22nd District Agricultural Association and its Blended Component Units

Financial Report
December 31, 2018

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Contents

RSM US LLP

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, 2018, 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made 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 audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 11 to the financial statements, the District has restated net position as of January 1, 2018, due to the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The supplemental schedule of fair revenues and expenses, and combining statements on pages 43 through 45 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

Irvine, California
April 1, 2020

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 2018 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 2018, 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, 2018 and 2017. 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, 2018, 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):

	2018	2017
Assets and Deferred Outflow of Resources		
Assets:		
Current assets, excluding current portion of restricted investments	$ 28,350	$ 28,424
Current portion of restricted investments	3,290	3,297
Noncurrent restricted investments	3,327	3,306
Capital assets	111,872	109,283
Total assets	146,839	144,310
Deferred outflow of resources:		
Deferred outflow of pension liability	5,121	6,684
Deferred outflow of post-employment benefits other than pensions (OPEB)	72	-
Total deferred outflow of resources	5,193	6,684
Total assets and deferred outflow of resources	$ 152,032	$ 150,994
Liabilities, Deferred Inflow of Resources and Net Position		
Liabilities:		
Current liabilities	$ 10,010	$ 10,316
Long-term debt	51,437	43,611
Other long-term liabilities	34,100	34,310
Total liabilities	95,547	88,237
Deferred inflow of resources:		
Deferred gain on debt defeasance	392	451
Deferred inflow of pension liability	1,217	320
Deferred inflow of OPEB	66	-
Total deferred inflow of resources	1,675	771
Net position:		
Net investment in capital assets	68,924	63,996
Restricted for debt service	6,617	6,602
Unrestricted	(20,732)	(8,612)
Total net position	54,809	61,986
Total liabilities, deferred inflow of resources and net position	$ 152,032	$ 150,994

Analysis of the Statement of Net Position

- Current assets of the District, excluding the current portion of restricted investments, decreased $75,000 in 2018. District cash and cash equivalents increased $9.8 million, primarily due to the 2018 $8.9 million loan from California Infrastructure and Economic Development (IBank) for the balance of costs for the water quality improvements and a $750,000 advance on a loan from Premier Food Services, Inc. to build out the food and beverage areas at the new entertainment venue. Restricted cash to be transferred to the RTA as contributed capital to pay for approved projects decreased $1.4 million. Operating cash decreased $1.3 million as more invoices were paid at year-end. RTA cash and equivalents remained flat. RTA investments decreased $9.5 million as payments were made from the Project Fund for bond-related projects. When these bonds were issued, $25 million was deposited to the Project Fund to fund bond-related projects. At December 31, 2018, a balance of $10.6 million remained in this fund. The District's accounts receivable decreased $179,000 due to collection of bad debts and outstanding receivables. Accounts receivable for the RTLC decreased $325,000 as a result of lower net revenues from the fall 2018 race meet. The 2017 fall meet brought in greater revenues due to the success of the Breeders Cup at Del Mar. The District's interest accrued on investments increased $130,000, while interest accrued by the RTA on investments decreased $27,000, as the funds in the project account were used for bond-funded projects. Prepaid expenses for the District decreased $25,000 with lower insurance costs. The RTA's prepaid expenses increased $20,000 with additional software licensing and dues.

- The current portion of restricted investments decreased $6,731 as the RTA's debt service requirement for 2018 was less than in 2017.

- Noncurrent restricted investments increased $21,662 as interest earned for the Bond Reserve Fund is not transferred to the Surplus Account until April.

- Capital assets net of depreciation increased $2.6 million. Capital assets for the District decreased $794,000. Included in this is an increase in land improvements for a new carnival transformer of $407,000, offset by a similar decrease in construction in progress for the DAA. Construction in progress for the new entertainment venue increased $280,000. Equipment disposals decreased capital assets $274,000. Food and beverage equipment was purchased from the reserve account for a total of $303,000. Depreciation expense was $1.1 million. Capital assets for the RTA increased $3.4 million. Construction in progress increased $2.3 million with the bond-funded water quality improvement project still ongoing. Building and land improvements and purchase of equipment increased $5.7 million as the RTA completed bond-funded projects. Disposal of furniture and equipment totaled $198,000. Depreciation expense was $4.4 million.

- Deferred outflows of resources related to the pension liability decreased by $1.5 million. Deferred outflows of resources related to OPEB of $72 thousand was recorded for 2018 as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 75. This was the first year of implementation.

- Current liabilities of the District decreased $306,000 in 2018. Accounts payable for the District decreased $931,000, as more invoices were received and paid in December 2018 compared to December 2017. Accounts payable for the RTA decreased $669,000 as more invoices were paid in December for bond-funded projects. Short-term debt for the DAA increased $354,000 due to the new 2018 loan with IBank. Short-term debt for the RTA decreased $22,000 as the principal payment on the 2015 bonds increased. Accrued employee leave compensation increased $392,000 as employees accrued more vacation and leave than was taken. Accrued interest payable increased $165,000 due to the DAA's new $8.9 million loan. Pre-sales for the 2019 Fair concerts began in November 2018, resulting in an increase of $473,000 in deferred revenue for the 2019 Fair. Accrued liabilities were $200,000 greater at the end of 2017 than at the end of 2018, largely due to higher utilities expenses accrued in 2017. Other current liabilities increased $63,000. This was due to higher unemployment insurance costs in 2018, as the minimum wage increased.

- Long-term debt increased $7.8 million. RTA long-term debt decreased $1.4 million as principal payments were made on the 2015 bonds. DAA long-term debt increased $9.2 million due to a loan received from IBank with a year-end balance of $8.5 million and a $750,000 loan from Premier.

