22nd District Agricultural Association and its Blended Component Units

Financial Report
December 31, 2014

McGladrey

Assurance ▪ Tax ▪ Consulting

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McGladrey

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the 22nd District Agricultural Association (a component unit of the State of California) and its blended component units, the State Race Track Leasing Commission and the Del Mar Race Track Authority (collectively referred to hereafter as the District), which comprise the statement of net position as of December 31, 2014 and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made my management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2014, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter
As discussed in Note 13 to the financial statements, the accompanying December 31, 2013 financial statements have been restated to correct a misstatement. We also audited the adjustments described in Note 13 that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified with respect to this matter.

Other Matters
2013 Audit

The financial statements of the District as of and for the year ended December 31, 2013, before they were restated for the matter discussed in Note 13 to the financial statements, were audited by other auditors, whose report dated August 21, 2014 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting standards generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplemental schedule of fair revenues and expenses, and combining financial statements on pages 31 through 33 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedule of fair revenues and expenses, and combining financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject 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, except for the effect of on the supplementary information of the adjustments described in Note 13 that were applied to restate the 2013 financial statements as referenced in the "Other Matters" section above, the supplemental schedule of fair revenues and expenses, and combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McGladrey LLP

Irvine, California
June 17, 2015

Management's Discussion and Analysis

Overview

The 22nd District Agricultural Association (the DAA) is a state agency which owns and operates the Del Mar Fairgrounds (the Fairgrounds), a 400 acre multi use entertainment, exhibit, and horseracing facility, as well as the Horsepark equestrian facility. Our main event is the San Diego County Fair (the Fair), which in 2014 was the sixth largest fair in North America. We appeal to a very broad audience in San Diego County and beyond both county lines and country borders into Mexico. We are also producers of one of the top three horse shows in the country, the Del Mar National Horse Show. In the fall, we hold our annual Scream Zone haunted house. The Fairgrounds was the site of over 300 interim events in 2014, including car shows, rodeos, concerts and many different consumer shows.

The following analysis of the combined financial results of the DAA, Race Track Authority (RTA), and Race Track Leasing Commission (RTLC) (collectively the District) has been prepared to provide a more thorough understanding of the financial performance of these combined entities for the years ended December 31, 2014 and 2013. Please read this analysis in conjunction with the financial statements that follow this section.

This annual financial report includes three items:

1. Management's Discussion and Analysis

2. Independent Auditors' Report

3. Combined Financial Statements and Supplemental Schedules for the Years Ended December 31, 2014 and 2013, including notes that explain in more detail some of the information in the financial statements.

This Management's Discussion and Analysis has been revised for the effects of the restatement described in Note 13 to the financial statements.

Also, as discussed in Note 1 to the financial statements, in 2013 the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and restated its 2012 financial statements in accordance with the statement's transition requirements. This Management's Discussion and Analysis has been revised for the effects of the adoption of GASB Statement No. 65.

Required Financial Statements

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

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

Assets	2014	2013	2012
Current Assets	$ 16,970	$ 18,235	$ 18,702
Current Portion of Restricted Investments	3,304	6,988	7,303
Noncurrent Restricted Investments	4,700	4,700	4,700
Capital Assets	108,256	108,751	111,846
Total assets	$ 133,230	$ 138,674	$ 142,551

Liabilities and Net Position	2014	2013	2012
Current Liabilities	$ 7,919	$ 8,622	$ 9,416
Long-Term Debt	24,384	26,366	28,266
Other Long-Term Liabilities	2,651	2,951	3,164
Total liabilities	34,954	37,939	40,846
Net Position	98,276	100,735	101,705
Total liabilities and net position	$ 133,230	$ 138,674	$ 142,551

Analysis of the Statement of Net Position

- Current assets of the District, excluding the current portion of Restricted Investments, decreased $1.27 million in 2014. District cash and cash equivalents increased $829,000 primarily due to the $841,000 increase in the DAA's cash and cash equivalents, which included an amount of $835,000 which was committed as contributed capital to be transferred to the RTA to help pay for approved projects. Investments of the District decreased $2.7 million, which was primarily made up of a $2.7 million decrease in RTA investments. The RTA investments decreased as projects, including the turf track widening, were completed in 2014. The District's accounts receivable also increased $594,000, which included an RTLC receivable of $86,000 from the DMTC as final payment for the fall race meet. Current assets, excluding the current portion of Restricted Investments, decreased $467,000 in 2013. The District's cash and cash equivalents decreased $3.4 million primarily due to a $3.3 million decrease in DAA cash and cash equivalents which was due to the DAA transferring $5.2 million to the RTA as contributed capital for approved projects. The District's investments increased $2.9 million, which was made up of a $2.9 million increase in RTA investments due to the $5.2 million transfer of contributed capital from the DAA.

- The District's current portion of Restricted Investments decreased $3.7 million in 2014, as the Del Mar Thoroughbred Club's net profits paid to the RTLC were $2.8 million less than 2013, and larger pledge payments were made to the RTA earlier in the year and were therefore unrestricted in the Bond Fund at year-end. The District's current portion of restricted investments decreased $315,000 in 2013 as larger pledge payments to the RTA were made earlier in the year and were therefore unrestricted in the Bond Fund.

- Noncurrent restricted investments remained the same in 2014 and 2013.

- Capital assets net of depreciation decreased $495,000 in 2014 and $3.1 million in 2013, primarily due to depreciation in excess of capital additions. The decrease was less in 2014 as the turf track project was completed.

- Current liabilities of the District decreased $703,000 in 2014. The District's trade accounts payable decreased $588,000, which was made up of a $172,000 increase in DAA accounts payable, including invoices not received before year end, and a $760,000 decrease in RTA accounts payable due to submissions of invoices being submitted and paid more timely than in the prior year. Accrued liabilities for the District decreased $155,000, which was made up of a $495,000 decrease to the accrued liabilities of the DAA and a $340,000 increase to the accrued liabilities of the RTA. The District's liability for accrued employee absences increased $96,000. The current portion of bonds payable increased $90,000. Accrued interest payable on the bonds decreased $32,000. Current liabilities decreased $794,000 in 2013. Accrued liabilities for the District increased $428,000, primarily relating to an increase in DAA accrued liabilities of $443,000, reflecting an invoice from the Department of General Services for liability insurance for vehicles, estimated amounts for legal invoices, an increase in unemployment insurance, and reimbursement to Premier Food Services for December expenses in excess of revenues. The District's liability for accrued employee absences increased $203,000 as the most current furlough program continued through June 30, 2013. This State program mandated that employees must take one unpaid day off each month before they can take any accrued vacation time. Trade payables of the District increased $699,000, primarily relating to an increase of RTA trade payables of $664,000 due to the turf track renovation and widening project. The current portion of bonds payable decreased in 2013 by $1.6 million from principal payments made.

- Long-term debt decreased $2.0 million in 2014 primarily due to principal payments on the Series 2005 bonds. Long-term debt decreased $1.9 million in 2013 primarily due to payments made on the bonds.

- Other long-term liabilities decreased $300,000 in 2014 and $213,000 in 2013 as work has progressed on the Consent Orders with the California Coastal Commission.

- Net position decreased $2.5 million in 2014, primarily due to the lower payment from the Del Mar Thoroughbred Club to the District. Net position decreased $970,000 in 2013. The DAA and the RTLC had increases in net position of $3.2 million and $6.1 million, respectively, that were offset by a decrease in net position of $10.2 million from the RTA.

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

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

	2014	2013	2012
Operating revenues	$ 73,678	$ 72,669	$ 71,532
Operating expenses	74,802	72,413	69,421
Income from operations	(1,124)	256	2,111
Nonoperating expenses	(1,335)	(1,226)	(1,527)
Income before other revenues, expenses, gains, losses and transfers	(2,459)	(970)	584
Other	-	-	-
Change in net position	(2,459)	(970)	584
Beginning net position	100,735	101,705	101,121
Ending net position	$ 98,276	$ 100,735	$ 101,705

Analysis of the statement of revenues, expenses and changes in net position: Operating revenues increased $1 million in 2014 due to the following:

- Food and beverage revenues increased $2.3 million, largely due to the addition of the fifteen-day fall race meet that grossed over $2 million. Sales and dinner concert packages for the 2014 Fair also increased $500,000.

