22nd District Agricultural Association and its Blended Component Units

Financial Report
December 31, 2019

Contents

Independent Auditor's Report

To the Board of Directors
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 Race Track 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, 2019, 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.

Auditor's 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Pension Plan
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, as part of the public agency portion of CalPERS, acts as a common investment and administrative agent for participating member agencies within the state of California. Accounting principles generally accepted in the United States of America requires participating employers in the pension plan to report updated financial information based on the applicable measurement date, in accordance with Governmental Accounting Standards Board (GASB) 68, *Accounting and Financial Reporting for Pensions*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As of and for the year ended December 31, 2019, the District has reported the net pension liability, deferred inflow of pension liability, and deferred outflow of pension liability using the 2018 Plan information. The amount by which this departure would affect liabilities, deferred outflows and deferred inflows of resources, net position and expenses, of the District has not been determined.

Qualified Opinion
In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2019, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Management has omitted the Management's Discussion and Analysis section, 2019 Proportionate Share of Net Pension Liability, 2019 State of California - Miscellaneous Plan, 2019 Schedules of Contributions, State of California - Miscellaneous Plan, and the 2020 Schedule of Changes in Net OPEB Liability, Contributions and Related Ratios, which accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements has not been affected by this missing information.

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 statements on pages 47 through 49 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 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 statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Orange County, California
September 2, 2021

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 2019, 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 2019, including car shows, rodeos, concerts, music festivals and many consumer shows.

The following analysis of the combined financial results of the DAA, Del Mar Race Track Authority (RTA) and State 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, 2019 and 2018. 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 auditor's report.

3. Financial statements and supplemental schedules for the year ended December 31, 2019, 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, deferred inflow of resources and net position, 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 deferred outflows of resources, and liabilities and deferred inflows of resources—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):

	2019	2018
Assets and Deferred Outflow of Resources		
Assets:		
Current assets, excluding current portion of restricted investments	$ 26,780	$ 28,350
Current portion of restricted investments	3,296	3,290
Noncurrent restricted investments	3,333	3,327
Capital assets, net	123,420	111,872
Total assets	156,829	146,839
Deferred outflow of resources:		
Deferred outflow of pension liability	5,121	5,121
Deferred outflow of post-employment benefits other than pensions (OPEB)	302	72
Total deferred outflow of resources	5,423	5,193
Total assets and deferred outflow of resources	$ 162,252	$ 152,032
Liabilities, Deferred Inflow of Resources and Net Position		
Liabilities:		
Current liabilities	$ 13,789	$ 10,010
Long-term debt	67,855	51,437
Other long-term liabilities	37,819	34,100
Total liabilities	119,463	95,547
Deferred inflow of resources:		
Deferred gain on debt defeasance	333	392
Deferred inflow of pension liability	1,217	1,217
Deferred inflow of OPEB	744	66
Total deferred inflow of resources	2,295	1,675
Net position:		
Net investment in capital assets	53,897	68,924
Restricted for debt service	6,629	6,617
Unrestricted	(20,033)	(20,732)
Total net position	40,494	54,809
Total liabilities, deferred inflow of resources and net position	$ 162,252	$ 152,032

Analysis of the Statement of Net Position

- Current assets of the District, excluding the current portion of restricted investments, decreased $1,558,000 in 2019. District cash and cash equivalents decreased $1,020,000 primarily due to a $2,500,000 shortfall from racing, $611,000 in operating losses, $840,000 payment to CAA for management of the Concert Venue and contingency, $1,300,000 to RTA for project administration, maintenance and overhead, and $600,000 in expenditure from the 2018 IBank loan to pay for the WQI project. In addition, the District borrowed and additional $15,000,000 from IBank to pay for the Concert Venue improvement costs which $10,317,000 was available at the end of the year. Operating cash decreased $378,000 as more invoices were paid at year-end. RTA cash and equivalents decreased $228,000. RTA investments decreased $415,000 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, 2019, a balance of $545,000 remained in this fund. The District's accounts receivable decreased $315,000 due to the collection of outstanding receivables. Accounts receivable for the RTLC decreased $335,000 as a result of lower net revenues from the fall 2018 race meet. The District's interest accrued on investments increased $16,000, while interest accrued by the RTA on investments decreased $3,000, as the funds in the Project account were used for bond-funded projects. Prepaid expenses for the District increased $95,000 with higher insurance costs. The RTA's prepaid expenses decreased $2,000.

- The current portion of restricted investments decreased $6,200. Noncurrent restricted investments decreased $5,800 as interest earned for the Bond Reserve Fund was not transferred to the Surplus Account until April 2020.

- The current portion of restricted investments decreased $6,200. Noncurrent restricted investments decreased $5,800 as interest earned for the Bond Reserve Fund was not transferred to the Surplus Account until April 2020.

- Capital assets, net of depreciation, increased $11,548,000. Capital assets for the District increased $16,114,000. Included in this is a $1,025,000 increase in improvements for a water treatment facility, $3,800,000 Energy Efficiency project and $693,000 for a new Exhibit Hall roof replacement. Construction in progress for the new concert venue increased $7,800,000 while the construction in progress for the WQI project increased by $4,200,000. Equipment disposals decreased capital assets by $330,000. Food and beverage equipment was purchased from the reserve account for a total of $137,000. Depreciation expense was $775,000. Capital assets for the RTA decreased by $4,600,000. Construction in progress decreased $725,000 with the bond-funded water quality improvement project still ongoing. Building and land improvements and purchase of equipment increased $1,400,000 as the RTA completed bond-funded projects. Furniture and equipment addition totaled $134,000.

- Current liabilities of the District increased $3,779,000 in 2019. Accounts payable for the District increased $884,000 due to $820,000 costs associated with CCA and Concert Venue. Accounts payable for the RTA decreased $180,000 as more invoices were paid in December 2020. Short-term debt for the DAA increased $1,098,000 due to the new 2019 loan with IBank. Short-term debt for the RTA increased $55,000 as the principal payment on the 2015 bonds increased. Accrued employee leave compensation decreased $92,000 as employees retired during the year. Accrued interest payable increased $367,000 due to the DAA's new $15,000,000 million loan for the Concert Venue. Pre-sales for the 2019 Fair concerts began in November 2018, resulting in an increase of Deferred revenue for the 2018 financial year. In 2019, Deferred revenue decreased $491,000 due to recognition of 2018 pre-sales. In contrast, pre-sales of 2020 fair did not start in 2019 and were pushed out to the first quarter of 2020. Accrued liabilities were $1,660,000 greater at the end of 2019 than at the end of 2018, largely due to $1,300,000 expenses accrued for the Concert Venue bars and WQI projects. Other current liabilities decreased $90,000.

- Long-term debt increased $15,798,000. RTA long-term debt decreased $1,520,000 as principal payments were made on the 2015 bonds. DAA long-term debt increased $17,318,000 due to a $15,000,000 loan from IBank with for the Concert Venue improvements and $3,600,000 loan for Energy Efficiency project. IBank loan for WQI project was reduced by $365,000.

Statement of revenues, expenses and changes in net position: All of the District's revenues, expenses and other changes in net position are accounted for in the statement of revenues, 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 statement of revenues, expenses and changes in net position for the years ended December 31 (dollars in thousands):

	2019	2018
Operating revenues	$ 81,677	$ 82,008
Operating expenses	94,254	87,466
Loss from operations	(12,576)	(5,458)
Nonoperating expenses	(1,740)	(1,293)
Change in net position	(14,316)	(6,751)
Net position, beginning of year, as previously reported	54,809	61,986
Adjustment related to adoption of GASB 75 (Notes 1 and 11)	-	(426)
Net position, end of year as restated	$ 40,494	$ 54,809

Analysis of the statement of revenues, expenses and changes in net position: Operating revenues increased $331,000 in 2019 due to the following:

- Food and beverage revenues decreased $990,000 in 2019, which coincides with the drop in attendance at the San Diego County Fair and the summer race meet.

- Concessions and carnival revenues increased $2,567,000 for the 2019 Fair. Gross carnival ride revenues decreased $676,000. Carnival games revenues increased $3,378,000. In the past, game owners paid a flat fee for space rental. In 2019, the District sold the tickets, and paid the game owners a percentage for tickets redeemed. The District went to a digital ticketing system for the 2019 fair. This was the first time that the District had tried this method of payment for games. The tickets did not indicate an expiration date. Subsequently, the District did not recognize as revenue $542,000 in breakage, or unused value on tickets sold. The District's share of fairtime food concessions revenue decreased $41,400, in line with the drop in attendance. Commercial space rentals increased $78,500. Sales from general concessions decreased $180,000 with lower attendance.

