

**SAN MATEO COUNTY EXPOSITION  
AND FAIR ASSOCIATION**

**Financial Statements with  
Auditor's Reports Thereon  
December 31, 2006 and 2005**

**SAN MATEO COUNTY EXPOSITION AND FAIR ASSOCIATION**

**December 31, 2006 and 2005**

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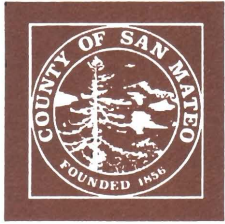
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## Office of Controller



**TOM HUENING**  
**CONTROLLER**

**COUNTY OF SAN MATEO**

555 COUNTY CENTER, 4<sup>TH</sup> FLOOR • REDWOOD CITY • CALIFORNIA 94063

ROBERT G. ADLER  
ASSISTANT CONTROLLER

KANCHAN K. CHARAN  
DEPUTY CONTROLLER

TELEPHONE: (650) 363-4777  
FAX: (650) 363-7888

[www.co.sanmateo.ca.us/controlier/](http://www.co.sanmateo.ca.us/controlier/)

### Independent Auditor's Report

To the Board of Directors  
San Mateo County Exposition and Fair Association

We have audited the accompanying statements of net assets of the San Mateo County Exposition and Fair Association as of December 31, 2006 and 2005, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Association as of December 31, 2006 and 2005, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated June 4, 2007 on our consideration of the Association'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*County of San Mateo Controller*

Redwood City, California  
June 4, 2007

**San Mateo County Exposition and Fair Association**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the San Mateo County Exposition and Fair Association (Association), we offer our readers of the Association's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes.

**Financial Highlights**

- The Association's total net assets as of December 31, 2006 amounted to \$2,408,743, an increase of \$1,174,143 from prior year. The increase in net assets was mostly due to a decrease in spending on capital improvements in the current year compared to prior year.
- Most of the \$2,408,743 in net assets was comprised of surplus cash and the investment in capital assets.
- The Association received \$329,330 from the City of San Mateo Redevelopment Agency and \$50,000 from California Construction Authority during the fiscal year ended December 31, 2006 for the financing of capital improvements.
- Total operating revenue for the year, amounted to \$5,033,053 and were comprised of fair revenue of \$1,444,486; rental revenue of \$3,046,519; horse racing revenue of \$513,458 and other revenue of \$28,590.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Association's basic financial statements.

As required by accounting principles, the financial transactions of the Association are accounted for in an enterprise fund. An enterprise fund is used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the governing body is to have the costs of providing goods or services to the general public be financed primarily through user charges and where the periodic determination of net income is appropriate for accountability, management control, or other purposes.

The *statements of net assets* on page 5 present information on the Association's assets and liabilities, with the difference reported as net assets. Changes in net assets over time provide an indicator of whether the financial position of the Association is improving or deteriorating. When both restricted and unrestricted net assets are available for the same purpose, the Association uses restricted assets only after unrestricted assets are depleted.

The *statements of revenues, expenses and changes in fund net assets* on page 6 report how the Association's net assets changed during the most recent fiscal years. Changes in net assets are reported as soon as underlying events occur, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in this statement may result in cash flows only in future periods.

The *notes to the financial statements* on pages 8 through 14 provide additional information that is essential to the full understanding of the data provided in the financial statements.

**San Mateo County Exposition and Fair Association**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Analysis**

**Net Assets**

<b>Net Assets</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Current and other assets	\$ 2,374,365	\$ 1,632,114	\$ 2,229,644
Capital equipment, net	855,021	944,803	309,186
<b>Total Assets</b>	<b>3,229,386</b>	<b>2,576,917</b>	<b>2,538,830</b>
Current and other liabilities	685,024	1,236,724	1,212,866
Noncurrent liabilities	135,619	105,593	70,306
<b>Total Liabilities</b>	<b>820,643</b>	<b>1,342,317</b>	<b>1,283,172</b>
<b>Total Net Assets - Unrestricted</b>	<b>\$ 2,408,743</b>	<b>\$ 1,234,600</b>	<b>\$ 1,255,658</b>

- Total assets stand at \$3,229,386, an increase of \$652,469 or 25% compared to the previous fiscal year. There was a large increase in cash of \$556,667 and accounts receivable-general increased \$134,735. Changes in the other asset account balances were relatively less significant.
- Total liabilities decreased \$521,674 or 39% between fiscal years to \$820,643. The decrease is due mainly to a decrease in deferred funding of \$682,297 offset by increases in the other liability balances.

