

AGENDA

KANSAS RACING AND GAMING COMMISSION
10:00 am, Friday, March 12, 2010

AUDITORIUM A
Dwight D. Eisenhower State Office Building
700 SW Harrison, Suite 450
Topeka, Kansas

A. CALL TO ORDER

B. APPROVAL OF THE AGENDA

C. APPROVAL OF MINUTES

1. [Minutes of February 12, 2010](#)

D. CONSENT AGENDA

Items listed on the consent agenda are a variety of different contracts and items which are routine in nature. If requested by a Commissioner, an item on the consent agenda may be removed from the Consent Agenda and placed under Commission Items for further discussion and consideration.

1. Electronic Gaming Machines and Electronic Lottery Facility Games
 - a. [Staff Memo](#)
 - b. [Machines and Games Tested by GLI](#)

E. KANSAS LOTTERY COMMISSION REPORT

F. LOTTERY GAMING FACILITY REPORTS/ITEMS

1. Boot Hill Casino and Resort
 - a. [February 2010 Gaming Revenue Report](#)
2. Hollywood Casino at Kansas Speedway

G. COMMISSION ITEMS

1. Boot Hill Casino and Resort Internal Control Waivers/Amendments

Commission Action: Discussion, consideration and possible action
Staff Presentation: Charles LaBoy, Deputy Director for Audit and Electronic Security
Staff Recommendation: Staff recommends approval

 - a. [Staff Memo](#)
2. Table Based Lottery Facility Games – Three Card Poker

Commission Action: Discussion, consideration and possible action
Staff Presentation: Charles LaBoy, Deputy Director for Audit and Electronic Security
Staff Recommendation: Staff recommends approval

 - a. [Staff Memo](#)
 - b. [Lottery Rules Three Card Poker](#)
 - c. [Review and Mathematical Analysis of Three Card Poker](#)

3. KRGC Compliance Audit of Anthony Downs for 2009
 - Commission Action:* Discussion, consideration and possible action
 - Staff Presentation: David Schultz, Chief Audit Officer
 - Staff Recommendation: Staff Recommends approval
 - a. [Staff Memo](#)
 - b. [Anthony Downs 2009 Engagement Report](#)
 - c. [Anthony Downs Profit and Loss Comparison 2009](#)
 - d. [Anthony Downs Financial Statements 2009](#)
4. Presentation of Annual Report for the years 2007 and 2008
 - Commission Action:* Discussion, consideration and possible action
 - Staff Presentation: Stephen Martino, Executive Director
 - Staff Recommendation: Staff Recommends approval
 - a. [Staff Memo](#)
 - b. [2007 Annual Report](#)
 - c. [2008 Annual Report](#)
5. Semi-annual activity report of inspections and investigations of bingo operations
 - Commission Action:* Discussion
 - Staff Presentation: Stephen Martino, Executive Director
 - Staff Recommendation: Acknowledge receipt of report
 - a. [Staff Memo](#)
 - b. [ABC Activity Report](#)
6. Travel to North American Gaming Regulators Association Conference
 - Commission Action:* Discussion, consideration and possible action
 - Staff Presentation: Stephen Martino, Executive Director
 - Staff Recommendation: Staff recommends approval
 - a. [Staff Memo](#)

H. PUBLIC COMMENTS

I. STAFF REPORTS

1. Executive Director
2. Director of Communications/Responsible Gambling
3. Deputy Director of Administration
 - a. [Commission Calendar](#)

J. EXECUTIVE SESSIONS

1. Attorney-client communication
2. Background reports

K. OTHER BUSINESS/FURTHER COMMISSION ACTION

1. Discussion, consideration and possible action on licenses

a. Level II Gaming Licenses

- i. Deborah Behee
 - ii. Essie Cheatham
 - iii. Brandy Clinton
 - iv. Brenda Davis (tabled from 2/12/2010)
 - v. James Donato
 - vi. Arturo Espinoza
 - vii. David Ferrante
 - viii. Guadalupe Galindo
 - ix. Craig Gates
 - x. Dung Lai
 - xi. Sterling McPhaul
 - xii. Kelcie Miller
 - xiii. Jeffrey Myers
 - xiv. Gregory Nicholson
 - xv. Brandon Olive
 - xvi. Gilbert Ponce
 - xvii. Christina Richardson
 - xviii. Gina Richardson
 - xix. Jean Scali
 - xx. Melissa Schulte
 - xxi. Eric Randle
 - xxii. Jean Saint Louis
 - xxiii. Bonnie Simmons
 - xxiv. Scott Smith
 - xxv. Julie Southard
 - xxvi. Jennifer Tindall
 - xxvii. Samantha Torrez
- b. Level III Gaming Licenses
- i. Claudia Castelli (tabled from 2/12/2010)
 - ii. Brittainy Kaiser
 - iii. Shakari Pendleton
 - iv. Jacquelyn Soltero
 - v. Craig Stewart
 - vi. Guadalupe Zuniga

L. ADJOURNMENT

KANSAS RACING AND GAMING COMMISSION

MINUTES – FEBRUARY 12, 2010

CALL TO ORDER:
(A.)

Chair Sader called the February 12, 2010, meeting to order at 10:04 am at 700 SW Harrison, Auditorium A, Suite 450, Topeka, Kansas. Commissioners Sader, Braun, and Falstad were present at the meeting. Commissioner McKechnie participated by phone. Commissioner Schwan was absent. Others present included Executive Director Stephen Martino; Assistant Attorney General Patrick Martin; Deputy Director of Audit/Electronic Security Charles LaBoy; Deputy Director of Security Don Brownlee; Deputy Director of Administration Don Cawby; Director of Communications/ Responsible Gaming Mike Deines; Recording Secretary Linda Pendarvis and other staff.

MOTION, APPROVE
AGENDA:
(B.)

Commissioner Falstad (McKechnie) moved to approve the agenda as presented. Motion passed unanimously.

MOTION, APPROVE
JANUARY 15, 2010,
MEETING MINUTES:
(C.)

Commissioner Falstad (Braun) moved to approve the minutes of the January 15, 2010, commission meeting as presented. Motion passed unanimously.

MOTION, APPROVE
CONSENT AGENDA:
(D.)

Commissioner Falstad (Braun) moved to approve the consent agenda as follows:

1. Electronic Gaming Machines and Electronic Lottery Facility Games (spreadsheet of machines and games attached)

Motion passed unanimously.

KANSAS LOTTERY
COMMISSION REPORT:
(E.)

The commission heard Keith Kocher, director of gaming facilities for the Kansas Lottery, report on the current status of casinos:

- South Central Zone: Negotiations with Chisholm Creek are 99% complete, and it is anticipated that an amended contract will be returned to the review board. The Lottery Commission meets on Wednesday, February 17, and will either approve the amended contract or seek additional bids.
- The Boot Hill Casino and Resort continues to do well financially.
- Southeast Zone: No applications were received prior to the deadline, so the new deadline is mid-April.

LOTTERY GAMING
FACILITY
REPORTS/ITEMS:
(F.1.)

The commission heard a report from Clark Stewart, president of Butler National Service Corp. d/b/a Boot Hill Casino and Resort.

- Casino is doing well; Butler National continues to become familiar with their market.
- Payments to the KRGC are up-to-date.
- A new hand-held electronic device is being used on a trial basis to test drivers' licenses in an effort to identify and eliminate under-age customers.

DISCUSSION, BOOT HILL CASINO AND RESORT INTERNAL CONTROL WAIVERS/ AMENDMENTS: (G.1.)

The commission heard Mr. LaBoy present five waivers/amendments submitted by the Boot Hill Casino and Resort relating to its internal control plan. Due to the confidential nature of the information, he recommended that they be discussed in executive session.

MOTION, EXECUTIVE SESSION: (G.1.)

Commissioner Braun (Falstad) moved that the commission recess into executive session for a period of 20 minutes, from 10:20 to 10:40 am, for the purpose of receiving confidential data to protect the financial affairs, security, and other trade secrets of the certified manager. Included in the executive session were the commission, Mr. Martino, Mr. Martin, Mr. LaBoy, and other KRGC staff. Motion passed unanimously.

RECONVENE:

The commission meeting reconvened at 10:40 am with all members present as previously noted.

MOTION, APPROVAL OF BOOT HILL CASINO AND RESORT INTERNAL CONTROL WAIVERS/ AMENDMENTS: (G.1.)

Commissioner Falstad (Braun) moved to approve the requests to the Boot Hill Casino internal control plan as follows:

- Approve waivers BH48, BH56, BH57, BH58, and BH59.

Motion passed unanimously.

DISCUSSION, AMENDMENT TO CODE OF CONDUCT'S POST-EMPLOYMENT RESTRICTIONS: (G.2.)

The commission heard Stephen Martino discuss a proposed amendment to the Code of Conduct's post-employment restrictions as follows:

- Reduce the current five-year restriction on working for or having a financial interest in "any licensee, applicant, their affiliates, key personnel or representatives," to one year with a provision to allow for a good cause waiver. This in no way impacts the prohibition on working for a lottery gaming facility manager or racetrack gaming facility manager, which is outlined in legislation and cannot be amended by KRGC.

MOTION, AMENDMENT TO CODE OF CONDUCT'S POST-EMPLOYMENT RESTRICTIONS: (G.2.)

Commissioner Falstad (Braun) moved to amend the Code of Conduct's post-employment restrictions to read as follows:

B.11.a. Commission members, employees or agents shall comply with the post-employment restrictions in K.S.A. 74-8762. Those restrictions generally provide that, for five years immediately subsequent to the termination of the office or employment of the commissioner or employee, the commissioner or employee may not hold an interest in, be employed by or represent, appear for or negotiate on behalf of any person who was then submitting a proposal for a lottery gaming facility or racetrack gaming facility, or on behalf of any lottery gaming facility manager or racetrack gaming facility manager.

B.11.b. In addition to the restrictions in K.S.A. 74-8762, former Commission members, employees or agents shall not for a period of one year after termination of their Commission appointment or employment engage in any employment or contractual relations with, or have any financial interest in, any gaming supplier licensee or its affiliates, key

personnel or representatives.

B.11.c. A Commission member, employee or agent may apply to the Commission in writing for a waiver to section 11.b., and the same may be granted upon a finding of good cause by the Commission.

Motion passed unanimously.

CALL FOR PUBLIC
COMMENTS:
(H.)

Chair Sader called for public comments.

- Shirley Ikerd spoke in support of a casino in Wyandotte County.
- Jerry Johnson, Kansas Thoroughbred Association, inquired as to the status of horse racing in the state.

STAFF REPORT, MARTINO:
(I.1.)

The commission heard a staff report from Mr. Martino:

- Introduced Richard Baldwin, interim executive director of the State Gaming Agency.
- Budget Committee hearings have started and appear to be proceeding well.
- There is a gaming bill in the legislature that staff is monitoring. Hearings have taken place, but the committee has yet to decide whether to work the bill.
- Jay Hall, KRGC counsel, is monitoring legislative issues that might impact the KRGC.
- Mr. Martino and Mr. Martin traveled to Dodge City on February 9 and 10 and, along with Mr. Brownlee, met with Terry Malone, Ford County Attorney.
- Through the end of January the State of Kansas received \$1.126 million from the operation of the Boot Hill Casino and Resort.

STAFF REPORT, CAWBY:
(I.2.)

The commission heard a staff report from Mr. Cawby:

- Conflicts have arisen with some upcoming commission meeting dates. As a result, the meeting originally scheduled for April 16 is being moved to Friday, April 9. The meeting originally scheduled for June 11 will be moved to Thursday, June 3.
- Meeting dates from June through the end of the calendar year will be considered final – the first Friday following the 10th of each month – with the exception of the September meeting, which will be held on September 10 for budget purposes. Meeting dates through the end of 2010 are:
 - March 12
 - April 9
 - May 14
 - June 3
 - July 16
 - August 13
 - September 10
 - October 15
 - November 12
 - December 17

STAFF REPORT, DEINES:
(I.3.)

The commission heard a staff report from Mr. Deines:

- Two people have registered for the voluntary self-exclusion program. Outreach in that area continues.
- 386 calls came in on the helpline in January, the majority of which were “inappropriate,” meaning that the calls were not related to responsible gambling issues. The Responsible Gambling Alliance has formed a work group to look into what can be done to minimize inappropriate calls. Most of the legitimate calls obtained the phone number either from billboards or casinos. Casino slots appear to be the game of choice for the majority of people placing legitimate calls to the helpline. Most of those people were referred to either Gamblers Anonymous or another provider. All of the appropriate calls have come either from counties that either have casinos or are contiguous to counties with casinos.
- The new ksgamblinghelp.com website is averaging just under 200 unique visitors per month with traffic expected to increase as more people learn about the website.
- March 7 begins National Problem Gambling Awareness Week. As part of that, on March 10 the Responsible Gambling Alliance will hold a press conference to make an official announcement of the new website. They will also unveil a new 30-second TV public service announcement.
- KRGC continues to be active in the Dodge City community. Carol Spiker, responsible gambling coordinator, was in Dodge City earlier in the week to conduct training for the school district and the mental health center there. The next round of training is scheduled for late March.

MOTION, EXECUTIVE
SESSION:
(J.1.)

Commissioner Falstad (Braun) moved that the commission adjourn into executive session for 20 minutes from 11:15 until 11:35 am for the purpose of attorney-client communication. Those included in the executive session were the commission, Mr. Martino, Mr. Martin, and Tim Riemann, assistant attorney general with the Kansas Attorney General’s office. No action is to be taken in executive session, and the subjects discussed are to be limited as previously described. A full record of this motion is to be maintained as a part of the permanent record of the Kansas Racing and Gaming Commission. At the conclusion of the executive session, the meeting is to be continued in open session. Motion passed unanimously.

RECONVENE:

The commission meeting reconvened at 11:35 am with all members present as previously noted.

MOTION, EXTEND
EXECUTIVE SESSION:
(J.1.)

Commissioner Falstad (Braun) moved to extend the previous executive session for an additional 15 minutes until 11:50 am. Those included in the executive session were the commission, Mr. Martino, and Mr. Martin. No action is to be taken in executive session, and the subjects

discussed are to be limited as previously described. A full record of this motion is to be maintained as a part of the permanent record of the Kansas Racing and Gaming Commission. At the conclusion of the executive session, the meeting is to be continued in open session. Motion passed unanimously.

RECONVENE:

The commission meeting reconvened at 11:50 am with all members present as previously noted.

MOTION, EXECUTIVE SESSION:
(J.2.)

Commissioner Braun (Falstad) moved that the commission take a 10-minute break followed by a one-hour executive session, from noon until 1 pm, for the purpose of discussing confidential background investigations performed by KRGC agents on Kansas Entertainment LLC. Those included in the executive session were the commission, Mr. Martino, Mr. Martin, Mr. Brownlee, and other KRGC staff. No action is to be taken in executive session, and the subjects discussed are to be limited as previously described. A full record of this motion is to be maintained as a part of the permanent record of the Kansas Racing and Gaming Commission. At the conclusion of the executive session, the meeting is to be continued in open session. Motion passed unanimously.

RECONVENE:

The commission meeting reconvened at 1 pm with all members present as previously noted.

CONSIDERATION AND POSSIBLE ACTION ON KANSAS ENTERTAINMENT LLC BACKGROUND AND CONTRACT:
(K.1.)

Chair Sader introduced Jeff Boerger, president of Kansas Speedway, and Tom Burke, senior vice president of operations for Penn National Gaming, and invited them to address the commission. Mr. Boerger thanked the commission and KRGC staff for their work and expressed excitement about the opening of the Wyandotte County casino and their partner, Penn National Gaming. Mr. Burke echoed Mr. Boerger's thanks to all concerned. Mr. Burke also introduced Morton "Marty" Naumann, vice president of operations for the joint venture. Mr. Boerger introduced Kelly Hale, senior manager of public relations for Kansas Speedway and Latoria Chinn, compliance officer.

MOTION, APPROVE KANSAS ENTERTAINMENT LLC BACKGROUND AND CONTRACT:
(K.1.)

Commissioner Braun (Falstad) moved to approve the character and fitness background investigation for Kansas Entertainment LLC and the contract between the Kansas Lottery Commission and Kansas Entertainment LLC. Motion passed unanimously.

MOTION, EXECUTIVE SESSION:
(K.2.)

Commissioner Falstad (Braun) moved that the commission adjourn into executive session for 20 minutes, from 1:10 until 1:30 pm, for the purpose of discussing confidential background investigations performed by KRGC agents on various applicants. Those included in the executive session were the commission, Mr. Martino, Mr. Martin, and Mr. Brownlee. No action is to be taken in executive session, and the subjects discussed are to be limited as previously described. A full record of this motion is to be maintained as a part of the permanent record of the Kansas Racing and Gaming Commission. At the conclusion of the

executive session, the meeting is to be continued in open session. Motion passed unanimously.

RECONVENE:

The commission meeting reconvened at 1:30 pm with all members present as previously noted.

MOTION, EXTEND EXECUTIVE SESSION: (K.2.)

Commissioner Braun (Falstad) moved to extend the previous executive session for an additional 10 minutes until 1:40 pm. Those included in the executive session were the commission, Mr. Martino, Mr. Martin, and Mr. Brownlee. No action is to be taken in executive session, and the subjects discussed are to be limited as previously described. A full record of this motion is to be maintained as a part of the permanent record of the Kansas Racing and Gaming Commission. At the conclusion of the executive session, the meeting is to be continued in open session. Motion passed unanimously.

RECONVENE:

The commission meeting reconvened at 1:40 pm with all members present as previously noted.

MOTION, APPROVE LICENSES: (K.2.)

Commissioner Braun (Falstad) moved to approve the following licenses:

- a. Level II Gaming Licenses
 - i. Kathleen Koehn
 - ii. Henry Marquina
 - iii. Justin Meissner
 - iv. George Ross
- b. Level III Gaming Licenses
 - i. Edgar Del Real
 - ii. Amy Durr
 - iii. Eddie Fitzgerald
 - iv. Valerie McPhail
 - v. Sylvia Suarez

Motion passed unanimously.

MOTION, TABLE LICENSES: (K.2.)

Commissioner Braun (Falstad) moved to table approval of the following:

- a. Boot Hill Casino employee licenses
 - i. Brenda Davis
 - ii. Claudia Castelli

Motion passed unanimously.

MOTION, DENY LICENSE: (K.2.)

Commissioner Falstad (Braun) moved to deny approval of the following:

- a. Boot Hill Casino employee license
 - i. Brandy Murray

Motion passed unanimously.

MOTION, EXECUTIVE
SESSION:
(J.3.)

Commissioner Falstad (Braun) moved that the commission adjourn into executive session for 15 minutes, from 1:45 until 2 pm, for the purpose of discussing personnel issues. Those included in the executive session were the commission and Mr. Martino. No action is to be taken in executive session, and the subjects discussed are to be limited as previously described. A full record of this motion is to be maintained as a part of the permanent record of the Kansas Racing and Gaming Commission. At the conclusion of the executive session, the meeting is to be continued in open session. Motion passed unanimously.

McKECHNIE EXITS
TELECONFERENCE

Commissioner McKechnie exited the teleconference at 1:45 pm.

RECONVENE:

The commission meeting reconvened at 2 pm with all members present as previously noted with the exception of Commissioner McKechnie.

ADJOURN:

Commissioner Braun (Falstad) moved to adjourn at 2:01 pm. Motion passed unanimously.

SUBMITTED BY:

William Falstad
Secretary

APPROVED BY:

Carol H. Sader
Chair

Kansas Racing and Gaming Commission

STAFF AGENDA MEMORANDUM

DATE OF MEETING: March 12, 2010

AGENDA ITEM: **Approval of Electronic Gaming Machines and Electronic Lottery Facility Games**

PRESENTER: Charles LaBoy, Deputy Director for Audit and Electronic Security

ISSUE SUMMARY: Listed in the consent agenda are 23 electronic gaming machine hardware components and electronic Lottery facility games that have been tested by Gaming Laboratories International and determined to be in accordance with our technical specifications as outlined in K.A.R. 112-110-1 (a). K.S.A. 74-8750 requires KRGC approval of all electronic gaming machines and lottery facility games.

COMMISSION ACTION REQUIRED/REQUESTED: Commission review, discussion and approval.

STAFF RECOMMENDATIONS: Staff recommends approval.