- Admissions increased $444,000. Fair admissions increased $103,300 with price increases for admissions to the 2019 Fair. Attendance declined, but revenues increased. Attendance in 2019 was 1,531,199, compared to 1,561,236 in 2018. This represents a decrease of 30,037, or 1.92%, from 2018. Fairtime concert revenues were stronger in 2019 than in 2018, resulting in an increase in concert sales of $376,100. Sales of our coupon booklet called Passport to Savings decreased $50,700. Admissions to the Del Mar National Horse Show decreased $4,200. Revenues for the Scream Zone, our Halloween event, increased $18,600.

- Facility rentals decreased $274,000. While facility rentals of the fairgrounds and its buildings increased $203,600, long-term board revenue at Horsepark decreased $189,600 as a decision was made to decrease the number of horses boarded at our equestrian facility. Reimbursable costs charged to KAABOO for peer security at their annual music festival at the Fairgrounds declined $219,000 as KAABOO had their own contract for this service. This was offset by a decline in peer security costs to the fairgrounds.

- Satellite wagering revenues decreased $343,000, primarily due to increased competition of internet wagering. Admissions and memberships declined $60,000. Program sales decreased $75,000. Track commissions declined $164,000. Account wagering and mini-satellite revenue declined $42,000. Lottery sales increased $5,000.

- Parking revenues increased $469,000 as rates were increased from $15 to $17 per vehicle.

- Leases/operating agreement revenue of the District decreased $2,397,000. The Del Mar Thoroughbred Club's (DMTC) final net profits payable to the RTLC was $3,400,000 less than 2018 due to lower attendance and handle partially as a result of Santa Anita fatalities. The District's lease revenues for Surf and Turf recreation park and cell sites increased $8,000.

- Surf and Turf driving range, miniature golf and recreational vehicle (RV) park revenues increased $355,000. Revenues from miniature golf, the driving range, tennis courts and the pro shop all increased for a total of $340,000. RV lot revenues also increased $14,000.

- Sponsorship revenues increased $296,000 largely due to less in-kind and trade-sponsorship arrangements in 2019.

- Other income decreased $456,000. There were less horse shows during the year, which resulted in a decrease in entry fees of $377,000. In addition, revenues from ATM fees decreased $30,000 with increased use of credit cards by patrons. Sign shop revenues decreased $30,000.

Operating expenses increased $6,787,000 in 2019 due to the following:

- Payroll and related benefits decreased $1,074,000. New positions and merit salary increases contributed to an increase in payroll expense for permanent employees of $992,000. Overtime pay increased $40,000. The District's share of CalPERS pension expense rose $1,708,900 in 2019. The cost of employee health benefits increased $105,000 due to addition of new hires. The District's share of payroll taxes increased $106,000. Unemployment taxes decreased $62,000. 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 $484,000 as retired employees' accruals were paid.

- Food and beverage expense decreased $672,000 due in large part and in line with decreases in food and beverage revenues.

- Entertainment expenses increased $3,376,000. In 2019, the district switched to a digital ticketing system and game operators were paid as a percentage of sales, resulting in an increase of $3,080,000 in split cost. The cost of performers on the Grandstand, Paddock and ground stages increased $450,000 as more performers were hired. Prizes and premiums increased $11,000.
- Maintenance expenses increased $304,000. Equipment rental costs increased $36,000. Temporary labor services increased $113,000 as the District used more outside service during Scream Zone, Fair and horse shows. Costs for general maintenance increased $19,000. The cost of utilities for gas, electricity, water and trash removal increased $47,000, largely due to increased utility rates. Maintenance expenses for the RTA increased $70,000, largely due to maintenance for the grandstand, information technology and purchase of small wares.

- Facilities and related supplies decreased $105,000. The largest decrease was the expenditures for Feed and Bedding at our Horsepark equestrian facility, which relates to the reduced number of horse shows, and was $84,000 less than in 2018. This is directly related to the decrease in facility rental revenues from the decision to limit the number of long-term boarders, as revenues were not keeping up with rising costs.

- Insurance expense increased $95,000 due in large part to an increase in DGS liability insurance premiums.

- Depreciation expense increased $27,000. Depreciation for the District decreased $49,000, as assets became fully depreciated. Depreciation for the RTA increased $76,000 as the new assets were put into service.

- Professional services increased $253,000. The cost of the year-round Sheriff Deputy's support for the Fair increased $112,000. In addition, Fair security cost increase $131,000 relating to Elite security patrols.

- Marketing expenses increased $237,000 largely due to the expense for cash-in-kind sponsorships increasing $239,000 Public relations expenses for the Fair decreased $43,000. Lower attendance in Scream Zone resulted in a decrease of $38,000 of co-promotional expenses. Media advertising increased $47,000 in 2019.

- Other expenses decreased $440,000 for the District. Bad debt expense decreased $430,000, as 2018 promoters paid for their rental of District facilities. Other expenses decreased $111,000 as the District paid more from the food and beverage reserve account (a contra-expense account) for equipment related to food and beverage operations, including restaurant and refrigeration equipment, and point-of-sale systems. Credit card fees increased $145,000 as more patrons used credit cards to pay when district changed to a cashless midway system. The RTA's other expenses decreased $237,000. Environmental service expenses decreased $259,000 different phases of the projects completed. The audit fee increased by $20,000.

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, under former Governor Jerry 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.

Over the past several years, these pay scales 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 increased to $10.50 on January 1, 2017, and to $11.00 on January 1, 2018. Each year after that, minimum wage will increase by $1.00 per year until January 1, 2022, when the state minimum wage will be $15.00 per hour. These increases affect payroll and payroll tax expense, as well as workers' compensation and unemployment insurance. The minimum wage for the city of San Diego increased from $10.50 to $11.50 on January 1, 2017. It increased to $12.00 on January 1, 2019. These increases impact the cost of contracted labor and peer security for the District at the annual Fair and for interim events.

Employer pension costs: The rates to the District for pension contributions for its tier one employees increased in July 2019 to 30.817% from 29.396% for the fiscal years 2019 and 2018, respectively.

Indian casinos/advance deposit wagering and off-track wagering: In 2019, attendance and handle across the nation decreased 10%. 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. Total handle at these two facilities declined 3.1%, or $322,300, in 2019.

Handle at the satellite wagering facility decreased $8,100,000 in 2019. Online wagering decreased $39,400. Attendance declined by 22,400.

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 RTLC of January 1, 2013. In February 2011, Senator Christine Kehoe introduced Senate Bill No. 855, which would extend the operative date of the RTLC 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 Senate Bill No. 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 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.

On July 10, 2017, Governor Brown signed SB 84. This law had the effect of borrowing $6 billion from the state of California's PMIA to make a one-time supplemental payment to CalPERS as part of the 2018/19 fiscal year budget package. The intent of this one-time supplemental payment was to save the state money over the next few decades by slowing the pace of cost increases for the state's annual pension payments. Under SB 84, the Department of Finance was required to develop a repayment schedule for principal and interest on the amount borrowed from the PMIA. The Department of Finance also calculated the proportionate share due from each CalPERS participant, based on fiscal year 2016/17 employer retirement contributions. The DAA's proportionate share of this obligation was determined to be $3,403,924. This amount is to be paid over five fiscal years beginning in the state's fiscal year 2020/21, with four equal payments of $619,895 and one final payment of $924,344 in fiscal year 2024/25.

In May 2018, the United States Supreme Court ruled that the provision of the Professional and Amateur Sports Protection Act, which prohibited a governmental entity or a person from conducting betting or wagering on competitive games or performances in which amateur or professional athletes participate, violated the 10th Amendment of the U.S. Constitution. As a result, this statute is no longer enforceable against states, businesses or individuals. Individual states are now free to pass statutes that would legalize sports wagering within their borders. As of the end of 2019, 20 states have some form of legal sports betting regulation. California will require a state constitutional amendment for sports wagering to be legalized. Two-thirds of the Assembly and Senate would need to approve placing an amendment on the 2020 statewide ballot. A majority of voters would have to approve the amendment. The District is in support of this legislation, as well as the DMTC.

In October 2017, AB 1499 was signed in to law. Beginning July 1, 2018, every sales tax return filed would have to segregate and report the total gross receipts for sales and use tax purposes for all receipts that took place on a the property of a state-designated fair. Three-fourths of 1% of the state sales tax generated would be allocated to fairs for specific fair projects and subject to certain conditions. The details of how these funds will be distributed are still being discussed. Under AB 1499, a fair will not receive any funds unless it agrees to relinquish its recreational exemption under the Fair Labor Standards Act.

