22nd DISTRICT AGRICULTURAL ASSOCIATION AND ITS BLENDED COMPONENT UNITS

FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT

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22ND DISTRICT AGRICULTURAL ASSOCIATION AND ITS BLENDED COMPONENT UNITS

FINANCIAL REPORT

DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

22nd District Agricultural Association and its Blended Component Units
Attn: Michael Sadegh
2260 Jimmy Durante Blvd.
Del Mar, CA 92014

Report on the Financial Statements

Opinions

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, 2020, 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, 2020, 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 Opinions

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 opinions.

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.

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.

22nd District Agricultural Association and its Blended Component Units
Attn: Michael Sadegh
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Del Mar, CA 92014

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 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 January 16, 2023, 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

Brea, California
January 16, 2023

Overview

The 22nd District Agricultural Association (DAA) is a state agency that owns and operates the Del Mar Fairgrounds (Fairgrounds) on behalf of the State of California Department of Food & Agriculture, Branch of Fairs & Expositions. Operations are primarily funded by revenues generated through hosting both public and private events across three distinct properties: the 212-acre main campus known publicly as the Del Mar Fairgrounds, the 48-acre Surf & Turf Recreational Facilities campus, and the 64-acre equestrian center campus known as Del Mar Horsepark.

The DAA's main event is the San Diego County Fair (the Fair), which was canceled in 2020 due to the COVID-19 pandemic, along with the self-produced Del Mar National Horse Show, and nearly all other public and private events and activities. The COVID-19 pandemic resulted in significant disruption to the national, state and local economies, including cancellation of conventions, sporting events, musical events, fairs and other large gatherings, and significant declines in personal and business travel. California did not officially reopen until June 15, 2021.

The DAA was able to procure a loan pursuant to the Paycheck Protection Program "PPP" established by the federal government pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), which enabled the DAA to meet payroll and utility obligations incurred at the outset of the pandemic.

On June 29, 2020, Governor Newsom approved a Fiscal Year 2020-21 budget augmentation under AB 75 that included $40.3 million in General Fund support to be allocated by the California Department of Food and Agriculture for District Agricultural Associations and Cal Expo for those "Affected Fairgrounds" that were projected to have insufficient reserves to pay legally mandated costs incurred during the state civil service layoff process. The DAA received $8,720,304 in 2020. The layoff of permanent civil servant employees was completed on October 15, 2020. Ultimately, the number of permanent employees was reduced from 153 to 62 through retirements, transfers, and layoffs.

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, 2020. Please read this analysis in conjunction with the financial statements that follow this section.

This annual financial report includes three items:

1. Management's discussion and analysis.

2. Independent auditor's report.

3. Financial statements and supplemental schedules for the year ended December 31, 2019, including notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

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

Analysis of the Statement of Net Position

Current assets of the District, excluding the current portion of restricted investments, decreased due to impacts of the COVID-19 pandemic and loss of nearly all sources of income due to the bans on mass gatherings.

Current liabilities increased nearly $4 million due to the accumulation of operational expenses pending receipt of funding support from the California Department of Food and Agriculture.

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).

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:

Food and Beverage revenues were significantly impacted by the prohibition on mass gatherings as a result of the COVID-19 pandemic which resulted in the cancellation of the San Diego County Fair, the DAA’s largest revenue stream, and barring of spectators for horse racing meets.

Admissions revenues were significantly impacted by the prohibition on mass gatherings as a result of the COVID-19 pandemic which resulted in the cancellation of the San Diego County Fair, the DAA’s largest revenue stream, and a reduced, drive-through only ScreamZone event.

Facility Rentals were impacted by the prohibition on mass gatherings as a result of the COVID-19 pandemic which resulted in the cancellation of nearly all event activity until the Fall. Several promoters of events at the Fairgrounds were able to pivot their business model to offer a drive-through or drive-in event concept to the public including movies, concerts, and holiday lights.

Satellite Wagering revenues remained level in 2020 as nearly all college and professional sports except horse racing were not in operation, leaving only horse racing available to the wagering enthusiast. Though in-person wagering was barred due to the ban on mass gatherings, online wagering remained active during the pandemic period.

Leases/Operating Agreements: As a result of the COVID-19 pandemic, horse racing operations were significantly curtailed, impacting both the Premier Food Services and Del Mar Thoroughbred Club (DMTC) operating agreements. Spectators were barred from attending the 2020 Summer Race Meet due to pandemic-related restrictions, which in turn resulted in precipitous declines in concession revenues. Although the finances of the DMTC were materially and adversely impacted by the COVID-19 pandemic, DMTC was able to procure a loan pursuant to the Paycheck Protection Program (“PPP”) established by the federal government pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), which enabled DMTC to make timely Direct Payments and the required payment of Race Track Net Revenues to the DAA pursuant to DMTC’s operation of the Del Mar Race Track.

Cell tower leases were not impacted by the pandemic and continued to make timely payments to the DAA.

Surf and Turf recreation center is comprised of an RV park, driving range, miniature golf, tennis courts, swim school, volleyball centers, and a golf pro shop. Many of these activities are outdoors and were able to resume operations shortly after the start of the pandemic as recreational exemptions to the ban on mass gatherings. The RV lot was able to remain open throughout the pandemic, providing much needed housing for travelers stranded by the restrictions imposed on hotels or other short-term rental facilities.

Economic and Other Factors

Recruitment and retention: The District, as a state agency, falls under the purview of the California Department of Human Resources (CalHR). This department was created on July 1, 2012, under former Governor Jerry Brown's reorganization plan, which consolidated the Department of Personnel Administration with the State Personnel Board. CalHR sets all pay scales and administers health benefits for state employees.

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

Minimum wage: The state of California increased its minimum wage from $11.00 to $13.00 on January 1, 2020. 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 District for pension contributions for its tier one employees decreased in July 2020 to 29.37**%,** down from 31.817% for the fiscal year 2019/2020.

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

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

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

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

In October 2017, AB 1499 was signed 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 fair. Three-fourths of 1% of the state sales tax generated would be allocated to fairs for specific fair projects and subject to certain conditions. The details of how these funds will be distributed are still being discussed. Under AB 1499, a fair will not receive any funds unless it agrees to relinquish its recreational exemption under the Fair Labor Standards Act.

