



Virginia Racing Commission

2007 Annual Report



VA RACING COMMISSION



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Vice Chairman – Palmyra



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COMMONWEALTH of VIRGINIA

Virginia Racing Commission

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New Kent, Virginia 23124
(804) 966-7400; FAX (804) 966-7418*

February 11, 2008

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 2007 Annual Report of the Virginia Racing Commission.

A report compiled by the Virginia Field Office of the National Agricultural Statistics Service as part of a state-funded program administered by the Virginia Department of Agriculture and Consumer Services and issued in late 2007 provides a dynamic snapshot of the equine industry in Virginia.

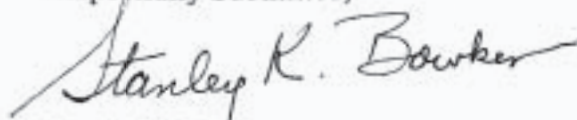
The equine survey indicated that in 2006 there were 215,000 horses, ponies, donkeys and mules in Virginia, an increase of 26% from the 170,000 animals noted in a similar survey taken in 2001. There were 41,000 equine operations throughout the Commonwealth in 2006, an increase of 41 percent from 2001.

Some of the revenue generated from pari-mutuel wagering at Colonial Downs and the nine satellite wagering facilities in Virginia is used by the Racing Commission to market the equine industry. The marketing money is not limited to Thoroughbreds and Standardbreds, the two breeds that race at Colonial Downs, but is available to support the broader equine industry.

The annual Grand Slam of Grass, a four-race national series sponsored by Colonial Downs' owner Jacobs Entertainment, brings the national horse racing spotlight to Virginia and Colonial Downs. In 2007 the \$1,000,000 Virginia Derby was televised nationally on CBS.

The Racing Commission remains committed to insuring the integrity of racing for the participants and patrons and appreciates the continued support for horse racing and the equine industry from the Administration and the members of the General Assembly.

Respectfully Submitted,


Stanley K. Bowker
Executive Secretary

2007 VIRGINIA DERBY & COLONIAL TURF CUP



Red Giant (above) is shown edging out Strike A Deal in the 2007 \$1,000,000 Virginia Derby at Colonial Downs. The “Derby” was the second leg of the \$5 million Jacobs Investment Grand Slam of Grass turf series. The first leg was the \$750,000 Colonial Turf Cup won by Summer Doldrums with Strike A Deal again finishing second (below).

In 2008 Colonial Downs will host the Colonial Turf Cup on Saturday, June 21 and the Virginia Derby on Saturday, July 19.



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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 Racing Commission is 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.

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.”

For the first time, in 2007 pari-mutuel wagering in Virginia passed the \$200 million mark--\$167,684,686 at Colonial Downs’ New Kent facility and nine satellite wagering facilities and \$33,206,726 in advance deposit account wagering for a total of \$200,891,412. Since 2004, the Commission has been licensing and regulating advance deposit account wagering companies that operate in Virginia. Presently there are four companies licensed in Virginia—Colonial Downs’ EZ Horsesplay, TVG, XpressBet and TwinSpire.

Since pari-mutuel wagering began in 1996, a total of \$1,503,215,292 has been wagered in the state. In addition \$338,032,751 has been wagered on Virginia’s live races from localities throughout the United States.

Recap of Handle

| Year | Pari-Mutuels | Account Wagering | Sale of Signal Out of State | Total Handle |
|--------------|------------------------|-------------------------|------------------------------------|------------------------|
| 1996 | \$36,952,607 | \$ - | \$ - | \$ 36,952,607 |
| 1997 | 95,094,161 | - | 19,412,236 | 114,506,397 |
| 1998 | 120,717,190 | - | 19,998,352 | 140,715,542 |
| 1999 | 121,324,249 | - | 22,348,265 | 143,672,514 |
| 2000 | 121,754,800 | - | 26,607,001 | 148,361,801 |
| 2001 | 123,879,396 | - | 24,042,027 | 147,921,423 |
| 2002 | 124,064,569 | - | 27,264,413 | 151,328,982 |
| 2003 | 130,382,875 | - | 31,627,734 | 162,010,609 |
| 2004 | 145,394,480 | 1,287,541 | 31,812,210 | 178,494,231 |
| 2005 | 151,758,202 | 12,691,398 | 40,330,328 | 204,779,928 |
| 2006 | 164,208,077 | 28,300,972 | 48,615,505 | 241,124,554 |
| 2007 | 167,684,686 | 33,206,726 | 45,974,680 | 246,866,092 |
| Total | \$1,503,215,292 | \$75,486,637 | \$338,032,751 | \$1,916,734,680 |

PARI-MUTUEL HANDLE STATISTICS

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 |
| 2006 | 164,208,077 | 678,426 | 3,065 | 221 | 242.04 |
| 2007 | 167,684,686 | 720,325 | 3,127 | 230 | 232.79 |
| Total | \$1,503,215,292 | 6,504,966 | 20,528 | 317 | \$231.09 |

