



*a California joint powers agency*

1776 Tribute Road, Suite 205  
Sacramento, CA 95815  
Office: 916.927.7223 Fax: 916.263.3341  
[www.calairs.com](http://www.calairs.com)

**NOTICE  
CALIFORNIA AUTHORITY OF RACING FAIRS  
BOARD OF DIRECTORS MEETING  
JOHN ALKIRE, CHAIR  
11:30 A.M., TUESDAY, DECEMBER 9, 2008  
VIA TELECONFERENCE**

Notice is hereby given that a teleconference meeting of the California Authority of Racing Fairs' Board of Directors will commence at 11:30 A.M., Tuesday, December 9, 2008. The meeting will be held at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

The Public and members of the California Authority of Racing Fairs Board of Directors may participate from the following locations:

Alameda County Fair  
4501 Pleasanton Ave.  
Pleasanton, CA 94566

Humboldt County Fair  
1250 5<sup>th</sup> Street  
Ferndale, CA 95536

Solano County Fair  
900 Fairgrounds Drive  
Vallejo, CA 94589

Antelope Valley Fair  
2551 W. Avenue H  
Lancaster, CA 93536

Monterey County Fair  
2004 Fairground Road  
Monterey, CA 93940

The Big Fresno Fair  
1121 S. Chance Avenue  
Fresno, CA 93702

San Joaquin Fair  
1658 S. Airport Way  
Stockton, CA 95206

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C A L I F O R N I A   A U T H O R I T Y   O F   R A C I N G   F A I R S



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**AGENDA  
CALIFORNIA AUTHORITY OF RACING FAIRS  
BOARD OF DIRECTORS MEETING  
JOHN ALKIRE, CHAIR  
11:30 A.M., TUESDAY, DECEMBER 9, 2008  
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**AGENDA**

- I. Presentation of Audit Report by Gilbert Associates.
- II. Determination of Date, Time, and Location of Next Meeting. Approval of Minutes from September 3.
- III. Discussion and Action, if any, on 2009 Agency Budget.
- IV. Discussion of Satellite Wagering Facilities Profitability.
- V. Discussion and Action, if any, on Development of New Satellite Wagering Facilities.
- VI. Discussion and Action, if any, on 2009 Legislation.
- VII. Executive Director's Report.

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C A L I F O R N I A   A U T H O R I T Y   O F   R A C I N G   F A I R S

**CALIFORNIA AUTHORITY OF RACING FAIRS**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006**

**CALIFORNIA AUTHORITY OF RACING FAIRS**

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**DECEMBER 31, 2007 AND 2006**

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**Gilbert Associates, Inc.**  
CPAs and Advisors

## **INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
California Authority of Racing Fairs  
Sacramento, California**

We have audited the accompanying financial statements of the California Authority of Racing Fairs (the Authority) as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the activity as disclosed in Note 7. That activity was audited by other auditors whose report dated July 20, 2007 has been furnished to us, and our opinion, insofar as it relates to the amounts included for live racing, is based on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 opinion.

We were unable to apply auditing procedures supporting the financial activities of the advance deposit wagering (ADW). The ADW Racing Activity schedule on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. This schedule summarizes the activity related to the ADW that we were unable to apply audit procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to apply auditing procedures to the advance deposit wagering activity, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Authority's basic financial statements. The Combining Statement of Revenues, Expenses, and Changes in Net Assets on page 28 is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Authority. The Combining Statement of Revenues, Expenses, and Changes in Net Assets has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**November 7, 2008**

# **CALIFORNIA AUTHORITY OF RACING FAIRS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2007**

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The following report reflects the financial condition of California Authority of Racing Fairs (CARF) for the year ended December 31, 2007. It is provided in order to enhance the information in the financial audit, and should be reviewed in concert with that report.

### **Financial Highlights, December 31, 2007**

- Total operating revenues were \$5,600,094, an increase of 25.20% or \$1,127,119. This increase is mainly due to a 76.39% increase in Construction Projects.
- Total non-operating revenues were \$274,070 an increase of 33.87% or \$69,340. This increase is due to recorded increases in investment income from the Local Investment Fund (LAIF) and investments held at Smith Barney and Madison Investment Advisors.
- Total expenses were \$5,665,212 increased 23.07% or \$1,062,025 in the previous year. This mainly is a result of the increase in Construction Projects.

### **Description of the Basic Financial Statements**

CARF financial statements are prepared in conformity with generally accepted accounting principles. Balance Sheets, a Statement of Revenues, Expenses & Changes in Net Assets, and the Statement of Cash Flows are included along with Notes to Financial Statements to clarify unique accounting policies and financial information.

The Balance Sheet provides information on all CARF program assets and liabilities, with the difference reported as Net Assets. Net Assets may be an indicator of the overall financial changes across the years. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing total revenues versus total expenses and the resulting effect on Net Assets.

A combining statement is provided with the supplementary information and reflects financial information separated by the specific program to which it relates. CARF's accounting system is organized so that each program can be accounted for and evaluated independently. Separate governmental enterprise funds are operated for Equipment Replacement, Backstretch Improvements, Satellite Facility Improvements, Track Safety and Maintenance and other Letters of Understanding (LOU) funds. The assets, liabilities, revenues and expenses for all funds are reported on a full accrual basis. There were no significant accounting changes during the year.

Gilbert Associates, Inc., Certified Public Accountants have performed an independent audit examination of our financial statements in accordance with generally accepted auditing standards. Their opinion is included in the Financial Section of this report.

**CALIFORNIA AUTHORITY OF RACING FAIRS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2007**

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**Agency Wide Financial Analysis**

**CARF's Combined Balance Sheet**

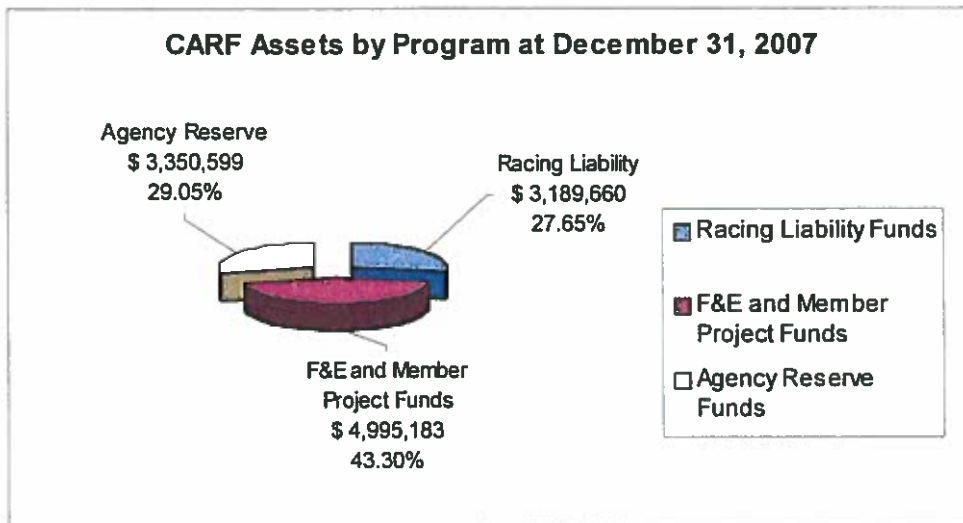
	12/31/2007	Percentage	12/31/2006	Percentage	12/31/2005	Percentage
Current and Other Assets	\$11,357,134	98.45%	\$11,741,516	99.22%	\$11,166,186	98.81%
Fixed Assets, net	178,308	1.55%	92,020	0.78%	134,650	1.19%
Total Assets	<u>\$11,535,442</u>	<u>100.00%</u>	<u>\$11,833,536</u>	<u>100.00%</u>	<u>\$11,300,836</u>	<u>100.00%</u>
Current Liabilities	\$6,589,679	66.43%	\$7,225,052	69.29%	\$6,784,504	68.06%
Non-Current Liabilities	3,330,317	33.57%	3,201,990	30.71%	3,184,356	31.94%
Total Liabilities	<u>\$9,919,996</u>	<u>95.14%</u>	<u>\$10,427,042</u>	<u>100.00%</u>	<u>\$9,968,860</u>	<u>100.00%</u>
Net Assets	<u>\$1,615,446</u>	<u>100.00%</u>	<u>\$1,406,494</u>	<u>100.00%</u>	<u>\$1,331,976</u>	<u>100.00%</u>
Total Liabilities and Net Assets	<u>\$11,535,442</u>	<u>100.00%</u>	<u>\$11,833,536</u>	<u>100.00%</u>	<u>\$11,300,836</u>	<u>100.00%</u>



**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2007**

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**CARF Agency and Program Assets**



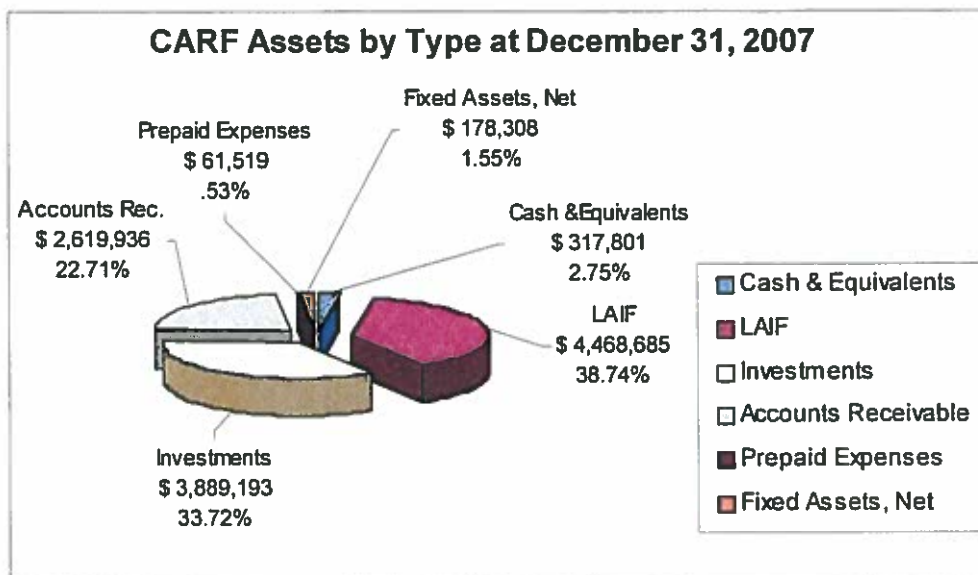
Total agency and program assets, as reflected in the Liabilities and Net Assets section of the Balance Sheet, decreased \$298,094 from \$11,833,536 as of December 31, 2006 to \$11,535,442 at December 31, 2007. Non-current or fixed assets were increased by \$86,288, primarily due to the addition of racetrack program fixed assets.

