ended December 31, 2016.

Deferred gain on debt defeasance: For debt refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt (i.e., deferred charges) is reported as a deferred outflow of resources and amortized to interest expense based on the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance for deferred gain on debt defeasance as of December 31, 2016 was $509,450.

Bond premium: Bond premiums are reported as an addition to the outstanding debt balance and are amortized as interest expense over the life of the bond using the effective interest method. The unamortized bond premium as of December 31, 2016 was $2,700,958.

Compensated absences: The District's compensated absences policies are set by the California Department of Human Resources. Employees who elect annual leave or vacation leave will be allowed to accumulate up to a maximum of 640 hours of leave as of January 1 of each year. Exceptions to this limit will not be allowed except in extremely unusual situations and must be approved in advance by the director of the California Department of Human Resources. Upon separation or retirement, employees with accrued annual leave and vacation leave will receive a lump-sum payment at their current salary rate for their accumulated credits. Sick leave has no maximum accrual limit and can be converted to service credit upon retirement.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Pensions: The net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) and additions to/deductions from CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A deferred outflow of resources and deferred inflow of resources related to pensions result from changes in the components of the net pension liability and are applicable to a future reporting period. As noted in Note 10, deferred outflows and inflows of resources will be recognized as pension expense in future years; however, contributions subsequent to the measurement period will be recognized as a reduction of the net pension liability during the fiscal year ending December 31, 2017.

Net position: Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on debt, deferred outflows and deferred inflows that are attributable to the acquisition, and construction or improvement of capital assets. Net position is reported as restricted when there are limitations imposed on its use, either through legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Restricted resources are used first to fund applicable appropriations.

Revenue recognition: The District generally recognizes revenue when events take place, and when goods or services are provided.

- Food and beverage revenue is recognized at the time of sale.

- Concessions/carnivals revenue consists of space rentals at the Fair and ticket sales for carnival attractions. Revenue from space rentals is recognized when earned and revenue from ticket sales is recognized when the tickets are available to be used.

- Admissions revenue consists of ticket sales to events at the Fairgrounds and is recognized when the tickets are available to be used.

- Facility rentals revenue consists primarily of stall and arena rentals at the Horsepark and facility rentals for the various events presented on the Fairgrounds. Revenue is recognized over the term of the rental contract.

- Satellite wagering revenue primarily consists of the District's share of off-track betting proceeds, which is recognized when the races occur at tracks around the world.

- Parking revenue consists of charges for parking spaces at the District and is recognized immediately after spaces are used.

- Leases/operating agreement revenue primarily consists of payments from the Del Mar Thoroughbred Club (DMTC) according to the operating agreement (see Note 8). Revenue from the direct payment (as defined in the operating agreement) is recognized pro rata over the year that the payment applies and remaining revenue charged is recognized when the net income of the DMTC is reported.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

- Surf & Turf revenue consists of revenue from the driving range, pro shop, tennis club, recreational vehicle lot, and miniature golf. Revenue is recognized from these goods and services at the point of sale.

- Sponsorship revenue consists of sponsorship contracts for various events at the Fairgrounds. Revenue is recognized over the term of the sponsorship agreement.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, allowance for uncollectible receivables and the obligation under consent orders with the California Coastal Commission (see Note 9).

Implementation of accounting pronouncements: The accompanying financial statements reflect the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for periods beginning after June 15, 2015. The implementation of this statement during the current fiscal year resulted in additional disclosures, as outlined in Note 4.

In June 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of accounting principles generally accepted in the United States of America (U.S. GAAP). This Statement reduces the non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified with a source of authoritative U.S. GAAP. The provisions of this Statement are effective for periods beginning after June 15, 2016. This pronouncement has no effect on the disclosures within the District's financial statements at December 31, 2016.

In June 2015, the GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this Statement are effective for periods beginning after June 15, 2016. As the District measures all of its investments at fair value for financial reporting purposes, GASB Statement No. 79 has no effect on the District's financial statements at December 31, 2016.

Recent accounting pronouncements: In June 2015, the GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2016.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14.* The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. The requirements of this Statement enhance the comparability of financial statements among governments. The provisions of this Statement are effective for periods beginning after December 15, 2016. Management has not yet determined the effect of GASB 80 on the District's financial statements.

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues—An Amendment to GASB Statement Nos. 67, 68 and 73*. This Statement addresses certain issues that have been raised with the implementation of the listed GASB Statements. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016, except for the selection of assumptions in certain circumstances, which is effective for the employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management has not yet determined the effect of GASB Statement No. 82 on the District's financial statements.