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

Total Account Wagering Handle

| Year | TwinSpires | EZ Horseplay | TVG | XpressBet | AmericaTab | Total |
|--------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2004 | | \$1,287,541 | \$ | \$ | \$ | \$ 1,287,541 |
| 2005 | | 3,939,764 | 4,080,824 | 4,670,810 | | 12,691,398 |
| 2006 | | 3,736,391 | 8,169,546 | 7,816,430 | 8,578,605 | 28,300,972 |
| 2007 | 621,068 | 4,523,353 | 11,929,412 | 9,742,446 | 6,390,447 | 33,206,726 |
| Total | \$ 621,068 | \$13,487,049 | \$24,179,782 | \$22,229,686 | \$14,969,052 | \$75,486,637 |

Sale of Signal Live Meets (Out of State)

| Year | Thoroughbred | Harness | Total |
|--------------|----------------------|---------------------|----------------------|
| 1997 | \$19,412,236 | \$ | \$19,412,236 |
| 1998 | 16,232,300 | 3,766,052 | 19,998,352 |
| 1999 | 18,640,650 | 3,707,615 | 22,348,265 |
| 2000 | 22,716,226 | 3,890,775 | 26,607,001 |
| 2001 | 22,545,623 | 1,496,404 | 24,042,027 |
| 2002 | 25,171,620 | 2,092,793 | 27,264,413 |
| 2003 | 29,488,341 | 2,139,393 | 31,627,734 |
| 2004 | 28,402,323 | 3,409,887 | 31,812,210 |
| 2005 | 36,507,736 | 3,822,592 | 40,330,328 |
| 2006 | 43,828,004 | 4,787,501 | 48,615,505 |
| 2007 | 42,153,392 | 3,821,288 | 45,974,680 |
| Total | \$305,098,451 | \$32,934,300 | \$338,032,751 |

ABOUT COLONIAL DOWNS

Now 11 years old, Colonial Downs has been the catalyst of a sport that now generates more than \$200,000,000 in annual pari-mutuel wagering in Virginia. In 2007 total attendance was a record 720,325 as attendance for the first 11 years totaled 6,504,966 while total mutuel handle surpassed \$1.5 billion.

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 of Virginia stakeholders as they strive to build upon the native horse industry in the Commonwealth.

Colonial Downs is owned by Jeffrey and Richard Jacobs' Jacobs Entertainment. Since the beginning of live Thoroughbred racing on September 1, 1997, 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.

Jacobs Entertainment sponsors the Grand Slam of Grass, a series of four races for three-year-olds. Two of the races are run at Colonial Downs—the Colonial Cup and the Virginia Derby. The Secretariat Stakes at Arlington Park and the Breeders Cup Turf complete the series. A horse winning all four races is eligible to receive a total of \$5,000,000 in purses and bonuses. The Colonial Cup has been awarded a Grade III rating while the Virginia Derby is Grade II. In 2007 Jacobs Entertainment sponsored a nation-wide telecast on CBS-TV.

In 2007, a Virginia record pari-mutuel handle of \$3,622,328 was established on Virginia Derby Day. The Colonial Cup Day generated \$2,112,079 in wagering—two of the biggest days in Colonial Downs history.

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.

For the second straight year, in 2007 Colonial Downs hosted the \$100,000 Invitational Trot which drew most of the top trotters in the nation. The popular Vivid Photo, owned and trained by Roger Hammer, won the race for the second year.

ABOUT COLONIAL DOWNS

One of the highlights of the annual harness meet is a day filled with races to showcase Virginia-bred or owned horses. Annually, the harness meet features a one-turn mile for most of its races. Each year a number of record and career best times have been established in Virginia.

Advance deposit account wagering is now becoming the second largest generator of pari-mutuel wagering in Virginia. In 2007, \$33,206,726 in wagering was generated by four account wagering companies licensed in Virginia—Colonial Downs’ EZ Horseplay, TVG, XpressBet, and TwinSpire.

As a result of the efforts in 2007, the horse racing industry in Virginia is poised to continue to grow and in 2008 there will be 45 live Thoroughbred racing days and 34 harness days.

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 |
| 2006 | 113,438 | 51,587,415 | 1,258,230 | 1,804 | 83.44 |
| 2007 | 164,557 | 50,507,580 | 1,262,689 | 1,996 | 82.42 |

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 | 36,959 | 6,217,238 | 172,701 | 620 | 85.68 |
| 2006 | 20,498 | 6,562,653 | 182,296 | 312 | 100.25 |
| 2007 | 43,183 | 5,726,362 | 178,949 | 613 | 70.49 |

RICHMOND SATELLITE WAGERING FACILITY



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

The main area of the Richmond Satellite Wagering Facility was remodeled during 2006 and in 2007 the VIP room received a new look. It 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. Also 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 |
| 2006 | 302 | 94,348 | 312 | 31,823,009 | 105,374 |
| 2007 | 362 | 107,834 | 298 | 36,142,095 | 99,840 |
| Total | 3,937 | 1,663,213 | 422 | \$500,817,891 | \$ 127,208 |