Manufacturer	File Number	ID Number	Version	Game Name
BALLY NORTH	MO-73-BLY-09-20	20545B	CASH METEOR	CASH METEOR
BALLY	MO-73-BAL-09-66	AVGBCUP01700-00	Breeders Cup	Breeders Cup
BALLY	MO-73-BAL-09-73	AVGASTR02600-02	N/A	Asian Treasures
BALLY	MO-73-BAL-09-77	AVGILWN02600-01	N/A	ISLAND WINS
SDS	SY-73-SDS-09-21	CODEDOWNLOAD.EXE	900.01.01	N/A
BALLY	MO-22-BAL-09-18	300337A	N/A	Monte Carlo Rich & Famous
SDS	SY-73-SDS-09-26	G908301B.BIN	300.01.02	N/A
ARISTOCRAT	MO-22-ARI-10-10	HARDWARE	PSA-66-ST2RU	N/A
ARISTOCRAT	MO-22-ARI-10-10	PSA-66-ST2RU	GUR001112	N/A
IGT	MO-22-IGT-10-19	SIGN1114	THE JOKER'S WILD MLP	THE JOKER'S WILD MLP
KONAMI GAMING INC.	MO-07-KON-10-06	PROV103G12	GAME PROGRAM	Pirates Rose
KONAMI GAMING INC.	MO-07-KON-10-06	PROV103G12	GAME PROGRAM	Pirates Rose
KONAMI GAMING INC.	MO-07-KON-10-06	PROV103G12-CF	SOUND/GRAPHICS	Pirates Rose
IGT	MO-31-IGT-09-12	BFRD0011	N/A	WHEEL OF FORTUNE
IGT	MO-209-IGT-09-01	GC014-004DY9-0011	AVP INSTALL	WHEEL OF FORTUNE FIVE TIMES PAY STANDALONE
IGT	MO-209-IGT-09-01	GCON014-004DY9-011	AVP CONTENT PACKAGE	WHEEL OF FORTUNE FIVE TIMES PAY STANDALONE
IGT	MO-209-IGT-09-01	GC014-004DZ3-0011	AVP INSTALL	WHEEL OF FORTUNE DOUBLE 3X4X5X TIMES PAY STANDALONE
IGT	MO-209-IGT-09-01	GCON014-004DZ3-011	AVP CONTENT PACKAGE	WHEEL OF FORTUNE DOUBLE 3X4X5X TIMES PAY STANDALONE
IGT	MO-209-IGT-09-01	GC014-004DZ6-0011	AVP INSTALL	WHEEL OF FORTUNE DOUBLE DIAMOND STANDALONE
IGT	MO-209-IGT-09-01	GCON014-004DZ6-011	AVP CONTENT PACKAGE	WHEEL OF FORTUNE DOUBLE DIAMOND STANDALONE
IGT	MO-209-IGT-09-01	GT014-004-00X01-02	AVP INSTALL	WHEEL OF FORTUNE
IGT	MO-209-IGT-09-01	TYPE014-004-00X01-02	AVP TYPE PACKAGE	WHEEL OF FORTUNE
IGT	MO-22-IGT-10-32	M6028F 2.25 198 2.03	2.25/2.03	MARS BILL VALIDATOR

Lottery Gaming Facility Revenue*
Boot Hill Casino and Resort

	February 2010	YTD 2010	Fiscal YTD 2010
Electronic gaming machines	2,728,218.25	5,397,385.01	7,103,481.27
Table games	<u>385,597.50</u>	<u>848,837.00</u>	<u>1,132,733.50</u>
Total Lottery Gaming Facility Revenue	<u><u>3,113,815.75</u></u>	<u><u>6,246,222.01</u></u>	<u><u>8,236,214.77</u></u>
State Share 22%	685,039.47	1,374,168.84	1,811,967.25
Local Share 3%	93,414.47	187,386.66	247,086.44
Problem Gambling Share 2%	62,276.32	124,924.44	164,724.30
Casino Share 73%	2,273,085.50	4,559,742.07	6,012,436.78

*as reported by the Kansas Lottery's central computer system

Kansas Racing and Gaming Commission

STAFF AGENDA MEMORANDUM

DATE OF MEETING: March 12, 2010

AGENDA ITEM: **Boot Hill Casino and Resort Internal Control Amendments and Related Financial Information.**

PRESENTER: Charles LaBoy, Deputy Director for Audit and Electronic Security

ISSUE SUMMARY: Boot Hill Casino and Resort has submitted their December Income Statement and the following amendments to their internal control plan. Due to the confidential nature of this information staff will discuss these items during the executive session.

Waiver/Amendment #	Regulation/IC Reference	Staff Recommendation
BH60	200.070.03	Denial
BH61	200.090	Approval

COMMISSION ACTION REQUIRED/REQUESTED: Commission review, discussion and action.

STAFF RECOMMENDATIONS: Staff recommendations listed above.

Kansas Racing and Gaming Commission

STAFF AGENDA MEMORANDUM

DATE OF MEETING: March 12, 2010

AGENDA ITEM: **Approval of Table Based Lottery Facility Games**

PRESENTER: Charles LaBoy, Deputy Director for Audit and Electronic Security

ISSUE SUMMARY: In accordance with K.A.R 112-108-4(a)'s requirement that the Commission approve any table game rules before their use at a lottery gaming facility, staff is submitting the rules for Three Card Poker. The rules are a standard set from Shuffle Master, and have been formatted and approved as temporary regulations by the Lottery Commission. The rules have also been analyzed by our independent testing laboratory, with the attached positive results.

COMMISSION ACTION REQUIRED/REQUESTED: Commission review, discussion and approval.

STAFF RECOMMENDATIONS: Staff recommends approval of the rules for Three Card Poker.

KANSAS EXPANDED LOTTERY RULES AND REGULATIONS

Specific Lottery Facility Games at Lottery Gaming Facilities

111-305-1. Name of the game; rules and regulations. The Kansas lottery shall conduct a lottery facility game at the Boot Hill Casino & Resort in Dodge City, Kansas, entitled “Three Card Poker” beginning on or after February 24, 2010.

The rules and regulations for the game of “Three Card Poker” are contained in K.A.R. 111-305-1 through 111-305-6, and applicable generic rules are contained in K.A.R. 111-201-1 *et seq.*

(Authorized by K.S.A. 2009 Supp. 74-8710 and 74-8748; implementing K.S.A. 2009 Supp. 74-8710; effective, T-_____, _____.)

111-305-2. Object of game. Three Card Poker is a game between the dealer and player.

The dealer and player each receive three cards. The best hand wins.

(Authorized by K.S.A. 2009 Supp. 74-8710 and 74-8748; implementing K.S.A. 2009

Supp. 74-8710; effective, T-_____, _____.)

111-305-3. Definitions. The following definitions, when used in the Southwest Kansas Lottery Gaming Zone, when pertaining to the game of "Three Card Poker," shall have the following meanings unless the context clearly indicates otherwise.

(a) "Ante wager" means the wager that a player is required to make prior to any cards being dealt in order to compete against the dealer's hand in a round of play. This is not a required wager to play the game.

(b) "Hand" means the three card poker hand that is held by each player and the dealer after the cards are dealt.

(c) "Pair plus wager" means the wager that a player is required to make prior to any cards being dealt in order to compete against a posted scale of payouts, regardless of the outcome of the player's hand against the dealer. This is not a required wager to play the game.

(d) "Play wager" means an additional wager, equal in value to his or her ante wager, that a player must make if the player opts to remain in competition against the dealer after the player reviews his or her hand.

(e) "Round of play" means one complete cycle of play during which all wagers have been placed, all cards have been dealt and all remaining wagers have been paid off or collected in accordance with the rules of this game.

(f) "Suit" means one of the four categories of cards: club, diamond, heart or spade.

(Authorized by K.S.A. 2009 Supp. 74-8710 and 74-8748; implementing K.S.A. 2009 Supp. 74-8710; effective, T-_____, _____.)

111-304-4. Poker rankings. (a) The rank of the cards used in three card poker, in order of highest to lowest rank, shall be: ace, king, queen, jack, 10, 9, 8, 7, 6, 5, 4, 3, and 2. All suits shall be considered equal in rank. Notwithstanding the foregoing, an ace may be used to complete a "straight flush" or a "straight" with a two and three.

(b) The permissible poker hands in the game of three card poker, in order of highest to lowest rank, shall be:

(1) "Straight flush" is a hand consisting of three cards of the same suit in consecutive ranking, with ace, king, and queen being the highest ranking straight flush and three, two and ace being the lowest ranking straight flush.

(2) "Three-of-a-kind" is a hand consisting of three cards of the same rank, regardless of suit, with three aces being the highest ranking three-of-a-kind and three twos being the lowest ranking three-of-a-kind.

(3) "Straight" is a hand consisting of three cards of consecutive rank, regardless of suit, with ace, king and queen being the highest ranking straight and three, two and ace being the lowest ranking straight.

(4) "Flush" is a hand consisting of three cards of the same suit, regardless of rank.

(5) "Pair" is a hand consisting of two cards of the same rank, regardless of suit, with two aces being the highest ranking pair and two twos being the lowest ranking pair.

(c) When comparing two hands that are of identical poker hand rank pursuant to the provisions of (b) above, or that contain none of the hands authorized in (b) above, the hand that contains the highest ranking card as provided in (a) above that is not contained

in the other hand shall be considered the higher ranking hand. If the hands are of identical rank after the application of this subsection, the hands shall be considered a “draw,” the player does not win or lose the ante wager and play wager and the ante wager and play wager are returned to the player.

(Authorized by K.S.A. 2009 Supp. 74-8710 and 74-8748; implementing K.S.A. 2009 Supp. 74-8710; effective, T-_____, _____.)

111-305-5. Wagers. (a) The following wagers may be placed in the game of three card poker:

(1) A player may compete solely against the dealer by placing an ante wager in an amount within the posted minimum and maximum wagers and then placing a play wager in an equal amount; or

(2) A player may compete solely against a posted payout ledger by placing a pair plus wager, which wager may be in any amount within the posted minimum and maximum wagers; or

(3) A player may compete against both the dealer and the posted scale of payouts by placing wagers in accordance with the requirements of (a)1 and 2 above.

(b) All wagers at three card poker shall be made by placing gaming chips or other authorized bet on the appropriate betting areas of the table layout. A verbal wager accompanied by cash is not permitted.

(c) Only players who are seated at a three card poker table may wager at the game. Once a player has placed a wager and received cards, that player must remain seated until the completion of the round of play or they may forfeit their wager.

(d) All ante wagers and pair plus wagers shall be placed prior to the dealer announcing "No more bets." No wager shall be made, increased, or withdrawn after the dealer has announced "No more bets."

(Authorized by K.S.A. 2009 Supp. 74-8710 and 74-8748; implementing K.S.A. 2009 Supp. 74-8710; effective, T-_____, _____.)

111-305-6. Play. (a) All play wagers shall be placed as provided below:

(1) Play-dealing. The dealer shall announce "No more bets" prior to dealing any cards.

(2) Each player and the dealer are dealt three cards face down.

(b) After the dealing above has been completed, each player shall examine his or her cards. Each player who wagers at three card poker shall be responsible for his or her own hand and no person other than the dealer and the player to whom the cards were dealt may touch the cards of that player.

(c) After examination of his or her cards, each player who has placed an ante wager shall have the option to either make a play wager in an amount equal to the player's ante wager or forfeit the ante wager and end his or her participation in the round of play. The dealer shall offer this option to each player, starting with the player farthest to the left of the dealer and moving clockwise around the table in order. If a player has placed an ante wager and a pair plus wager but does not make a play wager, the player shall forfeit both the ante wager and the pair plus wager. After each player has either placed a wager on the table in the play wager area or forfeited his or her wager and hand, the dealer shall collect all forfeited wagers and associated cards, placing them in the discard rack. The dealer shall then reveal the dealer's cards and place the cards so as to form the highest possible ranking hand.

(d) The dealer shall then settle the wagers remaining on the table by performing the procedure in (e) immediately below. The dealer's cards shall be placed in the discard rack after all players' cards have been collected.

(e) The dealer shall, for each of the following procedures, start with the player farthest to the dealer's right and continue counterclockwise around the table until the procedure has been completed as to all players:

- (1) Reveal the three card hand of each remaining player;
- (2) Collect all losing wagers;
- (3) Pay each winning wager in accordance with the payout odds listed below; and
- (4) Collect all player hands and place them in the discard rack.

(f) All cards collected by the dealer shall be picked up in order and placed in the discard rack in such a way that they can be readily arranged to reconstruct each hand in the event of a question or dispute.

(g) There are three payout types, as follows:

(1) A player in competition against the dealer shall be paid 1 to 1 on both the ante wager and the play wager if the player's hand is ranked higher than the dealer's hand; however, a player's hand must beat the dealer's qualifying hand of a queen or higher ranking card to win both wagers. If the dealer does not hold a hand with a "queen high or better" rank, the ante wager shall automatically be paid 1 to 1 and the play wager shall be returned to the player as a "draw."

(2) A player placing a pair plus wager, shall be paid in accordance with a posted pay table at no less than the following odds:

Pair	1 to 1
Flush	3 to 1
Straight	5 to 1
Three-of-a-kind	25 to 1
Straight flush	35 to 1

(3) A player placing an ante wager and a play wager shall be paid an ante bonus if the player's hand consists of one of the following:

Straight	pays	1 to 1
Three-of-a-kind	pays	4 to 1
Straight flush	pays	5 to 1

If the dealer's hand beats the player's hand, the player loses the ante and the play bets, but the player receives the ante bonus as specified above. The ante bonus is paid even if the player does not wager the pair plus wager.

(Authorized by K.S.A. 2009 Supp. 74-8710 and 74-8748; implementing K.S.A. 2009 Supp. 74-8710; effective, T-_____, _____.)



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December 15, 2009

Mr. Bill Smith
Kansas Racing and Gaming Commission
Eisenhower State Office Building
700 SW Harrison, Suite 500
Topeka, KS 66603-3754

Re: Review and Mathematical Analysis of *Three Card Poker*

Dear Mr. Smith,

As per Shuffle Master's November 18, 2009 request, please find **Gaming Laboratories International, LLC's (GLI)** mathematical analysis of the table game, *Three Card Poker*.

Introduction

This is a math analysis of *Three Card Poker* being submitted for review for use by the Kansas Racing and Gaming Commission's regulated casinos.

Please note this report verifies the mathematical aspects of this game and GLI has found that *Three Card Poker* is in conformance with Kansas Racing Gaming Commision's Game Regulations, Article 108 – Table Games.

Game Description

Three Card Poker is a standard three card poker game that is played using one 52-card deck. Game play begins with the player placing either the Ante bet, the Pair Plus bet, or both. Three cards are then dealt to both the player and the dealer. If the player has placed the Ante bet, he now decides whether to play by placing a Play bet equal to the Ante bet, or fold, thus surrendering the Ante bet. If the Pair Plus bet has been placed, the three card hand is compared against the Pair Plus payable regardless of his decision to play or fold. If the player chooses to play, the dealer's three card hand is revealed. If the player has a hand listed in the Ante

Bonus payable, then he is paid according to the payable. After the Ante Bonus bet is resolved, the head to head game is reconciled. If the dealer does not have a Queen high, the player's Ante bet is paid 1 to 1 and the Play bet is pushed. If the player's hand is of higher rank than the dealer's, the player is paid 1 to 1 on both the Ante Bet and the Play bet. If the player's hand is of lower rank than the dealer's, both the Ante and the Play bet are forfeited. If both hands tie, then the Ante and Play bets are pushed.

Mathematical Analysis

The math analysis for *Three Card Poker* was performed in several stages. For the Pair Plus paytables, combinatorics were used to calculate theoretically the exact probabilities of hitting each of the winning hands listed. These probabilities were then used against the various paytables to determine their appropriate contributions and house edges. A break down for each payable is demonstrated in Table 1.

For the Ante bet analysis, a computer program was developed to calculate exactly all of the possible 407,170,400 ways to draw unique player versus dealer combinations. For each of the unique player hands, the "wins", "loses", "ties", and "dealer does not qualify" hands were recorded. Using an excel spreadsheet, optimal strategy was checked by comparing the expected value of a given hand against the expected value of folding the hand. Each of the final expected values was summed to get the house edge per initial bet. The average bet was calculated based off of the strategies determined in the spreadsheet, and the house edge per total bet was calculated by dividing the house edge per initial bet by the calculated average bet. The paytables and results for the Ante Bonus are demonstrated in Table 2.

All of the different configurations as listed by Shuffle Master are demonstrated in Tables 3 - 6.

Summary

The optimal strategy for the player for *Three Card Poker* is to play any hands that are Queen – Six – Four or better. Following this strategy, the player will expect to see a return of 97.985% when playing Ante Bonus Paytable A, 97.845% when playing Ante Bonus Paytable B, and 97.715% when playing Ante Bonus Paytable C. This will yield house edges of 2.015%, 2.115%, and 2.285%, respectively. The player should never place the Pair Plus bet due to the house edge not being advantageous to the Ante wager.

Table 1. Pair Plus

Win	Hits	Probability	Paytable A	Paytable B	Paytable C	Paytable D
Straight Flush	48	0.002172	40	40	40	40
3 of a Kind	52	0.002353	30	25	30	30
Straight	720	0.032579	6	6	5	6
Flush	1,096	0.049593	4	4	4	3
1 Pair	3,744	0.169412	1	1	1	1
Nothing	16,440	0.743891	-1	-1	-1	-1
Total	22,100	1	2.317%	3.493%	5.575%	7.276%

Table 2. Ante Bonus

Win	Paytable A	Paytable B	Paytable C
Straight Flush	5	5	4
3 of a Kind	4	3	3
Straight	1	1	1
House Edge per Initial Bet	3.373%	3.608%	3.825%
House Edge per Total Bet	2.015%	2.155%	2.285%
Average Bet	1.674	1.674	1.674

Table 3. TCP-01 Through TCP-03

Paytable	TCP-01		TCP-02		TCP-03	
	Ante A	Pair Plus A	Ante A	Pair Plus B	Ante B	Pair Plus A
Straight Flush	5	40	5	40	5	40
3 of a Kind	4	30	4	25	3	30
Straight	1	6	1	6	1	6
Flush		4		4		4
1 Pair		1		1		1
Edge per Total Bet	2.01%	2.32%	2.01%	3.49%	2.16%	2.32%

Table 4. TCP-04 Through TCP-06

Paytable	TCP-04		TCP-05		TCP-06	
	Ante B	Pair Plus B	Ante C	Pair Plus A	Ante C	Pair Plus B
Straight Flush	5	40	4	40	4	40
3 of a Kind	3	25	3	30	3	25
Straight	1	6	1	6	1	6
Flush		4		4		4
1 Pair		1		1		1
Edge per Total Bet	2.16%	3.49%	2.28%	2.32%	2.28%	3.49%

Table 5. TCP-07 Through TCP-09

Paytable	TCP-07		TCP-08		TCP-09	
	Ante A	Pair Plus C	Ante B	Pair Plus C	Ante C	Pair Plus C
Straight Flush	5	40	5	40	4	40
3 of a Kind	4	30	3	30	3	30
Straight	1	5	1	5	1	5
Flush		4		4		4
1 Pair		1		1		1
Edge per Total Bet	2.01%	5.57%	2.16%	5.57%	2.28%	5.57%

Table 6. TCP-10 Through TCP-12

Paytable	TCP-10		TCP-11		TCP-12	
	Ante A	Pair Plus D	Ante B	Pair Plus D	Ante C	Pair Plus D
Straight Flush	5	40	5	40	4	40
3 of a Kind	4	30	3	30	3	30
Straight	1	6	1	6	1	6
Flush		3		3		3
1 Pair		1		1		1
Edge per Total Bet	2.01%	7.28%	2.16%	7.28%	2.28%	7.28%

Mr. Smith
Three Card Poker
December 15, 2009
Page 5

Please refer to the attached Terms and Conditions which apply to the information being provided herein.

Should you have any questions or need any additional information, please feel free to contact our office.

Sincerely,
GAMING LABORATORIES INTERNATIONAL, LLC



Christine M. Gallo
Sr. Director of Technical Compliance & Quality Assurance

Enclosure

c: Bo Zarach, Product Compliance Analyst II

MA-286-SHU-09-01

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Terms and Conditions

This Report is issued solely for the benefit of the Recipient for the specific jurisdiction referenced in this Report, and may not be relied upon for any reason by any person or entity other than the Recipient including, but not necessarily limited to, the manufacturer and/or developer of the items (a "Third Party") which are the subject of this Report, notwithstanding the fact that a copy of the Report may be delivered or otherwise made available to a Third Party.

