



CALIFORNIA AUTHORITY OF RACING FAIRS
STATEMENT OF NET POSITION
November 30, 2018

ASSETS	CURRENT YTD	PRIOR YTD	YEAR END
	11/30/18	11/30/17	12/31/17
Cash - LAIF & Investments	632,081	323,653	426,655
Cash - Operating/Money Market	384,637	410,847	314,825
Cash - Trust	893,516	1,345,962	1,558,215
Marketable Securities	25,148	326,613	225,835
A/R - Member Dues	93,186	65,909	34,544
A/R - Programs South	52,247	16,958	19,180
A/R - Racing Fairs & Settlements	941,878	932,134	1,466,325
A/R - Other Receivables CMC,DRF,GGF	7,600	25,177	85,127
RECEIVABLE FROM HORSEMEN UNSECURED	0	7,444	7444
Prepays/Deposits	66,319	76,124	58,694
OPEB Assets	135,925	128,926	135,925
Total Current Assets	<u>3,232,537</u>	<u>3,659,747</u>	<u>4,332,768</u>
Fixed Assets			
Total Fixed Assets (Net of Depr.)	6,557	5,589	4,883
TOTAL ASSETS	<u>3,239,094</u>	<u>3,665,336</u>	<u>4,337,652</u>
DEFERRED OUTFLOWS OF RESOURCES,GASB68	224,643	132,900	\$224,643
LIABILITIES			
A/P & Withholdings	(6,248)	374,901	1,651,217
Compensated Leave Accruals	53,065	49,441	53,065
A/P - Program Royalties to Host	16,398	17,331	17,331
Racing Distributions	1,260,121	1,709,762	139,380
Purses	(925,020)	(986,441)	(443,630)
AB460 1%/RTM	1,829	(87,633)	(11,501)
Horsemen's Recruitment Programs	15,330	13,927	27,653
LOU-5 - Symposium Funds	0	1,871	1,871
Revenue Generating Project Funds	412,791	567,758	568,058
Racing Operations Augmentation Funds	560,580	496,383	449,848
Change Fund	1,014,000	1,014,000	1,014,000
FAIRS - Equipment Replacement Funds	146,755	178,942	177,225
NET PENSION LIABILITY, GASB68	719,467	587,914	719,467
TOTAL CURRENT & NONCURRENT LIAB.	<u>3,269,068</u>	<u>3,938,156</u>	<u>\$4,363,985</u>
DEFERRED INFLOWS OF RESOURCES, GASB68	121,054	57,444	\$121,054
NET POSITION			
Agency Fund Equity	693,134	659,772	659,772
Reserves, GASB68	(615,878)	(512,458)	(512,458)
Net Income/(Net Loss)	(3,640)	(344,678)	(70,058)
TOTAL NET POSITION	<u>73,614</u>	<u>(197,364)</u>	<u>\$77,255</u>