- Concessions and carnival for the very successful 2014 fair increased $880,000. The District's share of food concessions increased $272,000. Ride and carnival games revenues increased $490,000. Revenues from commercial space rentals increased $118,000.

- Admissions decreased $158,200. Fair admissions increased $111,000. Concert revenues decreased $356,000 as there were only four concerts with paid admission at the 2014 Fair, compared to seven in 2013. There was a popular paid Star Trek exhibit at the fair in 2013 that did not return in 2014, which decreased revenues $40,000. The District co-promoted Professional Bull Riding in 2014, which was not held in 2013, increasing revenues by $69,300. Continued popularity of the Scream Zone event increased revenues $36,000. Admissions to the Del Mar National Horse Show increased $21,000.

- Facility rentals increased $140,000. Some promoters did not return with their shows in 2014, resulting in a decrease in facility rentals of $231,000. However, our arena and stall rentals increased $140,000 as larger horse shows and other events booked the arena. Our Horsepark equestrian facility also filled more stalls and increased long-term board by $231,000 in order to offset the rising cost of feed, bedding and maintenance of the facility.

- Satellite wagering revenues decreased $89,200.Admissions and memberships declined $42,000. Program sales decreased $73,000. Declines in track commissions of $131,000 were offset by increases in Account wagering and mini-satellite revenue of $143,000. Lottery sales increased $13,000.

- Parking revenues decreased $132,300 in 2014, as the number of facility rentals declined as well as the attendance at some interim events.

- Leases/operating agreement revenue of the District decreased $2.3 million. The Del Mar Thoroughbred Club's final net profits payable to the RTLC was $2.7 million less than in 2013. Revenues from racing were down primarily due to adverse publicity related to catastrophic equine injuries and the suspension of turf racing during the middle portion of the summer race meet. This affected both attendance and wagering handle. DMTC paid the District an additional $400,000 to offset the loss of facility rentals during the fall race meet.

- Surf and Turf revenues decreased $58,000. Attendance dropped in July, due to a significant heat wave and unusual heavy rains. In addition, the driving range was closed for golfers and utilized for race meet parking more days than in 2013.

- Sponsorships increased $23,500 in 2014, as the District maintained multi-year agreements with sponsors, and mobile tours continued to be popular with sponsors during the Fair.

- Other revenue increased $375,700. Entry fees increased $89,000 due to more horses entered in the Del Mar National Horse Show. Rebates and incentives were received for prior years in the amount of $165,000. Other miscellaneous income increased $79,000 with year-end adjustments. Merchandise sales increased $28,000 due to a popular theme for the Fair. Pumping fees for the RV Park increased $15,000.

Operating revenues increased $1.1 million in 2013 due to the following:

- Food and beverage increased $677,000. Sales and dinner concert packages for the 2013 Fair were up by $528,000. The remaining increase was the result of a successful race meet.

- Concessions and carnival increased $11,000. Revenues from commercial space rentals increased $76,500. Midway ride and carnival games revenues were down $37,000. The District's share of food concessions decreased $29,000. This overall small increase was a result of lower attendance of 92,000 at the 2013 fair.

- Admissions revenues increased $592,000 in 2013. Fair admissions were up $300,000, and admissions to fair concerts were up $413,000. The District added new attractions to its annual Scream Zone in 2013, including zombie paint ball, which increased revenues $214,000. We did not hold our annual Holiday of Lights in 2013. Due to the ongoing construction of the new turf track, the infield of the track was not available to put up the light displays. This event brought in $340,000 in 2012.

- Facility rentals decreased $36,000 in 2013. While some promoters did not return with their shows in 2013, our horse show stall rentals increased $162,000 as larger horse shows booked the arena. Our Horsepark equestrian facility also filled more stalls and increased long-term board by $73,000.

- Satellite wagering revenues decreased $35,000 in 2013. Admissions decreased $21,000, and program sales decreased $30,000. Track commissions increased $16,000. The number of racing days has not diminished; however, field sizes remain smaller at most California tracks.

- Parking revenues decreased $184,000 in 2013 primarily due to less interim events held at the fairgrounds in 2013.

- Leases/operating agreement revenue of the District increased $7,000 despite the payment from the Del Mar Thoroughbred Club to the RTLC decreasing $10,000 in 2013. Del Mar's average field sizes increased from accommodating 8.7 horses in 2012 to 8.8 horses in 2013. DMTC continued their successful "Ship and Win" program that paid horse owners a $1,000 shipping fee for horses from outside California that started a race at Del Mar. If that horse had winnings in their first race here, the Thoroughbred Owners of California agreed to pay a 33 percent bonus on the winnings, up from 25 percent in 2012.

- Surf and Turf revenues increased $83,000 in 2013. Driving range revenues were up $22,000 and miniature golf revenues were up $37,000. Golf Pro Shop rent paid as a percentage of sales was up $2,300, and RV Lot space rentals were up $22,000.

- Net sponsorship revenues increased $136,000 in 2013. The District entered into a multi-year sponsorship agreement with Sleep Train. There were also more sponsors with mobile tours at the fair, which increased sponsorship revenues as well.

- Other revenues decreased $115,000 in 2013. Merchandise sales were down $18,000. Advertising revenues for interim shows decreased $21,000. There were one-time grants and a refund of an overpayment in 2012 that did not occur again in 2013, resulting in a revenue decrease of $49,000.

Operating expenses increased $2.4 million in 2014 due to the following:

- Payroll and related benefits increased $1.2 million. The State's most recent furlough program ended July 1, 2013, when pay was restored for permanent employees to 2007 levels. 2014 was the first full year of restored pay for our employees. Also, effective July 1, 2013, the ceiling for each pay scale increased 3 percent. This resulted in a 3 percent pay increase for many of our permanent employees who had been at the top of their pay scales for several years. The State granted permanent employees a 2 percent Cost of Living Adjustment on July 1, 2014, the first since 2007. Vacant positions were also filled, and some temporary positions were changed to semi- permanent. On July 1, the State raised its minimum hourly wage from $8.00 to $9.00. The District increased hourly rates for those under the new minimum wage, and also increased pay scales for much of its temporary staff. These factors resulted in an increase in payroll of $483,000. The employer share of CalPERS pension costs rose, resulting in an increase in cost of $357,000. The cost of employee health benefits increased $298,000. The District's share of payroll taxes increased $55,000. Unemployment taxes rose $126,000, as the District, as a State agency, must pay on a pooled, claims-made basis, which has no upper limit. The expenses for unused leave liability decreased $94,000 as employees either took more vacation or retired and were paid any remaining unused balance.

- Food and beverage expense increased $1.47 million, primarily in relation to the increase in revenues for the new fall race meet.

- Entertainment decreased $413,000 as there were three less concerts with headliner acts during the 2014 Fair.

- Maintenance expenses for the District decreased $78,000. The DAA's expenses increased $128,000 which included an increase in cost for gas and electricity of $50,000. Sewer and water rates increased $52,000 as sewer charges increased. The remainder was attributable to general repairs of the facility. Maintenance expenses for the RTA decreased $206,000 as some 2013 projects were completed and related maintenance was not needed in 2014.

- Facilities and related supplies increased $409,000 primarily due to increases in the costs of feed and bedding that was for the horses boarded at Horsepark on a long-term basis.

- Insurance expenses decreased $160,000 primarily related to the decrease in the cost of pooled liability insurance through the Department of General Services on all motorized equipment and vehicles as required by the State

- Depreciation decreased $509,000 as more assets became fully depreciated, most notably the synthetic track surface.

- Professional services increased $131,000, including security and surveillance for the Fair, consulting fees, legal fees, and sponsorship commissions.

- Marketing expenses increased $18,000, due to an increase in promotional expenses for the Scream Zone.

- Other expenses increased $363,000, primarily due to an increase in costs associated with environmental services.