Other matters pending: With the decline in attendance and revenue from off-track wagering, the District considered alternative uses for a large portion of its 90,000 square-foot satellite wagering facility. This repurposing will include a small entertainment venue and eating areas. The renovation began in 2019, and the concert 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, is now anticipated in 2021.

STATEMENT OF NET POSITION
DECEMBER 31, 2020

Assets	
Current Assets	
Cash and cash equivalents	$ 10,186,780
Current portion of restricted investments	12,245
Accounts receivable, net	5,328,849
Prepaid expenses and other	481,065
Total Current Assets	16,008,939
Restricted investments, long-term portion	3,297,136
Capital assets, net	125,839,259
Total Assets	145,145,334
Deferred outflow of resources:	
Deferred outflow of pension liability	6,045,944
Deferred OPEB	271,503
Total Deferred Outflow of Resources	6,317,447
Total Assets and Deferred Outflow of Resources	**$ 151,462,781**

See Notes to Financial Statements.

STATEMENT OF NET POSITION
DECEMBER 31, 2020

Liabilities, Deferred Inflow of Resources and Net Position

Current Liabilities	
Accounts payable	$ 3,447,394
Accrued interest	888,993
Accrued liabilities and other	7,850,418
Accrued compensated absences	1,361,085
Current portion of other long-term liabilities	1,239,790
Current portion of loan payable	957,706
Current portion of bonds payable	1,380,000
Total Current Liabilities	17,125,386
Other long-term liabilities	2,164,134
Other long-term debt	1,800,000
Loan payable, long-term portion	25,626,019
Bonds payable, long-term portion	39,051,452
Net pension liability	33,432,199
Net OPEB liability	7,149,406
Total Long-Term Liabilities	109,223,210
	126,348,596
Deferred inflow of resources:	
Deferred gain on debt defeasance	274,319
Deferred inflow of pension liability	1,046,457
Deferred inflow on OPEB	1,019,555
Total Deferred Inflow of Resources	2,340,331
Net position:	
Net investment in capital assets	40,745,619
Restricted for debt service	6,629,266
Unrestricted	(24,601,031)
Total Net Position	22,773,854
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 151,462,781

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020

Operating revenues:	
Food and beverage	$ 1,470,197
Admissions	588,982
Facility rentals	3,242,922
Satellite wagering	540,835
Parking	501,972
Leases/operating agreement	2,565,457
Surf and Turf	2,679,168
Sponsorships	57,034
State apportionment	12,597,675
Other	1,022,223
Total operating revenues	25,266,465
Operating expenses:	
Payroll and related benefits, excluding pension cost	14,745,553
Pension cost	4,624,905
Food and beverage	2,517,909
Entertainment	57,406
Maintenance	5,270,290
Facilities and related supplies	1,049,571
Insurance	1,140,617
Depreciation	7,090,919
Professional services	741,562
Marketing	229,814
Other post-employment benefit cost	2,754,273
Other	352,955
Total operating expenses	40,575,774
Loss from operations	(15,309,309)
Nonoperating revenues (expenses):	
Interest income	127,497
Interest expense	(2,646,213)
Other	108,095
Total nonoperating revenues (expenses)	(2,410,621)
Change in net position	(17,719,930)
Net position, beginning of year	40,493,784
Net position, end of year	$ 22,773,854

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	
Receipts from operations	$ 20,595,897
Payments to vendors	(9,931,536)
Payments to employees	(15,840,646)
Net cash provided by (used in) operating activities	(5,176,285)
Cash flows from capital and related financing activities:	
Purchases of capital assets	(9,510,600)
Payments on long-term debt	(2,266,815)
Proceeds on long-term debt	1,250,000
Interest paid on long-term debt	(3,036,894)
Net cash provided by (used in) capital and related financing activities	(13,564,309)
Cash flows from investing activities:	
Sales of investments	3,319,885
Interest income	235,592
Net cash provided by (used in) investing activities	3,555,477
Net decrease in cash and cash equivalents	(15,185,117)
Cash and cash equivalents, beginning of year	25,371,897
Cash and cash equivalents, end of year	$ 10,186,780
Reconciliation of loss from operations to net cash provided y operating activities:	
Loss from operations	$ (15,309,309)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation	7,090,919
Changes in assets and liabilities:	
Accounts receivable, net	(4,670,568)
Prepaid expenses and other	268,904
Accounts payable	1,159,684
Accrued liabilities and other	3,161,593
Accrued compensated absences	(1,633,837)
OPEB liability	2,754,273
Net pension liability	2,002,056
Net cash provided by (used in) operating activities	$ (5,176,285)
Noncash disclosure of capital and related financing activities:	
Amortization of bond premium	$ 185,028

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, supervises the activities of the DAA.

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

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

In addition, the RTA is included as part of the reporting entity as a blended component unit in the financial statements because it also meets the aforementioned criteria. The RTA is a joint powers authority created in August 1990 by a joint exercise of powers agreement between the RTLC and the 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 as of December 31, 2019, relate to the Series 2015 Revenue Bonds (Series 2015 Bonds) as discussed in Note 4. Restricted investments are reported at fair value. As defined in GASB Statement No. 72, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains and losses are reported in the statement of revenues, expenses and changes in net position. Interest and dividend income is recognized when earned.

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

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

Capital assets: Capital assets are recorded at cost less accumulated depreciation, or acquisition value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Useful lives range from 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, 2020.

Interest cost on borrowed funds during the period of construction of capital assets was expensed when incurred for the year ended December 31, 2020.

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

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

Compensated absences: The District's compensated absences policies are set by the California Department of Human Resources. Employees who elect annual leave or vacation leave will be allowed to accumulate up to a maximum of 640 hours of leave as of January 1 of each year. Exceptions to this limit will not be allowed except in extremely unusual situations

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

and must be approved in advance by the director of the California Department of Human Resources. Upon separation or retirement, employees with accrued annual leave and vacation leave will receive a lump-sum payment at their current salary rate for their accumulated credits. Sick leave has no maximum accrual limit and can be converted to service credit upon retirement.

