22nd DISTRICT AGRICULTURAL ASSOCIATION AND ITS BLENDED COMPONENT UNITS

DECEMBER 31, 2023

FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT

Focused
on YOU

WWW.LSLCPAS.COM

22ND DISTRICT AGRICULTURAL ASSOCIATION AND ITS BLENDED COMPONENT UNITS

FINANCIAL STATEMENTS & INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023

22ND DISTRICT AGRICULTURAL
ASSOCIATION AND ITS BLENDED
COMPONENT UNITS

FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

22nd District Agricultural Association and its Blended Component Units
Attn: Michael Sadegh
Del Mar, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the 22nd District Agricultural Association and its Blended Component Units, (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

22nd District Agricultural Association and its Blended Component Units
Attn: Michael Sadegh
Del Mar, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension and other post-employment benefits schedules, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we

22nd District Agricultural Association and its Blended Component Units
Attn: Michael Sadegh
Del Mar, California

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Irvine, California
December 20, 2024

Overview

The 22nd District Agricultural Association (DAA) is a California state institution that owns and operates the Del Mar Fairgrounds (Fairgrounds). The DAA's nine-member Board of Directors is appointed directly by the Governor without Senate confirmation. However, while it must adhere to certain state policies and pay scales, the DAA does not normally receive state funding and must effectively operate as a business. The DAA's operations are primarily funded by revenues generated through hosting both public and private events across three distinct properties: the 212-acre main campus, the 48-acre Surf & Turf Recreational Facilities campus, and the 64-acre equestrian center campus known as Del Mar Horsepark.

The DAA's largest event is the San Diego County Fair (the Fair), which, in 2023, was a 21 day-event that was themed "Get Out There". The Fair appeals to a very broad audience in San Diego County and beyond both county lines and country borders into Mexico. The Fairgrounds was the site of over 110 paid interim events in 2023, including car shows, concerts at The Sound, and many consumer shows. The Del Mar Thoroughbred Club also was fully operational without any restrictions during the 2023 summer and fall race season. In addition, starting in October of 2023, the DAA hosts top-quality rated horse shows in the country through its operating agreement with HITS Del Mar Leasing, LLC for the Horsepark campus.

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 year ended December 31, 2023. 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, 2023, 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.

Analysis of the Statement of Net Position

Current assets of the District, excluding the current portion of restricted investments, increased due to cash flows generated from the San Diego County Fair, horse racing, the opening of The Sound in February 2023, and the reopening of Horsepark to equestrian shows in July 2023.

In accordance with the Pledge Agreement, the DAA has continuously maintained funds on account, which are legally available for the payment of the Bonds in an amount equal to at least Maximum Annual Debt Service (as defined in the Indenture pursuant to which the Bonds were issued).

At the end of 2023 financial year, The DAA's net position increased by 2% or about $1,637,000.

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

Analysis of the statement of revenues, expenses and changes in net position:

In comparison to 2022, revenues from operations were stronger in 2023 due to a one day increase in the annual county fair from 21 to 22 days. Similarly, paid attendance figures rose by about 8% to 781,710 in 2023 from 722,942.

Food and Beverage revenues improved to $20,886,000 during 2023 as compared to $17,521,000 during FY2022, in large part due to the opening and ongoing operation of The Sound.

The "Get Out There" fair event during the months of June and July realized revenues in Concession and Carnivals consisting of multiple revenue streams. Carnival attractions (rides and games) revenues increased by 16% and totaled $19,519,000, Commercial space rental revenues increased by 44% and totaled $4,644,000, and Concessions Food and Beverage revenues totaled $5,036,000, an increase of 29% from 2022. Admissions revenues increased by 9% and totaled $12,021,000 while Parking revenues increased by 36% and totaled $6,565,000.

Facility Rentals revenues increased by 81% and totaled $7,165,000 for 2023. Satellite Wagering revenues totaled $514,000 in 2023 and increased by nearly 24% as compared to 2022.

Leases/Operating Agreements includes pledge agreement payments from the Del Mar Thoroughbred Club (DMTC) as a result of net horse racing operations, $1,225,000 from DMTC in direct rent payments to the DAA, plus $505,000 through the various operating agreements of the Surf & Turf Recreation Facilities campus, which is composed of an RV park, driving range, miniature golf, tennis courts, swim school, volleyball centers, and a golf pro shop.

Equestrian activities also resumed at Horsepark. In July 2023, the DAA entered into a five-year agreement with five, one-year options, with HITS Del Mar Leasing, LLC to operate Horsepark. The operator will make a guaranteed $20,000 monthly payment and an additional amount equal to 18% of its gross monthly revenues at Horsepark to the DAA.

With the decline in attendance and revenue from off-track wagering, the DAA considered alternative uses for a large portion of its 90,000 square-foot satellite wagering facility. This repurposing included an entertainment venue with a capacity of 1,900 and eating areas. The renovation began in 2019, and the entertainment venue was expected to be complete in the summer of 2020. But due to the COVID-19 pandemic and disruptions to labor and supply chains, the opening date was delayed. The venue branded as The Sound started its operation in February of 2023. During the year, The Sound held 44 events, producing Food and Beverage revenues of $1,695,000, Facility Rental Revenues of $491,000 and related Parking Revenues of $352,000.

In 2023, expenses from operations were higher mainly due to a substantial reduction in pension related costs resulting in $15,966,000 savings in 2022 due to revised pension costs for the DAA's fulltime employees. In addition, the DAA increased its regular full-time employee count by 13 by the end of 2023. As result, payroll and related benefits (excluding pension costs) increased by about 15%, or $1,826,000 to $14,149,000 over 2022.

Variable costs such as Food and Beverage Expense increased by $1,956,000 or 14%, and Entertainment cost increased by $1,358,000 or about 10% when compared to 2022. Increase in these cost items were directly attributable to the increase in the revenues in Food and Beverage and Carnival (game and ride) revenue increases when compared to 2022.

Insurance costs for the District increased by $617,000 or 57% for the year. This increase is associated with a general year-over-year insurance premium increase by the insurer. In addition, the DAA changed its Workers Compensation insurance carrier from a private market carrier to California Fair Services Authority (CFSA) starting in May of 2023 as required by the California Department of Food & Agriculture.

Depreciation expense increased $2,940,000 or 39%. The increase is mostly attributable to The Sound improvements that were placed in service.