Operating expenses increased $3.0 million in 2013 due to the following:

- Payroll and related expenses increased $745,000 in 2013. The State's most recent furlough program ended July 1, 2013, when pay was restored to permanent employees to 2007 levels. Effective July 1, 2013, the ceiling for each pay scale increased 3 percent. This resulted in a 3 percent pay increase for 70 percent of our permanent employees who had been at the top of their pay scales. Both of these factors resulted in an increase in permanent payroll expense of $166,000. Temporary labor increased $309,000 in 2013. The cost of health benefits increased $130,000, and the employer's share of CalPERS pension costs rose by $169,000.

- Food and beverage costs increased $651,000, largely due to the rise in related revenues. There was also a settlement with personnel which increased wages expense for Premier by $232,000.

- Entertainment expenses increased by $438,000 in 2013 as Grandstand entertainment expense increased for headliner acts at the fair. These costs were offset by increased admissions to paid concerts.

- Maintenance expenses of the District increased $730,000 in 2013. Repairs and maintenance expenses and project-related expenses for the RTA increased $156,000 in 2013 for ongoing racing improvements, backside health and safety improvements for both equines and workers, and facility and grandstand maintenance. The DAA increased maintenance expenses by $180,000 in 2013. Costs for contracted labor increased $35,000. The cost for gas and electricity increased $36,000. Sewer and water rates increased $18,000 as sewer charges increased, and water usage increased to treat the synthetic racing surface with reverse osmosis. The remainder was attributable to general repairs of the facility, and repairs and maintenance to the driving range and miniature golf areas at Surf & Turf Recreation Park.

- Facilities and related supplies increased $108,000 primarily due to increases in the costs of feed and bedding that was sold to exhibitors through the Districts feed store for the horses boarded at Horsepark on a long-term basis.

- Insurance expenses increased $228,000 primarily due to increased cost of workers' compensation and pooled liability insurance through the Department of General Services on all motorized equipment and vehicles as required by the state.

- Depreciation expense decreased $100,000 as more assets became fully depreciated.

- Professional services increased $333,000 in 2013. Legal fees increased $154,000 as the District worked with outside counsel to settle matters relating to consent orders and the Master Plan EIR, and employment matters. The District provides free bus shuttle service to the Fair from offsite parking lots. The cost of shuttle service for our patrons increased $48,000 in 2013.

- Marketing expenses increased $6,000 in 2013. In-kind sponsorships are considered to be an expense. These sponsorships increased $88,000 in 2013. Offsetting this expense is a reduction in media advertising expense. The District increased staffing in its marketing department, and more work was done in-house this year.

- Other expenses decreased $147,000 in 2013.

Economic and Other Factors

Recruitment and retention: The District, as a State agency, falls under the purview of the California Department of Human Resources (CalHR). This department was created on July 1, 2012 by Governor Brown's reorganization plan, which consolidated the Department of Personnel Administration with the State Personnel Board. CalHR sets all pay scales and administers health benefits for State employees. Under this State system, most of the District's permanent employees have reached the top of their pay scales. Permanent employees received a 3.5 percent Cost of Living Adjustment on July 1, 2006, and a 3.4 percent Cost of Living Adjustment on July 1, 2007. This two-part increase was the second Cost of Living Adjustment since August 2000. Most of the bargaining units represented at the Fairgrounds entered into union contracts with the State in July 2010 that called for a 4.62 percent reduction in pay and an increase of 3 percent in the employee contribution to CalPERS for the remainder of the contract period or June 30, 2013. The most current contracts run from July 2, 2013 to July 1, 2016. While pay has been restored, most employees continue to contribute at the same rate of 8 percent to CalPERS.

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

Governor Brown's proposed State budget for 2012/2013 included a 4.62 percent pay cut for State employees. This pay cut was in effect until June 30, 2013. As of July 1, 2013, pay was restored to 2007 compensation levels based on the last general salary increase. Effective July 1, 2013, the pay ranges for each classification were adjusted so that the ceiling rose by 3 percent. For most of the District's employees, that resulted in a 3 percent pay increase. Effective July 1, 2014, the State granted a cost of living adjustment of 2 percent to its permanent employees, the first since 2007.

State mandated furlough programs: Furlough programs have been in effect since February 1, 2009. All State agencies were ordered to implement a program for all represented State employees and supervisors for two days per month, regardless of the source of funding for that agency. In July 2009, former Governor Schwarzenegger extended this program to three days per month. That brought the salary reduction from 9.23 percent to 13.85 percent from July 1, 2009 to June 30, 2010. When a budget was not passed by the State legislature, he extended the furlough program to October 31, 2010.

On November 1, 2010, Governor Brown extended the Furlough program at one day per month, or the equivalent of a 4.62 percent pay reduction, until October 31, 2011. Pay was restored until July 1, 2012, when the same pay reduction was put into effect with another Furlough program, running from July 1, 2012 to June 30, 2013. Pay scales were restored to 2007 levels on July 1, 2013. All state employees must still use any remaining accrued furlough days prior to using any vacation, annual leave, personal holiday, holiday credit, personal leave or compensatory time off.

The economic impact of the furlough program on the District contributed to an increase in payroll costs for overtime, temporary labor and unused leave liability. In order to support events that are held year round, the District had to incur more overtime costs to compensate for those employees who were out on furlough, and employ temporary labor to support our events.

Employer pension costs: The rates to the District for pension contributions for its Tier One employees increased by 0.7 percent in July, 2013 to 21.203 percent, up from 20.503 percent for the fiscal year 2012/13. Effective July 1, 2014, the rate increased to 24.28 percent.

Indian casinos/advance deposit wagering and off track wagering: In 2014, attendance and handle continued to decline across the nation. Legislation in the State of California allows mini-satellites to open as long as they are not within 20 miles of an established satellite wagering facility. A new mini-satellite about 30 miles to the north of our facility opened in 2011. Our handle decreased $6.3 million in 2014, but had increased $758,000 in 2013. We have lost some regular patrons who chose not to deal with the traffic to drive to our facility. In addition, the inventory of horses in training continues to decline, and therefore the number of races and field sizes have declined at many tracks. Wagering declined for racing as well as at casinos during the recession. In 2013 and 2012, attendance declined by 7 percent and 4.2 percent respectively. On-site handle, excluding Advance Deposit Wagering, showed a 2 percent increase from 2012 to 2013 and had dropped 9 percent in 2012.

In 2014, Ocean's Eleven Casino in Oceanside, California, opened for satellite wagering. Since this mini-satellite is within 20 miles of our facility, the District had the right to approve the operation, and gave its approval for the mini-satellite. An agreement is in place to share in the revenues.

Legislation passed or pending: In October 2010, Assembly Bill 1321 was chaptered by the Secretary of State. This bill was enacted to set a sunset date for the State Race Track Leasing Commission of January 1, 2013. In February 2011, Senator Christine Kehoe introduced Senate Bill 855, which would extend the operative date of the State Race Track Leasing Commission until January 1, 2023, and later amended that date to January 1, 2018. The Series 2005 term bonds do not mature until August 15, 2025. In January 2012, Senator Kehoe amended SB 1, which formerly had allowed the sale of the Fairgrounds to the City of Del Mar, to a bill that would repeal the sunset date of the Race Track Leasing Commission, thereby indefinitely extending the existence of the Commission. That bill was chaptered in August 2012.

The State budget for the fiscal year July 1, 2012 to June 30, 2013, called for a 4.62 percent pay cut for State workers, with one furlough day per month. Since District Agricultural Associations no longer receive any financial assistance from the General Fund (see Assembly Bill 95 below), any pay cuts mandated by law would not help to reduce the State's budget deficit. However, we did have to reduce the pay for our employees for an additional year through June 30, 2013, the date through which the pay cut was in effect. As of July 1, 2013, pay was restored to 2007 compensation levels based on the last general salary increase. Effective July 1, 2013, the pay ranges for each classification were adjusted so that the ceiling rose by 3 percent. For most of the District's employees, that resulted in a 3 percent pay increase.

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 fifty-four District Agricultural Associations. While the 22nd DAA did not receive allocations from the State, the elimination of funding to Fairs may result in changes in the manner in which Fairs conduct their business, as well as their form of governance.

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

Other matters pending: At the direction of Governor Jerry Brown, California Secretary of Food and Agriculture, Karen Ross, and her legal team began working with fairs in 2011 to explore options for different forms of governance. The DAA continues to look at other forms of governance.

