

Virginia Racing Commission



2005 Annual Report

Credits

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COMMONWEALTH of VIRGINIA

Virginia Racing Commission

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February 10, 2006

TO: THE HONORABLE TIMOTHY M. KAINE, GOVERNOR OF VIRGINIA,
AND THE MEMBERS OF THE GENERAL ASSEMBLY

Pursuant to the provisions of the Code of Virginia Title 59, Chapter 29, Section 59.1-369 relating to horse racing with pari-mutuel wagering, it is my privilege and pleasure to submit herewith the 2005 Annual Report of the Virginia Racing Commission.

The pari-mutuel horse racing industry in Virginia represents an important segment of the Commonwealth's economy not only from the operations of Colonial Downs and its satellite wagering facilities, but also through the agribusiness activity represented by the breeding, training and related support activities for race horses throughout the Commonwealth.

In 2005, with the addition of new satellite wagering facilities in Martinsville and Chesapeake, Colonial Downs had eight facilities open in south central and western Virginia. A ninth facility was opened in Scott County near the Bristol, TN boarder on January 18, 2006. Additional purse money being generated at the new facilities will provide more live racing days in future years at the New Kent race-track from both thoroughbred and standardbred (harness) owners and breeders.

Colonial Downs and Virginia continue to receive national attention with the introduction of the Jacobs Entertainment Grand Slam of Grass. In 2006, two legs of the four-race series will be run at Colonial Downs-the \$1,000,000 Colonial Cup and the \$1,000,000 Virginia Derby. The goal is to grow the races to a level that ranks the two events among the top five sports events held in Virginia each year

The Racing Commission remains committed to insuring the integrity of racing for its participants and patrons and appreciates the support it has received from the Administration and the General Assembly.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Stanley K. Bowker".

Stanley K. Bowker
Executive Secretary

Virginia Racing Commission



Chairman
Anne D. W. Poulson
Orange



Mark T. Brown
Palmyra



David C. Reynolds
Richmond



Peter C. Burnett
Leesburg



Dr. George W. Rimler
Richmond

Staff

Stanley K. Bowker—Executive Secretary
David S. Lermond, Jr.—Director of Pari-mutuels
Marvin A. Sniegon—Director of Financial Management & Planning
Joseph M. Roney—Director of Operations & Enforcement
Kimberly M. Carter—Office Administrator
Dennis E. West—Operations Manager
Peggy E. Mason—Assistant Operations & Enforcement Manager

Virginia Racing Commission

2005 Annual Report

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ACTIVITIES OF THE COMMISSION

Title 59, Chapter 29, known as The Racing Act,” became effective on January 1, 1989. It vested the Virginia Racing Commission with control of all horse racing with pari-mutuel wagering that is conducted in the Commonwealth. The Act was contingent on approval by Virginia voters at the 1988 General Election.

Horse racing with pari-mutuel wagering is permitted in the Commonwealth for “the promotion, sustenance and growth of a native industry, in a manner consistent with the health, safety and welfare of the people.”

The Racing Commission is a regulatory board vested with plenary power to prescribe regulations and conditions under which racing and wagering shall be conducted, so as to maintain horse racing in the Commonwealth of the highest quality and free of any corrupt, incompetent, dishonest or unprincipled practices and to maintain in such racing complete honesty and integrity.

The 2004 General Assembly amended The Racing Act to permit up to 10 satellite wagering facilities in the Commonwealth, an increase of four. In November 2004, Colonial Downs and the horse racing industry joined forces on five referenda that are required before a facility can be built in a community. Three of the referenda passed—in Westmoreland, Henry and Scott counties. Referenda in Manassas Park and Greene County did not pass.

During 2005, two new satellite wagering facilities were opened in Virginia. In Henry County, the state’s seventh facility was opened in Martinsville on August 15, 2005. A second facility was opened in Chesapeake on October 12, 2005 in the Indian River Road Shopping Center. The state’s ninth facility opened on January 18, 2006 in Scott County near the Virginia boarder with Bristol, TN.

In 2003, a new statute was enacted requiring the Commission to license and regulate advance deposit account wagering companies that have been operating in Virginia. As of December 31, 2005, three account wagering licenses had been granted. The first license went to Colonial Downs’ PhoneBet. TVG began operating in April 2005 and XpressBet was added in May 2005. Two additional license applications are on file with the Commission and approvals are still pending.

In 2005, a total of \$12,691,398 in wagers was processed through the three account wagering companies. XpressBet handled the most, \$4,670,810, followed by TVG at \$4,080,824 and Colonial Downs/Phone Bet at \$3,939,674.

In 2005, the General Assembly provided additional funding to the Commission to be used as grants to support programs for the promotion, sustenance and growth of horse racing and breeding in the Commonwealth. Approximately \$180,000 has been carried over for use in 2006.

Total Pari-Mutuel Handle

Year	Total Handle	Total Attendance	Racing Days*	Daily Average Attendance	Per-Capita Wagering
1996	\$ 36,952,607	178,570	338	528	\$206.94
1997	95,094,161	578,831	840	689	164.29
1998	120,717,190	446,859	1,381	324	251.65
1999	121,324,249	544,744	1,351	305	222.72
2000	121,754,800	490,868	1,540	319	248.04
2001	123,879,396	511,856	1,445	354	242.02
2002	124,064,569	523,216	1,441	363	237.12
2003	130,382,875	552,632	1,534	360	235.93
2004	145,394,480	613,084	1,976	310	237.15
2005	151,758,202	665,555	2,490	267	228.02
Total	\$1,171,322,529	5,106,215	14,336	356	\$ 229.39

*Includes live racing days and days of operation at satellite wagering facilities

Total Account Wagering Handle

	<u>2004</u>	<u>2005</u>	<u>Total</u>
Colonial Downs/PhoneBet	\$1,287,541	\$3,939,764	\$5,227,305
TVG		\$4,080,824	\$4,080,824
XpressBet		\$4,670,810	\$4,670,810
Total	\$1,287,541	\$12,691,398	\$13,978,939

ABOUT COLONIAL DOWNS

It has been more than nine (9) years since the owners of Colonial Downs brought pari-mutuel horse racing to Virginia. Satellite wagering facilities were opened in Chesapeake and Richmond in 1996.