Economic and Other Factors

Civil service salaries and benefits: On employment matters, the DAA, as a state institution, falls under the purview of the California Department of Human Resources (CalHR), which sets all pay scales and personal leave benefit thresholds and administers health benefits for civil service employees.

Recruitment and retention: These pay scales have posed challenges to the DAA to recruit and retain qualified, highly competent personnel. In 2006, the Department of Personnel Administration approved a recruiting and retention differential for the DAA's exempt employees to help offset salary levels that had fallen behind the San Diego market.

Minimum wage: The state of California increased its minimum hourly wage from $15.00 to $15.50 on January 1, 2023. In addition, the Fairgrounds is in a challenging location in terms of its proximity to the labor pool, and in many instances has to offer and pay higher rates than California's minimum wage in order to attract qualified temporary labor. These increases affect payroll and payroll tax expense, as well as workers' compensation and unemployment insurance. These increases also impact the cost of contracted labor and services.

Employer pension costs: The rates to the DAA for pension contributions for its tier one employees increased in July 2022 to 32.00% and remained the same for the financial year 2023. Rates are established by CalPERS.

Legislation passed or pending: On September 15, 2014, Assembly Bill 2490 was chaptered. This bill affects all District Agricultural Associations in California. It revised the responsibilities of the Department of Food and Agriculture and the Department of General Services as they related to District Agricultural Associations by providing greater authority and autonomy to District Agricultural Associations and local fair boards by eliminating preapproval requirements and streamlining procurement processes.

On July 10, 2017, Senate Bill 84 was signed into law. 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 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. No payments have been made as of the date of this report.

In October 2017, Assembly Bill 1499 was signed into 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 the property of a state-designated fairground. Three-fourths of 1% of the gross sales generated would be allocated to fairgrounds for specific projects and subject to certain conditions. Under AB 1499, a fairground will not receive any funds unless it agrees to relinquish its recreational exemption under the Fair Labor Standards Act. The California Department of Food & Agriculture made the first distribution of funds in 2020, but nothing more in 2021 or 2022. A catch-up payment has been made in January of 2024 in the amount of $1,484,500.

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. Currently, 38 states have some form of a live and legal sports betting regulation offered through retail and/or online sportsbooks. California will require a state constitutional amendment for sports wagering to be legalized.

Other changes in operations: Beginning January 1, 2024, the District directly manages the RV camping operations on its property including the Surf & Turf RV Park, taking over from the previous operator whose contract expired December 31, 2023.

STATEMENT OF NET POSITION
DECEMBER 31, 2023

Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	$ 39,550,219
Current portion of restricted investments	2,644,931
Accounts receivable, net	2,569,014
Prepaid expenses and other	327,713
Total Current Assets	45,091,877
Restricted Investments, Long-term Portion	6,927,612
Capital Assets, Net	111,683,859
Total Assets	163,703,348
Deferred Outflows of Resources:	
Deferred outflow of pension liability	6,207,166
Deferred outflow on OPEB	598,928
Total Deferred Outflows of Resources	6,806,094
Total Assets and Deferred Outflows of Resources	**$ 170,509,442**

See Notes to Financial Statements.

STATEMENT OF NET POSITION
DECEMBER 31, 2023

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities	
Accounts payable	$ 7,859,125
Accrued interest	762,307
Accrued liabilities and other	3,715,697
Accrued compensated absences	1,361,019
Current portion of premier investment liability	100,000
Current portion of SB84 liability	619,895
Current portion of loan payable	931,674
Current portion of bonds payable	1,585,000
Total Current Liabilities	16,934,717
Long-Term Liabilities	
Premier investment liability, long-term portion	1,413,122
SB84 liability, long-term portion	924,344
Loan payable, long-term portion	23,246,914
Bonds payable, long-term portion	32,878,174
Net pension liability	13,808,977
Net OPEB liability	2,873,442
Total Long-Term Liabilities	75,144,973
Total Liabilities	92,079,690
Deferred Inflows of Resources:	
Deferred gain on debt defeasance	97,971
Deferred inflow of pension liability	312,730
Deferred inflow on OPEB	726,107
Total Deferred Inflows of Resources	1,136,808
Net Position:	
Net investment in capital assets	40,745,619
Restricted for debt service	6,629,266
Unrestricted	29,918,059
Total Net Position	77,292,944
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 170,509,442**

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

Operating Revenues:	
Food and beverage	$ 20,885,568
Concessions/carnivals	29,291,575
Admissions	12,021,025
Facility rentals	7,165,130
Satellite wagering	514,065
Parking	6,564,975
Leases/operating agreement	4,207,587
Sponsorships	572,020
State apportionment	58,820
Other	553,882
Total Operating Revenues	81,834,647
Operating Expenses:	
Payroll and related benefits, excluding pension cost	14,149,156
Pension cost and net pension liability adjustment	1,645,017
Food and beverage	15,454,687
Entertainment	15,114,034
Maintenance	8,499,175
Facilities and related supplies	1,108,354
Insurance	1,699,587
Depreciation	10,419,905
Professional services	9,377,137
Marketing	1,067,884
Other post-employment benefit cost and net OPEB liability adjustment	(1,190,966)
Other	2,244,497
Total Operating Expenses	79,588,467
Income from Operations	2,246,180
Nonoperating Revenues (Expenses):	
Interest income	1,862,259
Interest expense	(2,595,147)
Other	123,664
Total Nonoperating Revenues (Expenses)	(609,224)
Change in Net Position	1,636,956
Net Position, Beginning of Year	75,655,988
Net Position, End of Year	**$ 77,292,944**

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash Flows from Operating Activities:	
Receipts from operations	$ 80,823,248
Payments to vendors	(53,093,667)
Payments to employees	(17,903,784)
Net Cash Provided by (Used In) Operating Activities	9,825,797
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(2,187,186)
Payments on bonds	(2,630,000)
Payments on loans	(739,440)
Payments on premier investment	(286,878)
Payments on SB84	(619,895)
Interest paid on long-term debt	(2,769,955)
Net Cash Provided by (Used In) Capital and Related Financing Activities	(9,233,354)
Cash Flows from Investing Activities:	
Sales of investments	1,498,651
Interest income	1,862,259
Other investing income	123,664
Net Cash Provided by (Used In) Investing Activities	3,484,574
Net Increase (Decrease) in Cash and Cash Equivalents	4,077,017
Cash and Cash Equivalents, Beginning of Year	35,473,202
Cash and Cash Equivalents, End of Year	**$ 39,550,219**
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:	
Income from operations	$ 2,246,180
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	10,419,905
Changes in assets and liabilities:	
Accounts receivable, net	(1,011,399)
Prepaid expenses and other	269,371
Accounts payable	1,202,317
Accrued liabilities and other	(1,505,992)
Accrued compensated absences	129,971
Net OPEB liability	(1,190,966)
Net pension liability	(733,590)
Net Cash Provided by (Used In) Operating Activities	**$ 9,825,797**
Noncash Disclosure of Capital and Related Financing Activities:	
Amortization of bond premium	$ 168,020

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 Branch of Fairs and Expositions, provides fiscal and policy oversight of the network of California fairs.