Compensated absences activity for the year ended December 31, 2020, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 2,994,922	$ 297,909	$ (1,931,746)	$ 1,361,085	$ 1,361,085

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, 2020.

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.

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

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

- Food and beverage revenue is recognized at the time of sale.
- Concessions/carnivals revenue consists of space rentals at the fair and ticket sales for carnival attractions. Revenue from space rentals is recognized when earned and revenue from ticket sales is recognized when the tickets are available to be used.
- Admissions revenue consists of ticket sales to events at the Fairgrounds and is recognized when the tickets are available to be used.
- Facility rentals revenue consists primarily of stall and arena rentals at the Horsepark and facility rentals for the various events presented on the Fairgrounds. Revenue is recognized over the term of the rental contract.
- Satellite wagering revenue primarily consists of the District's share of off-track betting proceeds, which is recognized when the races occur at tracks around the world.
- Parking revenue consists of charges for parking spaces at the District and is recognized immediately after spaces are used.
- Leases/operating agreement revenue primarily consists of payments from the Del Mar Thoroughbred Club (DMTC) according to the operating agreement (see Note 8). Revenue from the direct payment (as defined in the operating agreement) is recognized pro rata over the year that the payment applies and remaining revenue charged is recognized when the net income of the DMTC is reported.
- Surf and Turf revenue consists of revenue from the driving range, pro shop, tennis club, recreational vehicle (RV) lot and miniature golf. Revenue is recognized from these goods and services at the point of sale.
- Sponsorship revenue consists of sponsorship contracts for various events at the Fairgrounds. Revenue is recognized over the term of the sponsorship agreement.
- Other revenue consists of a variety of miscellaneous revenue accounts, including food and beverage revenue received from Premier Food Services, Inc. (Premier) generated by the Breeders Cup, ATM fees, interest income, RV pumping fees, recycling, miscellaneous exhibit fees and event entry fees.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, allowance for uncollectible receivables and assumptions used in the determination of pension liability.

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

Implementation of accounting pronouncements:

In January 2017, the GASB issued GASB Statement No. 84, Fiduciary Activities. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. The provisions of this statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the effect of GASB Statement No. 84 on the District's financial statements.

In June 2017, the GASB issued GASB Statement No. 87, Leases. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provision of the contract. The provisions of this statement are effective for reporting periods beginning after June 15, 2021. Management has not yet determined the effect of GASB Statement No. 87 on the District's financial statements.

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

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

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

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

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

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

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

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

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

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

Note 2: Condensed Financial Information

The following is the condensed combining detail for the statement of net position as of December 31, 2020:

	DAA	RTLC	RTA	Eliminations	Total
Current assets	$ 15,344,490	$ 700,000	$ (35,551)	$ -	$ 16,008,939
Restricted investments, long-term portion	-	-	3,297,136	-	3,297,136
Capital assets, net	43,944,960	-	81,894,299	-	125,839,259
Total assets	59,289,450	700,000	85,155,884	-	145,145,334
Deferred outflow of resources	6,317,447	-	-	-	6,317,447
Current liabilities	15,029,050	-	2,096,336	-	17,125,386
Long-term liabilities	70,171,758	-	39,051,452	-	109,223,210
Total liabilities	85,200,808	-	41,147,788	-	126,348,596
Deferred inflow of resources	2,066,012	-	274,319	-	2,340,331
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	(27,632,088)	700,000	2,331,057	-	(24,601,031)
Total net position	$ (21,659,923)	$ 700,000	$ 43,733,777	$ -	$ 22,773,854

The following is the condensed combining detail for the statement of revenues, expenses and changes in net position for the year ended December 31, 2020:

	DAA	RTLC	RTA	Eliminations	Total
Operating revenues:					
Operating revenues	$ 24,566,465	$ 700,000	$ -	$ -	$ 25,266,465
Operating expenses:					
Operating expenses	33,925,795	-	6,649,979	-	40,575,774
(Loss) income from operations	(9,359,330)	700,000	(6,649,979)	-	(15,309,309)
Nonoperation (expenses) revenues:					
Nonoperation (expenses) revenues	(707,378)	(156)	(1,703,087)	-	(2,410,621)
Changes in net position before transfers	(10,066,708)	699,844	(8,353,066)	-	(17,719,930)
Transfers in	-	-	1,555,014	(1,555,014)	-
Transfers out	(855,014)	(700,000)	-	1,555,014	-
Changes in net position	(10,921,722)	(156)	(6,798,052)	-	(17,719,930)
Net position, beginning of year	(10,738,201)	156	51,231,829	-	40,493,784
Net position, end of year	$ (21,659,923)	$ -	$ 44,433,777	$ -	$ 22,773,854

The following is the condensed combining detail for the statement of cash flows for the year ended December 31, 2020:

	DAA	RTLC	RTA	Total
Net cash provided by (used in) operation activities	$ (4,638,418)	$ (157)	$ (497,442)	$ (5,136,017)
Net cash provided by (used in) capital and related financing activities	(9,907,200)	-	(3,657,109)	(13,564,309)
Net cash provided by (used in) investing activities	230,392	1	3,325,084	3,555,477
Cash and cash equivalents, beginning of year	24,607,038	156	764,703	25,371,897
Cash and cash equivalents, end of year	$ 10,291,812	$ -	$ (64,764)	$ 10,227,048

Note 3: Joint Exercise of Power Agreements

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

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

The joint exercise of powers agreement expires on December 31, 2040. The District had no interest in CCA's assets or liabilities at December 31, 2020.