CHESAPEAKE SATELLITE WAGERING FACILITY



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

The first satellite wagering facility in Virginia is located in Chesapeake 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 | Number 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 |
| 2006 | 350 | 48,210 | 138 | 14,455,627 | 41,302 |
| 2007 | 360 | 51,409 | 143 | 14,825,116 | 41,181 |
| Total | 4,286 | 1,219,447 | 285 | \$340,742,960 | \$ 79,501 |

HAMPTON SATELLITE WAGERING FACILITY



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

The Hampton Satellite Wagering Facility is centrally located just off I-64 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 |
| 2006 | 362 | 82,352 | 227 | 25,638,907 | 70,826 |
| 2007 | 362 | 77,128 | 213 | 24,536,734 | 67,781 |
| Total | 3,624 | 953,509 | 263 | \$253,698,822 | \$ 70,005 |

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 |
| 2006 | 269 | 21,825 | 81 | 9,967,380 | 37,053 |
| 2007 | 270 | 23,708 | 88 | 106,465,270 | 39,432 |
| Total | 2,829 | 275,548 | 97 | \$119,541,700 | \$42,256 |

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. Located in the Haines Plaza, the facility can accommodate 300 patrons with seating for 180. Smoking and non-smoking areas are provided.

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 |
| 2006 | 362 | 74,216 | 205 | 23,560,440 | 65,084 |
| 2007 | 359 | 66,265 | 185 | 19,436,532 | 51,141 |
| Total | 1,493 | 276,931 | 185 | \$ 81,149,050 | \$ 54,353 |

VINTON SATELLITE WAGERING FACILITY



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

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

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 |
| 2006 | 286 | 42,806 | 150 | 10,471,558 | 36,614 |
| 2007 | 361 | 45,969 | 130 | 10,754,287 | 29,790 |
| Total | 1,085 | 152,829 | 141 | \$34,489,232 | \$ 31,787 |

MARTINSVILLE SATELLITE WAGERING FACILITY



**3951 Greensborough Road
Martinsville, VA
12,500 Sq. Ft.**

The Martinsville Satellite Wagering Facility opened on August 15, 2005. Located near Martinsville Raceway, the facility can accommodate 539 patrons with seating for 241. Smoking and non-smoking areas are provided.

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 |
| 2006 | 323 | 36,231 | 112 | 10,358,670 | 32,070 |
| 2007 | 270 | 35,512 | 132 | 12,014,060 | 44,497 |
| Total | 730 | 90,721 | 124 | \$25,902,569 | \$ 35,483 |

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.

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 |
| 2006 | 362 | 69,818 | 193 | 23,666,541 | 65,377 |
| 2007 | 362 | 78,627 | 217 | 23,829,721 | 65,828 |
| Total | 804 | 164,093 | 204 | \$52,460,233 | \$ 65,249 |

SCOTT COUNTY SATELLITE WAGERING FACILITY



**38 U.S. Highway 23N
Weber City, VA 24290
16,700 Sq. Ft.**

The newest satellite wagering facility is located in Scott County. It opened on January 18, 2006. The facility can accommodate 400 patrons with seating for 246. Smoking and non-smoking areas are provided.

Statistics

| Year | Number of Race Days | Total Attendance | Daily Average Attendance | Total Handle | Daily Average Handle |
|--------------|----------------------------|-------------------------|---------------------------------|---------------------|-----------------------------|
| 2006 | 272 | 36,100 | 133 | \$6,592,864 | \$ 24,238 |
| 2007 | 270 | 32,029 | 119 | 7,184,714 | 26,610 |
| Total | 542 | 68,129 | 126 | \$13,777,578 | \$ 25,420 |

ABOUT THE BREEDERS' 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 2007, a record \$1,318,153 was generated for the Thoroughbred Breeders' Fund bringing the 12-year total to \$11,684,697.

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. The bonus is being increased to 100% for 2008.

Harness racing, both live and simulcasting, accounts for more than 20% of total wagering in Virginia. As a result, \$3,346,732 has been generated for the Standardbred Breeders' Fund in the past twelve years.