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 DAA to finance the construction of a new grandstand and related facilities at the Del Mar Fairgrounds (the Fairgrounds) of the DAA. 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 are 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).

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

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.

Restricted investments: Restricted investments 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 three 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, 2023.

Interest cost on borrowed funds during the period of construction of capital assets were expensed when incurred for the year ended December 31, 2023.

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 inflow of resources and amortized to interest expense based on the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Bond premium: Bond premiums are reported as an addition to the outstanding debt balance and are amortized as interest expense over the life of the bond using the effective interest method.

Compensated absences: The DAA'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

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

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, 2023, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	$ 1,231,048	$ 250,728	$ (120,757)	$ 1,361,019

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, 2023.

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 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.

- 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), 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.

Future Implementation of accounting pronouncements: The following Governmental Accounting Standards Board GASB pronouncements are effective in the following fiscal year. Manage is currently reviewing their potential impact for proper financial statements implementations.

GASB Statement No. 99– In April 2022, the GASB issued Statement No. 99, *Omnibus*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

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

GASB Statement No. 100– In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101– In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

GASB Statement No. 102– In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerability due to certain concentrations or constraints.

GASB Statement No. 103– In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

GASB Statement No. 104– In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

Note 2: Condensed Financial Information

The following is the condensed combining detail for the statement of net position as of December 31, 2023:

	DAA	RTA	RTLC	Eliminations	Total
Current assets	$ 42,446,946	$ 2,644,931	$ 697,377	$ (697,377)	$ 45,091,877
Restricted investments, long-term portion	-	6,927,612	-	-	6,927,612
Capital assets, net	46,753,619	64,930,240	-	-	111,683,859
Total assets	89,200,565	74,502,783	697,377	(697,377)	163,703,348
Deferred outflow of resources	6,806,094	-	-	-	6,806,094
Current liabilities	15,355,461	2,276,639	(6)	(697,377)	16,934,717
Long-term liabilities	42,266,799	32,878,174	-	-	75,144,973
Total liabilities	57,622,260	35,154,813	(6)	(697,377)	92,079,690
Deferred inflow of resources	1,038,837	97,971	-	-	1,136,808
Net investment in capital assets	5,972,165	34,773,454	-	-	40,745,619
Restricted for debt service	-	6,629,266	-	-	6,629,266
Unrestricted - other	31,373,397	(2,152,721)	697,383	-	29,918,059
Total net position	$ 37,345,562	$ 39,249,999	$ 697,383	$ -	$ 77,292,944

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, 2023:

	DAA	RTA	RTLC	Eliminations	Total
Operating revenues:					
Operating revenues	$ 79,356,647	$ 2,478,000	$ -	$ -	$ 81,834,647
Operating expenses:					
Operating expenses	72,796,257	6,129,342	1,242	-	78,926,841
(Loss) income from operations	6,560,390	(3,651,342)	(1,242)	-	2,907,806
Nonoperation (expenses) revenues:					
Nonoperation (expenses) revenues	(183,814)	(1,087,036)	-	-	(1,270,850)
Changes in net position	6,376,576	(4,738,378)	(1,242)	-	1,636,956
Net position, beginning of year	30,968,986	43,988,377	698,625	-	75,655,988
Net position, end of year	$ 37,345,562	$ 39,249,999	$ 697,383	$ -	$ 77,292,944

The following is the condensed combining detail for the statement of cash flows for the year ended December 31, 2023:

	DAA	RTA	RTLC	Total
Net cash provided by (used in) operation activities	$ 6,650,421	$ 2,477,999	$ 697,377	$ 9,825,797
Net cash provided by (used in) capital and related financing activities	(4,619,552)	(4,613,802)	-	(9,233,354)
Net cash provided by (used in) investing activities	2,847,423	637,151	-	3,484,574
Cash and cash equivalents, beginning of year	34,905,422	(829,800)	1,397,580	35,473,202
Cash and cash equivalents, end of year	$ 39,783,714	$ (2,328,452)	$ 2,094,957	$ 39,550,219

Note 3: Joint Exercise of Power Agreements

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

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

The joint exercise of powers agreement expires on December 31, 2040. The District had no interest in CCA's assets or liabilities at December 31, 2023.

CCA projects during 2023 included the Frontside Housing demolition, the DMTC HVAC project, the Sounds HVAC controls projects, replacement of the Wyland Skylights and replacement of the O'Brian Building roof. Costs incurred for these projects during the year ended December 31, 2023, 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, 2023:

Cash on hand	$ 600
Cash in banks	1,594,151
LAIF	37,955,468
Cash and cash equivalents	39,550,219
Restricted investments, money market accounts	9,572,543
Total cash and cash equivalents, and restricted investments	$ 49,122,762

Cash and cash equivalents, and restricted investments are summarized on the financial statements as follows at December 31, 2023:

Cash and cash equivalents	$ 39,550,219
Current portion of restricted investments	2,644,931
Long-term portion of restricted investments	6,927,612
	$ 49,122,762

The California State Treasury makes available LAIF through which local governments may pool investments. The DAA 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, 2023, the DAA had $37,955,468 invested in LAIF. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with state statute.

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

The current portion of restricted investments in the amount of $2,644,931 is restricted for bond projects only. Funds are distributed once a month upon the DAA's request to pay bond-project invoices. The long-term portion of restricted investments in the amount of $6,927,612 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.

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.

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

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

Custodial credit risk, bank deposits: The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District maintains its cash balances at California Bank & Trust. These deposits are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2023 , $2,150,074 of the District's bank balance of $2,400,074 was exposed to custodial credit risk as it was uninsured and uncollateralized. The District follows the state's policies on permitted investments and does not have a policy for custodial credit risk.