Investment revenues are used to offset agency costs wherever possible and reduce the required member contributions. CARF invests those funds not immediately necessary for the payment of racing or project expenses in order to optimize the rate of return. Funds are invested in a manner that will protect principal, allow for cash flow needs and optimize returns, and are in conformity with all federal, state, and local statutes governing such investment of public funds. Funds available for investing are divided between the Local Agency Investment Fund (LAIF) and Smith-Barney. At December 31, 2007 LAIF held approximately 52% of CARF's total invested cash and investments while Smith-Barney and Madison Investment Advisors held approximately 45%.

## CALIFORNIA AUTHORITY OF RACING FAIRS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007



The investment market has continued to recover from the low rates of return experienced between 2001 and 2004. An upward trend in interest rates began in 2005 and continued through 2006. In the fall of 2007 the Federal Open Market Commission (FOMC) began an easing of interest rates, which for a while will have a positive effect on our investments with Madison Investment advisors. In the summer of 2007 CARF consolidated our investments outside of LAIF, all with Madison Investment Advisors, discontinuing our relationship with Smith Barney. At the same time we changed our investment custodian from Smith Barney to Charles Schwab Institutional. The ability of these funds to earn investment income has an indirect effect on member contributions, as this income is used to offset overhead costs thereby lowering the amount needed in the form of member contributions.

#### CARF Program Liabilities

Accrued liabilities decreased from \$10,427,042 as of December 31, 2006 to \$9,919,996 as of December 31, 2007. This decrease is mainly due to the timing of deferred revenue, which is driven by the completion of funding projects. All other liabilities on the Balance Sheet are actual assets of the individual programs.

# CALIFORNIA AUTHORITY OF RACING FAIRS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007

### CARF Revenues and Expenses

Operating revenues consist of various types of Member contributions, Administrative fees, Racing fairs reimbursements, Program revenues, Equipment replacement projects, and Construction projects. These revenues increased from \$4,472,975 in 2006 to \$5,600,094 in 2007, primarily as a result of an increase in Construction projects completed within the year. Operating expenses exceeded operating revenues by \$ 65,118 in 2007 as compared to operating expenses exceeding operating revenues by \$ 130,212 in 2006. The net gain in Net Assets for 2007 is the result of investment income and Racetrack program fixed assets.

#### CARF Statements of Revenue, Expenses, and Changes in Net Assets

	Year Ended 12/31/2007	Year Ended 12/31/2006	Percentage Change	Year Ended 12/31/2005	Percentage Change
<b>Operating Revenues</b>					
Member Dues	\$257,268	\$261,477	-1.61%	\$279,780	-6.54%
Administrative Fee	313,610	258,852	21.15%	283,158	-8.58%
Programs	463,076	493,939	-6.25%	696,535	-29.09%
Racing Fairs Revenue	1,153,876	992,311	16.28%	927,302	7.01%
Equipment Replacement Funds	469,836	662,932	-29.13%	928,276	-28.58%
Construction Projects	2,596,340	1,471,948	76.39%	1,890,941	-22.16%
Marketing Reimbursements	332,525	322,283	3.18%	0	0.00%
Miscellaneous Income/Other	13,563	9,233	46.90%	255	3520.78%
<b>Total Operating Revenues</b>	<b>\$5,600,094</b>	<b>\$4,472,975</b>	<b>25.20%</b>	<b>\$5,006,247</b>	<b>-10.65%</b>
<b>Operating Expenses</b>					
Construction Projects	\$2,624,160	\$1,552,079	69.07%	\$1,917,014	-19.04%
Equipment Replacement Funds	469,836	662,932	-29.13%	932,816	-28.93%
Programs- (Host royalties)	411,359	440,394	-6.59%	629,936	-30.09%
Live Racing Fairs	618,407	595,335	3.88%	603,219	-1.31%
Marketing Expense	332,525	322,283	3.18%	0	0.00%
Salaries and Benefits	532,405	529,036	0.64%	498,029	6.23%
Accounting and Legal	117,615	102,507	14.74%	94,278	8.73%
Travel and Meetings	96,117	68,131	41.08%	67,673	0.68%
Other Operating	462,788	330,490	40.03%	244,434	35.21%
<b>Total Operating Expenses</b>	<b>\$5,665,212</b>	<b>\$4,603,187</b>	<b>23.07%</b>	<b>\$4,987,399</b>	<b>-7.70%</b>
<b>Operating Gain/Loss</b>	<b>(\$65,118)</b>	<b>(\$130,212)</b>	<b>49.99%</b>	<b>\$18,848</b>	<b>-790.85%</b>
<b>Investment Income</b>	<b>\$274,070</b>	<b>\$204,730</b>	<b>33.87%</b>	<b>\$133,588</b>	<b>53.25%</b>
<b>Increase in net assets</b>	<b>\$208,952</b>	<b>\$74,518</b>	<b>180.40%</b>	<b>\$152,436</b>	<b>-51.12%</b>
<b>Beginning Net Assets</b>	<b>\$1,406,494</b>	<b>\$1,331,976</b>	<b>5.59%</b>	<b>\$1,179,540</b>	<b>12.92%</b>
<b>Ending Net Assets</b>	<b>\$1,615,446</b>	<b>\$1,406,494</b>	<b>14.86%</b>	<b>\$1,331,976</b>	<b>5.59%</b>

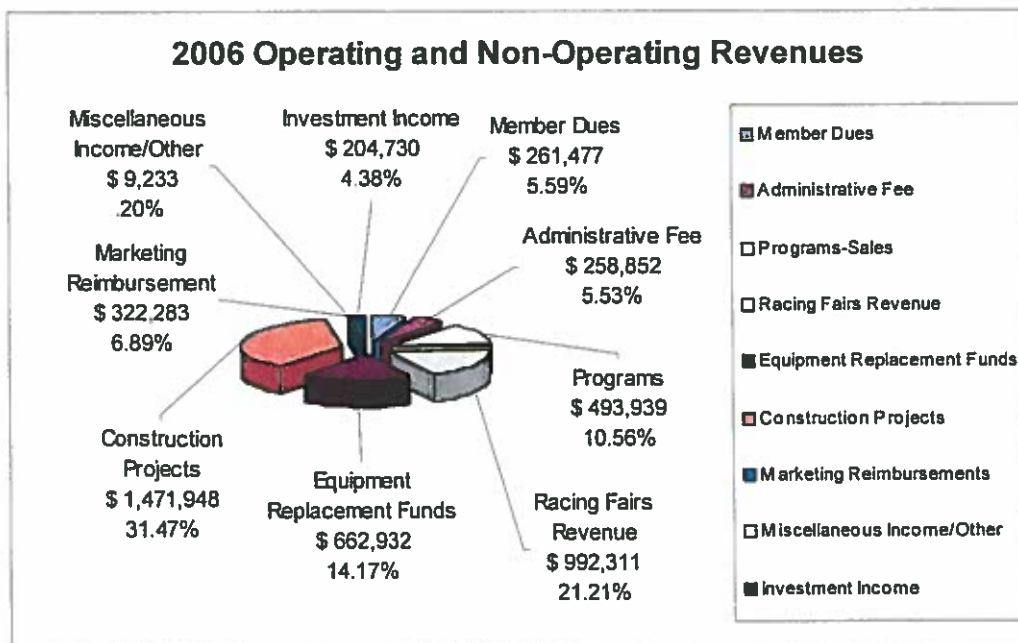
# CALIFORNIA AUTHORITY OF RACING FAIRS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007

The increase in Construction projects of \$1,124,392 and the decrease in Equipment replacement funds revenue of \$193,096 are primarily due to a timing of project activities during 2007. The other significant increases in revenue occurred in Racing Fairs revenue of \$161,565 and Administrative fees of \$54,758 due to both live racing contracts and administrative fees recognized on completed projects in 2007.

The dramatic increase in Construction project expense and the decrease in Equipment replacement fund expense are equally matched with each of the program's revenue side.

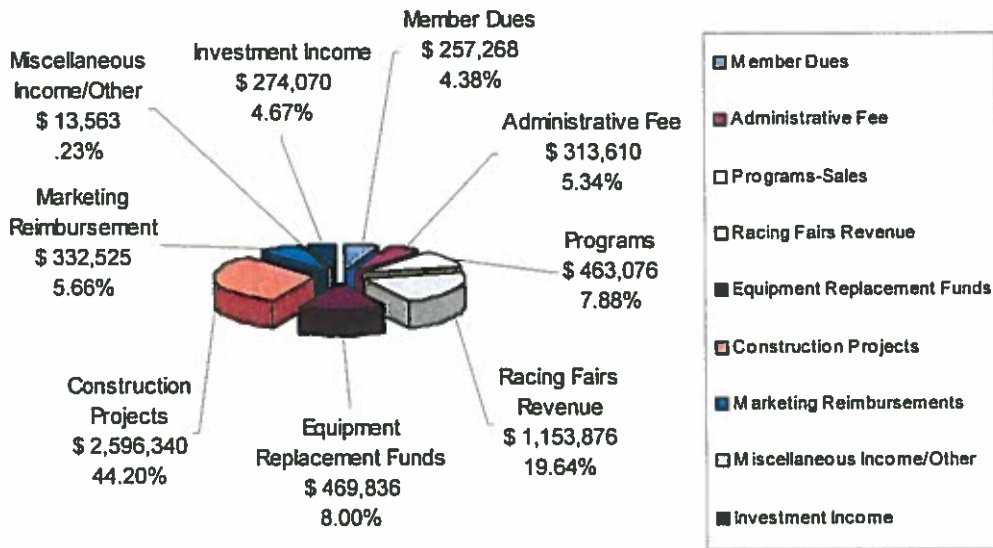


# CALIFORNIA AUTHORITY OF RACING FAIRS

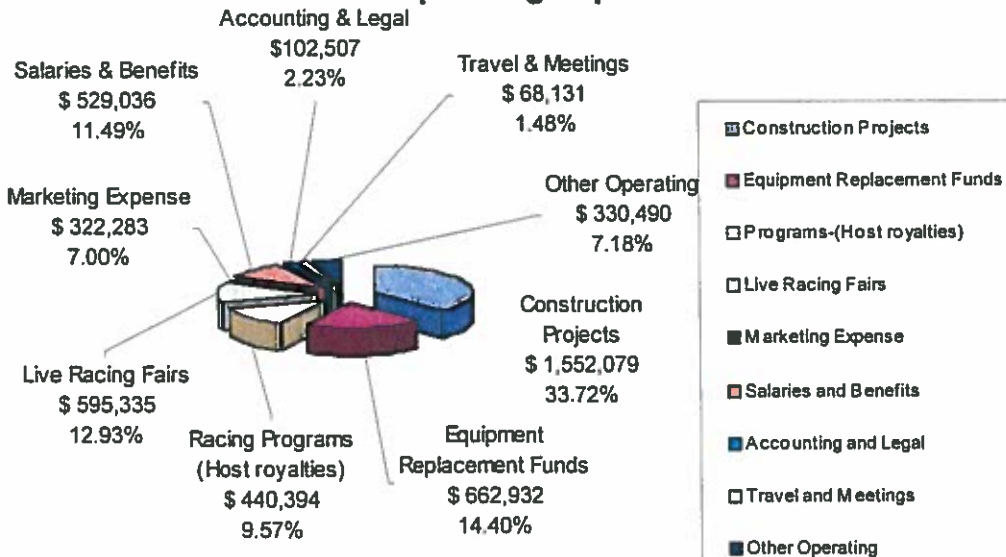
## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007