But it wasn't until September 1, 1997 that Colonial Downs staged its first live meet—30 days of thoroughbred racing. Harness racing joined the schedule in 1998 and since that time both breeds have run annual meets at the New Kent facility.

As stated in § 59.1-364 of the Code of Virginia, horse racing with pari-mutuel wagering is permitted in the Commonwealth for the promotion, sustenance and growth of a native industry. As a result, the stakeholders in Virginia have worked extremely well together to build the horse breeding and racing industries. Quality racing has always been the goal, striving to build on the established horse industry in the Commonwealth.

Now owned by Jeffrey and Richard Jacobs' Jacobs Entertainment, Colonial Downs has developed a reputation as the thoroughbred turf racing capital of the nation. Typically more than 80% of the thoroughbred races run at Colonial Downs are on the 180-foot wide Secretariat Turf Course named after Virginia's famous Triple Crown winner.

In 2005 Jacobs Entertainment established the Grand Slam of Grass, a series of four turf races run at three different racetracks. Two of the races are run at Colonial Downs—the Colonial Cup that carried a purse of \$500,000 in 2005, and the Virginia Derby at \$750,000. The third race is the Secretariat Stakes, run at Arlington Park, and the \$2,000,000 John Deere Breeders Cup Turf.

Jacobs Entertainment has announced that in 2006, the Colonial Cup and Virginia Derby will carry purses of \$1,000,000 each. A panel of experts reviews all stakes races run in the United States and has awarded the Virginia Derby Grade 2 status for 2006.

In 2005, a Virginia record one-day pari-mutuel handle of \$3,775,461 was established on Virginia Derby Day. The previous mark of \$3,084,466 was set in 2004, indicative of the growth in popularity of Virginia Derby Day.

The standardbred (harness) industry has also tried to bring quality racing to the Commonwealth. Virginia was the host of the 1998 Breeders Crown races, harness racing's championship event. It was televised on ESPN.

Annually, the harness meet features a one-turn mile for most of its races. As a result a number of record times have been established in Virginia. The highlight of the harness meet is a day filled with races to showcase Virginia bred or owned horses.

ABOUT COLONIAL DOWNS

For the horse racing industry in Virginia, 2005 once again was a very good year. Among the highlights are:

- The state-wide pari-mutuel handle set a record of \$151,758,202, an increase of 4.6%;
- A total of 665,555 attended the races at the track and satellite wagering facilities;
- Two new satellite wagering facilities were opened—in Martinsville, Chesapeake and a third new facility opened in Scott County in January 2006;
- Two additional licenses, for XpressBet and TVG, to operate advance deposit account wagering in Virginia under the jurisdiction of the Commission were granted.

As a result of the efforts in 2004 and 2005, horse racing in Virginia is able to expand live racing days in 2006 to 42 for thoroughbreds and 36 for standardbreds. Additional live racing days are vital to the growth of the horse racing and breeding industry in the state.

Live Thoroughbred Racing

	Daily Average On-Track Handle	Total Handle	Daily Average Total Handle	Daily Average Attendance	On-Track Per Capita
1997	\$ 183,594	\$28,182,006	\$ 939,400	3,620	65.71
1998	141,154	21,293,467	881,473	2,263	75.03
1999	107,881	23,420,243	975,854	1,628	87.50
2000	90,589	27,923,752	872,617	1,247	109.81
2001	117,818	27,579,707	1,103,188	1,940	85.48
2002	140,067	31,039,485	1,193,826	2,202	86.95
2003	140,305	36,090,262	1,203,009	2,193	86.30
2004	138,236	36,205,494	1,064,867	2,155	91.68
2005	124,122	44,710,190	1,117,755	2,028	85.17

Live Harness Racing

	Daily Average On-Track Handle	Total Handle	Daily Average Total Handle	Daily Average Attendance	On-Track Per Capita
1998	\$ 56,661	\$7,260,770	\$ 172,875	1,379	56.21
1999	41,319	5,795,265	193,175	909	62.31
2000	19,270	5,903,010	147,575	258	148.76
2001	30,912	2,459,010	163,934	486	105.54
2002	30,860	3,716,853	154,869	478	117.01
2003	34,585	4,148,072	148,145	580	101.50
2004	40,361	5,815,294	181,728	645	92.65
2005	26,859	6,217,238	172,701	620	85.68

RICHMOND SATELLITE WAGERING FACILITY



**4700 West Broad Street
Richmond, VA. 23230
20,000 Sq. Ft.**

The Richmond Satellite Wagering Facility is centrally located on Broad Street, which is one of the main thoroughfares in Richmond. The facility can accommodate up to 500 patrons with smoking and non-smoking preferences, one central main bar area, and teller lines for up to 23 tellers. The facility also has a VIP room with a full bar and tellers for patrons who prefer more privacy. The facility has parking capacity for 350 vehicles.

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
1996	21	17,403	829	\$ 3,391,418	\$ 161,496
1997	363	206,530	569	51,556,304	142,028
1998	363	178,841	493	50,183,501	138,247
1999	361	173,378	480	51,347,173	142,236
2000	361	162,921	451	49,096,147	136,000
2001	362	164,372	454	50,475,896	139,436
2002	360	159,222	442	49,986,746	138,852
2003	357	156,339	430	47,927,303	134,250
2004	362	123,682	342	40,821,803	112,767
2005	363	118,343	326	38,066,496	104,866
Total	3,273	1,461,031	446	\$ 432,852,787	\$ 132,250

CHESAPEAKE SATELLITE WAGERING FACILITY



**3376 South Military Highway
Chesapeake, VA 23323
15,000 Sq. Ft.**

The first Chesapeake Satellite Wagering Facility is centrally located on South Military Highway, which is 20 miles from Virginia Beach. The facility can accommodate up to 650 patrons with smoking and non-smoking preferences, one central main bar area, and teller lines for up to 22 tellers. The facility has parking capacity for 300 vehicles.