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 entertainment venue and eating areas. The renovation began in 2019, and the venue was completed in January 2021 and is expected to be open for operation in early 2022.

22nd District Agricultural Association and its Blended Component Units

Statement of Net Position
December 31, 2019

Assets and Deferred Outflow of Resources	
Current assets:	
Cash and cash equivalents (Note 4)	$ 25,371,897
Current portion of restricted investments (Note 4)	3,296,174
Accounts receivable, net (Note 5)	658,281
Prepaid expenses and other	749,969
Total current assets	30,076,321
Restricted investments, long-term portion (Notes 4 and 7)	3,333,092
Capital assets, net (Notes 3 and 6)	123,419,578
Total assets	156,828,991
Deferred outflow of resources:	
Deferred outflow of pension liability (Note 10)	5,120,875
Deferred OPEB (Note 11)	301,793
Total deferred outflow of resources	5,422,668
Total assets and deferred outflow of resources	$ 162,251,659
Liabilities, Deferred Inflow of Resources and Net Position	
Current liabilities:	
Accounts payable	$ 2,287,710
Accrued interest	1,035,863
Accrued liabilities and other	4,688,825
Accrued compensated absences	2,994,922
Current portion of other long-term liabilities (Notes 9 and 10)	619,895
Current portion of loan payable (Note 7)	831,815
Current portion of bonds payable (Note 7)	1,330,000
Total current liabilities	13,789,030
Other long-term liabilities (Notes 9 and 10)	2,784,029
Other long-term debt (Notes 7 and 8)	750,000
Loan payable, long-term portion (Note 7)	26,483,725
Bonds payable, long-term portion (Note 7)	40,621,480
Net pension liability (Note 10)	30,334,441
Net OPEB liability (Note 11)	4,700,501
Total liabilities	119,463,206
Deferred inflow of resources:	
Deferred gain on debt defeasance (Note 7)	333,102
Deferred inflow of pension liability (Note 10)	1,217,090
Deferred inflow on OPEB (Note 11)	744,477
Total deferred inflow of resources	2,294,669
Commitments and contingencies (Notes 8, 10, 11, 12 and 13)	
Net position:	
Net investment in capital assets	53,897,268
Restricted for debt service	6,629,266
Unrestricted	(20,032,750)
Total net position	40,493,784
Total liabilities, deferred inflow of resources and net position	$ 162,251,659

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, 2019

Operating revenues:	
Food and beverage (Note 8)	$ 22,512,037
Concessions/carnivals	22,134,142
Admissions	12,513,342
Facility rentals	6,726,946
Satellite wagering	1,019,759
Parking	6,220,762
Leases/operating agreement	2,213,369
Surf and Turf	2,030,662
Sponsorships	3,170,741
Other	3,135,729
Total operating revenues	81,677,489
Operating expenses:	
Payroll and related benefits, excluding pension cost	23,927,693
Pension cost (Note 10)	3,659,354
Food and beverage (Note 8)	17,690,412
Entertainment	13,862,828
Maintenance	8,824,004
Facilities and related supplies	1,737,330
Insurance	1,338,968
Depreciation (Note 6)	7,007,248
Professional services	6,399,949
Marketing	2,036,605
Other	2,981,970
Total operating expenses	94,253,611
Loss from operations	(12,576,122)
Nonoperating revenues (expenses):	
Interest income	740,434
Interest expense	(2,465,256)
Other	(14,686)
Total nonoperating expenses, net	(1,739,508)
Change in net position	(14,315,630)
Net position, end of year	$ 40,493,784

See notes to financial statements.

22nd District Agricultural Association and its Blended Component Units

Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Receipts from operations	$ 82,487,606
Payments to vendors	(62,874,765)
Payments to employees	(17,572,669)
Net cash provided by operating activities	2,040,172
Cash flows from capital and related financing activities:	
Purchases of capital assets	(18,555,093)
Proceeds from disposal of capital assets	(14,686)
Payments on long-term debt	(1,275,000)
Proceeds on long-term debt	18,415,540
Interest paid on long-term debt	(2,359,049)
Net cash used in capital and related financing activities	(3,788,288)
Cash flows from investing activities:	
Sales of investments	(12,093)
Interest income	740,434
Net cash provided by investing activities	728,341
Net decrease in cash and cash equivalents	(1,019,775)
Cash and cash equivalents, beginning of year	26,391,672
Cash and cash equivalents, end of year	$ 25,371,897
Reconciliation of loss from operations to net cash provided by operating activities:	
Loss from operations	$ (12,576,122)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation	7,007,248
Changes in assets and liabilities:	
Accounts receivable, net	650,117
Prepaid expenses and other	(99,734)
Accounts payable	703,639
Accrued liabilities and other	1,660,239
Accrued compensated absences	(92,465)
OPEB liability	86,749
Net pension liability	4,700,501
Net cash provided by operating activities	$ 2,040,172
Noncash disclosure of capital and related financing activities:	
Construction payables for acquisitions of capital assets	$ 257,929

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 investments with original maturities of 90 days or less, including pooled funds with the California Local Agency Investment Fund (LAIF), to be cash equivalents. Investments in LAIF are reported at amortized cost. 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, 2019, 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, 2019.

Interest cost on borrowed funds during the period of construction of capital assets was expensed when incurred for the year ended December 31, 2019.

Deferred gain on debt defeasance: For debt refunding 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.

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.

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)

Compensated absences activity for the year ended December 31, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 3,087,387	$ 570,499	$ (662,964)	$ 2,994,922	$ 2,994,922

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 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 ended December 31, 2019.

Post-employment benefits other than pensions: For purposes of measuring the net post-employment benefits other than pensions (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of CalPERS' OPEB plan 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.

Net position: Net position represents the difference between assets and deferred outflows of resources, less 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.

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

- 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.

- Surf and Turf revenue consists of revenue from the driving range, pro shop, tennis club, recreational vehicle (RV) 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.

- Other revenue consists of a variety of miscellaneous revenue accounts, including food and beverage revenue received from Premier Food Services, Inc. (Premier) generated by the Breeders Cup, ATM fees, interest income, RV pumping fees, recycling, miscellaneous exhibit fees and event entry fees.

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 assumptions used in the determination of pension liability.

Implementation of accounting pronouncements: In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. The provisions of this statement are effective for reporting periods beginning after June 15, 2017. The District's defined benefit OPEB plan is not administered through trusts. The plan is funded by CalPERS and the District makes annual contributions to CalPERS as a State Entity. The District adopted GASB Statement No. 75 in 2018, which resulted in a restatement of net position to reflect the District's net OPEB liability. The restatement decreased net position at January 1, 2018, by $425,710 and an offsetting OPEB liability of $393,881 and deferred inflows of resources relating to OPEB of $31,829. There were no deferred outflows recognized as a part of this restatement. The prescribed disclosures are in Note 11.

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

Recent accounting pronouncements: 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, 2019. 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 post-employment benefit arrangements that are fiduciary activities. 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. 84 on the District's financial statements.

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 June 15, 2021. Management has not yet determined the effect of GASB Statement No. 87 on the District's financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this statement are effective for reporting periods beginning after June 15, 2019. Management has not yet determined the effect of GASB Statement No. 88 on the District's financial statements.

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

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest cost incurred before the end of a construction period. This statement required interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The provisions of this statement are effective for reporting periods beginning after December 15, 2020. Early implementation is encouraged. Management implemented this statement on January 1, 2019.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This statement also requires that a component unit in which a government has a 100% equity interest account for its assets, deferred outflows of resources, liabilities and deferred inflows of resources at acquisition value at the date the government acquired a 100% equity interest in the component unit. The provisions of this statement are effective for reporting periods beginning after December 15, 2020. Management has not yet determined the effect of GASB Statement No. 90 on the District's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations,* will be effective for reporting periods beginning after December 15, 2022. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Management has not yet determined the effect of GASB Statement No. 91 on the District's financial statements.

GASB Statement No. 92, *Omnibus 2020*, will be effective for reporting periods beginning after June 15, 2022. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Management has not yet determined the effect of GASB Statement No. 92 on the District's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates,* will be effective for reporting periods beginning after June 15, 2021. This Statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an Investment Book of Record is replaced as the reference rate of the hedging derivative instrument's variable payment. This Statement also removes LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap. Early application is encouraged. Management has not yet determined the effect of GASB Statement No. 93 on the District's financial statements.