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 |
| 2006 | 1,285,476 | 356,604 |
| 2007 | 1,318,153 | 358,693 |
| Total | \$11,684,697 | \$ 3,346,732 |

**Virginia Racing Commission
Statistical Sheet Colonial Downs Live Meet
Thoroughbred 2007 (40days)**

| DATE | Day | LIVE HANDLE | SIMULCAST HANDLE | Out of State HANDLE | Single Race | Live | | TRACK ATTEND | On TRACK PER CAP |
|--|-----------|------------------|------------------|---------------------|---------------|--------------------|-------------------|---------------|------------------|
| | | | | | | Colonial Downs OTB | TOTAL HANDLE | | |
| 15-Jun-07 | Friday | 151,255 | 55,377 | 784,333 | | 50,053 | 1,041,017 | 2,207 | 93.63 |
| 16-Jun-07 | Saturday | 349,569 | 79,066 | 2,112,079 | | 87,809 | 2,628,522 | 4,905 | 87.39 |
| 17-Jun-07 | Sunday | 138,088 | 45,288 | 664,611 | | 33,513 | 881,500 | 2,529 | 72.51 |
| 18-Jun-07 | Monday | 57,674 | 17,324 | 1,081,485 | | 32,003 | 1,188,486 | 539 | 139.14 |
| 19-Jun-07 | Tuesday | 75,268 | 13,676 | 857,092 | | 25,959 | 971,994 | 960 | 93.62 |
| 22-Jun-07 | Friday | 104,967 | 40,089 | 572,694 | | 38,508 | 756,258 | 1,838 | 78.92 |
| 23-Jun-07 | Saturday | 154,696 | 53,666 | 1,303,304 | | 60,799 | 1,572,465 | 2,377 | 87.66 |
| 24-Jun-07 | Sunday | 100,017 | 41,538 | 818,982 | | 38,743 | 999,280 | 1,674 | 84.56 |
| 25-Jun-07 | Monday | 60,664 | 19,918 | 1,071,846 | | 26,900 | 1,179,328 | 637 | 126.50 |
| 26-Jun-07 | Tuesday | 64,643 | 18,287 | 894,945 | | 26,890 | 1,004,765 | 802 | 103.40 |
| 30-Jun-07 | Saturday | 131,605 | 53,879 | 863,971 | | 53,022 | 1,102,477 | 2,474 | 74.97 |
| 1-Jul-07 | Sunday | 133,210 | 54,021 | 654,439 | | 32,299 | 873,969 | 2,351 | 79.64 |
| 2-Jul-07 | Monday | 60,037 | 24,773 | 988,350 | | 44,132 | 1,114,894 | 557 | 152.26 |
| 3-Jul-07 | Tuesday | 135,110 | 26,623 | 1,307,955 | | 42,062 | 1,513,820 | 4,085 | 39.59 |
| 4-Jul-07 | Wednesday | 201,231 | 33,747 | 641,809 | | 44,132 | 1,041,067 | 1,170 | 107.43 |
| 6-Jul-07 | Friday | 92,533 | 33,160 | 862,760 | | 52,614 | 1,175,797 | 3,383 | 73.16 |
| 7-Jul-07 | Saturday | 191,530 | 55,978 | 881,283 | | 47,006 | 1,175,797 | 1,373 | 91.99 |
| 8-Jul-07 | Sunday | 86,994 | 39,303 | 706,084 | | 38,271 | 870,652 | 447 | 153.36 |
| 9-Jul-07 | Monday | 52,032 | 16,522 | 1,365,286 | | 32,542 | 1,466,382 | 787 | 107.10 |
| 10-Jul-07 | Tuesday | 71,638 | 12,653 | 1,081,694 | | 54,757 | 1,190,865 | 1,831 | 89.99 |
| 13-Jul-07 | Friday | 125,916 | 38,849 | 1,110,738 | | 24,880 | 1,330,260 | 3,721 | 61.29 |
| 14-Jul-07 | Saturday | 161,880 | 66,173 | 1,305,920 | | 57,465 | 1,591,438 | 1,624 | 88.47 |
| 15-Jul-07 | Sunday | 101,750 | 41,932 | 715,129 | | 26,114 | 895,094 | 668 | 117.96 |