### 2007 Operating and Non-Operating Revenues



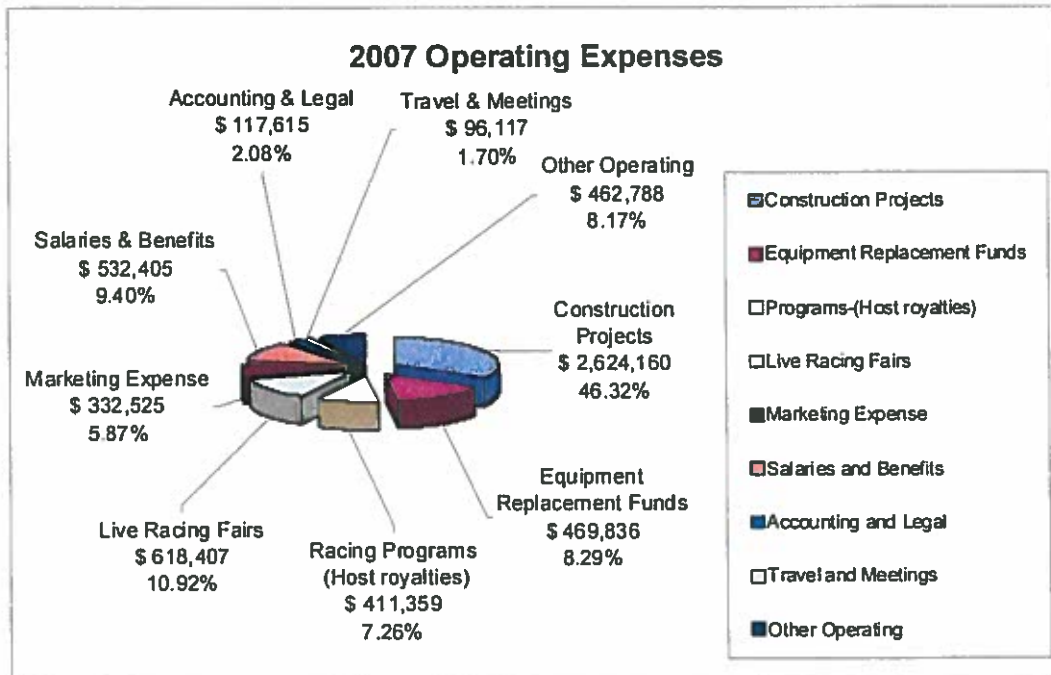
### 2006 Operating Expenses



## CALIFORNIA AUTHORITY OF RACING FAIRS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007



#### Budgetary Highlights

Each year the CARF Board of Directors approves a budget and establishes rates and funding levels for all programs. The budget is brought to the Board towards the end of the current year for their approval.

#### Significant variances between the budget and the actual results includes:

- Administrative fees were down from budget by approximately 17% due to uncompleted projects that were budgeted for reimbursement in 2007 for Satellite Facility and Backstretch Improvements and a slight reduction in Equipment Replacement project activity.
- Program printing revenues and expenses (host royalties) were up equally from budget due to a slight increase in program orders.
- The Racing fairs revenue and expenses exceeded budget due to additional racing support contracts in the areas of Program Production, TV Production/Simulcast and Racing expenses.
- The significant variance in expenses that were above budget occurred in Racing Fairs expenses that were superseded by Racing Fairs revenue.

**CALIFORNIA AUTHORITY OF RACING FAIRS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2007**

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- The variance in operating expenses versus budget occurred mainly due to an unfilled Agency budgeted government relations/development position.
- Investment income exceeded the budget due to better than expected interest rates and the action by the FOMC to reduce rates towards the end of 2007, increasing the value of our existing investments.
- 2007 resulted in an Agency Net Income of approximately 154K over budget due to actual revenues exceeded budget and recording of racetrack equipment.

**Conclusion**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in California Authority of Racing Fair's finances. Questions concerning any of the information should be addressed to the Financial Officer, 1776 Tribute Road, Suite 205, Sacramento, California 95815.

**CALIFORNIA AUTHORITY OF RACING FAIRS****BALANCE SHEETS****DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 4,786,486	\$ 5,499,532
Investments	712,324	692,980
Accounts receivable	2,117,922	2,065,107
Outstanding/refund tickets	502,014	494,856
Prepaid expenses and deposits	<u>61,519</u>	<u>52,403</u>
Total current assets	8,180,265	8,804,878
<b>INVESTMENTS</b>	3,176,869	2,936,638
<b>FIXED ASSETS, net</b>	<u>178,308</u>	<u>92,020</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,535,442</u>	<u>\$ 11,833,536</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accruals	\$ 1,807,913	\$ 1,776,063
Unredeemed winning tickets	459,986	453,145
Advanced deposit wagering liability	36,047	28,513
Purse liability	1,595,703	1,357,754
Deferred revenue	<u>2,690,030</u>	<u>3,609,577</u>
Total current liabilities	<u>6,589,679</u>	<u>7,225,052</u>
<b>NONCURRENT LIABILITIES</b>		
CHRRMS payable	83,924	79,274
Member equipment replacement fund	2,232,393	2,108,716
Change fund liability	<u>1,014,000</u>	<u>1,014,000</u>
Total noncurrent liabilities	<u>3,330,317</u>	<u>3,201,990</u>
<b>TOTAL LIABILITIES</b>	9,919,996	10,427,042
<b>NET ASSETS</b>	<u>1,615,446</u>	<u>1,406,494</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,535,442</u>	<u>\$ 11,833,536</u>

The accompanying notes are an integral part of these financial statements.



**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES:</b>		
Member dues	\$ 257,268	\$ 261,477
Administration fees	313,610	258,852
Racing program reimbursements	463,076	493,939
Live racing reimbursements	1,153,876	992,311
Equipment replacement	469,836	662,932
Construction projects	2,596,340	1,471,948
Marketing reimbursements	332,525	322,283
Miscellaneous income	13,563	9,233
Total operating revenue	<u>5,600,094</u>	<u>4,472,975</u>
<b>OPERATING EXPENSES:</b>		
Construction projects	2,624,160	1,552,079
Equipment replacement	469,836	662,932
Racing programs	411,359	440,394
Live racing	618,407	595,335
Marketing expense	332,525	322,283
Salaries and benefits	532,405	529,036
Accounting and legal	117,615	102,507
Travel and meetings	96,117	68,131
Other operating	462,788	330,490
Total operating expenses	<u>5,665,212</u>	<u>4,603,187</u>
Operating loss	(65,118)	(130,212)
<b>NON-OPERATING INCOME:</b>		
Investment income	<u>274,070</u>	<u>204,730</u>
Increase in net assets	208,952	74,518
<b>NET ASSETS, Beginning of Year</b>	<u>1,406,494</u>	<u>1,331,976</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 1,615,446</u>	<u>\$ 1,406,494</u>

The accompanying notes are an integral part of these financial statements.

# CALIFORNIA AUTHORITY OF RACING FAIRS

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from members, member activities, and member support	\$ 4,627,732	\$ 3,659,899
Payments to members, member activities, and member support	(2,725,153)	(2,976,847)
Payments to employees	(532,405)	(529,036)
Other operating payments	<u>(1,940,322)</u>	<u>(489,119)</u>
Net cash used by operating activities	<u>(570,148)</u>	<u>(335,103)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(5,588,979)	(2,014,713)
Purchases of fixed assets	(157,393)	(2,260)
Proceeds from sale or maturity of investments	5,386,047	1,849,746
Investment income	<u>217,427</u>	<u>213,588</u>
Net cash provided (used) by investing activities	<u>(142,898)</u>	<u>46,361</u>
Decrease in cash and equivalents	(713,046)	(288,742)
Cash and equivalents – beginning of year	<u>5,499,532</u>	<u>5,788,274</u>
Cash and equivalents – end of year	<u>\$ 4,786,486</u>	<u>\$ 5,499,532</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (65,118)	\$ (130,212)
Reconciliation to net cash used by operating activities:		
Depreciation expense	71,105	44,890
Changes in:		
Accounts receivable	(52,815)	(654,179)
Outstanding/refund tickets	(7,158)	(52,069)
Prepaid expenses and deposits	(9,116)	(1,715)
Accounts payable and accruals	31,850	1,001,173
Unredeemed winning tickets	6,841	7,769
Advanced deposit wagering liability	7,534	24,354
Purse liability	237,949	(255,953)
Deferred revenue	(919,547)	163,386
CHRIMS liability	4,650	3,390
Member equipment replacement fund	<u>123,677</u>	<u>(485,937)</u>
Net cash used by operating activities	<u>\$ (570,148)</u>	<u>\$ (335,103)</u>

# **CALIFORNIA AUTHORITY OF RACING FAIRS**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 AND 2006**

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### **1. SIGNIFICANT ACCOUNTING POLICIES**

#### **ORGANIZATION**

The California Authority of Racing Fairs (the Authority) was created in 1986, as authorized by the California Government Code, Sections 6500, et. Seq. The Government Code authorizes two or more public agencies to jointly exercise common powers by agreement (Section 6502). In addition, the Government Code specifically authorizes public agencies conducting fairs to enter into a joint powers agreement to form pooling arrangements for losses incurred by such agencies (Section 6516). Section 6516 states that the Department of Food and Agriculture may enter into such a joint powers agreement on behalf of district agricultural associations and citrus fruit fairs. The power of a joint powers agency "is subject to the restrictions upon the manner of exercising the power of one of the contracting parties, which party shall be designated by the agreement" (Section 6509).

The primary activities of the Authority include:

- Providing a central administrative body to represent its members and handle their mutual concerns and requirements. Annual dues are charged to each member on a calendar year basis. Administrative fees are charged for various programs administered by the Authority.
- Coordinating and promoting live racing at member fairs.
- Promoting satellite wagering and account deposit wagering in California through the legislature.
- Providing the necessary legal vehicle for the ongoing operation of the satellite wagering system.
- Administering the Equipment Exchange Program in conjunction with various fair service programs under letters of understanding with the Division of Fairs and Expositions (F&E) and member fairs.