**California Authority of Racing Fairs
Agency Income Statement
September 30, 2018**

	2016 Year End Actual	2017 Year End Actual	2018 Jan-Sept YTD	2018 estimated YEAR END	2018 Annual Budget	2018 Budget Variance	2018 % Budget	2019 Proposed Budget
Revenue:								
Other Revenue/OPEB trust Reimb	30,591	37,780	28,976	39,000	39,000	0	100%	41,000
Interest Income	5,833	1,448	1,126	1,346	500	846	269%	1,000
Member Dues	197,186	194,787	151,487	199,584	192,388	7,196	104%	206,780
CARF South Prog Admin Fee	9,386	8,456	4,398	5,000	8,625	(3,625)	58%	5,000
CARF Live Racing Agency Allocation	299,797	299,797	224,848	299,797	299,797	0	100%	299,797
Total Revenue	538,693	542,565	410,835	544,728	540,310	4,418	101%	553,577
Expenses:								
Salaries	144,221	164,859	117,452	168,439	197,605	29,166	85%	149,372
Employee Benefits	24,197	26,618	19,444	23,227	29,360	6,133	79%	23,000
Post Retirement Benefits	29,783	31,075	31,654	38,441	38,204	(237)	101%	38,500
Payroll Taxes	26,185	50,011	24,558	32,066	31,469	(597)	102%	25,667
Accounting Costs	16,587	16,250	10,833	16,250	17,500	1,250	93%	17,500
Advertising Expense	0	0	0	0	0	0	0%	0
Audit Services	13,538	7,638	7,775	7,775	6,775	(1,000)	115%	8,000
Automobile Expense	4,968	2,610	2,256	3,811	4,000	189	95%	4,000
Contracted Services	120	1,864	908	1,000	2,000	1,000	50%	2,000
Depreciation	10,338	5,983	1,980	3,244	4,000	756	81%	3,000
Dues & Subscriptions	1,206	1,172	135	220	1,300	1,080	17%	1,000
Insurance Expense	48,192	52,480	36,002	47,798	53,000	5,202	90%	56,000
Legal Expenses	14,753	31,135	50,839	64,885	25,000	(39,885)	260%	50,000
Legislative Expenses	45,623	46,295	35,009	47,788	45,500	(2,288)	105%	48,000
Meetings Expense	2,619	4,427	1,578	3,945	4,000	55	99%	4,000
Misc. (Ag Day Sponsor)	890	415	163	200	1,000	800	20%	1,000
Rent - Northern Print Shop	0	0	0	0	0	0	0%	0
Office Supplies	17,557	16,961	15,040	18,866	18,000	(866)	105%	18,000
Postage & Shipping	1,536	777	1,021	1,463	1,500	37	98%	1,500
Rent (Tribute Road)	35,770	35,770	26,827	35,770	35,770	0	100%	18,000
Repairs & Maintenance	0	0	0	0	500	500	0%	500
Telephone Expense	7,567	7,356	4,268	7,003	8,000	997	88%	8,000
Training	302	129	0	500	1,000	500	50%	1,000
Travel Expense	11,609	5,154	3,492	5,452	10,000	4,548	55%	8,000
Total Expenses	457,558	508,977	391,233	528,141	535,484	7,343	99%	486,039
Agency Income (Loss)	81,135	33,588	19,601	16,587	4,827	11,760		67,538
Southern Prog Income (Loss)	1,894	(226)	(14,009)	300	1,375	(8,325)		0
Total Bal Sheet Net Income (Loss)	83,029	33,362	5,592	16,887	6,202	3,435		67,538
GASB 68 PENSION EXPENSE	124,160	103,420	0	100,000	0	0	0%	100,000
Total Net Income after GASB68	(41,131)	(70,058)	5,592	(83,113)	6,202	3,435	0	(32,462)

FOOTNOTES:

- 1 2018 Member Dues higher than budget for 6 months of Solano Dues, 2019 budgeting full 1 year due from Solano
- 2 2018 Salaries lower than 2018 budget due to R.Scheidt payroll only from Jan-June 2018. No Govt Relations position for 2019
- 3 2018 Audit services higher than budget due to the PERS GASB68 audit cost
- 4 2018 Legal Expenses higher than 2018 budget
- 5 2018 Legislative office expenses higher than budget
- 6 2019 Rent for CARF Tribute Rd reduced to relocate into smaller office space
- 7 2018 GASB 68 estimated not budgeted, 2019 budget GASB68



**California Authority of Racing Fairs
Southern Region Income Statement
September 30, 2018**

	2016 Year End Actual	2017 Year End Actual	2018 Jan-Sept YTD	2018 estimated YEAR END	2018 Annual Budget	2018 Budget Variance	2018 % Budget	2019 Proposed Budget
Program Revenue:								
Program Sales	125,152	112,747	94,367	136,923	115,000	21,923	119%	140,000
Other Revenue	0	0	0		0	0		
Royalties/Fees Due Host	(113,872)	(104,517)	(89,225)	(131,622)	(105,000)	(26,622)	125%	(135,000)
Total Revenue	11,280	8,231	5,142	5,300	10,000	(4,700)	53%	5,000
Expenses:								
Legal Expenses	0	0	0		0	0	0%	0
Meetings Expense	0	0	0		0	0	0%	0
Misc Exp.(Storage)	0	0	0		0	0	0%	0
Office Supplies	0	0	0		0	0	0%	0
Paper Expense	0	0	0		0	0	0%	0
Postage & Shipping	0	0	0		0	0	0%	0
Printing Supplies	0	0	0		0	0	0%	0
Rent & Utility Expenses	0	0	0		0	0	0%	0
Repairs & Maintenance	0	0	0		0	0	0%	0
Telephone Expense	0	0	0		0	0	0%	0
Travel Expense	0	0	0		0	0	0%	0
Total Expenses	0	0	0		0	0	0%	0
Operating Income (Loss)	11,280	8,231	5,142	5,300	10,000	(4,700)	53%	5,000
CARF Admin Fee Rebate	9,386	8,456	4,398	5,000	8,625	3,625	58%	5,000
Income (Loss)	1,894	(226)	744	300	1,375	(8,325)	22%	0