| 16-Jul-07 | Monday | 58,745 | 20,050 | 979,207 | | 32,017 | 1,180,971 | 777 | 107.41 |
| 17-Jul-07 | Tuesday | 66,504 | 16,954 | 1,065,496 | | 41,404 | 933,353 | 1,349 | 113.76 |
| 20-Jul-07 | Friday | 101,943 | 51,520 | 738,486 | | 161,500 | 4,537,509 | 8,964 | 84.08 |
| 21-Jul-07 | Saturday | 645,364 | 108,317 | 3,622,328 | | 38,378 | 1,099,657 | 1,564 | 88.53 |
| 22-Jul-07 | Sunday | 106,736 | 31,732 | 922,811 | | 34,591 | 1,370,725 | 723 | 112.35 |
| 23-Jul-07 | Monday | 66,887 | 14,344 | 1,254,903 | | 35,488 | 1,223,026 | 1,008 | 100.68 |
| 24-Jul-07 | Tuesday | 83,864 | 17,618 | 1,086,056 | | 46,146 | 993,276 | 1,412 | 97.35 |
| 27-Jul-07 | Friday | 106,025 | 31,439 | 809,666 | | 54,649 | 1,483,929 | 3,692 | 63.27 |
| 28-Jul-07 | Saturday | 188,184 | 45,427 | 1,195,669 | | 39,125 | 845,182 | 1,483 | 97.05 |
| 29-Jul-07 | Sunday | 102,353 | 41,579 | 662,125 | | 34,597 | 1,257,064 | 550 | 156.64 |
| 30-Jul-07 | Monday | 67,787 | 18,363 | 1,136,317 | | 35,751 | 1,139,922 | 683 | 114.24 |
| 31-Jul-07 | Tuesday | 63,860 | 14,168 | 1,026,143 | | 43,960 | 1,000,918 | 1,912 | 83.00 |
| 3-Aug-07 | Friday | 126,358 | 32,333 | 798,267 | | 70,833 | 1,535,246 | 1,959 | 122.50 |
| 4-Aug-07 | Saturday | 153,610 | 86,372 | 1,224,431 | | 32,683 | 1,004,417 | 1,760 | 97.74 |
| 5-Aug-07 | Sunday | 125,268 | 46,749 | 799,717 | | 27,519 | 1,253,264 | 985 | 107.64 |
| 6-Aug-07 | Monday | 83,428 | 22,600 | 1,119,717 | | 38,928 | 1,255,826 | 1,262 | 120.15 |
| 7-Aug-07 | Tuesday | 132,058 | 19,576 | 1,065,264 | | | | | |
| TOTAL HANDLE | | 5,081,280 | 1,500,982 | 42,153,392 | - | 1,771,926 | 50,507,580 | 79,859 | |
| PERCENT OF TOTAL AVERAGE HANDLE | | 10.1% | 3.0% | 83.5% | 0.0% | 3.5% | 100.0% | 1,996 | 82.42 |
| Average 2006 | | 113,438 | 37,118 | 1,068,976 | - | 38,697 | 1,258,320 | 1,804 | 83.44 |
| Average 2005 | | 124,122 | 48,624 | 912,693 | - | 32,315 | 1,117,755 | 2,028 | 85.17 |
| Average 2004 | | 138,236 | 59,341 | 835,362 | - | 31,928 | 1,064,867 | 2,155 | 91.68 |
| Average 2003 | | 140,305 | 48,960 | 982,945 | - | 30,799 | 1,203,009 | 2,193 | 86.30 |
| Average 2002 | | 140,067 | 51,391 | 968,139 | - | 34,229 | 1,193,826 | 2,202 | 86.95 |
| Average 2001 | | 117,818 | 48,011 | 901,825 | 2,998 | 32,536 | 1,103,188 | 1,940 | 85.48 |
| Average 2000 | | 90,589 | 46,380 | 709,882 | - | 25,766 | 872,617 | 1,247 | 109.81 |
| Average 1999 | | 107,881 | 34,597 | 776,694 | 25,968 | 30,714 | 975,854 | 1,628 | 87.50 |
| Average 1998 | | 141,154 | 28,641 | 649,292 | 32,652 | 29,734 | 881,473 | 2,263 | 75.03 |
| Average 1997 | | 183,594 | 54,254 | 647,075 | 29,384 | 25,093 | 939,400 | 3,620 | 65.71 |