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the effect of GASB Statement No. 83 on the District's financial statements.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the effect of GASB Statement No. 84 on the District's financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement will improve the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. Management has not yet determined the effect of GASB Statement No. 86 on the District's financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

In June 2017, the GASB issued GASB 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 or outflows of resources based on the payment provision of the contract. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the effect of GASB Statement No. 87 on the District's financial statements.

Note 2. Condensed Financial Information

The following is the condensed combining detail for the statement of net position as of December 31, 2016:

	22nd District	RTLC	RTA	Eliminations	Total
Current assets	$ 16,865,303	$ 100,147	$ 19,822,582	$ -	$ 36,788,032
Due from other funds	20,092	-	100,000	(120,092)	-
Restricted investments, long-term portion	-	-	3,297,260	-	3,297,260
Capital assets, net	20,635,856	-	86,951,615	-	107,587,471
Total assets	37,521,251	100,147	110,171,457	(120,092)	147,672,763
Deferred outflows of resources	5,082,739	-	-	-	5,082,739
Current liabilities	6,454,754	-	3,119,205	-	9,573,959
Due to other funds	-	100,000	20,092	(120,092)	-
Long-term liabilities	31,413,325	-	45,320,603	-	76,733,928
Total liabilities	37,868,079	100,000	48,459,900	(120,092)	86,307,887
Deferred inflows of resources	-	-	509,450	-	509,450
Net investment in capital assets	20,635,856	-	40,191,207	-	60,827,063
Restricted for debt service	-	-	6,593,711	-	6,593,711
Unrestricted	(15,899,945)	147	14,417,189	-	(1,482,609)
Total net position	$ 4,735,911	$ 147	$ 61,202,107	$ -	$ 65,938,165

Note 2. Condensed Financial Information (Continued)

The following is the condensed combining detail for the statement of revenues, expenses and changes in net position for the year ended December 31, 2016:

	22nd District	RTLC	RTA	Eliminations	Total
Operating revenues:					
Operating revenues	$ 77,334,614	$ 1,015,000	$ -	$ (153,173)	$ 78,196,441
Operating expenses:					
Operating expenses	73,977,669	-	7,376,464	(153,173)	81,200,960
Income (loss) from operations	3,356,945	1,015,000	(7,376,464)	-	(3,004,519)
Nonoperating revenues (expenses):					
Nonoperating revenues (expenses)	88,536	-	(1,533,349)	-	(1,444,813)
Changes in net position before transfers	3,445,481	1,015,000	(8,909,813)	-	(4,449,332)
Transfers in	-	-	6,538,960	(6,538,960)	-
Transfers out	(5,523,960)	(1,015,000)	-	6,538,960	-
Change in net position	(2,078,479)	-	(2,370,853)	-	(4,449,332)
Net position, beginning of year	6,814,390	147	63,572,960	-	70,387,497
Net position, end of year	$ 4,735,911	$ 147	$ 61,202,107	$ -	$ 65,938,165

The following is the condensed combining detail for the statement of cash flows for the year ended December 31, 2016:

	22nd District	RTLC	RTA	Total
Net cash provided by operating activities	$ 484,934	$ -	$ 4,406,154	$ 4,891,088
Net cash used in capital and related financing activities	(642,142)	-	(9,173,461)	(9,815,603)
Net cash provided by investing activities	89,129	-	617,064	706,193
Cash and cash equivalents, beginning of year	15,308,135	147	20,605,074	35,913,356
Cash and cash equivalents, end of year	$ 15,240,056	$ 147	$ 16,454,831	$ 31,695,034

Note 3. Joint Exercise of Power Agreements

California Fair Financing Authority: The District is a member of the California Fair Financing Authority (CFFA), a joint powers authority created by a joint exercise of powers agreement between the counties of Solano and El Dorado and the 22nd, 32nd and 46th District Agricultural Associations. The governing body of CFFA is composed of five directors appointed by member entities.

The primary purpose of the CFFA is to provide financing, planning, design and construction services for projects at Fairgrounds throughout California. Additionally, the CFFA provides central administration for the common interests of the members and associated members for the financing and construction of satellite wagering facilities, and any other projects authorized by the agreement. Ownership of each of the satellite wagering facilities or other projects remains with the respective entity for which the project was constructed and financed.

The joint exercise of powers agreement expires on December 31, 2040. The District had no interest in CFFA's assets or liabilities at December 31, 2016.

