



BOARD OF DIRECTORS AGENDA REPORT

MEETING DATE: **SEPTEMBER 22, 2022** ITEM: **8A**

SUBJECT: **Presentation of 2021 Audit by Financial Monitoring & Audit Committee and Vote on Whether or Not to Accept**

DATE: September 16, 2022

FROM: Directors Kovacevich and Bagneris

PRESENTATION BY: Directors Kovacevich and Bagneris

Action Item

BACKGROUND

The Financial Monitoring and Audit Committee has reviewed the 2021 audit report with representatives of Lance Soll & Lunghard.

The audit report indicates that the financial statements present fairly in all material respects and that there are no deficiencies in internal controls.

The committee presents the draft document for the Board's approval and filing with the California Department of Food & Agriculture.

A copy of the audit is attached.

RECOMMENDATION

The Financial Monitoring & Audit Committee and staff recommend acceptance of the 2021 audit report and filing with CDFA. The Board, committee and staff thank Lance, Soll & Lunghard for their work.



July 18, 2022

To the Board of Directors and Audit Committee
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

We have audited the financial statements of the the business-type activities of the 32nd District Agricultural Association, OC Fair & Event Center ("32nd DAA") for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 18, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings and Other Issues

Qualitative Aspects of Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 32nd DAA are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2021. We noted no transactions entered into by the 32nd DAA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

Management is responsible for the policies and practices used to account for significant unusual transactions. No significant unusual transactions have occurred during fiscal year 2021.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.





To the Board of Directors and the Audit Committee
32nd DAA District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. These differences are described below. In addition, none of the misstatements detected as a result of our audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Unadjusted Audit Differences	Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
Adjustment of LAIF investment for fair value reporting.	\$ (148,433)
Quarterly interest included in investment balance.	33,794
Cumulative effect (before effect of prior year differences)	(114,639)
Effect of unadjusted audit difference - prior year	-
Cumulative effect (after effect of prior year differences)	\$ (114,639)

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

New auditing standards were implemented in fiscal year 2021 related to Statement of Auditing Standards 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, through Statement of Auditing Standards 140, *Supplementary Information in Relation to the Financial Statements as a Whole*. These standards updated the form and content of the financial statement auditor's report. The purpose of the change was to present an easier format for users to understand the results of the audit and management's responsibilities.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 14, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 32nd DAA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



To the Board of Directors and the Audit Committee
32nd DAA District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Other Audit Findings or Issues Discussed with Management

We generally discuss a variety of matters, including the significant events or transactions that occurred during the year, business conditions affecting the 32nd DAA and business plans and strategies that may affect the risks of material misstatements, the application of accounting principles and auditing standards, with management each year prior to retention as the 32nd DAA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2021 audit:

GASB Statement No. 84, *Fiduciary Activities*.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statement Nos. 14 and 61*.

The following GASB pronouncements are effective in the following fiscal years' audits and should be reviewed for proper implementation by management:

Fiscal year 2022

GASB Statement No. 87, *Leases*.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

Fiscal year 2023

GASB Statement No. 91, *Conduit Debt Obligations*.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement*.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Restriction on Use

This information is intended solely for the use of Board of Directors and the Audit Committee and management of 32nd District Agricultural Association, OC Fair & Event Center and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lance, Soll & Lungard, LLP". The signature is fluid and cursive, with "Lance" and "Soll" on the first line and "& Lungard, LLP" on the second line.

Brea, California



32ND DISTRICT AGRICULTURAL ASSOCIATION OC FAIR & EVENT CENTER

DECEMBER 31, 2021 AND 2020

FINANCIAL STATEMENTS

Focused
on YOU



32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the 32nd District Agricultural Association, OC Fair & Event Center (the 32nd DAA) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the 32nd DAA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the 32nd District Agricultural Association, OC Fair & Event Center (the 32nd DAA), as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 32nd DAA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 32nd DAA's ability to continue as a going concern for twelve months beyond the date of the financial statements.





To the Board of Directors
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 32nd DAA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 32nd DAA's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Responsibilities

Required Supplementary Information

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



To the Board of Directors
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2022 on our consideration of the 32nd DAA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 32nd DAA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 32nd DAA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lungard, LLP". The signature is fluid and cursive, with "Lance" and "Soll" on the first line and "& Lungard, LLP" on the second line.