FOOTNOTES:

2018 program price increases by Southern Host Racing, 2019 budget program orders same volume but increase in program cost

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**California Authority of Racing Fairs
Live Racing Income Statement**

September 30, 2018

2016=43 day 2017=45 day 2018=42 days

	2016 Year End Actual	2017 Year End Actual	2018 Jan-Sept YTD	2018 estimated YEAR END	2018 Annual Budget	2018 Budget Variance	2018 % Budget	2019 Proposed Budget	
Revenues:									
Reimb. From Live Racing Fairs	1,346,671	1,409,190	1,321,810	1,676,041	1,445,678	230,363	116%	1,724,031	1
3rd Party Lasik Reimb	0	0	65,015	65,015	0	65,015	0%	65,000	
						0			
						0			
Operating Expenses:									
Salaries	424,636	382,135	251,874	341,263	365,583	(24,320)	93%	345,166	
Employee Benefits	54,746	52,273	36,563	47,145	50,607	(3,463)	93%	48,000	
Payroll Taxes	61,350	65,453	53,178	65,739	67,289	(1,550)	98%	63,310	
Accounting Costs	48,853	48,750	32,500	48,750	48,900	(150)	100%	48,900	
Audit Services	20,813	20,813	21,225	21,225	20,800	425	102%	21,225	
Automobile Expense	3,017	1,042	5,199	5,199	3,000	2,199	173%	3,000	2
Legal Expenses	0	0	0	0	1,000	(1,000)	0%	1,000	
Meetings Expense	554	437	527	527	1,000	(473)	53%	1,000	
Telephone Expense	3,366	4,091	2,321	3,598	6,000	(2,402)	60%	4,000	
Travel Expense	44,336	46,829	31,222	46,454	45,000	1,454	103%	40,000	
Sub-Totals	661,671	621,823	434,609	579,900	609,179	29,279	95%	575,601	
Racing Support Services:									
Announcer	22,925	25,750	20,828	25,778	32,900	7,122	78%	32,900	
Condition Bk/Program Cover	14,853	11,081	9,324	12,606	15,000	2,394	84%	15,000	
Racing Operations Support	62,972	61,230	89,053	108,369	75,200	(33,169)	144%	95,000	3
TC02 Testing	8,621	21,239	18,710	22,210	20,680	(1,530)	107%	22,000	4
3RD PARTY LASIKS	0	0	46,430	65,015	0	(65,015)	0%	65,000	5
Marketing/Web Devel	1,100	6,870	5,090	5,120	3,000	(2,120)	171%	3,000	6
Paymaster Operations	6,373	7,124	2,025	5,028	6,500	1,472	77%	6,500	
Program Production	158,344	172,986	81,070	136,122	159,800	23,678	85%	135,000	
Racing Office System	20,029	13,417	10,836	14,660	18,800	4,140	78%	18,800	
Recruitment	5,452	7,145	3,567	7,770	15,000	7,230	52%	15,000	
Jumbo Screen	94,350	68,850	80,550	103,500	94,000	(9,500)	110%	100,000	7
Supplies	16,001	19,202	5,919	8,981	19,000	10,019	47%	15,000	8
Tattooing	16,906	19,969	8,320	16,934	17,000	66	100%	17,000	
Timing/Clocker	12,035	13,113	9,405	9,405	16,920	7,515	56%	15,000	
Transportation	2,072	1,700	1,610	2,910	3,000	90	97%	3,000	
TV Production/Simulcast	120,691	156,043	148,718	180,856	150,400	(30,456)	120%	180,000	9
RTM ALLOCATION (MAINT)	123,259	99,129	137,533	158,579	116,500	(42,079)	136%	120,000	10
RTM TRANSPORTATION	56,373	78,765	61,675	76,355	75,000	(1,355)	102%	75,000	
RTM PRIOR YEAR LOAN	0	0	0	0	0	0	0%	0	
STABLING AND TRAINING	0	0	202,800	202,800	0	(202,800)	0%	282,430	
RTM SUPPORT COSTS	61,745	118,460	103,449	113,159	112,800	(359)	100%	112,800	
Sub-Totals	804,101	902,072	1,046,911	1,276,156	951,500	(324,656)	134%	1,328,430	
Total Gross Expenses									
	1,465,772	1,523,894	1,481,519	1,856,056	1,560,679	(295,377)	119%	1,904,031	
Augmentation LRF	75,000	75,000	75,000	75,000	75,000	0	100%	75,000	
NCOTWINC Reimbursement	40,000	40,000	40,000	40,000	40,000	0	100%	40,000	
Other Reimb Revenue									
Advertising Revenue									
Total Net Expenses w/o Lasik	1,350,772	1,408,894	1,320,090	1,676,041	1,445,678			1,724,031	