CCA projects during 2020 included the replacement of Exhibit Hall roof, renovation of the satellite wagering facility, and improvement of water quality. Costs incurred for these projects during the year ended December 31, 2020, 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, 2020:

Cash on hand	$ 600
Cash in banks	6,792,812
LAIF	3,393,368
Cash and cash equivalent	10,186,780
Restricted investments, money market accounts	3,309,381
Total cash and cash equivalents, and restricted investments	$ 13,496,161

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

Cash and cash equivalents, and restricted investments are summarized on the financial statements as follows at December 31, 2020:

Cash and equivalents	$ 10,227,048
Current portion of restricted investments	12,245
Long-term portion of retricted investments	3,297,136
	$ 13,536,429

The California State Treasury makes available LAIF through which local governments may pool investments. Each governmental entity may invest up to $40,000,000 in the fund. The District is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Investments included in LAIF include primarily debt securities, including treasuries, commercial paper and agency debt, but also include real estate structured notes and asset-backed securities. As of December 31, 2020, the District had $3,393,368 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 $12,245 is restricted for bond projects only. Funds are distributed once a month upon the District's request to pay bond-project invoices. The long-term portion of restricted investments in the amount of $3,297,136 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.

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.

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

Custodial credit risk, bank deposits: The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District maintains its cash balances at California Bank & Trust and California Infrastructure Economic Development Bank (IBank). These deposits are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2020, $6,933,150 of the District's bank balance of $7,683,150 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, 2020, 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, 2020, are summarized as follows:

Accounts receivable	$ 5,740,283
Less allowance for doubtful accounts	(411,434)
Accounts receivable, net	$ 5,328,849

Note 6: Capital Assets

A summary of changes in capital assets, net, for the year ended December 31, 2020, 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	26,140,125	9,365,716	-	(4,761,155)	30,744,686
Total capital assets not being depreciated	32,462,458	9,365,716	-	(4,761,155)	37,067,019
Capital assets being depreciated:					
Building and improvements	184,329,934	200	-	4,691,648	189,021,782
Equipment and fixtures	37,781,388	83,874	-	69,507	37,934,769
Land improvements	28,628,756	60,810	-	-	28,689,566
Total capital assets being depreciated	250,740,078	144,884	-	4,761,155	255,646,117
Less accumulated depreciation and amortization:					
Building and improvements	(111,617,799)	(4,757,921)	-	-	(116,375,720)
Equipment and fixtures	(32,642,733)	(1,116,477)	-	-	(33,759,210)
Land improvements	(15,522,426)	(1,216,521)	-	-	(16,738,947)
	(159,782,958)	(7,090,919)	-	-	(166,873,877)
Net capital assets being depreciated	90,957,120	(6,946,035)	-	4,761,155	88,772,240
Total capital assets, net	$ 123,419,578	$ 2,419,681	$ -	$ -	$ 125,839,259

Note 7: Long-Term Debt

Long-term debt activity during the fiscal year ended December 31, 2020, is as follows:

	Beginning Balance	Additions	Payments	Amortization of Premium	Ending Balance	Due Within One Year
Series 2015 Revenue Bonds	$ 39,850,000	$ -	$ (1,335,000)	$ -	$ 38,515,000	$ 1,380,000
2015 Unamortized Premium	2,101,480	-	-	(185,028)	1,916,452	-
2019 Energy Efficiency Loan	3,769,883	-	(164,021)	-	3,605,862	168,122
2018 IBank Loan	8,545,657	-	(364,974)	-	8,180,683	375,923
2019 IBank Loan	15,000,000	-	(302,820)	-	14,697,180	313,661
Total Long-Term Debt	$ 69,267,020	$ -	$ (2,166,815)	$ (185,028)	$ 66,915,177	$ 2,237,706

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 $274,319 at December 31, 2020. 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, 2020, are as follows:

Years Ending December 31,	Principal	Interest	Total
2021	$ 1,380,000	$ 1,912,200	$ 3,292,200
2022	1,435,000	1,857,000	3,292,000
2023	1,510,000	1,785,250	3,295,250
2024	1,585,000	1,709,750	3,294,750
2025	1,665,000	1,630,500	3,295,500
2026-2030	9,650,000	6,818,500	16,468,500
2031-2035	12,320,000	4,151,750	16,471,750
2036-2038	8,970,000	912,250	9,882,250
	$ 38,515,000	$ 20,777,200	$ 59,292,200

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, 2020, the total principal and interest remaining to be paid on the bonds is $59,292,200. The next interest and principal payments for the Series 2015 Bonds are due on April 1, 2021, and October 1, 2021, 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, 2020, the District held $3,297,136 in a reserve fund for the debt reserve requirement. Pledged revenues are deposited monthly into the bond fund accounts in a specific order and certain minimum balances are maintained, as indicated by the Indenture. At December 31, 2021, the District held an additional $2,940,326 in a reserve fund to be used for the two interest payments in April 2021 and October 2021, and one principal payment in October 2021 on the debt for the following year.

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 2020 bond year on December 27, 2020.

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

Future scheduled principal and interest payments as of December 31, 2020, are as follows:

Years Ending December 31,	Principal	Interest	Total
2021	$ 375,923	$ 245,420	$ 621,343
2022	387,201	234,143	621,344
2023	398,817	222,527	621,344
2024	410,781	210,562	621,343
2025	423,105	198,239	621,344
2026-2030	2,313,710	793,008	3,106,718
2031-2035	2,682,223	424,494	3,106,717
2036-2037	1,188,923	53,765	1,242,688
	$ 8,180,683	$ 2,382,158	$ 10,562,841

Note 7: Long-Term Debt (Continued)

2019 IBank loan: On May 1, 2019, the District entered into an installment sale agreement with IBank. The total amount borrowed from IBank was $15,000,000. The interest rate is 3.58% per annum, which includes the annual fee of 0.30% of the outstanding principal balance. The 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 of $810,794 and $14,513 are due on August 1, 2048.