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

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will be effective for reporting periods beginning after June 15, 2022. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPP). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APA). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. Management has not yet determined the effect of GASB Statement No. 94 on the District's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will be effective for reporting periods beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*, as amended. Management has not yet determined the effect of GASB Statement No. 96 on the District's financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB Statement No. 32*, will be effective for reporting periods beginning after December 15, 2019. This Statement increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management has not yet determined the effect of GASB Statement No. 97 on the District's financial statements.

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

GASB Statement No. 95, Postponement of the effective dates of certain authoritative guidance: The requirements of this Statement are effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for period beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: GASB Statement No. 83; GASB Statement No. 84; GASB Statement No. 88; GASB Statement No. 89; GASB Statement No. 90; GASB Statement No. 91; GASB Statement No. 92; and GASB Statement No. 93. The effective date for GASB Statement No. 87 has been postponed for 18 months.

Note 2. Condensed Financial Information

The following is the condensed combining detail for the statement of net position as of December 31, 2019:

	DAA	RTLC	RTA	Eliminations	Total
Current assets	$ 25,956,800	$ 156	$ 4,119,365	$ -	$ 30,076,321
Restricted investments, long-term portion	-	-	3,333,092	-	3,333,092
Capital assets, net	36,258,087	-	87,161,491	-	123,419,578
Total assets	62,214,887	156	94,613,948	-	156,828,991
Deferred outflow of resources	5,422,668	-	-	-	5,422,668
Current liabilities	11,361,493	-	2,427,537	-	13,789,030
Long-term liabilities	65,052,696	-	40,621,480	-	105,674,176
Total liabilities	76,414,189	-	43,049,017	-	119,463,206
Deferred inflow of resources	1,961,567	-	333,102	-	2,294,669
Net investment in capital assets	8,398,669	-	45,498,599	-	53,897,268
Restricted for debt service	-	-	6,629,266	-	6,629,266
Unrestricted - other	(19,136,870)	156	(896,036)	-	(20,032,750)
Total net position	$ (10,738,201)	$ 156	$ 51,231,829	$ -	$ 40,493,784

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, 2019:

	DAA	RTLC	RTA	Eliminations	Total
Operating revenues:					
Operating revenues	$ 81,447,489	$ 390,000	$ -	$ (160,000)	$ 81,677,489
Operating expenses:					
Operating expenses	86,857,839	-	7,555,772	(160,000)	94,253,611
(Loss) income from operations	(5,410,350)	390,000	(7,555,772)	-	(12,576,122)
Nonoperating (expenses) revenues:					
Nonoperating (expenses) revenues	(77,415)	10	(1,662,103)	-	(1,739,508)
Changes in net position before transfers	(5,487,765)	390,010	(9,217,875)	-	(14,315,630)
Transfers in	-	-	5,231,578	(5,231,578)	-
Transfers out	(4,841,572)	(390,006)	-	5,231,578	-
Change in net position	(10,329,337)	4	(3,986,297)	-	(14,315,630)
Net position, beginning of year	(408,864)	152	55,218,126	-	54,809,414
Net position, end of year	$ (10,738,201)	$ 156	$ 51,231,829	$ -	$ 40,493,784

The following is the condensed combining detail for the statement of cash flows for the year ended December 31, 2019:

	DAA	RTLC	RTA	Total
Net cash (used in) provided by operating activities	$ (1,556,393)	$ (6)	$ 3,596,571	$ 2,040,172
Net cash provided by (used in) capital and related financing activities	557,412	-	(4,345,700)	(3,788,288)
Net cash provided by investing activities	621,230	10	107,101	728,341
Cash and cash equivalents, beginning of year	24,984,789	152	1,406,731	26,391,672
Cash and cash equivalents, end of year	$ 24,607,038	$ 156	$ 764,703	$ 25,371,897

Note 3. Joint Exercise of Power Agreements

California Fair Services Authority: The District is a member of the California Fairs Financing Authority, dba California Construction Authority (CCA), 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 CCA is composed of five directors appointed by member entities.

The primary purpose of the CCA is to provide financing, planning, design and construction services for projects at Fairgrounds throughout California. Additionally, the CCA 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 CCA's assets or liabilities at December 31, 2019.

Note 3. Joint Exercise of Power Agreements (Continue)

CCA projects during 2019 included the installation of Exhibit Hall exhaust fans, installation of the Hilton Sewer Pump Station and improvement of water quality. Costs incurred for these projects during the year ended December 31, 2019, are recorded in capital assets.

Note 4. Cash and Cash Equivalents, and Restricted Investments

Cash and cash equivalents, and investments consisted of the following at December 31, 2019:

Cash on hand	$ 27,900
Cash in banks	15,700,489
LAIF	9,643,508
Cash and cash equivalents	25,371,897
Restricted investments, money market accounts	6,629,266
Total cash and cash equivalents, and restricted investments	$ 32,001,163

Cash and cash equivalents, and restricted investments are summarized on the financial statements as follows at December 31, 2019:

Cash and cash equivalents	$ 25,371,897
Current portion of restricted investments	3,296,174
Long-term portion of restricted investments	3,333,092
	$ 32,001,163

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, 2019, the District had $9,643,508 invested in LAIF. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with state statute.

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 current portion of restricted investments in the amount of $3,296,174 is restricted for bond projects only. Funds are distributed once a month upon the District's request to pay bond-project invoices. The long-term portion of restricted investments in the amount of $3,333,092 represents the amount held in reserve in the event of default. The amount required to be held in reserve is $3,297,000. The District is in compliance with this requirement.

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

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. The District does not currently hold investments that are subject to credit risk.

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 and California Infrastructure Economic Development Bank (IBank). These deposits are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2019, $14,501,187 of the District's bank balance of $15,001,187 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.

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.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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 did not have any investments as of December 31, 2019, that were subject to the fair value hierarchy as the money market investments are carried at amortized cost.

Note 5. Accounts Receivable

Accounts receivable as of December 31, 2019, are summarized as follows:

Accounts receivable	$ 1,178,496
Less allowance for doubtful accounts	(520,215)
Accounts receivable, net	$ 658,281

Note 6. Capital Assets

A summary of changes in capital assets, net, for the year ended December 31, 2019, 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	10,651,550	17,462,629	(226,109)	(1,747,945)	26,140,125
Total capital assets not being depreciated	16,973,883	17,462,629	(226,109)	(1,747,945)	32,462,458
Capital assets being depreciated:					
Building and improvements	181,871,821	1,153,869	(262,546)	1,566,790	184,329,934
Equipment and fixtures	37,926,575	196,524	(522,866)	181,155	37,781,388
Land improvements	28,699,955	-	(71,199)	-	28,628,756
Total capital assets being depreciated	248,498,351	1,350,393	(856,611)	1,747,945	250,740,078
Less accumulated depreciation and amortization:					
Building and improvements	(107,272,512)	(4,580,084)	234,797	-	(111,617,799)
Equipment and fixtures	(31,960,496)	(1,202,559)	520,322	-	(32,642,733)
Land improvements	(14,367,493)	(1,224,605)	69,672	-	(15,522,426)
	(153,600,501)	(7,007,248)	824,791	-	(159,782,958)
Net capital assets being depreciated	94,897,850	(5,656,855)	(31,820)	1,747,945	90,957,120
Total capital assets, net	$ 111,871,733	$ 11,805,774	$ (257,929)	$ -	$ 123,419,578

Note 7. Long-Term Debt

Long-term debt activity during the fiscal year ended December 31, 2019, is as follows:

	Beginning Balance	Additions	Payments	Amortization of Premium	Ending Balance	Due Within One Year
Series 2015 Revenue Bonds	$ 41,125,000	$ -	$ (1,275,000)	$ -	$ 39,850,000	$ 1,330,000
2015 Unamortized Premium	2,291,395	-	(189,915)	-	2,101,480	-
2019 Energy Efficiency Loan	-	3,769,883	-	-	3,769,883	164,021
2018 IBank Loan	8,900,000	-	(354,343)	-	8,545,657	364,974
2019 IBank Loan	-	15,000,000	-	-	15,000,000	302,820
Premier investment (Note 8)	750,000	-	-	-	750,000	750,000
Total long-term debt	$ 53,066,395	$ 18,769,883	$ (1,819,258)	$ -	$ 70,017,020	$ 2,911,815

Note 7. Long-Term Debt (Continued)

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% to 5.00% 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 $333,102 at December 31, 2019. 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 Series 2015 Bond Indenture (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, 2019, are as follows:

	Principal	Interest	Total
Years ending December 31:			
2020	$ 1,330,000	$ 1,965,400	$ 3,295,400
2021	1,380,000	1,912,200	3,292,200
2022	1,435,000	1,857,000	3,292,000
2023	1,510,000	1,785,250	3,295,250
2024	1,585,000	1,709,750	3,294,750
2025-2029	9,190,000	7,278,000	16,468,000
2030-2034	11,735,000	4,738,500	16,473,500
2035-2038	11,685,000	1,496,500	13,181,500
	$ 39,850,000	$ 22,742,600	$ 62,592,600

Source or repayment: Pursuant to the 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 henceforth, 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, 2019, the total principal and interest remaining to be paid on the bonds is $62,592,600. The next interest and principal payments for the Series 2015 Bonds are due on April 1, 2020, and October 1, 2020, respectively, with the final payment occurring on October 1, 2038.