**Changes in Net Assets**

<b>Changes in Net Assets</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Revenues and Other Financing Sources:</b>			
Fair revenues	\$ 1,444,486	\$ 1,359,628	\$ 1,136,205
Rental revenues	3,046,519	2,328,600	2,669,933
Horse racing	513,458	547,797	291,213
Supports – Contributions	1,288,077	1,733,896	656,487
Investment earnings	29,992	30,605	16,121
Securities Lending Income	7,525	2,155	2,067
Other Income	28,590	23,279	41,853
<b>Total Revenues and Other Financing Sources</b>	<b>6,358,647</b>	<b>6,025,960</b>	<b>4,813,879</b>
<b>Expenses and Other Financing Uses:</b>			
Salaries & Benefits	2,048,016	1,912,753	1,770,638
General Operating Expenses	2,769,455	2,367,661	2,359,947
Securities Lending Expense	7,283	2,004	1,787
Capital Expenditures - County Improvements	190,352	1,591,244	363,338
Depreciation Expense	169,398	173,356	47,832
<b>Total Expenses and Other Financing Uses</b>	<b>5,184,504</b>	<b>6,047,018</b>	<b>4,543,542</b>
<b>Change in Net Assets</b>	<b>1,174,143</b>	<b>(21,058)</b>	<b>270,337</b>
Net Assets - January 1	1,234,600	1,255,658	985,321
<b>Net Assets - December 31</b>	<b>\$ 2,408,743</b>	<b>\$ 1,234,600</b>	<b>\$ 1,255,658</b>

- Revenues earned during the current period were \$6,358,647, an increase of \$332,687 or 5.5% compared to the prior year. This was primarily due to increases in fair and rental revenues offset by a decrease in capital contributions. Changes in other revenue balances were relatively less significant.
- Total Expenses incurred during the year amounted to \$5,184,504; for a decrease of \$862,514 or 14.2% compared to the prior year. The decrease was mostly due to a decrease in spending on capital improvements.

**San Mateo County Exposition and Fair Association**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Beyond FY2006**

Racing at the Bay Meadows Race Track and the continuation of the racing heritage at the annual San Mateo County Fair continues to be a priority of Management and Board of Directors of the Association.

Based on the latest information available, live racing will be held on the Bay Meadows Race Track for the 2007 season. On July 3, 2007 the California Horse Racing Board (CHRB) granted a waiver to Bay Meadows Race Track to race for the 2008 season without installing a Polytrack.

The Association has begun planning for construction of a satellite wagering facility, which should be operating by the end of 2008. The new facility would replace the existing Bay Meadows Track satellite wagering facility, and potential revenue will replace revenue currently earned by live racing, if the Association can not keep their live race dates beyond 2008.

One of the Association's priorities in 2007 will be to fully implement Event Business Management Systems (EBMS) Accounting Software. With implementation of these systems, more accurate financial information will be available in a timely manner.

**Requests for Information**

This financial report is designed to provide a general overview of the Association's finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to San Mateo County Exposition and Fair Association, 2495 South Delaware St, San Mateo, CA 94403.