Years Ending December 31,	Principal	Interest	Total
2021	$ 313,661	$ 526,159	$ 839,820
2022	324,890	514,930	839,820
2023	336,522	503,299	839,821
2024	348,569	491,251	839,820
2025	361,048	478,773	839,821
2026-2030	2,008,628	2,190,474	4,199,102
2031-2035	2,394,854	1,804,248	4,199,102
2036-2040	2,855,345	1,343,757	4,199,102
2041-2045	3,404,381	794,721	4,199,102
2046-2048	2,349,282	170,180	2,519,462
	$ 14,697,180	$ 8,817,792	$ 23,514,972

2019 Energy Efficiency: In May 2019, the District entered into an Energy Efficiency Loan with California Department of General Services (DGS). DGS is a state agent that offers low interest loans. The total amount borrowed from DGS was $3,769,883. The interest rate is 2.50% per annum. The principal and interest payments start on May 1, 2021. The money was borrowed to upgrade air handling units, interior and exterior lighting and residential appliances. The money was also used to replace kitchen equipment and repair duct leakage, RCx HVAC units and DHW look controls. Furthermore, funds were used to install variable frequency drives (VFD) on condenser water pumps. The Project's estimated completion date is no later than December 31, 2020.Final principal and interest payments are due on April 1, 2038.

Years Ending December 31,	Principal	Interest	Total
2021	$ 168,122	$ 90,147	$ 258,269
2022	172,324	85,944	258,268
2023	176,633	81,635	258,268
2024	181,048	77,220	258,268
2025	185,575	72,693	258,268
2026-2030	999,827	291,513	1,291,340
2031-2035	1,131,213	160,127	1,291,340
2036-2039	591,120	25,920	617,040
	$ 3,605,862	$ 885,199	$ 4,491,061

Note 8: Operating Leases and Agreements

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

Revenues associated with the DMTC operating agreement totaled $1,925,000 for the year ended December 31, 2020. Included in the revenue associated with the DMTC operating agreement are the direct payment amounts noted below:

- Direct payment of $1,225,000 per year to the District, to be used by the District for the annual fair or other authorized purpose.
- Basic payment equal to final net earnings less the sum of (1) any amount in excess of funds available to DMTC, which, subject to the approval of the District, is sufficient to pay or provide for projected operating capital from January 1 through to the commencement of the next race meet, and (2) the direct payment amount. The basic payment totaled $700,000 for the year ended December 31, 2020.

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

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

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

Premier Food Services, Inc.: In 2014, Premier was acquired by SMG and kept the name Premier Food Services, Inc. (Premier). The existing management agreement was assumed by SMG. Management fees related to this contract were $166,000 for the year ended December 31, 2020. The District has a management agreement granting the use of food and beverage services equipment to Premier. During 2011, through a competitive bidding process, a new four-year contract was awarded to Premier with up to two additional three-year terms upon approval of the District. This original contract was set to expire on December 31, 2015; however, on August 26, 2015, the District approved and renewed the contract for another three-year term.

On November 14, 2018, the District approved and renewed the contract for a third three-year term plus an additional five years. The new contract is set to expire on December 31, 2026. Per the new agreement, the District retains control over the operations. The daily gross receipts are deposited in the name and interest of the District and the District reimburses Premier for all reimbursable costs, as defined in the agreement, and pays a management fee equal to 12.50% of all net profits from the food and beverage operation. Furthermore, the District, in cooperation with Premier/SMG, obtained a $2 million capital investment to convert the satellite wagering facility to include a music and entertainment venue. Premier agreed to provide event and entertainment booking and production company services, acceptable to and in compliance

Note 8: Operating Leases and Agreements (Continued)

with specific terms and conditions requested by the District. In consideration of its $2 million capital investment, Premier and the District have agreed on a five-year extension of the agreement from December 31, 2021, to December 31, 2026, with an additional five-year mutual option and with new terms and conditions specifically relating to the operation of the Del Mar Satellite Wagering Facility to include a music and entertainment venue. The payment of $2 million shall be made to the District in two installments as follows: $750,000 on or before December 31, 2018, and the balance of $1,250,000 on January 3, 2020. The District agrees to pay annually to Premier 30.00% of net profits from the music and entertainment events conducted at the SSRP Music and Entertainment Venue or $100,000, whichever is greater, until such payments equal $2 million. Activity relating to this new agreement is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Premier Investment Liability	$ 750,000	$ 1,250,000	$ (100,000)	$ 1,900,000	$ 100,000

Other: The District owns a recreational park that is operated by an unrelated management company. Under the terms of the management agreement, the District recognized net revenue of $128,883 for the year ended December 31, 2020.

Note 9: Other Liabilities

Activity of other liabilities during the fiscal year ended December 31, 2020, is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Senate Bill 84 liability (Note 10)	$ 3,403,924	$ -	$ -	$ 3,403,924	$ 1,239,790
Total other liabilities	$ 3,403,924	$ -	$ -	$ 3,403,924	$ 1,239,790

Restoration and monitoring activities: The District has incurred an obligation under consent orders with the California Coastal Commission to restore specific areas of its property and engage a third party to monitor the restoration through 2020. The District made the final installation payment of $67,918 for this liability during the year 2018 and there is no remaining balance due as of December 31, 2019. Such estimates could change based on variability in projected costs and other factors, including the ultimate approval of the restoration by the California Coastal Commission. Maintenance costs are expected to be incurred through 2020.

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

Note 10: Public Employees' Retirement System

Plan description: The District participates in the state of California—Miscellaneous Plan, an agent multiple-employer defined benefit pension plan (the Plan) administered by CalPERS. The Plan, part of the public agency portion of CalPERS, acts as a common investment and administrative agent for participating member agencies within the state of California. A menu of benefit provisions, as well as other requirements, is established by state statutes within the

Note 10: Public Employees' Retirement System (Continued)

Public Employees' Retirement Law. The state of California selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained by contacting the CalPERS Fiscal Services Division.

Benefits provided: All employees who work half-time or more are eligible to participate in the Plan. CalPERS provides retirement, death, disability and survivor benefits. Vesting occurs after five years. The benefit provisions are established by the Public Employees' Retirement Law and the Public Employees' Pension Reform Act of 2013, and are summarized in Appendix B of the state's June 30, 2019, Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2019-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, 2020, was 10% for the skilled craftsmen and 8% for all other employees. The employer contribution rate for the year ended December 31, 2020, was 30.977% for State Miscellaneous Member employees. The required contributions and the amount paid by the District for the year ended December 31, 2019, was $3,742,147. The District's employer contributions were equal to the required employer contributions for the year ended December 31, 2020.