Custodial credit risk, investments: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets or liabilities in active markets; and Level 3 inputs are significant unobservable inputs.

The District did not have any investments as of December 31, 2023, that were subject to the fair value hierarchy as the money market investments are carried at amortized cost.

Note 5: Accounts Receivable

Accounts receivable as of December 31, 2023 , are summarized as follows:

Accounts receivable	$ 2,996,466
Less allowance for doubtful accounts	(427,452)
Accounts receivable, net	$ 2,569,014

Note 6: Capital Assets

A summary of changes in capital assets, net, for the year ended December 31, 2023, 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	30,729,782	1,743,245	-	(30,666,415)	1,806,612
Total capital assets not being depreciated	37,052,115	1,743,245	-	(30,666,415)	8,128,945
Capital assets being depreciated:					
Building and improvements	197,145,152	-	-	20,418,881	217,564,033
Equipment and fixtures	38,304,259	443,941	-	93,320	38,841,520
Land improvements	28,689,566	-	-	10,154,214	38,843,780
Total capital assets being depreciated	264,138,977	443,941	-	30,666,415	295,249,333
Less accumulated depreciation and amortization:					
Building and improvements	(126,760,324)	(7,591,369)	-	-	(134,351,693)
Equipment and fixtures	(35,424,659)	(709,145)	-	-	(36,133,804)
Land improvements	(19,089,531)	(2,119,391)	-	-	(21,208,922)
	(181,274,514)	(10,419,905)	-	-	(191,694,419)
Net capital assets being depreciated	82,864,463	(9,975,964)	-	30,666,415	103,554,914
Total capital assets, net	$ 119,916,578	$ (8,232,719)	$ -	$ -	$ 111,683,859

Note 7: Long-Term Debt

Long-term debt activity during the fiscal year ended December 31, 2023, is as follows:

	Beginning Balance	Additions	Payments	Amortization of Premium	Ending Balance	Due Within One Year
Series 2015 Revenue Bonds	$ 35,700,000	$ -	$ (2,630,000)	$ -	$ 33,070,000	$ 1,585,000
Series 2015 Unamortized Premium	1,561,194	-	-	(168,020)	1,393,174	-
2019 Energy Efficiency Loan	3,441,841	-	(4,101)	-	3,437,740	172,324
2018 IBank Loan	7,417,559	-	(398,817)	-	7,018,742	410,781
2019 IBank Loan	14,058,628	-	(336,522)	-	13,722,106	348,569
Total Long-Term Debt	$ 62,179,222	$ -	$ (3,369,440)	$ (168,020)	$ 58,641,762	$ 2,516,674

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 $97,971 at December 31, 2023. 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 and concession net revenues up to $4 million.

Note 7: Long-Term Debt (Continued)

Future scheduled principal and interest payments as of December 31, 2023, are as follows:

Years Ending December 31,	Principal	Interest	Total
2024	$ 1,585,000	$ 1,709,750	$ 3,294,750
2025	1,665,000	1,630,500	3,295,500
2026	1,745,000	1,547,250	3,292,250
2027	1,835,000	1,460,000	3,295,000
2028	1,925,000	1,368,250	3,293,250
2029-2033	11,175,000	5,297,250	16,472,250
2034-2038	13,140,000	2,209,750	15,349,750
	$ 33,070,000	$ 15,222,750	$ 48,292,750

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

As of December 31, 2023, the total principal and interest remaining to be paid on the bonds is $48,292,750. The next interest and principal payments for the Series 2015 Bonds are due on April 1, 2024, and October 1, 2024, respectively, with the final payment occurring on October 1, 2038.

Upon issuance of the Series 2015 Bonds, a portion of the proceeds were required to be deposited in the reserve account with the Trustee and a minimum balance must be maintained in this account. The minimum balance is the lesser of the maximum annual debt service payment over the life of the bond ($3,297,000), 10% of total bond proceeds ($4,443,500) or 125% of average annual debt service ($4,117,861). At December 31, 2023, the District held $4,358,413 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.

Note 7: Long-Term Debt (Continued)

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 2023 bond year on December 27, 2023.

2018 IBank loan: On May 24, 2018, the DAA entered into an installment sale agreement with IBank. The total amount borrowed from IBank was $8,900,000. The interest rate is 3.30% per annum, which includes the annual fee of 0.30% of the outstanding principal balance. The 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 are due on August 1, 2037.

Future scheduled principal and interest payments as of December 31, 2023, are as follows:

Years Ending December 31,	Principal	Interest	Total
2024	$ 410,781	$ 210,562	$ 621,343
2025	423,105	198,239	621,344
2026	435,798	185,546	621,344
2027	448,872	172,472	621,344
2028	462,338	159,006	621,344
2029-2033	2,528,253	578,464	3,106,717
2034-2037	2,309,595	175,779	2,485,374
	$ 7,018,742	$ 1,680,068	$ 8,698,810

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

Note 7: Long-Term Debt (Continued)

Future scheduled principal and interest payments as of December 31, 2023, are as follows:

Years Ending December 31,	Principal	Interest	Total
2024	$ 348,569	$ 491,252	$ 839,821
2025	361,048	478,772	839,820
2026	373,973	465,848	839,821
2027	387,362	452,458	839,820
2028	401,229	438,592	839,821
2029-2033	2,232,170	1,966,934	4,199,104
2034-2038	2,661,380	1,537,722	4,199,102
2039-2043	3,173,119	1,025,984	4,199,103
2044-2048	3,783,256	415,844	4,199,100
	$ 13,722,106	$ 7,273,406	$ 20,995,512

2019 Energy Efficiency: In May 2019, the DAA entered into an Energy Efficiency Loan with California Department of General Services (DGS). DGS is a state agent that offers low interest loans. The total amount borrowed from DGS was $3,769,883. The interest rate is 2.50% per annum. The principal and interest payments start on November 1, 2022. The money was borrowed to upgrade air handling units, interior and exterior lighting and residential appliances. The money was also used to replace kitchen equipment and repair duct leakage, RCx HVAC units and DHW look controls. Furthermore, funds were used to install variable frequency drives (VFD) on condenser water pumps. The project was completed in 2020. Final principal and interest payments are due on November 1, 2040.