Statistics

Year	# of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
1996	317	161,167	508	\$ 33,561,189	\$ 105,871
1997	363	148,373	409	35,138,043	96,799
1998	363	114,682	316	28,929,078	79,694
1999	360	106,782	297	30,154,358	83,762
2000	362	100,405	277	29,663,510	81,943
2001	362	103,778	287	30,031,322	82,959
2002	361	100,937	280	30,816,019	85,363
2003	359	102,054	284	32,839,851	91,476
2004	363	98,618	272	32,771,667	90,280
2005	366	83,032	229	27,557,180	75,915
Total	3,576	1,119,828	313	\$311,462,217	\$87,098

HAMPTON SATELLITE WAGERING FACILITY



**1909 Commerce Drive
Hampton, VA 23666
13,500 Sq. Ft.**

The Hampton Satellite Wagering Facility is centrally located on Commerce Drive near the Hampton Coliseum. The facility can accommodate up to 580 patrons with smoking and non-smoking preferences, one central main bar area, and teller lines for up to 16 tellers. The facility has parking capacity for 270 vehicles.

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
1997	7	1,651	236	\$ 327,811	\$ 46,830
1998	363	114,679	316	22,765,994	62,716
1999	361	103,945	288	23,298,797	64,540
2000	362	99,618	275	24,999,787	69,060
2001	362	99,718	275	26,083,186	72,053
2002	361	98,362	272	25,058,151	69,413
2003	358	95,064	266	25,947,756	72,480
2004	363	95,269	262	28,321,244	78,020
2005	363	85,723	237	26,720,455	73,610
Total	2,900	794,029	274	\$203,523,181	\$70,180

BRUNSWICK SATELLITE WAGERING FACILITY



24 Colonial Downs Place
Alberta, VA 23821
20,000 Sq. Ft.

The Brunswick Satellite Wagering Facility is located two miles off Route 1 in Brunswick County, which is 15 miles from the North Carolina border. The facility can accommodate up to 400 patrons with smoking and non-smoking preferences, one main bar area, and teller lines for up to 10 tellers. The facility has parking capacity for 500 vehicles.

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
1997	14	1,460	104	\$ 226,146	\$ 16,153
1998	292	38,657	132	10,573,166	36,209
1999	269	27,925	104	11,404,545	42,396
2000	279	28,018	100	11,888,170	42,610
2001	265	24,821	94	12,085,136	45,604
2002	259	27,243	105	11,882,404	45,878
2003	292	28,548	98	14,094,878	48,270
2004	311	28,067	90	14,152,950	45,508
2005	309	25,276	82	12,620,398	40,843
Total	2,290	230,015	100	\$98,927,793	\$43,200

SOUTH RICHMOND SATELLITE WAGERING FACILITY



**6550 Hull Street Road
Richmond, VA
11,500 Sq. Ft.**

The South Richmond Satellite Wagering Facility opened on November 12, 2003. The facility can accommodate 300 patrons with seating for 180. Smoking and non-smoking areas are provided. The facility employs 45.

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
2003	48	8,634	180	\$ 2,001,182	\$ 41,691
2004	361	64,479	179	17,832,357	49,397
2005	363	63,337	174	18,318,539	50,464
Total	772	136,450	177	\$38,152,078	\$ 49,420

VINTON SATELLITE WAGERING FACILITY



**1135 Vinyard Road
Vinton, VA
14,600 Sq. Ft.**

The Vinton Virginia Satellite Wagering Facility opened in October 2004. The facility can accommodate 450 patrons with seating for 260. Smoking and non-smoking areas are provided. The facility employs 45.

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
2004	81	13,447	166	\$2,455,993	\$ 30,321
2005	357	49,607	139	10,807,394	30,272
Total	438	63,054	144	13,263,387	30,282

MARTINSVILLE SATELLITE WAGERING FACILITY



**3951 Greensborough Road
Martinsville, VA
12,500**

The Martinsville, Virginia Satellite Wagering Facility opened on August 15, 2005. The facility can accommodate 539 patrons with seating for 241. Smoking and non-smoking areas are provided. The facility employs 50 people.

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
2005	137	18,978	139	\$3,529,839	\$ 25,765
Total	137	18,978	139	\$3,529,839	\$ 25,765

NEW CHESAPEAKE SATELLITE WAGERING FACILITY



**4301 Indian River Road
Chesapeake, VA
10,000 Sq. Ft.**

The second Chesapeake Satellite Wagering Facility opened on October 12, 2005. It is located near Virginia Beach. The facility can accommodate 291 patrons with seating for 156. Smoking and non-smoking areas are provided. The facility employs 35 people.

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
2005	80	15,648	139	\$4,963,971	\$ 62,050
Total	80	15,648	139	\$4,963,971	\$ 62,050

Virginia Racing Commission
Statistical Sheet Colonial Downs Live Meet
Thoroughbred 2005 (40days)