Note 10: Public Employees' Retirement System (Continued)

Pension liability: At December 31, 2020, the District reported a net pension liability of $33,432,199 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019. The District's portion of the net pension liability was based on a projection of the District's pensionable compensation relative to the pensionable compensation of all participating employers, as determined by CalPERS. At June 30, 2019, the District's proportion was 0.0940%, which was an increase of 0.00283% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized pension expense of $2,002,056. At December 31, 2020, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Changes of assumptions	$ 1,408,335
Difference between expected and actual experience	1,754,387
District contributions subsequent to the measurement date	2,883,222
	$ 6,045,944

At December 31, 2020, the District reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 248,964
Difference between expected and actual experience	96,176
Changes of assumptions	701,317
	$ 1,046,457

The amount reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date totaled $2,883,222 and will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. 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,	
2021	$ 1,921,927
2022	(341,102)
2023	387,276
2024	148,164
	$ 2,116,265

Note 10: Public Employees' Retirement System (Continued)

Actuarial methods and assumptions: The total pension liability was measured as of June 30, 2019 (measurement date), by rolling forward the total pension liability determined by the June 30, 2018, actuarial valuation (valuation date), based on the actuarial assumptions shown in the table below:

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal in accordance with the requirements
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality	Derived using CalPERS' Membership data for all funds
Post-retirement benefit adjustments(COLA)	Contract COLA up to 2.50% until the purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

(1) 1The mortality table used was developed based on CalPERS-specific data. 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 CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

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

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

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

Note 10: Public Employees' Retirement System (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-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 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 1-10 (2)	Real Return Years 11+ (3)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	100.0%		

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

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

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

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

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

Note 10: Public Employees' Retirement System (Continued)

Sensitivity of the District's proportionate share of the state's net pension liability to changes in the discount rate: The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
District's propotionate share of the net pension liability	$ 47,637,212	$ 33,432,199	$ 21,532,989

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

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

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

Years Ending December 31,	
2021	$ 1,239,790
2022	619,895
2023	619,895
2024	924,344
	$ 3,403,924

The CDFA is currently seeking confirmation regarding the total obligation as well as the process and timing on how and when these payments (including interest expense) are to be made as it is unclear at this time. Once the CDFA has additional information, it will provide the DAA further guidance regarding its specific obligation. Therefore, the District has recorded the 2020 obligation to be due in 2021.

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.

General information about the OPEB plan:

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

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

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

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

The District has voluntarily opted for a funding policy under which it will contribute 100% of its actuarially determined annual required contribution. Contributions to the OPEB Plan from the District for the year ended December 31, 2020, was $148,972.

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

California state employees covered by benefit terms: At December 31, 2020, the following California state employees for each respective valuation group were covered by the benefit terms:

	Exempt Excluded Executive (EEE)	Service Employees International Union (SEIU)	Craft and Maintenace (BU12)	Stationary Engineers (BU13)
Inactive employees or beneficiaries currently receiving benefit payments	6,630	113,525	12,801	979
Active employees	3,873	72,935	10,166	928
	10,503	186,460	22,967	1,907

OPEB liabilities, OPEB expense and deferred outflows of resources related to OPEB: The District's net OPEB liability was $7,149,406 at December 31, 2020. The District's net OPEB liability was measured as of June 30, 2020, 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, 2020, the District recognized OPEB expense of $2,754,273 and included in wages, benefits and taxes on the statement of revenues, expenses and changes in net position.

At December 31, 2020, the District reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,472	$ 593,162
Change of assumptions	259,581	425,910
Net difference between projected and actual earnings on OPEB Plan investment	2,823	483
Contributions subsequent to the measurement date	7,627	-
	$ 271,503	$ 1,019,555

Of the total amount reported as deferred outflows related to OPEB, $7,627 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31,	
2021	$ (185,934)
2022	(190,165)
2023	(156,234)
2024	(81,858)
Thereafter	(141,488)
	$ (755,679)

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

Actuarial assumptions: The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2020
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 6.75% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 2.45%
Amortization period	Five years
Asset valuation method	Market value of assets as of the measurement date
Inflation	2.25%
Salary increases	Varies by entry and service
Investment rate of return	6.75% net of OPEBn plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for years 2028 through 2036, then to 4.25% for 2037 and thereafter Post-Medicare coverage: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for years 2028 through 2036, then to 4.25% for 2037 and thereafter Dental coverage: 0.00% for 2021, 2.00% for 2022, 3.00% for 2023, 4.00% for 2024, and 4.25% for 2025 and thereafter
Mortality rate table	Derived using CalPERS' membership data for all members.

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 90% Scale MP 2016. For more details on this table, refer to the 2017 CalPERS Experience Study and Review of Actuarial Assumptions report (the Experience Study) for the period from 1997 to 2015. Other demographic assumptions used in the June 30, 2020, valuation were also based on the results of the 2017 Experience Study, including updates to termination, disability, and retirement rates. The 2017 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) returns were calculated over a closed period. Based on separate expected nominal returns for the short-term (first 10 years) and the long-term (11-40 years), and an average inflation assumption of 2.25%, a single expected nominal return rate of 6.75% was calculated for the combined short-term and long-term periods. If applied to expected cash flows during that period, the resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

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

As of December 31, 2020, the long-term expected real rate of return for each major asset class in the Plan's portfolio are as follows:

Investment Class	Target Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global equity	59.0%	4.80%	5.98%
Fixed income	25.0%	1.10%	2.62%
Treasury inflation-protected securities	5.0%	0.25%	1.46%
Real estate investment trusts	8.0%	3.50%	5.00%
Commodities	3.0%	1.50%	2.87%
	100.0%		

Gabriel, Roeder, Smith & Company used an expected inflation rate of 1.75% for the real return rates in years 1-10 and 2.67% for the real return rates in years 11-40.

In the fiscal year 2019-20, 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 discount rate used to measure the total OPEB liability was 6.75%. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarially determined normal costs are shared between employees and the state will continue and that the required contributions will be made on time in future years. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2020, on the state controller's office website, at www.sco.ca.gov.

