14TH DISTRICT AGRICULTURAL ASSOCIATION
SANTA CRUZ COUNTY FAIR
WATSONVILLE, CALIFORNIA

FINANCIAL STATEMENTS
and
INDEPENDENT ACCOUNTANT'S
REVIEW REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2017

CONTENTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
14th District Agricultural Association
Watsonville, California

We have reviewed the accompanying financial statements of 14th District Agricultural Association (the DAA), which comprise the statement of net position as of December 31, 2017, 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 DAA's basic financial statements as listed in the table of content. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

The financial statements include partial and summarized prior-year comparative information. Such information does not include all the required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the DAA's financial statements for the year ended December 31, 2016, from which such partial and summarized information was derived.

We have previously reviewed DAA's 2016 financial statements and in our conclusion dated September 25, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following supplementary information be presented to supplement the basic financial statements:

Schedule of the DAA's Proportionate Share of the Plan's Net Pension Liability
Schedule of the DAA's Pension Plan Contributions
Management's Discussion and Analysis

Such information is presented for purposes of additional analysis 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 not audited or reviewed such required supplementary information, and accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on it.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The Management Discussion and Analysis, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content.

McGilloway, Ray, Brown & Kaufman
Salinas, California
August XX, 2019

14TH DISTRICT AGRICULTURAL ASSOCIATION
STATEMENTS OF NET POSITION
DECEMBER 31, 2017
(with prior year data for comparative purposes only)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 299,441	$ 359,082
Accounts receivable, net	57,959	22,914
Other receivables, net	62	-
Prepaid expenses	9,111	9,728
Total current assets	366,573	391,724
Noncurrent assets		
Capital assets, net	1,979,355	1,967,827
Total assets	2,345,928	2,359,551
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	276,410	193,739
Total assets and deferred outflows of resources	$ 2,622,338	$ 2,553,290
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities	$ 76,827	$ 72,103
Unearned income	20,458	13,550
Guaranteed deposits	5,300	6,120
Compensated absences liability	15,494	8,160
Line of credit	-	50,110
Total current liabilities	118,079	150,043
Long-term liabilities		
Net pension liability	773,001	534,015
Total liabilities	891,080	684,058
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual earnings on pension plan investments	7,214	1,353
Total liabilities and deferred inflows of resources	898,294	685,411
NET POSITION		
Net investment in capital assets	1,979,355	1,967,827
Restricted for junior livestock auction	14,986	27,732
Unrestricted	(270,297)	(127,680)
Total net position	1,724,044	1,867,879
Total liabilities, deferred inflows of resources, and net position	$ 2,622,338	$ 2,553,290

See accompanying notes to basic financial statements.

14TH DISTRICT AGRICULTURAL ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017
(with prior year data for comparative purposes only)

	2017	2016
PROGRAM REVENUES		
Admissions	$ 537,167	$ 511,784
Commercial space	58,778	44,700
Carnival	95,510	101,867
Food concessions	164,936	211,927
Exhibits	5,008	3,998
Horse show	30,506	30,009
Miscellaneous fair	317,134	181,130
JLA revenue	28,448	19,404
Rents and other non-fair revenue	657,080	612,630
Contributions	145,051	149,543
Sponsorships	35,542	36,183
Other operating revenue	1,213	12,613
Total program revenues	2,076,373	1,915,788
OPERATING EXPENSES		
Administration	612,373	434,243
Maintenance and operations	948,191	920,645
Publicity	113,334	132,002
Attendance	92,468	66,080
Miscellaneous fair	36,265	21,078
JLA expense	40,033	30,358
Premiums	14,622	13,833
Exhibits	66,436	60,552
Horse show	21,557	18,593
Attractions	137,432	146,331
Interim expenses	49,954	41,551
Depreciation	125,733	119,748
Total operating expenses	2,258,398	2,005,014
Income (loss) from operations	(182,025)	(89,226)
NON OPERATING REVENUES (EXPENSES)		
Intergovernmental	38,190	38,190
Interest income	-	98
Loss on disposal of property	-	(5,150)
Total general revenues	38,190	33,138
Change in net position	(143,835)	(56,088)
NET POSITION, BEGINNING OF YEAR	1,867,879	1,923,967
NET POSITION, END OF YEAR	$ 1,724,044	$ 1,867,879

See accompanying notes to basic financial statements.