- Other long-term liabilities decreased by $210 thousand. Long-term debt for the DAA increased. The loan repayment to the state's Pooled Money Investment Account (PMIA) of $3.4 million was added in 2018 pursuant to Senate Bill No. 84 (SB 84) (see Notes 9 and 10 for further explanation). Long-term debt for the RTA decreased $1.5 million as principal payments were made on the 2015 bonds. Net pension liability of $30.3 million was recorded for 2018 as prescribed by GASB Statement No. 68. In 2017, this liability was $34.2 million. Net OPEB liability of $362 thousand was recorded for 2018 as prescribed by GASB Statement No. 75. This was the first year of implementation. Please refer to Notes 10 and 11 for further explanation of this reporting requirement for state entities that share the cost of employee pensions through the California Public Employees' Retirement System (CalPERS).

- Deferred inflows of resources related to the pension liability increased by $897 thousand. Deferred inflows of resources related to OPEB of $66 thousand was recorded for 2018 as prescribed by GASB Statement No. 75. This was the first year of implementation.

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):

	2018	2017
Operating revenues	$ 82,008	$ 81,805
Operating expenses	87,466	84,268
Loss from operations	(5,458)	(2,463)
Nonoperating expenses	(1,293)	(1,489)
Change in net position	(6,751)	(3,952)
Net position, beginning of year, as previously reported	61,986	65,938
Adjustment related to adoption of GASB 75 (Notes 1 and 11)	(426)	-
Net position, end of year as restated	$ 54,810	$ 61,986

Analysis of the statement of revenues, expenses and changes in net position: Operating revenues increased $202,974 in 2018 due to the following:

- Food and beverage revenues decreased $490,342 in 2018, largely due to concessions and catering revenues for the Breeders Cup Championship of horseracing, which took place on November 2 and November 3, 2017, at our Del Mar track. This event was held at Churchill Downs in 2018.

- Concessions and carnival revenues increased $539,740 for the 2018 Fair. Attendance remained flat, but revenues increased. Gross carnival ride revenues increased $312,400. The District's share of fairtime food concessions revenue increased $100,521. Carnival games revenues decreased $5,525. Commercial space rentals increased $132,343.

- Admissions decreased $20,400. Fair admissions decreased $134,208 with price increases for admissions to the 2018 Fair. Attendance in 2018 was 1,561,236, compared to 1,565,933 in 2017. This represents a decrease of 4,697, or 0.3%, from 2017. Fairtime concert revenues were stronger in 2018 than in 2017, resulting in an increase in concert sales of $122,567. Admissions to the Del Mar National Horse Show increased $8,826. Revenues for the Scream Zone, our Halloween event, decreased $17,585.

- Facility rentals increased $427,259, largely due to increased stall rentals for equestrian events in our arena, and higher reimbursable costs charged to promoters for equestrian events and facility rentals at the Fairgrounds.

- Satellite wagering revenues decreased $98,445, primarily due to increased competition of internet wagering. Admissions and memberships declined $35,959. Program sales decreased $5,239. Track commissions declined $54,260. Account wagering and mini-satellite revenue declined $19,719. Lottery sales increased $16,732.

  The industry's economic indicators suggest that changes to tax rules regarding withholding and reporting of large pari-mutuel winnings will result in an increase in handle that satellite wagering should see in 2019.

- Parking revenues increased $465,938 as rates were increased from $13 to $15 per vehicle.

- Leases/operating agreement revenue of the District decreased $180,635. The Del Mar Thoroughbred Club's (DMTC) final net profits payable to the RTLC was $210,000 more than 2017. The Breeders Cup paid the District $400,000 to hold their event at Del Mar in November 2017. This was not repeated in 2018. The District's lease revenues for Surf and Turf recreation park and cell sites increased $9,365.

- Surf and Turf driving range, miniature golf and recreational vehicle (RV) park revenues increased $207,632. Revenues from miniature golf, the driving range, tennis courts and the pro shop all increased for a total of $159,011. RV lot revenues also increased $48,621.

- Sponsorship revenues decreased $150,955, largely due to less in-kind and trade-sponsorship arrangements in 2018.

- Other income decreased $496,818. In 2017, there was a one-time food and beverage buyout from Breeders Cup, which was not repeated in 2018 in the amount of $200,000. Also in 2017, the District received a one-time payment of $100,000 from a food concessionaire to help fund the demolition of an old building to make room for an additional food stand. There were no handicapping contests at our satellite wagering facility, which resulted in a decrease in entry fees of $184,200. In addition, revenues from ATM fees decreased $30,529 with increased use of credit cards by our patrons.

Operating expenses increased $3.2 million in 2018 due to the following:

- Payroll and related benefits increased $1.1 million. Most of the union collective bargaining agreements with the state granted a general salary increase of 4% on July 1, 2018. Vacant positions were also filled; promotions were given, and some temporary positions in our operations department were changed to semi-permanent. These factors contributed to an increase in payroll expense for permanent employees of $951,997. Overtime pay increased $6,376. On January 1, 2018, the state raised its minimum hourly wage from $10.50 to $11.00. This was offset by a shift from temporary employees to permanent and semi-permanent positions, resulting in a decrease in temporary payroll of $81,255. The District's share of CalPERS pension expense rose $1.9 million in 2018. Contributing to this increase is a debit adjustment to pension expense as required by GASB 68 in the amount of $1.9 million (see Note 10). The cost of employee health benefits decreased $52,239. The District's share of payroll taxes increased $57,238. Unemployment taxes increased $75,375. 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 increased $107,923 as employees took less vacation and annual leave than was accrued.

- Food and beverage expense increased $176,326 due in large part to increases in union labor costs, health insurance, payroll taxes and workers' compensation insurance for Premier Food Services, Inc.

- Entertainment expenses increased $427,236. The carnival ride operators' split increased $170,000 along with the increase in ride revenues. The cost of performers on the Grandstand, Paddock and ground stages increased $336,882. Prizes and premiums decreased $79,579, as there were no handicapping contests at our satellite wagering facility.