<u>DATE</u>	<u>DAY</u>	<u>LIVE HANDLE</u>	<u>SIMULCAST HANDLE</u>	<u>Out of State HANDLE</u>	<u>Single Race</u>	<u>Live Richmond OTB</u>	<u>Live Chesapeake OTB</u>	<u>Live Hampton OTB</u>	<u>Live Brunswick OTB</u>	<u>Live Vinton OTB</u>	<u>Live Richmond So. OTB</u>	<u>TOTAL HANDLE</u>	<u>TRACK ATTEND</u>	<u>On TRACK PER CAP</u>
17-Jun-05	Friday	148,197	67,470	514,524	-	9,995	6,047	5,440	881	2,208	4,930	759,692	3,118	69.17
18-Jun-05	Saturday	168,025	68,813	667,426	-	8,952	8,048	5,392	2,073	4,045	6,340	939,114	3,139	75.45
19-Jun-05	Sunday	178,910	55,660	495,114	-	9,180	3,527	3,685	2,123	2,431	3,509	754,139	3,586	65.41
20-Jun-05	Monday	77,896	21,095	1,117,301	-	9,810	4,128	4,844	1,020	1,760	2,705	1,240,559	1,028	96.29
21-Jun-05	Tuesday	77,487	25,352	813,561	-	9,272	3,106	5,921	-	2,100	4,458	941,257	988	104.09
24-Jun-05	Friday	93,429	51,676	556,203	-	10,897	3,479	4,839	1,533	2,100	4,691	728,847	1,546	93.86
25-Jun-05	Saturday	321,415	116,410	1,770,232	-	21,260	14,045	8,708	6,487	5,513	10,541	2,274,611	5,064	86.46
26-Jun-05	Sunday	131,170	61,016	636,172	-	13,264	6,736	6,075	2,551	3,203	3,799	863,986	2,131	90.19
27-Jun-05	Monday	72,622	20,898	1,071,496	-	4,740	3,682	3,696	828	2,588	2,620	1,183,170	815	114.75
28-Jun-05	Tuesday	83,843	21,529	1,057,449	-	11,276	3,148	5,189	-	2,236	3,500	1,188,170	773	136.32
1-Jul-05	Friday	105,478	43,353	746,695	-	11,454	6,316	6,583	1,728	1,294	3,999	926,900	1,640	90.75
2-Jul-05	Saturday	155,393	50,739	1,002,565	-	13,587	8,214	9,765	6,016	4,060	6,820	1,257,159	3,544	58.16
3-Jul-05	Sunday	162,378	67,560	730,939	-	9,134	7,582	5,192	4,805	2,761	4,240	994,591	2,820	81.54
4-Jul-05	Monday	123,709	46,493	701,091	-	8,665	6,019	4,583	2,287	2,138	5,204	900,189	2,095	81.24
5-Jul-05	Tuesday	74,005	22,852	1,346,696	-	14,694	6,590	7,663	-	1,199	4,329	1,478,028	854	113.42
8-Jul-05	Friday	117,178	52,133	676,510	-	14,217	4,400	4,400	2,069	1,234	3,306	877,172	1,884	89.87
9-Jul-05	Saturday	147,182	65,005	898,485	-	13,299	9,485	6,064	3,478	2,540	4,514	1,150,052	2,574	82.43
10-Jul-05	Sunday	143,274	55,160	657,346	-	7,715	6,822	4,864	3,283	1,448	4,561	884,473	2,226	89.14
11-Jul-05	Monday	65,281	20,664	1,157,410	-	11,690	4,683	5,243	1,304	1,169	3,776	1,271,220	824	104.30
12-Jul-05	Tuesday	100,377	25,325	1,055,925	-	8,153	4,736	4,928	-	2,339	4,085	1,205,868	1,321	95.16
15-Jul-05	Friday	14,851	51,804	113,161	-	1,713	910	262	262	417	901	185,473	1,232	54.10
16-Jul-05	Saturday	467,274	139,970	3,080,736	-	26,315	16,574	14,787	7,153	7,308	15,344	3,775,461	8,121	74.77
17-Jul-05	Sunday	103,359	36,166	791,674	-	10,551	4,906	4,742	4,906	1,188	6,017	961,225	1,935	72.11
18-Jul-05	Monday	67,955	20,732	1,243,722	-	9,996	4,184	4,767	2,192	1,812	3,731	1,359,091	755	117.47
19-Jul-05	Tuesday	86,588	23,467	1,094,297	-	9,515	4,225	6,687	-	1,783	2,758	1,229,320	1,170	94.06
22-Jul-05	Friday	108,947	53,042	574,791	-	8,425	4,256	7,408	1,386	2,067	4,774	765,096	1,880	86.16
23-Jul-05	Saturday	141,380	82,646	961,468	-	10,826	7,006	7,006	5,579	2,498	6,183	1,229,720	1,845	121.42
24-Jul-05	Sunday	146,039	72,580	478,075	-	12,134	3,781	7,063	1,679	1,159	3,245	717,602	2,675	81.73
25-Jul-05	Monday	63,767	28,118	925,883	-	10,132	5,624	4,872	1,311	1,031	3,375	1,044,113	996	92.25
26-Jul-05	Tuesday	15,239	26,757	304,909	-	2,309	1,287	1,661	-	505	1,159	353,826	927	45.30
29-Jul-05	Friday	103,629	41,522	807,301	-	10,705	7,110	6,925	1,545	1,708	4,515	984,960	1,841	78.84
30-Jul-05	Saturday	146,185	73,444	905,228	-	14,927	10,787	9,711	5,371	3,073	5,795	1,174,521	2,229	98.53
31-Jul-05	Sunday	142,819	48,979	792,971	-	12,122	8,427	9,695	1,931	1,224	5,292	1,023,460	2,191	87.54
1-Aug-05	Monday	91,194	33,159	1,133,067	-	11,665	5,200	8,685	1,639	1,877	3,996	1,290,482	808	153.90
2-Aug-05	Tuesday	80,330	20,734	1,049,460	-	8,012	5,063	5,367	-	1,921	3,834	1,174,721	958	105.49
5-Aug-05	Friday	104,826	45,493	841,972	-	10,595	6,006	7,804	2,984	1,783	5,672	1,027,135	1,761	85.36
6-Aug-05	Saturday	168,117	61,562	1,021,754	-	16,956	13,858	6,658	5,387	4,057	10,317	1,308,666	2,798	92.09
7-Aug-05	Sunday	158,062	52,169	750,052	-	8,277	7,071	3,351	3,517	1,529	4,513	988,541	2,319	90.66
8-Aug-05	Monday	88,257	37,228	775,118	-	8,783	3,567	3,511	1,653	1,672	4,145	923,934	1,245	100.79
9-Aug-05	Tuesday	118,828	36,165	1,188,957	-	11,387	4,451	4,972	-	2,757	6,129	1,373,646	1,470	105.44
TOTAL HANDLE		4,964,895	1,944,940	36,507,736	-	433,034	250,631	236,920	88,677	89,735	193,622	44,710,190	81,126	
PERCENT OF TOTAL		11.1%	4.4%	81.7%	0.0%	1.0%	0.6%	0.5%	0.2%	0.2%	0.4%	100.0%		
AVERAGE HANDLE		124,122	48,624	912,693	-	10,826	6,266	5,923	2,217	2,243	4,841	1,117,755	2,028	85.17
Average 2004		138,236	59,341	835,362	-	11,201	6,887	6,369	2,385		5,086	1,064,867	2,155	91.68
Average 2003		140,305	48,960	982,945	-	15,484	6,800	6,203	2,313			1,203,009	2,193	86.30
Average 2002		140,067	51,391	968,139		17,173	8,045	6,859	2,153			1,193,826	2,202	86.95
Average 2001		117,818	48,011	901,825	2,998	15,727	7,952	6,608	2,250			1,103,188	1,940	85.48
Average 2000		90,589	46,380	709,882	-	10,820	6,020	4,664	2,463			872,617	1,247	109.81
Average 1999		107,881	34,597	776,694	25,968	14,353	7,328	6,688	2,346			975,854	1,628	87.50
Average 1998		141,154	28,641	649,292	32,652	14,918	6,799	5,705	2,313			881,473	2,263	75.03
Average 1997		183,594	54,254	647,075	29,384	-	-	-	-			939,400	3,620	65.71