Note 3. Joint Exercise of Power Agreements (Continued)

New projects during 2016 included the installation of air conditioning in the Activity Center, construction of a new box office ticket booth, construction of a new Activity Center roof, expansion of clubhouse seating, installation of Exhibit Hall exhaust fans and installation of fencing on Via de la Valle. Other projects during 2016 included installation of the Hilton Sewer Pump and initiation of phase II of the Storm Water Project. Costs incurred for the year ended December 31, 2016 were $1,013,476 and are recorded in environmental improvements and capital assets.

Note 4. Cash and Cash Equivalents, and Investments

Cash and cash equivalents, and investments consisted of the following at December 31, 2016:

Cash on hand	$ 27,808
Cash in banks	1,278,275
LAIF	30,388,951
Cash and cash equivalents	31,695,034
Restricted investments	6,593,711
Total cash and cash equivalents, and investments	$ 38,288,745

Cash and cash equivalents, and investments are summarized on the financial statements as follows at December 31, 2016:

Cash and cash equivalents	$ 31,695,034
Current portion of restricted investments	3,296,451
Long-term portion of restricted investments	3,297,260
	$ 38,288,745

Investments: The state of California Government Code Section 53601 generally authorizes the District to invest unrestricted and board-designated assets in obligations of the U.S. Treasury and certain U.S. government agencies, obligations of the state of California and local government entities, bankers' acceptances, commercial paper, certificates of deposit, repurchase agreements and mortgage securities. Some of these investments may be purchased only in limited amounts, as defined in the Government Code.

The California State Treasury makes available LAIF through which local governments may pool investments. Each governmental entity may invest up to $40,000,000 in the fund. The District is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Investments included in LAIF include primarily debt securities, including treasuries, commercial paper and agency debt, but also include real estate structured notes and asset-backed securities. As of December 31, 2016, the District had $30,388,951 invested in LAIF. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with state statute.

Note 4. Cash and Cash Equivalents, and Investments (Continued)

As of December 31, 2016, the District had investments and maturities as follows:

	Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than One
LAIF (included in cash equivalents)	$ 30,388,951	$ 30,388,951
Money market accounts	6,593,711	6,593,711
Total	$ 36,982,662	$ 36,982,662

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. Interest rate is also the risk that the value of fixed-income securities will decline due to increasing interest rates. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes.

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investments. Fixed-income securities and investments in an external investment pool are subject to credit risk, which is the risk that an issuer will fail to pay interest or principal when due. Certain fixed-income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. LAIF is not rated.

Custodial credit risk bank deposits: The 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 District maintains its cash balances at California Bank & Trust. These deposits are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2016, $1,099,388 of the District's bank balance of $1,817,223 was exposed to custodial credit risk as it was uninsured and uncollateralized. The District follows the State's policies on permitted investments and does not have a policy for custodial credit risk.

Custodial credit risk investments: 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, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2016, the District had money market accounts totaling $6,593,711 held with U.S. Bank, which were fully collateralized and invested in First American Funds through U.S. Bank, all of which were not FDIC-insured.

Concentration of credit risk: Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the District to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools, such as LAIF, are not considered subject to concentration of credit risk.

Note 4. Cash and Cash Equivalents, and Investments (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets or liabilities in active markets; and Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurement as of December 31, 2016:

Investment Type	Total as of December 31, 2016	Level 1	Level 2	Level 3
Money market accounts	$ 6,593,711	$ 6,593,711	$ -	$ -
LAIF	30,388,951	-	30,388,951	-
Total	$ 36,982,662			

Note 5. Accounts Receivable

Accounts receivable as of December 31, 2016 are summarized as follows:

Accounts receivable	$ 1,474,681
Less allowance for doubtful accounts	(207,570)
Accounts receivable, net	$ 1,267,111

Note 6. Capital Assets

A summary of changes in capital assets, net, for the year ended December 31, 2016 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 6,322,333	$ -	$ -	$ -	$ 6,322,333
Construction in progress	2,899,477	4,511,937	-	(2,523,677)	4,887,737
Total capital assets not being depreciated	9,221,810	4,511,937	-	(2,523,677)	11,210,070
Capital assets being depreciated:					
Building and improvements	173,095,058	85,190	(5,287)	2,195,597	175,370,558
Equipment and fixtures	37,199,242	703,341	(532,569)	197,289	37,567,303
Land improvements	27,833,211	-	(2,246,055)	130,791	25,717,947
Total capital assets being depreciated	238,127,511	788,531	(2,783,911)	2,523,677	238,655,808
Less accumulated depreciation and amortization					
Building and improvements	(94,713,343)	(4,163,631)	8,694	-	(98,868,280)
Equipment and fixtures	(30,218,316)	(1,355,197)	418,888	-	(31,154,625)
Land improvements	(13,451,543)	(1,050,014)	2,246,055	-	(12,255,502)
	(138,383,202)	(6,568,842)	2,673,637	-	(142,278,407)
Net capital assets being depreciated	99,744,309	(5,780,311)	(110,274)	2,523,677	96,377,401
Total capital assets, net	$ 108,966,119	$ (1,268,374)	$ (110,274)	$ -	$ 107,587,471