The certification established by this Report applies exclusively to tests conducted using current and retrospective methods developed by **Gaming Laboratories International, LLC (GLI)** on the specific items submitted by the Manufacturer. It is the responsibility of the manufacturer and/or developer of the items submitted to apply for, obtain and maintain all necessary gaming licensure in each jurisdiction in which they do business, including state and tribal jurisdictions, where applicable. The Electrostatic Discharge Testing performed by GLI is intended only to simulate techniques observed in the field being used to attempt to disrupt the integrity of Electronic Gaming Devices. During the course of testing, GLI checks for marks, symbols or documents indicating that a device has undergone product safety or RoHS compliance testing, if required. GLI also performs a cursory review of information accompanying the items submitted, where possible and when provided, for evidence that the items have undergone compliance testing for Electromagnetic Interference (EMI), Radio Frequency Interference (RFI), Magnetic Interference, Liquid Spills, Power Fluctuations, Electrostatic Immunity, Electro Magnetic Compatibility and Environmental conditions. Compliance with any such regulations related to the aforementioned testing is the sole responsibility of the manufacturer and/or developer of the items submitted; GLI accepts no responsibility, makes no representations and disclaims any liability with respect to all such non-gaming testing. The test methods used, excluded tests, and actual data showing the test results are available to the Recipient upon written request.

GLI warrants to the recipient that all testing services performed by GLI hereunder have been performed with reasonable care and in accordance with applicable laws and will, within a reasonable degree of accuracy, determine compliance with the applicable technical standards set forth by Recipient to which this Report indicates the product has been tested. Recipient acknowledges that under no circumstances shall this Report be construed to imply any endorsement or warranty regarding the functionality, quality, or performance of the subject hardware or software except as provided in the test results applying to technical standards established by Recipient.

In consideration of the Recipient's acceptance of this Report, Recipient's right to collect damages, if any, from any material breach of representations by GLI set forth herein, including all express warranties contained herein, shall be limited to one hundred thousand dollars (\$100,000.00). In the event that Recipient desires GLI to assume greater liability, Recipient may, as a matter of choice, obtain from GLI a higher damage limitation by providing GLI with additional compensation or allowing GLI to receive additional compensation from a Third Party. In such case a

rider shall be attached hereto setting forth such higher damage limit and the terms of the additional amount paid in consideration of the higher damage limitation.

Except as provided above, in no event shall GLI be responsible to Recipient for any damages, whether actual, consequential, incidental, direct, indirect, or special damages, including without limitation damages for lost profits or revenue, business interruption, or punitive damages, even if GLI had been advised of the potential for such damages and whether such damages arise in contract, negligence, tort, under statute, in equity, at law or otherwise. GLI expressly disclaims any liability whatsoever in connection with Third Party rights and remedies and in no event shall GLI assume any liability to any Third Party for any reason under the terms of this agreement. GLI and Recipient acknowledge and agree that the services provided by GLI reflected in this Report could not be rendered by GLI without an increase in cost if GLI was required to provide any warranties in addition to, or lieu of, or was required to assume any liability in excess of the foregoing.

Kansas Racing and Gaming Commission

STAFF AGENDA MEMORANDUM

DATE OF MEETING: March 12, 2010

AGENDA ITEM: **KRGC Compliance Audit of Anthony Downs for 2009**

PRESENTER: David Schultz, Chief Audit Officer

ISSUE SUMMARY: The Anthony Downs 2009 compliance audit was conducted on January 21, 2010, and the financial report is included herein. The Commission may require any fair association or horsemen's nonprofit organization licensee to file a financial audit in accordance with Commission direction (K.A.R. 112-17-11).

COMMISSION ACTION REQUIRED/REQUESTED: Commission discussion, consideration and possible action on Anthony Down's 2009 financial report.

STAFF RECOMMENDATIONS: Staff recommends approval of the Anthony Down's 2009 financial report.

Memo

To: Stephen L. Martino, Executive Director, KRGC
From: Charles LaBoy, Director of Audit & Electronic Security, KRGC
CC:
Date: March 4, 2010
Re: Anthony 2009 Financial Report

Commission staff has completed a compliance audit of the accompanying Balance Sheet of the Anthony Fair Association as of October 31, 2009, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the association's management. Our objective was to determine whether the underlying financial activity at Anthony Downs was in compliance with the Kansas Racing and Gaming Commission's rules and regulations.

Our audit consisted of inquiries of Association personnel and analytical procedures applied to financial data and transactions. This compliance audit is substantially less in scope than an audit of financial statements in accordance with Statement on Auditing Standards as promulgated by the auditing standards board of the AICPA. During the compliance audit, nothing came to our attention that indicated any non-compliance with Kansas Racing and Gaming rules and regulations during the period under audit. The Commission staff did not request the Association to restate their compiled financial statements, but has informed the Association that the Commission's order granting the 2009 Conditional License stated that profit resulting from the operation of the horse meet shall be used to retire Anthony Downs current debt, enhance purses or be used to refund entry fees on a prorated basis. Our analysis indicated a profit, solely from the horse meet, of \$51,061. Since there was no debt to retire and the purses at the 2009 meet were not enhanced by this amount, the Commission staff believes that a liability of \$51,061 existed at October 31, 2009, and, in accordance with Order #1, Anthony Downs shall use this amount to retire current debt, enhance purses or be used to refund entry fees on a prorated basis.

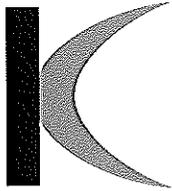
Included is a report titled Anthony Downs 2009 Profit and Loss Comparison. Since the association did not present comparative financial statements this report allows for comparison to the prior year and to their budget. Additionally, this report lists October 31, 2009 income and expenses in much greater detail than provided on the Income Statement provided by the Anthony Fair Association.

Also included is a report titled Anthony Downs 2009 Expense Analysis prepared on the cash basis. The objective of this report was to determine the allocation of the operations of Anthony Downs between expenses that were allowed to be charged against the KRGC grant and expenditures that were not. As detailed in the provided report, revenues related to the horse meet, which revenues included the KRGC grant, exceeded expenses attributable to the meet by \$51,061. Additionally, this report separated those expenses that were attributable to the pari-mutuel activity at Anthony Downs from non pari-mutuel related expenditures. This analysis concluded that the pari-mutuel activity at Anthony Downs resulted in a net income of \$ 80,343. The use of the Anthony Downs facility during periods outside of the horse meet resulted in net income of \$505.

Kansas Racing and Gaming Commission
Anthony Downs 2009 Expense Analysis-Cash Basis

	Expenses Allowable Under Grant	Other Pari-mutuel Related Activity	Total Pari-Mutuel Related Activity	Non Pari-Mutuel Related Activity	Total
Revenue					
Added money	\$ -	\$ 22,238	\$ 22,238	\$ -	\$ 22,238
Advertising in programs	-	2,975	2,975	-	2,975
Caps and t-shirt sales	-	5,617	5,617	-	5,617
Concessions	-	43,726	43,726	-	43,726
Dance	-	1,195	1,195	-	1,195
Donations	-	-	-	-	-
Entry fees	198,100	-	198,100	-	198,100
Gate receipts	-	15,439	15,439	-	15,439
Interest	-	-	-	75	75
Kansas City Barbeque Society	-	7,095	7,095	-	7,095
Miscellaneous	-	1,913	1,913	-	1,913
Programs	-	7,012	7,012	-	7,012
Race sponsorships	-	13,350	13,350	-	13,350
Share of handle	-	40,031	40,031	-	40,031
Simulcast pool grant	562,121	-	562,121	-	562,121
Site lease income	-	-	-	2,400	2,400
Stable rent	-	-	-	2,514	2,514
Total Revenue	<u>760,221</u>	<u>160,591</u>	<u>920,812</u>	<u>4,989</u>	<u>925,801</u>
Expenses					
Advertising and promotions	-	2,708	2,708	-	2,708
Concession supplies	-	19,718	19,718	-	19,718
Contract Labor	60,565	12,405	72,970	-	72,970
Contributions	-	-	-	-	-
Cost of entertainment	-	1,000	1,000	-	1,000
Cost of caps and t-shirts	-	2,583	2,583	-	2,583
Depreciation	-	5,570	5,570	-	5,570
Dues and subscriptions	-	0	-	75	75
Gas/fuel/oil	462	-	462	-	462
Insurance	18,634	3,817	22,450	-	22,450
Interest	-	-	-	-	-
Kansas City Barbeque Society	-	7,222	7,222	-	7,222
Legal and accounting	-	-	-	-	-
Meals and entertainment	-	817	817	-	817
Miscellaneous rentals	3,642	-	3,642	-	3,642
Office expense	894	-	894	-	894
Other miscellaneous expenses	-	1,007	1,007	-	1,007
Other taxes and licenses	-	4,172	4,172	-	4,172
Payroll taxes	1,659	-	1,659	-	1,659
Race purses	590,145	55,432	645,577	-	645,577
Repairs	5,667	-	5,667	945	6,612
Salaries	20,514	1,170	21,684	-	21,684
State fees - commission	-	6,000	6,000	-	6,000
Supplies	3,255	6,328	9,583	-	9,583
Telephone	1,050	-	1,050	-	1,050
Travel and entertainment	-	1,361	1,361	-	1,361
Utilities	2,673	-	2,673	3,464	6,137
Total expenses	<u>709,160</u>	<u>131,309</u>	<u>840,469</u>	<u>4,484</u>	<u>844,953</u>
Net Income (Loss)	<u>\$ 51,061</u>	<u>\$ 29,282</u>	<u>\$ 80,343</u>	<u>\$ 505</u>	<u>\$ 80,848</u>

ANTHONY FAIR ASSOCIATION
FINANCIAL STATEMENTS
Year Ended October 31, 2009



KENNEDY AND COE, LLC

To the Board of Directors
Anthony Fair Association
Anthony, Kansas

REPORT OF ACCOUNTANTS

We have compiled the accompanying balance sheet of **Anthony Fair Association** as of October 31, 2009, and the related statements of income, changes in equity and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

We are not independent with respect to the **Anthony Fair Association**.

Respectfully submitted,

Kennedy and Coe, LLC

Anthony, Kansas
November 12, 2009

ANTHONY FAIR ASSOCIATION
Anthony , Kansas

BALANCE SHEET
October 31, 2009

ASSETS

Current Assets	
Cash	\$ 98,068
Property, Plant and Equipment, at Cost	
Land	7,320
Buildings	243,890
Equipment and improvements	86,322
	<u>337,532</u>
Less accumulated Depreciation	(253,915)
Total Property, Plant and Equipment	<u>83,617</u>
Total	<u>\$ 181,685</u>

LIABILITIES

Current Liabilities	
Horsemen accounts payable	\$ 1,700
Stockholders' Equity	
Common stock, \$10 par, issued and outstanding 680 shares	6,775
Retained earnings	173,210
Total Stockholders' Equity	<u>179,985</u>
Total	<u>\$ 181,685</u>

ANTHONY FAIR ASSOCIATION
Anthony , Kansas

INCOME STATEMENT
Year Ended October 31, 2009

Income		
State of Kansas	\$	584,359
Concessions		43,726
Mutuels and breaks		40,031
Gate receipts		16,634
Race sponsors		13,350
Start fees		198,100
Program sales		7,012
Miscellaneous		22,514
Total Income		<u>925,726</u>
Expense		
Purse expense		645,577
Contract labor		72,970
Insurance		22,450
Wages		21,684
Advertising		2,708
Concession expense		19,718
Depreciation		5,570
Repairs		6,612
Rent		3,642
Utilities		6,792
Taxes and licenses		4,172
Supplies		9,583
Payroll taxes		1,659
Miscellaneous		21,421
Total Expense		<u>844,558</u>
Other Income (Expense)		
Dividend income		14
Interest income		61
Total Other Income		<u>75</u>
Net Income/(Loss)	\$	<u>81,243</u>

See Accountants' Compilation Report
The accompanying notes are an integral part of these financial statements.

ANTHONY FAIR ASSOCIATION
Anthony, Kansas

STATEMENT OF CHANGES IN EQUITY
Year Ended October 31, 2009

	Common Stock	Retained Earnings	Totals
Balance, October 31, 2008	\$ 6,775	\$ 91,967	\$ 98,742
Add: Net income/(Loss)	-	81,243	81,243
Balance October 31, 2009	<u>\$ 6,775</u>	<u>\$ 173,210</u>	<u>\$ 179,985</u>

See Accountants' Compilation Report
The accompanying notes are an integral part of these financial statements.

ANTHONY FAIR ASSOCIATION
Anthony , Kansas

STATEMENT OF CASH FLOWS
Increase (Decrease) in Cash
Year Ended October 31, 2009

Cash Flows from Operating Activities	
Net income/(loss)	\$ 81,243
Adjustments to reconcile net income to net cash provided by (used in) operating activities	
Depreciation and amortization	5,570
Increase (Decrease) in Liabilities:	
Accounts payable	1,305
Total Adjustments	6,875
Net Cash Provided By (Used In) Operating Activities	88,118
Cash at Beginning of Year	9,950
Cash at End of Year	\$ 98,068

See Accountants' Compilation Report
The accompanying notes are an integral part of these financial statements.

ANTHONY FAIR ASSOCIATION
Anthony, Kansas

NOTES TO FINANCIAL STATEMENTS
October 31, 2009

1. Summary of Significant Accounting Policies

- a. **Nature of Operations:** The Anthony Fair Association is a not-for-profit corporation established for community fair activities. The last several years it has engaged in horse and dog pari-mutuel racing.
- b. **Basis of Accounting:** The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Using this method, revenues are recognized when earned and expenses are recognized when incurred.
- c. **Tax Exempt Status:** The Anthony Fair Association is incorporated as a not-for-profit corporation under the statutes of the State of Kansas and is exempt from Federal income taxes under section 501(c) (5) of the Internal Revenue Code. Engaging in pari-mutuel horse and dog racing is not a tax exempt activity for the Anthony Fair Association.
- d. **Use of Estimates:** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.
- e. **Cash Equivalents:** For purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.
- f. **Inventories:** Inventories are valued at lower of cost or market. Cost is determined by the first in-first out (FIFO) method.
- g. **Depreciation:** Depreciation of property, plant, and equipment is computed using the straight-line method over the estimated useful lives. Accelerated methods and lives are used for tax purposes.

2. Line of Credit

The Association had available during the fiscal year an agreement with Kanza Bank for an \$80,000 line of credit. The agreement matured on August 31, 2009; therefore no balance existed on October 31, 2009.

3. Restricted Funds

Under the rules of the State of Kansas pari-mutuel horse and dog racing certain cash funds have restricted use. The Anthony Fair Association has no cash account that has restricted use for next years' racing.

Kansas Racing and Gaming Commission

STAFF AGENDA MEMORANDUM

DATE OF MEETING: March 12, 2010

AGENDA ITEM: **Presentation of Annual Report for the years 2007 and 2008.**

PRESENTER: Stephen Martino, Executive Director

ISSUE SUMMARY: Commission staff has developed Annual Reports for the calendar years 2007 and 2008.

COMMISSION ACTION REQUIRED/REQUESTED: Commission review and approval.

STAFF RECOMMENDATIONS: Staff recommends approval.



KANSAS
RACING AND GAMING COMMISSION

2007 Annual Report

KRGC OPERATIONS

The Kansas Racing and Gaming Commission is comprised of seven operational units (Divisions) that allow for the regulation of racing and gaming in the State of Kansas.

Administration Division
 Division of Animal Health
 Division of Audit & Electronic Security
 Division of Communications & Responsible Gaming
 Legal Division
 Licensing Division
 Racing Division
 Security Division

Administration

The Administration Division provides support services for the entire agency. These services include accounting, purchasing, budgeting, human resources, information technology, and records management. The Division is also responsible for managing space and facilities, travel coordination, legislative tracking and fiscal note responses, and producing formal reports and other correspondence for the agency.

Audit & Electronic Security

The Audit and Electronic Security Division is comprised of two sub-units, the audit unit and electronic security unit, each containing their own unique duties and functions. However, both work to accomplish the goals of ensuring that the parimutuel and expanded gaming industries are held to the highest accounting and internal control standards and that the electronic systems used in those industries are accurate, secure and reliable.

The Division is comprised of experts in their fields such as certified public accountants and certified information system security professionals who work diligently to ensure the commission has the best information available to make appropriate regulatory decisions. Services provided by the department include financial and compliance audits, certification of electronic gaming devices, information system security audits and consultation to the commission and the parimutuel and gaming industries in Kansas.

Communications & Responsible Gaming

The Division of Communications and Responsible Gaming handles a multitude of duties for the Commission. Its primary role in communications is to manage media calls and requests, draft and distribute news releases for the commission and handle any other media event for the agency. The Division is responsible for the development and upkeep of the agency website.

In the area of responsible gaming, the Division is responsible for both the creation and the daily operation of the state's voluntary exclusion program. This includes coordination with other entities to develop assessment criteria and responsible gaming education classes. The Division will also spearhead the newly formed Kansas Responsible Gaming Alliance by working with other state agencies and stakeholders to provide a comprehensive and cohesive approach to problem and responsible gaming.

Legal

The KRGC is statutorily assigned two assistant attorney generals "to assist it in all matters." From a legal perspective, the KRGC's work can generally be divided into three areas: administrative, criminal and civil. Administratively, the KRGC's attorneys research and prepare parimutuel and gaming regulations and also prosecute violations of those regulations in administrative hearings.

Because the KRGC is also a law enforcement agency, the KRGC's attorneys assist in criminal matters. Specifically, attorneys coordinate the KRGC's response to complaints and information related to illegal gaming issues and act as counsel for the agency's enforcement agents when necessary.

On civil issues, the KRGC's attorneys assume both litigation and transactional roles – that is, the attorneys prepare contracts and represent the agency in law suits. The attorneys also act as in-house counsel providing research, analysis and communication necessary to either represent the agency or resolve any legal issues it has.

Licensing

The Licensing Division ensures the integrity of racing and wagering in Kansas and the qualifications of employees at a facility by identifying, licensing and fingerprinting all persons acquiring a license. Facility employees, owners of the racing animals, and industry personnel participating in racing are required to obtain an occupation license and undergo a background check before working for or racing animals at a facility. In addition, licenses are granted to facility owners, facility managers, non-profit organizations, concessionaires, and racing and wagering equipment and services. Officers, directors and owners of these entities and commission designated employees of the facility are subject to background investigations before a license is granted by the commission.

In 2007, occupation licenses were issued at the Woodlands, Wichita Greyhound Park and the county fairs. Licensees were able to participate in the fingerprint reciprocity program in lieu of submitting fingerprint cards in which the commission reciprocated with 12 different racing jurisdictions. Reciprocity records are verified with the specific jurisdiction to complete a background check on the licensee.

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Licenses			
Occupational	3,339	3,270	2,682
Entity	368	360	326
Concessionaire	46	36	33
Fingerprinting			
Sets of Fingerprints Submitted	560	481	589
Reciprocating Jurisdictions	13	13	12

Facility and organization licensee payrolls are also checked monthly to ensure employees are properly licensed and racing proofs are checked to verify kennel owners, horse and greyhound owners, trainers, jockeys, and ownership entities are properly licensed and registered prior to racing. Ownership entities required to be registered include stable names, kennel names, corporations, partnerships, syndicates and other entities that own racing animals participating in racing in Kansas.

The commission also requires a license for concessionaires wishing to sell goods or services at a racetrack facility. Some of these goods and services include food and beverage concessions, animal feed, horse and greyhound supplies, horse walkers, veterinarians, horse shoes, video tapes and winning photographs. There are also 1-3 day Special Class Concession licenses for special events such as craft shows, train shows, or other specialty events.

Racing and Wagering Equipment and Services licenses are required for entities providing integral racing equipment and services to a facility or organization licensee. These services can include tote services, photo finish equipment, video replay equipment, starting gates, greyhound lure equipment and communication equipment to simulcast races.

Animal Health

The Kansas Parimutuel Racing Act provides that the commission appoint an animal health officer and assistants to advise the commission in matters of veterinary medicine and to serve and protect the health and well being of the racing animals. The animal health officer serves on the commission staff in Topeka, and two assistants serve at each racetrack.