Note 7. Long-Term Debt (Continued)

Upon issuance of the Series 2015 Bonds, a portion of the proceeds were required to be deposited in the reserve account with the Trustee and a minimum balance must be maintained in this account. The minimum balance is the lesser of the maximum annual debt service payment over the life of the bond ($3,297,000), 10% of total bond proceeds ($4,443,500) or 125% of average annual debt service ($4,117,861). At December 31, 2019, the District held $3,333,092 in a reserve fund for the debt reserve requirement. 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. At December 31, 2020, the District held an additional $3,296,174 in a reserve fund to be used for the two interest payments in April 2020 and October 2020, and one principal payment in October 2020 on the debt for the following year.

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. The District submitted written representation confirming the total amount of coverage test revenues for the 2019 bond year on December 27, 2019.

2018 IBank loan: On May 24, 2018, the District entered into an installment sale agreement with IBank. The total amount borrowed from IBank was $8,900,000. The interest rate is 3.30% per annum, which includes the annual fee of 0.30% of the outstanding principal balance. The first interest payment of $182,450 was paid on February 1, 2019. The next interest and principal payments of $133,500 and $354,344 were paid on August 1, 2019. The money was borrowed to pay for a new facility, which is necessary to improve the Fairgrounds' storm water quality system and to install chiller equipment. $8,411,000 will be utilized for the Environmental Remediation project, $400,000 will be utilized to pay for the chiller equipment installation and $89,000 will be used to pay for the IBank origination fee. The Project's estimated completion date is no later than June 1, 2022. Final principal and interest payments of $603,246 and $9,049 are due on August 1, 2037.

Future scheduled principal and interest payments as of December 31, 2019, are as follows:

	Principal	Interest	Total
Years ending December 31:			
2020	$ 364,974	$ 276,988	$ 641,962
2021	375,923	264,794	640,717
2022	387,201	252,233	639,434
2023	398,817	239,296	638,113
2024	410,781	225,970	636,751
2025-2029	2,246,321	915,550	3,161,871
2030-2034	2,604,101	517,072	3,121,173
2035-2037	1,757,539	92,974	1,850,513
	$ 8,545,657	$ 2,784,877	$ 11,330,534

Note 7. Long-Term Debt (Continued)

2019 IBank loan: On May 1, 2019, the District entered into an installment sale agreement with IBank. The total amount borrowed from IBank was $15,000,000. The interest rate is 3.58% per annum, which includes the annual fee of 0.30% of the outstanding principal balance. The first interest and principal payments of $381,867 and $302,820 are due on February 1, 2020, and August 1, 2020, respectively. The money was borrowed to finance and refinance the costs of its 1,900 person capacity concert venue. The funds will be used for improving and converting a portion of the surfside raceplace (SSRP) into a concert venue, together with food and beverage service facilities, and all associated necessary design, architecture, engineering, construction, equipping, machinery installation, construction contingency, environmental review, permitting, entitlement, construction management, administration and general development activities. The Project's estimated completion date is no later than February 26, 2021. Final principal and interest payments of $810,794 and $14,513 are due on August 1, 2048.

	Principal	Interest	Total
Years ending December 31:			
2020	$ 302,820	$ 577,280	$ 880,100
2021	313,661	565,180	878,841
2022	324,890	552,828	877,718
2023	336,522	540,034	876,556
2024	348,569	526,783	875,352
2025-2029	1,939,205	2,417,924	4,357,129
2030-2034	2,312,082	2,007,772	4,319,854
2035-2039	2,756,657	1,518,754	4,275,411
2040-2044	3,286,717	935,707	4,222,424
2045-2048	3,078,877	254,126	3,333,003
	$ 15,000,000	$ 9,896,388	$ 24,896,388

2019 Energy Efficiency: In May 2019, the District entered into an Energy Efficiency Loan with California Department of General Services (DGS). DGS is a state agent that offers low interest loans. The total amount borrowed from DGS was $3,769,883. The interest rate is 2.50% per annum. The first principal and interest payments of $164,021 and $94,247 are due on May 1, 2020. The money was borrowed to upgrade air handling units, interior and exterior lighting and residential appliances. The money was also used to replace kitchen equipment and repair duct leakage, RCx HVAC units and DHW look controls. Furthermore, funds were used to install variable frequency drives (VFD) on condenser water pumps. The Project's estimated completion date is no later than December 31, 2020.

	Principal	Interest	Total
Years ending December 31:			
2020	$ 164,021	$ 91,513	$ 255,534
2021	168,121	87,345	255,466
2022	172,324	83,071	255,395
2023	176,633	78,692	255,325
2024	181,048	74,202	255,250
2025-2029	975,441	299,641	1,275,082
2030-2034	1,103,613	169,324	1,272,937
2035-2039	828,682	32,826	861,508
	$ 3,769,883	$ 916,614	$ 4,686,497

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 $1,615,000 for the year ended December 31, 2019. Included in the revenue associated with the DMTC operating agreement are the direct payment amounts noted below:

- 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.

- Basic 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, and (2) the direct payment amount. The basic payment totaled $390,000 for the year ended December 31, 2019.

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.: In 2014, Premier was acquired by SMG and kept the name Premier Food Services, Inc. (Premier). The existing management agreement was assumed by SMG. Management fees related to this contract were $688,804 for the year ended December 31, 2019. The District has a management agreement granting the use of food and beverage services equipment to 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. On March 12, 2019, the District approved and renewed the contract through December 31, 2026.

Note 8. Operating Leases and Agreements (Continued)

On November 14, 2018, the District approved and renewed the contract for a third three-year term plus an additional five years. The new contract is set to expire on December 31, 2026. Per the new agreement, 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 12.50% of all net profits from the food and beverage operation. Furthermore, the District, in cooperation with Premier/SMG, obtained a $2 million capital investment to convert the satellite wagering facility to include a music and entertainment venue. Premier agreed to provide event and entertainment booking and production company services, acceptable to and in compliance with specific terms and conditions requested by the District. In consideration of its $2 million capital investment, Premier and the District have agreed on a five-year extension of the agreement from December 31, 2021, to December 31, 2026, with an additional five-year mutual option and with new terms and conditions specifically relating to the operation of the Del Mar Satellite Wagering Facility to include a music and entertainment venue. The payment of $2 million shall be made to the District in two installments as follows: $750,000 on or before December 31, 2018, and the balance of $1,250,000 on January 3, 2020. The District agrees to pay annually to Premier 30.00% of net profits from the music and entertainment events conducted at the SSRP Music and Entertainment Venue or $100,000, whichever is greater, until such payments equal $2 million. See Note 7 for activity relating to this new agreement with Premier.

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 $134,677 for the year ended December 31, 2019.

Note 9. Other Liabilities

Activity of other liabilities during the fiscal year ended December 31, 2019, is as follows:

	Beginning Balance	Additions	Payments	Amortization of Premium	Ending Balance	Due Within One Year
Senate Bill 84 liability (Note 10)	$ 3,403,924	$ -	$ -	$ -	$ 3,403,924	$ 619,895
Total other liabilities	$ 3,403,924	$ -	$ -	$ -	$ 3,403,924	$ 619,895

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. The District made the final installation payment of $67,918 for this liability during the year 2018 and there is no remaining balance due as of December 31, 2019. 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.

Maintenance costs are expected to be incurred through 2020.

See Note 10 for information related to Senate Bill No. 84 (SB 84).

Note 10. Public Employees' Retirement System

At the time of issuance of this report, the pension information with a Measurement Date of June 30, 2019, and Valuation Date of June 30, 2018, was not available. As such, we have used the information from year ended December 31, 2018, to complete this footnote.

Note 10. Public Employees' Retirement System (Continued)

At the time of issuance of this report, the pension information with a Measurement Date of June 30, 2019, and Valuation Date of June 30, 2018, was not available. As such, we have used the information from year ended December 31, 2018, to complete this footnote.