Note 7. Bonds Payable

Activity of bonds payable during the fiscal year ended December 31, 2016 is as follows:

	Beginning Balance	Additions	Payments	Amortization of Premium	Ending Balance	Due Within One Year
Series 2015 Revenue Bonds	$ 44,435,000	$ -	$ (885,000)	$ -	$ 43,550,000	$ 1,195,000
2015 Unamortized Premium	2,898,973	-	-	(198,015)	2,700,958	-
Total bonds payable	$ 47,333,973	$ -	$ (885,000)	$ (198,015)	$ 46,250,958	$ 1,195,000

Series 2015 Revenue Bonds: On August 1, 2015, the RTA issued $44,435,000 in Series 2015 Bonds at a premium of $2,969,958 and net issuance costs of $666,741. The Series 2015 Bonds have fixed interest rates of 2.00 percent to 5.00 percent and mature annually on October 1 from 2016 to 2038. These bonds were issued for the purpose of refinancing the $25,460,000 outstanding principal amount of the Authority's Revenue Bonds, Series 2005 and to provide additional funds for grandstand improvements and other long-term improvements including electrical, sewer, roofing and elevator improvements. The refunding resulted in the recognition of an accounting net gain of $568,233 for the year ended December 31, 2015. The unamortized balance of the net gain is $509,450 at December 31, 2016. The source of repayment of these bonds includes pledged revenues and the interest or profits from the investment of money in any account or fund established under the Indenture. Pledged revenues consist of race track net revenues, satellite wagering net revenues and concession net revenues.

Future scheduled principal and interest payments as of December 31 are as follows:

	Principal	Interest
Years ending December 31:		
2017	$ 1,195,000	$ 2,101,450
2018	1,230,000	2,065,600
2019	1,275,000	2,016,400
2020	1,330,000	1,965,400
2021	1,380,000	1,912,200
2022-2026	7,940,000	8,529,750
2027-2031	10,135,000	6,336,000
2032-2036	12,935,000	3,535,750
2037-2038	6,130,000	463,500
	$ 43,550,000	$ 28,926,050

Note 7. Bonds Payable (Continued)

Source or repayment: Pursuant to the Series 2015 Bond Indenture between the RTA and the Trustee, the Trustee must establish and maintain a project fund and a bond fund. The bond fund contains an interest account, principal account, redemption account, reserve account and surplus account. All money in each of such accounts shall be invested by the Trustee and shall be used only for the purposes authorized by the Indenture. All money in the project fund must be used solely for the improvements at the Fairgrounds. All money in the interest and principal accounts shall be used solely for the purpose of paying the interest and principal on the Series 2015 Bonds as it shall become due and payable. All money in the redemption account must be held in trust by the Trustee and will be applied, used and withdrawn either to redeem bonds pursuant to an optional redemption or extraordinary redemption. Any insurance or eminent domain proceeds, which are to be used to redeem bonds, will be deposited by the Trustee in the redemption account. All money in the reserve account shall be used solely for the purpose of paying the interest on, or principal of, or redemption premiums, if any, on the Series 2015 Bonds in the event that no other money of the RTA is lawfully available therefore, or for the retirement of all Series 2015 Bonds then outstanding. The Trustee, if the RTA is not then in default hereunder and upon the written request of the RTA, shall apply amounts in the surplus account to redeem Series 2015 Bonds, to pay for project costs as defined, or to pay for any lawful purpose of the RTA.

As of December 31, 2016, the total principal and interest remaining to be paid on the bonds is $72,476,050. The next interest and principal payment for the Series 2015 Bonds is due on April 1, 2017 and October 1, 2017, respectively, with the final payment occurring on October 1, 2038.

Upon issuance of the Series 2015 Bonds, a portion of the proceeds was required to be deposited in the reserve account with the Trustee and a minimum balance must be maintained in this account. At December 31, 2016, the District held monies in a reserve fund for the debt reserve requirement of $3,297,060. Pledged revenues are deposited monthly into the bond fund accounts in a specific order and certain minimum balances are maintained, as indicated by the Indenture.