Brea, California
July 18, 2022

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 1,084,113	\$ 655,663
Cash Equivalents	57,995,326	40,794,297
Accounts Receivable	3,364,676	231,862
Reserve for Bad Debt	(60,991)	(55,103)
Prepaid Expenses	139,897	38,345
Total Current Assets	62,523,021	41,665,064
Capital Projects in Process	276,521	1,686,751
Land	133,553	133,553
Buildings and Improvements	98,670,325	97,246,929
Equipment	8,377,811	8,412,457
Accumulated Depreciation	(64,524,590)	(61,325,828)
Total Capital Assets	42,933,620	46,153,862
Total Assets	105,456,641	87,818,926
Deferred Outflow of Resources		
Deferred Outflows - Pension	4,306,612	4,819,153
Deferred Outflows - OPEB	718,789	384,235
Total Deferred Outflows of Resources	5,025,401	5,203,388
Total Assets and Deferred Outflow of Resources	\$ 110,482,042	\$ 93,022,314
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 1,547,062	\$ 536,519
Deferred Revenue	839,126	2,169,073
Payroll Liabilities	585,209	607,318
Deposits	24,695	15,485
Current Portion of Loan Payable - SB 84	633,596	316,798
Current Portion of Compensated Absences Liability	825,319	599,491
Total Current Liabilities	4,455,007	4,244,684
Noncurrent Liabilities		
Loan Payable - SB84	1,105,983	1,422,781
Compensated Absences Liability	969,960	980,704
Pension Liability	18,390,205	18,196,298
OPEB Liability	9,712,571	3,120,806
Total Noncurrent Liabilities	30,178,719	23,720,589
Total Liabilities	34,633,726	27,965,273
Deferred Inflow of Resources		
Deferred Inflows - Pension	195,526	569,560
Deferred Inflows - OPEB	1,400,963	496,988
Total Deferred Inflows of Resources	1,596,489	1,066,548
Net Position		
Investment in Capital Assets	42,933,620	46,153,862
Net Position - Designated Use	504,460	504,460
Net Position - Available for Operations	37,099,429	34,529,702
Unrestricted Net Position - Pension	(6,268,414)	(17,180,263)
Net Position - Auction Fund	(17,268)	(17,268)
Total Net Position	74,251,827	63,990,493
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 110,482,042	\$ 93,022,314

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating Revenue		
Admissions	\$ 12,961,715	\$ -
Commercial Space	836,787	-
Carnival	6,048,959	-
Concessions	9,768,246	189,423
Exhibits	96,631	14,486
Attractions - Fairtime	3,812,290	-
Misc fair	-	101,587
Interim Attractions	-	2,468,295
Grants	7,590,979	-
Personnel	989,849	-
Event Services	886,178	-
Parking	4,194,425	-
Sponsorship	1,484,894	-
Equipment Rental	534,934	-
Other Operating	1,082,583	702,483
Total Revenue	50,288,470	3,476,274
Operating expenses		
Administration	17,152,510	6,791,637
Maintenance and Operations	4,647,938	8,745,839
Publicity	856,793	789,099
Attendance Operations	-	594,266
Misc Fair	246,571	11,897
Misc non-fair	-	3,360
JLA	126,894	-
Premiums	85,327	2,341
Exhibits	-	61,997
Fair Entertainment	2,406,661	459,152
Interim Entertainment	-	68,929
Depreciation	3,242,519	3,458,838
Pension and other post-employment benefits	7,493,600	5,362,914
Equipment Rental	2,403,400	-
Professional Services	3,575,615	-
Sponsorship	271,056	-
Dues & Subscription	63,942	-
Total Operating Expenses	42,572,826	26,350,269
Operating Income	7,715,644	(22,873,995)
Non Operating Revenue and Expenses		
Other Income (Expense)	2,557,811	146,095
Cash over short	(12,121)	252
Total non Operating Revenue and Expenses	2,545,690	146,347
Net Position		
Change in Net Position	10,261,334	(22,727,648)
Net Position at January 1	63,990,493	86,718,141
Net Position at December 31	\$ 74,251,827	\$ 63,990,493