#### **BASIS OF ACCOUNTING**

The accounting records of the Authority are kept on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989 are applied unless they conflict with GASB pronouncements. The Authority has elected not to apply FASB statements issued subsequent to November 30, 1989.

# CALIFORNIA AUTHORITY OF RACING FAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

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### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### STATEMENT OF CASH FLOWS

With regards to the statements of cash flows, the Authority considers cash in banks, all money market funds, and cash in the Local Agency Investment Fund to be cash equivalents. Investments maturing within three months from date of purchase are also considered to be cash equivalents.

### OUTSTANDING/REFUNDING TICKETS

Pari-mutuel tickets (Outs), winning wagers that are unclaimed, and refunds, wagers that are scratched, are purged on May 15th of the year following the year in which the meet at which they were purchased concludes. By law they are split between CHRB, Horsemen's Welfare Fund, Tracks, Purses, or held for 3 years before escheating to the State as unclaimed personal property.

### FIXED ASSETS

Fixed assets are stated at cost. Major additions are capitalized and repair and maintenance costs are expensed. Depreciation is computed using the straight-line method over estimated useful lives of three years for automobiles and computer equipment and five years for furniture and equipment. When assets are sold or abandoned, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the statement of revenues, expenses, and changes in net assets.

### DEFERRED REVENUE

Amounts received but for which the earning process has not yet been completed are recorded as deferred revenue. See Note 8 for additional detail.

### GASB STATEMENT IMPLEMENTATION

In July of 2004, the GASB issued GASB Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, with required implementation for the Authority during the 2010 fiscal year. The new statement will significantly change the way state and local governments report their "other postemployment benefits" to the public. As a result of GASB 45, state and local governments will be required to (1) recognize the cost of these benefits in periods when the related services were rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past services and to what extent those benefits have been funded, and (3) provide information useful in assessing potential demands on the employer's cash flow.

# CALIFORNIA AUTHORITY OF RACING FAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

### 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents and investments consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents		
Deposits with financial institutions	\$ 271,992	\$ 37,367
Money market	45,809	257,520
Deposits in LAIF	<u>4,468,685</u>	<u>5,204,645</u>
Total cash and cash equivalents	4,786,486	5,499,532
Investments	<u>3,889,193</u>	<u>3,629,618</u>
Total cash and investments	<u>\$ 8,675,679</u>	<u>\$ 9,129,150</u>

#### Local Agency Investment Funds

The Authority is a voluntary participant in Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Separate complete financial statements are available at P.O. Box 942809, 915 Capital Mall C-15, Sacramento, CA 94209-0001.

#### Investments Authorized by the Entity's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the California Government Code and the Agency's investment policy. The table also identifies certain provisions of the California Government Code that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Authorized by Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage of Portfolio</u>	<u>*Maximum Investment in One Issuer</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	20%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	20%
Repurchase Agreements	Yes	1 year	20%	20%
Reverse Repurchase Agreements	Yes	92 days	20%	20%
Medium-Term Notes	Yes	5 years	30%	20%
Mutual Funds	Yes	5 years	20%	10%
Money Market Mutual Funds	Yes	5 years	20%	10%

**CALIFORNIA AUTHORITY OF RACING FAIRS**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 AND 2006**

<u>Authorized Investment Type</u>	<u>Authorized by Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage of Portfolio</u>	<u>*Maximum Investment in One Issuer</u>
Mortgage Pass-Through Securities	Yes	5 years	20%	20%
County Pooled Investment Funds	No	N/A	N/A	N/A
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	N/A	N/A

\* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of year-end, the average effective maturity of the investments contained in the Agency's pool is approximately 1.78 years.

Information about the sensitivity of the fair values of investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
Corporate Bonds	\$ 1,204,229	\$ 376,830	\$ 535,479	\$ 291,920	\$ 0
Government Bonds	2,684,964	335,495	1,148,151	1,201,318	0
Total	\$ 3,889,193	\$ 712,325	\$ 1,683,630	\$ 1,493,238	\$ 0

# CALIFORNIA AUTHORITY OF RACING FAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

### Disclosures Relating to Credit Risk

Generally, 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. Presented hereafter is the minimum rating required by (where applicable) the California Government Code or the Agency's investment policy, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>AAA to AA</u>	<u>AA- to A-</u>
Corporate Bonds	\$ 1,204,229		\$ 421,932	\$ 782,297
Government Bonds	2,684,964	\$ 2,684,964		
Money Market	45,809	45,809		
LAIF	<u>4,468,685</u>	<u>4,468,685</u>		
Total	<u>\$ 8,403,687</u>	<u>\$ 7,199,458</u>	<u>\$ 421,932</u>	<u>\$ 782,297</u>

### Foreign Currency Risk

The Authority does not invest in securities denominated in foreign currency; therefore it has no policies or exposure relating to foreign currency risk.

### Derivative Investments

The Authority did not directly enter into any derivative investments. Information regarding the amount invested in LAIF is not available.

### Concentration of Credit Risk

The investment policy of the Authority contains the limitation that the purchase of any single investment shall not exceed 20% of the portfolio's total invested assets, or two million dollars, which ever is greater. Government issued or backed securities shall be exempt from this restriction. The Authority does not have investments in any one issuer that represent 5% or more of the total investment.

### 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.

# CALIFORNIA AUTHORITY OF RACING FAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

### Managed Investment Pools

The Authority is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Separate complete financial statements are available at P.O. Box 942809, 915 Capital Mall C-15, Sacramento, CA 94209-0001.

### 3. FIXED ASSETS

Fixed assets activity consisted of the following during the year ended December 31, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Vehicles	\$ 134,404	\$ 148,500		\$ 282,904
Furniture and equipment	123,045			123,045
Computers	73,142	8,894		82,036
Total	330,591	157,394		487,985
Less accumulated depreciation	(238,571)	(71,106)		(309,677)
Fixed assets - net	<u>\$ 92,020</u>	<u>\$ 86,288</u>	<u>\$</u>	<u>\$ 178,308</u>



# CALIFORNIA AUTHORITY OF RACING FAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

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### 4. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Authority does not make contributions to the plan.

In 1997, the Board authorized revisions to the plan to implement federal legislative changes. These changes clarified that plan assets are held for the benefit of participating employees and are not subject to claims by creditors of the Authority. Therefore, the plan is not included in the Authority's financial statements.

### 5. EMPLOYEE RETIREMENT SYSTEM

Eligible employees are covered under an agent multi-employer defined benefit pension plan maintained by an agency of the State of California. The Authority's employees are members of the California Public Employees' Retirement System (CalPERS).

#### Plan Description

The Authority's defined benefit pension plan (the Plan) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plan is part of the Miscellaneous Group of the California Public Employees' Retirement System, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The Plan provides optional benefit provisions from the benefit menu selected under contract with CalPERS and adopts those benefits through the Authority's Board approval. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

#### Funding Policy

Active Authority employees are required to contribute 7.0% of their annual covered salary. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its employees. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended December 31, 2007 and 2006 was 0.0% and 0.868% respectively. The contribution requirements of the employees are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

In addition to contributing the required employer contribution as calculated by CalPERS, the Authority also contributes 2% of employees' 7%, with the employee contributing the remaining 5%.

# CALIFORNIA AUTHORITY OF RACING FAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

### Annual Pension Cost

For the year ended December 31, 2007, the Authority's contribution amount was \$6,713 for the 2% contribution towards the employees required 7%. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age actuarial cost method with contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by age, service, and type of employment, ranging from 3.25% to 14.45% annually for miscellaneous members, and (c) a 2.0% per year cost-of-living adjustment. Both (a) and (b) included an inflation component of 3.25%. The actuarial value of the Plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into the CalPERS Risk Pool. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period.

If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. Each year, a single amortization base is created, using the net period for the multiple bases. The remaining amortization period at June 30, 2006, the date of the most recent actuarial valuation, was 15 years.

### Three-Year Trend Information for the Plan

<u>Fiscal Year Ended December 31:</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Obligation (Asset) / Liability</u>
2005	\$ 0	100%	\$ 0
2006	\$ 3,778	100%	\$ 0
2007	\$ 0	100%	\$ 0

# CALIFORNIA AUTHORITY OF RACING FAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Amounts contributed to CalPERS are based on the actuarially determined annual contribution rates applied as a percentage of payroll costs. The amounts contributed will differ from the projected annual pension cost due to fluctuations between actual and projected payroll costs. The net pension asset as of December 31, 2007, is not significant and has not been accrued in the financial statements.

### Funded Status of the Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Excess Assets</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Excess Assets as a Percentage of Payroll</u>
6/30/2003	\$ 1,224,676	\$ 1,701,988	\$ 477,312	139.0%	\$ 311,652	153.2%
6/30/2004*	\$ 1,394,326	\$ 1,742,883	\$ 348,557	125.0%	\$ 338,981	102.8%

\* Plan specific data for the Authority's Plan was no longer made available by CalPERS after the June 30, 2004 valuation.

### 6. POST RETIREMENT CARE BENEFITS

In accordance with Section 22754 of the State of California Government Code, the Authority provides post retirement health care benefits to all employees who retire from the Authority on or after attaining certain age and length-of-service requirements. The post retirement health care benefits are funded on a pay as you go basis. During the years ended December 31, 2007 and 2006, the Authority incurred \$31,303 and \$27,118, respectively, in expenses relating to post retirement health care benefits provided to its four eligible retirees.

CALIFORNIA AUTHORITY OF RACING FAIRS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

7. LIVE RACING FAIR ACTIVITY

The Authority administers the horse racing receipts and disbursements on behalf of the live racing fairs. Such takeout and disbursements are not reflected on the statement of revenues, expenses and changes in net assets, and are detailed as follows for the year ended December 31, 2007:

Receipts:	
Takeout	\$ 31,615,561*
Supplemental purses	1,184,397
Programs	191,650
Overlap/redistribute	86,759
Intra outs/refunds	215,385
Rights fees	178,654
Misc. revenue	51,652
Decoder revenue	116,469
Share on track expenses	<u>(13,089)</u>
Total receipts	\$ <u>33,627,438</u>
Expenses:	
License fees	\$ 1,455,673*
Sec. 19601.2(a)	(95,516)
Intrastate/interstate fees	9,477,353*
Location fees	1,615,057*
Promotion	351,848*
City/county fees	342,984*
Offsite stabling	1,011,564*
Equine lab	103,936*
Owners/breeders	627,136*
Host commission/horsemen	<u>18,737,407*</u>
Total expenses	\$ <u>33,627,438</u>

\* Represents activities for live racing that were audited by other auditors.