- Maintenance expenses decreased $50,424. Equipment rental costs increased $214,322. Rentals for staging for Fair entertainment increased $78,000; rentals for maintenance and operational needs increased $96,000; and the District rented copy machines instead of purchasing them, which increased costs $58,000. Temporary labor services decreased $317,976 as the District hired seasonal employees instead of using an outside service. Costs for general maintenance decreased $163,390. The cost of utilities for gas, electricity, water and trash removal increased $217,022, largely due to increased water and sewer usage while approximately 400 thoroughbreds were stabled at the Fairgrounds for three months after the Lilac fire destroyed most of the San Luis Rey training facility in December 2017. Maintenance expenses for the RTA decreased $77,000, largely due to lower maintenance for the grandstand, as funds from the 2015 bonds covered some major maintenance expenditures.

- Facilities and related supplies decreased $185,770. The largest decrease was the expenditures for general supplies, which was closely monitored, and was $132,000 less than in 2017. There was a savings of $57,400 for feed and bedding at our Horsepark equestrian facility. 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 decreased $29,067 due in large part to a decrease in workers' compensation premiums.

- Depreciation expense increased $329,583. Depreciation for the District decreased $19,700, as assets became fully depreciated. Depreciation for the RTA increased $349,240 as the new main track surface was put into service.

- Professional services increased $585,353. Marketing expenses increased $182,701 for the design of a new Fair website. An additional $134,144 was spent on exhibits for the 2018 Fair. The cost of the Sheriff Deputy's support for the Fair increased $77,047, in line with union pay increases. Ambulance services increased $38,684. The costs to rent shuttle buses to transport fairgoers from offsite lots increased $92,592, as more buses were rented to provide adequate transportation on busy days. Sponsorship commissions increased $30,832 in line with increased revenues. Sound and lighting costs for fairtime entertainment increased $65,685.

- Marketing expenses decreased $282,964, largely due to the expense for cash-in-kind sponsorships decreasing $206,346, as there were fewer sponsorships of this kind for our Del Mar National Horse Show. Public relations expenses for the Fair decreased $45,195 as the District held a cattle drive in downtown San Diego on opening day in 2017. No special event was held in 2018. The District did not put on a separate media party prior to the 2018 Fair, which resulted in a decrease of $16,800 of promotional expenses. The balance is a decrease in media advertising in 2018.

- Other expenses increased $439,157 for the District. Bad debt expense increased $358,790, as promoters had not paid for their rental of our facilities. $309,000 was recovered in 2019. Other expenses decreased $102,838 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 $11,595 as more patrons used credit cards to pay for parking. The District accepted credit card payments for parking for the first time in 2017. The RTA's other expenses increased $181,180. Environmental service expenses increased $215,866, offset by a decrease of $33,997 in audit fees. An evaluation of fairtime processes was performed in 2017, increasing fees in that year only.

Economic and Other Factors

Recruitment and retention: The District, as a state agency, falls under the purview of the California Department of Human Resources (CalHR). This department was created on July 1, 2012, by Governor 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 will increase 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 2018 to 29.396%, up from 28.423% for the fiscal years 2017 and 2018, respectively.

Indian casinos/advance deposit wagering and off-track wagering: In 2018, attendance and handle across the nation increased 3.1%. 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 11%, or $827,083, in 2018.

Handle at our satellite wagering facility decreased $2.25 million in 2018. Online wagering increased $8,687. Attendance declined by 7,045.

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 is expected to be complete in the summer of 2020.

22nd District Agricultural Association and its Blended Component Units

Statement of Net Position
December 31, 2018

Assets and Deferred Outflow of Resources		
Current assets:		
Cash and cash equivalents (Note 4)	$	26,391,672
Current portion of restricted investments (Note 4)		3,289,900
Accounts receivable, net (Note 5)		1,308,398
Prepaid expenses and other		650,235
Total current assets		31,640,205
Restricted investments, long-term portion (Notes 4 and 7)		3,327,273
Capital assets, net (Notes 3 and 6)		111,871,733
Total assets		146,839,211
Deferred outflow of resources:		
Deferred outflow of pension liability (Note 10)		5,120,875
Deferred outflow of post-employment benefits other than pensions (OPEB) (Note 11)		72,165
Total deferred outflow of resources		5,193,040
Total assets and deferred outflow of resources	$	152,032,251
Liabilities, Deferred Inflow of Resources and Net Position		
Current liabilities:		
Accounts payable	$	1,584,071
Accrued interest		680,959
Accrued liabilities and other		3,028,586
Accrued compensated absences		3,087,387
Current portion of loan payable (Note 7)		354,344
Current portion of bonds payable (Note 7)		1,275,000
Total current liabilities		10,010,347
Other long-term liabilities (Notes 9 and 10)		3,403,924
Other long-term debt (Notes 7 and 8)		750,000
Loan payable, long-term portion (Note 7)		8,545,656
Bonds payable, long-term portion (Note 7)		42,141,395
Net pension liability (Note 10)		30,334,441
Net OPEB liability (Note 11)		362,044
Total liabilities		95,547,807
Deferred inflow of resources:		
Deferred gain on debt defeasance (Note 7)		391,884
Deferred inflow on pension liability (Note 10)		1,217,090
Deferred inflow on OPEB (Note 11)		66,056
Total deferred inflow of resources		1,675,030
Commitments and contingencies (Notes 8, 10, 11, 12 and 13)		
Net position:		
Net investment in capital assets		68,923,941
Restricted for debt service		6,617,173
Unrestricted		(20,731,700)
Total net position		54,809,414
Total liabilities, deferred inflow of resources and net position	$	152,032,251

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, 2018

Operating revenues:	
Food and beverage (Note 8)	$ 23,501,702
Concessions/carnivals	19,567,639
Admissions	12,069,708
Facility rentals	7,000,822
Satellite wagering	1,362,682
Parking	5,751,665
Leases/operating agreement	4,610,701
Surf and Turf	1,676,240
Sponsorships	2,874,606
Other	3,592,039
Total operating revenues	82,007,804
Operating expenses:	
Payroll and related benefits, excluding pension cost	23,292,985
Pension cost (Note 10)	5,368,254
Food and beverage (Note 8)	18,362,718
Entertainment	10,487,245
Maintenance	8,519,994
Facilities and related supplies	1,842,618
Insurance	1,243,791
Depreciation (Note 6)	6,980,743
Professional services	6,147,336
Marketing	1,799,170
Other	3,421,492
Total operating expenses	87,466,346
Loss from operations	(5,458,542)
Nonoperating revenues (expenses):	
Interest income	544,050
Interest expense	(1,745,596)
Other	(91,119)
Total nonoperating expenses, net	(1,292,665)
Change in net position	(6,751,207)
Net position, beginning of year, as previously reported	61,986,331
Adjustment related to adoption of Governmental Accounting Standards Board Statement No. 75 (Note 1)	(425,710)
Net position, end of year, as restated	$ 54,809,414

See notes to financial statements.