* Note: 1997 Average Total Handle Includes \$752,789 wagered at the OTBS

**Virginia Racing Commission
Statistical Sheet Colonial Downs Live Meet
Harness 2005(36days)**

DATE	Day	LIVE HANDLE	SIMULCAST HANDLE	Out of State HANDLE	Single Race	Live Richmond OTB	Live Chesapeake Indian OTB	Live Chesapeake OTB	Live Hampton OTB	Live Brunswick OTB	Live So. Richmond OTB	Live Martinsville OTB	Live Vinton OTB	TOTAL HANDLE	TRACK ATTEND	On TRACK PER CAP
16-Sep-05	Friday	44,390	20,367	88,333	-	4,503		2,991	2,444	1,020	4,278	559	663	169,548	1,022	63.36
17-Sep-05	Saturday	46,776	15,603	71,469	-	2,867		2,315	2,700	470	1,347	897	692	145,136	923	67.58
18-Sep-05	Sunday	38,645	21,211	68,559	-	3,323		2,450	901	297	1,918	461	341	138,106	701	85.39
19-Sep-05	Monday	24,017	7,514	75,973	-	2,807		2,551	1,102	145	2,018	521	278	116,926	222	142.03
23-Sep-05	Friday	35,419	14,099	106,355	-	5,846		3,253	2,152	668	2,480	1,489	599	172,360	551	89.87
24-Sep-05	Saturday	45,447	17,457	84,144	-	4,719		3,649	2,661	763	2,858	1,440	321	163,479	758	82.99
25-Sep-05	Sunday	42,833	22,089	141,996	-	4,448		2,450	1,426	588	2,216	362	609	219,017	897	72.38
26-Sep-05	Monday	20,333	8,597	103,807	-	2,033		2,242	2,150	635	1,345	967	660	143,069	210	139.19
30-Sep-05	Friday	40,534	12,478	115,656	-	5,474		5,396	3,758	1,331	4,563	1,470	540	191,200	601	88.21
1-Oct-05	Saturday	31,082	10,859	89,432	-	3,104		3,084	2,847	316	2,176	774	665	144,339	576	72.81
2-Oct-05	Sunday	33,841	14,665	146,822	-	3,302		2,397	1,532	916	1,835	734	496	206,540	634	76.51
3-Oct-05	Monday	26,370	7,506	158,947	-	3,442		3,001	3,208	450	3,027	903	773	207,627	238	142.34
7-Oct-05	Friday	40,465	11,670	104,332	-	6,651		4,199	4,424	1,274	3,223	1,232	791	178,261	529	98.55
8-Oct-05	Saturday	33,662	8,832	80,803	-	4,838		2,610	4,304	1,073	2,194	1,045	629	139,990	726	58.53
9-Oct-05	Sunday	33,010	14,161	132,109	-	3,016		2,077	1,611	919	1,653	510	882	189,948	459	102.77
10-Oct-05	Monday	22,287	9,634	112,179	-	2,423		1,899	2,274	696	1,555	207	203	153,157	225	141.87
14-Oct-05	Friday	42,284	11,729	77,281	-	5,462	2,643	2,553	2,923	1,210	2,362	1,114	416	149,977	685	78.85
15-Oct-05	Saturday	44,776	9,673	96,431	-	2,451	2,006	1,878	2,310	947	1,798	719	324	163,313	871	62.51
16-Oct-05	Sunday	40,702	11,526	152,086	-	3,239	2,260	1,577	1,459	909	2,338	304	437	216,837	723	72.24
17-Oct-05	Monday	28,333	9,488	150,170	-	2,339	1,336	1,580	2,302	1,202	1,613	540	772	199,675	244	155.00
21-Oct-05	Friday	30,418	9,307	76,051	-	5,297	2,182	1,216	3,062	964	3,027	1,024	212	132,760	400	99.31
22-Oct-05	Saturday	39,215	12,151	91,832	-	5,742	2,163	2,393	3,581	1,467	1,727	1,298	1,312	162,881	658	78.06
23-Oct-05	Sunday	53,441	17,996	102,163	-	4,236	1,371	1,302	1,368	554	1,629	562	524	185,146	925	77.23
24-Oct-05	Monday	19,765	5,904	174,694	-	3,653	1,740	1,327	2,634	354	2,856	628	810	214,365	129	198.98
28-Oct-05	Friday	36,741	10,302	77,893	-	3,714	2,665	2,819	2,961	918	1,811	747	332	140,903	567	82.97
29-Oct-05	Saturday	41,928	125,784	95,972	-	3,621	1,900	2,417	2,123	1,457	1,613	1,186	931	278,932	937	178.99
30-Oct-05	Sunday	58,533	18,712	157,455	-	2,445	1,371	710	1,214	366	1,161	539	967	243,473	1,296	59.60
31-Oct-05	Monday	20,233	6,859	145,554	-	3,286	1,200	671	1,987	459	1,534	929	781	183,493	143	189.45
4-Nov-05	Friday	36,329	15,091	80,520	-	4,553	2,637	1,325	2,492	1,296	2,400	966	222	147,831	645	79.72
5-Nov-05	Saturday	33,807	12,422	65,492	-	3,389	1,260	1,984	2,166	399	1,997	966	556	124,415	591	78.22
6-Nov-05	Sunday	40,889	14,820	96,448	-	2,549	810	639	684	540	910	110	273	158,672	929	59.97
7-Nov-05	Monday	29,628	10,118	140,955	-	3,545	1,690	1,158	1,544	660	1,490	1,087	782	192,657	325	122.30
11-Nov-05	Friday	44,548	14,805	75,717	-	3,557	2,445	1,685	2,226	1,861	1,327	603	612	149,386	690	86.02
12-Nov-05	Saturday	47,475	11,024	54,477	-	2,766	1,595	1,391	2,347	399	2,019	674	262	124,429	902	64.85
13-Nov-05	Sunday	47,250	26,915	87,021	-	972	1,342	1,139	669	517	528	167	233	166,773	1,001	74.09
14-Nov-05	Monday	34,803	10,609	143,464	-	4,014	1,115	1,745	2,976	770	1,440	411	1,270	202,617	388	117.04
TOTAL HANDLE		1,330,509	581,977	3,822,592	-	133,626	35,731	77,873	82,562	28,810	74,266	28,122	21,170	6,217,238	22,321	
PERCENT OF TOTAL		21.4%	9.4%	61.5%	0.0%	2.1%	0.6%	1.3%	1.3%	0.5%	1.2%	0.5%	0.3%	100.0%		
AVERAGE HANDLE		36,959	16,166	106,183	-	3,712	993	2,163	2,293	800	2,063	781	588	172,701	620	85.68
Average 2004		40,361	19,433	106,559	-	4,518		3,104	3,025	1,070	2,965		889	181,728	645	92.65
Average 2003		34,585	24,306	76,407	-	5,725		3,063	2,876	753	3,003			148,145	580	101.50
Average 2002		30,860	25,076	87,200	-	4,844		3,567	2,778	545				154,869	478	117.01
Average 2001		30,912	20,416	99,760	-	5,406		3,808	2,895	736				163,934	486	105.54
Average 2000		19,270	19,180	97,269	-	5,473		2,907	2,820	655				147,575	258	148.76
Average 1999		41,319	15,344	123,587	-	5,840		3,798	2,805	483				193,176	909	62.31
Average 1998		56,611	20,892	89,668	5,705	-	-	-	-	-	-	-	-	172,875	1,379	56.21