**San Mateo County Exposition and Fair Association**  
**Statements of Net Assets**  
**December 31, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current Assets:		
Cash (Note 2)	\$ 1,901,675	\$ 1,345,008
Securities Lending Collateral (Note 2(f))	171,985	97,859
Accounts receivable:		
General (Note 3)	239,880	105,145
State Fairs and Expositions Division	-	26,250
Other	20,506	22,459
Prepaid expenses	15,299	3,546
Deferred charges	25,020	31,847
Total Current Assets	2,374,365	1,632,114
Noncurrent Assets:		
Capital Assets, net of accumulated depreciation (Notes 1(c), 4)	855,021	944,803
Total Noncurrent Assets	855,021	944,803
Total Assets	3,229,386	2,576,917
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	140,813	68,303
Securities Lending Collateral Due (Note 2(f))	171,985	97,859
Accrued payables:		
Salaries and wages	62,935	23,532
Employee leave benefits - current (Note 1 (d))	9,087	-
Other	81,577	112,697
Advance billings	176,857	174,963
Advance deposits	2,297	40,797
Deferred funding (Note 1(c))	35,871	718,168
Livestock auction account	3,602	405
Total Current Liabilities	685,024	1,236,724
Noncurrent Liabilities:		
Employee leave benefits (Note 1(d))	135,619	105,593
Total Noncurrent Liabilities	135,619	105,593
Total Liabilities	820,643	1,342,317
<b>Net Assets</b>		
Invested in capital assets (Note 1(b))	855,021	944,803
Unrestricted	1,553,722	289,797
Total Net Assets	\$ 2,408,743	\$ 1,234,600

The notes to the financial statements are an integral part of this statement.

**San Mateo County Exposition and Fair Association**  
**Statements of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Years Ended December 31, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Operating Revenues</b>		
Fair (Note 5(a))	\$ 1,444,486	\$ 1,359,628
Rental (Note 5(b))	3,046,519	2,328,600
Horse racing	513,458	547,797
Other	28,590	22,929
Total Operating Revenues	5,033,053	4,258,954
<b>Operating Expenses</b>		
Administrative	1,525,033	1,311,268
Maintenance	1,384,254	1,220,884
Publicity	368,644	242,794
Attendance/Operations	595,001	495,993
Premium	54,316	55,751
Exhibits	195,703	168,443
Racing	81,728	136,598
Attractions	545,574	492,924
Depreciation expense (Note 4)	169,398	173,356
Miscellaneous fair expense	67,218	155,759
Total Operating Expenses	4,986,869	4,453,770
Operating Income (Loss)	46,184	(194,816)
<b>Nonoperating Revenues (Expenses)</b>		
Investment earnings	29,992	30,605
Securities Lending Income (Note 2(f))	7,525	2,155
Securities Lending Expense (Note 2(f))	(7,283)	(2,004)
Contributions - noncapital	118,850	113,500
Gain on disposal of capital assets	-	350
Total Nonoperating Revenues (Expenses)	149,084	144,606
Net Income (Loss) Before Capital Contributions and Improvements	195,268	(50,210)
Capital Contributions (Note 4)	1,169,227	1,620,396
Capital Improvements (Note 4)	(190,352)	(1,591,244)
Change in Net Assets	1,174,143	(21,058)
<b>Net Assets - beginning</b>	1,234,600	1,255,658
<b>Net Assets - ending</b>	\$ 2,408,743	\$ 1,234,600

The notes to the financial statements are an integral part of this statement.