On or prior to January 15 of each Bond Year, commencing January 15, 2017, the District shall determine in writing and submit to the Trustee the total amount of Coverage Test Revenues for the preceding Bond Year. As such, no Coverage Test was performed in the current year as this is not required until the 2017 Fiscal Year.

Note 8. Operating Leases and Agreements

Del Mar Thoroughbred Club: Under an operating agreement with the RTLC and District, the DMTC operates and controls the operations of the Del Mar race track and grandstand structures during the summer and fall race meets.

Revenues associated with the DMTC operating agreement totaled $2,335,000 for the year ended December 31, 2016. Included in the revenue associated with the DMTC operating agreement are the direct payment amounts noted below:

During 2011, through a competitive bidding process, a five-year contract was entered into on January 1, 2011 with DMTC and was renewed for an additional five years on February 26, 2015 with the following terms, as amended:

- Direct payment of $1,225,000 per year to the District, to be used by the District for the annual fair or other authorized purpose for the 2015-2016 years.

Note 8. Operating Leases and Agreements (Continued)

- Additional payment equal to final net earnings less the sum of (1) any amount in excess of funds available to DMTC which, subject to the approval of the District, is sufficient to pay or provide for projected operating capital from January 1 through to the commencement of the next race meet; (2) the direct payment amount; and (3) the basic payment amount.

The DMTC guarantees the performance of all of the terms, covenants and conditions of the operating agreement through a $500,000 letter of credit.

The RTLC may, at its sole discretion, elect to extend the new operating agreement for three five-year option periods. In February 2015, the RTLC elected to extend the operating agreement for the first five-year option period. In the event legislation is enacted by the California legislature authorizing a sale of the Fairgrounds, the RTLC has the option to terminate the contract by giving at least 180 days' written notice. The termination would be effective on December 31 in the year the notice is given unless the notice is given less than 180 days before the end of the year. In that event, the termination would be effective December 31 of the following year.

DMTC is not included as part of the District's reporting entity because it is governed by a separate board of directors and is fiscally independent of the District.

Premier Food Services, Inc.: The District has a management agreement granting the use of food and beverage services equipment to Premier Food Services, Inc. (Premier). During 2011, through a competitive bidding process, a new four-year contract was awarded to Premier with up to two additional three-year terms upon approval of the District. This original contract was set to expire on December 31, 2015, however on August 26, 2015, the District approved and renewed the contract for another three-year term. The new contract is set to expire on December 31, 2018. The District retains control over the operations. The daily gross receipts are deposited in the name and interest of the District and the District reimburses Premier for all reimbursable costs, as defined in the agreement, and pays a management fee equal to 12.5 percent of all net profits from the food and beverage operation. In 2014 Premier was acquired by SMG and the existing management agreement was assumed by SMG. Management fees related to this contract were $891,962 for the year ended December 31, 2016.

Other: The District owns a recreational park that is operated by an unrelated management company. Under the terms of the management agreement, the District recognized net revenue of $144,734 for the year ended December 31, 2016.

Note 9. Other Liabilities

Other debt: During 2013 the State of California Department of General Services Office of Risk Insurance and Management allocated out to the State of California District Agricultural Associations the cost of a legal settlement. The District was allocated $103,625, which is to be repaid over five years. No interest is being charged on the unpaid balance. The amount due as of December 31, 2016 was $20,725.

Restoration and monitoring activities: The District has incurred an obligation under consent orders with the California Coastal Commission to restore specific areas of its property and engage a third party to monitor the restoration through 2020. At December 31, 2016, the liability recorded in the accompanying statement of net position for the total remaining estimated cost of this obligation is $1,048,222, which represents the estimated future costs attributable to the restoration and monitoring activities based on projections by the District. Such estimates could change based on variability in projected costs and other factors, including the ultimate approval of the restoration by the California Coastal Commission.

Note 9. Other Liabilities (Continued)

A majority of the unfinished work was completed in 2016 with maintenance costs expected to be incurred through 2020.

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
State of California DGS	$ 41,450	$ -	$ (20,725)	$ 20,725	$ 20,725
Consent order liability	2,478,432	-	(1,430,210)	1,048,222	783,577
	$ 2,519,882	$ -	$ (1,450,935)	$ 1,068,947	$ 804,302

Note 10. Public Employees' Retirement System

Plan description: The District participates in the State of California—Miscellaneous Plan, an agent multiple-employer defined benefit pension plan (the Plan) administered by CalPERS. The Plan, part of the public agency portion of the CalPERS, acts as a common investment and administrative agent for participating member agencies within the state of California. A menu of benefit provisions, as well as other requirements, is established by state statutes within the Public Employees' Retirement Law. The state of California selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS's annual financial report may be obtained by contacting the CalPERS Fiscal Services Division.