22nd District Agricultural Association and its Blended Component Units

Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:	
Receipts from operations	$ 82,674,087
Payments to vendors	(59,059,699)
Payments to employees	(24,079,184)
Net cash used in operating activities	(464,796)
Cash flows from capital and related financing activities:	
Purchases of capital assets	(9,339,133)
Proceeds from disposal of capital assets	(91,119)
Payments on long-term debt	(1,297,918)
Proceeds on long-term debt	13,053,924
Interest paid on long-term debt	(2,064,959)
Net cash provided by capital and related financing activities	260,795
Cash flows from investing activities:	
Sales of investments	(14,931)
Interest income	544,050
Net cash provided by investing activities	529,119
Net increase in cash and cash equivalents	325,118
Cash and cash equivalents, beginning of year	26,066,554
Cash and cash equivalents, end of year	$ 26,391,672
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (5,458,542)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation	6,980,743
Changes in assets and liabilities:	
Accounts receivable, net	504,123
Prepaid expenses and other	(104,370)
Accounts payable	(1,600,551)
Accrued liabilities and other	361,440
Accrued compensated absences	391,850
OPEB liability	(69,775)
Net pension liability	(1,469,714)
Net cash used in operating activities	$ (464,796)
Noncash disclosure of capital and related financing activities:	
Construction payables for acquisitions of capital assets	$ 228,529

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, 2018, 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, 2018.

Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest costs of $230,512 were capitalized for the year ended December 31, 2018.

The District follows the policy of capitalizing interest as a component of the cost of capital assets constructed for projects that are not funded by capital grant contributions. Interest incurred on funds used during construction is capitalized as part of the cost of construction. This process is intended to remove the cost of financing construction activity from the statement of revenues, expenses and changes in net position, and to treat such cost in the same manner as construction labor and material costs by taking the monthly average of construction-in-process balance times the average interest rate of the outstanding long-term borrowing.

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.

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

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.

Compensated absences activity for the year ended December 31, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 2,695,537	$ 641,111	$ (249,261)	$ 3,087,387	$ 3,087,387

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, 2018.

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.

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

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

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

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

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

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

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

- 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)

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues—An Amendment to GASB Statement Nos. 67, 68 and 73*. This statement addresses certain issues that have been raised with the implementation of the listed GASB statements. The provisions of this statement are effective for reporting periods beginning after June 15, 2016, except for the selection of assumptions in certain circumstances, which is effective for the employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The implementation of this statement resulted in additional disclosures, as outlined in Note 10.

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, 2018. Management has not yet determined the effect of GASB Statement No. 83 on the District's financial statements.

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

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provision of the contract. The provisions of this statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the effect of GASB Statement No. 87 on the District's financial statements.

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, 2018. 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, 2019. Early implementation is encouraged. Management plans to implement 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, 2018. Management has not yet determined the effect of GASB Statement No. 90 on the District's financial statements.

Note 2. Condensed Financial Information

The following is the condensed combining detail for the statement of net position as of December 31, 2018:

	DAA	RTLC	RTA	Eliminations	Total
Current assets	$ 26,545,032	$ 335,152	$ 4,760,021	$ -	$ 31,640,205
Due from other funds	-	-	335,000	(335,000)	-
Restricted investments, long-term portion	-	-	3,327,273	-	3,327,273
Capital assets, net	20,143,849	-	91,727,884	-	111,871,733
Total assets	46,688,881	335,152	100,150,178	(335,000)	146,839,211
Deferred outflow of resources	5,193,040	-	-	-	5,193,040
Current liabilities	7,611,574	-	2,398,773	-	10,010,347
Due to other funds	-	335,000	-	(335,000)	-
Long-term liabilities	43,396,065	-	42,141,395	-	85,537,460
Total liabilities	51,007,639	335,000	44,540,168	(335,000)	95,547,807
Deferred inflow of resources	1,283,146	-	391,884	-	1,675,030
Net investment in capital assets	19,967,629	-	48,956,312	-	68,923,941
Restricted for debt service	-	-	6,617,173	-	6,617,173
Unrestricted - other	(20,376,493)	-	-	-	(20,376,493)
Unrestricted - pension	-	152	(355,359)	-	(355,207)
Total net position	$ (408,864)	$ 152	$ 55,218,126	$ -	$ 54,809,414

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, 2018:

	DAA	RTLC	RTA	Eliminations	Total
Operating revenues:					
Operating revenues	$ 79,337,806	$ 2,795,000	$ 37,158	$ (162,160)	$ 82,007,804
Operating expenses:					
Operating expenses	80,059,992	-	7,568,514	(162,160)	87,466,346
(Loss) income from operations	(722,186)	2,795,000	(7,531,356)	-	(5,458,542)
Nonoperating revenues (expenses):					
Nonoperating revenues (expenses)	206,352	2	(1,499,019)	-	(1,292,665)
Changes in net position before transfers	(515,834)	2,795,002	(9,030,375)	-	(6,751,207)
Transfers in	-	-	4,805,771	(4,805,771)	-
Transfers out	(2,010,771)	(2,795,000)	-	4,805,771	-
Change in net position	(2,526,605)	2	(4,224,604)	-	(6,751,207)
Net position, beginning of year, as previously reported	2,543,451	150	59,442,730	-	61,986,331
Adjustment related to adoption of GASB 75 (Notes 1 and 11)	(425,710)	-	-	-	(425,710)
Net position, end of year, as restated	$ (408,864)	$ 152	$ 55,218,126	$ -	$ 54,809,414