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Position	\$ 10,261,334	\$ (22,727,648)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
Non-Cash Charges (Credits) to Net Income		
Depreciation Expense	3,242,519	3,458,838
Loss on sale of capital assets	168,231	-
(Increase) Decrease in Assets		
(Increase) Decrease in Accounts Receivable	(3,126,926)	1,422,112
(Increase) Decrease in Prepaid Expenses	(101,552)	121,396
(Increase) Decrease in Deferred Outflows - Pension	512,541	165,432
(Increase) Decrease in Deferred Outflows - OPEB	(334,554)	(269,100)
Increase (Decrease) in Liabilities		
Increase (Decrease) in Accounts Payable	1,010,543	(581,372)
Increase (Decrease) in Deferred Revenue	(1,329,947)	666,221
Increase (Decrease) in Payroll Liabilities	(22,109)	(29,833)
Increase (Decrease) in Deposits	9,210	7,950
Increase (Decrease) in Compensated Absence Liability	215,084	408,409
Increase (Decrease) in Deferred Inflows - Pension	(374,034)	(61,281)
Increase (Decrease) in Deferred Inflows - OPEB	903,975	409,578
Increase (Decrease) in Net Pension Liability	193,907	2,473,384
Increase (Decrease) in Net OPEB Liability	6,591,765	2,644,901
Total Adjustments	7,558,653	10,836,635
Net Cash Provided (Used) by Operating Activities	17,819,987	(11,891,013)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of capital assets	(190,508)	(1,587,996)
Net Cash Provided (Used) by Investing Activities	(190,508)	(1,587,996)
NET INCREASE (DECREASE) IN CASH	17,629,479	(13,479,009)
Cash and Cash Equivalents - Beginning of Period	41,449,960	54,928,969
Cash and Cash Equivalents - End of Period	\$ 59,079,439	\$ 41,449,960
Cash	\$ 1,084,113	\$ 655,663
Cash Equivalents	57,995,326	40,794,297
Total Cash and Cash Equivalents	\$ 59,079,439	\$ 41,449,960

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 1: Summary of Significant Accounting Policies

General

The 32nd District Agricultural Association (32nd DAA) was formed for the purpose of sponsoring, managing, and conducting the business of the OC Fair each year in Costa Mesa, California. The State of California, Department of Food and Agriculture, through the Fairs and Expositions Branch provides oversight responsibilities to the 32nd DAA. The 32nd DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative manual, and the Accounting Procedures Manual established by the Fairs and Expositions Branch.

Basis of Accounting

The accounting policies applied to and procedures used by the 32nd DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The 32nd DAA's activities are accounted for as an Enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the 32nd DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The 32nd DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected and expenses are reported in the year incurred rather than paid.

Cash and Cash Equivalents

The 32nd DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the 32nd DAA approximates market value.

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 \$75,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Therefore, the 32nd DAA considers all pooled government funds with the LAIF to be cash equivalents.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 1: Summary of Significant Accounting Policies (Continued)

In accordance with the Accounting Procedures Manual, the 32nd DAA is authorized to deposit funds in certificates of deposit and interest-bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Accounts Receivable

Accounts receivable consists of trade accounts arising in the normal course of business. Uncollectible accounts are written off after all attempts at collection have been pursued. Accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. The allowance for doubtful accounts is determined on the basis of loss experience, economic conditions in the industry, and financial stability of customers.

Property and Equipment

Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 5 to 30 years and purchases of equipment are depreciated over five years. Capitalized infrastructure assets, such as drainage systems and paving, may be depreciated over 20 to 40 years. Costs of repair and maintenance are expensed as incurred by the 32nd DAA. 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, net of related interest income in the case of tax-exempt debt. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the donation. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Capital Projects in Process and no depreciation is recorded on Capital Projects in Process until the project is completed and the asset is placed in service.

The 32nd DAA periodically evaluates whether events or circumstances have occurred that may have resulted in an impairment of its property and equipment. No such impairment occurred in the years ended December 31, 2021 or 2020.

Compensated Absences

Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, state and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The 32nd DAA has deferred outflows relating to the net pension liability and net OPEB liability reported in the statement of net position. These outflows are the results of contributions made after the measurement period, which are expensed in the following year, the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience, adjustments due to differences in proportions, and difference in proportionate share.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The 32nd DAA has deferred inflows relating to the net pension liability and net OPEB liability are the results of the difference between expected and actual experience, changes in assumptions, adjustments due to differences in proportions, and difference in proportionate share.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the OPEB Plan, the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit healthcare plan administered by the California Public Employees' Retirement System (CalPERS), and additions to/deductions from the OPEB plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 1: Summary of Significant Accounting Policies (Continued)

GASB Statement No. 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Revenue Recognition

Generally, the 32nd DAA recognizes revenues upon completion of services provided primarily under authorized contractual agreements. Advance payments received are deferred in accrued liabilities and other in the Statements of Net Position until performance is complete. Operating lease revenue is recognized, in part, based on the financial statements provided by the lessee.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review

The 32nd DAA has evaluated events through July 19, 2022, the date the financial statements were available to be issued.