The animal health officers are responsible for conducting veterinary services for racing animals. This includes physical examinations prior to racing and observation for lameness, illness, or any other condition which would prevent the animal from racing to its potential. They are also responsible for treating emergencies of a veterinary nature encountered during the running of the race. In consultation with the racing judges or stewards, the animal health officers help determine which animals may be scratched from racing due to injury, disease, or disability.

Racing animals are subject to drug testing to deter the use of drugs to influence the outcome of a race. The animal health officer at each track is charged with obtaining blood and/or urine samples to be submitted to the official testing laboratory. A concerted effort is made to obtain the desired specimens from the animals and deliver them to the laboratory under strict chain of custody procedures so that a given specimen is unadulterated and from the identified animal.

Through most of 2005, the racing chemistry was performed by Truesdail Laboratories in Tustin, California. Beginning in 2006, the racing chemistry was performed under a new contract by Center for Tox Services in Tempe, Arizona. The results of the testing programs are as follows:

Test	2005		2006		2007	
	<u>Equine</u>	<u>Greyhound</u>	<u>Equine</u>	<u>Greyhound</u>	<u>Equine</u>	<u>Greyhound</u>
Urine	985	8,884	891	5,702		
Blood	<u>1,016</u>	-	<u>931</u>	-		
Total	2,001	8,884	1,822	5,702	-	-
Tested Positive	16	11	16	5		
Percent Positive	0.80%	0.12%	0.88%	0.09%		

Racing

Parimutuel wagering and racing activities at each racetrack are under the general authority and supervision of the Commission's appointed greyhound racing judges and horse racing stewards. The judges/stewards may interpret the regulations and order appropriate action to ensure a fair race and to protect the best interests of racing. The stewards and judges perform the following:

- conduct administrative hearings;
- levy penalties on licensees;
- observe each race to ensure races are conducted in accordance with the regulations;
- determine the official winner and respective positions;
- maintain a detailed written account of each question, dispute, protest, complaint and objection;
- excuse any racing animal that is unfit or ineligible to run; and
- submit and file a written report for each performance to the commission office.

Security

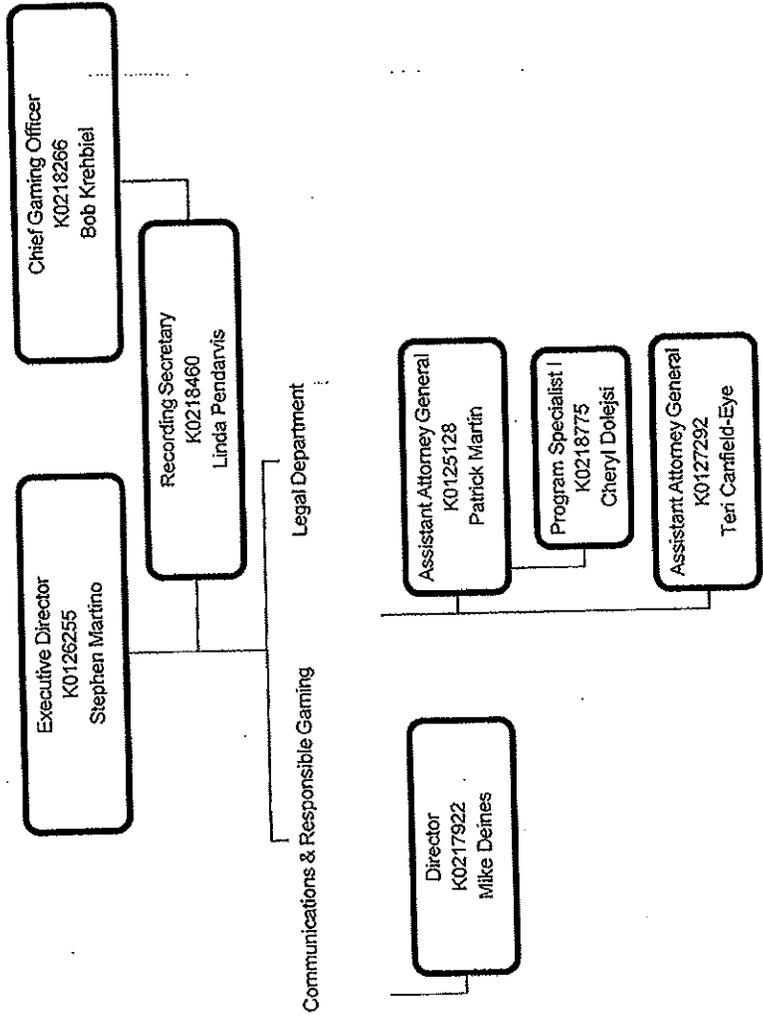
Security personnel are vested with the power and authority of law enforcement officers in the execution of the duties vested in the Commission by provisions of the Parimutuel Racing Act and the Expanded Lottery Act. The division's goals are:

- to ensure the integrity of racing and gaming in Kansas
- to ensure racing and gaming sites are a safe entertainment venue for patrons and employees
- to be proactive and responsive to racing and gaming laws and regulations
- to protect the interests of the public and the State as they relate to racing and gaming

Security personnel work towards these goals by monitoring activities in the racing and gaming properties, and investigating criminal and regulatory violations of the acts. They serve as the on-site regulatory staff for the Kansas Racing and Gaming Commission (KRGCC) to ensure operations comply with Kansas law and Commission regulations.

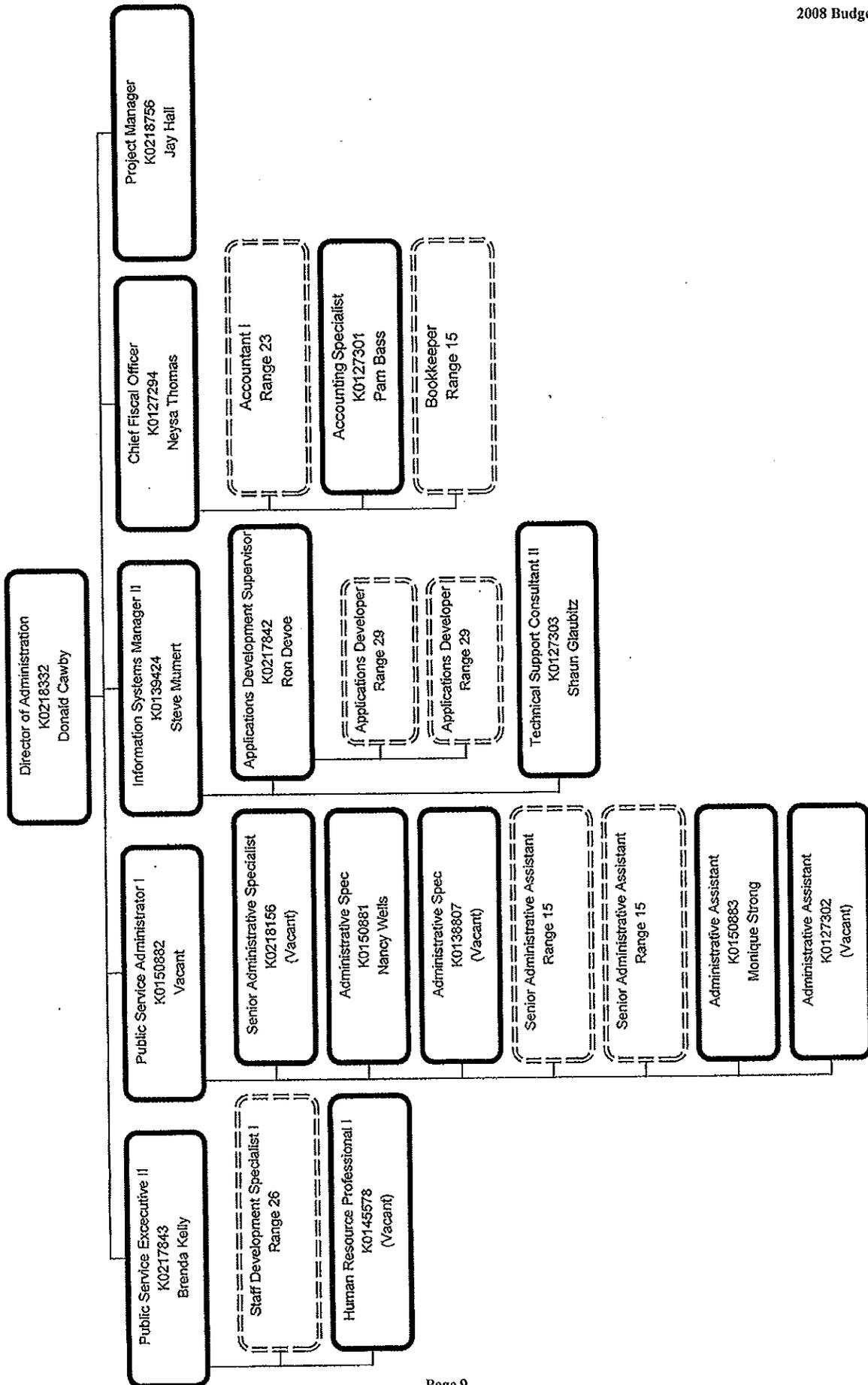
Security personnel also conduct background investigations of KRGCC employees, management companies, racing and gaming facility employees, and vendors. Backgrounds are conducted to protect the public interest by maintaining a legitimate and viable gaming industry assuring honesty, good character and integrity of racing and gaming facility operators, employees, and vendors.

Executive Division



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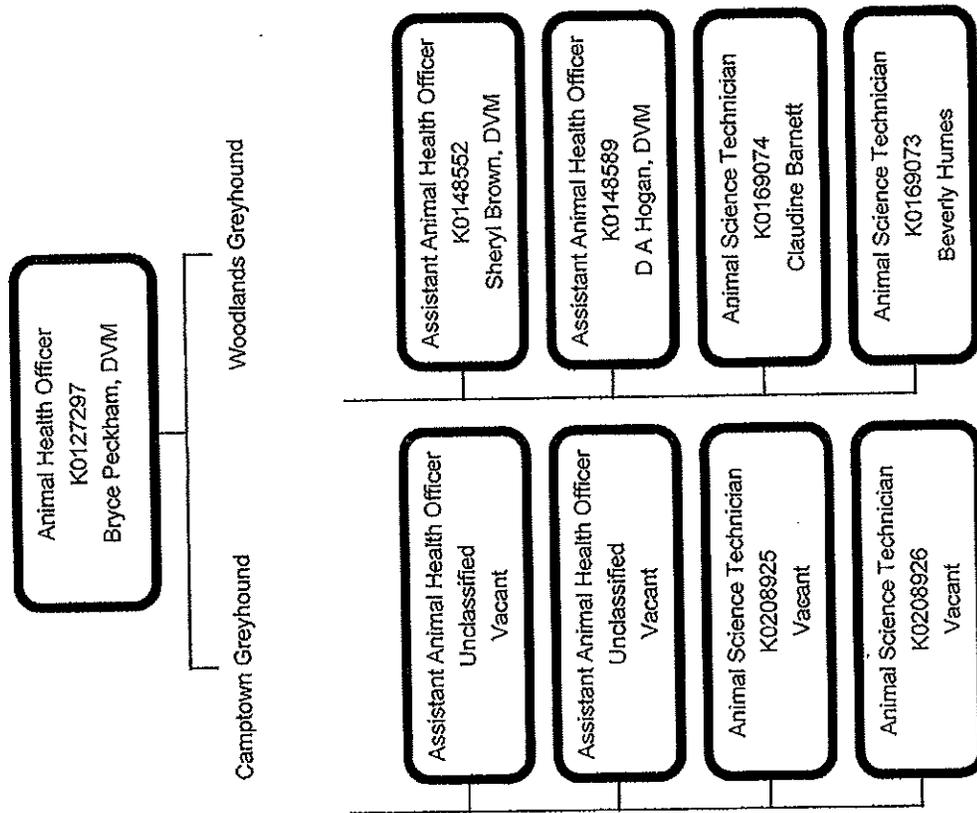
Administration Department



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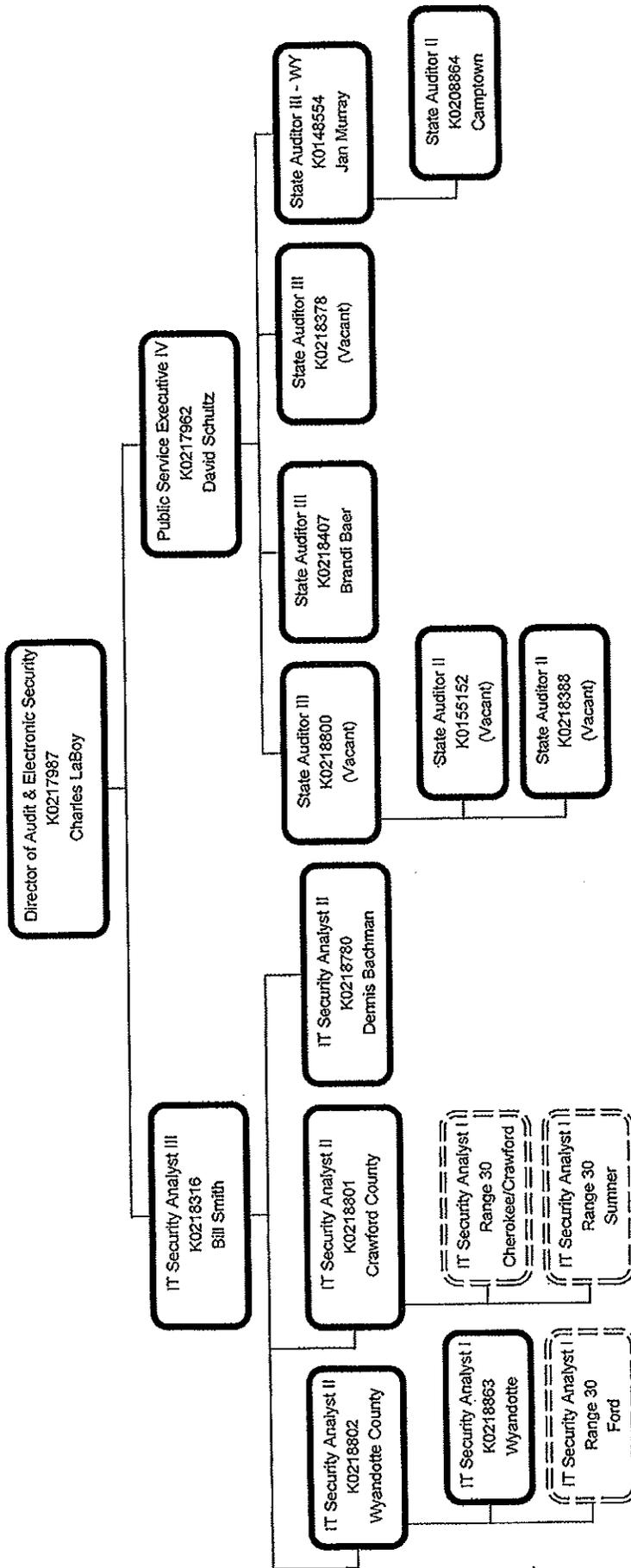
Current FTE
 Proposed FTE

Animal Health Department



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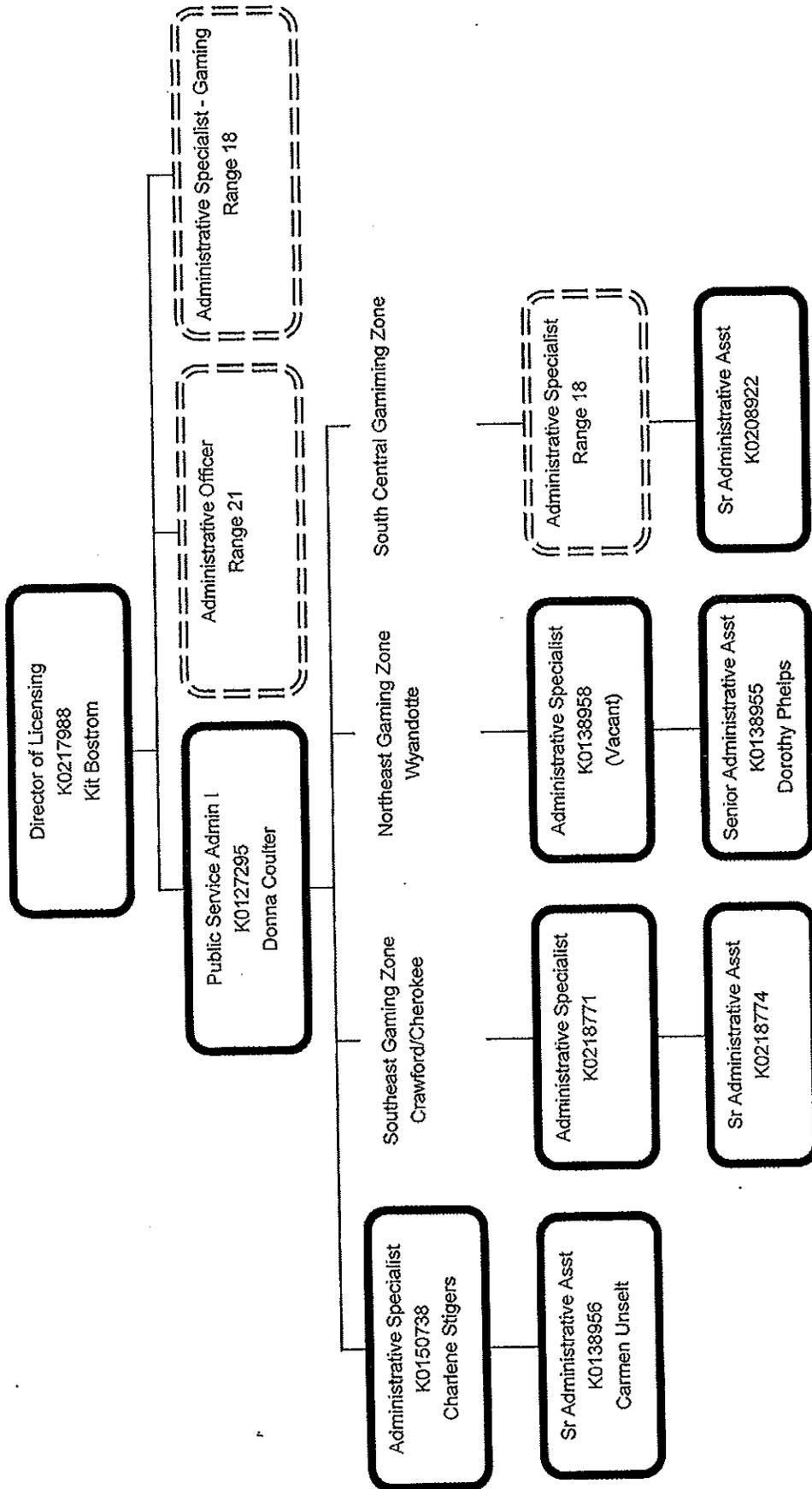
Audit and Electronic Security