Note: 1998 data for SWFS was not maintained

ABOUT THE BREEDER'S FUNDS

Funded by a 1% takeout of all wagering conducted in Virginia, funds have been established for both thoroughbred and standardbred horses, their breeders and owners.

For 2005, a record \$1,176,374 was generated for the thoroughbred breeders' fund bringing the nine-year total to \$9,081,068.

Most of the thoroughbred breeders' fund money is being distributed during the annual live meet at Colonial Downs, including a 50% bonus for Virginia-breds earning purse money in open competition.

In 2005, Virginia became one of the few states that allots thoroughbred owners' awards for horses that win races anywhere in the United States.

Harness racing, both live and simulcasting, accounts for more than 20% of total wagering in Virginia. As a result, \$2,263,435 has been generated for the standardbred breeders' fund in the past nine years. In addition to a viable stakes programs, standardbreds also receive bonuses for placing in open competition.

The Racing Commission has contracted with the Virginia Thoroughbred Association to administer the thoroughbred breeders' fund program and the Virginia Harness Horse Association to manage the standardbred breeders' fund.

Breeders' Funds

Year	Thoroughbred	Standardbred
1996	\$ 263,517	\$ 105,288
1997	755,900	195,041
1998	917,484	289,688
1999	915,431	297,811
2000	942,714	274,834
2001	967,123	271,671
2002	970,555	270,091
2003	1,035,181	268,647
2004	1,136,789	317,156
2005	1,176,374	341,208
Total	\$9,081,068	\$2,263,435

TAX REVENUE

Revenue to the Commonwealth

<u>Year</u>	<u>Total Revenue</u>	<u>Surplus to General Fund</u>
1996	\$ 631,482	\$
1997	1,595,802	
1998	2,065,005	
1999	2,090,137	4,101
2000	2,103,097	534,813
2001	2,150,599	513,222
2002	2,164,933	585,610
2003	2,280,446	940,127
2004	2,556,126	1,168,349
2005	<u>2,680,582</u>	<u>1,093,966</u>
Total	<u>\$20,318,209</u>	<u>\$4,840,188</u>

Revenue to Localities

<u>Year</u>	<u>New Kent</u>	<u>Chesapeake</u>	<u>Henrico</u>	<u>Richmond</u>	<u>Hampton</u>	<u>Brunswick</u>	<u>Vinton</u>	<u>Martinsville</u>
1996	\$ 157,871	\$ 144,304	\$ 6,783	\$ 6,783	\$	\$	\$	\$
1997	408,498	159,665	113,726	113,726	1,430	855		
1998	520,316	128,530	107,693	107,693	101,062	43,538		
1999	524,049	132,641	108,839	108,839	101,396	46,906		
2000	532,156	129,419	104,967	104,967	108,412	49,836		
2001	539,392	131,455	107,885	107,885	115,242	51,140		
2002	544,937	136,127	107,043	107,043	110,778	50,791		
2003	574,992	145,928	103,758	112,388	113,880	59,092		
2004	645,979	146,406	89,652	167,027	125,476	59,268	9,817	
2005	676,257	146,065	84,164	165,595	119,218	52,244	44,660	14,615
Total	\$5,124,446	\$1,400,540	\$ 934,510	\$1,101,946	\$ 896,894	\$ 413,670	\$ 54,477	\$ 14,615