Note 2: Cash and Cash Equivalents

The following list of cash and cash equivalents were held by the 32nd DAA as of December 31:

	2021	2020
Cash in Bank - Operating	\$ 1,084,113	\$ 655,663
Cash in Bank - LAIF	57,995,326	40,794,297
Total Cash and Cash Equivalents	\$ 59,079,439	\$ 41,449,960

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 2: Cash and Cash Equivalents (Continued)

Investment in State Investment Pool

The 32nd DAA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the 32nd DAA's investment in this pool is reported in the accompanying financial statements at amounts based on the 32nd DAA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF does not impose limits or restrictions on participant withdrawals and the entire balance of the 32nd DAA's investment on the portfolio is available for withdrawal at any time, LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals in LAIF are made on the basis of \$1 and not fair value. Accordingly, the 32nd DAA's investment in this pool is measured on uncategorized inputs not defined as Level 1, 2 or 3.

Fair Value Hierarchy

The 32nd DAA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active markets; Level 3 inputs are significant unobservable inputs. At December 31, 2021 and 2020, all of the 32nd DAA's investments are LAIF and are considered uncategorized.

Note 3: Capital Assets

Capital Assets activity for the year ended December 31, 2021, is as follows:

	<u>Balance at January 1, 2021</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2021</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 97,246,929	\$ 1,471,953	\$ -	\$ (48,557)	\$ 98,670,325
Equipment	8,412,457	-	9,112	(43,758)	8,377,811
Total depreciable capital assets	105,659,386	1,471,953	9,112	(92,315)	107,048,136
Less accumulated depreciation:					
Buildings and improvements	(53,625,974)	-	(3,006,084)	-	(56,632,058)
Machinery and equipment	(7,699,854)	-	(236,435)	43,757	(7,892,532)
Total accumulated depreciation	(61,325,828)	-	(3,242,519)	43,757	(64,524,590)
Net depreciable assets	44,333,558	1,471,953	(3,233,407)	(48,558)	42,523,546
Capital assets not depreciated:					
Land	133,553	-	-	-	133,553
Capital Projects in Process	1,686,751	(1,471,953)	181,396	(119,673)	276,521
Capital assets, net	\$ 46,153,862	\$ -	\$ (3,052,011)	\$ (168,231)	\$ 42,933,620

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 3: Capital Assets (Continued)

Capital Assets activity for the year ended December 31, 2020, is as follows:

	<u>Balance at January 1, 2020</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2020</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 96,735,430	\$ 511,499	\$ -	\$ -	\$ 97,246,929
Equipment	8,053,904	358,553	-	-	8,412,457
Total depreciable capital assets	104,789,334	870,052	-	-	105,659,386
Less accumulated depreciation:					
Buildings and improvements	(50,486,190)	-	(3,139,784)	-	(53,625,974)
Machinery and equipment	(7,380,800)	-	(319,054)	-	(7,699,854)
Total accumulated depreciation	(57,866,990)	-	(3,458,838)	-	(61,325,828)
Net depreciable assets	46,922,344	870,052	(3,458,838)	-	44,333,558
Capital assets not depreciated:					
Land	133,553	-	-	-	133,553
Capital Projects in Process	968,807	(870,052)	1,587,996	-	1,686,751
Capital assets, net	\$ 48,024,704	\$ -	\$ (1,870,842)	\$ -	\$ 46,153,862

Depreciation expense for years ended December 31, 2021 and 2020 was \$3,227,946 and \$3,458,838, respectively.

Note 4: Defined Benefit Pension Plan

Description of Plan

The 32nd DAA contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the 32nd DAA's Miscellaneous Plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions under the Plans are established by State statute and the 32nd DAA's Board of Directors. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 4: Defined Benefit Pension Plan (Continued)

The Plans provisions and benefits in effect at December 31, 2021, are summarized as follows:

	Tier I*	Tier II
Hire date	Prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	3.75%
Required employer contribution rates	10.00%	-

* Plan is closed to new entrants

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Miscellaneous Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 32nd DAA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended December 31, 2021, the contributions recognized as a reduction to the net pension liability were \$2,023,889.

Net Pension Liability

As of December 31, 2021, the 32nd DAA reported a net pension liability for its proportionate share of the net pension liability of \$18,390,205.