14TH DISTRICT AGRICULTURAL ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with prior year data for comparative purposes only)

	2017	2016
Cash Flows From Operating Activities		
Receipts from customers	$ 1,866,761	$ 1,711,644
Cash from contributions	145,051	149,543
Cash from sponsorships	35,542	36,183
Payments to suppliers	(1,322,402)	(1,330,038)
Payments to employees	(635,412)	(533,193)
Net cash provided by operating activities	89,540	34,139
Cash Flows From Non-Capital Financing Activities		
Cash from state apportionments	38,190	38,190
Net change in line of credit	(50,110)	(34,890)
Net cash provided by non-capital financing activities	(11,920)	3,300
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(137,261)	(112,449)
Cash Flows From Investing Activities		
Interest received	-	98
Net decrease in cash and cash equivalents	(59,641)	(74,912)
Cash and cash equivalents, beginning of year	359,082	433,994
Cash and cash equivalents, end of year	$ 299,441	$ 359,082
RECONCILIATION OF OPERATING GAINS (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income (loss) from operations	$ (182,025)	$ (89,226)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation	125,733	119,748
Bad debts	-	(20,000)
(Increase) decrease in:		
Accounts receivable	(35,045)	(14,298)
Other receivables	(62)	21,585
Prepaid expenses	617	(3,174)
Deferred outflow of resources	(82,671)	(108,817)
Increase (decrease) in:		
Accounts payable and other liabilities	4,724	32,736
Unearned income	6,908	(6,105)
Guaranteed deposits	(820)	400
Compensated absences liability	7,334	4,646
Net pension liability	238,986	107,420
Deferred inflow of resources	5,861	(10,776)
Total adjustments to net income	271,565	123,365
Net cash provided by operating activities	$ 89,540	$ 34,139

See accompanying notes to basic financial statements.

1. Significant Accounting Policies

Nature of Organization

The 14th District Agricultural Association (DAA), a component unit of the State of California, was formed for the purpose of sponsoring, managing, and conducting the Santa Cruz County Fair each year in Watsonville, California. The Association also markets the Fairgrounds exhibition halls, grounds and racetrack facilities and manages hundreds of events each year. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions, provides oversight responsibilities to the DAA. The 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 Division of Fairs and Expositions. The board members of the DAA are appointed by the Governor of the State of California.

The State of California allocates funds annually to each of the DAA's throughout the State to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The 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.

The 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.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the DAA are revenues related to the operation of the annual fair and year-round rental of buildings and grounds. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

The 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 DAA approximates fair 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 $50,000,000 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 DAA considers all pooled government funds with the LAIF to be cash equivalents.

In accordance with the Accounting Procedures Manual, the 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.

Inventories
Inventories, if any, consist primarily of souvenir items sold during fair time and are stated at cost.

Receivables
Receivables include amounts due from customers as well as amounts due from interest and other receivables. An allowance for doubtful accounts is made annually.

Prepaid Expenses
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets
Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds, contributions, and funds allocated by the State. Any acquired assets, if greater than $5,000 and have 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 repairs and maintenance are expensed as incurred by the 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 gift. This recorded basis is depreciated over the useful lives identified above. The cost of projects that have not been placed in service are recorded as construction-in-progress and no depreciation is recorded until the project is completed and the asset is placed in service.

The Fair periodically evaluates whether events or circumstances have occurred that may have resulted in an impairment of its capital assets. No such impairment occurred in the year ended December 31, 2017.

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 (expenses) until then. The DAA has deferred pension outflows as describe further in Note 6.