Total Revenue

Commonwealth	\$20,318,209
Localities	<u>9,941,098</u>
Total	<u>\$30,259,307</u>

2005 VIRGINIA DERBY



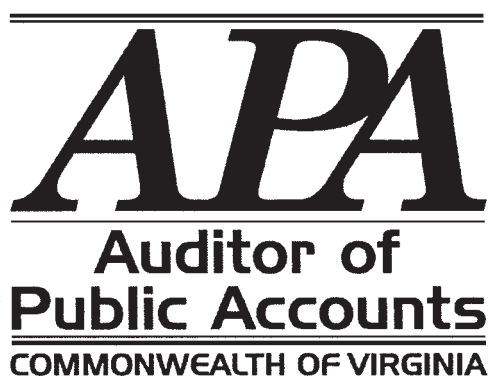
English Channel is shown here winning the 2005 Virginia Derby at Colonial Downs. The “Derby” was the 2nd leg of the inaugural \$5 million Jacobs Investments Grand Slam of Grass Turf Series. Colonial Downs will host the first two legs of the four race series in 2006 on these dates:

1st Leg - \$1,000,000 Colonial Turf Cup - Saturday June 24th

2nd Leg - \$1,000,000 Virginia Derby (Gr. II) - Saturday July 15th

VIRGINIA RACING COMMISSION

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2005**



AUDIT SUMMARY

Our audit of the Virginia Racing Commission for the year ended June 30, 2005, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- matters involving internal control and the Commission's operations that we have communicated to management in the Audit Findings and Recommendations section of this report; and
- no instances of noncompliance with applicable laws and regulations.

We recommend that the Commission:

- update its operating policies and procedures to reflect its current operations including both manual and automated processes and
- improve the documentation of its process for conducting off-track betting facility inspections.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

September 30, 2005

The Honorable Mark R. Warner
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Virginia Racing Commission** for the year ended June 30, 2005. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of the Commission's financial transactions as recorded in the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Commission's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant activities, classes of transactions, and account balances:

Contractual services expenses	License and permit fees
Facility inspection process	Payroll expenses
Incentive payments	Tax and pari-mutuel wagering revenues

We performed audit tests to determine whether the Commission's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel and observation of the Commission's operations. We inspected documents including reconciliations, deposit slips and certificates, wagering reports provided by Colonial Downs, revenue summary reports, timesheets, contracts, and off-track satellite facility review sheets. We reviewed the Commission's Board minutes and

appropriate sections of the Code of Virginia and the 2005 Virginia Acts of Assembly. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Commission records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

EXIT CONFERENCE

We discussed this report with management on October 20, 2005. Management's response is included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

A handwritten signature in black ink, appearing to read "Walter J. Kucharski".

AUDITOR OF PUBLIC ACCOUNTS

SAH/kva

VIRGINIA RACING COMMISSION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN CASH BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2005

	Actual				Total Variance Positive/ (Negative)
	Total Budget	Breeder's Fund	Operating Fund	Total	
Revenues:					
Taxes and pari-mutuel wagering	\$ 4,530,000	\$ 1,488,552	\$ 2,641,610	\$ 4,130,162	\$ (399,838)
License and permit fees	150,000	-	122,070	122,070	(27,930)
Fines and assessments	-	-	12,450	12,450	12,450
Interest	35,000	20,744	2,020	22,764	(12,236)
Total revenues	4,715,000	1,509,296	2,778,150	4,287,446	(427,554)
Expenditures:					
Personal services	723,200	-	743,219	743,219	(20,019)
Contractual services	986,930	-	407,435	407,435	579,495
Supplies and materials	20,000	-	9,979	9,979	10,021
Incentive payments	2,005,000	1,694,044	283,817	1,977,861	27,139
Continuous charges	40,650	-	47,009	47,009	(6,359)
Equipment	20,350	-	8,768	8,768	11,582
Total expenditures	3,796,130	1,694,044	1,500,227	3,194,271	601,859
Transfers out:					
General fund	1,077,870	-	1,081,516	1,081,516	(3,646)
Literary fund	-	-	12,450	12,450	(12,450)
Total transfers	1,077,870	-	1,093,966	1,093,966	(16,096)
Revenues over/(under) expenditures and transfers out	(159,000)	(184,748)	183,957	(791)	158,209
Cash balance at June 30, 2004	919,511	919,511	-	919,511	-
Cash balance at June 30, 2005	\$ 760,511	\$ 734,763	\$ 183,957	\$ 918,720	\$ 158,209

Source: Commonwealth Accounting and Reporting System

AUDIT FINDINGS AND RECOMMENDATIONS

Update Operating Policies and Procedures

The Virginia Racing Commission should update its operating policies and procedures to reflect current operations and include both manual and automated processes. The lack of adequately documented policies and procedures increases the likelihood that errors and improper payments could occur and go undetected. Further, documenting critical operating policies and procedures will ensure continuity of operations in the event of the loss of key personnel and in the hiring of new personnel to assist in operations. Having these policies will assist management in ensuring uniformity and consistency in day-to-day operations, analyzing performance, and recording transactions in the Commission's accounting systems.

While the Commission has documented some of its operating policies and procedures, it has not updated those policies and procedures to reflect changes in its operations. Further, the Commission's policies and procedures do not fully address some of the manual processes performed by the Commission's staff including daily and monthly reconciliations and its procedures for managing its responsibilities for the human resources and payroll functions. The Commission has desk procedures to address some of these activities; however, they need to incorporate these procedures into a comprehensive policies and procedures manual.