The 32nd DAA's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019. The 32nd DAA's proportion of the net pension liability was based on a projection of the 32nd DAA's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The 32nd DAA's proportionate share of the net pension liability was 0.0529% as of June 30, 2020, an decrease of 0.0012% from the prior year.

A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 4: Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2020 (the measurement date), the June 30, 2019 valuation was rolled forward to determine the June 30, 2020 total pension liability. The June 30, 2020 and the June 30, 2019, total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68.
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement table and Post-retirement mortality rates includes 15 years of projected mortality improvements using 90% of scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that

Long-term Expected Rate of Return

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

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

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 4: Defined Benefit Pension Plan (Continued)

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.0% used for this period.

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

Discount Rate

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

Changes in the Net Pension Liability

The 32nd DAA's portion of net pension liability recognized over the measurement period is \$18,390,205 for the Plan.

The DAA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The DAA's proportion of the net pension liability was based on a projection of the DAA's long-term share of contributions to the Plans relative to the projected contributions of all participating employers, as actuarially determined. The City's proportionate share of the net pension liability for the Plans as of June 30, 2019 and 2020 was as follows:

Proportion - June 30, 2019	0.054%
Proportion - June 30, 2020	0.053%
Change - Increase (Decrease)	-0.001%

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 4: Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate+ 1% (8.15%)
Plan's Net Pension Liability/(Assets)	\$ 26,207,801	\$ 18,390,205	\$ 11,838,342

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves. Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2019), the net pension liability was \$18,390,205. For the measurement period ending June 30, 2020, (the measurement date), the 32nd DAA incurred a pension expense of \$332,414 for the Plan.

As of June 30, 2020, the following were the reported deferred outflows of resources and deferred inflows of resources related to the pension plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Current year contributions that occurred after the measurement date of June 30, 2020	\$ 2,939,958	\$ -
Change of assumption	-	(195,526)
Difference between expected and actual experiences	913,280	-
Net difference between projected and actual earnings on pension plan investments	453,374	-
Total	\$ 4,306,612	\$ (195,526)

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 4: Defined Benefit Pension Plan (Continued)

Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2021	\$ 104,076
2022	491,756
2023	364,488
2024	210,808

Note 5: Loan Payable SB-84

Chapter 50, Statutes of 2017 (SB 84), authorized the State to make a one-time \$6 billion supplemental pension payment to CalPERS in 2017-2018, in addition to the annual State contribution. The additional pension payment is funded through a non-interest bearing loan from the Surplus Money Investment Fund (SMIF). SB 84 requires the repayment of the loan principal be made from the General Fund and other funds and accounts (Funds) that are required by law to fund the state's employer contribution to the Public Employees' Retirement Fund. Pursuant to the 2018 Budget Act, the \$6 billion supplemental pension payment funded by the loan from the SMIF is estimated to result in net savings of \$4.8 billion. SB 84 requires all Funds to fully repay their principal by June 30, 2030. During the year ended 2019, the 32nd DAA established a loan payable to the SMIF for the principal of \$1,739,579. As of December 31, 2021, the amount remaining on the loan payable to SMIF was \$1,739,579. During the year ended 2021, the first payment was deferred by the State. The 32nd DAA is currently working with the State to determine the manner of payment. The 2021 payment is currently classified as a current liability.

Future minimum loan repayments are as follows:

	<u>December 31,</u>	<u>Amount</u>
2022	\$ 633,596	
2023	316,798	
2024	316,798	
2025	472,387	
Total	\$ 1,739,579	

Note 6: Compensated Absences

The 32nd DAA's policies relating to compensated absences are described in Note 1. The liability will be paid in future years as it becomes due.

	<u>Balance at December 31, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2021</u>	<u>Due in One Year</u>
Compensated Absences	\$ 1,580,195	\$ 228,035	\$ 12,951	\$ 1,795,279	\$ 825,319

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OC FAIR & EVENT CENTER**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 7: Taxation

Because the OC Fair & Event Center is not a legal entity and is under the District Agricultural Association, which is a state agency, it is not subject to taxation by federal or state authorities. All profits and losses flow to the District Agricultural Association and are subject to the tax regulations governing that entity.