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 will not be recognized as an inflow of resources (revenue) until that time. The DAA has deferred pension inflows as describe further in Note 6.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of 14th District Agricultural Association District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS finance office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 6 for the CalPERS Plan disclosures. GASB 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 (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	June 30, 2016 to June 30, 2017

Compensated Absences

Compensated absences are absences for which permanent employees will be paid, such as vacation and sick leave. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

Net Position

Net position comprises various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified into the following three components:

Net investment in capital assets, net of related debt - consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. The DAA has no debt attribute to capital assets.

Restricted net position - consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - consists of net assets that do not meet the definition of restricted net position or net investment in capital assets.

Revenue Recognition

The DAA generally recognizes revenues when events take place, and when goods and services are provided.

Food and beverage revenue is recognized at the time of sale.

Concessions and fair revenue consist of space rentals at the fair and ticket sales. Revenue from space rentals is recognized when earned and revenue from ticket sales is recognized when they are available to be used.

Facility rentals revenue consists primarily of buildings and grounds rentals for the various events presented at the Santa Cruz Fairgrounds. Revenue is recognized over the term of the rental contract.

Sponsorship and contribution revenue consist of sponsorship contracts and contributions for various events at the fairgrounds. Sponsorship revenue is recognized over the term of the sponsorship agreement. Contribution revenue consists of unrestricted contributions.

Income Taxes
The DAA is a state agency and, therefore, is exempt from paying taxes on its income.

Use of Estimates
The preparation of financial statements in conformity with 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, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Restricted and Unrestricted Net Position
When both restricted and unrestricted net position are available for use, it is the DAA's policy to use restricted net position first, then unrestricted net position as they are needed.

New Accounting Pronouncements
The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance.

The DAA implemented the following statements for the year ended December 31, 2017:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, effective for reporting periods beginning after June 15, 2016. This statement has no financial effect on these financial statements.
- GASB Statement No. 81 - In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement were effective for periods beginning after December 15, 2016. This statement had no effect on these financial statements.

Pending Accounting Pronouncements
GASB has issued the following statements which may impact the DAA's financial reporting requirements in the future:

- GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 were effective for fiscal years beginning after June 15, 2017. The DAA has not determined the effect of the statement.

- GASB Statement No. 82 - In April 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for reporting periods beginning after June 15, 2016. Except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement has no financial effect on these financial statements.

- GASB Statement No. 83 - In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The DAA has not determined the effect of the statement.

- GASB Statement No. 84 - In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The DAA has not determined the effect of the statement.

- GASB Statement No. 85 - In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits, OPEB). The provisions of this Statement were effective for periods beginning after June 15, 2017. The DAA has not determined the effect of the statement.

- GASB Statement No. 86 - In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The DAA has not determined the effect of the statement.

- GASB Statement No. 87 - In June 2017, GASB issued Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The DAA has not determined the effect of the statement.

- GASB Statement No. 88 - In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The DAA has not determined the effect of the statement.

Comparative Prior Year Financial Information

Selected information regarding the prior year has been included in the accompanying financial statements and notes to the basic financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the DAA's 2016 financial statements, from which this selected financial data was derived.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's financial statement presentation.

2. Cash and Cash Equivalents

At December 31, 2017, the DAA has the following cash and investments (all of which are considered Cash Equivalents):

	Fair Value	Carrying Value
Petty cash	$ 401	$ 401
Bank checking accounts	265,816	265,816
Bank savings accounts	33,206	33,206
Local government investment pool	18	18
Total cash and cash equivalents	$ 299,441	$ 299,441

Cash in Bank - Custodial Credit Risk - Deposits

All of the bank balances at year-end were covered by the Federal Depository Insurance Corporation (FDIC) or the collateralized. Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the DAA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure DAA deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

The bank balance differs from the book balance because of deposits in transit and outstanding checks. At December 31, 2017, the DAA's balances in banks and on the books are as follows:

Bank Balance	Book Balance
$ 317,358	$ 299,022

Local Agency Investment Fund (LAIF)
The State of California Local Agency Investment Fund (LAIF) is an external investment pool. The investment pool does not have a credit rating. LAIF operates in accordance with appropriate state laws and regulations. The share value of the DAA's investment in LAIF is $18 at December 31, 2017. The average life of the LAIF portfolio was 186 days at December 31, 2017. Under LAIF's investment policy, the DAA can withdraw all its funds with 24-hour notice.