Sensitivity of the net OPEB liability to changes in the discount rate: The following table presents the net OPEB liability of the District as of the measurement date, calculated using the discount rate for the District, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	$ 8,447,050	$ 7,149,406	$ 6,115,063

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

	Health Care Cost Trend Rate 1% Decrease (5.75%, Decreasing to 3.50%)	Health Care Cost Trend Rate (6.75%, Decreasing to 4.50%)	Health Care Cost Trend Rate 1% Increase (7.75%, Decreasing to 5.50%)
Net OPEB liability	$ 6,275,306	$ 7,149,406	$ 8,274,756

Note 12: Deferred Compensation

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

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

Note 13: Contingencies

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

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

Note 14: Subsequent Events

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

The DAA received approximately $20.1 million of COVID relief funds from the State of California in 2021. Approximately $9.6 million was allocated to Calendar year 2021 and approximately $10.5 million was allocated to calendar year 2022.

Note 14: Subsequent Events (Continued)

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

In 2021, the DAA held a small summer event from June 11, 2021 to July 4, 2021, which 272,000 guests attended this event. The DAA booked and held many smaller events during quarter 2 of 2021. In addition, DMTC held its annual summer race meet with a total attendance of approximately 240,000 over 31 racing days. Del Mar Race Track also served as the host for the 2021 Breeder's Cup, with an attendance of approximately 47,000 over two racing days.

In 2022, the DAA resumed its pre-pandemic business model and fully operated its 2022 county fair, starting on June 8, 2022, ending on July 4, 2022, which 974,000 guests attended this event. The DAA anticipates to fully book and hold events during non-fair and non-racing weekends at the fair rounds.

REQUIRED SUPPLEMENTARY INFORMATION

THE 22ND DISTRICT AGRICULTURAL ASSOCIATION
AND ITS BLENDED COMPONENTS

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

	2016	2017	2018	2019	2020
District's proportion of net pension liability	0.09858%	0.09487%	0.09378%	0.09378%	0.99400%
District's proportionate share of net pension liability	23,470,069	31,413,325	34,264,531	30,334,441	33,432,199
District's covered-employee payroll	$ 10,421,064	$ 10,615,325	$ 10,871,062	$ 11,833,133	$ 12,512,491
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	225.22%	295.92%	315.19%	256.35%	267.19%
Plan's fiduciary net position as a percentage of total pension liability	74.17%	66.81%	66.42%	71.83%	71.34%

(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 five years are shown.

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

	2016	2017	2018	2019	2020
Actuarially Determined Contribution	$ 2,543,143	$ 2,771,056	$ 3,096,513	$ 3,508,797	$ 3,742,147
Contribution in Relation to the Actuarially Determined Contribution	(2,543,143)	(2,771,056)	(3,096,513)	(3,508,797)	(3,754,675)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ (12,528)
Covered Payroll	$ 10,421,064	$ 10,615,325	$ 10,871,062	$ 11,833,133	$ 12,512,491
Contributions as a Percentage of Covered Payroll	24.40%	26.10%	28.48%	29.65%	30.01%

(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 five years are shown.

Note to Schedule:

Valuation Date:	June 30, 2019
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Asset valuation method	Direct rate smoothing
Inflation	2.625%
Payroll Growth	2.875%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.25% (net of administrative expenses)
Retirement Age	All other actuarial assumptions used in the June 30, 2019 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 mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90 percent of Society of Actuaries' Scale 2016. For more details on this table, please refer to the 2017 experience study report.

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
Total OPEB Liability			
Service cost	$ 13,340	$ 155,433	$ 2,596,178
Interest on the total OPEB liability	15,744	181,065	258,346
Differences between expected and actual experience	(32,592)	(87,443)	(213,866)
Changes of assumptions	(15,186)	175,087	94,221
Benefit payments	(10,649)	(130,860)	(209,926)
Net change in total OPEB liability	**(29,343)**	**293,282**	**2,524,953**
Total OPEB liability - beginning	**393,881**	**4,447,534**	**4,740,816**
Total OPEB liability - ending (a)	**364,538**	**4,740,816**	**7,265,769**
Plan Fiduciary Net Position			
Employer PayGO contributions	10,649	130,860	209,926
Employer prefunding contributions	754	13,471	36,868
Active member contributions	754	13,471	36,868
Net investment income	93	2,225	2,347
Benefit payments	(10,656)	(130,860)	(209,926)
Administrative expense	(1)	(5)	(35)
Other	1,594	-	-
Net change in plan fiduciary net position	**1,593**	**29,161**	**76,048**
Plan fiduciary net position - beginning	**901**	**11,154**	**40,315**
Plan fiduciary net position - ending (b)	**$ 2,494**	**$ 40,315**	**$ 116,363**
District's net OPEB Liability - ending (a) - (b)	**$ 362,044**	**$ 4,700,501**	**$ 7,149,406**
Plan fiduciary net position as a percentage of the total OPEB liability	0.68%	0.85%	1.60%

(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
Actuarially Determined Contribution	$ 19,101	$ 225,512	$ 332,433
Contribution in Relation to the Actuarially Determined Contributions	(11,403)	(57,274)	(248,024)
Contribution Deficiency (Excess)	$ 7,698	$ 168,238	$ 84,409
Expected return on assets	$ 72	$ 160	$ 1,122
Percentage of ADC made by employer	60%	25%	74.61%

(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, 2020
Actuarial Cost Method	Entry Age Normal
Discount Rate	6.75%
General Inflation	2.25%
Payroll Growth	Varies by age and service
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 Experience Study; Mortality Improvement - Mortality projected fully generational with Scale MP-
Medical Trend	Pre-Medicare - 7.50% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% through 2036 then to 4.25% for years later Post-Medicare - 7.50% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% through 2036 then to 4.25% for years later Dental - 0.01% for 2020 and 4.50% for 2021 through 2036, then 4.25% thereafter

SUPPLEMENTARY INFORMATION

SUPPLEMENTAL SCHEDULE - FAIR REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2020