**San Mateo County Exposition and Fair Association**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 4,866,862	\$ 4,154,685
Payments to suppliers	(2,732,991)	(2,365,310)
Payments to employees	(1,969,500)	(1,877,771)
Net Cash Provided (Used) by Operating Activities	164,371	(88,396)
<b>Cash Flows From Non-Capital Financing Activities</b>		
Contributions received	118,850	113,500
Net Cash Provided by Non-Capital Financing Activities	118,850	113,500
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital contributions	513,180	1,726,307
Proceeds from sale of capital assets	-	350
Acquisition of equipment	(79,616)	(808,973)
Improvements	(190,352)	(1,591,244)
Net Cash Provided (Used) by Capital and Related Financing Activities	243,212	(673,560)
<b>Cash Flows From Investing Activities</b>		
Investment earnings	30,234	30,756
Net Cash Provided by Investing Activities	30,234	30,756
<b>Net Increase (Decrease) in Cash</b>	556,667	(617,700)
<b>Cash - beginning of year</b>	1,345,008	1,962,708
<b>Cash - end of year</b>	\$ 1,901,675	\$ 1,345,008
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</b>		
Operating Income (Loss)	\$ 46,184	\$ (194,816)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	169,398	173,356
Change in Assets and Liabilities:		
(Increase) decrease in:		
Accounts receivable	(132,782)	(51,371)
Prepaid insurance	(11,753)	597
Deferred charges	6,827	(2,669)
Increase (decrease) in:		
Accounts payable	72,510	(37,228)
Accrued expenses	47,396	76,633
Advance billings	1,894	(47,194)
Deferred income	-	(26,975)
Advance deposits	(35,303)	21,271
Net Cash Provided (Used) by Operating Activities	\$ 164,371	\$ (88,396)

The notes to the financial statements are an integral part of this statement.

# San Mateo County Exposition and Fair Association

## Notes to the Financial Statements

December 31, 2006 and 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Description of the Reporting Entity

The San Mateo County Exposition and Fair Association (the Association) is a nonprofit organization incorporated on August 8, 1938. The Association conducts the County Fair and manages the Event Center under contract with the County of San Mateo (the County) pursuant to Section 25906 of the California Government Code. It is governed by an eleven-member board of directors appointed by the County board of supervisors.

#### (b) Measurement focus, basis of accounting, and financial statement presentation

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Under this method, revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows. Nonexchange transactions, in which the Association receives (or gives) value without directly giving (or receiving) equal value in exchange, include grant contributions. On an accrual basis, revenues from these contributions are recognized when all the eligibility requirements are satisfied.

All financial transactions of the Association are accounted for in an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is to have the costs of providing goods or services to the general public be financed primarily through user charges and where the periodic determination of net income is appropriate for accountability, management control, capital maintenance, or other purposes.

When both restricted and unrestricted net assets are available for the same purpose, restricted resources are used only after the unrestricted resources are depleted.

Cash and Cash Equivalents: Cash and cash equivalents include all monies held in banks, highly liquid investments with maturities of less than three months and cash held in the San Mateo County Investment Pool (County Pool). A portion of the cash balance is pooled with other funds of the County to earn a higher rate of return than could be earned by investing the funds individually.

Receivables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expense/Deferred Charges: An asset is established at the date of payment and subsequently amortized over the accounting periods that are expected to benefit from the initial payment.

Capital Assets: Since the County of San Mateo holds title to the land and buildings used by the Association (see Note 4), any capital improvements to such assets financed by the Association or its contributors are expensed in the year of acquisition. Equipment purchases over \$1,000 are capitalized and depreciated over a useful life of 3 to 10 years. Assets acquired through donations are recorded at their estimated fair value at the time of acquisition.

Net Assets: The net asset balance not invested in capital assets represents the amount available for future operations.

**San Mateo County Exposition and Fair Association**  
**Notes to the Financial Statements**  
**December 31, 2006 and 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Deferred Funding**

Unused portions of amounts received for capital improvements or other activities are recorded as deferred funding until those capital improvements and activities are accomplished.

**(d) Employee Leave Benefits**

The liability for unpaid employee leave benefits is computed at the end of each year and includes the liability for unused holiday, compensatory, personal, vacation and 20% of unused sick leave which has accrued and has not been paid, up to the limits set forth in the Association's administrative policies. The total liability for compensated absences is segregated between short-term and long-term in the *statement of net assets*. The short-term portion is determined to be the amount due to employees for future absences that is attributable to services already rendered and expected to be paid during the next fiscal year.

The current and long-term portion of the employee leave benefits liability recorded in the *statement of net assets* is \$9,087 and \$135,619, respectively.

**(e) Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results based on subsequent events could differ from those estimates.