Benefits provided: All employees who work half-time or more are eligible to participate in the Plan. CalPERS provides retirement, death, disability and survivor benefits. Vesting occurs after five years. The benefit provisions are established by the Public Employees' Retirement Law and the Public Employees' Pension Reform Act of 2013, and are summarized in Appendix B of the state's June 30, 2015 Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2015-state-valuation.pdf. In general, retirement benefits are based on a formula using a member's years of service credit, age at retirement and final compensation (average salary for a defined period of employment). Retirement formulas are based on membership category and specific provisions in the employees' contracts.

The three basic types of retirement are:

Service retirement: The "normal" retirement is a lifetime benefit. In most cases, employees become eligible for service retirement as early as age 50 with five years of service credit. If the employee became a member on or after January 1, 2013, he or she must be at least 52 years old with at least five years of service to retire. Second-tier employees become eligible at age 55 with at least 10 years of service credit.

Vested deferred retirement: Vested members who leave employment but keep their contribution balances on deposit with CalPERS are eligible for this benefit.

Disability retirement: Vested members who can no longer perform the usual duties of their current position due to illness or injury may receive this credit.

Note 10. Public Employees' Retirement System (Continued)

Contributions: Participating employers and active members are required to contribute a percentage of covered salary to the Plan. Section 20814(c) of the Plan requires that employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS's annual actuarial valuation process. 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 necessary 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. Those rates reflect Section 20683.2, which mandates that certain employees must contribute more as of July 1, 2015. Furthermore, any reduction in employer contributions due to the increase in employee contributions must be paid by the employer toward the unfunded liability.

The employee contribution rate for the year ended December 31, 2016 was 10 percent for the skilled craftsmen and 8 percent for all other employees. The employer contribution rate for the year ended December 31, 2016 was 26.728 percent and 26.984 percent for tier one and tier two employees, respectively. The required contributions and the amount paid by the District for the year ended December 31, 2016 was $2,771,056. The District's employer contributions were equal to the required employer contributions for the year ended December 31, 2016.

Pension liability: At December 31, 2016, the District reported a net pension liability of $31,413,325 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. The District's portion of the net pension liability was based on a projection of the District's pensionable compensation relative to the pensionable compensation of all participating employers, as determined by CalPERS. At June 30, 2016, the District's proportion was 0.09487 percent, which was a decrease of 0.00161 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the District recognized pension expense of $154,357. At December 31, 2016, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 3,470,209
Difference between expected and actual experience	248,442
District contributions subsequent to the measurement date	1,364,088
	$ 5,082,739

Note 10. Public Employees' Retirement System (Continued)

The amount reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date totaled $1,364,088 and will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:	
2017	$ 867,552
2018	867,552
2019	867,552
2020	867,551
	$ 3,470,209

Actuarial methods and assumptions: The total pension liability was measured as of June 30, 2016 (measurement date), by rolling forward the total pension liability determined by the June 30, 2015 actuarial valuation (valuation date), based on the actuarial assumptions shown in the table below:

Valuation date	June 30, 2015, rolled forward
Actuarial cost method	Entry age normal
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65% Net of Pension Plan Investment Expense but without reduction for Administrative Expenses; includes Inflation
Mortality	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit adjustments (COLAs)	Contract COLA up to 2.75% until the Purchasing Power Protection Allowance floor on purchasing power applies, 2.75% thereafter

Discount rate: The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would differ from the actuarially assumed discount rate. Results of the testing showed that none of the tested plans would exhaust assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in the "GASB Crossover Testing Report," which may be found on the CalPERS' website at www.CalPERS.ca.gov/docs/gasb-crossover-testing-2016.pdf.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle, scheduled to be completed in February, 2018. Any changes to the discount rate will require action on the part of CalPERS' Board of Administration and proper stakeholder outreach.

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

Note 10. Public Employees' Retirement System (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short- and long-term market return expectation as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Fund's asset classes (which includes the agent plan), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 to 60 years) using a building-block approach. Using the expected nominal returns for both short- and long-term, the present values of benefits were calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short- and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation used to measure the total pension liability.

	New Strategic Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	12.0%	6.83%	6.95%
Real estate	11.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
	100.0%		

(1) An expected inflation rate of 2.5 percent used for this period.

(2) An expected inflation rate of 3.0 percent used for this period.

