

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors
Wednesday, October 14, 2015

MINUTES

A teleconference meeting of the California Authority of Racing Fairs (CARF) Board of Directors was held at 12:30 P.M., Wednesday, October 14, 2015. The teleconference meeting was hosted at the Big Fresno Fair, 1121 S. Chance Avenue, Fresno, California.

CARF Board Directors attending: John Alkire, Chris Carpenter, Jerome Hoban, Dan Jacobs and Kelly Violini.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Juliana Gomes, Raechelle Gibbons, Louie Brown, Kevin Wong, Richard Conway, Kelly Olds, Jeanne Wasserman, Allen Aldrich and Richard Lewis.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Board of Directors meeting is scheduled for mid-December in Sacramento.

Agenda Item 2 – Public Comment. None.

Agenda Item 3 – Approval of Minutes. Mr. Jacobs moved to approve the meeting minutes as presented. Ms. Violini seconded, unanimously approved.

Agenda Item 4 – Report, Discussion and Action, if any, on CARF 2015 and 2016 Legislative Program. Mr. Brown reported that it was a quiet legislative session for gambling and horse racing. In early October there was a push to modify the Northern California stabling and vanning fund legislation, which ultimately proved unsuccessful. Mr. Brown stated that the language is in place and ready to move in January 2016 with an urgency clause.

Mr. Brown reported that looking forward, 2016 will be an election year and three of the four caucuses will have new leadership. Assemblymember Adam Gray will be focused on Internet poker legislation that was introduced late this session and the topic of regulating fantasy sports betting. Mr. Brown stated that there have been talks at CDFA of attempting to increase the infrastructure funding during the California budget talks as well as using license fees to support horse racing without raising red flags at the Department of Finance.

Agenda Item 5 – Update on Conversion of Statewide Totalisator Services. Mr. Korby reported that the totalisator conversion from Sportech Racing, LLC to Amtote International is

scheduled to occur October 25. Mr. Korby reported that advisories have been distributed to member fairs throughout the process and consultants, as well as Amtote representatives, have visited most sites in California to access individual satellite requirements thereby ensuring the changeover occurs smoothly. Mr. Korby stated that planning documents and installation schedules have been distributed and are posted online at www.CalFairs.net under the "publications" tab.

Agenda Item 6 – Presentation of Independent Audit Report for 2014 by Representatives of Gilbert Associates, CPA. Mr. Wong presented the results of the CARF audit for year ended December 31, 2014. The majority of the audit field work was completed in mid to late May 2015. 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 previous audit reports, 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. These findings are consistent with prior years, but require Gilbert & Associates to issue a qualified opinion in the CARF audit. Mr. Wong also went over other supplementary information, analysis and recommendations included in the report.

Mr. Korby asked Mr. Wong to advise the Board about pending changes to future audits due to changes in accounting practices. Mr. Wong reported that there have been changes in standard accounting practices due to increased scrutiny regarding public pensions that will be applied to the 2015 audit. This will necessitate adding a net pension liability to the balance sheet. It is too early to tell how this will impact CARF, but the board can expect a decrease in net position.

Mr. Hoban moved to accept the 2014 CARF Audit Report as presented. Mr. Carpenter seconded, unanimously approved.

Agenda Item 7 – Discussion of Racing Industry Support for Satellite Wagering Facilities in the Network of California Fairs. Mr. Carpenter reported at a recent meeting the question was raised by his board of how the CHRB is attempting to increase satellite business, promote the sport and draw in a younger audience. The CHRB and tracks seem focused on eliminating the 20 mile radius and installing mini-satellites without making efforts to increase

business at existing satellites, which have already made substantial investments in horse racing. Mr. Carpenter stated that his board is considering installing a bistro that could potentially expand into a sports bar in the San Mateo Jockey Club.

Mr. Carpenter stated that the three-day satellite conferences hosted by CARF in the past were very helpful to him and inquired whether the CARF board would be interested in restating the conferences. Mr. Korby stated that Mr. Carpenter's remarks are timely considering the Live Racing Committee had just expressed a similar sentiment regarding educational conferences. Mr. Korby stated that staff will start putting together ideas and considering dates.

Agenda Item 8 – Financials. Mr. Alkire reported that financials are included in the meeting packet and that Ms. Gibbons is available to answer questions.

Agenda Item 9 – Executive Director's Report. Mr. Korby reported that Joe Morris will step down as President of TOC to accept a position as Senior Vice President of West Coast Operations for the Stronach Group.

Respectfully submitted,
Heather Haviland