22nd District Agricultural Association and its Blended Component Units

Statements of Net Position
December 31, 2014 and 2013

Assets	**2014**	2013 As Restated
Current Assets		
Cash and cash equivalents (Note 4)	**$ 13,200,349**	$ 12,371,052
Investments (Note 4)	**2,100,634**	4,838,610
Current portion of restricted investments (Note 4)	**3,303,571**	6,987,602
Accounts receivable, net (Note 5)	**1,165,287**	571,303
Prepaid expenses and other	**503,609**	453,763
Total current assets	**20,273,450**	25,222,330
Restricted Investments, long-term portion (Note 4)	**4,700,345**	4,700,345
Capital Assets, net (Note 6)	**108,256,218**	108,750,775
Total assets	**$ 133,230,013**	$ 138,673,450

Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	**$ 1,148,500**	$ 1,736,411
Accrued interest	**480,743**	512,949
Accrued liabilities and other	**1,965,700**	2,120,917
Accrued compensated absences	**2,273,086**	2,177,120
Current portion of other long-term liabilities (Note 9)	**200,000**	212,890
Current portion of debt (Notes 3 and 9)	**56,041**	156,301
Current portion of bonds payable (Note 7)	**1,795,000**	1,705,000
Total current liabilities	**7,919,070**	8,621,588
Other long-term liabilities (Note 9)	**2,651,615**	2,951,244
Debt, long-term portion (Notes 3 and 9)	**64,200**	139,925
Bonds payable, long-term portion (Note 7)	**24,319,564**	26,226,096
Total liabilities	**34,954,449**	37,938,853
Commitments and Contingencies (Notes 8, 9 and 12)		
Net Position		
Net investment in capital assets (Note 13)	**86,783,933**	85,327,423
Restricted for debt service (Note 13)	**2,822,828**	6,474,653
Unrestricted (Note 13)	**8,668,803**	8,932,521
Total net position	**98,275,564**	100,734,597
Total liabilities and net position	**$ 133,230,013**	$ 138,673,450

See Notes to Financial Statements.

22nd District Agricultural Association and its Blended Component Units

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2014 and 2013

	2014	2013
Operating revenues:		
Food and beverage (Note 8)	**$ 22,302,706**	$ 19,970,919
Concessions/carnivals	**17,294,983**	16,415,349
Admissions	**9,798,251**	9,956,453
Facility rentals	**6,592,613**	6,452,937
Satellite wagering	**1,874,132**	1,963,341
Parking	**4,325,464**	4,457,720
Leases/operating agreement	**4,928,011**	7,231,142
Surf and turf	**1,521,708**	1,579,801
Sponsorships	**2,535,450**	2,511,991
Other	**2,504,927**	2,129,245
Total operating revenues	**73,678,245**	72,668,898
Operating expenses:		
Payroll related and benefits	**21,787,922**	20,629,604
Food and beverage (Note 8)	**15,759,203**	14,290,926
Entertainment	**8,695,556**	9,108,559
Maintenance	**8,474,002**	8,551,987
Facilities and related supplies	**2,484,603**	2,075,230
Insurance	**1,171,910**	1,331,481
Depreciation	**6,511,061**	7,019,527
Professional services	**4,725,273**	4,594,290
Marketing	**2,065,851**	2,048,155
Other	**3,126,476**	2,763,463
Total operating expenses	**74,801,857**	72,413,222
Income (loss) from operations	**(1,123,612)**	255,676
Nonoperating revenues (expenses):		
Interest income	**68,909**	98,355
Interest expense	**(1,048,443)**	(1,322,612)
Other	**(355,887)**	(1,723)
Total nonoperating revenues (expenses), net	**(1,335,421)**	(1,225,980)
Change in net position	**(2,459,033)**	(970,304)
Net position, beginning of year	**100,734,597**	101,704,901
Net position, end of year	**$ 98,275,564**	$ 100,734,597

See Notes to Financial Statements.

22nd District Agricultural Association and its Blended Component Units

Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Receipts from operations	**$ 73,451,602**	$ 69,126,240
Payments to vendors	**(48,019,004)**	(42,540,816)
Payments to employees	**(21,694,236)**	(18,542,345)
Net cash provided by operating activities	**3,738,362**	8,043,079
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	**(6,179,457)**	(4,004,229)
Proceeds from disposal of capital assets	**20,000**	-
Payments on long-term debt	**(1,880,985)**	(3,449,798)
Interest paid	**(1,360,928)**	(1,527,984)
Net cash used in capital and related financing activities	**(9,401,370)**	(8,982,011)
Cash Flows From Investing Activities		
Purchases of investments	**-**	(2,548,513)
Sales of investments	**6,422,007**	-
Interest income	**70,298**	101,244
Net cash provided by (used in) investing activities	**6,492,305**	(2,447,269)
Net increase (decrease) in cash	**829,297**	(3,386,201)
Cash and cash equivalents, beginning of year	**12,371,052**	15,757,253
Cash and cash equivalents, end of year	**$ 13,200,349**	$ 12,371,052
Reconciliation of Income (Loss) From Operations to Net Cash Provided by Operating Activities		
Income (loss) from operations	**$ (1,123,612)**	$ 255,676
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	**6,511,061**	7,019,527
Changes in assets and liabilities:		
Accounts receivable, net	**(593,984)**	(23,102)
Prepaid expenses and other	**(51,235)**	(36,237)
Accounts payable	**(632,098)**	778,828
Accrued liabilities and other	**(371,770)**	48,387
Net cash provided by operating activities	**$ 3,738,362**	$ 8,043,079
Noncash Disclosure of Capital and Related Financing Activities		
Construction payables for acquisitions of capital assets	**$ 203,299**	$ 159,112
Amortization of bond premium	**$ 111,532**	$ 143,794
Interest capitalized	**$ 168,747**	$ -

See Notes to Financial Statements.

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

Nature of organization and reporting entity: The 22nd District Agricultural Association (the DAA), a component unit of the State of California, operates fairground facilities located in Del Mar, California. The DAA conducts an annual summer fair, operates an off track horse race betting facility, and rents the fairground facilities for various non fair events. The board members of the DAA are appointed by the Governor of the State of California. The State of California, Department of Food and Agriculture (CDFA), through the Division of Fairs and Expositions (the Division), 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 to also be included as part of the reporting entity as a blended component unit in the financial statements because it also meets the aforementioned criteria. The RTA is a joint powers authority created in August 1990 by a joint exercise of powers agreement between the RTLC and the District to finance the construction of a new grandstand and related facilities at the fairgrounds of the District. The RTA is managed by a board of six directors, who are the six members of the RTLC commission, who oversaw the financing for the grandstand construction project and continue to oversee the financing and improvements at the fairgrounds. The RTA is funded through operating transfers from the District and the RTLC. The joint exercise of powers agreement expires in August 2040. Upon the termination of the joint powers agreement, title to the grandstand will vest to the District.

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

Basis of accounting: The District is reported similar to a special purpose government engaged in only business-type activities. As such, its financial statements are presented in accordance with the requirements established for enterprise funds. An enterprise fund is defined by the GASB as a fund related to an organization financed and operated similar to a private business enterprise where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Accordingly, the District's accounts are maintained on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash flow takes place. The District defines its operating revenues and expenses in the accompanying statements 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 pooled funds with the California Local Agency Investment Fund (LAIF) to be cash equivalents. Cash equivalents exclude restricted investments.

Investments: Investments, consisting of money market accounts and certificates of deposit, are reported at cost, which approximates fair value. Investments in LAIF are reported at fair value, which approximates the amortized cost basis. Gains and losses are reported in the statements of revenues, expenses and changes in net position. Interest and dividend income is recognized when earned.

Restricted investments: Restricted investments as of December 31, 2014 and 2013, relate to the Revenue Bonds Series 2005 (Series 2005 Bonds), as discussed in Note 4.

Accounts receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful 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 statements of net position. Other items include interest receivables, inventory and deposits.

Capital assets: Capital assets are recorded at cost less accumulated depreciation. Depreciation is computed using the straight line method over the estimated useful lives of the assets. Useful lives range from five years for equipment to 40 years for buildings. The District has capitalized infrastructure assets, such as drainage systems and paving, which are depreciated over 20 to 40 years. The District has $6,322,333 of land at December 31, 2014 and 2013, which is not being depreciated.