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 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' 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, 2018, Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2018-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.

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' 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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. 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.

Note 10. Public Employees' Retirement System (Continued)

The employee contribution rate for the year ended December 31, 2018, was 10% for the skilled craftsmen and 8% for all other employees. The employer contribution rate for the year ended December 31, 2018, was 29.298% for State Miscellaneous Member employees. The required contributions and the amount paid by the District for the year ended December 31, 2018, was $3,508,797. The District's employer contributions were equal to the required employer contributions for the year ended December 31, 2018.

Pension liability: At December 31, 2018, the District reported a net pension liability of $30,334,441 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018. 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, 2018, the District's proportion was 0.09656%, which was an increase of 0.00278% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the District recognized pension expense of $1,934,210. At December 31, 2018, 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	$ 313,381
Difference between expected and actual experience	3,061,772
District contributions subsequent to the measurement date	1,745,722
	$ 5,120,875

At December 31, 2018, the District reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -
Difference between expected and actual experience	211,340
Changes of assumptions	1,005,750
	$ 1,217,090

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 $1,745,722 and will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:	
2020	$ 539,516
2021	539,516
2022	539,516
2023	539,516
	$ 2,158,063

Actuarial methods and assumptions: The total pension liability was measured as of June 30, 2018 (measurement date), by rolling forward the total pension liability determined by the June 30, 2017, actuarial valuation (valuation date), based on the actuarial assumptions shown in the table below:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal in accordance with the requirements
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% 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 (COLA)	Contract COLA up to 2.00% until the purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle, scheduled to be completed in February 2019. Any changes to the discount rate will require action on the part of CalPERS' Board of Administration and proper stakeholder outreach. No changes to the discount rate were made as of the measurement date of June 30, 2018.

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, adjusted to account for assumed administrative expenses, and rounded down to the nearest one-quarter of 1%.

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.

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1-10 (2)	Real Return Years 11+ (3)
Global equity	50.00 %	4.80 %	5.98 %
Fixed income	28.00 %	1.00 %	2.62 %
Inflation assets	0.00 %	0.77 %	1.81 %
Private equity	8.00 %	6.30 %	7.23 %
Real estate	13.00 %	3.75 %	4.93 %
Liquidity	1.00 %	0.00 %	(0.92)%
	100.00 %		

(1) In the System's comprehensive annual financial report, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

(2) An expected inflation rate of 2.00% is used for this period.

(3) An expected inflation rate of 2.92% is used for this period.

In December 2016, the CalPERS Board of Administration voted to lower the discount rate used in its actuarial assumptions from 7.50% to 7.00% (net of 0.15% administrative expenses) effective July 1, 2017. A similar reduction to the discount rate in accordance with GASB Statement No. 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 5.2 years.

Note 10. Public Employees' Retirement System (Continued)

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 7.15%, 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 (6.15%) or one percentage point higher (8.15%) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
District's proportionate share of the net pension liability	$ 43,488,093	$ 30,334,441	$ 19,311,442

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.

SB 84: On July 10, 2017, Governor Brown signed SB 84 into law, which had the effect of borrowing $6 billion from the PMIA to make a one-time supplemental payment to CalPERS as part of the 2017 to 2018 fiscal year budget package. The intent of this one-time supplemental payment was to save the state money over the next few decades by slowing the pace of cost increases for the state's annual pension payments.

Under SB 84, the Department of Finance (the DOF) was required to develop a repayment schedule for the loan principal and interest accrued from the $6 billion that was borrowed from the PMIA. As part of its requirement, the DOF was tasked with determining the proportionate share of the obligation attributable to the DAAs. The DOF has informed the DAA that the liability allocated to the DAA is $3,403,924. This obligation was calculated by the DOF based on the 2016 to 2017 CalPERS employer retirement contributions. The amount is to be repaid over five fiscal years beginning in 2020 and ending in 2024. The repayment schedule is as follows:

Years ending December 31:	
2020	$ 619,895
2021	619,895
2022	619,895
2023	619,895
2024	924,344
	$ 3,403,924

It has also been determined that this obligation impacts the financial records of the DAA.

The CDFA is currently seeking confirmation regarding the total obligation as well as the process and timing on how and when these payments (including interest expense) are to be made as it is unclear at this time. Once the CDFA has additional information, it will provide the DAA further guidance regarding its specific obligation.

Note 11. Other Post-Employment Benefit Obligation

During fiscal year 2018, the DAA adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The primary objective of this statement is to improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This OPEB plan is considered an agent-multiemployer plan.

General information about the OPEB plan:

Plan description: The District contributes to the Plan and CalPERS administers the plan. CalPERS provides lifetime retiree medical coverage to eligible employees and their dependents. In most cases, the employee can retire at age 50 with five years of service credit. If the employee became a member on or after January 1, 2013, they must be at least 52 years old to retire. The medical plan benefits are contracted with CalPERS under the Public Employees' Medical and Hospital Care Act, and dental benefits under the State Employees' Dental Care Act.

Benefits provided: The state of California provides medical, prescription drug and dental benefits (health care benefits) to retired statewide employees through a single-employer defined benefit plan. The state participates in the CERBT, an agent multiple-employer plan consisting of an aggregation of single-employer plans, including over 531 contributing employers. The state also offers life insurance, long-term care and vision benefits to retirees; however, because these benefits are completely paid for by retirees, there is no GASB Statements No. 74 or 75 liability to the state on behalf of such benefits.

Contributions: The District adopted the entry age normal actuarial cost method pre-funding prospectively. The entry age normal actuarial cost method, with the contributions determined as a percent of payroll, is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued. The plan uses a 6.75% discount rate, assuming the District continues prefunding 100% of each future year's annual required contribution. The District assumes a 30-year amortization of the unfunded actuarial liability, with certain adjustments for changes in the net OPEB obligation.

The premium apportionment is set by the Craft and Maintenance Bargaining Unit (BU12), the Stationary Engineers Bargaining Unit (BU13), the Service Employees International Union (SEIU) and the Exempt Excluded Executive (EEE). The District currently pays the medical plan premiums for both retirees and active employees and their dependents at a rate set by contract at CalPERS.

The District has voluntarily opted for a funding policy under which it will contribute 100% of its actuarially determined annual required contribution. Contributions to the OPEB Plan from the District for the year ended December 31, 2019, was $150,897.

Note 11. Other Post-Employment Benefit Obligation (Continued)

California state employees covered by benefit terms: At December 31, 2019, the following California state employees for each respective valuation group were covered by the benefit terms:

	Exempt Excluded Executive (EEE)	Service Employees International Union (SEIU)	Craft and Maintenance (BU12)	Stationary Engineers (BU13)
Inactive employees or beneficiaries currently receiving benefit payments	6,926	112,123	13,053	975
Active employees	4,262	70,106	9,920	906
	11,188	182,229	22,973	1,881

OPEB liabilities, OPEB expense and deferred outflows of resources related to OPEB: The District's net OPEB liability was $4,700,501 at December 31, 2019. The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2019, the District recognized OPEB benefit of $86,749 and included in wages, benefits and taxes on the statement of revenues, expenses and changes in net position. At December 31, 2019, the District reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in PayGO contributions	$ -	$ -
Difference between expected and actual experience	-	357,888
Changes of assumptions	-	386,205
Net difference between projected and actual earnings on OPEB Plan investment	-	383
Contributions subsequent to the measurement date	150,896	-
Total	$ 150,896	$ 744,477

Note 11. Other Post-Employment Benefit Obligation (Continued)

Of the total amount reported as deferred outflows related to OPEB, $150,896 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31:	
2020	$ (124,081)
2021	(124,079)
2022	(124,079)
2023	(124,079)
2024	(124,079)
Thereafter	(124,079)
	$ (744,477)

Actuarial assumptions: The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2019
Actuarial cost method	Entry agree normal in accordance with the requirements of GASB Statement No. 75
Actuarial assumptions:	
Discount rate	Blended rate for each valuation group, consisting of 6.75% when assets are available to pay benefits, otherwise 20-year Municipal G.O Bond AA Index rate of 3.13%
Amortization period	Five years
Asset valuation method	Market value of assets as of the measurement date
Inflation	2.25%
Salary increases	Varies by entry and service
Investment rate of return	6.75% net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and thereafter
	Post-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and thereafter
	Dental coverage: 0.01% in 2020 and 4.50% through 2036, then 4.25% thereafter
Mortality rate table	Derived using CalPERS' membership data for all members

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

The retirement rates that were used in the most recent CalPERS Public Agency Miscellaneous 2.00% at 60 for actives hired before January 1, 2013, and 2.00% at 62 for actives hired on or after January 1, 2013.