Future scheduled principal and interest payments as of December 31, 2023, are as follows:

Years Ending December 31,	Principal	Interest	Total
2024	$ 172,324	$ 85,944	$ 258,268
2025	176,633	81,635	258,268
2026	181,048	77,220	258,268
2027	185,575	72,693	258,268
2028	190,214	68,054	258,268
2029-2033	1,024,823	266,517	1,291,340
2034-2038	1,159,493	131,847	1,291,340
2039-2040	347,630	11,142	358,772
	$ 3,437,740	$ 795,052	$ 4,232,792

Note 8: Operating Leases and Agreements

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

Note 8: Operating Leases and Agreements (Continued)

Revenues associated with the DMTC operating agreement totaled $1,225,000 for the year ended December 31, 2023. 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 DAA, to be used by the DAA 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 $2,478,000 for the year ended December 31, 2023.

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

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

Premier Food Services, Inc.: The DAA has a management agreement granting the use of food and beverage services equipment to Premier Food Services, Inc. (Premier). Management fees related to this contract were $604,962 for the year ended December 31, 2023. 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 DAA. This original contract was set to expire on December 31, 2015; however, on August 26, 2015, the DAA approved and renewed the contract for another three-year term.

On November 14, 2018, the DAA 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 DAA retains control over the operations. The daily gross receipts are deposited in the name and interest of the DAA and the DAA reimburses Premier for all reimbursable costs, as defined in the agreement, and pays a management fee equal to 12.50% of all net profits from the food and beverage operation. Furthermore, the DAA, 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 DAA. In consideration of its $2 million capital investment, Premier and the DAA 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 DAA in two installments as follows: $750,000 on or before December 31, 2018, and the

Note 8: Operating Leases and Agreements (Continued)

balance of $1,250,000 on January 3, 2020. The DAA agrees to pay annually to Premier 30.00% of net profits from the music and entertainment events conducted at the SSRP Music and Entertainment Venue or $100,000, whichever is greater, until such payments equal $2 million. Activity relating to this new agreement is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Premier Investment Liability	$ 1,800,000	$ -	$ (286,878)	$ 1,513,122	$ 100,000

Future scheduled of minimum payments as of December 31, 2023, are as follows:

Years Ending December 31,	Payments	Interest	Total
2024	$ 100,000	$ -	$ 100,000
2025	100,000	-	100,000
2026	100,000	-	100,000
2027	100,000	-	100,000
2028	100,000	-	100,000
2029-2033	500,000	-	500,000
2034-2038	500,000	-	500,000
2039	13,122	-	13,122
	$ 1,513,122	$ -	$ 1,513,122

Other: The DAA owns a recreational park that is operated by an unrelated management company. Beginning January 1, 2021, the DAA entered into an agreement with Del Mar Golf Course Management Inc. (DMGC) DBA Surf & Turf Rec Center to operate the recreational park and RV park. The DAA recognized net revenues from DMGC of $1,034,337 for the year ended December 31, 2023.

Note 9: Other Liabilities

Activity of other liabilities during the fiscal year ended December 31, 2023, is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Senate Bill No. 84 Liability	$ 2,164,134	$ -	$ (619,895)	$ 1,544,239	$ 619,895

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

Note 10: Public Employees' Retirement System

Plan description: The DAA 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.

Note 10: Public Employees' Retirement System (Continued)

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, 2021, Actuarial Valuation Report, which may be found at https://www.calpers.ca.gov/docs/forms-publications/2021-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.

The employee contribution rate for the year ended December 31, 2023, was 10% for the skilled craftsmen and 8% for all other employees. The employer contribution rate for the year ended December 31, 2023, was 30.71% for State Miscellaneous Member employees. The required contributions and the amount paid by the DAA for the year ended December 31, 2023, was $3,144,014. The DAA's employer contributions were equal to the required employer contributions for the year ended December 31, 2023.

Pension liability: At December 31, 2023, the DAA reported a net pension liability of $13,808,977 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension

Note 10: Public Employees' Retirement System (Continued)

liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022. The DAA's portion of the net pension liability was based on a projection of the DAA's pensionable compensation relative to the pensionable compensation of all participating employers, as determined by CalPERS. At June 30, 2022, the DAA's proportion was 0.03653%

For the year ended December 31, 2023, the DAA recognized pension expense of $(733,590). At December 31, 2023, the DAA reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Change in Assumptions	$ 1,045,283
Difference between expected and actual experience	218,350
Net difference between projected and actual earnings on pension plan investment	1,799,519
District contributions subsequent to the measurement date	3,144,014
	$ 6,207,166

At December 31, 2023, the DAA reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources
Difference between expected and actual experience	$ 312,730
	$ 312,730

The amount reported as deferred outflows of resources related to pensions resulting from DAA contributions subsequent to the measurement date totaled $3,144,014 and will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. 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,	
2024	$ 661,321
2025	555,217
2026	372,309
2027	1,161,575
	$ 2,750,422

Note 10: Public Employees' Retirement System (Continued)

Actuarial methods and assumptions: The total pension liability was measured as of June 30, 2022 (measurement date), by rolling forward the total pension liability determined by the June 30, 2021, actuarial valuation (valuation date), based on the actuarial assumptions shown in the table below:

Valuation date	June 30, 2021
Actuarial cost method	Entry age normal in accordance with the requirements
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.90% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality (1)	Derived using CalPERS' Membership data for all funds
Post-retirement benefit adjustments(COLA)	Contract COLA or 2.30% until the purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Discount rate: The discount rate used to measure the total pension liability was 6.90%. 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 2022. Any changes to the discount rate will require action on the part of CalPERS' Board of Administration and proper stakeholder outreach. No changes to the discount rate were made as of the measurement date of June 30, 2022.

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the

Note 10: Public Employees' Retirement System (Continued)

same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class (1)	Assumed Asset Allocation	Real Return Years (1,2)
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-back Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yeild	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

(1) An expected inflation rate of 2.30% is used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

In December 2016, the CalPERS Board of Administration voted to lower the discount rate used in its actuarial assumptions from 7.50% to 7.00% (net of 0.15% administrative expenses) effective July 1, 2017. A similar reduction to the discount rate in accordance with GASB Statement No. 68 will increase the net pension liability. This increase will be amortized over the expected remaining service lives of all employees provided with benefits through the pension plans. This period ranges from 3.5 to 5.2 years.

The discount rate used to measure the total pension liability was 6.90%. 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.