Operating revenues:	
Food and beverage	$ 1,470,197
Admissions	588,982
Facility rentals	3,242,922
Parking	501,972
Sponsorships	57,034
Other	1,022,223
Total revenues	6,883,330
Operating expenses:	
Payroll and related benefits, excluding pension cost	14,745,553
Food and beverage	2,517,909
Entertainment	57,406
Maintenance	5,270,290
Facilities and related supplies	1,049,571
Insurance	1,140,617
Depreciation	7,090,919
Professional services	741,562
Marketing	229,814
Other	352,955
Total expenses	33,196,596
Fair revenues over expenses	$ (26,313,266)

COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2020

	DAA	RTA	RTLC	Eliminations	Total
Assets and Deferred Outflow of Resources					
Current Assets					
Cash and cash equivalents	$ 10,251,544	$ (64,764)	$ -	$ -	$ 10,186,780
Current portion of restricted investments	-	12,245	-	-	12,245
Accounts receivable, net	4,628,849	-	700,000	-	5,328,849
Prepaid expenses and other	464,097	16,968	-	-	481,065
Total Current Assets	15,344,490	(35,551)	700,000	-	16,008,939
Restricted investments, long-term portion	-	3,297,136	-	-	3,297,136
Capital assets, net	43,944,960	81,894,299	-	-	125,839,259
Total Assets	59,289,450	85,155,884	700,000	-	145,145,334
Deferred outflow of resources:					
Deferred outflow of pension liability	6,045,944	-	-	-	6,045,944
Deferred OPEB	271,503	-	-	-	271,503
Total Deferred Outflow of Resources	6,317,447	-	-	-	6,317,447
Total Assets and Deferred Outflow of Resources	**$ 65,606,897**	**$ 85,155,884**	**$ 700,000**	**$ -**	**$ 151,462,781**
Liabilities, Deferred Inflow of Resources and Net Position					
Current Liabilities					
Accounts payable	$ 3,405,265	$ 42,129	$ -	$ -	$ 3,447,394
Accrued interest	410,186	478,807	-	-	888,993
Accrued liabilities and other	7,655,018	195,400	-	-	7,850,418
Accrued compensated absences	1,361,085	-	-	-	1,361,085
Current portion of other long-term liabilities	1,239,790	-	-	-	1,239,790
Current portion of loan payable	957,706	-	-	-	957,706
Current portion of bonds payable	-	1,380,000	-	-	1,380,000
Total Current Liabilities	15,029,050	2,096,336	-	-	17,125,386
Other long-term liabilities	2,164,134	-	-	-	2,164,134
Other long-term debt	1,800,000	-	-	-	1,800,000
Loan payable, long-term portion	25,626,019	-	-	-	25,626,019
Bonds payable, long-term portion	-	39,051,452	-	-	39,051,452
Net pension liability	33,432,199	-	-	-	33,432,199
Net OPEB liability	7,149,406	-	-	-	7,149,406
Total Long-Term Liabilities	70,171,758	39,051,452	-	-	109,223,210
	85,200,808	41,147,788	-	-	126,348,596
Deferred inflow of resources:					
Deferred gain on debt defeasance	-	274,319	-	-	274,319
Deferred inflow of pension liability	1,046,457	-	-	-	1,046,457
Deferred inflow on OPEB	1,019,555	-	-	-	1,019,555
Total Deferred Inflow of Resources	2,066,012	274,319	-	-	2,340,331
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	(27,632,088)	2,331,057	700,000	-	(24,601,031)
Total Net Position	(21,659,923)	43,733,777	700,000	-	22,773,854
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 65,606,897	$ 85,155,884	$ 700,000	$ -	$ 151,462,781

See Notes to Financial Statements.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020

	DAA	RTA	RTLC	Eliminations	Total
Operating revenues:					
Food and beverage	$ 1,470,197	$ -	$ -	$ -	$ 1,470,197
Concessions/carnivals	-	-	-	-	-
Admissions	588,982	-	-	-	588,982
Facility rentals	3,242,922	-	-	-	3,242,922
Satellite wagering	540,835	-	-	-	540,835
Parking	501,972	-	-	-	501,972
Leases/operating agreement	1,865,457	-	700,000	-	2,565,457
Surf and Turf	2,679,168	-	-	-	2,679,168
Sponsorships	57,034	-	-	-	57,034
State apportionment	12,597,675	-	-	-	12,597,675
Other	1,022,223	-	-	-	1,022,223
Total operating revenues	24,566,465	-	700,000	-	25,266,465
Operating expenses:					
Payroll and related benefits, excluding pension cost	14,745,553	-	-	-	14,745,553
Pension cost	4,624,905	-	-	-	4,624,905
Food and beverage	2,517,909	-	-	-	2,517,909
Entertainment	57,406	-	-	-	57,406
Maintenance	4,737,610	532,680	-	-	5,270,290
Facilities and related supplies	1,049,571	-	-	-	1,049,571
Insurance	1,021,663	118,954	-	-	1,140,617
Depreciation	1,466,893	5,624,026	-	-	7,090,919
Professional services	728,562	13,000	-	-	741,562
Marketing	229,814	-	-	-	229,814
Other post-employment benefit cost	2,754,273	-	-	-	2,754,273
Other	(8,364)	361,319	-	-	352,955
Total operating expenses	33,925,795	6,649,979	-	-	40,575,774
Loss from operations	(9,359,330)	(6,649,979)	700,000	-	(15,309,309)
Nonoperating revenues (expenses):					
Interest income	122,297	5,199	1	-	127,497
Interest expense	(937,927)	(1,708,286)	-	-	(2,646,213)
Other	108,252	-	(157)	-	108,095
					-
Total nonoperating revenues (expenses)	(707,378)	(1,703,087)	(156)	-	(2,410,621)
(Loss) income before transfers	(10,066,708)	(8,353,066)	699,844	-	(17,719,930)
Transfers in	-	855,014	-	(855,014)	-
Transfer out	(855,014)	-	-	855,014	-
Change in net position	(10,921,722)	(7,498,052)	699,844	-	(17,719,930)
					-
Net position, beginning of year	(10,738,201)	51,231,829	156	-	40,493,784
					-
Net position, end of year	$ (21,659,923)	$ 43,733,777	$ 700,000	$ -	$ 22,773,854

See Notes to Financial Statements.