**Virginia Racing Commission
Statistical Sheet Colonial Downs Live Meet
Harness 2007(32 Days)**

| DATE | Day | LIVE HANDLE | SIMULCAST HANDLE | Out of State HANDLE | Single Race | Colonial Downs OTB | TOTAL HANDLE | TRACK ATTEND | On TRACK PER CAP |
|-------------------------|----------|----------------|------------------|---------------------|-------------|--------------------|------------------|---------------|------------------|
| 15-Sep-07 | Saturday | 44,931 | 16,993 | 44,345 | | 14,431 | 120,700 | 4,379 | 14.14 |
| 16-Sep-07 | Sunday | 33,437 | 9,761 | 96,444 | | 43,365 | 183,007 | 1,513 | 28.55 |
| 17-Sep-07 | Monday | 12,660 | 5,544 | 103,556 | | 12,240 | 134,000 | 173 | 105.23 |
| 18-Sep-07 | Tuesday | 14,174 | 5,926 | 136,759 | | 9,476 | 166,335 | 174 | 115.52 |
| 22-Sep-07 | Saturday | 41,958 | 15,933 | 114,690 | | 17,170 | 189,751 | 795 | 72.82 |
| 23-Sep-07 | Sunday | 28,429 | 10,519 | 126,326 | | 10,644 | 175,918 | 388 | 100.38 |
| 24-Sep-07 | Monday | 10,897 | 3,098 | 86,879 | | 10,686 | 111,560 | 110 | 127.23 |
| 25-Sep-07 | Tuesday | 16,429 | 5,988 | 154,620 | | 11,315 | 188,352 | 214 | 104.75 |
| 29-Sep-07 | Saturday | 45,118 | 29,997 | 76,610 | | 15,247 | 166,972 | 1,096 | 68.54 |
| 30-Sep-07 | Sunday | 28,063 | 9,468 | 121,540 | | 13,722 | 172,793 | 417 | 90.00 |
| 1-Oct-07 | Monday | 13,855 | 6,057 | 188,418 | | 17,051 | 225,381 | 163 | 122.16 |
| 2-Oct-07 | Tuesday | 21,117 | 8,584 | 212,561 | | 21,171 | 263,433 | 182 | 163.19 |
| 6-Oct-07 | Saturday | 43,669 | 13,465 | 69,864 | | 21,701 | 148,699 | 801 | 71.33 |
| 7-Oct-07 | Sunday | 30,842 | 9,505 | 93,272 | | 11,284 | 144,903 | 524 | 77.00 |
| 8-Oct-07 | Monday | 14,442 | 6,239 | 70,863 | | 12,272 | 103,816 | 141 | 146.67 |
| 9-Oct-07 | Tuesday | 22,719 | 5,765 | 155,663 | | 14,534 | 198,681 | 210 | 135.64 |
| 13-Oct-07 | Saturday | 60,715 | 13,124 | 74,692 | | 24,470 | 173,001 | 1,255 | 58.84 |
| 14-Oct-07 | Sunday | 27,809 | 10,450 | 86,629 | | 12,091 | 136,979 | 434 | 88.15 |
| 15-Oct-07 | Monday | 17,565 | 5,980 | 114,626 | | 14,810 | 152,981 | 183 | 128.66 |
| 16-Oct-07 | Tuesday | 22,120 | 6,663 | 491,439 | | 14,840 | 535,062 | 236 | 121.96 |
| 20-Oct-07 | Saturday | 50,953 | 17,895 | 98,382 | | 22,326 | 189,556 | 842 | 81.77 |
| 21-Oct-07 | Sunday | 31,294 | 10,858 | 88,129 | | 11,093 | 141,374 | 715 | 58.95 |
| 22-Oct-07 | Monday | 18,500 | 6,949 | 119,078 | | 12,896 | 157,423 | 198 | 128.53 |
| 23-Oct-07 | Tuesday | 24,888 | 8,352 | 129,033 | | 19,062 | 181,335 | 312 | 106.54 |
| 27-Oct-07 | Saturday | 55,597 | 102,933 | 48,662 | | 34,078 | 241,270 | 939 | 168.83 |
| 28-Oct-07 | Sunday | 28,797 | 15,378 | 83,359 | | 11,299 | 138,833 | 399 | 110.71 |
| 29-Oct-07 | Monday | 18,407 | 7,951 | 118,944 | | 12,808 | 188,110 | 195 | 135.17 |
| 30-Oct-07 | Tuesday | 25,565 | 8,510 | 148,107 | | 12,424 | 194,606 | 257 | 132.59 |
| 3-Nov-07 | Saturday | 42,990 | 29,448 | 53,817 | | 24,351 | 150,606 | 1,137 | 63.71 |
| 4-Nov-07 | Sunday | 39,955 | 22,196 | 78,007 | | 9,303 | 149,461 | 719 | 86.44 |
| 5-Nov-07 | Monday | 23,097 | 5,092 | 113,355 | | 13,579 | 155,123 | 266 | 105.97 |
| 6-Nov-07 | Tuesday | 27,905 | 8,321 | 122,619 | | 17,496 | 176,341 | 235 | 154.15 |
| TOTAL HANDLE | | 938,897 | 442,942 | 3,821,288 | - | 523,235 | 5,726,362 | 19,602 | |
| PERCENT OF TOTAL | | 16.4% | 7.7% | 66.7% | 0.0% | 9.1% | 100.0% | | |
| AVERAGE HANDLE | | 29,341 | 13,842 | 119,415 | - | 16,351 | 178,949 | 613 | 70.49 |
| Average 2006 | | 20,498 | 10,728 | 132,986 | - | 18,083 | 182,296 | 312 | 100.25 |
| Average 2005 | | 36,959 | 16,166 | 106,183 | - | 13,393 | 172,701 | 620 | 85.68 |
| Average 2004 | | 40,361 | 19,433 | 106,559 | - | 14,682 | 181,728 | 645 | 92.65 |
| Average 2003 | | 34,585 | 24,306 | 76,407 | - | 15,420 | 148,145 | 580 | 101.50 |
| Average 2002 | | 30,860 | 25,076 | 87,200 | - | 11,734 | 154,869 | 478 | 117.01 |
| Average 2001 | | 30,912 | 20,416 | 99,760 | - | 12,845 | 163,934 | 486 | 105.54 |
| Average 2000 | | 19,270 | 19,180 | 97,269 | - | 11,855 | 147,575 | 258 | 148.76 |
| Average 1999 | | 41,319 | 15,344 | 123,587 | - | 12,926 | 193,176 | 909 | 62.31 |
| Average 1998 | | 56,611 | 20,892 | 89,668 | 5,705 | - | 172,875 | 1,379 | 56.21 |