In December 2016, the CalPERS Board of Administration voted to lower the discount rate used in its actuarial assumptions from 7.5 percent to 7.0 percent (net of 0.15 percent administrative expenses) effective July 1, 2017. A similar reduction to the discount rate in accordance with GASB 68 will increase the Net Pension Liability. This increase will be amortized over the expected remaining service lives of all employees provided with benefits through the pension plans. This period ranges from 3.5 to 5.3 years.

Sensitivity of the District's proportionate share of the state's net pension liability to changes in the discount rate: The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65 percent) or one percentage point higher (8.65 percent) than the current rate.

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
District's proportionate share of the net pension liability	$ 42,765,652	$ 31,413,325	$ 21,882,848

Note 10. Public Employees’ Retirement System (Continued)

Pension plan fiduciary net position: Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial report at www.CalPERS.ca.gov.

Note 11. Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or emergency.

All amounts of compensation deferred under the plan are submitted to the state of California after each pay period. Thus, no assets or liabilities associated with the plan are included in the District’s financial statements.

Note 12. Contingencies

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained insurance to cover these risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is subject to various claims and legal actions relating to a range of matters that are incidental to the conduct of its operations. The District’s management believes, after reviewing such matters and consulting with the District’s legal counsel, that the aggregate effect of these matters will not have a material adverse effect on the District’s financial position or results of operations.

Required Supplementary Information

22nd District Agricultural Association and its Blended Component Units

Proportionate Share of Net Pension Liability
State of California—Miscellaneous Plan
Last 10 Fiscal Years (1)

	2016	2015	2014
District's proportion of net pension liability	**0.09487%**	0.09858%	0.09858%
District's proportionate share of net pension liability	**$ 31,413,325**	$ 23,470,069	$ 28,457,018
District's covered-employee payroll	**10,615,289**	10,421,064	9,866,599
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	**295.93%**	225.22%	288.42%
Plan's fiduciary net position as a percentage of the total pension liability	**66.81%**	74.17%	67.52%

(1) The amounts presented for each year were determined as of June 30. Data for years ended December 31, 2006, through December 31, 2013, is not available in a comparable format.

22nd District Agricultural Association and its Blended Component Units

Schedule of Contributions
State of California—Miscellaneous Plan
Last 10 Fiscal Years (1)

	2016	2015	2014
Contractually required contribution	**$ 2,771,056**	$ 2,543,143	$ 2,149,623
Contributions in relation to the contractually required contribution	**2,771,056**	2,543,143	2,149,623
Contributions deficiency (excess)	**$ -**	$ -	$ -
District's covered-employee payroll contributions as a percentage of covered-employee payroll	26.10%	24.40%	21.79%

(1) The amounts presented for each year were determined as of June 30. Data for years ended December 31, 2006, through December 31, 2013, is not available in a comparable format.

Supplementary Information

22nd District Agricultural Association and its Blended Component Units

Supplemental Schedule—Fair Revenues and Expenses
Year Ended December 31, 2016

Revenues:	
Concession/carnival	$ 20,498,713
Admission to grounds	10,331,530
Commercial space	3,938,783
Parking	3,088,965
Sponsorships	1,977,032
Exhibits	336,269
Other	266,000
Total revenues	40,437,292
Expenses:	
Payroll and related benefits	10,040,188
Entertainment/carnival	8,931,203
Maintenance and operations	4,195,831
Professional services	3,128,075
Marketing	858,709
Depreciation	421,282
Administrative	1,070,850
Prizes/premiums	437,718
Other	424,433
Total expenses	29,508,289
Fair revenues over expenses	$ 10,929,003