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 years ended December 31, 2014 or 2013.

Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest costs of $168,747 were capitalized for the year ended December 31, 2014. No interest cost was capitalized for the year ended December 31, 2013.

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

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

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

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 they 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 Del Mar Fairgrounds. Revenue is recognized over the term of the rental contract.

Satellite Wagering revenue primarily consists of the Districts 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 facility and is recognized immediately after spaces are used.

Leases/operating agreement revenue primarily consists of payments from the 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 consist of revenue from the driving range, pro shop, tennis club, recreational vehicle lot and miniature golf. Revenue is recognized from these goods and services at the point of sale.

Sponsorships revenue consists of sponsorship contracts for various events at the fairgrounds. Revenue is recognized over the term of the sponsorship agreement.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, allowance for uncollectible receivables and the obligation under Consent Orders with the California Coastal Commission (Note 10).

Reclassifications: Certain prior year balances have been reclassified to be consistent with the current year presentation, with no impact on net position or changes in net position.

Recent accounting pronouncements: In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement is effective for fiscal years beginning after June 15, 2014. Management has not determined the effect of GASB Statement No. 68 on the District’s financial statements.

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

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. Management has not determined the effect of GASB Statement No. 71 on the District's financial statements.

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for periods beginning after June 15, 2015. Management has not yet determined the effect of GASB 72 on the District's financial statements.

Note 2. Condensed Financial Information

The following is the condensed combining detail for the statement of net position as of December 31, 2014:

	22nd District	RTLC	RTA	Eliminations	Total
Current Assets	$ 14,673,149	$ 86,147	$ 5,514,154	$ -	$ 20,273,450
Due From Other Funds	237,895	-	86,000	(323,895)	-
Restricted Investments, long-term portion	-	-	4,700,345	-	4,700,345
Capital Assets, net	21,810,845	-	86,445,373	-	108,256,218
Total assets	36,721,889	86,147	96,745,872	(323,895)	133,230,013
Current Liabilities	4,804,981	86,000	3,114,089	-	8,005,070
Due To Other Funds	-	-	237,895	(323,895)	(86,000)
Long-Term Liabilities	64,200	-	26,971,179	-	27,035,379
Total liabilities	4,869,181	86,000	30,323,163	(323,895)	34,954,449
Net investment in capital assets	21,752,779	-	65,031,154	-	86,783,933
Unrestricted	10,099,929	147	(1,431,273)	-	8,668,803
Total net position	$ 31,852,708	$ 147	$ 63,599,881	$ -	$ 95,452,736

Note 2. Condensed Financial Information (Continued)

The following is the condensed combining detail for the statement of revenues, expenses and changes in net position for the year ended December 31, 2014:

	22nd District	RTLC	RTA	Eliminations	Total
Operating revenues:					
Operating revenues	$ 70,688,586	$ 3,357,000	$ -	$ (367,341)	$ 73,678,245
Total operating revenues	70,688,586	3,357,000	-	(367,341)	73,678,245
Operating expenses:					
Operating Expenses	66,502,196	-	8,667,002	(367,341)	74,801,857
Total operating expenses	66,502,196	-	8,667,002	(367,341)	74,801,857
Income (loss) from operations	4,186,390	3,357,000	(8,667,002)	-	(1,123,612)
Nonoperating revenues (expenses):					
Nonoperating revenues (expenses)	32,348	-	(1,367,769)	-	(1,335,421)
Total nonoperating revenues (expenses)	32,348	-	(1,367,769)	-	(1,335,421)
Changes in net position before transfers	4,218,738	3,357,000	(10,034,771)	-	(2,459,033)
Transfers in	-	-	6,651,787	(6,651,787)	-
Transfers out	(3,294,787)	(3,357,000)	-	6,651,787	-
Change in net position	923,951	-	(3,382,984)	-	(2,459,033)
Net position, beginning of year	30,928,757	147	69,805,693	-	100,734,597
Net position, end of year	$ 31,852,708	$ 147	$ 66,422,709	$ -	$ 98,275,564

The following is the condensed combining detail for the statement of cash flows for the year ended December 31, 2014:

	22nd District	RTLC	RTA	Total
Net cash provided by operating activities	$ 1,496,425	$ -	$ 2,241,937	$ 3,738,362
Net cash provided by investing activities	27,996	-	6,464,309	6,492,305
Net cash used in capital and related financing activities	(683,821)	-	(8,717,549)	(9,401,370)
Cash and cash equivalents, beginning of year	12,306,194	147	64,711	12,371,052
Cash and cash equivalents, end of year	$ 13,146,794	$ 147	$ 53,408	$ 13,200,349

Note 3. Joint Exercise of Power Agreements

California Construction Authority: The District is a member of the 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 CCA is to provide for 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 in May 2042. The District had no interest in CCA's assets or liabilities at December 31, 2014 and 2013.

Note 3. Joint Exercise of Power Agreements (Continued)

During 2003, the District entered into an equipment lease with CCA which was classified as a capital lease. During 2011, CCA transferred the lease to the California Fairs Financing Authority (CFFA). Final payment on the capital lease obligation was made to CFFA in November 2012, in part with the proceeds from a $300,000 interest-free loan from the Department of Food and Agriculture, Division of Fairs & Expositions. Loan payments in the amount of $105,000 and $180,000 were made during the years ended December 31, 2014 and 2013, respectively. The loan matured in July 2014.

The RTA has entered into contracts with CCA for construction management of various projects. 2014 projects included booths for show judges at Horsepark and installation of box seats in the covered arena at Horsepark. 2013 projects include Brewery Conversion Consultation, Jockey Hood Replacement, Seabiscuit & Mission Tower Renovation, Sports Pub, Race Track Apron Fence, Wash Racks BB, DD and NN, Cooling Tower, Annual Parking Study, South Lot Restoration Plan, and Regional Board Compliance. Costs incurred for the years ended December 31, 2014 and 2013, were $491,813 and $107,638, respectively and are recorded in capital assets.

Note 4. Cash, Cash Equivalents and Investments

Cash consist of the following as of December 31, 2014 and 2013:

	2014	2013
Cash on hand	$ 28,534	$ 42,684
Cash in banks	978,937	1,162,368
	$ 1,007,471	$ 1,205,052

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. Certain of these investments may be purchased only in limited amounts, as defined in the Government Code.

As permitted by the Indenture dated September 1, 2005 (the Indenture), between the RTA and Bank of New York Mellon Company, National Association (the Trustee), in 2014 and 2013, funds related to the Series 2005 Bonds (see Note 7) were invested in Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit and collateralized money market accounts. The variable rates of return for the money market accounts ranged from 0.145 percent to 0.70 percent during 2014 and 2013 (0.35 percent at December 31, 2014).

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to $40,000,000 in the fund.

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

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, 2014, the District had $12,192,878 invested in LAIF. As of December 31, 2014, the LAIF fair value factor was approximately the same as its cost, and therefore fair value approximates the amortized cost basis. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

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

	2014	
	Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than One
LAIF (included in cash equivalents)	$ 12,192,878	$ 12,192,878
Money market accounts	5,404,205	5,404,205
Certificates of deposit	4,700,345	4,700,345
Total	$ 22,297,428	$ 22,297,428

	2013	
	Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than One
LAIF (included in cash equivalents)	$ 11,166,000	$ 11,166,000
Money market accounts	10,104,641	10,104,641
Certificates of deposit	6,421,916	6,421,916
Total	$ 27,692,557	$ 27,692,557

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

Custodial credit risk, deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of December 31, 2014 and 2013, the District had deposits in financial institutions with bank balances of $1,172,172 and $1,614,619, respectively, of which $275,064 and $286,434, respectively, was covered by the FDIC. As of December 31, 2014 and 2013 the District had money-market accounts, which were fully collateralized. As of December 31, 2014 and 2013, certificates of deposit are held at multiple financial institutions in increments of $250,000 or less, all of which are fully insured by the FDIC.