**(f) Income Taxes**

The Association falls under the purview of Section 501(c)(3) of the Internal Revenue Code and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to federal or state income taxes.

**(g) Reclassification**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**2. CASH AND CASH EQUIVALENTS**

**(a) Cash**

A portion of the cash balance reported on the *statement of net assets* is pooled with other funds in the County Pool, which is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee, comprised of local government officials and various participants, provide oversight to the management of the fund. The Association is a voluntary participant in the County Pool.

Cash and cash equivalents in the County Pool are reported at fair value, as required by GASB 31. The change in fair value for the year is recorded as unrealized gain or loss and reported as part of interest earnings. Fair value is based on information provided by the County Treasurer. The fair value of cash and cash equivalents held in the County Pool as of December 31, 2006 was \$1,090,822 and the book value was \$1,110,683. For the year ended December 31, 2005 the fair value of cash and cash equivalents approximated book value.

**San Mateo County Exposition and Fair Association**  
**Notes to the Financial Statements**

**December 31, 2006 and 2005**

**2. CASH AND CASH EQUIVALENTS (continued)**

For purposes of the accompanying statements of cash flows, the Association considers its equity in the County Pool to be cash equivalents.

**(b) Authorized Investments of the County Pool**

The County Pool's Investment Policy and the California Government Code allow the County Pool to invest in the following, provided the credit ratings of the issuers are acceptable to the County Pool. The following also identifies certain requirements of the County Pool and California Government Code that address interest rate risk, credit risk, and concentrations of credit risk:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % Allowed in Portfolio	Maximum % Investment in One Issuer
U.S. Treasury Obligations	15 years	-	100	100
Obligations of U.S. Agencies or government sponsored enterprises	15 years	-	100	100
Bankers acceptances	180 days	A-1/P-1	15	10
Collateralized time deposits within the state of California	1 year	-	30	10
Negotiable certificates of deposit	5 years	-	10	5
Commercial paper/Floating rate notes	270 days or less	A-1/P-1	40	10
Repurchase agreements	1 year	-	100	50
Reverse repurchase agreements	92 days	-	20	20
Corporate bonds and medium term notes	5 years	A	30	10
Local Agency Investment Fund (LAIF)	-	-	Up to the current state limit	-
Shares of beneficial interest	30 days	-	10	5
Mortgage backed securities	5 years	A	20	5

At December 31, 2006, the County Pool was invested in the following securities:

Investment Type	Interest Rate	Maturities	Maturity (Years)	Rating
U.S. government securities	2.625%-4.875%	5/15/08-5/31/11	0.82	AAA
U.S. Government agency securities	2.10%-5.50%	7/12/06-04/2/14	0.34	AAA
Certificate of deposit	4.73%-5.05%	7/7/06-12/1/06	-	AA-
Commercial paper-discount	5.02%-5.25%	7/5/06-8/1/06	0.01	A-1
Corporate bonds	2.50%-5.75%	7/1/06-4/25/11	0.18	AAA-A
Asset-backed securities	4.14%	1/15/08	0.01	AAA
Floating rate securities	5.07%-5.56%	1/15/08	0.03	AAA-A
Local Agency Investment Fund (LAIF)	4.53%	On Demand	-	Unrated

**San Mateo County Exposition and Fair Association**

**Notes to the Financial Statements**

**December 31, 2006 and 2005**

**2. CASH AND CASH EQUIVALENTS (continued)**

**(c) County Pool: Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

State law and the San Mateo County's Investment Policy limits County Pool investments in commercial paper to the rating of A-1 by Standards & Poor's or P-1 by Moody's Investors Service. State law and the San Mateo County's Investment Policy also limit County Pool investments in corporate bonds to the rating of A by both Standards & Poor's and Moody's Investors Service. The County Pool does not have credit limits on government agency securities.

**(d) County Pool: Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rate 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 change in market interest rate. One of the ways the County Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The County Pool monitors the interest rate risk inherent in its investment portfolio by measuring its weighted average maturity, which at December 31, 2006, was 1.39 years. The San Mateo County Investment Policy limits the weighted average maturity to 5 years.