Note 10: Public Employees' Retirement System (Continued)

Sensitivity of the DAA's proportionate share of the state's net pension liability to changes in the discount rate: The following table presents the DAA's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the DAA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
District's propotionate share of the net pension liability	$ 19,870,134	$ 13,808,977	$ 8,748,823

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

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

Under SB 84, the Department of Finance (the DOF) was required to develop a repayment schedule for the loan principal and interest accrued from the $6 billion that was borrowed from the PMIA. As part of its requirement, the DOF was tasked with determining the proportionate share of the obligation attributable to the DAAs. The DOF has informed the DAA that the liability allocated to the DAA is $3,403,924. This obligation was calculated by the DOF based on the 2016 to 2017 CalPERS employer retirement contributions. The amount is to be repaid over five fiscal years beginning in 2020 and ending in 2025. The repayment schedule is as follows:

Years Ending December 31,	
2024	$ 619,895
2025	924,344
	$ 1,544,239

Note 11: Other Post-Employment Benefit Obligations

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

Note 11: Other Post-Employment Benefit Obligations (Continued)

General information about the OPEB plan:

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

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

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

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

The DAA 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 DAA for the year ended December 31, 2023, was $318,673.

California state employees covered by benefit terms: At December 31, 2023, the following California state employees for each respective valuation group were covered by the benefit terms:

	Exempt Excluded Executive (EEE)	Other	Service Employees International Union (SEIU)	Craft and Maintenace (BU12)	Stationary Engineers (BU13)
Inactive employees or beneficiaries currently receiving benefit payments	4,323	8,803	77,976	10,609	1,009
Active employees	7,932	4,438	115,637	12,956	947
	12,255	13,241	193,613	23,565	1,956

Note 11: Other Post-Employment Benefit Obligations (Continued)

OPEB liabilities, OPEB expense and deferred outflows of resources related to OPEB: The DAA's net OPEB liability was $2,873,442 at December 31, 2023. The DAA's net OPEB liability was measured as of June 30, 2023, 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, 2023, the DAA recognized OPEB expense (benefit) of $(1,190,966) and included in other pose-employment benefit costs and net OPEB liability adjustment on the statement of revenues, expenses and changes in net position.

At December 31, 2023, the DAA 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 between expected and actual experience	$ -	$ 140,377
Change of assumptions	-	319,018
Net difference between projected and actual earnings on OPEB Plan investment	13,543	-
Contributions subsequent to the measurement date	318,673	-
	$ 332,216	$ 459,395

Of the total amount reported as deferred outflows related to OPEB, $318,673 resulting from DAA 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, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31,	
2024	$ (120,766)
2025	(81,253)
2026	(78,826)
2027	(79,772)
2028	(64,730)
Thereafter	(20,505)
	$ (445,852)

Note 11: Other Post-Employment Benefit Obligations (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2023
Actuarial cost method	Entry age normal in accordance with the requirements of GASB Statement No. 75
Actuarial assumptions:	
Discount rate	Blended rate for each valuation group, consisting of 6.00% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.69%
Amortization period	Five years
Asset valuation method	Market value of assets as of the measurement date
Inflation	2.30%
Salary increases	Varies by entry and service
Investment rate of return	6.00%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses.
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2023, increasing to 7.00% in 2024, grading down to 4.50% from 2029 to 2037, and 4.25% for 2038 and later years. Post-Medicare coverage: Actual rates for 2023, increasing to rates ranging from 7.00% to 8.06% in 2024, grading down to 4.50% from 2031 to 2037, and 4.25% for 2038 and later years. Dental coverage: 0.03% for 2023, 2.00% for 2024, 3.00% for 2025, 4.00% for 2026, and 4.25% for 2027 and later years.
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 80% Scale MP 2020. For more details on this table, refer to the 2021 CalPERS Experience Study and Review of Actuarial Assumptions report (the Experience Study) for the period from 2000 to 2019. Other demographic assumptions used in the June 30, 2021, valuation were also based on the results of the 2021 Experience Study, including updates to termination, disability, and retirement rates. The 2021 Experience Study report is available at www.CalPERS.ca.gov.

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

The long-term expected rate of return on OPEB plan investments was determined by Gabriel, Roeder, Smith & Company 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) real returns were calculated over a closed period. Based on separate expected real returns for the short-term (first 5 years) and the long-term (6-20) years), and an average inflation assumption of 2.30%, a single expected nominal return rate of 6.00% 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 Obligations (Continued)

As of December 31, 2023, 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 1-5	Real Return Years 6-20
Global equity	49.0%	4.40%	4.50%
Fixed income	23.0%	-1.00%	2.20%
Treasury inflation-protected securities	5.0%	-1.80%	1.30%
Real estate investment trusts	20.0%	3.00%	3.90%
Commodities	3.0%	0.80%	1.20%
	100.0%		

In the fiscal year 2020-21, the blended discount rates used in the actuarial assumptions changed from the prior year. Please refer to the prior year report on the State Controller's Office website.

Discount rate: The blended rates used to measure the June 30, 2021 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 1.92% as of June 30, 2021, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.00% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarial determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The actuarial valuation as of June 30, 2021 includes the impact of the temporary suspensions of employee contributions under the Personal Leave Program that was in effect during the fiscal year ended June 30, 2021. 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, 2022, 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 DAA as of the measurement date, calculated using the discount rate for the DAA, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current discount rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability	$ 3,363,979	$ 2,873,442	$ 2,474,421

Note 11: Other Post-Employment Benefit Obligations (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 DAA, as well as what the DAA's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (3.25%) or one percentage point higher (5.25%) than the current health care cost trend rate:

	Health Care Cost Trend Rate 1% Decrease (6.00%, Decreasing to 3.25%)	Health Care Cost Trend Rate (7.00%, Decreasing to 4.25%)	Health Care Cost Trend Rate 1% Increase (8.00%, Decreasing to 5.25%)
Net OPEB liability	$2,528,896	$ 2,873,442	$3,309,703

Note 12: Deferred Compensation

The DAA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all DAA 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 DAA'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.