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

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

Note 5. Accounts Receivable

Accounts receivable as of December 31 are summarized as follows:

	2014	2013
Accounts receivable	$ 1,264,584	$ 701,148
Less allowance for doubtful accounts	(99,297)	(129,845)
Accounts receivable, net	$ 1,165,287	$ 571,303

Note 6. Capital Assets

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

	2014				
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 6,322,333	$ -	$ -	$ -	$ 6,322,333
Construction-in-progress	3,927,920	5,303,458	(370,623)	(6,842,135)	2,018,620
Total capital assets not being depreciated	10,250,253	5,303,458	(370,623)	(6,842,135)	8,340,953
Capital assets being depreciated:					
Building and improvements	172,247,138	52,735	(40,846)	880,189	173,139,216
Equipment and fixtures	36,131,540	915,665	(1,641,887)	107,113	35,512,431
Land improvements	23,166,950	120,533	(209,226)	5,854,833	28,933,090
Total capital assets being depreciated	231,545,628	1,088,933	(1,891,959)	6,842,135	237,584,737
Less accumulated depreciation and amortization	(133,045,106)	(6,511,061)	1,886,695	-	(137,669,472)
Net capital assets being depreciated	98,500,522	(5,422,128)	(5,264)	6,842,135	99,915,265
Total capital assets, net	$ 108,750,775	$ (118,670)	$ (375,887)	$ -	$ 108,256,218

Note 6. Capital Assets (Continued)

	2013				
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 6,322,333	$ -	$ -	$ -	$ 6,322,333
Construction-in-progress	867,765	3,093,661	(86,337)	52,831	3,927,920
Total capital assets not being depreciated	7,190,098	3,093,661	(86,337)	52,831	10,250,253
Capital assets being depreciated:					
Building and improvements	172,226,562	20,576	-	-	172,247,138
Equipment and fixtures	35,483,496	899,056	(198,181)	(52,831)	36,131,540
Land improvements	23,166,950	3,092	(3,092)		23,166,950
Total capital assets being depreciated	230,877,008	922,724	(201,273)	(52,831)	231,545,628
Less accumulated depreciation and amortization	(126,221,523)	(7,019,527)	195,944	-	(133,045,106)
Net capital assets being depreciated	104,655,485	(6,096,803)	(5,329)	(52,831)	98,500,522
Total capital assets, net	$ 111,845,583	$ (3,003,142)	$ (91,666)	$ -	$ 108,750,775

Note 7. Bonds Payable

Activity of bonds payable during the fiscal years ended December 31, 2014 and 2013 is as follows:

	2014				
	Beginning Balance	Additions	Payments	Amortization of Premium	Ending Balance
Series 2005 Serial Bonds (1)	$ 3,500,000	$ -	$ (1,705,000)	$ -	$ 1,795,000
Series 2005 Term Bonds (2)	23,665,000	-	-	-	23,665,000
Unamortized Premium	766,096	-	-	(111,532)	654,564
Total Bonds Payable	$ 27,931,096	$ -	$ (1,705,000)	$ (111,532)	$ 26,114,564

	2013				
	Beginning Balance	Additions	Payments	Amortization of Premium	Ending Balance
Series 2005 Serial Bonds (1)	$ 6,760,000	$ -	$ (3,260,000)	$ -	$ 3,500,000
Series 2005 Term Bonds (2)	23,665,000	-	-	-	23,665,000
Unamortized Premium	909,890	-	-	(143,794)	766,096
Total Bonds Payable	$ 31,334,890	$ -	$ (3,260,000)	$ (143,794)	$ 27,931,096

(1) Series 2005 Serial Bonds, principle due annually through 2015, interest at a rate of 5 percent payable semiannually on February 15 and August 15.

(2) Series 2005 Term Bonds, sinking fund payments due annually beginning August 15, 2016 and ending August 15, 2025, interest at a rate of 5 percent payable semiannually on February 15 and August 15.

Note 7. Bonds Payable (Continued)

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

Years Ending December 31,	Principal	Interest	Total
2015	$ 1,795,000	$ 1,273,000	$ 3,068,000
2016	1,880,000	1,183,250	3,063,250
2017	1,975,000	1,089,250	3,064,250
2018	2,075,000	990,500	3,065,500
2019	2,180,000	886,750	3,066,750
2020-2024	12,635,000	2,687,250	15,322,250
2025	2,920,000	146,000	3,066,000
	$ 25,460,000	$ 8,256,000	$ 33,716,000

In 2005, the RTA issued $49,380,000 in Series 2005 Bonds at a premium of $2,149,783 and net of issuance costs of $789,829. The Series 2005 Bonds have fixed interest rates of 4.00 percent to 5.00 percent and were issued to advance refund $24,985,000 of outstanding Series 1996 Bonds with fixed interest rates of 6.00 percent to 6.45 percent, finance improvements at the Del Mar Fairgrounds, fund a debt service reserve account for the Series 2005 Bonds, and pay the costs of issuance relating to the Series 2005 Bonds.

Pursuant to the Series 2005 Bond Indenture between the RTA and the Trustee, the Trustee must establish and maintain a project fund and a bond fund. The bond fund contains an interest account, principal account, 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 was used solely for the improvements at the Del Mar 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 2005 Bonds as it shall become due and payable. 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 2005 Bonds in the event that no other money of the RTA is lawfully available therefore, or for the retirement of all Series 2005 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 2005 Bonds, to pay for project costs as defined, or to pay for any lawful purpose of the RTA.

Upon issuance of the Series 2005 Bonds, a portion of the proceeds was required to be deposited in the reserve account with the Trustee and a minimum balance must be maintained in this account. 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. Pledged revenues consist of Race Track net revenues, Satellite Wagering net revenues and up to $2 million of Concession net revenues.

Note 7. Bonds Payable (Continued)

For the year ended December 31, 2014, debt service payments as a percentage of the pledged gross revenue are indicated in the table below:

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payment	Debt Service as a Percentage of Pledged Revenue
Race track net revenues	$ 3,357,000		
Satellite wagering net revenues	128,489		
Concession net revenues (up to $2 million)	2,000,000		
	$ 5,485,489	3,063,250	56%

Note 8. Operating Leases and Agreements

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

Revenues associated with the DMTC operating agreement totaled $4,582,000 and $6,930,000 for the years ended December 31, 2014 and 2013, respectively. Included in the revenue associated with the DMTC operating agreement are the direct payment amounts noted below:

During 2010, through a competitive bidding process, a new five-year contract commencing January 1, 2011, was awarded to DMTC with the following terms, as amended:

- Direct payment of $800,000 per year to the District, to be used by the District for the annual fair or other authorized purpose for the 2011-2012 years.

- Direct payment of $825,000 to the District, to be used by the District for the annual fair or other authorized purpose for the 2013 year.

- Direct payment of $1,225,000 per year to the District, to be used by the District for the annual fair or other authorized purpose for the 2014-2015 years.

- Basic payment to the RTLC of 100 percent of net earnings (less amount of direct payment), as defined in the operating agreement.

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

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

Note 8. Operating Leases and Agreements (Continued)

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 Del Mar Fairgrounds, the RTLC has the option to terminate the contract by giving at least 180 days written notice. The termination would be effective on December 31 in the year the notice is given unless the notice is given less than 180 days before the end of the year. In that event, the termination would be effective December 31 of the following year.

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

Premier Food Services, Inc.: The District has a management agreement granting the use of food and beverage services equipment to Premier Food Services, Inc. (Premier). During 2011, through a competitive bidding process, a new four-year contract was awarded to Premier with up to two additional three-year terms upon approval of the District. The District retains control over the operations, the daily gross receipts are deposited in the name and interest of the District and the District reimburses Premier for all reimbursable costs, as defined in the agreement, and pays a management fee equal to 12.5 percent of all net profits from the food and beverage operation. Management fees related to this contract were $934,643 and $811,428 for the years ended December 31, 2014 and 2013, respectively. In 2014, Premier was acquired by SMG and the existing management agreement was assumed by SMG.

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 $242,525 and $286,765 for the years ended December 31, 2014 and 2013, respectively.