**(e) County Pool: Concentration of Credit Risk**

State law restricts the County's investments in commercial paper to 40% of its investment pool and to 10% per issuer. State law also limits the County's investment in corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer. At December 31, 2006, the County had 6% of its investment pool in Federal Home Loan Mortgage Corporation, 9% in Federal Home Loan Bank, 16% in Federal Home Loan Association, 15% in commercial paper and 22% in corporate bonds and medium term notes. The County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization.

**(f) Securities Lending Transactions**

State Statutes and San Mateo County's Investment Policy permits the use of a securities lending program with its principal custodian bank. The investment policy allows the custodial bank to lend up to 20% of the portfolio within the guidelines of the investment policy. The custodial agreement authorizes the bank to loan securities in the County Pool. The loaned securities represent securities on loan to brokers or dealers by the County Pool. The County receives a fee from the borrower for the use of the loaned securities. If loaned securities are not returned by the borrower, the County's Custodian is responsible for replacement of the loaned securities with similar securities. All securities loan agreements can be terminated on demand within a period specified in each agreement by either the County or borrowers

The loaned securities as of December 31, 2006 and 2005 consisted of U.S. Treasury notes and bonds, U.S. government securities, and corporate bonds. In return, the County receives collateral in the form of cash or securities equal to at least 102% of the transferred securities plus accrued interest for reinvestment. Cash

**San Mateo County Exposition and Fair Association**

**Notes to the Financial Statements**

**December 31, 2006 and 2005**

**2. CASH AND CASH EQUIVALENTS (continued)**

collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of one day. At year-end, all of the cash collateral was invested in repurchase agreements with weighted average maturity of 3 days (2005: 15.4 days). The repurchase agreements are held by Bank of New York in the County's name and were rated AAA by Standards and Poor's at December 31, 2006 and 2005.

The relationship between the maturities of the investment pool and the County's loans is affected by the maturities of the securities loans made by the other entities that use the agent's pool, which San Mateo County cannot determine. Securities lending collateral represents investments in an investment pool purchased with cash collateral that may not be pledged or sold without default by the borrower.

Total cash collateral as of December 31, 2006 and 2005 amounted to \$171,985 and \$97,859, respectively. The value of underlying securities loaned by the County Pool as of December 31, 2006 and 2005 amounted to \$168,781 and \$95,963, respectively.

The Association does not have any exposure to credit risk related to the securities lending transactions as of December 31, 2006 and 2005, because the amounts owed to borrowers exceed the amounts the borrowers owe to the County Pool.

**(g) Deposits with Financial Institutions: Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of December 31, 2006, \$353,102 (2005: \$436,322) of the Association's deposits with financial institutions was in excess of federal depository insurance limits.

**3. ACCOUNTS RECEIVABLE - GENERAL**

At December 31, 2006 and 2005, the accounts receivable - general balance composed of the following:

	<u>2006</u>	<u>2005</u>
Total accounts receivable – general	\$ 333,332	\$ 111,057
Less: allowance for uncollectible accounts	(93,452)	(5,912)
Accounts Receivable – general, net	<u>\$ 239,880</u>	<u>\$ 105,145</u>

**San Mateo County Exposition and Fair Association**

**Notes to the Financial Statements**

**December 31, 2006 and 2005**

**4. CAPITAL ASSETS**

Capital assets are comprised of equipment owned by the Association. A summary of changes in capital assets is presented below.

