32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2004 and 2003

AUDIT STAFF

Ron Shackelford, CPA	Audit Chief
Shakil Anwar, CPA	Assistant Audit Chief
Tommy A. Torres, CPA	Auditor
Michelle Ton, CPA	Auditor
Mae Constantino	Auditor

AUDIT REPORT NUMBER

05-010

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Financial Statements	3
Notes to the Financial Statements	6
Report Distribution	9

CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE
A. G. Kawamura, Secretary

Mr. Jim Barich, President
Board of Directors
32nd DAA, Orange County Fair
88 Fair Drive
Costa Mesa, California 92626

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 32nd District Agricultural Association, Orange County Fair, Costa Mesa, California, as of December 31, 2004 and 2003, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 32nd DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 32nd District Agricultural Association, Orange County Fair, as of December 31, 2004 and 2003 and the results of its operations and changes in net resources for the years then ended, in conformity with the basis of accounting described in Note 2 to the financial statements.

The 32nd District Agricultural Association, Orange County Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #05-010 on the 32nd DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 32nd DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

Ron Shackelford, CPA
Chief, Audit Office

March 24, 2005

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

STATEMENTS OF FINANCIAL CONDITION
December 31, 2004 and 2003

	Account Number	2004	2003
ASSETS			
Cash in Bank (Note 3)	111-117	$ 21,378,639	$ 20,333,037
Accounts Receivable, Net (Note 3)	131	715,625	308,557
Other Assets	120-162	37,431	17,900
Land (Note 3)	191	133,553	133,553
Buildings and Improvements, Net (Note 3)	192	19,567,274	19,529,731
Equipment, Net (Note 3)	193	491,587	588,989
Construction In Progress (Note 3)	182	1,350,150	823,635
TOTAL ASSETS		**43,674,260**	**41,735,401**
LIABILITIES AND NET RESOURCES			
Liabilities and Other Credits			
Accounts Payable	212	169,540	120,941
Taxes Liabilities	220-226	80,793	187,308
Deferred Revenue	228	585,152	84,032
Guaranteed Deposits	245	25,295	36,802
Compensated Absences (Note 5)	248	593,232	551,018
Total Liabilities and Other Credits		**1,454,012**	**980,100**
Net Resources			
Reserve for Junior Livestock Auction	251	20,099	21,128
Net Resources - Operations	291	20,657,585	19,658,265
Net Resources - Investment in Capital Assets	291.1	21,542,564	21,075,908
Total Net Resources Available		**42,220,248**	**40,755,301**
TOTAL LIABILITIES AND NET RESOURCES		**$ 43,674,260**	**$ 41,735,401**

See accompanying independent auditor's report and notes to the financial statements.

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2004 and 2003

	Account Number	2004	2003
REVENUE			
Project Reimbursements	318	$ 89,563	$ 28,252
Grants Revenue	340	71,493	-
Other Miscellaneous Revenue	496-499	-	77,000
Admissions	410	4,137,187	4,018,261
Commercial Space	415	818,318	886,586
Carnival	421	1,572,328	1,394,235
Concessions	422	2,548,658	2,229,768
Exhibits	430	72,694	61,704
Horse Show	440	-	2,155
Attractions - Fairtime	460	3,496,635	4,298,161
Miscellaneous Fair	470	2,436,003	2,113,788
Junior Livestock Auction	476	201,554	17,344
Non-Fair Revenue	480	8,396,539	8,283,282
Prior Year Adjustments - Revenue	490	(15,159)	2,667
Other Revenue	495	362,322	368,660
Total Revenue		**24,188,135**	**23,781,863**
EXPENSES			
Administration (Note 4)	500	2,805,185	3,308,808
Maintenance and Operations	520	6,161,570	5,957,616
Publicity	540	2,710,811	2,192,247
Attendance	560	1,936,336	1,979,930
Miscellaneous Fair	570	519,921	479,084
Junior Livestock Auction	576	202,584	16,395
Premiums	580	106,832	90,061
Exhibits	630	1,335,372	914,383
Attractions - Fairtime	660	5,373,674	7,144,693
Equipment and Non-Capitalized Expenditures	723	49,527	224,666
Prior Year Adjustments - Expenses	800	6,818	(114,808)
Cash Over/Under	850	6,424	8,336
Depreciation Expense	900	1,508,134	1,562,941
Total Expenses		**22,723,189**	**23,764,351**
RESOURCES			
Net Change - Income / (Loss)		1,464,947	17,512
Resources Available, January 1		$40,755,301	40,737,789
Resources Available, December 31		**$ 42,220,248**	**$ 40,755,301**

See accompanying independent auditor's report and notes to the financial statements.