# CALIFORNIA AUTHORITY OF RACING FAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

### 8. FAIRS AND EXPOSITION FUNDS

The Authority receives advances from the California Department of Food & Agriculture, Division of Fairs and Expositions (F&E). These related party transactions are included in the accompanying financial statements. The advances are considered revenue to the extent to which the Authority incurs related expenses. The balance of the funds is classified as deferred revenue. Funds with a negative balance due to timing differences are classified as accounts receivable.

The following table summarizes the transactions for the year ended December 31, 2007:

<u>F&amp;E Funds</u>	<u>Beginning Balance</u>	<u>Funds Received</u>	<u>Interest and Other</u>	<u>Disbursed</u>	<u>Ending Balance</u>
Track safety and maintenance	\$ 191,949	\$ 600,000	\$ 21,502	\$ (646,634)	\$ 166,817
Infotext upgrade	146,094		8,484	(5,042)	149,536
Miscellaneous project fund	598				598
LOU-1	118,881		6,972		125,853
LOU-2	981				981
LOU-3	87,161		4,947	(5,927)	86,181
LOU-4	(162,932)	500,000	3,309	(306,905)	33,472
LOU-5	3,461	20,000	17,300	(32,664)	8,097
1 Million SWF allocation	400,138		(400,138)		
Facility improvements	1,423,976		480,824	(680,066)	1,224,734
Backstretch improvements	1,236,337	1,000,000	65,148	(1,370,601)	930,884
Total F&E	\$ 3,446,644	\$ 2,120,000	\$ 208,348	\$ 3,047,839	\$ 2,727,153

The following table summarizes the transactions for the year ended December 31, 2006:

<u>F&amp;E Funds</u>	<u>Beginning Balance</u>	<u>Funds Received</u>	<u>Interest and Other</u>	<u>Disbursed</u>	<u>Ending Balance</u>
Track safety and maintenance	\$ 75,147	\$ 600,000	\$ 49,305	\$ (532,503)	\$ 191,949
Infotext upgrade	180,043		6,689	(40,638)	146,094
Miscellaneous project fund	598				598
LOU-1	119,968		14,983	(16,070)	118,881
LOU-2	981				981
LOU-3	90,358		3,955	(7,152)	87,161
LOU-4	(428,275)	500,000		(234,657)	(162,932)
LOU-5	4,006		53	(598)	3,461
1 Million SWF allocation	608,445		19,963	(228,270)	400,138
Facility improvements	1,332,149	500,000	55,888	(464,061)	1,423,976
Backstretch improvements	1,034,498	900,000	54,784	(752,945)	1,236,337
Total F&E	\$ 3,228,672	\$ 2,870,000	\$ 201,853	\$ (3,282,607)	\$ 3,017,918

# CALIFORNIA AUTHORITY OF RACING FAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

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### 9. INVESTMENT INCOME

The Authority allocates investment income to the F&E funds based on the letters of understanding for these funds. The detail of the investment income is as follows for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Construction project funds interest	\$ 181,718	\$ 156,289
Other interest	<u>92,352</u>	<u>48,441</u>
Total	<u>\$ 274,070</u>	<u>\$ 204,730</u>

### 10. OPERATING LEASE

The Authority occupies office premises under an operating lease agreement with California Fair Service Authority (CFSA), which expires August 14, 2010. CFSA is a joint powers authority established on behalf of the California Fairs and Exposition, various district agricultural associations, and county and citrus fairs throughout California. During the years ended December 31, 2007 and 2006, the Authority incurred \$36,763 and \$35,770 , respectively, in rent to CFSA.

Minimum future rental payments required under all operating leases, which include office and equipment, for each of the next four years is as follows at December 31, 2007:

<u>Year ending December 31,</u>	
2008	\$ 38,419
2009	38,916
2010	<u>24,840</u>
Total	<u>\$ 102,175</u>

# CALIFORNIA AUTHORITY OF RACING FAIRS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

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### 11. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2007, the Authority used the State Compensation Insurance Fund (SCIF) for Workers' Compensation; Everest Indemnity Insurance Company for General Liability, Public Officials' Errors & Omissions, and Employment Practices Liability; Lexington Insurance Company for property; and National Union Fire Insurance Company for Government Crime bond. Coverage is as follows:

1. Workers' Compensation to statutory limits.
2. Property  
Deductible \$1,000  
Coverage – All risks at repair or replacement value
3. Liability  
Deductibles: \$10,000 for employment practices liability  
\$1,000 for all other coverages  
Coverages and limits: General liability \$3,000,000, Automobile liability \$3,000,000, Public officials' errors and omissions \$3,000,000, Employment Practices liability \$2,000,000
4. Crime  
Deductible \$2,500  
Coverages and limits: Public Employee Theft, Including Faithful Performance of Duty, \$1,000,000, Forgery or Alteration including Credit, Debit or Charge Card Forgery \$1,000,000, Theft, Disappearance and Destruction \$1,000,000, Robbery and Safe Burglary \$1,000,000, Computer Fraud including Funds Transfer Coverage \$1,000,000, Money Orders & Counterfeit Paper Currency \$1,000,000.

## **ADDITIONAL INFORMATION**



# CALIFORNIA AUTHORITY OF RACING FAIRS

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2007

	Agency	Programs	Live Racing	Construction Projects	Equipment Replacement	Total
<b>OPERATING REVENUES:</b>						
Member dues	\$ 257,268					\$ 257,268
Administration fees	313,610					313,610
Racing program reimbursements		\$ 463,076				463,076
Live racing reimbursements			\$ 1,153,876			1,153,876
Equipment replacement				\$ 2,596,340	\$ 469,836	469,836
Construction projects						2,596,340
Marketing reimbursements	332,525					332,525
Miscellaneous income	13,563					13,563
Total operating revenue	<u>916,966</u>	<u>463,076</u>	<u>1,153,876</u>	<u>2,596,340</u>	<u>469,836</u>	<u>5,600,094</u>
<b>OPERATING EXPENSES:</b>						
Construction projects				2,624,160		2,624,160
Equipment replacement					469,836	469,836
Racing programs		411,359				411,359
Live racing			618,407			618,407
Marketing expense	332,525					332,525
Salaries and benefits	265,684		197,209	69,512		532,405
Accounting and legal	27,720		81,045	8,850		117,615
Travel and meetings	34,516	961	60,555	85		96,117
Other operating	207,019		196,662	59,107		462,788
Total operating expenses	<u>867,464</u>	<u>412,320</u>	<u>1,153,878</u>	<u>2,761,714</u>	<u>469,836</u>	<u>5,665,212</u>
Operating loss	49,502	50,756	(2)	(165,374)		(65,118)
<b>NON-OPERATING INCOME:</b>						
Investment income	92,352			181,718		274,070
Increase in net assets	<u>\$ 141,854</u>	<u>\$ 50,756</u>	<u>\$ (2)</u>	<u>\$ 16,344</u>	<u>\$ 0</u>	<u>\$ 208,952</u>

**CALIFORNIA AUTHORITY OF RACING FAIRS**

**ADW RACING ACTIVITY**

**YEAR ENDED DECEMBER 31, 2007**

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ADW distributions payable at December 31, 2006	<u>\$ 19,849</u>
Receipts:	
Net market access fees	3,015,362
Host Fees	172,995
Worker's comp	<u>10,050</u>
Total receipts	<u>3,198,407</u>
Disbursements:	
License fees	13,840
Host commissions/horsemen	2,487,387
Breeders	120,075
Worker's Comp to Horsemen	48,074
Equine	25,139
Backstretch	37,708
Location Fees	443,216
AB480	<u>13,853</u>
Total disbursements	<u>3,189,292</u>
ADW distributions payable at December 31, 2007	<u>\$ 28,964</u>

**CALIFORNIA AUTHORITY OF RACING FAIRS**

Board of Directors

Wednesday, September 3, 2008

**Minutes**

A meeting of the California Authority of Racing Fairs Board of Directors was held at 11:00 A.M., Wednesday, September 3, 2008. The meeting was conducted at the San Joaquin Fairgrounds, Building #3, located at 1658 S. Airport Way, Stockton, California, 95206.

Board of Director Members attending: John Alkire, Kelly Baldwin, Joe Barkett, Stuart Titus and Forrest White. Joining by conference call: Dan Jacobs.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Louie Brown, Tawny Tesconi, Mike Treacy, Steven Chambers, Richard Lewis, David Elliott, Norbert Bartosik and Sarah Cummings. Joining by conference call: Chris Carpenter, Ken Alstott, Scott Grieve and Olivia Perez.

**Agenda Item 1 – Determination of Date, Time and Location of Next Meeting.** The next CARF Board & Live Racing Committee meeting is tentatively scheduled for 11:30 a.m. on Thursday, October 9, 2008 at the Big Fresno Fair.

**Agenda Item 2 – Approval of Minutes from June 3, 2008.** Mr. White moved to approve the meeting minutes as presented. Mr. Jacobs seconded, unanimously approved.

**Agenda Item 3 – Discussion and Action, if any, on a Combined Fair Meeting in 2009 and Racing Calendar for 2009 and Beyond.** Mr. Barkett reminded the group that at the June 3, 2008 meeting, Fairs voted to poll their respective Boards regarding the 2009 combined Fair race meet concept.

Fairs officially supporting the concept of a combined Fair race meet in 2009 include Vallejo, Stockton, Fresno, San Mateo and Pleasanton. Santa Rosa and Ferndale will not take action until additional details are provided. Sacramento was not involved in the initial discussion and needs to query their Board.

Mr. Alkire moved to direct Staff to move forward with potentially implementing a 2009 combined Fair race meet and providing the details required for Santa Rosa and Ferndale to develop a position. Mr. White seconded, unanimously approved.

[Race dates will be addressed as part of the Live Racing Committee Meeting.]

**Agenda Item 4 – Discussion and Action, if any, on Implementation of AB 765.** Mr. Korby revisited AB 765 (Evans) which allows Fairs to direct an additional 1% takeout, with approval from the CHRB, to a fund maintained by the Department of Food & Agriculture with an oversight committee to direct spending exclusively for the purpose of improving racing facilities at Fairgrounds. The takeout would be generated from racing conducted at Fairgrounds,

either by a Fair or an entity leasing a Fairgrounds. The Fairs were successful in passing the legislation, but the implementation of the additional takeout was not approved by the CHRB.

The CHRB was reluctant to approve to activate the bill due to a desire for more information on how the money will be spent and the development of a larger movement by the racing industry to support a year-round, statewide increase in handle allowing for more and greater improvements at Fairgrounds.

CARF agreed to no longer seek approval on AB 765 and work with the industry to develop larger, comprehensive year-round statewide legislation. A consensus was reached by the industry and language was fleshed out, but it was too late in the session to pass the bill.