Note: 1988 data for SWFS was not maintained

TAX REVENUE

Pari-Mutuel Revenue to the Commonwealth

| Fiscal Year | Total Revenue | Surplus to General Fund |
|----------------|---------------------|----------------------------|
| 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 | 2,680,582 | 1,093,966 |
| 2006 | 2,894,004 | 1,202,523 |
| 2007 | 2,957,209 | 826,749 |
| Total | \$26,169,422 | \$6,869,460 |

Pari-Mutuel Revenue to Localities

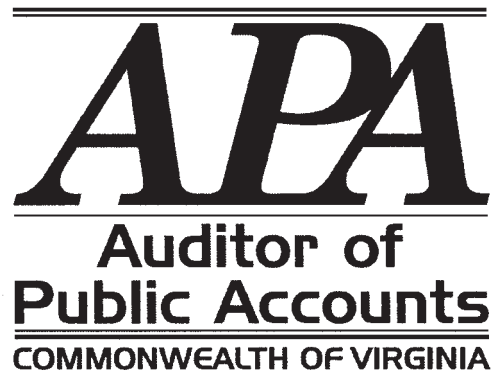
| Year | New Kent | Chesapeake | Henrico | Richmond | Hampton | Brunswick | Vinton | Martinsville | Scott |
|--------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|
| 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 | |
| 2006 | 727,828 | 171,176 | 70,299 | 175,246 | 114,814 | 41,761 | 44,349 | 43,288 | 26,478 |
| 2007 | 743,077 | 172,558 | 79,755 | 165,331 | 110,160 | 45,105 | 46,583 | 51,189 | 29,266 |
| Total | \$6,595,352 | \$1,744,274 | \$1,084,564 | \$1,442,523 | \$1,121,868 | \$500,536 | \$145,409 | \$109,092 | \$ 55,744 |

Total Pari-Mutuel Revenue

| | |
|--------------|---------------------|
| Commonwealth | \$26,169,422 |
| Localities | 12,799,361 |
| Total | \$38,968,783 |

VIRGINIA RACING COMMISSION

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2007**



AUDIT SUMMARY

Our audit of the Virginia Racing Commission for the year ended June 30, 2007, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System; and
- a matter involving internal control and its operation and compliance with applicable laws and regulations that we have communicated to management in the Comments to Management section of this report.

We recommend that the Commission update its information security program to comply with the Commonwealth's standards. The Commission has taken a number of actions to address the issues that we reported in our previous report related to its information security program and has made progress towards complying with the Commonwealth's standards. However, the Commission's security program continues to lack some of the components necessary to comply with the Commonwealth's security standard.

Risk Alert and Efficiency Issue

During the course of our audits, we encounter issues that are beyond the corrective action of management and require the action of either another agency or outside party or a change in the method by which the Commonwealth conducts its operations. We feel that these practices or conditions represent a risk to the Commonwealth.

We review the agreements between smaller agencies, which do not have sufficient resources or staff, and larger agencies, which provide accounting, budgeting, personnel, or information security resources. We have found circumstances where these arrangements are not providing or improving internal controls. In some circumstances, we have found that the arrangement may contribute to actually weakening internal controls. The Secretaries of Administration, Finance, and Technology should work with the Departments of Accounts, General Services, Planning and Budget, and Human Resource Management, and the Virginia Information Technologies Agency to develop and implement an administrative agreement for all back office operations. This agreement should include outside managerial oversight and internal controls for agencies requiring administrative assistance or the Secretaries should establish a back office operation to provide these functions. We discuss this recommendation in greater detail within the section entitled, "Comments to Management". We believe that the Racing Commission would be an ideal candidate for outsourcing the entire administrative function.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

September 30, 2007

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
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, 2007. 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 recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal controls, test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

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 cycles, classes of transactions, and account balances.

Contractual services expenditures
Facility inspection process
Incentive and marketing payments
License and permit fees

Payroll expenditures
Small Purchase Charge Card
Tax and pari-mutuel wagering revenues
TRAC V System

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, contracts, and off-track satellite facility review sheets. We reviewed the Commission's policies and procedures and Board Minutes and appropriate sections of the Code of Virginia and the 2007 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.

We noted a matter involving internal control and its operation and compliance with applicable laws and regulations that requires management's attention and corrective action. This matter is described in the section entitled "Internal Control and Compliance Finding and Recommendation."

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on October 10, 2007. Management's response has been 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.


AUDITOR OF PUBLIC ACCOUNTS

SAH:clj

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 nine satellite facilities operated by Colonial Downs, which are located in Brunswick, Chesapeake (two), Hampton, Martinsville, Richmond (two), Scott, and Vinton. The Commission monitors each of these facilities as a part of its 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. However, the Appropriation Act contains language allowing the Commission to carry forward a portion of its unspent appropriation related to the promotion, marketing, sustenance, and growth of the Virginia horse industry as long as it makes its required transfer to the General Fund. At June 30, 2007, the Commission had a cash balance of \$681,006 in its operating fund related mostly to unspent marketing funds. The Commission transferred the amount required by the Appropriation Act to the General Fund during fiscal year 2007.