FOOTNOTES:

- 1** 2018 billbacks higher than budget due to expenses paid by CARF billback for Live Racing Fairs
- 2** 2018 Automobile expenses higher than budget due to Repairs of CARF vehicles
- 3** 2018 Racing Operations Support higher than budget due to 2 year Winners Foundation Expense, unbudgeted Plusmic conversion of photo finish
- 4** 2018 TC02 Testing category higher for Vet Invoices paid for Live Racing Fairs
- 5** 2018 3rd Party Lasiks program expenses - collected from horse owners
- 6** 2018 Marketing/Web Devel expense higher than budget for Chris Griffin Sponsorship payment
- 7** 2018 Jumbo Screen higher than budget for Pegasus invoice for Pleasanton extra billback invoice
- 8** 2018 Supplies category lower than budget due to no racing t-shirts and Day wireless expenses
- 9** 2018 TV Production/Simulcast category higher than budget due to all Pegasus invoices paid under CARF billback
- 10** 2018 RTM repairs higher than budget

Update on Sports Wagering 12/8/2018

- There are currently 8 states with legal sports wagering, New Jersey, Rhode Island, Nevada, Delaware, Pennsylvania, West Virginia, Mississippi and New Mexico. 34 States offer pari-mutuel wagering.
- A bill introduced in the California Assembly in July 2017 would permit sports gambling in California as long as it was similarly legal nationwide. It's a toe-hold, which is more than many states have achieved
- Three CARF Fair Managers and myself will meet with Assemblyman Adam Gray, Democrat – Merced, at the Capitol on Jan 10. WFA, Merced County Fair and Louie Brown will also be present.
- Racing is best postured for sports wagering with wagering architecture in place.
- Scott Daruty gave an update on the four Stronach Group states status of sports wagering. In Oregon the state lottery is best postured in implementing gaming, doesn't look good for horse racing and rumors abound about Portland Meadows being sold. Maryland will have a referendum vote on the ballot in 2019. Florida is at a stand still at the moment, but would also push for a voter referendum. Adam Gray has the leading in California with a pending bill. Would expect a voter referendum hopefully in 2019 also.
- www.espn.com/chalk/story/_/id/19740480/gambling-sports-betting-bill-tracker-all-50-states is a website which gives you an update on all states.
- Sports wagering may be lottery operated (Likely in Oregon), Operator (Race Track, Card Clubs or Indians) or Revenue Sharing (i.e. New Jersey where you partner with someone).
- e the mobile aspect of wagering. Results across the board in New Jersey, Australia, UK and New Zealand reflect that current trends reflect 80% of wagers come from the internet.
- The current position of tribes in California is that they don't want internet sports wagering, they want their customers to come to the casinos. This is a non-starter.
- Fixed odds vs pari-mutuel is the priority. Bettors want to know what they are going to win. In pari-mutuel horse racing there still is a delay from when the horse leaves the gate to the finish where the odds will change.
- The approach must be a single wallet. This means that when you enter a site you can wager on sports or horse racing.
- You need to own your customers, don't allow your partner in gaming own them, i.e. Fan Duel, Draft Kings, William Hill etc.
- Avoid the Golden Goose Approach. You can't afford to exceed paying 6.75% of your revenue and .25% of your handle to make a profit.
- In addition to profits from Sports Wagering, New Jersey has seen a 28% increase in horse racing handle. They have partnered with William Hill Sportsbook out of the UK.
- According to the American Gaming Association the estimated illegal wagers placed in the US in 2017 was 150 billion of which California was second highest state but will not release any state by state estimates.
- Australians are the biggest gambler losers. On a per capita basis each Australian bettor loses \$920 annually which is twice the per capita loss in the U.S.