22nd District Agricultural Association and its Blended Component Units

Combining Statement of Net Position
December 31, 2016

	22nd District	RTLC	RTA	Eliminations	Total
Assets and Deferred Outflow of Resources					
Current assets:					
Cash and cash equivalents	$ 15,240,056	$ 147	$ 16,454,831	$ -	$ 31,695,034
Investments	-	-	-	-	-
Current portion of restricted investments	-	-	3,296,451	-	3,296,451
Accounts receivable, net	1,161,655	100,000	5,456	-	1,267,111
Due from other funds	20,092	-	100,000	(120,092)	-
Prepaid expenses and other	463,592	-	65,844	-	529,436
Total current assets	16,885,395	100,147	19,922,582	(120,092)	36,788,032
Restricted investments, long-term portion	-	-	3,297,260	-	3,297,260
Capital assets, net	20,635,856	-	86,951,615	-	107,587,471
Total assets	37,521,251	100,147	110,171,457	(120,092)	147,672,763
Deferred outflow of resources:					
Deferred outflow of pension liability	5,082,739	-	-	-	5,082,739
Total deferred inflow of resources	5,082,739	-	-	-	5,082,739
Total assets and deferred outflow of resources	$ 42,603,990	$ 100,147	$ 110,171,457	$ (120,092)	$ 152,755,502
Liabilities, Deferred Inflow of Resources and Net Position					
Current liabilities:					
Accounts payable	$ 877,797	$ -	$ 775,326	$ -	$ 1,653,123
Due to other funds	-	100,000	20,092	(120,092)	-
Accrued interest	-	-	350,243	-	350,243
Accrued liabilities and other	3,067,380	-	15,059	-	3,082,439
Accrued compensated absences	2,488,852	-	-	-	2,488,852
Current portion of other long-term liabilities	20,725	-	783,577	-	804,302
Current portion of bonds payable	-	-	1,195,000	-	1,195,000
Total current liabilities	6,454,754	100,000	3,139,297	(120,092)	9,573,959
Other long-term liabilities	-	-	264,645	-	264,645
Bonds payable, long-term portion	-	-	45,055,958	-	45,055,958
Net pension liability	31,413,325	-	-	-	31,413,325
Total liabilities	37,868,079	100,000	48,459,900	(120,092)	86,307,887
Deferred inflow of resources:					
Deferred gain on debt defeasance	-	-	509,450	-	509,450
Deferred inflow of pension liability	-	-	-	-	-
Total deferred inflow of resources	-	-	509,450	-	509,450
Net position:					
Net investment in capital assets	20,635,856	-	40,191,207	-	60,827,063
Restricted for debt service	-	-	6,593,711	-	6,593,711
Unrestricted	(15,899,945)	147	14,417,189	-	(1,482,609)
Total net position	4,735,911	147	61,202,107	-	65,938,165
Total liabilities, deferred inflow of resources and net position	$ 42,603,990	$ 100,147	$ 110,171,457	$ (120,092)	$ 152,755,502

22nd District Agricultural Association and its Blended Component Units

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2016

	22nd District	RTLC	RTA	Eliminations	Total
Operating revenues:					
Food and beverage	$ 23,211,411	$ -	$ -	$ -	$ 23,211,411
Concessions/carnivals	19,505,714	-	-	-	19,505,714
Admissions	10,899,313	-	-	-	10,899,313
Facility rentals	7,390,969	-	-	-	7,390,969
Satellite wagering	1,592,044	-	-	-	1,592,044
Parking	4,417,741	-	-	-	4,417,741
Leases/operating agreement	1,776,758	1,015,000	-	-	2,791,758
Surf & turf	1,468,812	-	-	-	1,468,812
Sponsorships	2,792,070	-	-	-	2,792,070
Other	4,279,782	-	-	(153,173)	4,126,609
Total operating revenues	77,334,614	1,015,000	-	(153,173)	78,196,441
Operating expenses:					
Payroll and related benefits	24,605,260	-	-	-	24,605,260
Food and beverage	16,967,680	-	-	-	16,967,680
Entertainment	9,986,158	-	-	-	9,986,158
Maintenance	7,189,660	-	1,733,508	(119,960)	8,803,208
Facilities and related supplies	2,776,582	-	-	-	2,776,582
Insurance	1,276,467	-	96,810	-	1,373,277
Depreciation	1,465,043	-	5,102,580	-	6,567,623
Professional services	5,425,644	-	17,307	-	5,442,951
Marketing	1,840,700	-	-	-	1,840,700
Other	2,444,475	-	426,259	(33,213)	2,837,521
Total operating expenses	73,977,669	-	7,376,464	(153,173)	81,200,960
Income (loss) from operations	3,356,945	1,015,000	(7,376,464)	-	(3,004,519)
Nonoperating revenues (expenses):					
Interest income	89,129	-	101,299	-	190,428
Interest expense	-	-	(1,574,547)	-	(1,574,547)
Other	(593)	-	(60,101)	-	(60,694)
Total nonoperating revenues (expenses)	88,536	-	(1,533,349)	-	(1,444,813)
Income (loss) before transfers	3,445,481	1,015,000	(8,909,813)	-	(4,449,332)
Transfers in	-	-	6,538,960	(6,538,960)	-
Transfers out	(5,523,960)	(1,015,000)	-	6,538,960	-
Change in net position	(2,078,479)	-	(2,370,853)	-	(4,449,332)
Net position, beginning of year	6,814,390	147	63,572,960	-	70,387,497
Net position, end of year	$ 4,735,911	$ 147	$ 61,202,107	$ -	$ 65,938,165