

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors
Tuesday, October 8, 2013

MINUTES

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, October 8, 2013. The meeting was hosted at the Fresno Director's Hall, 1121 S. Chance Ave, Fresno, California.

CARF Board Directors attending: John Alkire and Rick Pickering. Joining by conference call: Chris Borovansky and Kelly Violini.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Louie Brown and Richard Conway. Joining by conference call: Amelia White, Raechelle Gibbons, Kevin Wong and Brian May.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Board of Directors meeting will be held November 12, 2013 in Sacramento.

Agenda Item 2 – Public Comment. None.

Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program for 2013 and Beyond. Mr. Brown reported that Oct. 13 is the last day for Governor Brown to sign or veto bills passed by the Legislature on or before Sept. 13, 2013. One of those bills is CARF sponsored SB 398 (Galgiani). Mr. Brown reported that SB 398 was originally intended to assist fairs by making a fair-associated nonprofit organization an eligible recipient of revenues distributed by the racing industry from the existing framework of charity days. The bill was sent to the Governor's office and then pulled back due to some uncertainty by the Department of Agriculture as to the intent of the language. At the end of the session, the bill ended up being used as a vehicle to extend sunset dates currently in law for NCOTW, Inc. The bill was then resent to the Governor. Mr. Brown stated that the Governor's Deputy has since expressed some concern about the language for the charity race days. Mr. Brown has tried to alleviate their concerns, but is uncertain if the bill will be signed.

Mr. Brown reported that that SB 741 (Cannella), the WFA/CDFA-sponsored bill to streamline business operations for DAA's, has been held without prejudice and will be a two-year bill.

Agenda Item 4 – Report, Discussion and Action, if any, on Security Agreement/MOU Regarding Net Payment of Racing Commissions. Mr. Korby reported that the financial outcome from the Stockton race meet was positive. CARF has been able to transfer funds to the Fair without putting the agency at any risk of being in an overpaid situation. CARF has transferred two

payments, one for \$80,000 and another for \$150,000 which has helped the Fair meet its current obligations. Additional funds are on track to being transferred in the near future.

Mr. Alkire congratulated staff for working through the Security Agreement/MOU process and for conducting a successful meet at Stockton.

Mr. May thanked Mr. Korby and Ms. Gibbons for their cooperation in getting the money to the Fair in a timely manner and CARF staff for conducting the racing event.

Agenda Item 5 – Report, Discussion and Action, if any, on Agency Audit Report. Mr. Wong presented the results of the CARF audit for years ended December 31, 2012 and 2011. The majority of the audit field work was completed in mid-May 2013. The audit was presented to CARF staff in draft form in July and final form in August. Mr. Wong reviewed the CARF financial statements, recapped highlights from the management discussion and analysis letter and provided a detailed overview of the document titled “Communications with Those Charged with Governance.”

Mr. Wong reported that CARF management was cooperative and well-prepared throughout the audit process. The audit found that the financial statements included in the audit report present fairly the financial position of the agency and fall in accordance with all generally accepted accounting principles. As in repeat findings from prior years, control deficiencies exist in only 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. Mr. Wong acknowledges that due to the nature of the operations, a complete segregation of duties (i.e. hiring an assistant paymaster) is not practical.

Mr. Borovansky asked why a resolution has not been reached in obtaining audited ADW figures. Mr. Korby replied that CARF, with other California racing interests, are pushing for a requirement regarding auditing ADW revenue figures.

Mr. Pickering moved to accept the 2012 CARF Audit Report as presented. Mr. Borovansky seconded, unanimously approved.

Agenda Item 6 – Consent Calendar: Financials. Mr. Korby stated that the financials are appearing under a new agenda heading as a consent calendar at the advice of the auditors, as will the investment reports as they become available. Mr. Korby stated that financials are included in the meeting packet and Ms. Gibbons is available to answer questions. Mr. Alkire stated that Mr. Jacobs was unable to attend the meeting due to a death in the family. Mr. Alkire sent his condolences on behalf of the Board.

Mr. Pickering moved to approve the consent calendar as presented. Ms. Violini seconded, unanimously approved.

Agenda Item 6 – Executive Director’s Report. Mr. Korby reported that communication has been received from a newspaper in Humboldt County that CARF staff is treating as California Public Records Act requests and staff is working with legal counsel to craft a response.

Mr. Korby reported that the meeting packets contain information provided by the ADW provider BetAmerica, under the name BAM Software and Services, regarding a fantasy sports platform. BetAmerican was recently licensed in California and have expressed interest in distributing the Fair signal as an ADW provider as well as partner with satellites in fantasy sports. Mr. Korby stated that negotiations are ongoing and he will report back to the group. Mr. Alkire reported that Bet America is staffing a 10’ x 10’ booth in the upper level of the Fresno racing grandstand.

Mr. Pickering asked to clarify, from the September Board of Directors meeting, that he would be happy to serve on the CARF Finance Committee at the Chairman’s request. Mr. Alkire thanked Mr. Pickering for his offer.

Respectfully submitted,
Heather Haviland