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. The incentive program provides purses for races restricted to Virginia bred or sired horses and awards to the owners and breeders of Virginia bred horses that win or earn purse money in races designated by the Commission. During fiscal year 2007, the Commission made payments of \$1,439,797 from the Breeders Fund consisting of \$778,178 in purse money, \$556,619 in incentives to owners and breeders, and \$105,000 in management fees to the Virginia Thoroughbred Association and the Virginia Harness Horse Association. At year-end, the cash balance in the Breeder's Fund was \$968,845. The cash balance does not revert to the General Fund.

Below are the results of the fiscal year 2007 financial operations of the Virginia Racing Commission. The Commission increased its budgeted expenditures in anticipation of additional race days. However, since Colonial Downs did not increase its race days, the Commission spent less than the budgeted amounts for personal services and incentive payments, which are directly related to the number of race days. In addition, there was a change in the timing of the contract payments to the Virginia Thoroughbred Association and the Virginia Harness Horse Association, which contributed to the variance in incentive and marketing payments. These items, coupled with the allowed carry forward for marketing, result in the cash balances in both the Breeders and Operating Funds.

VIRGINIA RACING COMMISSION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN CASH BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2007

| | Actual | | | | Total Variance Positive/ (Negative) |
|---|------------------|------------------|-------------------|------------------|---|
| | Total Budget | Breeders Fund | Operating Fund | Total | |
| Revenues: | | | | | |
| Taxes and pari-mutuel wagering | \$ 4,850,000 | \$ 1,684,063 | \$ 3,124,884 | \$ 4,808,947 | \$ (41,053) |
| License and permit fees | 160,000 | - | 140,890 | 140,890 | (19,110) |
| Fines and assessments | 15,000 | - | 9,700 | 9,700 | (5,300) |
| Interest | 60,000 | 37,601 | 3,830 | 41,431 | (18,569) |
| Total revenues | 5,085,000 | 1,721,664 | 3,279,304 | 5,000,968 | (84,032) |
| Expenditures: | | | | | |
| Personal services | 1,210,209 | - | 960,340 | 960,340 | 249,869 |
| Contractual services | 555,454 | - | 564,510 | 564,510 | (9,056) |
| Supplies and materials | 16,000 | - | 20,590 | 20,590 | (4,590) |
| Incentive and marketing payments | 3,406,900 | 1,439,797 | 466,400 | 1,906,197 | 1,500,703 |
| Continuous charges | 42,650 | - | 80,741 | 80,741 | (38,091) |
| Equipment | 21,239 | - | 869 | 869 | 20,370 |
| Total expenditures | 5,252,452 | 1,439,797 | 2,093,450 | 3,533,247 | 1,719,205 |
| Transfers out: | | | | | |
| General fund | 815,870 | - | 816,049 | 816,049 | (179) |
| Literary fund | 15,000 | - | 9,700 | 9,700 | 5,300 |
| Total transfers | 830,870 | - | 825,749 | 825,749 | 5,121 |
| Revenues over/(under) expenditures and transfers out | (998,322) | 281,867 | 360,105 | 641,972 | 1,640,294 |
| Cash balance at June 30, 2006 | 1,007,879 | 686,978 | 320,901 | 1,007,879 | - |
| Cash balance at June 30, 2007 | \$ 9,557 | \$ 968,845 | \$ 681,006 | \$ 1,649,851 | \$ 1,640,294 |

Source: Commonwealth Accounting and Reporting System



COMMONWEALTH of VIRGINIA

Virginia Racing Commission

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

October 19, 2007

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 your office in this report for the period July 1, 2006-June 30, 2007, and offer the following comments:

1. As stated in your report the Commission's information security program still lacks some of the components necessary to comply with the Commonwealth's security standard. We have been working with VITA and a consultant to develop the policies and procedures to comply with the standards set by VITA. Work is still in progress and we believe all required information and reports will be updated and completed by the end of 2007.
2. The Commission is an agency of seven employees all specialists in the regulation of pari-mutuel racing and wagering in the Commonwealth. The Commission does not have sufficient expertise, resources or staff to handle human resources, payroll administration, processing and paying invoices, internal controls and information technology. As a result, most of those responsibilities are outsourced to several other agencies. The suggestion that a single back office be established to perform those services for small agencies has considerable merit and would result in a better coordinated effort in meeting state guidelines.

Thank you for the opportunity to respond to your report.

Sincerely,

Handwritten signature of Stanley K. Bowker in cursive script.
Stanley K. Bowker
Executive Secretary



left: Summer Doldrums



below: The VA Derby



Credits
Photographs in this report have been
provided courtesy of Colonial Downs
and Track Photographer Jeff Coady



Virginia Racing Commission

10700 Horsemen's Road

New Kent, Virginia 23124

(804) 966-7400 • Fax (804) 966-7418

Web Site: www.vrc.virginia.gov