Note 8: Other Post-Employment Benefits

Description of Plan

The 32nd DAA provides other post-employment benefits (OPEB) through the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit healthcare plan administered by the California Public Employees' Retirement System (CalPERS). OPEB addresses unfunded retirement health care by prefunding future health benefits for retired members. Prefunding OPEB is negotiated through the state collective bargaining process and pursuant to Government Code sections 22940 through 22944.5. OPEB contributions are deducted from the total pensionable compensation of each pay period. Pensionable compensation is any pay that is subject to retirement contribution, e.g. regular pay, Industrial Disability Leave, holiday pay, pay differentials, shift differential, and special pay. Separate financial statements for the CERBT may be obtained by writing to CalPERS at Lincoln Plaza North 400 Q Street, Sacramento, California 95814 or by visiting the CalPERS website at www.calpers.ca.gov.

Net OPEB Liability

At December 31, 2021, the 32nd DAA reported a liability of \$9,712,571 for its proportionate share of the net OPEB liability. the 32nd DAA covered payroll is used as the basis for determining its proportion of the OPEB amounts. At December 31, 2021, the 32nd DAA proportion was 0.0128%, an increase of 0.0092% from the prior year.

The 32nd DAA's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020 to determine the December 31, 2021, total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	6.75%
Inflation	2.25%
Salary Increases	Varies by age and service
Investment Rate of Return	6.75% net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Mortality Rate Table	CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2016
Healthcare Trend Rate	Pre-Medicare - 7.50% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% through 2036 then to 4.25% for years later Post-Medicare - 7.50% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% through 2036 then to 4.25% for years later Dental - 0.01% for 2020 and 4.50% for 2021 through 2036, then 4.25% thereafter

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**NOTES TO THE FINANCIAL STATEMENTS
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Note 8: Other Post-Employment Benefits (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Years 1-10	Real Return Years 11-40
Global Equity	59.00%	4.80%	5.98%
Fixed income	25.00%	1.10%	2.62%
TIPS	5.00%	0.25%	1.46%
REITS	8.00%	3.50%	5.00%
Commodities	3.00%	1.50%	2.87%
Total	<u>100.00%</u>		

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability

The 32nd DAA's portion of net OPEB liability recognized over the measurement period is \$9,712,571 for the Plan.

The DAA's net OPEB liability for the Plan is measured as the proportionate share of the net pension liability. The net OPEB liability is measured as of June 30, 2020, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The DAA's proportion of the net OPEB liability was based on a projection of the DAA's long-term share of contributions to the Plans relative to the projected contributions of all participating employers, as actuarially determined. The City's proportionate share of the net OPEB liability for the Plans as of June 30, 2019 and 2020 was as follows:

Proportion - June 30, 2019	0.0036%
Proportion - June 30, 2020	0.0128%
Change - Increase (Decrease)	0.0092%

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

Note 8: Other Post-Employment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the 32nd DAA if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	Current		
	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability / (Asset)	\$ 11,478,557	\$ 9,712,571	\$ 8,305,192

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the 32nd DAA if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease Trend Rate	Current Healthcare Cost Trend Rates	1% Increase Trend Rate
Net OPEB Liability / (Asset)	\$ 8,495,061	\$ 9,712,571	\$ 11,271,410

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that includes financial statements and required supplementary information.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the 32nd DAA recognized OPEB expense/(income) of \$243,325. As of December 31, 2021, the 32nd DAA reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 359,875	\$ -
Differences between expected and actual experiences	2,546	812,128
Changes of assumptions	352,567	588,183
Net difference between projected and actual earnings on OPEB plan investments	3,801	652
Total	\$ 718,789	\$ 1,400,963

**THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
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Note 8: Other Post-Employment Benefits (Continued)

The \$718,788 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

Period ended June 30:		Outflows/(Inflows) of Resources
2022	\$	(329,235)
2023		(317,499)
2024		(254,709)
2025		(120,263)
2026		(8,580)
Ther after		(11,763)
Total	\$	<u><u>(1,042,049)</u></u>