The following is the condensed combining detail for the statement of cash flows for the year ended December 31, 2018:

	DAA	RTLC	RTA	Total
Net cash used in operating activities	$ (2,947,781)	$ -	$ 2,482,985	$ (464,796)
Net cash provided by capital and related financing activities	12,378,620	-	(12,117,825)	260,795
Net cash provided by investing activities	389,589	2	139,528	529,119
Cash and cash equivalents, beginning of year	15,164,361	150	10,902,043	26,066,554
Cash and cash equivalents, end of year	$ 24,984,789	$ 152	$ 1,406,731	$ 26,391,672

Note 3. Joint Exercise of Power Agreements

California Fair Services Authority: The District is a member of the California Fair Services Authority (CFSA), 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 CFSA is composed of five directors appointed by member entities.

The primary purpose of the CFSA is to provide financing, planning, design and construction services for projects at Fairgrounds throughout California. Additionally, the CFSA 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 CFSA’s assets or liabilities at December 31, 2018.

Note 3. Joint Exercise of Power Agreements (Continued)

CFSA projects during 2018 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, 2018, were $4,531,997 and 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, 2018:

Cash on hand	$ 32,899
Cash in banks	9,969,452
LAIF	16,389,321
Cash and cash equivalents	26,391,672
Restricted investments, money market accounts	6,617,173
Total cash and cash equivalents, and restricted investments	$ 33,008,845

Cash and cash equivalents, and restricted investments are summarized on the financial statements as follows at December 31, 2018:

Cash and cash equivalents	$ 26,391,672
Current portion of restricted investments	3,289,900
Long-term portion of restricted investments	3,327,273
	$ 33,008,845

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

The California State Treasury makes available LAIF through which local governments may pool investments. Each governmental entity may invest up to $40,000,000 in the fund. The District is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Investments included in LAIF include primarily debt securities, including treasuries, commercial paper and agency debt, but also include real estate structured notes and asset-backed securities. As of December 31, 2018, the District had $16,389,321 invested in LAIF. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with state statute.

The current portion of restricted investments in the amount of $3,289,900 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 $3,327,273 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)

As of December 31, 2018, the District had investments and maturities as follows:

	Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than One
Money market accounts	$ 6,617,173	$ 6,617,173

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

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

Custodial credit risk bank deposits: The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District maintains its cash balances at California Bank & Trust 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, 2018, $9,446,790 of the District's bank balance of $9,946,790 was exposed to custodial credit risk as it was uninsured and uncollateralized. The District follows the state's policies on permitted investments and does not have a policy for custodial credit risk.

Custodial credit risk investments: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2018, the District had money market accounts totaling $6,617,173 held with U.S. Bank, which were fully collateralized and invested in First American Funds through U.S. Bank, all of which were not FDIC-insured.

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

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

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 has the following recurring fair value measurement as of December 31, 2018:

Investment Type	Total as of December 31, 2018	Level 1	Level 2	Level 3
Money market accounts	$ 6,617,173	$ 6,617,173	$ -	$ -

Note 5. Accounts Receivable

Accounts receivable as of December 31, 2018, are summarized as follows:

Accounts receivable	$ 1,883,485
Less allowance for doubtful accounts	(575,087)
Accounts receivable, net	$ 1,308,398

Note 6. Capital Assets

A summary of changes in capital assets, net, for the year ended December 31, 2018, 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	8,440,615	8,732,591	(187,410)	(6,334,246)	10,651,550
Total capital assets not being depreciated	14,762,948	8,732,591	(187,410)	(6,334,246)	16,973,883
Capital assets being depreciated:					
Building and improvements	177,139,312	358,133	(272,428)	4,646,804	181,871,821
Equipment and fixtures	38,107,573	756,396	(1,150,850)	213,456	37,926,575
Land improvements	27,362,168	-	(136,199)	1,473,986	28,699,955
Total capital assets being depreciated	242,609,053	1,114,529	(1,559,477)	6,334,246	248,498,351
Less accumulated depreciation and amortization:					
Building and improvements	(102,988,907)	(4,485,687)	202,082	-	(107,272,512)
Equipment and fixtures	(31,820,355)	(1,272,931)	1,132,790	-	(31,960,496)
Land improvements	(13,279,908)	(1,222,125)	134,540	-	(14,367,493)
	(148,089,170)	(6,980,743)	1,469,412	-	(153,600,501)
Net capital assets being depreciated	94,519,883	(5,866,214)	(90,065)	6,334,246	94,897,850
Total capital assets, net	$ 109,282,831	$ 2,866,377	$ (277,475)	$ -	$ 111,871,733

Note 7. Long-Term Debt

Long-term debt activity during the fiscal year ended December 31, 2018, is as follows:

	Beginning Balance	Additions	Payments	Amortization of Premium	Ending Balance	Due Within One Year
Series 2015 Revenue Bonds	$ 42,355,000	$ -	$ (1,230,000)	$ -	$ 41,125,000	$ 1,275,000
2015 Unamortized Premium	2,486,020	-	-	(194,625)	2,291,395	-
IBank Loan	-	8,900,000	-	-	8,900,000	354,344
Premier investment (Note 8)	-	750,000	-	-	750,000	-
Total long-term debt	$ 44,841,020	$ 9,650,000	$ (1,230,000)	$ (194,625)	$ 53,066,395	$ 1,629,344

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 $391,884 at December 31, 2018. 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 are as follows:

	Principal	Interest	Total
Years ending December 31:			
2019	$ 1,275,000	$ 2,016,400	$ 3,291,400
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
2024-2028	8,755,000	7,715,750	16,470,750
2029-2033	11,175,000	5,297,250	16,472,250
2034-2038	14,265,000	2,209,750	16,474,750
	$ 41,125,000	$ 24,759,000	$ 65,884,000

Note 7. Long-Term Debt (Continued)

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 therefore, or for the retirement of all Series 2015 Bonds then outstanding. The Trustee, if the RTA is not then in default hereunder and upon the written request of the RTA, shall apply amounts in the surplus account to redeem Series 2015 Bonds, to pay for project costs as defined, or to pay for any lawful purpose of the RTA.