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Current FTE
 Future FTE

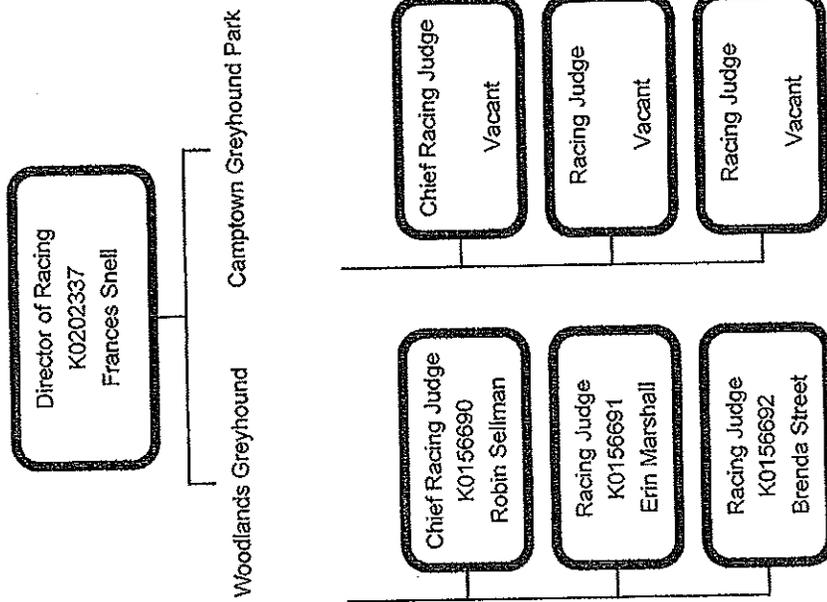
Licensing Department



Current FTE
 Proposed FTE

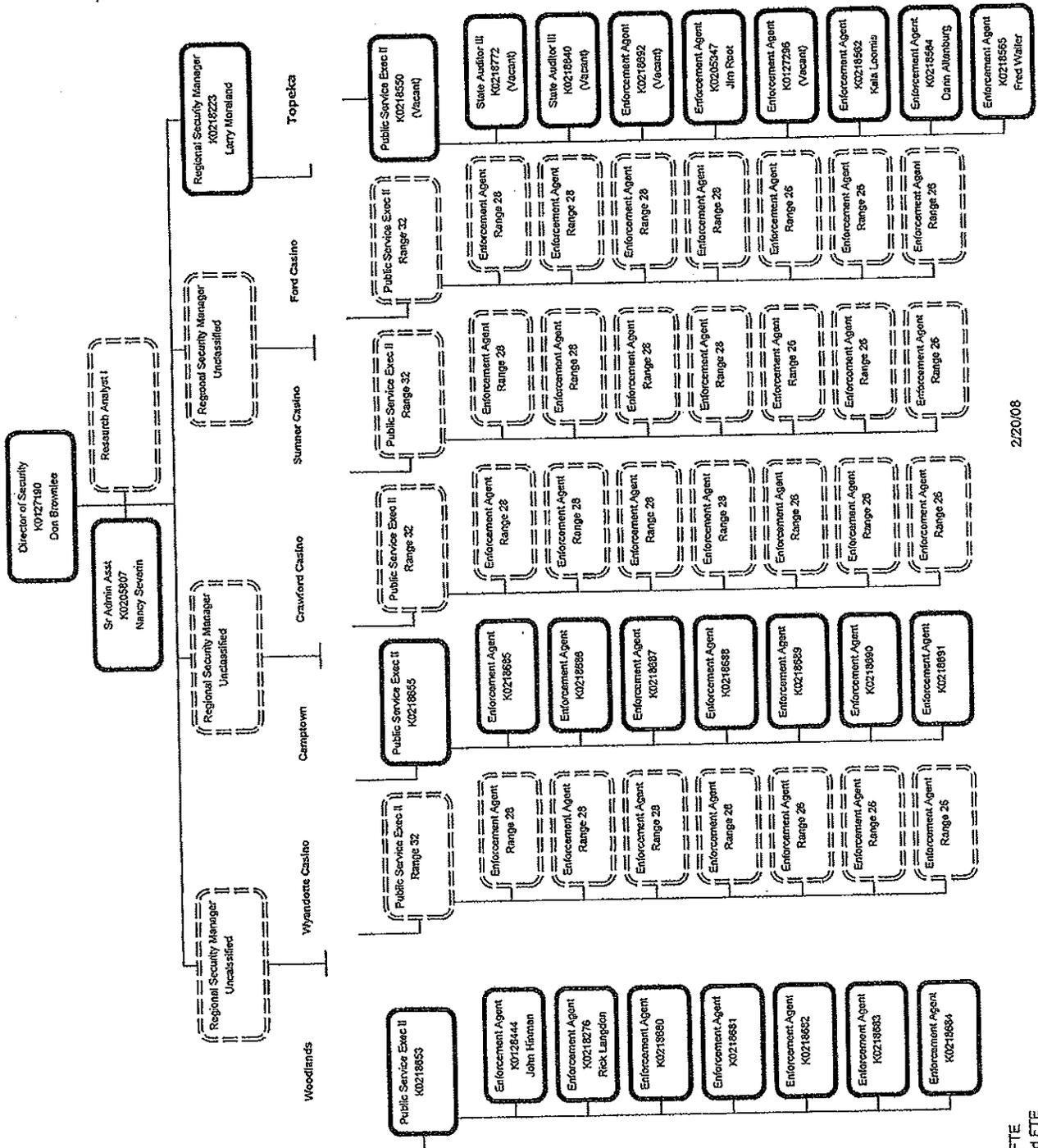
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Racing Department



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Security Department



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Current FTE
 Proposed FTE

Racing Statistics



Kansas Racing and Gaming Commission
Track Statistics
 Calendar Years 2006-2007

	Woodlands Kansas City, KS		Wichita Greyhound Park Valley Center, KS		Camptown Frontenac, KS
	2006	2007	2006	2007	n/a
Handle					
Live					
Horse	\$ 1,518,298	\$ 1,253,968	\$ -	\$ -	\$ -
Greyhound	10,052,098	9,038,064	4,922,320	3,117,065	-
Total live handle	<u>11,570,396</u>	<u>10,292,032</u>	<u>4,922,320</u>	<u>3,117,065</u>	<u>-</u>
Simulcast					
Horse	29,955,935	27,820,588	11,002,998	8,065,630	-
Greyhound	10,974,696	9,725,703	10,810,174	8,662,995	-
Total simulcast handle	<u>40,930,631</u>	<u>37,546,292</u>	<u>21,813,173</u>	<u>16,728,625</u>	<u>-</u>
Total handle	<u>\$ 52,501,027</u>	<u>\$ 47,838,324</u>	<u>\$ 26,735,493</u>	<u>\$ 19,845,690</u>	<u>\$ -</u>
Outbound Simulcast Handle					
Live Horse	\$ 6,463,763	\$ 5,042,626	-	-	-
Live Greyhound	5,528,121	8,469,095	-	-	-
Total Outbound Simulcast	<u>\$ 11,991,884</u>	<u>\$ 13,511,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Purses					
Live					
Horse	\$ 107,746	\$ 88,803	\$ -	\$ -	\$ -
Greyhound	495,630	445,930	262,086	165,360	-
Total live purses	<u>603,376</u>	<u>534,733</u>	<u>262,086</u>	<u>165,360</u>	<u>-</u>
Simulcast					
Horse	1,280,673	1,181,301	159,867	117,215	-
Greyhound	1,095,985	999,260	1,108,101	855,189	-
Total simulcast purses	<u>2,376,659</u>	<u>2,180,562</u>	<u>1,267,968</u>	<u>972,404</u>	<u>-</u>
Total purses	<u>\$ 2,980,035</u>	<u>\$ 2,715,295</u>	<u>\$ 1,530,054</u>	<u>\$ 1,137,764</u>	<u>\$ -</u>
Race days					
Live					
Horse	31	25	-	-	-
Greyhound	248	252	253	194	-
Total race days	<u>279</u>	<u>277</u>	<u>253</u>	<u>194</u>	<u>-</u>
Performances					
Live					
Horse	31	25	-	-	-
Greyhound	303	303	306	228	-
Total live performances	<u>334</u>	<u>328</u>	<u>306</u>	<u>228</u>	<u>-</u>
Simulcast					
Horse	4,296	4,403	4,573	3,545	-
Greyhound	4,101	3,988	6,016	4,509	-
Total simulcast performances	<u>8,397</u>	<u>8,391</u>	<u>10,589</u>	<u>8,054</u>	<u>-</u>
Total performances	<u>8,731</u>	<u>8,719</u>	<u>10,895</u>	<u>8,282</u>	<u>-</u>
Attendance					
Live/simulcast					
Horse	32,764	25,922	-	-	N/A
Greyhound	308,282	285,675	138,959	102,409	-
Total attendance	<u>341,046</u>	<u>311,597</u>	<u>138,959</u>	<u>102,409</u>	<u>-</u>

Kansas Racing and Gaming Commission
Track Statistics
 Calendar Years 2006-2007

	Woodlands Kansas City, KS		Wichita Greyhound Park Valley Center, KS		Camptown Frontenac, KS
	2006	2007	2006	2007	n/a
Pari-mutuel tax					
Live					
Horse	\$ 53,852	\$ 44,389	\$ -	\$ -	\$ -
Greyhound	371,539	334,256	196,435	123,927	-
Total live pari-mutuel tax	<u>425,391</u>	<u>378,645</u>	<u>196,435</u>	<u>123,927</u>	<u>-</u>
Simulcast					
Horse	1,016,191	947,514	390,942	288,865	-
Greyhound	417,816	368,949	420,040	337,248	-
Total simulcast pari-mutuel tax	<u>1,434,007</u>	<u>1,316,463</u>	<u>810,982</u>	<u>626,613</u>	<u>-</u>
Total pari-mutuel tax	<u>\$ 1,859,398</u>	<u>\$ 1,695,108</u>	<u>\$ 1,007,417</u>	<u>\$ 750,539</u>	<u>\$ -</u>
Outs					
Live					
Horse	\$ 10,603	\$ 20,334 *	\$ -	\$ -	\$ -
Greyhound	65,976	60,100 *	58,270	40,371	-
Total live outs	<u>76,579</u>	<u>80,434</u>	<u>58,270</u>	<u>40,371</u>	<u>-</u>
Simulcast					
Horse	156,662	156,406 *	67,065	50,237	-
Greyhound	57,851	50,053 *	58,300	42,892	-
Total simulcast outs	<u>214,514</u>	<u>206,459</u>	<u>125,365</u>	<u>93,128</u>	<u>-</u>
Total outs	<u>\$ 291,093</u>	<u>\$ 286,893</u>	<u>\$ 183,635</u>	<u>\$ 133,500</u>	<u>\$ -</u>
* estimates					
Breakage					
Live					
Horse	\$ 9,854	\$ 8,477	\$ -	\$ -	\$ -
Greyhound	31,137	27,947	17,095	12,196	-
Total live breakage	<u>40,991</u>	<u>36,424</u>	<u>17,095</u>	<u>12,196</u>	<u>-</u>
Simulcast					
Horse	133,626	118,519	43,169	11,670	-
Greyhound	20,099	17,537	14,535	27,566	-
Total simulcast breakage	<u>153,725</u>	<u>136,057</u>	<u>57,704</u>	<u>39,236</u>	<u>-</u>
Total breakage	<u>\$ 194,715</u>	<u>\$ 172,481</u>	<u>\$ 74,799</u>	<u>\$ 51,432</u>	<u>\$ -</u>
Admission tax					
Live/Simulcast					
Horse	n/a	n/a	n/a	n/a	n/a
Greyhound	-	-	-	-	-
Total admission tax	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other taxes & fees					
Daily license fees	\$ 63,200	\$ 63,200	\$ 72,400	\$ 49,600	-
Licensing	49,853	53,377	18,137	13,164	-
Fines	5,670	6,660	6,015	3,012	-
Local ad valorem tax	-	-	-	-	-
Total other taxes & fees	<u>\$ 118,723</u>	<u>\$ 123,237</u>	<u>\$ 96,552</u>	<u>\$ 65,776</u>	<u>\$ -</u>

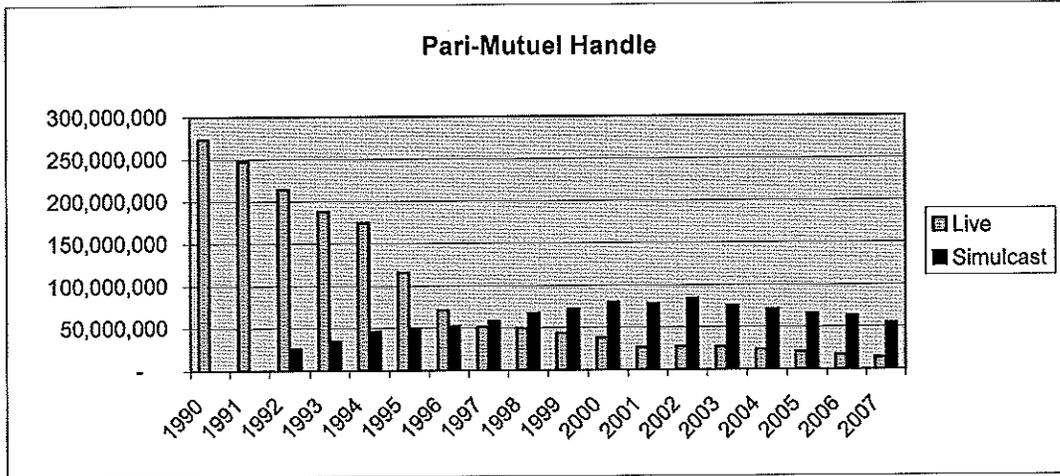
Kansas Racing and Gaming Commission
Track Statistics
 Calendar Years 2006-2007

	Eureka Downs Eureka, Kansas		Anthony Downs Anthony, Kansas		Overall Totals	
	2006	2007	2006	2007	2006	2007
Handle						
Live						
Horse	\$ 260,538	\$ 198,816	\$ 58,640	\$ 63,822	\$ 1,837,475	\$ 1,516,606
Greyhound	-	-	68,825	50,577	15,043,242	12,205,706
Total live handle	<u>260,538</u>	<u>198,816</u>	<u>127,464</u>	<u>114,399</u>	<u>16,880,717</u>	<u>13,722,312</u>
Simulcast						
Horse	106,323	68,108	-	-	41,065,256	35,954,326
Greyhound	-	-	-	-	21,784,871	18,388,699
Total simulcast handle	<u>106,323</u>	<u>68,108</u>	<u>-</u>	<u>-</u>	<u>62,850,127</u>	<u>54,343,025</u>
Total handle	<u>\$ 366,861</u>	<u>\$ 266,924</u>	<u>\$ 127,464</u>	<u>\$ 114,399</u>	<u>\$ 79,730,844</u>	<u>\$ 68,065,336</u>
Outbound Simulcast Handle						
Live Horse	-	-	-	-	\$ 6,463,763	\$ 5,042,626
Live Greyhound	-	-	-	-	5,528,121	8,469,095
Total Outbound Simulcast	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,991,884</u>	<u>\$ 13,511,720</u>
Purses						
Live						
Horse	\$ 17,531	\$ 14,450	\$ 3,879	\$ 4,303	\$ 129,155	\$ 107,557
Greyhound	-	-	3,213	2,367	760,929	613,657
Total live purses	<u>17,531</u>	<u>14,450</u>	<u>7,092</u>	<u>6,670</u>	<u>890,084</u>	<u>721,214</u>
Simulcast						
Horse	6,177	3,954	-	-	1,446,718	1,302,470
Greyhound	-	-	-	-	2,204,087	1,854,449
Total simulcast purses	<u>6,177</u>	<u>3,954</u>	<u>-</u>	<u>-</u>	<u>3,650,804</u>	<u>3,156,919</u>
Total purses	<u>\$ 23,708</u>	<u>\$ 18,404</u>	<u>\$ 7,092</u>	<u>\$ 6,670</u>	<u>\$ 4,540,888</u>	<u>\$ 3,878,133</u>
Race days						
Live						
Horse	18	11	6	6	55	42
Greyhound	-	-	6	6	507	452
Total race days	<u>18</u>	<u>11</u>	<u>12</u>	<u>12</u>	<u>562</u>	<u>494</u>
Performances						
Live						
Horse	18	11	6	6	55	42
Greyhound	-	-	6	6	615	537
Total live performances	<u>18</u>	<u>11</u>	<u>12</u>	<u>12</u>	<u>670</u>	<u>579</u>
Simulcast						
Horse	19	8	-	-	8,888	7,956
Greyhound	-	-	-	-	10,117	8,497
Total simulcast performances	<u>19</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>19,005</u>	<u>16,453</u>
Total performances	<u>37</u>	<u>19</u>	<u>12</u>	<u>12</u>	<u>19,675</u>	<u>17,032</u>
Attendance						
Live/simulcast						
Horse	5,019	4,058	1,712	1,527	39,495	31,507
Greyhound	-	-	1,712	1,527	448,953	389,611
Total attendance	<u>5,019</u>	<u>4,058</u>	<u>3,423</u>	<u>3,054</u>	<u>349,488</u>	<u>318,709</u>

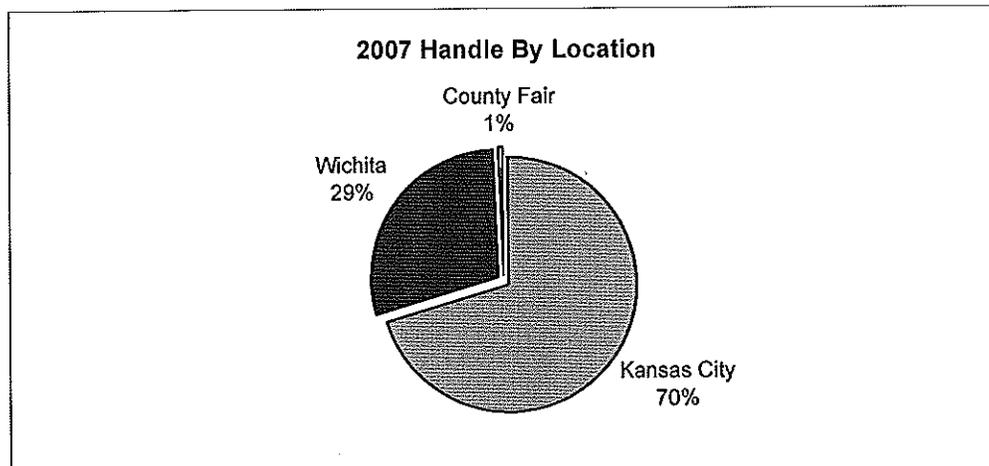
Kansas Racing and Gaming Commission
Track Statistics
 Calendar Years 2006-2007

	Eureka Downs Eureka, Kansas		Anthony Downs Anthony, Kansas		Overall Totals	
	2006	2007	2006	2007	2006	2007
Pari-mutuel tax						
Live						
Horse	\$ 8,770	\$ 7,228	\$ 1,940	\$ 2,153	\$ 64,562	\$ 53,770
Greyhound	-	-	2,410	1,775	570,384	459,958
Total live pari-mutuel tax	<u>8,770</u>	<u>7,228</u>	<u>4,350</u>	<u>3,928</u>	<u>634,945</u>	<u>513,727</u>
Simulcast						
Horse	3,260	2,246	-	-	1,410,393	1,238,625
Greyhound	-	-	-	-	837,856	706,697
Total simulcast pari-mutuel tax	<u>3,260</u>	<u>2,246</u>	<u>0</u>	<u>0</u>	<u>2,248,248</u>	<u>1,945,321</u>
Total pari-mutuel tax	<u>\$ 12,029</u>	<u>\$ 9,474</u>	<u>\$ 4,350</u>	<u>\$ 3,928</u>	<u>\$ 2,883,194</u>	<u>\$ 2,459,049</u>
Outs						
Live						
Horse	\$ 5,544	\$ 2,927	\$ 769	\$ 1,087	\$ 16,916	\$ 24,348
Greyhound	-	-	1,762	875	126,008	101,346
Total live outs	<u>5,544</u>	<u>2,927</u>	<u>2,531</u>	<u>1,962</u>	<u>142,924</u>	<u>125,694</u>
Simulcast						
Horse	-	1,967	-	-	223,727	208,609
Greyhound	-	-	-	-	116,151	92,945
Total simulcast outs	<u>-</u>	<u>1,967</u>	<u>-</u>	<u>-</u>	<u>339,878</u>	<u>301,554</u>
Total outs	<u>\$ 5,544</u>	<u>\$ 4,894</u>	<u>\$ 2,531</u>	<u>\$ 1,962</u>	<u>\$ 482,802</u>	<u>\$ 427,248</u>
* estimates						
Breakage						
Live						
Horse	\$ 2,519	\$ 2,086	\$ 815	\$ 791	\$ 13,188	\$ 11,355
Greyhound	-	-	333	328	48,565	40,470
Total live breakage	<u>2,519</u>	<u>2,086</u>	<u>1,148</u>	<u>1,119</u>	<u>61,753</u>	<u>51,825</u>
Simulcast						
Horse	559	299	-	-	177,353	130,489
Greyhound	-	-	-	-	34,634	45,103
Total simulcast breakage	<u>559</u>	<u>299</u>	<u>-</u>	<u>-</u>	<u>211,987</u>	<u>175,592</u>
Total breakage	<u>\$ 3,078</u>	<u>\$ 2,385</u>	<u>\$ 1,148</u>	<u>\$ 1,119</u>	<u>\$ 273,739</u>	<u>\$ 227,417</u>
Admission tax						
Live/Simulcast						
Horse	\$ 844	\$ 682	\$ 417	\$ 378	\$ 1,261	\$ 1,060
Greyhound	-	-	417	378	417	378
Total admission tax	<u>\$ 844</u>	<u>\$ 682</u>	<u>\$ 834</u>	<u>\$ 756</u>	<u>\$ 1,678</u>	<u>\$ 1,438</u>
Other taxes & fees						
Daily license fees	\$ 1,800	\$ 1,100	\$ 600	\$ 600	\$ 138,000	\$ 114,500
Licensing	9,664	8,240	1,047	1,414	78,701	76,195
Fines	1,850	1,550	600	100	14,135	11,322
Local ad valorem tax	999	812	685	611	1,684	1,422
Total other taxes & fees	<u>\$ 14,313</u>	<u>\$ 11,702</u>	<u>\$ 2,932</u>	<u>\$ 2,725</u>	<u>\$ 232,520</u>	<u>\$ 203,439</u>