Investment Policy
Under the provisions of the DAA's investment policy, and in accordance with Section 53601 of the California Government Code, the DAA may invest in the following types of investments:

- Securities of the U.S. Government or its agencies.
- Certificate of Deposit (or Time Deposits placed with commercial banks and or/savings and loan companies).
- State of California Local Agency Investment Fund (State Pool) Deposits.
- Interest bearing demand accounts with commercial banks and/or savings and loan companies.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. To address credit risk, the DAA invests its funds in accordance with state statutes and the DAA's investment policy. The criteria for selecting investments are, in order of priority; (1) safety – consideration of the potential loss of principal or interest, (2) liquidity – the ability to have funds available at any moment in time with a minimal potential loss, and (3) yield – the optimum rate of return while preserving capital. The DAA's investments are held in banks. The DAA believes that there is minimal custodial credit risk with their investments at this time. DAA management monitors the entities which hold the investments.

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. All of the DAA's cash and investments have maturities of 3 months or less.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the DAA and that the DAA will not be able to recover the value of its investments or collateral securities. Credit risk is mitigated by investing only in U.S. Treasury Obligations, Federal Agency securities and in other high-quality investments, and by diversifying the portfolio so that the failure of any issuer would not unduly harm the DAA's cash flow. The DAA diversifies its investments by security type and institution.

As of December 31, 2017, the DAA's investments with the Local Agency Investment Fund was not categorized as to custodial credit risk.

The following table provides the credit ratings for the DAA's cash and investments as of December 31, 2017:

	Fair Value	S&P	Moody's	% of Total
Rabobank	$ 264,875	A+/Stable/A-1	Aa3/Stable/P-1	88.5%
Union Bank	941	NR	NR	0.3%
Santa Cruz County Bank	33,206	NR	NR	11.1%
Local Agency Investment Fund	18	NR	NR	0.0%
Total	$ 299,040			100.0%

* NR - denotes not rated.

Disclosures Related to Fair Value Measurement

The DAA measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the DAA has the ability to access at the measurement date.
>
> Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.
>
> Level 3 inputs are unobservable inputs for the asset or liability.

At December 31, 2017, the DAA had no leveled investments. Deposits and withdrawals in governmental investment pools, such as LAIF, are made on the basis of $1 and not fair value. Accordingly, the DAA's measured fair value of its proportionate share in these types of investments is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

3. Receivables

Accounts receivable at December 31, 2017 consists of the following:

Accounts receivable	$ 64,869
Less allowance for doubtful accounts	(6,910)
Accounts receivable, net	$ 57,959

4. Capital Assets

The changes in capital assets of the DAA for the year ended December 31, 2017 are summarized as follows:

	2016	Increases	Decreases/ Transfers	2017
Nondepreciable assets				
Land	$ 8,500	$ -	$ -	$ 8,500
Construction in progress	47,987	5,698	(47,987)	5,698
Total nondepreciable assets	56,487	5,698	(47,987)	14,198
Depreciable assets				
Buildings and improvements	4,662,857	131,563	47,987	4,842,407
Equipment	294,652	-	-	294,652
Total depreciable assets	4,957,509	131,563	47,987	5,137,059
Less accumulated depreciation	(3,046,169)	(125,733)	-	(3,171,902)
Total depreciable assets, net	1,911,340	5,830	47,987	1,965,157
Total capital assets, net	$ 1,967,827	$ 11,528	$ -	$ 1,979,355

5. Line of Credit

The DAA has an approved line of credit with Santa Cruz County Bank in the amount of $150,000. The line of credit is secured by inventory, chattel paper, accounts, equipment, and general intangibles. The balance due on the line of credit was $0 as of December 31, 2017. The outstanding principal balance shall bear an interest rate of 2.250 percentage points above the prime rate posted in the Wall Street Journal. This is a variable interest note with interest computed on a 365/365 simple interest basis. The line of credit was due on August 1, 2018 and was renewed.