Since the industry-wide bill, authored by Gloria Negrete-McLeod, was unsuccessful, Mr. Korby feels the group should once again discuss seeking CHRB approval of AB 765.

Mr. Brown added that legislative staff worked hard on the Negrete-McLeod bill, including engaging bond council to ensure the language was absolutely correct. Unfortunately, only 2 weeks were left in session when the language was finalized. Mr. Brown feels the outlook for action in early 2009 is favorable. Ironically, the Negrete-McLeod bill brought back discussion concerning why AB 765 was not implemented. The CHRB Executive Director has suggested the Fairs should reapply for approval from the CHRB Board, whom he feels would be more favorable to the request.

Mr. Brown feels the Fairs should implement the tactic of working with F&E and CDFA to give the CHRB a better idea of what the oversight committee might look like, including a potential seat for a CHRB member. The Fairs could lose another year to 18 months of funding if action is not taken.

Mr. Barkett questioned whether reactivating AB 765 would impact the larger industry bill.

**Agenda Item 5 – Discussion and Action, if any, on Equipment Replacement Fund.** Mr. Korby initiated discussions by giving a brief explanation of the intent of the Equipment Replacement Fund (ERF), which exists to place monies on account with CARF as a last reserve for a final cycle of equipment when/if no other funding is available to keep satellite wagering facilities at an operational level. Mr. White and Mr. Jacobs, as an informal committee, have reviewed the balances and discussed equitable options for maintaining the fund.

Mr. White presented a spreadsheet, made available in the meeting packet, that details facility inventory for member Fairs (as of 12/31/07), money deposited on account by each Fair and the actual percentage of facility inventory covered by the funds on deposit. The main purpose of the spreadsheet is to illustrate the funds each Fair would need to have on account to meet 25, 33, 50 and 66 percent of current inventory.

Mr. White explained that the spreadsheet shows a range of monies on deposit by each Fair as a percentage of inventory. The highest Fair in the range has 78 percent of inventory covered while the lowest Fair has 15 percent of total inventory on deposit. The variance

## II.

occurred when the fund was established as a "self-imposed tax" to create a self-perpetuating fund for electronic equipment replacement. Not all Fairs were able to make the payments, which created a wide range of monies on account. Mr. White and Mr. Jacobs recommended the group set a threshold percentage on money set in reserve and return funds to Fairs over the threshold while encouraging Fairs below the threshold to make payments to meet the established requirement.

Mr. White recommended that the group set a 33 percent threshold based on the belief that 33 percent only affects five facilities that would need to increase their contribution and the amount might encourage Del Mar and CalExpo to participate at the lower and equal value. Mr. White added the caveat that money would not be returned to a Fair that owes CARF for past debts.

Mr. Barkett asked Mr. Korby if the figures provided in the spreadsheet were endorsed by CARF staff. Mr. Korby stated that Mr. White had circulated the spreadsheet and staff had not reviewed the figures carefully, but inventory figures were taken from prior inventory reports provided by staff.

Mr. Korby voiced his concerns in arbitrarily setting a 33 percent threshold at this meeting. Mr. Korby felt that in principle, setting a low threshold moves away from a reserve that protects satellite wagering facilities from a rainy day when outside funds may no longer be available. Mr. Korby stated that he approves of setting equitable criteria, but the topic should be part of a larger discussion on how to manage the ERF with participation from F&E.

Mr. White announced that if an equitable threshold could not be established at this meeting, he would withdraw all San Joaquin Fair monies on deposit, payable within 10 days and will redeposit the funds, assuming they are available, when the group is able to vote on a new policy and procedures. For the San Joaquin Fair the decision is a cash-flow problem.

Mr. Alstott stated that the profit margin on the Victorville satellite has declined steadily and if the current trends hold, in approximately 18 months the space would be better served for hosting interim events. In addition, it would be very difficult for Victorville to add monies to the Equipment Replacement Fund to meet a 33% threshold. Mr. Grieve added that he was concerned the Santa Barbara satellite would be able to break even this year.

Mr. Barkett questioned whether the current satellite model is still working and if the Equipment Replacement Fund is still relevant. Mr. Korby said that it is the racing industry's desire to grow the satellite wagering facility business with a new model that would rely heavily on ADW as the wagering mechanism. In addition, consultants have recommended that a 3-4% commission is the minimum percentage required for profitability.

Mr. Barkett expressed concern that Stockton's action will cause a ripple effect in which other Fairs will pull their money. Stockton has a short-term problem and this group will not be able to provide a solution in 30 minutes.

Mr. Jacobs asked is it would be acceptable to Stockton to take a \$200,000 interest free loan against their deposit and the CARF Board will revisit the Equipment Replacement Fund

policy and threshold in 3-6 months. Mr. White stated that until there is a resolution in threshold requirements, his Fair has a specific need for the money.

Mr. Barkett entertained a motion based on Stockton's request, and prior precedent, to direct staff to release monies placed on deposit by the San Joaquin Fair into the Equipment Replacement Fund. Mr. Jacobs seconded, unanimously approved.

**Agenda Item 6 – Report, Discussion and Action, if any, on the Satellite Wagering Facility at the San Mateo County Event Center.** Mr. Korby reported that the San Mateo Satellite Wagering Facility opened for business in its temporary facility, Cyprus Hall, on Aug. 20, 2008. Oak Hall will ultimately be the fully renovated and operational facility. Early delays in the renovation caused a redirection of efforts to making the overflow facility viable so that the main facility could continue its renovation to be fully operational by Breeders' Cup on Oct. 25, 2008.

The temporary facility, which opened on Aug. 20, 2008, was tested at its maximum capacity on Pacific Classic Day. The space and accommodations were sufficient for the attendance of 1,200 patrons. Handle has not been down the 30 percent initially projected, which speaks well for the future opening of the completely renovated facility.

Mr. Carpenter thanked Mr. Korby for his time and coordination in ensuring the temporary facility was up and operational for its opening.

Mr. Korby asked the Board to allow another allocation of up to \$100,000 from the capital improvement monies set aside for funding assistance to the Pleasanton racing facility and the San Mateo satellite for a modest budget overrun on San Mateo electronic equipment and furniture.

Mr. White moved to allow the allocation of an additional \$100,000 to San Mateo from monies that were previously identified as going to Pleasanton for capital improvements to the racing facility. Mr. Titus seconded, unanimously approved.

**Agenda Item 7 – Executive Director's Report.** Mr. Korby reported that L.A. County Fair will be hosting a forum of industry principles in conjunction with the Sept. 18, 2008 CHRB meeting in Pomona, which should include discussion regarding the general improvement of racing facilities at Fairgrounds.

Mr. Korby included in the meeting packet an e-mail from CHRB Chairman Shapiro requesting a small planning group to talk about the future of racing in California and an e-mail from Jack Liebau outlining some of his viewpoints and concerns. The initial meeting was marred by disagreements from some of the tracks and trainer's groups regarding racing surfaces.

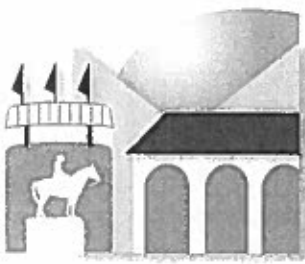
Ms. Baldwin asked if CARF has presentation plans for the WFA Fall Managers Conference. Mr. Korby reported that CARF had spoken to WFA and that he was working with Steve Chambers and F&E on racing orientation for upcoming conferences.

Mr. Korby made the group aware that Golden Gate Fields is planning a racing dates conference for stakeholders on Friday, Sept. 12, 2008 at 10:30 a.m.

**II.**

Respectfully submitted,

Heather Haviland



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December 3, 2008

Board of Directors  
California Association of Racing Fairs  
1776 Tribute Road, Suite 150  
Sacramento, CA 95815

Board of Directors:

Over the past five years (with the exception of 2007) the Satellite Wagering Facility of the 19<sup>th</sup> District Agricultural Association has experienced a steady decrease in total revenues generated along with overall admissions declining in each of the last five years. Despite efforts to control expenses, costs have drifted upward over this same period. The net effect of these opposing trends is that the District's Satellite Wagering Operation faces the real possibility of finishing 2008 with a breakeven result or worse yet a negative result.

I would submit that the business model upon which the small sized Satellite Wagering Facilities were based no longer takes advantage of the current market conditions. While the 19<sup>th</sup> District is committed to the long term support of the horse racing industry that funds the Division of Fairs and Expositions, it cannot subsidize the long term operation of an unprofitable Satellite Wagering operation.

The Board of Directors of the 19<sup>th</sup> DAA has been monitoring this situation for the past three years and is now to the point of questioning the continued viability of the facility as a business entity. The management of the District has been in constant contact with CARF management and the Division of Fairs and Expositions to make them aware of this deteriorating situation. The Board feels that it must take the action necessary to quickly adapt the business model to meet the particular needs of its small Satellite Wagering Facility.

To this end the Board recommends that starting the week of January 12, 2008 its Satellite Wagering Facility will be open only four days per week (Thursday through Sunday) and will eliminate night horse racing. This will mean that the facility will be closed on all Mondays, Tuesdays, and Wednesdays regardless of meets held on those days or holidays that may fall on those days. Under this proposal night racing would only be held on nights when thoroughbred racing is shown since these nights are generally profitable.



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December 3, 2008

This proposal will require the facility only to be open at times that are profitable for the District and closed during days and nights that are unprofitable. The Board feels that these proposed measures will help to further control expenses, ensure a limited measure of profitability and prevent the only feasible alternative – the permanent closure of the facility.

The 19<sup>th</sup> District Board will vote on approval of this proposed course of action at its next regularly scheduled meeting on December 18, 2008. Upon approval of this proposal, I will notify the CHRB, SCOTWINK, Los Alamitos and the pertinent Sacramento racing entity of the 19<sup>th</sup> DAA's intentions.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Grieve". The signature is fluid and cursive, with the first name "Scott" written in a larger, more prominent script than the last name "Grieve".

Scott Grieve, CEO  
19<sup>th</sup> District Agricultural Association

Cc Mike Treacy  
Chris Korby



## Plan calls for Stronach Group to control Magna

by **Frank Angst**

Financially troubled Magna Entertainment Corp. has proposed a reorganization plan that will place the racetrack owner under direct control of the Stronach Group.

Currently, MI Developments Inc. is the controlling shareholder in Magna Entertainment. Magna founder and chairman Frank Stronach and his associates make up the Stronach Group.

While Stronach also is the founder and chairman of MI Developments, shareholders in that commercial real estate company have called for changes in its dealings with Magna Entertainment.

Magna reported a third quarter net loss of \$48,359,000, bringing its total 2008 losses to \$116,073,000 and its six-year losses well past \$500-million.