The documentation of accounting policies and procedures should be readily available to all employees with relevant responsibilities to ensure that accounting and administrative controls are operating as intended. The policies and procedures should delineate the authority and responsibility of all employees, especially the authority to authorize transactions, and indicate which employees are to perform the specific procedures.

The Commission has undergone changes in its operations in recent years. Due to these changes and the increased workload of staff, the Commission has not updated its policies and procedures. Further, the Commission is currently working with the Virginia Information Technologies Agency to update its internal accounting system, which may result in further changes to its operations. The Commission plans to complete its system enhancements by June 2007. Before that time, the Commission should focus its efforts on documenting its policies and procedures not significantly impacted by the system upgrade and ensure its documentation is sufficient for all critical operations.

Improve Documentation of Facility Inspections

The Commission should improve the documentation of its process for conducting off-track betting facility inspections. The Commission should document its process for determining the frequency of inspections, the responsibilities of its staff performing the inspections including the areas that should be covered in the inspection, the minimum required documentation of the results of the inspection including any violations noted, and follow-up procedures that should be performed related to violations.

As a part of their regulatory oversight, the Commission performs inspections of licensed off-track betting facilities. The Commission's internal policy is to perform monthly inspections of the facilities. However, during the racing season, it does not have enough staff to perform monthly inspections.

The Commission currently has a checklist that it uses to document the results of the inspections. However, in our review, we noted that the staff performing the inspections do not consistently document the results of the inspections on the checklist. For example, Section 59.1-387 of the Code of Virginia requires that off-track betting facility employees possess a permit issued by the Commission. Based on our review of a sample of inspection reports, there were instances where, due to a lack of documentation, we could not determine if the inspection staff reviewed this requirement.

Further, in some cases we could not determine whether the Commission adequately followed-up on and penalized facilities that had employees without permits. The Commission's policy with regard to addressing permit violations is to require the facility to remove the employee without the permit from the work schedule. However, in most cases when the inspector noted employees with expired permits at a facility, there was no documentation as to whether the employee renewed the permit during the site visit or whether the inspector requested that the employees removal from the work schedule.

AGENCY HIGHLIGHTS

The Virginia Racing Commission controls and prescribes regulations and conditions for all horse racing with pari-mutuel wagering privileges in the Commonwealth. It licenses horse racetracks and satellite facilities and ensures that all their employees have valid Commission permits. The Commission also issues permits to anyone associated with horse racing including horse owners, trainers, jockeys, grooms, veterinarians, and blacksmiths.

Pari-mutuel horse racing began in the Commonwealth in September 1997 at Colonial Downs, a privately held racetrack in New Kent County. The Code of Virginia permits up to ten satellite wagering facilities. Currently, there are six satellite facilities operated by Colonial Downs, which are located in Brunswick, Chesapeake, Hampton, Richmond (two), and Vinton. Voters approved referenda for three additional facilities in November 2004. The Commission monitors each of these facilities as a part of their regulatory oversight.

The Code of Virginia directs the distribution of the funds in the horse racing wagering pools. The percentage distribution varies based on factors such as the type of wagering, whether the race took place within or outside of the Commonwealth, and whether the wagering occurred at the racetrack or at a satellite facility. The Commonwealth retains as a license tax a portion of the wagering pools ranging from 0.75 to 2.25 percent as directed by the Code of Virginia. All revenues received by the Commission go to a special fund known as the State Racing Operations Fund. The Appropriation Act requires the Commission to transfer any funds in excess of the Commission's operating expenses to the General Fund of the Commonwealth.

The Code of Virginia also created the Virginia Breeders Fund to support an incentive program to foster the industry of breeding racehorses in Virginia. It receives a one percent distribution of the horse racing wagering conducted in the Commonwealth. The Commission contracted with the Virginia Thoroughbred Association and the Virginia Harness Horse Association to manage the fund.

Below are the results of the fiscal year 2005 financial operations of the Virginia Racing Commission. The Commission increased its budgeted revenue and expenses over the prior years in anticipation of additional race days and the opening of a new satellite wagering facility by December 2004. However, there were not as many additional race days as anticipated and the opening of the new satellite wagering facility did not occur until August 2005. These changes resulted in the variances between budgeted and actual taxes and pari-mutuel wagering revenues and contractual service expenses. In addition, the Commission did not use its appropriation for marketing expenses to ensure it had adequate funds to make transfers required by the Appropriation Act. The Appropriation Act allows the Commission to carry forward up to \$250,000 of its marketing budget to fiscal year 2006 as long as it makes its required transfer to the General Fund.



COMMONWEALTH of VIRGINIA

Virginia Racing Commission

10700 Horsemen's Road
New Kent, Virginia 23124
(804) 966-7400; FAX (804) 966-7418

November 1, 2005

Walter J. Kucharski
Auditor of Public Accounts
101 North 14th Street, 8th Floor
Richmond, VA 23219

Dear Mr. Kucharski:

On behalf of the Virginia Racing Commission and in my capacity as Executive Secretary, I have reviewed the findings and recommendations provided by the Auditor of Public Accounts in this report.

I generally concur with the findings and recommendations for the audit review for the period July 1, 2004-June 30, 2005 and offer the following additional comments:

1. All of the appropriate internal policies and procedures for the operation of the Racing Commission are in place. We have documentation of all operating policies and procedures except in the areas of daily and monthly reconciliations including the processing of bills to be sent to DOA for payment, preparation of payroll information being sent to DHRM for payment and inspections of the satellite wagering facilities. Our staff will develop the appropriate documentation in those areas by February 1, 2006.
2. Our computerized operating system was developed by DIT in 1997 and was updated prior to live racing in 2003. Effective December 31, 2006, our system no longer will be supported by Oracle and we are working with VITA to upgrade the system prior to the start of live racing in June 2007. We will make any adjustments in our operating system that the auditor deems appropriate as part of that changeover to the new system.

Sincerely,

A handwritten signature in black ink that reads "Stanley K. Bowker".
Stanley K. Bowker
Executive Secretary



Virginia Racing Commission

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