Note 9. Other Liabilities

Other debt: On March 17, 2000, The District entered into an agreement with the San Elijo Joint Powers Authority (San Elijo) to purchase reclaimed water from San Elijo. The District performed retrofit work on their facility, in order to receive reclaimed water, which was financed by San Elijo as part of the agreement with an interest rate of 3.5 percent per annum. The District makes monthly payments for their usage of reclaimed water at potable water prices until the financing is repaid. The price difference between potable water and reclaimed water is first applied to interest and then principal. At December 31, 2014 and 2013 the outstanding principal amounts were $58,066 and $87,601, respectively.

During 2013, the State of California Department of General Services Office of Risk Insurance and Management allocated out to the State of California District Agricultural Associations the cost of a legal settlement. The District was allocated $103,625 which is to be repaid over 5 years. No interest is being charged on the unpaid balance. The amounts due as of December 31, 2014 and 2013 were $62,175 and $103,625, respectively.

Restoration and monitoring activities: The District has incurred an obligation under Consent Orders with the California Coastal Commission to restore specific areas of its property and engage a third party to monitor the restoration through 2020. At December 31, 2014 and 2013, the liability recorded in the accompanying statements of net position for the total remaining estimated cost of this obligation is $2.9 million and $3.2 million, respectively, which represents the estimated future costs attributable to the restoration and monitoring activities based on projections by the District. Such estimates could change based on variability in projected costs and other factors, including the ultimate approval of the restoration by the California Coastal Commission.

Note 9. Other Liabilities (Continued)

	2014			
	Beginning Balance	Additions	Payments	Ending Balance
San Elijo	$ 87,601	$ -	$ (29,535)	$ 58,066
State of California DGS	103,625	-	(41,450)	62,175
Department of Food and Agriculture (Note 3)	105,000	-	(105,000)	-
Other long-term liabilities	3,164,134	-	(312,519)	2,851,615
	$ 3,460,360	$ -	$ (488,504)	$ 2,971,856

	2013			
	Beginning Balance	Additions	Payments	Ending Balance
San Elijo debt	$ 97,399	$ -	$ (9,798)	$ 87,601
Sate of California DGS	-	103,625	-	103,625
Department of Food and Agriculture (Note 3)	285,000		(180,000)	105,000
Other long-term liabilities	3,849,827	-	(685,693)	3,164,134
	$ 4,232,226	$ 103,625	$ (875,491)	$ 3,460,360

Note 10. Public Employees' Retirement System

The District's defined benefit pension plan (the Plan), California Public Employees' Retirement System (CalPERS), provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The Plan, part of the public agency portion of the CalPERS, is an agent multiple employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating member agencies within the state of California. A menu of benefit provisions, as well as other requirements, is established by state statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS's annual financial report may be obtained by contacting the CalPERS Fiscal Services Division.

Effective November 1, 2010, new union contracts were entered into with most of the unions represented at the District. The contribution rate for most employees was increased to 8.00 percent from 5.00 percent of excess salary over $513 per month, while one bargaining unit remained at 5.00 percent and one increased to 10 percent. The District has made contributions on behalf of its employees at the required amount of their annual covered salaries for the years ended December 31, 2014 and 2013. The contribution requirements of the Plan members are established by state statute, and the employer contribution rate is established and may be amended by CalPERS. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

Effective July 1, 2014, the CalPERS Board approved minimum contribution rates of 24.280 percent for Tier 1 employees and 24.237 percent for Tier 2 employees. Effective July 1, 2013, the CalPERS Board approved minimum contribution rates of 21.203 percent for Tier 1 members and 21.355 percent for Tier 2 members.

Note 10. Public Employees' Retirement System (Continued)

For the year ended December 31, 2014, the District's annual pension cost was $2,171,819 and employer contributions were $2,171,819. For the year ended December 31, 2013, the District's annual pension cost was $1,814,876 and employer contributions were $1,814,876. The required contributions for the years ended December 31, 2014 and 2013, were determined as part of the June 30, 2013 and 2012, actuarial valuations, respectively, using the entry age normal actuarial cost method with the contributions determined as a percentage of salary. The actuarial assumptions were changed in 2014, and the rates used were a phased-in approach to mitigate the impact of the change in price inflation and discount rate assumptions approved by the CalPERS Board. The assumption for inflation was 2.75 percent for 2014 and 2013. The assumed return on investments (net of administrative and investment expenses) in 2014 and 2013 is 7.5 percent, and the overall payroll is assumed to increase 3.0 percent annually.

The actuarial value of the Plan's assets was determined using a technique that places a year to year value on assets in an attempt to smooth short term volatility in the market value of investments. The Plan's unfunded actuarial accrued liability (or excess assets) is being amortized such that the amortization payment is not less than that required to amortize the unfunded liability over fixed and declining 30-year periods.

Three-year trend information for the District is as follows:

Years Ending December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	$ 1,645,792	100%	$ -
2013	1,814,876	100	-
2014	2,171,819	100	-

Note 11. Deferred Compensation

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

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

Note 12. Contingencies

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

Note 12. Contingencies (Continued)

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. Due to the preliminary nature of these claims, the amount of any potential loss is not determinable based on the information available at this time. The District's management believes, after reviewing such matters and consulting with the District's legal counsel, that any liability which may be ultimately incurred with respect to these matters will not have a material adverse effect on the District's financial position or results of operations.

Note 13. Restatement of December 31, 2013

December 31, 2013 net position classifications have been restated as follows:

	December 31, 2013 as Originally Stated	Restatement Adjustment	December 31, 2013 as Restated
Net position			
Net investment in capital assets	$ 80,637,206	$ 4,690,217	$ 85,327,423
Restricted for debt service	11,174,998	(4,700,345)	6,474,653
Unrestricted	8,922,393	10,128	8,932,521
Total net position	$ 100,734,597	$ -	$ 100,734,597

The calculation of the net investment in capital assets for December 31, 2013 included the entire amount of the bonds payable and should have excluded the securities purchased with bond proceeds on deposit with an escrow agent for future payments of the bonds which was classified as restricted for debt service at December 31, 2013. The calculation of the net investment in capital assets for December 31, 2013 also excluded the current portion of the debt due to San Elijo which understated unrestricted net position.

Supplementary Information

22nd District Agricultural Association and its Blended Component Units

Supplemental Schedule—Fair Revenues and Expenses
Years Ended December 31, 2014 and 2013

	2014	2013
Revenues:		
Concession/carnival	**$ 17,248,599**	$ 16,317,398
Admission to grounds	**8,986,862**	8,864,220
Commercial space	**3,706,498**	3,669,281
Parking	**2,923,408**	2,863,429
Sponsorships	**1,608,650**	1,425,065
Exhibits	**310,218**	349,614
Other	**249,959**	445,344
Total revenues	**35,034,194**	33,934,351
Expenses:		
Payroll related and benefits	**8,811,539**	8,379,494
Entertainment/carnival	**7,849,000**	7,798,143
Maintenance and operations	**3,617,200**	3,265,515
Professional services	**2,511,818**	2,519,194
Marketing	**912,247**	1,172,392
Depreciation	**400,153**	404,783
Administrative	**748,268**	624,986
Prizes/premiums	**400,709**	413,224
Other	**341,206**	499,414
Total expenses	**25,592,140**	25,077,145
Fair revenues over expenses	**$ 9,442,054**	$ 8,857,206