Pari-mutuel Handle Calendar Years 1990-2007

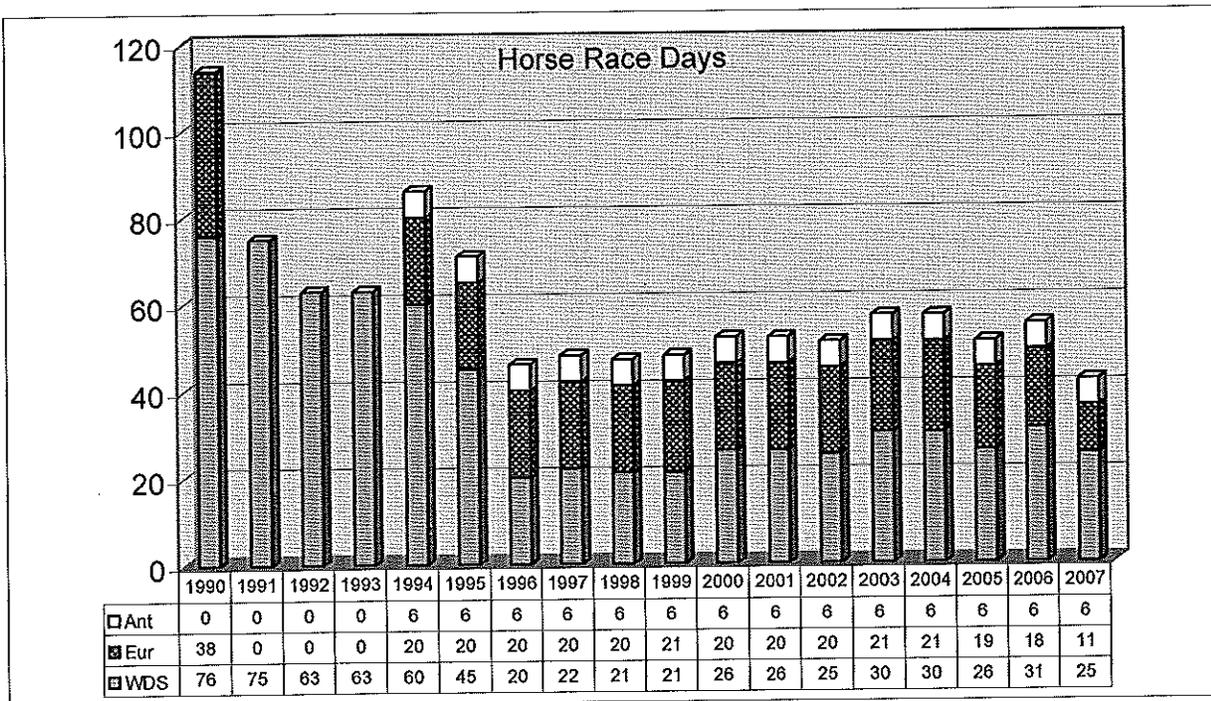
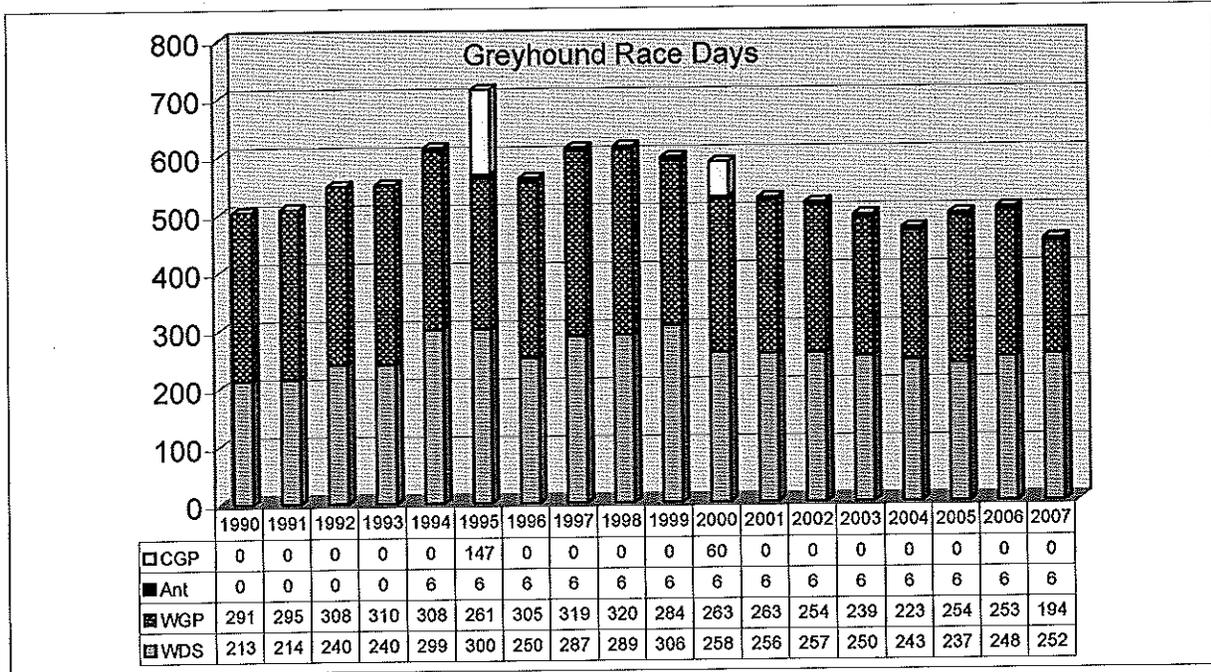


Calendar Year	Live	Simulcast	Total	% Change
1990	273,355,638	-	273,355,638	
1991	246,971,572	-	246,971,572	-9.65%
1992	214,235,214	25,469,929	239,705,143	-2.94%
1993	187,974,813	34,362,423	222,337,236	-7.25%
1994	174,344,451	45,944,187	220,288,638	-0.92%
1995	115,686,926	49,348,652	165,035,578	-25.08%
1996	70,859,045	52,315,297	123,174,342	-25.36%
1997	51,241,024	57,849,781	109,090,805	-11.43%
1998	49,521,893	66,918,833	116,440,726	6.74%
1999	43,743,621	72,112,135	115,855,756	-0.50%
2000	37,698,365	80,089,374	117,787,739	1.67%
2001	26,440,891	77,568,818	104,009,709	-11.70%
2002	27,151,949	83,680,054	110,832,003	6.56%
2003	26,654,689	75,020,803	101,675,492	-8.26%
2004	23,809,254	71,077,462	94,886,716	-6.68%
2005	20,305,725	65,272,302	85,578,027	-9.81%
2006	16,880,717	62,850,127	79,730,844	-6.83%
2007	13,722,312	54,343,025	68,065,337	-14.63%

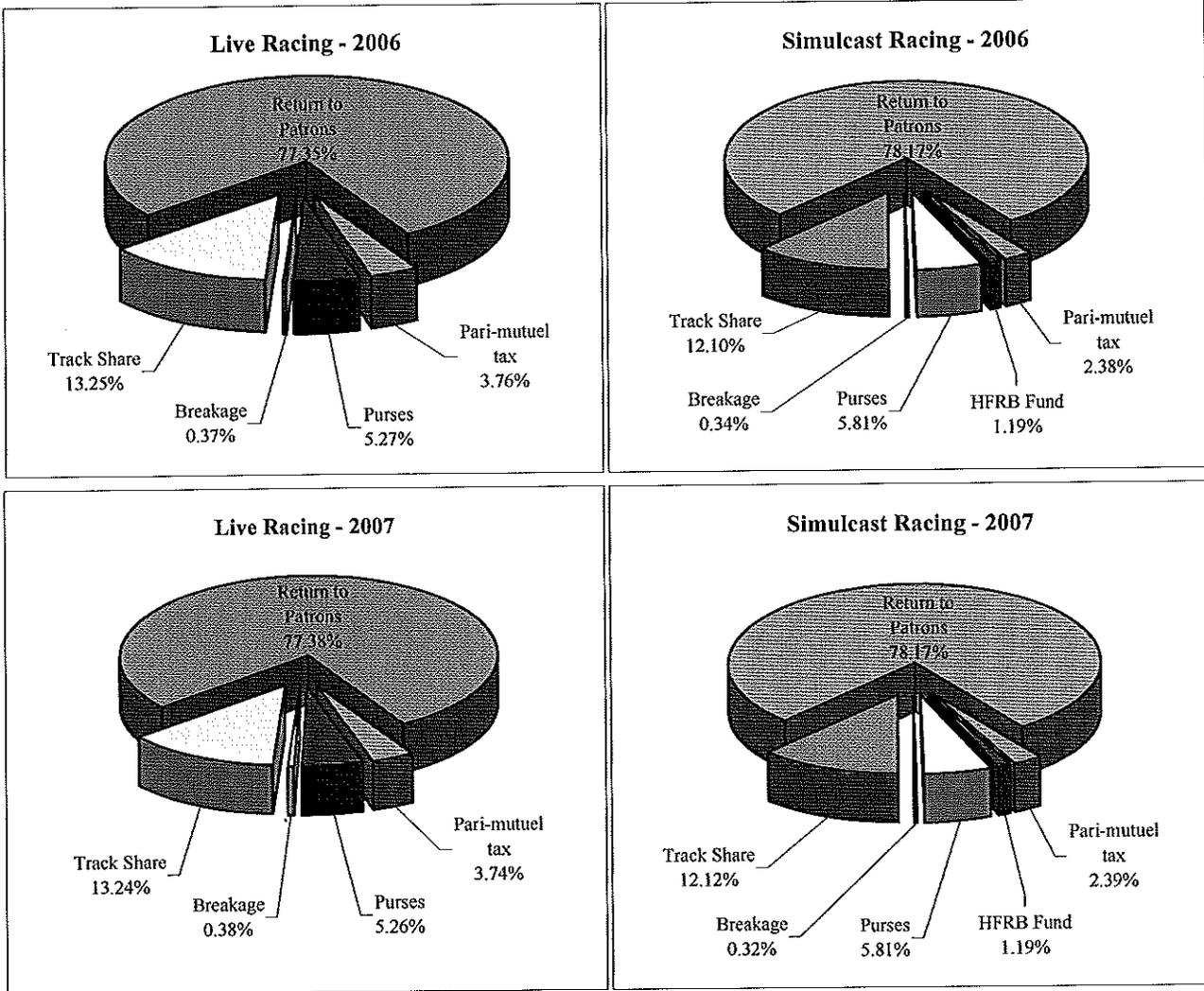


Kansas Racing and Gaming Commission

Race Days 1990 - 2007



Kansas Racing and Gaming Commission The Wagering Dollar



CHARITABLE CONTRIBUTIONS

The Kansas pari-mutuel racing act directs that each organization licensee must distribute net earnings to 501(c)(3) nonprofits who are domiciled in and who will expend the monies in Kansas. The following schedule indicates the amount of charitable contributions by each organization licensee:

	<u>CY 2006</u>	<u>CY 2007</u>
TRAK East	\$ 77,400.67	\$ 77,908.25
Wichita Greyhound Charities, Inc.	\$ 24,496.00	\$ 43,499.00

TRAK East is associated with the Woodlands Race Course and Woodlands Kennel Club. Wichita Greyhound Charities, Inc. is associated with Wichita Greyhound Park. The following reflects how these charitable distributions improve the quality of life for Kansans:

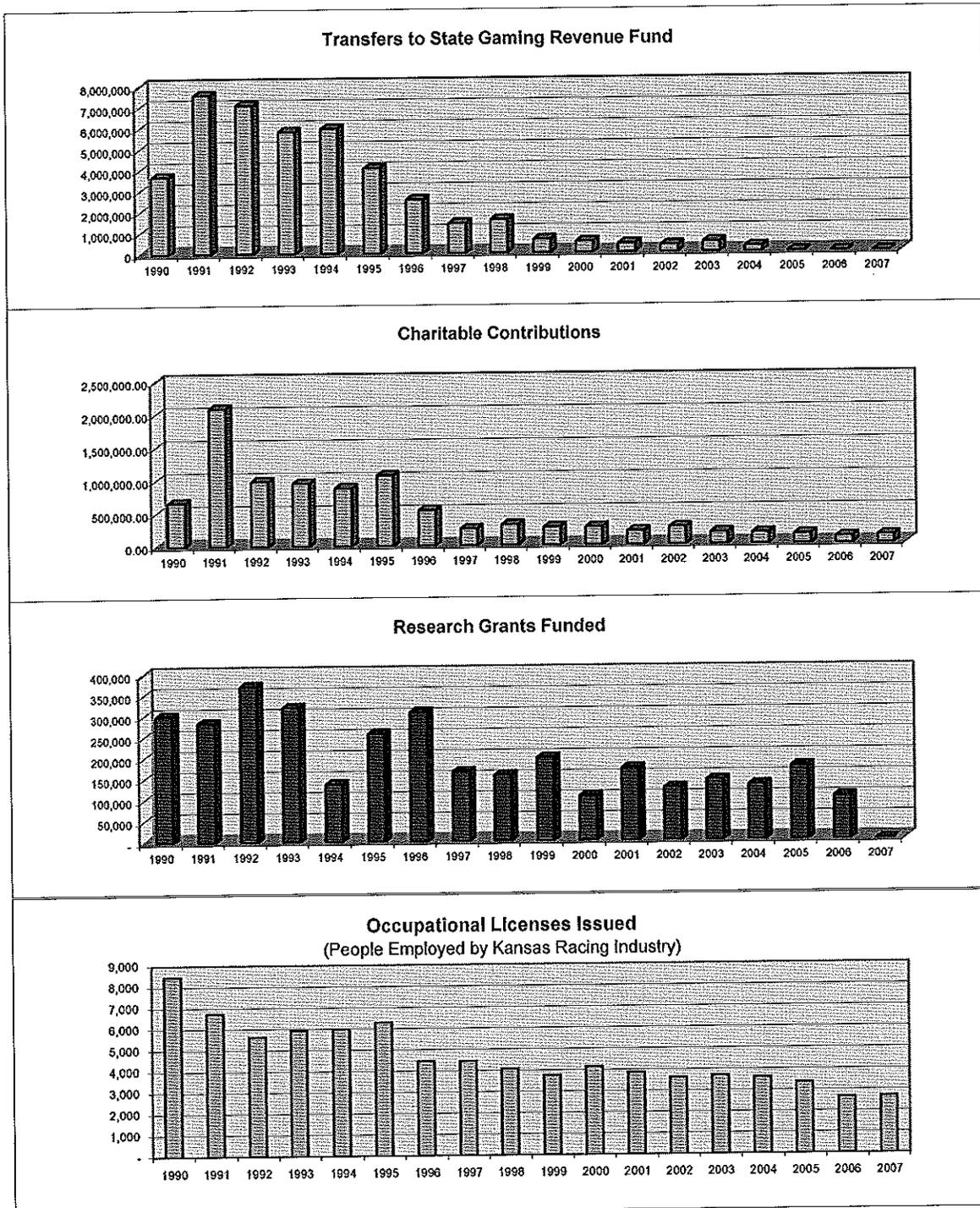
**TRAK East, Inc.
(15 Contributions)**

Bishop Ward High School	\$10,000.00
Caritas Clinics, Inc.	7,500.00
CHWC, Inc. (Catholic Housing of Wyandotte County)	2,500.00
City Vision Ministries	5,000.00
Greyhound Support in Kansas City	7,500.00
Kansas City Youth Jazz	6,600.00
K-State Research & Extension of Wyandot County	1,000.00
Leavenworth Road Association	5,000.00
MOKAN20/20VISION – dba 20/20 Leadership	2,000.00
Padre Pio Academy	3,000.00
Rosedale Development Association	2,500.00
Southwest Blvd. Family Health Care	5,000.00
The Family Conservancy	5,308.25
Wyandot Center for Community Behavioral Healthcare	10,000.00
YWCA of Greater Kansas City	<u>5,000.00</u>
Total	\$77,908.25

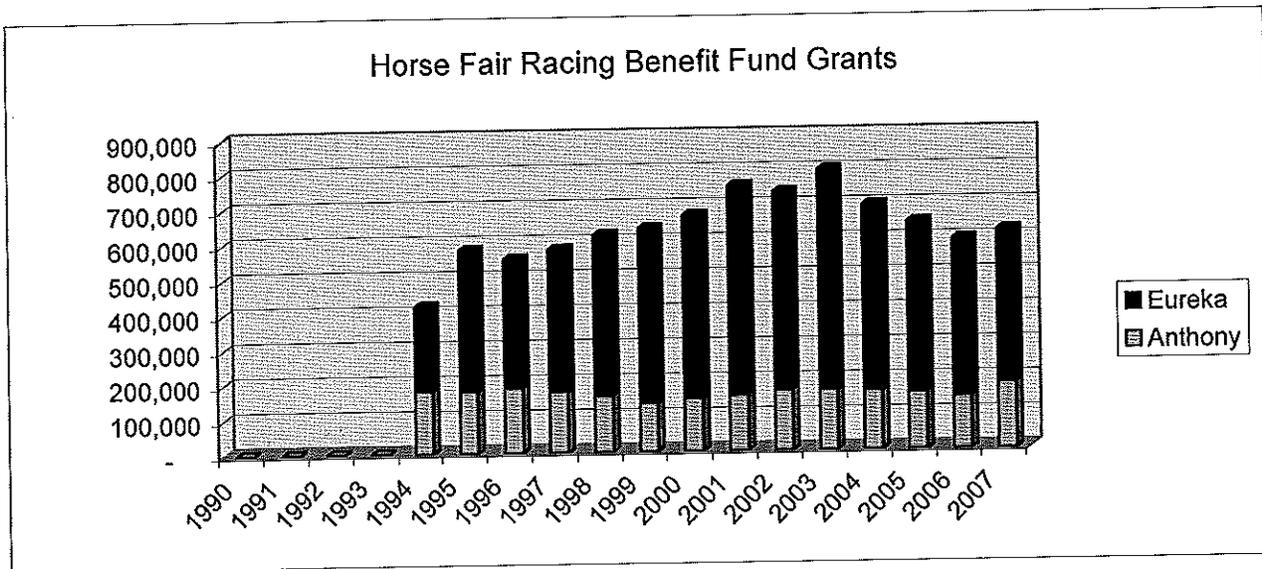
**Wichita Greyhound Charities, Inc.
(18 Contributions)**

Alpha Phi Alpha Fraternity	\$3,500.00
Boys and Girls Club of South Central Kansas City	2,000.00
CASA of Sedgwick County	1,198.00
Friends of the Keeper, Inc.	2,750.00
Heartspring	2,500.00
Joyful Noise Community Child Care	2,500.00
Kansas Health Ethics	3,000.00
Music Theatre for Young People	2,750.00
Newton Area Senior Center	2,750.00
Newton Meals on Wheels, Inc.	2,750.00
Positive Directions	3,750.00
Race the Wind Greyhound Adoption, Inc.	4,000.00
Ronald McDonald House Charities of Wichita, Inc.	1,198.00
The Kansas CASA Association	1,198.00
The Wichita Center for the Arts	1,375.00
United Cerebral Palsy of Kansas	3,000.00
Wichita Area Sexual Assault Center	1,905.00
Wichita Audubon Society, Inc.	<u>1,375.00</u>
Total	43,499.00