REQUIRED SUPPLEMENTARY INFORMATION

PROPORTIONATE SHARE OF NET PENSION LIABILITY
STATE OF CALIFORNIA - MISCELLANEOUS PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2015	2016	2017	2018	2019
DAA's proportion of net pension liability	0.09858%	0.09647%	0.09486%	0.09378%	0.09656%
DAA's proportionate share of net pension liability	$ 23,470,069	$ 27,245,770	$ 31,413,325	$ 34,264,531	$ 30,334,440
DAA's covered payroll	9,584,111	10,165,779	10,645,864	10,922,111	11,621,146
DAA's proportionate share of net pension liability as a percentage of its covered payroll	244.89%	268.01%	295.08%	313.72%	261.03%
Plan's fiduciary net position as a percentage of total pension liability	74.17%	70.68%	66.81%	66.42%	71.83%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown.

PROPORTIONATE SHARE OF NET PENSION LIABILITY
STATE OF CALIFORNIA - MISCELLANEOUS PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2020	2021	2022	2023
DAA's proportion of net pension liability	0.09940%	0.08926%	0.03690%	0.03653%
DAA's proportionate share of net pension liability	$ 33,432,199	$ 31,028,963	$ 8,221,540	$ 13,808,976
DAA's covered payroll	12,512,491	11,829,657	5,130,672	5,151,102
DAA's proportionate share of net pension liability as a percentage of its covered payroll	267.19%	262.30%	160.24%	268.08%
Plan's fiduciary net position as a percentage of total pension liability	71.34%	71.51%	82.39%	71.63%

SCHEDULE OF CONTRIBUTIONS, STATE OF CAILFORNIA - MISCELLANEOUS PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2015	2016	2017	2018	2019
Actuarially Determined Contribution	$ 2,116,483	$ 2,506,349	$ 2,662,820	$ 2,891,680	$ 3,314,443
Contribution in Relation to the Actuarially Determined Contribution	(2,125,650)	(2,516,766)	(2,673,670)	(2,902,564)	(6,802,127)
Contribution Deficiency (Excess)	$ (9,168)	$ (10,417)	$ (10,851)	$ (10,884)	$ (3,487,684)
Covered Payroll	$ 9,584,111	$ 10,165,779	$ 10,645,864	$ 10,922,111	$ 11,621,146
Contributions as a Percentage of Covered Payroll	22.18%	24.76%	25.11%	26.58%	58.53%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown.

Note to Schedule:

Valuation Date: June 30, 2020

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Asset valuation method	Direct rate smoothing
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.. For more details on this table, please refer to the 2017 experience study report.

2020		2021		2022		2023	
$	3,742,147	$	3,730,833	$	1,389,425	$	1,545,309
	(3,754,675)		(4,470,722)		(1,394,172)		(1,866,570)
$	(12,528)	$	(739,889)	$	(4,747)	$	(321,261)
$	12,512,491	$	11,829,657	$	5,130,672	$	5,151,102
	30.01%		37.79%		27.17%		36.24%

THE 22ND DISTRICT AGRICULTURAL ASSOCIATION AND ITS BLENDED COMPONENTS

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2018	2019	2020	2021	2022	2023
Total OPEB Liability						
Service cost	$ 13,340	$ 155,433	$ 242,067	$ 154,833	$ 169,082	$ 96,253
Interest on the total OPEB liability	15,744	181,065	260,895	136,394	120,705	123,601
Actual and expected experience difference	(32,828)	(87,443)	(199,071)	(325,199)	140,920	11,364
Changes in assumptions	(15,187)	4,258,083	2,428,581	(2,760,135)	(823,500)	30,268
Benefit payments	(10,412)	(130,860)	(207,519)	(126,960)	(136,800)	(967,375)
Net change in total OPEB liability	**(29,343)**	**4,376,278**	**2,524,953**	**(2,921,067)**	**(529,593)**	**(705,889)**
Total OPEB liability - beginning	**393,881**	**364,538**	**4,740,816**	**7,265,769**	**4,344,702**	**3,815,109**
Total OPEB liability - ending (a)	**364,538**	**4,740,816**	**7,265,769**	**4,344,702**	**3,815,109**	**3,109,220**
Plan Fiduciary Net Position						
Contribution - employer	11,166	144,331	248,023	126,960	173,594	139,312
Contribution - employees	754	13,471	40,504	31,865	69,751	29,529
Net investment income	93	2,220	3,057	23,222	(30,942)	13,011
Benefit payments	(10,412)	(130,860)	(207,519)	(126,960)	(136,800)	(109,783)
Administrative expense	(1)	(13)	(45)	(33)	(46)	(55)
Other miscellaneous income/expense	(7)	8,672	(7,972)	(42,826)	(2)	(40,382)
Net change in plan fiduciary net position	**1,593**	**37,821**	**76,048**	**12,228**	**75,555**	**31,632**
Plan fiduciary net position - beginning	**901**	**2,494**	**40,315**	**116,363**	**128,591**	**204,146**
Plan fiduciary net position - ending (b)	**2,494**	**40,315**	**116,363**	**128,591**	**204,146**	**235,778**
Net OPEB Liability - Ending (a) - (b)	**$ 362,044**	**$ 4,700,501**	**$ 7,149,406**	**$ 4,216,111**	**$ 3,610,963**	**$ 2,873,442**
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.68%	0.85%	1.60%	2.96%	5.35%	7.58%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule: None

Changes in Assumptions: In 2019, the mortality improvement scale was updated to the Society of Actuaries Scale MP-2019. In December 2019, the ACA Excise Tax was repealed and removed from the actuarial assumptions.

SCHEDULE OF CONTRIBUTIONS - OPEB
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	$ 19,101	$ 225,512	$ 332,432	$ 209,124	$ 174,534	$ 149,854
Contribution in Relation to the Actuarially Determined Contributions	(11,166)	(144,331)	(248,023)	(158,825)	(206,550)	(139,312)
Contribution Deficiency (Excess)	$ 7,935	$ 81,181	$ 84,409	$ 50,299	$ (32,016)	$ 10,542
Expected return on assets	$ 120	$ 1,707	$ 6,510	$ 6,019	$ 10,862	$ 11,570
Percentage of ADC made by employer	58.46%	64.00%	74.61%	75.95%	118.34%	92.97%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Methods and Assumptions Used to Determine Contributions:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Discount Rate	6.00%
General Inflation	2.30%
Payroll Growth	Varies by age and service
Mortality, Disability, Termination, Retirement	2021 CalPERS Experience Study; Mortality Improvement - Mortality projected fully generational with Scale MP-2020
Medical Trend	Pre-Medicare - Actual rates for 2023, increasing to 7.00% in 2024, grading down to 4.50% from 2029 to 2037, and 4.25% for 2038 and later years. Post-Medicare - Actual rates for 2023, increasing to rates ranging from 7.00% to 8.06% in 2024, grading down to 4.50% from 2031 to 2037, and 4.25% for 2038 and later years. Dental - 0.03% for 2023, 2.00% for 2024, 3.00% for 2025, 4.00% for 2026, and 4.25% for 2027 and later years.