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2004 and 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	1,464,947	$ 17,512
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(407,068)	312,208
(Increase) Decrease in Other Assets	(19,531)	(3,542)
Increase (Decrease) in Accounts Payable	(57,916)	22,192
Increase (Decrease) in Other Accrued Liabilities	531,827	(308,426)
Total Adjustments	47,312	22,432
Net Cash Provided (Used) by Operating Activities	**1,512,259**	**39,944**
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Buildings & Improvements	(37,544)	757,666
(Increase) Decrease in Equipment	97,401	270,447
Purchases of Construction In Progress	(526,514)	(823,635)
Net Cash Provided (Used) by Investing Activities	**(466,657)**	**204,478**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	-	-
Net Cash Provided (Used) by Financing Activities	-	-
NET INCREASE (DECREASE) IN CASH	**1,045,602**	**244,422**
Cash at Beginning of Year	$20,333,037	20,088,615
CASH AT END OF YEAR	**$21,378,639**	**$20,333,037**

See accompanying independent auditor's report and notes to the financial statements.

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE 1 ORGANIZATION

The 32nd District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Orange County Fair each year in Costa Mesa, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions 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 Division of Fairs and Expositions.

The State of California allocates funds annually to the 32nd DAA 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.

NOTE 2 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 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.

Accordingly, the 32nd DAA's accounts are maintained on the accrual basis of accounting. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 least ten percent in excess of the uninsured 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

The 32nd DAA is required to record an allowance for doubtful accounts based on estimates of collectibility. As of December 31, 2004 and 2003, the accounts receivable balances were reduced by a $55,268 and $29,913 allowance respectively.

Land, Buildings and Improvements, Equipment, and Investment in Capital Assets

Land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. The acquired assets, if greater than $5,000 and a useful life of one or more years, are capitalized. Repair and maintenance costs are expensed as incurred. Donated buildings and equipment are recorded at their fair market value at the date of the gift. Buildings and improvements are depreciated over 30 years, while equipment is depreciated over five years. Amounts spent for capital projects that have not been placed in service at year-end are accounted for as construction in progress.

Land, buildings and improvements, equipment, and construction in progress at December 31 consists of:

	2004	2003
Land	$ 133,553	$ 133,553
Buildings and Improvements	36,742,908	35,517,525
Less: Accumulated Depreciation	(17,175,634)	(15,987,794)
Net:	$19,567,274	$19,529,731
Equipment	1,868,696	1,645,804
Less: Accumulated Depreciation	(1,377,109)	(1,056,815)
Net:	$ 491,587	$ 588,989
Construction In Progress	$ 1,350,150	$ 823,635
Investment in Capital Assets	$21,542,564	$21,075,908

NOTE 4 **RETIREMENT PLANS**

Permanent employees of the 32nd DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the 32nd 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 32nd 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 32nd DAA, however, does not accrue the liability associated with vested benefits.

Temporary, 119-day, employees of the 32nd 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.

NOTE 5 **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.

NOTE 6 **INCOME TAXES**

The 32nd DAA is a state agency and therefore, is exempt from paying taxes on its income.

NOTE 7 **LITIGATION**

The 32nd DAA is involved in various legal actions arising in the normal conduct of its business, none of which, in the opinion of management, will have a material effect on its financial position or results of operations.