Note 11. Other Post-Employment Benefit Obligation (Continued)

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

As of December 31, 2019, the long-term expected real rate of return for each major asset class in the Plan's portfolio are as follows:

Investment Class	Target Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global equity	59.00%	4.80%	5.98%
Fixed income	25.00%	1.10%	2.62%
Treasury inflation-protected securities	5.00%	0.25%	1.46%
Real estate investment trusts	8.00%	3.50%	5.00%
Commodities	3.00%	1.50%	2.87%
Total	100%		

The Real Return Years 1-10 used an expected inflation rate of 1.75% for this period. The Real Return Years 11+ used an expected inflation rate of 2.67% for this period.

Discount rate: The discount rate used to measure the total OPEB liability was 6.75%. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarially determined normal costs are shared between employees and the state will continue and that the required contributions will be made on time in future years. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2018*, on the state controller's office website, at www.sco.ca.gov.

Sensitivity of the net OPEB liability to changes in the discount rate: The following table presents the net OPEB liability of the District as of the measurement date, calculated using the discount rate for the District, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	$ 5,526,055	$ 4,700,501	$ 4,040,382

Note 11. Other Post-Employment Benefit Obligation (Continued)

Sensitivity of the net OPEB liability to changes in the health care cost trend rates: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (3.50%) or one percentage point higher (5.50%) than the current health care cost trend rate:

	Health Care Cost Trend Rates 1% Decrease (5.75%, Decreasing to 3.50%)	Health Care Cost Trend Rates (6.75%, Decreasing to 4.50%)	Health Care Cost Trend Rates 1% Increase (7.75%, Decreasing to 5.50%)
Net OPEB liability	$ 3,999,009	$ 4,700,501	$ 5,595,818

Note 12. 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 13. 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.

Note 14. Subsequent Events

Starting in early 2020, the DAA found alternative ways to generate revenues due to the COVID-19 pandemic and crowd gathering restrictions. These efforts included a self-promoted summer-long weekend Fair Food Fix, which grew from approximately $7,000 in its first weekend to approximately $62,000 over the July 4 weekend, resulting in $167K gross revenue. During the 2nd quarter of 2020, RV Campers at Surf & Turf RV park generated approximately $30,000 per month during the months of July and August for the site fee. In May of 2020, golf operations at the Del Mar Golf Center resumed under stringent COVID-19 protocols. Due to the cancellation of the 2020 San Diego County Fair and no patrons at horse racing, the driving range and miniature golf was able to operate for a full 11 months of the year, posting gross revenues of approximately $2.8 million and net income of approximately $1.5 million in history. In the 3rd quarter, the 22nd DAA hosted a drive-thru haunt experience in place of its annual haunted house throughout the month of October and generated net revenues of approximately $188,000.

Note 14. Subsequent Events (Continued)

During the 4th quarter, the DAA continued to host drive-in concerts, movies and holiday light shows produced by third-party promoters. During the month of December, drive-in concerts produced approximately $150,000 in gross revenue. In early 2021, the DAA pivoted several of its annual events to drive-thru concepts including the Jurassic Quest in January, which generated approximately $40,000. Management promoted and reinstated this event again in April 2021 and the event generated approximately an additional $35,000.

Despite not having fans in the stands, the DMTC posted net operating profits of approximately $700,000 for the summer and fall race meets and due to the anticipated forgiveness of its PPP loan, contributed approximately another $2.6 million to the RTLC, thus meeting the 2021 RTA bond obligation and alleviating the DAA of any shortfall responsibility. Fans were allowed at horse racing again during the summer of 2021 race meet. DMTC does not have a maximum allowable attendance for summer and fall meets, but has reduced its attendance levels by approximately 50%. So far, maximum one-day attendance was close to 16,000 patrons during the summer meet.

In addition to changes in revenue streams, the DAA implemented strong fiscal austerity measures to curtail expenses with the goal of reducing its monthly payroll cost by approximately $1 million. Starting in March 2020, the DAA eliminated nearly all of its temporary, seasonal and retired annuitant labor workforce, and started a layoff process of civil service employees by mid-June. Approximately 60% of permanent or civil-servant positions were eliminated by the middle of October 2020. Also, the DAA reduced its other monthly operational expenses by approximately $400,000 per month. Collectively, these measures allowed the DAA to meet its cost cutting objectives and pay its long-term debt obligations to the Infrastructure Bank of California in 2020.

In April 2020 California governor Gavin Newsom issued Executive Order N-40-20, allowing the CDFA to distribute New Fair Funds (AB 1499) to all fairs meeting the necessary requirements. At its May 19, 2020, meeting, the DAA board adopted the Grant for General Operational Support MOU, required Employee Work Conditions Policy and Contracting Policies and Procedures in order to qualify and received the $132,500 funding in June 2020. In November 2020, CDFA announced the distribution plan for fiscal years 2020 and 2021 General Fund base allocations and New Fair Funds (AB 1499) distributions. Based on its classification size as determined by CDFA, the DAA as a Class VII fair was eligible for, applied for, and received $830,170 in New Fair Funds in January 2021.

The DAA also applied for other government-sourced funding. During May 2020, the DAA applied and received a Paycheck Protection Program Loan (PPP Loan) in the amount of approximately $4.7 million to fund its payroll obligations, which was fully forgiven in July of 2021. In addition to the PPP Loan funds, in June 2020, the state of California approved a budget augmentation under AB 75, which provided approximately $40.3 million in General Fund support for the DAA and Cal Expo (Affected Fairgrounds) that employed state civil service employees. These funds were directed towards affected fairs that were projected to have insufficient reserves to pay legally mandated costs that may have incurred during the state civil service layoff process. Through December 2020, the DAA received approximately $9.9 million in financial support, $6.4 million for salaries and other related payroll expenses, $2 million for compensated leave liability payouts to laid off and retiring employees, and $1.5 million for unemployment insurance expense reimbursements through the fourth quarter of 2020. Through June 2021, the DAA continued to receive another approximately $340,000 for unemployment insurance reimbursement through the first quarter of 2021. Further, the DAA successfully worked with CDFA and the Department of Finance to secure an additional $8.1 million in operational support through April 2021 in order to pay its trade accounts payable current.

Note 14. Subsequent Events (Continued)

On April 6, 2021, governor Newsom announced the statewide reopening plan for California for June 15, 2021, which allowed for the opening and operation of the Home Grown Fun in an outdoor setting without mask restrictions from June 11 through July 4, 2021. The DAA hosted a scaled-down version of the annual county fair focused on family fun with net proceeds of $2 million.

Going forward, the DAA is planning to apply for an operational support fund as part of the governor Newsom's proposed 2021 to 2022 State Budget that includes $50 million for the fair industry, continuing the State's ongoing support to stabilize this industry. The District plants to apply for a portion of these funds.

The DAA is currently in the initial planning process to resume its pre-pandemic business model; anticipating a fully operational 2022 county fair season and events through 2022.

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)

	2018	2017	2016	2015
District's proportion of net pension liability	**0.09378%**	0.09378%	0.09487%	0.09858%
District's proportionate share of net pension liability	**$ 30,334,441**	$ 34,264,531	$ 31,413,325	$ 23,470,069
District's covered-employee payroll	**11,833,133**	10,871,062	10,615,325	10,421,064
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	**256.35%**	315.19%	295.93%	225.22%
Plan's fiduciary net position as a percentage of the total pension liability	**71.83%**	66.42%	66.81%	74.17%

(1) The amounts presented for each year were determined as of June 30. Data for the years ended December 31, 2009, through December 31, 2014, is not available in a comparable format.

Notes to required supplementary information: See Note 10 for additional information on the plan.

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

	2018	2017	2016	2015
Contractually required contribution	**$ 3,508,797**	$ 3,096,513	$ 2,771,056	$ 2,543,143
Contributions in relation to the contractually required contribution	**3,508,797**	3,096,513	2,771,056	2,543,143
Contributions deficiency	**$ -**	$ -	$ -	$ -
District's covered-employee payroll	**11,833,133**	10,871,062	10,615,325	10,421,064
District's covered-employee payroll contributions as a percentage of covered-employee payroll	**29.65%**	28.48%	26.10%	24.40%

(1) The amounts presented for each year were determined as of June 30. Data for years ended December 31, 2009, through December 31, 2014, is not available in a comparable format.

Notes to required supplementary information: See Note 10 for additional information on the plan.