The DAA opened a line of credit with Rabobank in the amount of $30,000 during the year ended December 31, 2015. The line of credit is secured by inventory, chattel paper, accounts, equipment, and general intangibles. The balance due on the line of credit was $0 as of December 31, 2017. The outstanding principal balance shall bear an interest rate of 2.250 percentage points above the prime rate posted in the Wall Street Journal. The line of credit was due on September 16, 2018 and is currently being re-negotiated for extension.

The changes in the line of credit of the DAA for the year ended December 31, 2017 are summarized as follows:

	2016	Increases	Decreases	2017
Line of credit	$ 50,110	$ 150,000	$ 200,110	$ -

6. Retirement Plans

A. General Information about the Pension Plan

Plan Description - Employees of the DAA are considered to be employees of the State, and as such, participate in the State's retirement plans, as described below. Since the employees are State employees, information particular to DAA's pension liabilities is not separately calculated. Permanent employees of the DAA are eligible to participate in the State Miscellaneous Plan, an Agent Multiple-Employer Defined Benefit Plan. The DAA is pooled with the other District Agricultural Association’s with this plan.

Contributions and Funding Policy - The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California. Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in Ca1 PERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation or requesting a refund.

Benefit 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 employments.

The DAA’s Plan provisions and benefits in effect at December 31, 2017, are summarized as follows:

	State Miscellaneous	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.50%	2.00%
Required employee contribution rates	8.00%	8.00%
Required employer contribution rates	24.28%	25.15%

On January 1, 2013, the Public Employees’ Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for new hired members, PEPRA also effectively closed all existing active pools to new employees.

Contributions 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 1st following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The DAA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. These rates reflect Section 20683.2, which mandates that certain employees must contribute more as of July 1, 2013. Furthermore, any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer toward the unfunded liability.

For the year ended December 31, 2017 the DAA's contribution to the State Miscellaneous Plan was $66,193.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of December 31, 2017, the DAA reported net pension liabilities of $773,001 for its proportionate share of the net pension liability.

The DAA's net pension liability is measured as the proportionate share of the total net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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 pension plans relative to the projected contributions for all participating employers, actuarially determined.

The DAA's proportionate share of the net pension liability as of December 31, 2017 and 2016 was a follow:

	Percentage Share of Risk Pool		Change:
	12/31/2017	12/31/2016	Increase (Decrease)
Measurement date	6/30/2017	6/30/2016	
Percentage of Miscellaneous Pool	0.0021158%	0.0017792%	0.0003366%
Percentage of DAA's Pool	0.7750000%	0.6400000%	0.13500000%

For the year ended December 31, 2017, the DAA recognized pension expense of $225,377. At December 31, 2017, the DAA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,387	$ 7,214
Changes of Assumptions	89,933	-
Net difference between projected and actual earnings on pension plan investments	21,926	-
Change in employer proportion	127,889	-
Difference between the employer's contribution and the employer's proportionate share of contributions	-	-
Pension contributions subsequent to measurement date	33,275	-
Total	$ 276,410	$ 7,214

The deferred outflows of resources to contributions of $33,275 were subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending December 31, 2018.

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

Measurement Period Ended June 30:	Deferred Outflows (Inflows) of Resources
2018	$ 90,112
2019	95,424
2020	61,559
2021	(11,174)
Total	$ 235,921

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was 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	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.50% net of pension plan investment expense, includes inflation
Mortality Rate Table*	Derived using CalPERS's Membership Data for all Funds
Post Retirement Benefits adjustments (COLAs)	Contract COLA up to 2.75% until Purchasing Power Protection Allowance floor on Purchasing Power applies, 2.75% thereafter

*The Mortality table used was developed based on CalPERS's specific data. The table include 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and requirement rates. The Experience Study report can be found on CalPERS' website under Forms and Publications.