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

REPORT DISTRIBUTION

Number	Recipient
1	President, 32nd DAA Board of Directors
1	Chief Executive Officer, 32nd DAA
1	Director, Division of Fairs and Expositions
1	Chief, CDFA Human Resources Branch
1	Chief, CDFA Audit Office

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2005 and 2004

AUDIT STAFF

Ron Shackelford, CPA	Audit Chief
Shakil Anwar, CPA	Assistant Audit Chief
Tommy A. Torres, CPA	Auditor
Alicia Lauron	Auditor
Sarah Blote	Auditor

AUDIT REPORT NUMBER

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Financial Statements	3
Notes to the Financial Statements	6
Report Distribution	10

CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE
A. G. Kawamura, Secretary

Ms. Peggy Haidl, President
Board of Directors
32nd DAA, Orange County Fair
88 Fair Drive
Costa Mesa, California 92626

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 32nd District Agricultural Association, Orange County Fair, Costa Mesa, California, as of December 31, 2005 and 2004, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 32nd DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 32nd District Agricultural Association, Orange County Fair, as of December 31, 2005 and 2004 and the results of its operations and changes in net resources for the years then ended, in conformity with the basis of accounting described in Note 2 to the financial statements.

The 32nd District Agricultural Association, Orange County Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #06-029 on the 32nd DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 32nd DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

For Ron Shackelford, CPA
Chief, Audit Office

May 5, 2006

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

STATEMENTS OF FINANCIAL CONDITION
December 31, 2005 and 2004

	Account Number	2005	2004
ASSETS			
Cash in Bank (Note 3)	111-117	$ 24,206,392	$ 21,378,639
Accounts Receivable, Net (Note 3)	131	884,816	715,625
Other Assets	120-162	34,021	37,431
Land (Note 3)	191	133,553	133,553
Buildings and Improvements, Net (Note 3)	192	19,410,762	19,567,274
Equipment, Net (Note 3)	193	322,656	491,587
Construction In Progress (Note 3)	182	988,943	1,350,150
TOTAL ASSETS		**45,981,142**	**43,674,260**
LIABILITIES AND NET RESOURCES			
Liabilities and Other Credits			
Accounts Payable	212	458,060	169,540
Taxes Liabilities	220-226	152,644	80,793
Deferred Revenue	228	231,873	585,152
Guaranteed Deposits	245	67,737	25,295
Compensated Absences (Note 5)	248	739,591	593,232
Total Liabilities and Other Credits		**1,649,904**	**1,454,012**
Net Resources			
Reserve for Junior Livestock Auction	251	21,234	20,099
Net Resources - Operations	291	23,454,090	20,657,585
Net Resources - Investment in Capital Assets	291.1	20,855,914	21,542,565
Total Net Resources Available		**44,331,237**	**42,220,248**
TOTAL LIABILITIES AND NET RESOURCES		**$ 45,981,142**	**$ 43,674,260**

See accompanying independent auditor's report and notes to the financial statements.

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2005 and 2004

	Account Number	2005	2004
REVENUE			
Project Reimbursements	319	$ 57,000	$ 89,563
Grants Revenue	340	9,507	71,493
Admissions	410	5,101,845	4,137,187
Commercial Space	415	941,840	818,318
Carnival	421	1,737,627	1,572,328
Concessions	422	3,029,113	2,548,658
Exhibits	430	70,899	72,694
Attractions - Fairtime	460	3,430,071	3,496,635
Miscellaneous Fair	470	2,828,153	2,436,003
Junior Livestock Auction	476	262,319	201,554
Non-Fair Revenue	480	7,887,170	8,396,539
Prior Year Adjustments - Revenue	490	-	(15,159)
Other Revenue	495	725,871	362,322
Total Revenue		**26,081,415**	**24,188,135**
EXPENSES			
Administration (Note 4)	500	3,391,558	2,805,185
Maintenance and Operations	520	6,288,104	6,161,570
Publicity	540	2,819,478	2,710,811
Attendance	560	2,111,331	1,936,336
Miscellaneous Fair	570	568,511	519,921
Junior Livestock Auction	576	261,183	202,584
Premiums	580	106,158	106,832
Exhibits	630	1,432,826	1,335,372
Attractions - Fairtime	660	5,315,350	5,373,674
Equipment and Non-Capitalized Expenditures	723	160,202	49,527
Prior Year Adjustments - Expenses	800	(8,459)	6,818
Cash Over/Under	850	6,748	6,424
Depreciation Expense	900	1,475,929	1,508,134
Other Operating Expense	940	41,507	-
Total Expenses		**23,970,426**	**22,723,189**
RESOURCES			
Net Change - Income / (Loss)		2,110,989	1,464,947
Resources Available, January 1		42,220,248	40,755,301
Resources Available, December 31		**$ 44,331,237**	**$ 42,220,248**

See accompanying independent auditor's report and notes to the financial statements.