22nd District Agricultural Association and its Blended Component Units

Schedule of Changes in Net OPEB Liability, Contributions and Related Ratios

	2019	2018
Total OPEB Liability:		
Service cost	**$ 155,433**	$ 13,340
Interest on total OPEB liability	**181,065**	15,744
Differences between expected and actual experience	**(87,443)**	(32,592)
Changes of benefit terms	**-**	-
Changes of assumptions	**175,087**	(15,186)
Benefit payments	**(130,860)**	(10,649)
Net change in total OPEB liability	**293,282**	(29,343)
Total OPEB liability, beginning	**4,447,534**	393,881
Total OPEB liability, ending (a)	**4,740,816**	364,538
Plan Fiduciary Net Position:		
Employer PayGO contributions	**130,860**	10,649
Employer prefunding contributions	**13,471**	754
Active member contributions	**13,471**	754
Net investment income	**2,225**	93
Benefit payments	**(130,860)**	(10,656)
Administrative expense	**(5)**	(1)
Other	**-**	1,594
Net change in plan fiduciary net position	**29,161**	1,593
Plan fiduciary net position, beginning	**11,154**	901
Plan fiduciary net position, ending (b)	**40,315**	2,494
District's net OPEB liability, ending (a) - (b)	**$ 4,700,501**	$ 362,044

Information presented prospectively beginning with 2018 due to implementation of GASB 75.

Plan fiduciary net position as a percentage of the total OPEB liability	**0.595%**	0.669%
Actuarially determined contribution (ADC)	**$ 225,512**	$ 19,101
Employer contribution	**$ 57,274**	$ 11,403
Percentage of ADC made by employer	**60.000%**	60.000%
Contribution shortfall	**$ (81,181)**	$ (7,698)
Expected Return on Assets	**533.13**	-

Supplementary Information

22nd District Agricultural Association and its Blended Component Units

Supplemental Schedule—Fair Revenues and Expenses
Year Ended December 31, 2019

Revenues:	
Food and beverage	$ 5,763,784
Concessions/carnivals	18,383,988
Admissions	11,952,540
Facility rentals	4,127,931
Parking	4,402,580
Sponsorships	2,360,390
Other	502,437
Total revenues	47,493,650
Expenses:	
Payroll and related benefits	11,639,473
Food and beverage	2,876,890
Entertainment	12,991,539
Maintenance	1,742,649
Facilities and related supplies	713,591
Insurance	430,890
Depreciation	417,353
Professional services	3,462,618
Marketing	920,085
Other	1,559,448
Total expenses	36,754,536
Fair revenues over expenses	$ 10,739,114

22nd District Agricultural Association and its Blended Component Units

Combining Statement of Net Position
December 31, 2019

	DAA	RTLC	RTA	Eliminations	Total
Assets and Deferred Outflow of Resources					
Current assets:					
Cash and cash equivalents	$ 24,607,038	$ 156	$ 764,703	$ -	$ 25,371,897
Current portion of restricted investments	-	-	3,296,174	-	3,296,174
Accounts receivable, net	658,281	-	-	-	658,281
Due from other funds	-	-	-	-	-
Prepaid expenses and other	691,481	-	58,488	-	749,969
Total current assets	25,956,800	156	4,119,365	-	30,076,321
Restricted investments, long-term portion	-	-	3,333,092	-	3,333,092
Capital assets, net	36,258,087	-	87,161,491	-	123,419,578
Total assets	62,214,887	156	94,613,948	-	156,828,991
Deferred outflow of resources:					
Deferred outflow of pension liability	5,120,875	-	-	-	5,120,875
Deferred outflow of OPEB	301,793	-	-	-	301,793
Total deferred outflow of resources	5,422,668	-	-	-	5,422,668
Total assets and deferred outflow of resources	$ 67,637,555	$ 156	$ 94,613,948	$ -	$ 162,251,659
Liabilities, Deferred Inflow of Resources and Net Position					
Current liabilities:					
Accounts payable	$ 1,930,154	$ -	$ 357,556	$ -	$ 2,287,710
Due to other funds	-	-	-	-	-
Accrued interest	543,878		491,985	-	1,035,863
Accrued liabilities and other	4,440,829	-	247,996	-	4,688,825
Accrued compensated absences	2,994,922	-	-	-	2,994,922
Current portion of other long-term liabilities (SB 84)	619,895	-	-	-	619,895
Current portion of loan payable	831,815	-	-	-	831,815
Current portion of bonds payable	-	-	1,330,000	-	1,330,000
Total current liabilities	11,361,493	-	2,427,537	-	13,789,030
Other long-term liabilities (SB 84)	2,784,029	-	-	-	2,784,029
Other long-term debt	750,000	-	-	-	750,000
Loan payable, long-term portion	26,483,725	-	-	-	26,483,725
Bonds payable, long-term portion	-	-	40,621,480	-	40,621,480
Net pension liability	30,334,441	-	-	-	30,334,441
Net OPEB liability	4,700,501	-		-	4,700,501
Total liabilities	76,414,189	-	43,049,017	-	119,463,206
Deferred inflow of resources:					
Deferred gain on debt defeasance	-	-	333,102	-	333,102
Deferred inflow of pension liability	1,217,090	-	-	-	1,217,090
Deferred inflow of OPEB	744,477	-	-	-	744,477
Total deferred inflow of resources	1,961,567	-	333,102	-	2,294,669
Net position:					
Net investment in capital assets	8,398,669	-	45,498,599	-	53,897,268
Restricted for debt service	-		6,629,266	-	6,629,266
Unrestricted - other	(19,136,870)	156	(896,036)	-	(20,032,750)
Total net position	(10,738,201)	156	51,231,829	-	40,493,784
Total liabilities, deferred inflow of resources and net position	$ 67,637,555	$ 156	$ 94,613,948	$ -	$ 162,251,659

22nd District Agricultural Association and its Blended Component Units

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2019

	DAA	RTLC	RTA	Eliminations	Total
Operating revenues:					
Food and beverage	$ 22,512,037	$ -	$ -	$ -	$ 22,512,037
Concessions/carnivals	22,134,142	-	-	-	22,134,142
Admissions	12,513,342	-	-	-	12,513,342
Facility rentals	6,726,946	-	-	-	6,726,946
Satellite wagering	1,019,759	-	-	-	1,019,759
Parking	6,220,762	-	-	-	6,220,762
Leases/operating agreement	1,823,369	390,000	-	-	2,213,369
Surf and Turf	2,030,662	-	-	-	2,030,662
Sponsorships	3,170,741	-	-	-	3,170,741
Other	3,295,729	-	-	(160,000)	3,135,729
Total operating revenues	81,447,489	390,000	-	(160,000)	81,677,489
Operating expenses:					
Payroll and related benefits	23,927,693	-	-	-	23,927,693
Pension cost	3,659,354	-	-	-	3,659,354
OPEB cost	4,787,250	-	-	-	4,787,250
Food and beverage	17,690,412	-	-	-	17,690,412
Entertainment	13,862,828	-	-	-	13,862,828
Maintenance	7,572,692	-	1,376,418	(125,106)	8,824,004
Facilities and related supplies	1,737,330	-	-	-	1,737,330
Insurance	1,257,679	-	81,289	-	1,338,968
Depreciation	1,412,903	-	5,594,345	-	7,007,248
Professional services	6,301,940	-	98,009	-	6,399,949
Marketing	2,036,605	-	-	-	2,036,605
Other	2,611,153	-	405,711	(34,894)	2,981,970
Total operating expenses	86,857,839	-	7,555,772	(160,000)	94,253,611
(Loss) income from operations	(5,410,350)	390,000	(7,555,772)	-	(12,576,122)
Nonoperating revenues (expenses):					
Interest income	621,230	10	119,194	-	740,434
Interest expense	(710,308)	-	(1,754,948)	-	(2,465,256)
Bond issuance cost	-	-	-	-	-
Other	11,663	-	(26,349)	-	(14,686)
Total nonoperating (expenses) revenues	(77,415)	10	(1,662,103)	-	(1,739,508)
(Loss) income before transfers	(5,487,765)	390,010	(9,217,875)	-	(14,315,630)
Transfers in		-	5,231,578	(5,231,578)	-
Transfers out	(4,841,572)	(390,006)	-	5,231,578	-
Change in net position	(10,329,337)	4	(3,986,297)	-	(14,315,630)
Net position, beginning of year	(408,864)	152	55,218,126	-	54,809,414
Restatement of net position	-	-	-		-
Net position, beginning of year, as restated	(408,864)	152	55,218,126	-	54,809,414
Net position, end of year	$ (10,738,201)	$ 156	$ 51,231,829	$ -	$ 40,493,784