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
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MISCELLANEOUS PLAN - AGENT MULTIPLE-EMPLOYER
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2015	2016	2017	2018
TOTAL PENSION LIABILITY				
Service Cost	\$ 739,613	\$ 789,129	\$ 835,168	\$ 964,721
Interest	3,338,770	3,488,873	3,614,059	3,694,182
Changes in Assumptions	149,112	(840,174)	35,400	2,762,558
Difference between Expected and Actual Experience	-	347,163	(50,741)	(193,713)
Benefit Payments, Including				
Refunds of Employee Contributions	(2,424,716)	(2,551,638)	(2,676,082)	(2,789,115)
Net Change in Total Pension Liability	1,802,779	1,233,353	1,757,804	4,438,633
Total Pension Liability - Beginning	44,486,606	46,289,385	47,522,738	49,280,542
Total Pension Liability - Ending (a)	\$ 46,289,385	\$ 47,522,738	\$ 49,280,542	\$ 53,719,175
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 1,079,224	\$ 1,305,685	\$ 1,410,600	\$ 1,549,004
Contributions - Employee	383,828	385,905	400,909	422,304
Net Investment Income	5,190,558	753,267	169,962	3,668,562
Benefit Payments, Including				
Refunds of Employee Contributions	(2,424,716)	(2,551,638)	(2,676,082)	(2,789,115)
Administrative Expense	(43,279)	(38,377)	(20,769)	(49,258)
Net Plan to Plan Resource Movement	-	(177)	(578)	(1,370)
Other Miscellaneous Income/(Expense)	-	1	-	-
Net Change in Fiduciary Net Position	4,185,615	(145,334)	(715,958)	2,800,127
Plan Fiduciary Net Position - Beginning	30,038,553	34,224,168	34,078,834	33,362,876
Plan Fiduciary Net Position - Ending (b)	\$ 34,224,168	\$ 34,078,834	\$ 33,362,876	\$ 36,163,003
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 12,065,217	\$ 13,443,904	\$ 15,917,666	\$ 17,556,172
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.94%	71.71%	67.70%	67.32%
Covered Payroll	\$ 4,865,996	\$ 5,274,045	\$ 5,616,642	\$ 5,828,776
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	247.95%	254.91%	283.40%	301.20%

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

Notes to Schedule:

Benefit Changes:

The figures above include any liability impact that may have resulted from voluntary benefit changes that have occurred after the June 30, 2019 valuation. However, offers of Two Years Additional Service Credit (a.k.a Golden Handshakes) that have occurred after the June 30, 2019 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions:

None in 2019 or 2020. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

MISCELLANEOUS PLAN - AGENT MULTIPLE-EMPLOYER
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2019	2020	2021
TOTAL PENSION LIABILITY			
Service Cost	\$ 977,849	\$ 1,105,164	\$ 1,124,594
Interest	3,789,751	4,311,985	4,384,866
Changes in Assumptions	40,234	4,515,656	-
Difference between Expected and Actual Experience	223,093	1,099,536	392,800
Benefit Payments, Including			
Refunds of Employee Contributions	(2,935,832)	(3,349,116)	(3,446,103)
Net Change in Total Pension Liability	2,095,095	7,683,225	2,456,157
Total Pension Liability - Beginning	53,719,175	55,814,270	62,094,752
Total Pension Liability - Ending (a)	\$ 55,814,270	\$ 63,497,495	\$ 64,550,909
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 3,525,671	\$ 2,043,574	\$ 2,649,702
Contributions - Employee	435,633	510,141	532,121
Net Investment Income	3,066,917	6,036,795	2,189,231
Benefit Payments, Including			
Refunds of Employee Contributions	(2,935,832)	(3,349,116)	(3,446,103)
Administrative Expense	(56,352)	(30,925)	(2,229)
Net Plan to Plan Resource Movement	(671)	(727)	(62,453)
Other Miscellaneous Income/(Expense)	(107,013)	99	-
Net Change in Fiduciary Net Position	3,928,353	5,209,841	1,860,269
Plan Fiduciary Net Position - Beginning	36,163,003	40,091,356	44,300,435
Plan Fiduciary Net Position - Ending (b)	\$ 40,091,356	\$ 45,301,197	\$ 46,160,704
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 15,722,914	\$ 18,196,298	\$ 18,390,205
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.83%	71.34%	71.51%
Covered Payroll	\$ 6,023,460	\$ 6,810,231	\$ 7,011,185
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	261.03%	267.19%	262.30%

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

MISCELLANEOUS PLAN - AGENT MULTIPLE-EMPLOYER
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 1,074,570	\$ 1,300,281	\$ 1,404,875	\$ 1,543,196
Contribution in Relation to the Actuarially Determined Contribution	(1,079,224)	(1,305,685)	(1,410,600)	(1,549,004)
Contribution Deficiency (Excess)	<u>\$ (4,654)</u>	<u>\$ (5,404)</u>	<u>\$ (5,725)</u>	<u>\$ (5,808)</u>
Covered Payroll	\$ 4,865,996	\$ 5,274,045	\$ 5,616,642	\$ 5,828,776
Contributions as a Percentage of Covered Payroll	22.18%	24.76%	25.11%	26.58%

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

Note to Schedule:

Valuation Date:	June 30, 2020
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Asset valuation method	Fair value of assets
Inflation	2.5%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Entry Age and Service 7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Investment Rate of Return	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Retirement Age	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.
Mortality	

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

MISCELLANEOUS PLAN - AGENT MULTIPLE-EMPLOYER
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2019	2020	2021
Actuarially Determined Contribution	\$ 1,717,939	\$ 2,036,755	\$ 2,211,185
Contribution in Relation to the Actuarially Determined Contribution	<u>(2,135,609)</u>	<u>(2,043,574)</u>	<u>(2,649,702)</u>
Contribution Deficiency (Excess)	<u>\$ (417,670)</u>	<u>\$ (6,819)</u>	<u>\$ (438,517)</u>
 Covered Payroll	 \$ 6,023,460	 \$ 6,810,231	 \$ 7,011,185
Contributions as a Percentage of Covered Payroll	35.45%	30.01%	37.79%

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

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

	2018	2019	2020	2021
Total OPEB Liability				
Service cost	\$ 20,121	\$ 17,606	\$ 103,509	\$ 329,838
Interest on the total OPEB liability	18,483	20,727	120,152	354,628
Changes in benefit terms	-	(43,490)	(57,547)	(271,681)
Actual and expected experience difference	(52,071)	(19,987)	2,588,346	6,623,184
Changes in assumptions	(13,302)	(13,707)	(86,821)	(280,480)
Benefit payments				
Net change in total OPEB liability	(26,769)	(38,851)	2,667,639	6,755,489
Total OPEB liability - beginning	544,862	518,093	479,242	3,146,881
Total OPEB liability - ending (a)	518,093	479,242	3,146,881	9,902,370
Plan Fiduciary Net Position				
Contribution - employer	13,431	14,700	95,619	335,414
Contribution - employees	129	994	8,798	54,934
Net investment income	105	126	1,435	4,113
Benefit payments	(13,302)	(13,707)	(86,821)	(280,480)
Administrative expense	-	(1)	(3)	(61)
Other miscellaneous income/expense			3,710	72,542
Net change in plan fiduciary net position	363	2,112	22,738	186,462
Plan fiduciary net position - beginning	862	1,225	3,337	3,337
Plan fiduciary net position - ending (b)	\$ 1,225	\$ 3,337	\$ 26,075	\$ 189,799
Net OPEB Liability - ending (a) - (b)	\$ 516,868	\$ 475,905	\$ 3,120,806	\$ 9,712,571
Plan fiduciary net position as a percentage of the total OPEB liability	0.24%	0.70%	0.83%	1.92%

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

Notes to Schedule: None

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

THE 32ND DISTRICT AGRICULTURAL ASSOCIATION
OC FAIR & EVENT CENTER

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

	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 25,253	\$ 25,150	\$ 149,855	\$ 187,930
Contribution in Relation to the Actuarially Determined Contributions	(13,431)	(14,700)	(95,619)	(146,718)
Contribution Deficiency (Excess)	\$ 11,822	\$ 10,450	\$ 54,236	\$ 41,212
Expected return on assets	\$ 72	\$ 160	\$ 1,122	\$ 859
Percentage of ADC made by employer	53.19%	58.45%	63.81%	78.07%

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

Methods and assumptions used to determine contributions:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Discount Rate	6.75%
General Inflation	2.25%
Payroll Growth	Varies by age and service
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 Experience Study; Mortality Improvement - Mortality projected fully generational with Pre-Medicare - 7.50% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% through 2036 then to 4.25% for years later Post-Medicare - 7.50% for 2021, decreasing 0.50% per year to an ultimate rate of 4.50% through 2036 then to 4.25% for years later Dental - 0.01% for 2020 and 4.50% for 2021 through 2036, then 4.25% thereafter
Medical Trend	



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors and Audit Committee
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 32nd District Agricultural Association, OC Fair & Event Center ("32nd DAA"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the 32nd DAA's basic financial statements, and have issued our report thereon dated July 18, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 32nd DAA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 32nd DAA's internal control. Accordingly, we do not express an opinion on the effectiveness of the 32nd DAA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 32nd DAA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.





To the Board of Directors and Audit Committee
32nd District Agricultural Association
OC Fair & Event Center
Costa Mesa, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 32nd DAA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 32nd DAA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lance, Soll & Lungard, LLP". The signature is fluid and cursive, with "Lance" and "Soll" on the first line and "Lungard, LLP" on the second line.

Brea, California
July 18, 2022