22nd District Agricultural Association and its Blended Component Units

Combining Statements of Net Position
December 31, 2014 and 2013

	2014					2013				
Assets	**22nd District**	**RTLC**	**RTA**	**Eliminations**	**Total**	22nd District	RTLC	RTA	Eliminations	Total
Current Assets										
Cash and cash equivalents	**$ 13,146,794**	**$ 147**	**$ 53,408**	**$ -**	**$ 13,200,349**	$ 12,306,194	$ 147	$ 64,711	$ -	$ 12,371,052
Investments	**-**	**-**	**2,100,634**	**-**	**2,100,634**	-	-	4,838,610	-	4,838,610
Current portion of restricted investments	**-**	**-**	**3,303,571**	**-**	**3,303,571**	-	-	6,987,602	-	6,987,602
Accounts receivable, net	**1,079,287**	**86,000**	**-**	**-**	**1,165,287**	571,303	-	-	-	571,303
Due from other funds	**237,895**	**-**	**86,000**	**(323,895)**	**-**	257,519	-	-	(257,519)	-
Prepaid expenses and other	**447,068**	**-**	**56,541**	**-**	**503,609**	388,623	-	65,140	-	453,763
Total current assets	**14,911,044**	**86,147**	**5,600,154**	**(323,895)**	**20,273,450**	13,523,639	147	11,956,063	(257,519)	25,222,330
Restricted Investments, long-term portion	**-**	**-**	**4,700,345**	**-**	**4,700,345**	-	-	4,700,345	-	4,700,345
Capital Assets, net	**21,810,845**	**-**	**86,445,373**	**-**	**108,256,218**	22,676,796	-	86,073,979	-	108,750,775
Total assets	**$ 36,721,889**	**$ 86,147**	**$ 96,745,872**	**$ (323,895)**	**$ 133,230,013**	$ 36,200,435	$ 147	$ 102,730,387	$ (257,519)	$ 138,673,450
Liabilities and Fund Equity										
Current Liabilities										
Accounts payable	**$ 975,154**	**$ -**	**$ 173,346**	**$ -**	**$ 1,148,500**	$ 802,968	$ -	$ 933,443	$ -	$ 1,736,411
Due to other funds	**-**	**86,000**	**237,895**	**(323,895)**	**-**	-	-	257,519	(257,519)	-
Accrued interest	**-**	**-**	**480,743**	**-**	**480,743**	-	-	512,949	-	512,949
Accrued liabilities and other	**1,500,700**	**-**	**465,000**	**-**	**1,965,700**	1,995,364	-	125,553	-	2,120,917
Accrued compensated absences	**2,273,086**	**-**	**-**	**-**	**2,273,086**	2,177,120	-	-	-	2,177,120
Current portion of other long-term liabilities	**-**	**-**	**200,000**	**-**	**200,000**	-	-	212,890	-	212,890
Current portion of debt	**56,041**	**-**	**-**	**-**	**56,041**	156,301	-	-	-	156,301
Current portion of bonds payable	**-**	**-**	**1,795,000**	**-**	**1,795,000**	-	-	1,705,000	-	1,705,000
Total current liabilities	**4,804,981**	**86,000**	**3,351,984**	**(323,895)**	**7,919,070**	5,131,753	-	3,747,354	(257,519)	8,621,588
Other Long-Term Liabilities	**-**	**-**	**2,651,615**	**-**	**2,651,615**	-	-	2,951,244	-	2,951,244
Debt, long-term portion	**64,200**	**-**	**-**	**-**	**64,200**	139,925	-	-	-	139,925
Bonds Payable, long-term portion	**-**	**-**	**24,319,564**	**-**	**24,319,564**	-	-	26,226,096	-	26,226,096
Total liabilities	**4,869,181**	**86,000**	**30,323,163**	**(323,895)**	**34,954,449**	5,271,678	-	32,924,694	(257,519)	37,938,853
Net Position										
Net investment in capital assets	**21,752,779**	**-**	**65,031,154**	**-**	**86,783,933**	22,484,195	-	62,843,228	-	85,327,423
Restricted for debt service	-	-	**2,822,828**	**-**	**2,822,828**	-	-	6,474,653	-	6,474,653
Unrestricted	**10,099,929**	**147**	**(1,431,273)**	**-**	**8,668,803**	8,444,562	147	487,812	-	8,932,521
Total net position	**31,852,708**	**147**	**66,422,709**	**-**	**98,275,564**	30,928,757	147	69,805,693	-	100,734,597
Total liabilities and fund equity	**$ 36,721,889**	**$ 86,147**	**$ 96,745,872**	**$ (323,895)**	**$ 133,230,013**	$ 36,200,435	$ 147	$ 102,730,387	$ (257,519)	$ 138,673,450

22nd District Agricultural Association and its Blended Component Units

Combining Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2014 and 2013

	2014					2013				
	22nd District	RTLC	RTA	Eliminations	Total	22nd District	RTLC	RTA	Eliminations	Total
Operating revenues:										
Food and beverage	$ 22,302,706	$ -	$ -	$ -	$ 22,302,706	$ 19,970,919	$ -	$ -	$ -	$ 19,970,919
Concessions/carnivals	17,294,983	-	-	-	17,294,983	16,415,349	-	-	-	16,415,349
Admissions	9,798,251	-	-	-	9,798,251	9,956,453	-	-	-	9,956,453
Facility rentals	6,592,613	-	-	-	6,592,613	6,452,937	-	-	-	6,452,937
Satellite wagering	1,874,132	-	-	-	1,874,132	1,963,341	-	-	-	1,963,341
Parking	4,325,464	-	-	-	4,325,464	4,457,720	-	-	-	4,457,720
Leases/operating agreement	1,571,011	3,357,000	-	-	4,928,011	1,126,142	6,105,000	-	-	7,231,142
Surf and turf	1,521,708	-	-	-	1,521,708	1,579,801	-	-	-	1,579,801
Sponsorships	2,535,450	-	-	-	2,535,450	2,511,991	-	-	-	2,511,991
Other	2,872,268	-	-	(367,341)	2,504,927	2,492,820	-	1,030	(364,605)	2,129,245
Total operating revenues	70,688,586	3,357,000	-	(367,341)	73,678,245	66,927,473	6,105,000	1,030	(364,605)	72,668,898
Operating expenses:										
Payroll related and benefits	21,787,922	-	-	-	21,787,922	20,629,604	-	-	-	20,629,604
Food and beverage	15,759,203	-	-	-	15,759,203	14,290,926	-	-	-	14,290,926
Entertainment	8,695,556	-	-	-	8,695,556	9,108,559	-	-	-	9,108,559
Maintenance	6,530,758	-	2,143,178	(199,934)	8,474,002	6,402,582	-	2,349,339	(199,934)	8,551,987
Facilities and related supplies	2,484,603	-	-	-	2,484,603	2,075,230	-	-	-	2,075,230
Insurance	1,019,161	-	152,749	-	1,171,910	1,168,524	-	162,957	-	1,331,481
Depreciation	1,377,845	-	5,133,216	-	6,511,061	1,379,066	-	5,640,461	-	7,019,527
Professional services	4,700,757	-	24,516	-	4,725,273	4,481,979	-	112,311	-	4,594,290
Marketing	2,065,851	-	-	-	2,065,851	2,048,155	-	-	-	2,048,155
Other	2,080,540	-	1,213,343	(167,407)	3,126,476	2,213,851	-	714,283	(164,671)	2,763,463
Total operating expenses	66,502,196	-	8,667,002	(367,341)	74,801,857	63,798,476	-	8,979,351	(364,605)	72,413,222
Income (loss) from operations	4,186,390	3,357,000	(8,667,002)	-	(1,123,612)	3,128,997	6,105,000	(8,978,321)	-	255,676
Nonoperating revenues (expenses):										
Interest income	28,290	-	40,619	-	68,909	36,444	-	61,911	-	98,355
Interest expense	(2,678)	-	(1,045,765)	-	(1,048,443)	(3,288)	-	(1,319,324)	-	(1,322,612)
Other	6,736	-	(362,623)	-	(355,887)	(1,723)	-	-	-	(1,723)
Total nonoperating revenues (expenses)	32,348	-	(1,367,769)	-	(1,335,421)	31,433	-	(1,257,413)	-	(1,225,980)
Income (loss) before transfers	4,218,738	3,357,000	(10,034,771)	-	(2,459,033)	3,160,430	6,105,000	(10,235,734)	-	(970,304)
										-
Transfers in	-	-	6,651,787	(6,651,787)	-	-	-	13,543,265	(13,543,265)	-
Transfers out	(3,294,787)	(3,357,000)	-	6,651,787	-	(7,438,265)	(6,105,000)	-	13,543,265	-
Change in net position	923,951	-	(3,382,984)	-	(2,459,033)	(4,277,835)	-	3,307,531	-	(970,304)
Net position, beginning of year	30,928,757	147	69,805,693	-	100,734,597	35,206,592	147	66,498,162	-	101,704,901
Net position, end of year	$ 31,852,708	$ 147	$ 66,422,709	$ -	$ 98,275,564	$ 30,928,757	$ 147	$ 69,805,693	$ -	$ 100,734,597