In a November 7 conference call with stockholders and analysts, MI Developments said it was considering options including recapitalization, restructuring, joint ventures, and sales of Magna Entertainment assets.

Citing the poor economy, Magna Entertainment has not carried out its debt reduction plan that includes the sale of Remington Park, Thistledown, and Portland Meadows. It currently is considering the sale or joint ventures in core properties such as Santa Anita Park and Gulfstream Park.

As part of the reorganization plan announcement, Magna said the maturity date of its \$40-million senior secured revolving credit facility with a Canadian bank and its \$100-million bridge loan from MI Developments used in the reconstruction of Gulfstream Park will be extended to March.

The restructuring also includes MI Developments issuing two loans to Magna Entertainment: one for \$50-million that will be used to fund Magna Entertainment's daily operations and one for \$75-million that will be used to fund Magna's license application for slot machines in Maryland and, if Laurel Park is approved, for the construction of a temporary slots facility.

"We are thrilled with this announcement," said Maryland Jockey Club President Tom Chuckas. "The full financial commitment from MI Developments will allow the Maryland Jockey Club to have the resources to pursue the [video lottery terminal] application and the strength to make Laurel Park the best possible facility for alternative gaming."

As of March 10, MI Developments owned—directly or indirectly—4,362,328 shares of Magna's Class A Subordinate Voting Stock and 58,466,056 shares of Class B Stock, convertible into shares of Class A Subordinate Voting Stock on a one-for-one basis. At that time, the average number of Class A and Class B shares was about 107-million.

If the reorganization is completed, there will be a public float of Magna Entertainment shares. MI Developments cannot invest additional funds in Magna, or enter into new transactions with Magna, without the approval of the minority MI Developments Class A shareholders. That agreement would not allow Stronach, who controls MI Developments through his Class B stock, to reinvest in Magna without approval from Class A stockholders.

Magna acknowledged certain transactions in the plan are subject to approval of MI Developments shareholders and the Ontario Superior Court of Justice. MI Developments shareholders will consider the plan at a meeting in the first quarter of 2009.

The transaction agreement anticipates, among other things, a multi-step series of proposed transactions designed to recapitalize and reposition Magna to enable it to pursue its strategy of horse racing, gaming, and entertainment on a standalone basis.

*Frank Angst is a senior staff writer of Thoroughbred Times*



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Oct 20, 2008

## Letters Critical of MEC's Economic State

by Jim Freer

Date Posted: 10/20/2008 4:24:42 PM

Last Updated: 10/22/2008 9:46:49 AM

San Francisco-based institutional investor Farallon Capital Management and technology entrepreneur Halsey Minor are separately asking MI Developments, Inc., for a major financial shake-up of the racing conglomerate Magna Entertainment Corp. MID is the controlling shareholder of the debt-laden racetrack owner.

In a letter to MID dated Oct. 17, Farallon Capital Management said it believes MID should "end its support" of MEC, which it termed "a sinkhole." Farallon, which owns 8.5% of the Class A shares of MID, included the letter to MID's board of directors in a filing that day with the Securities and Exchange Commission. MID and MEC are both based in Aurora, Ont. MEC owns Santa Anita Park, the site of this weekend's Breeders' Cup World Championships, Gulfstream Park, and seven other U.S. Thoroughbred tracks.

Frank Stronach, the founder of MEC, is chairman of MID and MEC.

Farallon's letter said its options include "all legal tools available" as a shareholder. It said it believes there is "no justification" for MID's Oct. 15 announcement of expanding a bridge loan to MEC from \$110 million to \$125 million and extending the loan's maturity date from Oct. 31, 2008, to Dec. 1, 2008.

Also on Oct. 15, MEC announced that Bank of Montreal has extended the due date of a \$40 million senior secured revolving credit facility from Oct. 15, 2008, to Nov. 17, 2008. The loan is secured partly by certain assets of MEC and its tracks, including some at Santa Anita Park in Arcadia, Calif.

Minor, in a separate Oct. 17 letter to MID's board, offered a more direct solution. He has offered to buy the bridge loan and other inter-company loans MID has made to MEC. In his letter, Minor noted that he had previously contacted MID's board about his interest in buying loans including the full amount due under the bridge loan. He told *The Blood-Horse* that MID had not responded to his inquiries, including a request for his advisors to perform due diligence on the loans.

"It (MEC) has been a cash incinerator for MID," Minor said. "I would expect they would be thrilled to at least consider my inquiries."

Minor is the founder of CNET Networks. In 2004 *Fortune* magazine estimated his net worth at \$286 million from investments in CNET and other Internet and technology companies. He also owns several Thoroughbreds including the filly Dream Rush, who won four graded stakes as a 3-year-old in 2007. Dream Rush is pre-entered in the Sentient Flight Group Breeders' Cup Filly & Mare Sprint on Oct. 24.

Farallon officials declined to comment beyond the firm's letter and SEC filing. Officials of MID were not immediately available for comment on Oct. 20. In its letter to MID directors, Farallon said it feels that MEC is "near bankrupt," adding: "MEC has been, is, and will remain a financial sinkhole."

According to its most recent financial reports, MEC lost \$67.7 million during this year's first six months. Through June 30, MEC reported it had an accumulated deficit of \$577.8 million with a working capital deficiency of \$151.1 million, and a debt load of \$229.8 million due to mature this year.

Farallon said it "wishes to go on record" to what it considers a possible "ill-conceived transaction" of MID buying MEC. The investment firm said it is "suspect of any rationalization" that MID buying MEC and selling off assets would offer a more cost-effective route to value for MEC than a bankruptcy proceeding or another court-supervised process.

Farallon said it believes it is urgent for MID's board to end the company's support of MEC and work with management on developing "a coherent and fair reorganization plan" for MEC.

Farallon's letter concluded: "You must tell Mr. Stronach that his time for self-serving maneuvers is over. It is time for you to meet your fiduciary duties as directors. If you do not, Farallon will consider all legal tools available to it as a shareholder."

Minor on Oct. 19 told *The Blood-Horse* that he contacted Farallon's managing member, Richard Fried, on Oct. 17, after he learned of that firm's letter to MID. But Minor said he plans to keep his interest in buying MID loans separate from Farallon's dealings with that company.

Minor got the horse industry's attention earlier this year by offering to buy Hialeah Park in Hialeah, Fla., from its owner John Brunetti so he could completely renovate the historic track.

Late last month, Brunetti rejected Minor's first offer for Hialeah Park, which last held races in 2001. Neither would disclose the price Minor offered or the price Brunetti is requesting. But Brunetti said on Oct. 1 that Minor's offer was "in the same range" as the \$22 million purchase price when he bought the track in 1977.

"I would be ready to meet with John again if he can give me some economic substantiation for his asking price," Minor said.

"Maybe I'll bump into him," Minor said when asked if he expects to talk with Brunetti at the Breeders' Cup.

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## California Authority of Racing Fairs

## Live Racing Income Statement

	2006	2007	2008	2008	2008	2008	2009
	Year End	Year End	Year End	Annual	Budget	% Budget	Proposed
	Actual	Actual	Estimated	Budget	Variance		Budget
Fee	42,690	53,293	26,751	40,000	(13,249)	67%	30,000
	67,743	80,040	76,566	81,958	(5,392)	93%	87,527
	22,000	22,000	22,000	22,000	0	100%	22,000
	29,000	29,000	29,000	29,000	0	100%	29,000
	959,886	1,120,049	1,024,034	1,059,773	(35,739)	97%	1,167,029
	3,425	4,827	5,010	4,000	1,010	125%	4,000
	1,124,744	1,309,208	1,183,361	1,236,731	(53,370)	96%	1,339,556
Bank fee)	137,045	138,623	196,902	120,448	(76,454)	163%	229,015
	32,501	35,050	40,404	35,000	(5,404)	115%	44,376
	9,178	23,536	10,791	10,500	(291)	103%	13,500
	44,070	42,250	42,250	42,250	0	100%	42,250
	12,155	15,275	14,664	15,275	611	96%	16,088
	811	4,065	742	3,000	2,258	25%	4,500
	28,125	28,125	13,521	30,000	16,479	45%	15,000
	9,232	23,520	2,101	6,000	3,899	35%	6,000
	3,429	3,643	1,911	5,000	3,089	38%	5,000
	0	80,000	0	0	0	0%	0
	932	582	1,460	1,000	(460)	146%	1,500
	28,650	48,187	50,681	35,000	(15,681)	145%	40,000
	306,128	442,855	375,427	303,473	(71,954)	124%	417,229
	33,513	24,870	26,172	30,000	3,828	87%	30,000
	19,540	15,237	27,509	23,000	(4,509)	120%	27,000
73,176	74,441	90,715	78,000	(12,715)	116%	92,000	
50,341	56,200	56,045	72,000	15,955	78%	72,000	
2,095	3,432	2,386	20,000	17,614	12%	20,000	
2,748	4,817	2,878	5,000	2,122	58%	5,000	
8,860	5,160	8,550	10,000	1,450	85%	10,000	
169,347	196,134	172,209	205,000	32,791	84%	205,000	
60,889	56,097	55,188	60,000	4,812	92%	60,000	
13,257	16,385	18,970	15,000	(3,970)	126%	15,000	
151,025	137,700	137,700	175,000	37,300	79%	153,000	
17,968	15,316	15,432	9,500	(5,932)	162%	7,000	
16,724	21,741	18,497	16,800	(1,697)	110%	16,800	
29,472	26,010	21,851	30,000	8,149	73%	30,000	
3,350	4,660	3,900	5,000	1,100	78%	5,000	
33,879	52,822	24,616	35,000	10,384	70%	35,000	
	686,183	711,020	682,618	789,300	106,682	86%	782,800
	992,311	1,153,876	1,058,044	1,092,773	34,729	97%	1,200,029
	132,433	155,333	125,316	143,958	18,642	87%	139,528
uses)	0	0	0	0	0	0%	0