As of December 31, 2018, the total principal and interest remaining to be paid on the bonds is $65,547,934. The next interest and principal payments for the Series 2015 Bonds are due on April 1, 2019, and October 1, 2019, respectively, with the final payment occurring on October 1, 2038.

Upon issuance of the Series 2015 Bonds, a portion of the proceeds was required to be deposited in the reserve account with the Trustee and a minimum balance must be maintained in this account. At December 31, 2018, the District held $3,327,273 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, 2019, the District held an additional $3,289,900 in a reserve fund to be used for the two interest payments in April 2019 and October 2019, and one principal payment in October 2019 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 2018 bond year on December 27, 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 3.3% per annum, which includes the annual fee of 0.3% of the outstanding principal balance. The first principal and interest payments of $354,344 and $182,450 are due on August 1, 2019, and February 1, 2019, respectively. 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.

Note 7. Long-Term Debt (Continued)

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

	Principal	Interest	Total
Years ending December 31:			
2019	$ 354,344	$ 288,828	$ 643,172
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
2024-2028	2,180,894	988,419	3,169,313
2029-2033	2,528,253	601,547	3,129,800
2034-2037	2,309,594	161,600	2,471,194
	$ 8,900,000	$ 3,073,705	$ 11,973,705

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 $4,020,000 for the year ended December 31, 2018. 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 $2,795,000 for the year ended December 31, 2018.

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.

Note 8. Operating Leases and Agreements (Continued)

Premier Food Services, Inc.: In 2014, Premier was acquired by SMG and kept the name Premier Food Services, Inc. The existing management agreement was assumed by SMG. Management fees related to this contract were $734,141 for the year ended December 31, 2018. 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. This contract expired on December 31, 2018.

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 12.5% 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% 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 $132,484 for the year ended December 31, 2018.

Note 9. Other Liabilities

Activity of other liabilities during the fiscal year ended December 31, 2018, is as follows:

	Beginning Balance	Additions	Payments	Amortization of Premium	Ending Balance	Due Within One Year
Consent order liability	$ 67,918	$ -	$ (67,918)	$ -	$ -	$ -
Senate Bill 84 liability (Note 10)	-	3,403,924	-	-	3,403,924	-
Total other liabilities	$ 67,918	$ 3,403,924	$ (67,918)	$ -	$ 3,403,924	$ -

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 and there is no remaining balance due as of December 31, 2018. 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.

While the liability was fully paid off in 2018, maintenance costs are expected to be incurred through 2020.

Note 9. Other Liabilities (Continued)

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

Note 10. Public Employees' Retirement System

Plan description: The District participates in the State of California—Miscellaneous Plan, an agent multiple-employer defined benefit pension plan (the Plan) administered by CalPERS. The Plan, part of the public agency portion of 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:	
2019	$ 539,516
2020	539,516
2021	539,516
2022	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 our 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 7.5% to 7.0% (net of 0.15% administrative expenses) effective July 1, 2017. A similar reduction to the discount rate in accordance with GASB 68 will increase the net pension liability. This increase will be amortized over the expected remaining service lives of all employees provided with benefits through the pension plans. This period ranges from 3.5 to 5.2 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 2017-18 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 22nd DAA that the liability allocated to the 22nd DAA is $3,403,924. This obligation was calculated by the DOF based on the 2016-17 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:	
2019	$ -
2020	619,895
2021	619,895
2022	619,895
2023	619,895
Thereafter	924,344
	$ 3,403,924

It has also been determined that this obligation impacts the financial records of the 22nd DAA. To record the $3,403,924 liability, the 22nd DAA has increased both pension expense and long-term loan payable.

California Department of Food & Agriculture (the Department) 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 Department has additional information, it will provide the 22nd DAA further guidance regarding its specific obligation.

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

During fiscal year 2018, the 22nd 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 (healthcare 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 7% 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) and the Stationary Engineers Bargaining Unit (BU13). 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, 2018, was $72,165.

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

California state employees covered by benefit terms: At December 31, 2018, the following California State employees for each respective valuation group were covered by the benefit terms:

	Craft and Maintenance (BU12)	Stationary Engineers (BU13)
Inactive employees or beneficiaries currently receiving benefit payments	9,664	865
Active employees	12,717	958
	22,381	1,823

OPEB liabilities, OPEB expense and deferred outflows of resources related to OPEB: The District's net OPEB liability was $362,044 at December 31, 2018. The District's net OPEB liability was measured as of June 30, 2018, 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, 2018, the District recognized OPEB benefit of $69,775 and included in wages, benefits and taxes on the statement of revenues, expenses and changes in net position. At December 31, 2018, 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	$ -	$ 372
Difference between expected and actual experience	-	27,234
Changes of assumptions	-	38,450
Net eifference between projected and actual earnings on OPEB Plan investment	-	-
Contributions subsequent to the measurement date	72,165	-
Total	$ 72,165	$ 66,056

Of the total amount reported as deferred outflows related to OPEB, $72,165 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, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31:	
2019	$ (11,009)
2020	(11,009)
2021	(11,009)
2022	(11,009)
2023	(11,009)
Thereafter	(11,009)
	$ (66,056)

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

Actuarial assumptions: The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2018
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 7.00% when assets are available to pay benefits, otherwise 20-year Municipal G.O Bond AA Index rate of 3.62%
Amortization period	Five years
Asset valuation method	Market value of assets as of the measurement date
Inflation	2.50%
Salary increases	Varies by entry and service
Investment rate of return	7.00% net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2019, increasing to 7.50% in 2020, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2026 and later years
	Post-Medicare coverage: Actual rates for 2019, increasing to 8.00% in 2020, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 and later years
	Dental coverage: 0.26% in 2019 and 4.50% 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, 2018, 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% at 60 for actives hired before January 1, 2013, and 2% at 62 for actives hired on or after January 1, 2013.