Kansas Racing and Gaming Commission Benefits of Parimutuel Racing



Kansas Racing and Gaming Commission
Horse Fair Racing Benefit Fund Grant Awards



	<u>Anthony</u>	<u>Eureka</u>	<u>Total</u>
1990	-	-	-
1991	-	-	-
1992	-	-	-
1993	-	-	-
1994	179,345	242,333	421,678
1995	176,746	405,635	582,381
1996	185,000	370,060	555,060
1997	174,300	407,652	581,952
1998	160,000	461,600	621,600
1999	138,480	500,000	638,480
2000	150,000	526,000	676,000
2001	158,000	600,000	758,000
2002	170,517	568,390	738,907
2003	171,778	630,000	801,778
2004	168,000	532,000	700,000
2005	162,500	487,500	650,000
2006	150,000	450,000	600,000
2007	186,613	438,387	625,000

Budget and Financial



Kansas Racing and Gaming Commission
Fund Activity
FY 2006 and FY 2007

	State Racing Fund	Horse Fair Racing Benefit Fund	Horse Breeding Development Fund	Racing Investigative Expense Fund	Greyhound Breeding Development Fund	Racing Reimbursable Expense Fund	Racing Applicant Deposit Fund	Tribal Gaming Fund	Totals
FY 2006									
Beginning balance (7-1-05)	\$ 338,414	\$ 76,550	\$ 130,249	\$ 19,892	\$ 804	\$ 25,150	\$ 855	\$ 389,677	\$ 1,820,091
Prior period adjustments	10,075	7,495	-	-	-	422	-	15	18,007
Receipts									
Revenue	2,457,035	764,487	424,943	-	262,379	30,074	34	1,387,846	5,326,798
Operating transfer									
General Fund transfer	200,000	-	-	-	-	-	-	450,000	650,000
Disbursements									
Operating expenditures	(2,876,093)	(672,419)	(442,424)	-	(111,800)	(30,062)	-	(1,469,267)	(5,602,065)
State Gaming Revenue Fund transfer	-	-	-	-	-	-	-	-	-
Operating transfer	-	-	-	-	-	-	-	-	-
Greyhound Tourism Fund transfer	(37,138)	(1,764)	-	-	-	-	-	(450,000)	(488,902)
General Fund transfer	-	-	-	-	-	-	-	-	-
KSIP expenditures	-	-	-	-	-	-	-	-	-
Ending balance (6-30-06)	\$ 92,293	\$ 174,349	\$ 112,768	\$ 19,892	\$ 151,383	\$ 25,584	\$ 889	\$ 308,271	\$ 1,723,929
FY 2007									
Beginning balance (7-1-06)	\$ 92,293	\$ 174,349	\$ 112,768	\$ 19,892	\$ 151,383	\$ 25,584	\$ 889	\$ 308,271	\$ 1,723,929
Prior period adjustments	10,290	6,131	-	-	-	92	-	12,311	28,824
Receipts									
Revenue	2,697,459	728,017	419,939	5,000	227,414	339,365	46	1,524,368	5,941,608
General Fund transfer	-	-	-	-	-	-	-	-	0
Disbursements									
Operating expenditures	(2,424,794)	(731,202)	(430,219)	(2,396)	(121,861)	(339,135)	-	(1,573,737)	(5,623,344)
State Gaming Revenue Fund transfer	-	-	-	-	-	-	-	-	-
Operating transfer	-	-	-	-	-	-	-	-	-
Greyhound Tourism Fund transfer	-	-	-	-	-	-	-	-	0
General Fund transfer	-	-	-	-	-	-	-	-	-
KSIP expenditures	-	-	-	-	-	-	-	-	-
Ending balance (6-30-07)	\$ 375,248	\$ 177,295	\$ 102,488	\$ 22,496	\$ 256,936	\$ 25,906	\$ 935	\$ 271,213	\$ 2,071,017

CASHFLOW

The 2007 Legislature gave the KRGC the authority to draw down up to \$3.0 million in funding to cover the start-up costs associated with gaming regulation. At the same time, the agency realizes that this was a loan and not an appropriation, so these funds will need to be repaid, with interest, once all gaming facility managers have been selected.

With the delays in opening of the racetrack gaming facilities, our internal estimates indicate that we will spend between \$2.4 and \$3.0 million in FY 2008 to be staffed fully and prepared to regulate electronic gaming machines at the Woodlands and Camptown racetracks. This difference is a function of the timing of the opening of the tracks. As the opening is delayed, expenditures in FY 2008 will go down.

Of this \$2.4 to \$3.0 million, we expect to be reimbursed approximately \$550,000 to \$800,000 in FY 2008 from the two racetrack gaming facilities, to offset the expenditures. The facilities will be billed within 30 days of the signing of contract with the Lottery Commission. These costs will include all costs accrued from July 1, 2007, up to and including the approval of the facility.

For FY 2009, we originally estimated that at least two of the casino management companies would be selected early in the fiscal year, and that we would have adequate funds for operation within the \$3.0 million loan until all four gaming facilities have been selected and we are able to bill for reimbursement of costs. We remain cautiously optimistic about this assumption as delays and likely extensions could push approvals into August 2008. At this time, we only advise you that should further delays become apparent or imminent, we will be talking with our budget committees during Omnibus about the possibility of needing further loan authority for FY 2009.

BUDGET HIGHLIGHTS

There are major increases in our FY 2009 budget resulting from increased grant funding generated by earmarked revenue from the Expanded Lottery Act. These budgeted increases represent over a \$13 million or 1,200 percent increase from FY 2007 to FY 2009. These estimates were based upon fully operational racetrack gaming facilities on July 1, 2008, and based on most recent information, that it unlikely to happen. While most expect our budget to have major operational increases due to increases in gaming activity, our operational expenditures for gaming in FY 2009, are estimated to be only 22 percent of our total budget, with racing operations being about 18 percent of that same budget.

The Governor's Budget Recommendation provided us with 122.0 FTE positions in FY 2008 and 136.50 FTE positions in FY 2009. Based upon our best estimates, we believe we will need 94.3 FTE positions to regulate the racetrack gaming facilities and to continue preparing for the implementation of the lottery gaming facilities. The Governor's recommendation left us the flexibility to fill positions as needed should a lottery gaming facility build a temporary facility or we experience unanticipated regulatory issues.

Kansas Racing and Gaming Commission
Estimated Gaming Costs and Allocations
 July 2007 thru December 2008

ELA Regulation Fund
Fund 2535

	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Subtotal CY 2007
Expenditures							
Salaries	54,566	66,221	85,182	85,484	144,042	135,068	570,563
Rents	23,475	112	151	23,629	71	169	47,607
Moving Expense							-
Ambient Consulting					15,101	23,801	38,902
Spectrum Group		131,250				-	131,250
Other Contractual Services	7,663	19,381	7,616	9,867	8,547	8,430	61,504
Total Contractual Services	31,139	150,743	7,767	33,496	23,719	32,400	279,263
Total Commodities	626	3,907	3,168	2,046	2,103	1,724	13,575
Capital Outlay	-	18,798	3,096	852	31,761	1,370	55,876
Total expenditures	86,330	239,669	99,213	121,878	201,625	170,562	919,278
Billed Costs	21,583	59,917	24,803	30,470	50,406	42,640	229,819

Kansas Racing and Gaming Commission
Estimated Gaming Costs and Allocations
 July 2007 thru December 2008

ELA Regulation Fund
Fund 2535

	Budget Jan-08	Budget Feb-08	Budget Mar-08	Budget Apr-08	Budget May-08	Budget Jun-08	Half Year Subtotal	Subtotal FY 2008
Expenditures								
Salaries	130,000	176,744	206,655	226,595	241,550	256,506	1,238,049	1,808,612
Rents	23,500	150	150	43,000	150	150	67,100	114,707
Moving Expense	76,750	30,000	50,000	20,000			176,750	176,750
Ambient Consulting	32,500	32,500					65,000	103,902
Spectrum Group							-	131,250
Other Contractual Services	35,466	35,466	35,466	35,466	35,466	35,466	212,796	274,300
Total Contractual Services	168,216	98,116	85,616	98,466	35,616	35,616	521,646	800,909
Total Commodities	6,154	6,154	6,154	6,154	6,154	6,154	36,924	50,499
Capital Outlay	49,789	49,789	49,789	49,789	49,789	49,789	298,734	354,610
Total expenditures	354,159	330,803	348,214	381,004	333,109	348,065	2,095,353	3,014,631
Billed Costs	88,540	81,020	77,895	85,222	116,921	126,477	576,075	805,894

Kansas Racing and Gaming Commission
Estimated Gaming Costs and Allocations
 July 2007 thru December 2008

ELA Regulation Fund
Fund 2535

	Estimate Jul-08	Estimate Aug-08	Estimate Sep-08	Estimate Oct-08	Estimate Nov-08	Estimate Dec-08	Half Year Subtotal	Subtotal CY 2008	18-month Total
Expenditures									
Salaries	276,446	276,446	276,446	276,446	276,446	276,446	1,658,676	2,896,725	3,467,288
Rents	21,558	21,558	21,558	21,558	21,558	21,558	129,351	196,451	244,058
Moving Expense							-	176,750	176,750
Ambient Consulting							-	65,000	103,902
Spectrum Group	131,250					131,250	262,500	262,500	393,750
Other Contractual Services	64,782	64,782	64,782	64,782	64,782	64,782	388,692	601,488	662,992
Total Contractual Services	217,590	86,340	86,340	86,340	86,340	217,590	780,543	1,302,189	1,581,452
Total Commodities	6,154	6,154	6,154	6,154	6,154	6,154	36,924	73,848	87,423
Capital Outlay	39,789	39,789	39,789	39,789	39,789	39,789	238,734	537,468	593,344
Total expenditures	539,979	408,729	408,729	408,729	408,729	539,979	2,714,877	4,810,230	5,729,507
Billed Costs	172,226	139,413	139,413	139,413	139,413	172,226	902,105	1,478,180	1,707,999

Kansas Racing and Gaming Commission
FTE History

	Prior to SB 66	FY 2008 Approved	Current Actual	Revised FY		FY 2009 DOB Rec
				2008 DOB Rec		
Topeka	23.00	56.00	35.33	56.00		57.50
Woodlands	10.00	11.00	11.00	18.50		18.50
Wichita	10.00	10.00	-	10.00		-
Frontenac	-	-	-	18.50		18.50
Crawford/Cherokee	-	-	-	10.50		10.50
Ford	-	-	-	8.50		10.50
Sumner	-	-	-	-		10.50
Wyandotte	-	-	-	-		10.50
Total	43.00	77.00	46.33	122.00		136.50

Full-time Equivalent Positions (FTE)

Kansas Racing and Gaming Commission
Current and Targeted FTE

	Current FTE on staff				Estimate to regulate racinos			
	Topeka	Wood	Camp	Total	Topeka	Wood	Camp	Total
Executive	6.33	-	-	6.33	6.30	-	-	6.30
Administration	11.00	-	-	11.00	21.00	-	-	21.00
Animal Health	1.00	4.00	-	5.00	1.00	4.00	4.00	9.00
Audit & Elec Security	4.00	1.00	-	5.00	11.00	1.00	1.00	13.00
Licensing	4.00	1.00	-	5.00	4.00	2.00	2.00	8.00
Racing	1.00	3.00	-	4.00	1.00	3.00	3.00	7.00
Security	8.00	2.00	-	10.00	13.00	8.50	8.50	30.00
Total	35.33	11.00	-	46.33	57.30	18.50	18.50	94.30

Full-time Equivalent Positions (FTE)

Kansas Racing and Gaming Commission
FTE Projections for ELA Implementation

Projected FTE

	Topeka	Woodlands	Camptown	Wyandotte	Southeast	Sumner	Ford	Total
Executive	6.33	-	-	-	-	-	-	6.33
Administration	21.00	-	-	-	-	-	-	21.00
Animal Health	1.00	4.00	4.00	-	-	-	-	9.00
Audit & Elec Security	11.00	2.00	2.00	1.00	1.00	1.00	1.00	19.00
Licensing	6.00	1.00	1.00	1.00	1.00	1.00	1.00	12.00
Racing	1.00	3.00	3.00	-	-	-	-	7.00
Security	13.00	8.50	8.50	8.50	8.50	8.50	8.50	64.00
Total	59.33	18.50	18.50	10.50	10.50	10.50	10.50	138.33

Full-time Equivalent Positions (FTE)

Kansas Racing and Gaming Commission
Estimated Annualized Salaries

Implementation Phase	Salary Type	5131		2535		2616		Total Salary Expenditures
		State Racing Fund	Expand. Lottery Regulation Fund	Regulation Fund	Racing Reimb. Fund			
Through Racinos	94.3 FTE	\$ 1,366,348.70	\$ 3,296,246.04	\$ 659,959.89		\$ 5,322,554.63		
	Temp. Salaries	176,541.90	105,021.45	263,494.16		545,057.51		
	Total	\$ 1,542,890.60	\$ 3,401,267.49	\$ 923,454.05		\$ 5,867,612.14		
All Casinos	136.5 FTE	\$ 1,303,014.97	\$ 5,767,913.25	\$ 659,959.89		\$ 7,730,888.11		
	Temp. Salaries	149,191.42	105,021.45	230,792.49		485,005.36		
	Total	\$ 1,452,206.39	\$ 5,872,934.70	\$ 890,752.38		\$ 8,215,893.47		

Note: For comparison purposes, total salaries in 2007 were \$2,126,712 (all racing-related funds)

INFORMATION TECHNOLOGY

Licensing System

KRGC staff looked at several options for a licensing system, realizing that our current AS/400 system has long needed replacement and has not been updated because of funding shortfalls in the agency. The Iowa Racing and Gaming Commission provided us with its licensing system free of charge. There were many advantages to using its system:

- **Ease of Conversion.** KRGC only had to make some fairly routine changes to make it work for Kansas. The most significant alteration to the system is to change the key identifier from the licensee's Social Security number to a unique identification number to comply with state law. Some other changes include integration with live fingerprint scanning and an optical system, allowing for credit card payments, tightening security for users, enhancing audit trail capabilities, as well as adding Kansas specific information.
- **Ownership.** We will have full ownership of the software when it is completed, giving us the ability to make program changes for pari-mutuel licensing ourselves.
- **Cost.** Because of the small price tag on those modifications (\$130,000) compared to the estimate for a custom built system (\$3.7 million), it seemed to be the best fit and most cost effective decision for the agency. Also there are no associated maintenance fees and we will be able to make modifications and upgrades later on our own, with no mandatory consultant costs.
- **Timing.** Compared to other options, this system was the quickest and easiest solution. It also eventually will provide the ability to get our antiquated pari-mutuel system upgraded and in the same system as gaming licensing. It was also flexible enough to let us make the gaming upgrades first and then update the pari-mutuel system later when it fits our schedule and deadlines.

Other Information Technology Expenses

The agency's total IT project cost is estimated at \$1.8 million. These additional expenditures will include IT infrastructure expenses at all six of the gaming sites. All of these costs will be billed back to the destinations as the costs are incurred. However, at this time, our up-front costs are only for the modifications to the licensing system and server upgrades to accommodate the system and the associated imaging, badge system and eventual fingerprinting operations. We anticipate having some unforeseen costs for IT once we begin implementation and once we understand the magnitude of the workload, paperwork and public demand generated from our new tasks.

OTHER ITEMS

Website Redesign: KRGC has contracted with Stonecreek Media to do a full redesign of our website. This will include an updated look of the site as well as new and improved content to reflect our new duties around expanded gaming. We have received a first version of the new site up and running sometime in the next few weeks.

Document Imaging: Our Licensing Division has scanned all license applications, ownership registrations and case files since 2005. We will also be scanning all of the 2005-2007 kennel registrations. Because of space limitations we are actively scanning all historical applications and case files for current licensees and eventually all historical files. We plan to scan all pari-mutuel and gaming applications, including the background disclosure forms.

We are working with Ex-Cel Solutions, our current electronic document retention software provider, to upgrade our scanning abilities at the main office and to provide capabilities at all facility sites. Our Administration Division is also seeking to significantly reduce storage needs by scanning all major history documents and required records into a searchable electronic file system.

Live Fingerprint Scanning: The Commission takes fingerprints from applicants for a pari-mutuel or gaming license. The fingerprints are used for criminal records checks to assist us with suitability decisions. Livescan fingerprinting would electronically capture fingerprints and send them to the KBI and/or FBI electronically. The current method of collecting fingerprints is the age-old practice of inking fingers, rolling fingerprints on a paper card and then mailing it to KBI. That process takes about three weeks to get a response and puts a large burden on the KBI. The livescan technology gives us an immediate response from the KBI and two day response from the FBI and does not require people intervention.

Additional Space: We are in the process of expanding into an additional 6,500 square feet of space on the fifth floor of Eisenhower State Office Building to accommodate the additional staff necessary for the regulation of gaming. The move is occurring over a couple of months to minimize the impact on a busy staff and to cycle in the new space as new positions are filled.

Operational Policies and Procedures: We have undertaken a major rework of our operational policies and procedures. With the addition of numerous new regulations and regulatory responsibilities, we performed a review and revision of our policies. We currently have around 80 operational policies and have already identified 70 more policies we will need to efficiently and effectively operate a responsive and accountable regulatory agency such as ours.

Three major policies that have already been adopted this year are:

- Code of Conduct – setting standards of ethical conduct for both the Commission and staff.
- Employee Background Investigations – formalizing the initial and updating process for background investigations of employees.
- Fingerprinting of Licensure – updating our current process to allow for reasonable reciprocity standards in pari-mutuel licensing and allowing for the inclusion of gaming licensees.

Gaming Implementation



RESULTS OF COUNTY ELECTIONS with Resulting Deadlines for Lottery Gaming Facility Manager Applications

Wyandotte County

Election June 26, 2007 – Certified July 2, 2007
 Deadline to submit to Lottery, December 31, 2007 (as extended)
 Deadline for Lottery to submit to LGFRB, March 31, 2008
 Deadline for LGFRB decision, May 30, 2008

<u>Casino</u>		<u>Electronic Gaming Machines at Racetrack</u>	
Yes	16,138 (80.87%)	Yes	16,350 (82.05%)
No	3,818 (19.13%)	No	3,577 (17.95%)

Cherokee County

Election June 5, 2007 – Certified June 8, 2007
 Deadline to submit to Lottery, December 6, 2007 (as extended)
 Deadline for Lottery to submit to LGFRB, March 5, 2008
 Deadline for LGFRB decision, May 5, 2008

Yes	4,663 (69.42%)
No	2,054 (30.58%)

Crawford County

Election April 3, 2005 – Approved by Lottery Commission May 16, 2007
 Deadline to submit to Lottery, December 6, 2007 (as extended)
 Deadline for Lottery to submit to LGFRB, March 5, 2008
 Deadline for LGFRB decision, May 5, 2008

<u>Casino</u>		<u>Electronic Gaming Machines at Racetrack</u>	
Yes	5,791 (60.78%)	Yes	5,919 (62.02%)
No	3,737 (39.22%)	No	3,625 (37.98%)

Ford County

Election June 26, 2007 – Certified June 29, 2007
 Deadline to submit to Lottery, December 26, 2007 (as extended)
 Deadline for Lottery to submit to LGFRB, March 25, 2008
 Deadline for LGFRB decision, May 27, 2008 (May 26 is Memorial Day)

Yes	3,273 (64.05%)
No	1,837 (35.95%)

Sumner County

Election December 20, 2005 – Approved by Lottery Commission June 22, 2007
 Deadline to submit to Lottery, December 28, 2007 (per Sedgwick Co. certification 08/13/07 and extension)
 Deadline for Lottery to submit to LGFRB, March 27, 2008
 Deadline for LGFRB decision, May 26, 2008

Yes	4,842 (63.05%)
No	2,838 (36.95%)

Sedgwick County

Election August 7, 2007
 Certified August 13, 2007

<u>Casino</u>		<u>Electronic Gaming Machines at Racetrack</u>	
Yes	45,410 (43.90%)	Yes	51,624 (49.88%)
No	58,035 (56.10%)	No	51,868 (50.12%)