**California Authority of Racing Fairs  
Southern Region Income Statement  
2009 Budget & Estimated December 31, 2008**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2009</b>
	<b>Year End</b>	<b>Year End</b>	<b>Year End</b>	<b>Annual</b>	<b>Budget</b>	<b>% Budget</b>	<b>Proposed</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Budget</b>	<b>Variance</b>		<b>Budget</b>
<b>Program Revenue:</b>							
Program Sales	493,939	463,076	405,368	459,000	(53,632)	88%	405,000
Other Revenue	0	0	0	0	0	0%	0
Royalties/Fees Due Host	(440,394)	(411,359)	(366,635)	(417,000)	50,365	88%	(365,000)
<b>Total Revenue</b>	<b>53,545</b>	<b>51,718</b>	<b>38,733</b>	<b>42,000</b>	<b>(3,267)</b>	<b>92%</b>	<b>40,000</b>
<b>Expenses:</b>							
Legal Expenses	0	0	0	2,500	2,500	0%	1,000
Meetings Expense	0	539	98	1,000	902	10%	1,000
Misc Exp.(Storage)	0	0	0	1,000	1,000	0%	500
Postage & Shipping	0	0	0	100	100	0%	100
Telephone Expense	0	0	0	500	500	0%	100
Travel Expense	0	422	0	0	0	0%	0
<b>Total Expenses</b>	<b>0</b>	<b>961</b>	<b>98</b>	<b>5,100</b>	<b>5,002</b>	<b>2%</b>	<b>2,700</b>
<b>Operating Income (Loss)</b>	<b>53,545</b>	<b>50,757</b>	<b>38,636</b>	<b>36,900</b>	<b>(8,269)</b>	<b>105%</b>	<b>37,300</b>
<b>CARF Admin Fee</b>	<b>39,146</b>	<b>34,731</b>	<b>30,402</b>	<b>34,425</b>	<b>4,023</b>	<b>88%</b>	<b>30,375</b>
<b>Rebate</b>							
<b>Income (Loss)</b>	<b>14,398</b>	<b>16,026</b>	<b>8,234</b>	<b>2,475</b>	<b>(12,292)</b>	<b>333%</b>	<b>6,925</b>

**California Authority of Racing Fairs  
Project Management Income Statement  
2009 Budget & Estimated December 31, 2008**

	<b>2006 Year End Actual</b>	<b>2007 Year End Actual</b>	<b>2008 Year End Estimated</b>	<b>2008 Annual Budget</b>	<b>2008 Budget Variance</b>	<b>2008 % Budget</b>	<b>2009 Proposed Budget</b>
<b>Revenue:</b>							
CARF Admin Fee	126,419	158,277	150,678	195,000	(44,322)	77%	215,000
Project Management	76,214	79,648	68,005	78,522	(10,517)	87%	78,666
<b>Total Revenue</b>	<b>202,633</b>	<b>237,925</b>	<b>218,683</b>	<b>273,522</b>	<b>(54,839)</b>	<b>80%</b>	<b>293,666</b>
<b>Expenses:</b>							
Salaries Expense	56,190	58,942	49,684	54,172	4,488	92%	56,341
Employee Benefits	6,595	7,510	6,059	8,000	1,941	76%	8,000
Payroll Taxes	3,065	3,060	2,266	3,000	734	76%	2,500
Accounting Costs	6,780	6,500	6,500	6,500	(0)	100%	6,500
Audit Services	1,870	2,350	2,256	2,350	94	96%	2,475
Automobile Expense	0	0	0	1,000	1,000	0%	1,000
Contracted Services	0	0	0	1,000	1,000	0%	0
Legal Expenses	0	0	0	0	0	0%	0
Meetings Expense	0	0	0	0	0	0%	0
Telephone Expense	1,015	647	681	1,500	819	45%	1,000
Travel Expense	144	85	0	500	500	0%	250
Misc. Storage	555	555	558	500	(58)	112%	600
<b>Total Expenses</b>	<b>76,214</b>	<b>79,648</b>	<b>68,005</b>	<b>78,522</b>	<b>10,517</b>	<b>87%</b>	<b>78,666</b>
<b>CARF Admin Fee</b>	<b>126,419</b>	<b>158,277</b>	<b>150,678</b>	<b>195,000</b>	<b>44,322</b>	<b>77%</b>	<b>215,000</b>



**California Authority of Racing Fairs  
Agency Income Statement  
2009 Budget & Estimated December 31, 2008**

	<b>2006 Year End Actual</b>	<b>2007 Year End Actual</b>	<b>2008 Year End Estimated</b>	<b>2008 Annual Budget</b>	<b>2008 Budget Variance</b>	<b>2008 % Budget</b>	<b>2009 Proposed Budget</b>
<b>Revenue:</b>							
Other Revenue	9,233	13,560	964	500	464	193%	500
Interest Income	48,441	92,352	33,124	50,000	(16,876)	66%	40,000
Member Dues	261,477	257,268	282,520	257,276	25,244	110%	282,520
CARF South Programs Admin Fee	39,146	34,731	30,402	34,425	(4,023)	88%	30,375
CARF Projects Admin Fee	126,364	158,277	150,678	195,000	(44,322)	77%	215,000
CARF Live Racing Admin Fee	132,433	155,333	125,316	143,958	(18,642)	87%	139,528
CARF @ Leased Facility Revenue		0	0	0	0	0%	0
<b>Total Revenue</b>	<b>617,094</b>	<b>711,520</b>	<b>623,005</b>	<b>681,159</b>	<b>(58,154)</b>	<b>91%</b>	<b>707,923</b>
<b>Expenses:</b>							
Salaries	204,210	207,576	231,854	286,912	55,058	81%	298,428
Employee Benefits	21,363	16,639	27,537	30,000	2,463	92%	30,000
Post Retirement Benefits	27,118	31,122	31,660	35,000	3,340	90%	93,193
Payroll Taxes	11,471	9,960	12,333	13,500	1,167	91%	13,500
Accounting Costs	16,965	16,270	16,337	16,250	(87)	101%	16,250
Advertising Expense	800	0	0	0	0	0%	0
Audit Services	4,815	5,875	5,640	5,875	235	96%	6,188
Automobile Expense	0	3,788	3,236	3,000	(236)	108%	4,000
Contracted Services	1,198	2,214	620	3,000	2,380	21%	3,000
Depreciation	16,682	13,195	13,729	13,000	(729)	106%	13,500
Dues & Subscriptions	30,475	29,509	14,388	31,000	16,612	46%	15,000
Insurance Expense	37,763	38,824	40,542	38,151	(2,391)	106%	41,000
Legal Expenses	6,620	5,575	1,740	10,000	8,260	17%	10,000
Legislative Expenses	49,888	56,089	55,223	60,000	4,777	92%	60,000
Meetings Expense	6,861	3,420	3,754	6,000	2,246	63%	5,000
Misc. Bank Fees	29	404	201	1,000	799	20%	1,000
Office Supplies	17,074	15,953	18,230	15,000	(3,230)	122%	18,000
Postage & Shipping	3,570	4,168	4,256	4,000	(256)	106%	5,000
Rent (Tribute Road)	35,777	35,770	35,770	35,770	0	100%	35,770
Repairs & Maintenance	370	359	0	1,000	1,000	0%	1,000
Telephone Expense	10,660	10,921	7,620	11,000	3,380	69%	11,000
Training	0	0	0	2,500	2,500	0%	2,500
Travel Expense	24,886	27,308	25,809	27,500	1,691	94%	27,500
<b>Total Expenses</b>	<b>528,593</b>	<b>534,936</b>	<b>550,479</b>	<b>649,458</b>	<b>98,979</b>	<b>85%</b>	<b>710,828</b>
<b>Agency Income (Loss)</b>	<b>88,500</b>	<b>176,584</b>	<b>72,526</b>	<b>31,701</b>	<b>40,825</b>		<b>(2,905)</b>
<b>Southern Program Income (Loss)</b>	<b>14,398</b>	<b>16,026</b>	<b>8,234</b>	<b>2,475</b>	<b>(12,292)</b>		<b>6,925</b>
<b>Total Balance Sheet Net Income (Loss)</b>	<b>102,899</b>	<b>192,610</b>	<b>80,760</b>	<b>34,176</b>	<b>28,533</b>		<b>4,020</b>
<b>Restricted Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>
<b>CARF @ Leased Facility</b>							





**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**BALANCE SHEET**  
 Estimated Year End 12/31/2008

**ASSETS**

	<b>ESTIMATED</b>	<b>PRIOR YTD</b>
	<b>2008</b>	<b>2007</b>
<b>Current Assets</b>		
CASH - LAIF & INVESTMENTS	2,971,289	4,489,803
CASH - OPERATING	5,755	296,683
MARKETABLE SECURITIES	3,923,749	3,889,193
A/R - DUES	21,040	17,534
A/R - PRINTING	328,479	282,484
A/R - RACING FAIRS	430,054	427,608
A/R - F&E SUPPLEMENTAL PURSE/OTHER A/R	1,215,280	2,398,644
PREPAIDS/DEPOSITS	52,841	61,518
<b>Total Current Assets</b>	<b>8,948,487</b>	<b>11,863,468</b>
<b>Fixed Assets</b>		
AUTOMOBILE	12,628	19,517
FURNITURE & EQUIPMENT	3,739	1,800
COMPUTER HARDWARE/SOFTWARE	10,977	9,982
TRACK EQUIPMENT	147,010	147,010
<b>Total Fixed Assets (Net of Depr.)</b>	<b>174,354</b>	<b>178,309</b>
<b>TOTAL ASSETS</b>	<b>9,122,841</b>	<b>12,041,776</b>

**LIABILITIES & NET ASSETS**

<b>Current Liabilities</b>		
A/P & WITHHOLDINGS	229,893	2,098,972
A/P - PROGRAM ROYALTIES TO HOST	33,681	118,599
RACING DISTRIBUTIONS	163,334	555,585
PURSE FUNDS	1,560,313	1,595,703
TRACK SAFETY/MAINT.	361,929	166,818
INFOTEXT UPGRADE	152,803	149,536
MISC PROJECT FUNDS	0	598
LOU-1 - TIMING/TRACK SURFACE/AREA ENHANC	0	125,852
LOU-2 - SPECIAL EVENT CENTERS	0	981
LOU-3 - SATELLITE SURVEY/TURF STUDY	0	86,181
EQUIPMENT REPLACEMENT FUND	775,608	33,472
LOU-5 - SYMPOSIUM	8,348	8,098
FACILITY IMPROVEMENTS & UPGRADES	741,190	1,224,735
CAPITAL IMPROVEMENT FUND	246,892	930,884
<b>Total Current Liabilities</b>	<b>4,273,991</b>	<b>7,096,013</b>
<b>Non-Current Liabilities</b>		
CHRIMS FUNDS	86,152	83,924
CHANGE FUND	1,014,000	1,014,000
FAIRS - EQUIP REPLACEMENT FUNDS	2,052,492	2,232,393
<b>Total Non-Current Liabilities</b>	<b>3,152,644</b>	<b>3,330,316</b>
<b>TOTAL LIABILITIES</b>	<b>7,426,635</b>	<b>10,426,330</b>
<b>Net Assets</b>		
FUND EQUITY	1,542,687	1,350,077
F&E Net Assets	72,760	72,760
RETIREMENT CONTINGENCY	0	0
NET INCOME/LOSS	80,760	192,610
<b>Total Net Assets</b>	<b>1,696,207</b>	<b>1,615,447</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>9,122,841</b>	<b>12,041,776</b>

## Meeting Handouts