Explanation of HCF Purses and Commissions Proposal

- The intent of this proposal is to present an option on how to compensate the HCF for commissions and purses generated from their one week of unoverlapped from purses and commissions being generated from the 2019 Stabling and Dates agreement with GGFs.
- The challenge here is to transfer additional purse funds generated from the 2019 Agreement to funds which can offset commission losses.
- All figures presented are based on a status quo in handle for 2019 and does not include Santa Rosa.
- Column A represents what additional 2% stabling funds CARF will receive from reduced GGF Auxiliary Stabling charges (\$101,065). \$687,960 was generated from the 2% takeout for V&S in 2018 and paid directly to GGF. Of this \$687,960, \$76,895 came from HCF being unoverlapped. So to project what CARF would expect to receive in 2% funds for 2019 you must subtract \$76,895 from \$687,960 leaving a balance of \$611,065 to be the projected amount raised from 2% funds for 2019.
- The agreement with GGF for 2019 requires CARF to pay \$510,000 to GGF for auxiliary stabling in 2019, so subtracting \$510,000 from \$611,065 leaves CARF with \$101,065. This number represents the stabling funds reduction from 2018. This figure is also ½ purse funds and ½ commissions funds (\$50,532.50 for each).
- Column B represents the net gain of purses generated in 2019 (\$91,095.50). HCF generated an additional \$159,437 in purse funds in 2018 from being unoverlapped. So based on the 2019 Stabling and Dates Agreement with GGF, CARF will receive \$200,000 from TOC for purses and an additional \$50,532.50 for purses from the reduced auxiliary stabling costs leaving CARF with an increase of \$91,095.50 for 2019. The key here is to move these funds into commissions for the HCF.
- Column C represents the proposal on how to move these purse funds into commissions for HCF. \$189,552 is the additional amount HCF raised for commissions in 2018 from being unoverlapped. \$50,532.50 which will be additional 2% commissions fund raised can be deducted from the \$189,552 which leaves a balance of \$139,019.50.
- In 2017, the board voted to pay \$117,000 toward reducing the current CARF purse overpayment. I would expect this to be fiscally sound for 2018 and 2019. So I am proposing that the HCF not be charged their portion of this and it be taken from the addition purse funds (\$91,095.50). That total would be \$56,532.50 for three years and then deducting that from the commissions balance (\$139,019.50) leaves a balance for HCF commissions of \$82,896.60.
- CARF currently provides the fairs a \$75,000 Augmentation credit each year, of which \$62,500 goes to Pleasanton, Sacramento and Fresno. I'm proposing that being transferred to HCF for offsetting commission loses for 2019 which leaves them with a projected commission's reduction for 2019 of \$20,397.60.

- The \$62,500 would be offset to the Pln, Sac and Fno by taking purse funds from the 2019 additional purse funds generated and paying their portion of the \$117,000 for 2019 offsetting their costs from losing the augmentation funds.
- Column D represents the amount of purse money that was not generated by the 2019 Agreement and would have to be taken from the purse account.
- So the bottom line to this proposal is that HCF gets close to total reimbursement for projected commission loses in 2019 from not being overlapped and the outstanding purse overpayment is being reduced by $(\$117,000 - \$27,526.4 = \$89,473.60)$ and not \$117,000.