Summary of changes in capital assets:

	<u>Balance 1/1/2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2005</u>
Equipment financed by the Association	\$ 1,041,452	\$ 808,973	\$ (8,264)	\$1,842,162
Less: accumulated depreciation	<u>(732,266)</u>	<u>(173,356)</u>	<u>8,264</u>	<u>(897,359)</u>
Investment in Equipment, net of Accumulated Depreciation	<u>\$ 309,186</u>	<u>\$ 635,617</u>	<u>\$ -</u>	<u>\$ 944,803</u>
	<u>Balance 1/1/2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2006</u>
Equipment financed by the Association	\$ 1,842,162	\$ 79,616	\$ -	\$ 1,921,778
Less: accumulated depreciation	<u>(897,359)</u>	<u>(169,398)</u>	<u>-</u>	<u>(1,066,757)</u>
Investment in Equipment, net of Accumulated Depreciation	<u>\$ 944,803</u>	<u>\$ (89,782)</u>	<u>\$ -</u>	<u>\$ 855,021</u>

Land and buildings are owned by the County and are made available to the Association for its use under the terms of the contract with the County. Improvements to land and buildings are made subject to County approval and are funded jointly by the Association, the State and the County. Improvements to County owned land and buildings are expensed in the year incurred. For the year ended December 31, 2006, the associated spent \$190,352 (2005: \$1,591,244) for improvements to land and buildings owned by the County.

In 2004, the City of San Mateo Redevelopment Agency (RDA) awarded a grant of \$3,000,000 to the Association for use towards improvements to the County owned land and buildings. As of December 31, 2006, the Association received \$2,967,413 from the RDA and \$32,587 is recorded as a receivable.

**5. REVENUES**

**(a) Fair Revenues**

Fair revenues are mainly from fees charged for admission to the Annual Fair. Commercial space rentals, sponsorships, parking, and a percentage of carnival and concession revenues are also included in fair revenues.

**(b) Rental Revenues**

The Association rents out its buildings and grounds during the year for a variety of events. Included in the rental revenues are rents charged for the use of the building and facilities, labor, parking, a percentage of concessions, and equipment rental fees.

## **San Mateo County Exposition and Fair Association**

### **Notes to the Financial Statements**

**December 31, 2006 and 2005**

#### **5. REVENUES (continued)**

##### **(c) Investment earnings**

Interest is received quarterly from the County Treasurer on investments made by the Association in the San Mateo County Investment Pool. Interest is also received from other financial institutions on funds deposited in certificates of deposits. Interest is recorded in the year it is earned and is available to pay current liabilities.

#### **6. POSTEMPLOYMENT BENEFITS**

##### **(a) Deferred Compensation Plan Assets Held In Trust**

The Association offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The Association does not contribute to the plan. As required by IRC Section 457 (g), all assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

As of December 31, 2006 and 2005 the plan had net assets of \$285,054 and \$214,569, respectively.

##### **(b) Pension Plan**

The San Mateo County Fair Association Money-Purchase Pension Plan is a defined contribution plan established by the Association to provide benefits at retirement to eligible employees. Benefits are solely dependent upon amounts contributed to the plan plus investment earnings. The plan provisions, including the contribution requirements, are established under a plan agreement. An Administrative Committee appointed by the Association administers the plan. The funds are held and invested by a plan trustee as determined by the plan participants. All non-union, permanent and full-time employees who have been continuously employed for six months are eligible to participate in the plan. The Association quarterly contributes 20% of each participant's quarterly compensation to the plan. Voluntary contributions by employees are prohibited. The Association's contributions for each employee and the interest allocated to the employee's account are vested at the rate of 20% for every year of service, with full vesting after 5 years of service.

The non-vested portion of the Association's contributions plus interest for employees who leave employment before 5 years of service are used to reduce the Association's current period contribution.

The actual contributions made by the Association after deducting forfeitures relating to employees who left employment before completing 5 years of service amounted to \$193,871 in 2006 and \$162,480 in 2005.

As of December 31, 2006 and 2005 the plan had net assets of \$2,001,371 and \$1,733,734, respectively.

#### **7. RISK MANAGEMENT**

The Association is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The California Fair Services Authority provides the Association with worker's compensation and general liability insurance. The existing insurance coverage is current as of the issuance of this report. Under an agreement with the County, the County Counsel provides legal representation for any claims or litigation of the Association.

Claims have not exceeded coverage in any of the past three years and there has not been a significant reduction in coverage during the current year.