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+ years), a single expected return rate of 7.0% 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.

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

As of December 31, 2018, 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	59.0%	4.80%	5.98%
Fixed income	25.0%	1.10%	2.62%
Treasury inflation-protected securities	5.0%	0.25%	1.46%
Real estate investment trusts	8.0%	3.50%	5.00%
Commodities	3.0%	1.50%	2.87%
Total	100%		

The Real Return Years 1-10 used an expected inflation rate of 2.0% for this period. The Real Return Years 11+ used an expected inflation rate of 2.92% for this period.

Discount rate: The discount rate used to measure the total OPEB liability was 7.0%. 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 (6.0%) or one percentage point higher (8.0%) than the current discount rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability	$ 423,429	$ 362,044	$ 312,784

Note 11. Other Post-Employment Benefit Obligation (OPEB) (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 (3.5%) or one percentage point higher (5.5%) than the current health care cost trend rate:

	Health Care Cost Trend Rates 1% Decrease (6.0%, Decreasing to 3.5%)	Health Care Cost Trend Rates (7.0%, Decreasing to 4.5%)	Health Care Cost Trend Rates 1% Increase (8.0%, Decreasing to 5.5%)
Net OPEB liability	$ 318,818	$ 362,044	$ 416,440

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

On March 10, 2020, the President of the United States declared that the coronavirus outbreak in the U.S. constitutes a national emergency. The Company's business could be susceptible to changes in client demand and may experience a varying degree of business interruption due to this outbreak. The extent to which the coronavirus impacts the District's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

Note 14. Subsequent Events (Continued)

On May 1, 2019, the 22nd District Agricultural Association (Purchaser, District) entered into an agreement with the California Infrastructure and Economic Development Bank (Seller, IBank) wherein the District borrowed $15,000,000 at an interest rate of 3.58% per annum. This loan was made to finance the costs of the District's Concert Venue Project. The loan was approved by the Board of Directors on March 19, 2019, via Resolution No. 2019-06.

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	2014
District's proportion of net pension liability	**0.09378%**	0.09378%	0.09487%	0.09858%	0.09858%
District's proportionate share of net pension liability	**$ 30,334,441**	$ 34,264,531	$ 31,413,325	$ 23,470,069	$ 28,457,018
District's covered-employee payroll	**11,833,133**	10,871,062	10,615,325	10,421,064	9,866,599
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	**256.35%**	315.19%	295.93%	225.22%	288.42%
Plan's fiduciary net position as a percentage of the total pension liability	**71.83%**	66.42%	66.81%	74.17%	67.52%

(1) The amounts presented for each year were determined as of June 30. Data for the years ended December 31, 2008, through December 31, 2013, 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

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

	2018	2017	2016	2015	2014
Contractually required contribution	**$ 3,508,797**	$ 3,096,513	$ 2,771,056	$ 2,543,143	$ 2,149,623
Contributions in relation to the contractually required contribution	**3,508,797**	3,096,513	2,771,056	2,543,143	2,149,623
Contributions deficiency	**$ -**	$ -	$ -	$ -	$ -
District's covered-employee payroll	**11,833,133**	10,871,062	10,615,325	10,421,064	9,866,599
District's covered-employee payroll contributions as a percentage of covered-employee payroll	**29.65%**	28.48%	26.10%	24.40%	21.79%

(1) The amounts presented for each year were determined as of June 30. Data for years ended December 31, 2008, through December 31, 2013, 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
December 31, 2018

Total OPEB Liability:		
Service cost	$	13,340
Interest on total OPEB liability		15,744
Differences between expected and actual experience		(32,592)
Changes of benefit terms		-
Changes of assumptions		(15,186)
Benefit payments		(10,649)
Net change in total OPEB liability		(29,342)
Total OPEB liability, beginning		393,881
Total OPEB liability, ending (a)	$	364,539
Plan Fiduciary Net Position:		
Employer PayGO contributions	$	10,649
Employer prefunding contributions		754
Active member contributions		754
Net investment income		93
Benefit payments		(10,656)
Administrative expense		(1)
Net change in plan fiduciary net position		1,594
Plan fiduciary net position, beginning		901
Plan fiduciary net position, ending (b)		2,495
District's net OPEB liability, ending (a) - (b)	$	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		0.669%
Actuarially determined contribution (ADC)	$	19,101
Employer contribution	$	11,403
Percentage of ADC made by employer		60.000%
Contribution shortfall	$	(7,698)

Supplementary Information

22nd District Agricultural Association and its Blended Component Units

Supplemental Schedule—Fair Revenues and Expenses
Year Ended December 31, 2018

Revenues:	
Food and beverage	$ 5,100,947
Concessions/carnivals	15,932,400
Admissions	11,474,680
Facility rentals	4,066,625
Parking	4,133,911
Sponsorships	2,303,420
Other	599,910
Total revenues	43,611,893
Expenses:	
Payroll and related benefits	11,120,422
Food and beverage	2,271,819
Entertainment	9,547,588
Maintenance	1,642,521
Facilities and related supplies	747,328
Insurance	468,446
Depreciation	427,279
Professional services	3,363,882
Marketing	929,976
Other	1,597,276
Total expenses	32,116,537
Fair revenues over expenses	$ 11,495,356

