

CALIFORNIA AUTHORITY OF RACING FAIRS**Board of Directors****Tuesday, October 11, 2012****MINUTES**

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, October 11, 2012. The meeting was hosted at the Big Fresno Fair, 1121 S. Chance Avenue, Fresno, California, 93747.

CARF Board Members joining: John Alkire, Chris Borovansky, Mike Paluszak and Rick Pickering. Joining by conference call: Kelly Violini

Staff and Guests joining: Christopher Korby, Larry Swartzlander, Louie Brown, Stuart Titus, Barbara Boester-Quaid and Tom Sawyer. Joining by conference call: Cindy Olsen, Jim Morgan, Raechelle Gibbons, Jaime Alderman, Kevin Wong, Janet Covello and Amelia White.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held November 13, 2012 via teleconference.

Agenda Item 2 – Approval of Minutes. Mr. Borovansky moved to approve the meeting minutes as presented. Mr. Paluszak second, unanimously approved.

Agenda Item 3 – Report, Discussion and Action, if any, on Racing Dates for 2013 and Beyond. Mr. Alkire requested permission to table Agenda Item 3 until the November meeting to allow Humboldt County Fair representatives sufficient time to receive and review the pertinent materials prepared by Mr. Korby. Mr. Alkire also asked that Agenda Item 6 be presented next to accommodate Gilbert & Associates staff. Mr. Paluszak moved to approve the request. Mr. Pickering seconded, unanimously approved.

Agenda Item 4 – Report, Discussion and Action, if any, on Legislation for 2012 and Beyond. Mr. Brown reported that the Legislature is currently on break and the new session will begin December 3, 2012. When the new session begins, approximately half of the Legislature will be brand new. Legislative staff has begun the 2013 planning process with Mr. Korby and will have preliminary recommendations for the CARF 2013 legislative program to present at the next meeting.

Agenda Item 5- Report, Discussion and Action, on Proposed Changes to SCOTWInc. Guest Agreements with Satellite Facilities. Mr. Korby reported that there have been losses in the money room at two Fair satellites, Monterey and Lake Perris. Neither incident had anything to do with Fair or Satellite operations. Subsequently, SCOTWInc. Board members proposed an entirely restructured agreement between SCOTWInc. and guest Fair satellites in Southern California.

Both the proposed and existing agreements are included in the meeting packets. Mr. Korby stated that this is an important contract and it is crucial to keep Fair interests protected. Mr. Korby is working with legal counsel and will keep the Southern interests informed as negotiations proceed.

Agenda Item 6 – Presentation of and Action, if any, on 2011 Audit Report. Ms. Alderman presented the results of the CARF audit for year ended December 31, 2011. The majority of the audit work was completed in May/June 2012. Ms. Alderman reviewed the CARF financial statements and recapped highlights from the management discussion and analysis letter.

Ms. Alderman reported that CARF management was cooperative and well-prepared throughout the audit process. As in prior years, control deficiencies exist in two areas (resulting in a qualified opinion): a lack of sufficient audit evidence to guarantee the revenue from Advance Deposit Wagering (ADW) providers and a lack of checks/balances regarding paymaster duties, specifically segregation of duties, which would provide stronger internal control during live racing. Ms. Alderman acknowledges that due to the nature of the operations, a complete segregation of duties (i.e. hiring an assistant paymaster) is not practical.

Mr. Pickering asked Ms. Alderman to elaborate on concerns regarding the paymaster. Ms. Alderman stated that she has spent time with the paymaster and believes she is extremely organized and has good accounting processes in place. Gilbert & Associates has conducted random samples of the paymaster accounts with satisfactory result. That being said, the lack of segregation of duties does create the possibility for the paymaster to misappropriate assets.

The only other significant changes from previous audits were the variances caused by the lack of F&E funding and the economic outlook for 2012 that projects deficit spending.

Ms. Alderman went on to discuss the financials in detail as presented in the Financial Statements with Independent Auditor's Report provided in the meeting packet.

Mr. Pickering asked if CARF's vacation balances and usage. Ms. Alderman confirmed that they had and stated that there were no irregularities.

Mr. Pickering moved to accept the 2011 CARF Audit Report as presented. Mr. Paluszak seconded, unanimously approved.

Agenda Item 7 – Financials. Mr. Alkire stated that financials are included in the meeting packet.

Agenda Item 8-Executive Director's Report. Mr. Korby reported that he has been working with legal counsel to put together an agreement that protects CARF when large expenditures are made during live racing to cover expenses on behalf of Fairs. The agreement will be brought before the Board of Directors for discussion.

Respectfully submitted,
Heather Haviland