SUPPLEMENTARY INFORMATION

22nd DISTRICT AGRICULTURAL ASSOCIATION AND ITS BLENDED COMPONENT UNITS

COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2023

	DAA	RTA	RTLC	Eliminations	Total
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and cash equivalents	$ 39,550,219	$ -	$ -	$ -	$ 39,550,219
Current portion of restricted investments	-	2,644,931	-	-	2,644,931
Accounts receivable, net	2,569,014	-	697,377	(697,377)	2,569,014
Prepaid expenses and other	327,713	-	-	-	327,713
Total Current Assets	42,446,946	2,644,931	697,377	(697,377)	45,091,877
Restricted investments, long-term portion	-	6,927,612	-	-	6,927,612
Capital assets, net	46,753,619	64,930,240	-	-	111,683,859
Total Assets	89,200,565	74,502,783	697,377	(697,377)	163,703,348
Deferred Outflows of Resources:					
Deferred outflow of pension liability	6,207,166	-	-	-	6,207,166
Deferred OPEB	598,928	-	-	-	598,928
Total Deferred Outflows of Resources	6,806,094	-	-	-	6,806,094
Total Assets and Deferred Outflows of Resources	**$ 96,006,659**	**$ 74,502,783**	**$ 697,377**	**$ (697,377)**	**$ 170,509,442**
Liabilities, Deferred Inflows of Resources and Net Position					
Current Liabilities					
Accounts payable	$ 8,478,448	$ 78,054	$ -	$ (697,377)	$ 7,859,125
Accrued interest	336,971	425,336	-	-	762,307
Accrued liabilities and other	3,527,454	188,249	(6)	-	3,715,697
Accrued compensated absences	1,361,019	-	-	-	1,361,019
Current portion of premier investment liability	100,000	-	-	-	100,000
Current portion of SB84 liability	619,895	-	-	-	619,895
Current portion of loan payable	931,674	-	-	-	931,674
Current portion of bonds payable	-	1,585,000	-	-	1,585,000
Total Current Liabilities	15,355,461	2,276,639	(6)	(697,377)	16,934,717
Long-Term Liabilities					
Premier investment liability, long-term portion	1,413,122	-	-	-	1,413,122
SB84 liability, long-term portion	924,344	-	-	-	924,344
Loan payable, long-term portion	23,246,914	-	-	-	23,246,914
Bonds payable, long-term portion	-	32,878,174	-	-	32,878,174
Net pension liability	13,808,977	-	-	-	13,808,977
Net OPEB liability	2,873,442	-	-	-	2,873,442
Total Long-Term Liabilities	42,266,799	32,878,174	-	-	75,144,973
	57,622,260	35,154,813	(6)	(697,377)	92,079,690
Deferred Inflows of Resources:					
Deferred gain on debt defeasance	-	97,971	-	-	97,971
Deferred inflow of pension liability	312,730	-	-	-	312,730
Deferred inflow on OPEB	726,107	-	-	-	726,107
Total Deferred Inflows of Resources	1,038,837	97,971	-	-	1,136,808
Net Position:					
Net investment in capital assets	5,972,165	34,773,454	-	-	40,745,619
Restricted for debt service	-	6,629,266	-	-	6,629,266
Unrestricted	31,373,397	(2,152,721)	697,383	-	29,918,059
Total Net Position	37,345,562	39,249,999	697,383	-	77,292,944
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 96,006,659**	**$ 74,502,783**	**$ 697,377**	**$ (697,377)**	**$ 170,509,442**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

	DAA	RTA	RTLC	Eliminations	Total
Operating Revenues:					
Food and beverage	$ 20,885,568	$ -	$ -	$ -	$ 20,885,568
Concessions/carnivals	29,291,575	-	-	-	29,291,575
Admissions	12,021,025	-	-	-	12,021,025
Facility rentals	7,165,130	-	-	-	7,165,130
Satellite wagering	514,065	-	-	-	514,065
Parking	6,564,975	-	-	-	6,564,975
Leases/operating agreement	1,729,587	2,478,000	-	-	4,207,587
Sponsorships	572,020	-	-	-	572,020
State apportionment	58,820	-	-	-	58,820
Other	553,882	-	-	-	553,882
Total Operating Revenues	79,356,647	2,478,000	-	-	81,834,647
Operating Expenses:					
Payroll and related benefits, excluding pension cost	14,149,156	-	-	-	14,149,156
Pension cost and net pension liability adjustment	1,645,017	-	-	-	1,645,017
Food and beverage	15,454,687	-	-	-	15,454,687
Entertainment	15,114,034	-	-	-	15,114,034
Maintenance	8,499,175	-	-	-	8,499,175
Facilities and related supplies	1,108,354	-	-	-	1,108,354
Insurance	1,699,587	-	-	-	1,699,587
Depreciation	4,327,306	6,092,599	-	-	10,419,905
Professional services	9,343,122	32,773	1,242	-	9,377,137
Marketing	1,067,884	-	-	-	1,067,884
Other post-employment benefit cost and net OPEB liability adjustment	(1,190,966)	-	-	-	(1,190,966)
Other	2,240,527	3,970	-	-	2,244,497
Total Operating Expenses	73,457,883	6,129,342	1,242	-	79,588,467
Income (Loss) from Operations	5,898,764	(3,651,342)	(1,242)	-	2,246,180
Nonoperating Revenues (Expenses):					
Interest income	1,225,108	637,151	-	-	1,862,259
Interest expense	(870,960)	(1,724,187)	-	-	(2,595,147)
Other	123,664	-	-	-	123,664
Total Nonoperating Revenues (Expenses)	477,812	(1,087,036)	-	-	(609,224)
Change in Net Position	6,376,576	(4,738,378)	(1,242)	-	1,636,956
Net Position, Beginning of Year	30,968,986	43,988,377	698,625	-	75,655,988
Net position, End of Year	**$ 37,345,562**	**$ 39,249,999**	**$ 697,383**	**$ -**	**$ 77,292,944**