22nd District Agricultural Association and its Blended Component Units

Combining Statement of Net Position
December 31, 2018

	DAA	RTLC	RTA	Eliminations	Total
Assets and Deferred Outflow of Resources					
Current assets:					
Cash and cash equivalents	$ 24,984,789	$ 152	$ 1,406,731	$ -	$ 26,391,672
Investments	-	-	-	-	-
Current portion of restricted investments	-	-	3,289,900	-	3,289,900
Accounts receivable, net	973,398	335,000	-	-	1,308,398
Due from other funds	-	-	335,000	(335,000)	-
Prepaid expenses and other	586,845	-	63,390	-	650,235
Total current assets	26,545,032	335,152	5,095,021	(335,000)	31,640,205
Restricted investments, long-term portion	-	-	3,327,273	-	3,327,273
Capital assets, net	20,143,849	-	91,727,884	-	111,871,733
Total assets	46,688,881	335,152	100,150,178	(335,000)	146,839,211
Deferred outflow of resources:					
Deferred outflow of pension liability	5,120,875	-	-	-	5,120,875
Deferred outflow of OPEB	72,165	-	-	-	72,165
Total deferred outflow of resources	5,193,040	-	-	-	5,193,040
Total assets and deferred outflow of resources	$ 51,881,921	$ 335,152	$ 100,150,178	$ (335,000)	$ 152,032,251
Liabilities, Deferred Inflow of Resources and Net Position					
Current liabilities:					
Accounts payable	$ 1,045,643	$ -	$ 538,428	$ -	$ 1,584,071
Due to other funds	-	335,000	-	(335,000)	-
Accrued interest	176,220	-	504,739	-	680,959
Accrued liabilities and other	2,947,980	-	80,606	-	3,028,586
Accrued compensated absences	3,087,387	-	-	-	3,087,387
Current portion of loan payable	354,344	-	-	-	354,344
Current portion of bonds payable	-	-	1,275,000	-	1,275,000
Total current liabilities	7,611,574	335,000	2,398,773	(335,000)	10,010,347
Other long-term liabilities	3,403,924	-	-	-	3,403,924
Other long-term debt	750,000	-	-	-	750,000
Loan payable, long-term portion	8,545,656	-	-	-	8,545,656
Bonds payable, long-term portion	-	-	42,141,395	-	42,141,395
Net pension liability	30,334,441	-	-	-	30,334,441
Net OPEB liability	362,044	-	-	-	362,044
Total liabilities	51,007,639	335,000	44,540,168	(335,000)	95,547,807
Deferred inflow of resources:					
Deferred gain on debt defeasance	-	-	391,884	-	391,884
Deferred inflow of pension liability	1,217,090	-	-	-	1,217,090
Deferred inflow of OPEB	66,056	-	-	-	66,056
Total deferred inflow of resources	1,283,146	-	391,884	-	1,675,030
Net position:					
Net investment in capital assets	19,967,629	-	48,956,312	-	68,923,941
Restricted for debt service	-	-	6,617,173	-	6,617,173
Unrestricted - other	(20,376,493)	152	(355,359)	-	(20,731,700)
Total net position	(408,864)	152	55,218,126	-	54,809,414
Total liabilities, deferred inflow of resources and net position	$ 51,881,921	$ 335,152	$ 100,150,178	$ (335,000)	$ 152,032,251

22nd District Agricultural Association and its Blended Component Units

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2018

	DAA	RTLC	RTA	Eliminations	Total
Operating revenues:					
Food and beverage	$ 23,501,702	$ -	$ -	$ -	$ 23,501,702
Concessions/carnivals	19,567,639	-	-	-	19,567,639
Admissions	12,069,708	-	-	-	12,069,708
Facility rentals	7,000,822	-	-	-	7,000,822
Satellite wagering	1,362,682	-	-	-	1,362,682
Parking	5,751,665	-	-	-	5,751,665
Leases/operating agreement	1,815,701	2,795,000	-	-	4,610,701
Surf and Turf	1,676,240	-	-	-	1,676,240
Sponsorships	2,874,606	-	-	-	2,874,606
Other	3,717,041	-	37,158	(162,160)	3,592,039
Total operating revenues	79,337,806	2,795,000	37,158	(162,160)	82,007,804
Operating expenses:					
Payroll and related benefits	23,292,985	-	-	-	23,292,985
Pension cost	5,368,254	-	-	-	5,368,254
Food and beverage	18,362,718	-	-	-	18,362,718
Entertainment	10,487,245	-	-	-	10,487,245
Maintenance	7,341,219	-	1,306,041	(127,266)	8,519,994
Facilities and related supplies	1,842,618	-	-	-	1,842,618
Insurance	1,163,117	-	80,674	-	1,243,791
Depreciation	1,461,939	-	5,518,804	-	6,980,743
Professional services	6,127,384	-	19,952	-	6,147,336
Marketing	1,799,170	-	-	-	1,799,170
Other	2,813,343	-	643,043	(34,894)	3,421,492
Total operating expenses	80,059,992	-	7,568,514	(162,160)	87,466,346
(Loss) income from operations	(722,186)	2,795,000	(7,531,356)	-	(5,458,542)
Nonoperating revenues (expenses):					
Interest income	389,589	2	154,459	-	544,050
Interest expense	(176,220)	-	(1,569,376)	-	(1,745,596)
Other	(7,017)	-	(84,102)	-	(91,119)
Total nonoperating revenues (expenses)	206,352	2	(1,499,019)	-	(1,292,665)
(Loss) income before transfers	(515,834)	2,795,002	(9,030,375)	-	(6,751,207)
Transfers in	-	-	4,805,771	(4,805,771)	-
Transfers out	(2,010,771)	(2,795,000)	-	4,805,771	-
Change in net position	(2,526,605)	2	(4,224,604)	-	(6,751,207)
Net position, beginning of year	2,543,451	150	59,442,730	-	61,986,331
Restatement of net position	(425,710)	-	-	-	(425,710)
Net position, beginning of year, as restated	2,117,741	150	59,442,730	-	61,560,621
Net position, end of year	$ (408,864)	$ 152	$ 55,218,126	$ -	$ 54,809,414