Change of Assumption – The financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent during the measurement period ended June 30, 2017. Deferred inflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represents the unamortized portion of this assumptions change.

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' website at https://www.calpers.ca.gov/page/employers/actuarial-services/gasb.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 to 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 can be found in CalPERS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017.

Amortization of Deferred Outflows and Deferred Inflows of Resources – Net Difference Between Projected and Actual Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earning on Pension Plan Investments is amortized over the remaining amortization periods. Net Difference Between Projected and Actual Investment Earning on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the June 30, 2017 measurement date is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of all active employees) by 130,595 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the proportionate share of the net pension liability of the DAA's Plan as of the Measurement Date June 30, 2017, 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	$ 1,057,545	$ 773,001	$ 534,863

Pension Plan Fiduciary Net Positions - Detailed information about each plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Subsequent Events - There were no subsequent events that would materially affect the results presented in this disclosure.

7. Interest

Interest incurred and expensed in 2017 totaled $3,229. No interest was capitalized during 2017.

8. Santa Cruz County Fairgrounds Foundation

The Santa Cruz County Fairgrounds Foundation (Foundation) is a California Corporation exempt from tax under IRC Section 501(c)(3). As such, the Foundation is eligible to receive tax deductible contributions to be used for public relations activities and capital improvements on behalf of the Santa Cruz County Fair Grounds.

The Foundation is an affiliate of the DAA. The DAA has no ownership or voting interest in the Foundation. The activities of the Foundation are not included in the financial statement of the DAA.

During the year ended December 31, 2017 the DAA received $140,634 of contributions from the Foundation. In addition, DAA receives free use of vehicles from the Foundation. The value of the free use of these vehicles in not included in the financial statements of the DAA.

9. Subsequent Events

Date of Management Review

Events occurring after December 31, 2017 have been evaluated by Management for possible adjustment to the financial statements or disclosure as of August XX, 2019 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

14TH DISTRICT AGRICULTURAL ASSOCIATION
SCHEDULE OF THE DAA's PROPORTIONATE SHARE OF THE PLAN'S
NET PENSION LIABILITY AND RELATED NOTES AS OF MEASUREMENT DATE
COST SHARING DEFINED BENEFITS PENSION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017
LAST 10 YEARS^

Measurement Date	6/30/2017	6/30/2016	6/30/2015
DAA's proportion of the net pension liability	0.00212%	0.00178%	0.00151%
DAA's proportionate share of the net pension liability	$ 773,001	$ 534,015	$ 426,595
DAA's covered-employee payroll*	240,230	200,080	123,300
DAA's proportionate share of the net pension liability percentage of the covered employee payroll	321.78%	266.90%	345.98%
DAA's plan share of the fiduciary net position	1,528,758	1,186,009	1,028,502
Plan's fiduciary net position as a percentage of the plan's total pension liability	66.42%	68.95%	70.68%

Related Notes

^ Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown

* For the year ending on the measurement date

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit

Changes of Assumption: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent

14TH DISTRICT AGRICULTURAL ASSOCIATION
SCHEDULE OF THE DAA's PENSION PLAN CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
LAST 10 YEARS^

Contributions for the fiscal year ended	12/31/2017	12/31/2016	12/31/2015
Actuarially determined contribution	$ 66,193	$ 52,000	$ 41,691
Contributions in relation to the actuarially determined contribution	(66,193)	(52,000)	(41,691)
Contribution deficiency (excess)	$ -	$ -	$ -
DAA's covered-employee payroll*	$ 240,230	$ 200,080	$ 123,300
Contributions as a percentage of covered-employee payroll	27.55%	25.99%	33.81%

^ Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown
* For the fiscal year ended on the date shown