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	$ 2,110,989	$ 1,464,947
Adjustment to Reconcile Excess of Revenue Over Exp to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(169,190)	(407,068)
(Increase) Decrease in Other Assets	3,410	(19,531)
Increase (Decrease) in Accounts Payable	288,520	(57,916)
Increase (Decrease) in Other Accrued Liabilities	(92,627)	531,827
Total Adjustments	30,113	47,312
Net Cash Provided (Used) by Operating Activities	**2,141,102**	**1,512,258**
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Buildings & Improvements	156,512	(37,544)
(Increase) Decrease in Equipment	168,932	97,401
Purchases of Construction In Progress	361,208	(526,514)
Net Cash Provided (Used) by Investing Activities	**686,652**	**(466,657)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	-	-
Net Cash Provided (Used) by Financing Activities	-	-
NET INCREASE (DECREASE) IN CASH	**2,827,754**	**1,045,601**
Cash at Beginning of Year	21,378,638	20,333,037
CASH AT END OF YEAR	**$ 24,206,392**	**$ 21,378,638**

See accompanying independent auditor's report and notes to the financial statements.

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE 1 ORGANIZATION

The 32nd District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Orange County Fair each year in Costa Mesa, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions 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 Division of Fairs and Expositions.

The State of California allocates funds annually to the 32nd DAA 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.

NOTE 2 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 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 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.

NOTE 3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

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 least ten percent in excess of the uninsured 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

The 32nd DAA is required to record an allowance for doubtful accounts based on estimates of collectibility. As of December 31, 2005 and 2004, the accounts receivable balances were reduced by a $45,471 and $55,268 allowance respectively.

Land, Buildings and Improvements, and Equipment

Land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. The acquired assets, if greater than $5,000 and a useful life of one or more years, are capitalized. Repair and maintenance costs are expensed as incurred. Donated buildings and equipment are recorded at their fair market value at the date of the gift. Buildings and improvements are depreciated over 30 years, while equipment is depreciated over five years. Amounts spent for capital projects that have not been placed in service at year-end are accounted for as construction in progress.

Land, buildings and improvements, equipment, and construction in progress at December 31 consists of:

	2005	2004
Land	$ 133,553	$ 133,553
Buildings and Improvements	37,804,531	36,742,908
Less: Accumulated Depreciation	(18,393,769)	(17,175,634)
Net:	$19,410,762	$19,567,274

Equipment	1,940,711	1,868,696
Less: Accumulated Depreciation	(1,618,055)	(1,377,109)
Net:	$ 322,656	$ 491,587
Construction In Progress	$ 988,943	$ 1,350,150

NOTE 4 **RETIREMENT PLANS**

Permanent employees of the 32nd DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the 32nd 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 32nd 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 32nd 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 CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the 32nd 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.

NOTE 5 **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.

NOTE 6 **MINIMUM FUTURE RENTS**

In 2005, the Orange County Fair entered into a new five-year agreement allowing the contractor to continue using the fairgrounds to conduct the weekly swap meet. The agreement specifies that rental payments paid to the Fair are based on a percentage of tenant sales, subject to a minimum amount.

Minimum future rents to be paid to the Orange County Fair under the new agreement are as follows for the next five years:

Fiscal Year ending July 31:	
2006	$3,500,000
2007	$3,500,000
2008	$3,500,000
2009	$3,500,000
2010	$3,500,000
Total	$17,500,000

NOTE 7 **INCOME TAXES**

The 32nd DAA is a state agency and therefore, is exempt from paying taxes on its income.

NOTE 8 **LITIGATION**

The 32nd DAA is involved in various legal actions arising in the normal conduct of its business, none of which, in the opinion of management, will have a material effect on its financial position or results of operations.

32ND DISTRICT AGRICULTURAL ASSOCIATION
ORANGE COUNTY FAIR
COSTA MESA, CALIFORNIA

REPORT DISTRIBUTION

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