LOTTERY GAMING FACILITY REVIEW BOARD

Matt All, Chairman

Lawrence

Appointed by the Governor

James Bergfalk

Mission

Appointed by the Governor

Bob Boaldin

Elkhart

Appointed by the President of the Senate

Garry Boston

Newton

Appointed by the Speaker of the House

Jack Brier

Topeka

Appointed by the Speaker of the House

Dean Ferrell

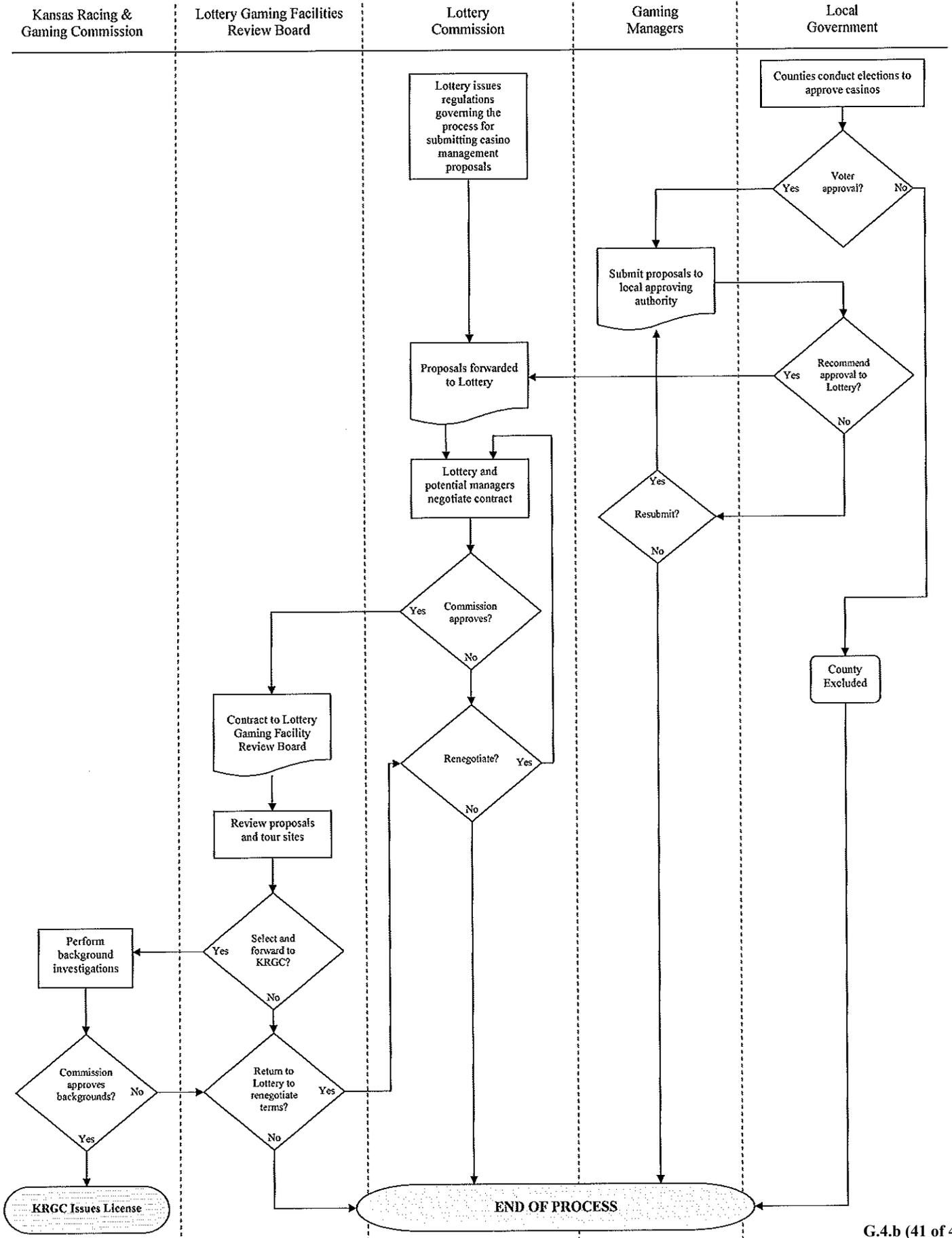
Topeka

Appointed by the President of the Senate

Jackie Vietti, Ph.D.

El Dorado

Appointed by the Governor



TECHNICAL STANDARDS DEVELOPMENT FOR CENTRAL COMPUTER SYSTEM

Senate Bill 66 requires that all electronic gaming machines be linked directly to a central computer at a location determined by the Lottery Commission's executive director for purposes of security, monitoring and auditing. The KRGC has been working with consultants in developing these technical standards for the Lottery Commission's central computer system.

KRGC staff met with staff of the Lottery Commission on various occasions in August to gain a consensus on the draft technical standards. In mid-September representatives from the KRGC and the Lottery went to Delaware and Rhode Island to look at the central computer systems used in those jurisdictions. On November 16 the KRGC gave preliminary approval of technical standards for the central computer system.

According to the approved standards, KRGC will:

- Have access to all reports made available to the Lottery.
- Have the ability to create ad-hoc reports as needed.
- Be able to make modifications to what information is collected.
- Approve remote or non-gaming terminal connections into the CCS.
- Approve IT security of remote or non gaming terminal connections into the CCS.
- Approve of all programs, data files and operating systems on the CCS.
- Have input on requirements for wide-area progressive system.
- Approve of progressive controllers.
- Conduct acceptance testing.
- Impose modification requirements in case of failed acceptance testing.
- Determine functionality of production system.
- Have a terminal at each facility and at Topeka to access information.
- Have a separate database of gaming information for auditing purposes at Topeka.

RESPONSIBLE GAMING

1. Responsible Gaming Plan

- Each licensee will submit responsible gaming plan
- Procedures for compliance with commissions self-exclusion program
- Procedures for creating and disseminating promotional material to educate patrons about responsible gaming
- Details about training employees on responsible gaming matters
- Procedures to prevent underage gambling
- Licensees will report semiannually to commission on the status and success of responsible gaming plan

2. Self exclusion list

The Racing and Gaming Commission is working to develop a state of the art voluntary-exclusion program for the state of Kansas. We have taken the best of what other states are doing and added a step that we think makes our program one of the strongest in the nation.

Persons will be able to voluntarily exclude themselves from state-owned gaming facilities. They will have the choice of applying for either a lifetime ban or a two-year ban. A person who signs for the two-year ban must complete a "re-entry" program including an assessment by a certified gambling counselor before they can come off the list. **This "re-entry" program is unique to the state of Kansas.**

People on the list face possible trespassing charges if they are discovered at a gaming facility, and any winnings would be surrendered to the problem gambling and addictions fund. Gaming facilities also would face sanctions if they knowingly allow a person on the self-exclusion list into a gaming area.

3. Responsible Gaming Alliance

The KRGC is also taking the lead in creating a Responsible Gaming Alliance. The idea is to partner with other state agencies to develop a coordinating body for the state's responsible and problem gaming initiatives to avoid any duplication of services. Membership would include:

- Kansas Racing and Gaming Commission,
- Kansas Lottery,
- Department of Social and Rehabilitation Services,
- Department of Corrections,
- Coalition on Problem Gambling,
- Gaming industry representatives, and
- Community representatives.

Other stakeholders also would be welcome to be a part of the alliance. Membership would not be binding, and there would not be any budget for the alliance. Each member would have the choice on whether to help fund any particular alliance project.



2008 Annual Report

August 14, 2009

The Honorable Mark Parkinson
Governor, State of Kansas
Statehouse, Room 212-S
Topeka, Kansas 66612-1590

Dear Governor Parkinson,

This is the 2008 Annual Report of the Kansas Racing and Gaming Commission (KRGC/commission). The report is a narrative and statistical summary of the KRGC's regulatory responsibilities for calendar and fiscal year 2008.

2008 Activity – In Summary

Parimutuel Racing

Commercial Tracks

At the start of 2008, one commercial pari-mutuel racing facility remained operational in Kansas – The Woodlands, located in Kansas City. In 2008, the Woodlands was scheduled to run a greyhound meet consisting of 102 matinee performances, 163 twilight performances and 71 evening performances, and a horse meet, consisting of 32 racing days, with ten races per day, for a total of 299 live racing days. However, on July 22, 2008, Kansas Racing, LLC, the ownership and management group of the Woodlands, issued a letter to the Kansas Racing and Gaming Commission stating that the Woodlands would close on August 23, 2008. The Woodlands' last official racing day was August 23, 2008. It cancelled the horse meet entirely and did not run the full greyhound meet.

In addition to the Woodlands, Camptown Greyhound Park and Wichita Greyhound Park continued to have licenses to hold pari-mutuel racing events at their facilities. However, after August 23, none of the tracks were running any racing events. On September 9, 2008 the Kansas Racing and Gaming Commission issued a notice to cure to each of the racetracks, as well as the non-profit organizational licensees, as a result of the failure to run live horse and greyhound races, as their licenses require. A hearing on the notice was held on November 7, 2008 and on December 5, 2008. Following the final hearing, the Kansas Racing and Gaming Commission issued an Administrative Order extending each of the licensees' licenses until thirty days after the Sine Die close of the 2009 Kansas Legislative Session. At that time, if the track has not resumed "racing activities by providing proposed race dates and a re-opening plan to the Commission...its license will be automatically revoked by the Commission." As of the end of the calendar year, no re-opening plans or race dates have been received.

Fair Meets

K.S.A. 74-8813 and 74-8814 give the KRGC the authority to regulate fair meets in the state. In 2008, two fair meets were held, one at Anthony Downs and one at Eureka. In 2008, the Anthony meet was held for six days, July 11, 12, 13, 18, 19 and 20, with post times for live races at 5:30 pm on Fridays (July 11 and 18) and 2:00 pm on Saturdays and Sundays (July 12, 13, 19 and 20). The Eureka meet was held for six days, beginning on May 31, and continuing June 7, 14, 21, 28 and July 4. All live races had a post time of 1:30 pm.

Expanded Gaming

In 2007 the Kansas Legislature passed the Kansas Expanded Lottery Act, establishing four commercial casino licenses in four gaming zones. The act gave the Kansas Racing and Gaming Commission the responsibility for regulating the operation of expanded lottery gaming facilities in Kansas.

Review Board Activities

The Kansas Lottery Gaming Facility Review Board (Review Board) was organized under K.S.A. 74-8735. Under this section, the Review Board was placed within the Kansas Racing and Gaming Commission for staffing purposes.

The Review Board is comprised of seven members. The current membership is as follows:

- | | |
|--------------------|-----------|
| Matt All, Chairman | Lawrence |
| Jim Bergfalk | Mission |
| Bob Boaldin | Elkhart |
| Garry Boston | Newton |
| Jack Brier | Topeka |
| Dean Ferrell | Topeka |
| Dr. Jackie Vietti | El Dorado |

The purpose of the Review Board is to review the applications forwarded from the Lottery Commission to determine the “best possible contract” in the four gaming zones, and to forward that contract on to the Kansas Racing and Gaming Commission for approval. In the performance of this task the Review Board held 13 live meetings and 4 teleconferences, all of which were public meetings. The live meetings took place in six cities throughout the state from December 20, 2007 until September 26, 2008.

During the course of the Review Board’s work, the Board retained a team of consultants to assist the Board in evaluating the contracts. These consultants possessed expertise in areas such as gaming revenue projections, financial stability, fiscal impact analysis and ancillary development. The Board eventually hired Dr. William Eadington as a general consultant. Will Cummings and Richard Wells were retained to provide gaming revenue projections and gaming market studies. Meridian Business Advisors was hired to perform a fiscal impact

analysis for the local governments. Probe Strategic Solutions and Civic Economics were hired to analyze the ancillary development and determine what the cannibalization effects of the new facilities would be on existing businesses in the community. Finally, Dr. John Mills was hired to examine the financial stability of the manager applicants.

KRGC staff hosted, staffed and planned all Review Board meetings, as well as compiling all information that the Review Board requested during the process. In addition, KRGC staff processed all incoming correspondence for the Review Board and maintained (and continues to maintain) all records of Review Board activities.

On August 22, 2008 the Review Board selected Kansas Penn Gaming as the facility manager in the Southeast zone by a final vote of 5-2. Kansas Penn Gaming had proposed to invest \$225 million in its project phased in over 12 years to construct a casino with 900 slot machines at opening (expandable to 1500) and 30 table games. Kansas Penn Gaming was the only manager applicant in that zone. Kansas Penn Gaming subsequently withdrew its application as a facility manager.

Also on August 22, 2008, the Review Board selected Sumner Gaming Joint Venture as the facility manager in the South Central zone. Sumner Gaming Joint Venture received four votes, with Marvel Gaming receiving two votes and Penn Sumner receiving one. Sumner Gaming Joint Venture has proposed to invest \$535 million in a facility located in Mulvane. The facility would have 2,000 slot machines and 300 table game positions. Review Board consultants had an average gaming revenue projection of \$186 million in its first full year of operation, paying over \$40 million to the State in gaming taxes. On November 17, Sumner Gaming Joint Venture withdrew its management application, citing economic factors.

On September 19, 2008, the Review Board selected Kansas Entertainment as the facility manager in the Northeast zone. Kansas Entertainment received four votes, while Golden Gaming received three. The other applicant to make it through the entire process, Legends Sun, did not receive any votes. Kansas Entertainment has proposed to invest \$680 million in a facility located just off turn two at the Kansas Speedway in Kansas City. The facility would have 3,000 slot machines and 140 table games. Review Board consultants had an average gaming revenue projection of \$222 million in the first full year of operation in the permanent facility, paying nearly \$50 million to the State in gaming taxes. Kansas Entertainment had also committed to build a temporary facility, projected to open in 2009. However, on December 4, just one day before the Kansas Racing and Gaming Commission was set to take up its background report, Kansas Entertainment withdrew its application, citing the downturn in the economy.

On September 26, 2008, the Review Board approved Butler National as the gaming facility manager in the Southwest zone. Butler National received five votes, while Dodge City Resort and Gaming received two. Butler National has proposed to invest nearly \$93 million in a facility located on the west side of Dodge City. The facility would have 875 slot machines at opening, with 20 table games. The Review Board consultant team projects that this facility will generate an average of \$49 million in its first full year of full operations, paying over \$10 million to the State in gaming taxes. Butler National has also proposed a

temporary facility, slated to open late in 2009, branded as the Boot Hill Casino and Resort. Currently Boot Hill is actively building, As per its contract with the Lottery, Boot Hill is required to open no later than December 5, 2009.

The Review Board is now dormant and will remain as such until new bidders in the Southeast, South Central and Northeast gaming zones emerges. Presently, the Kansas Lottery has given notice that it will take proposals for the remaining zones until April 1, 2009.

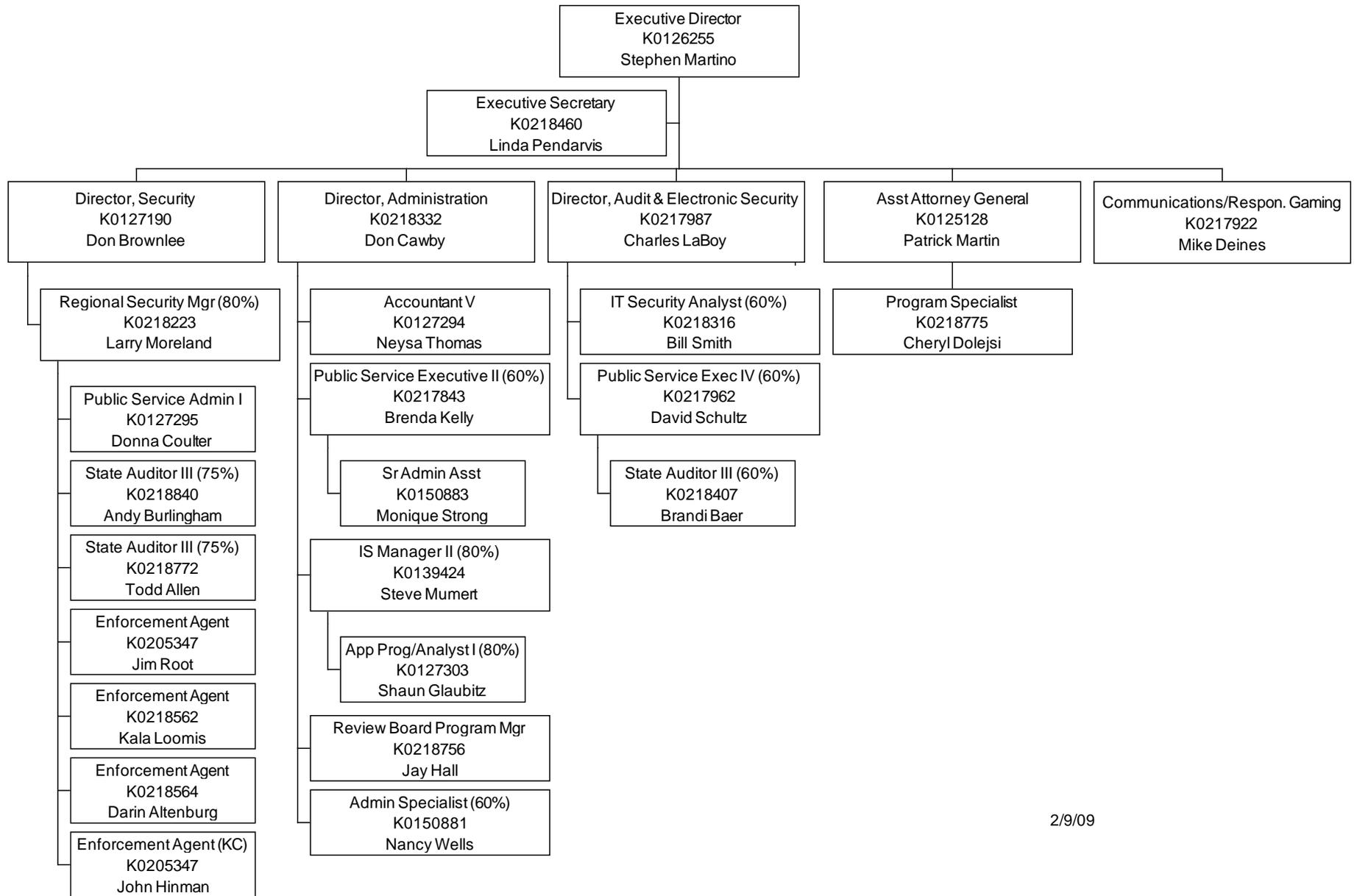
Casino Regulation

The Expanded Lottery Act tasks the Kansas Racing and Gaming Commission with constructing a regulatory structure for the regulation of gaming facilities. In anticipation of having temporary facilities opening in 2009, KRGC staff has worked diligently to establish appropriate regulations that will govern the fair and equitable operation of gaming in Kansas.

Beginning in 2007, KRGC staff designed 13 articles of regulations concerning gaming. These regulations covered areas such as Minimum Internal Controls, Security, Surveillance, Responsible Gaming, Certification, Licensing, Sanctions, Technical Standards and other regulations. In order to make the process of approving regulations more efficient and manageable, KRGC legal staff divided the proposed regulations into three waves, with four or five articles per wave.

On September 26, 2008, the KRGC legal staff held a public hearing for five articles of regulations (General Provisions, Minimum Internal Controls, Security, Surveillance and Responsible Gaming). A public hearing for the two remaining waves of articles was conducted on January 9, 2009.

As part of its regulatory activities, the KRGC Security Division spent much of 2008 conducting background investigations for the 11 applicants to the Lottery Gaming Facility Review Board. Following the selection of four facility managers, the Division continued investigations for Sumner Gaming, Kansas Entertainment and Butler National. As stated earlier, Sumner Gaming and Kansas Entertainment both withdrew their applications only a couple of months into the process.



2/9/09

Commissioners

Carol Sader, Chair	Prairie Village
Glenn Braun, Vice-Chair	Hays
William J. Falstad, Secretary	Independence
Kristine McKechnie	Arcadia
Barry Schwan	Wichita

Executive Staff

Stephen L. Martino	Executive Director
Linda Pendarvis	Commission Recording Secretary

Divisions & Units

Administration Division

Don Cawby, Director

Fiscal Office

Neysa Thomas, Chief Fiscal Officer

Human Resources Office

Brenda Kelly, Human Resources Manager

Information Technology Unit

Steve Mumert, IT Manager

Division of Audit & Electronic Security

Charles LaBoy, Director

Audit Unit

David Schultz, Chief Audit Officer

Electronic Security Unit

Bill Smith, Chief Electronic Security Inspector

Division of Communications & Responsible Gaming

Mike Deines, Director

Legal Division

Patrick Martin, Chief Counsel and Asst. Attorney General

Security & Licensing Division

Don Brownlee, Director

KRGC OPERATIONS

The Kansas Racing and Gaming Commission is comprised of seven operational units (Divisions) that provide for the regulation of racing and gaming in the State of Kansas.

Administration Division
Division of Animal Health *
Division of Audit & Electronic Security
Division of Communications & Responsible Gaming
Legal Division
Racing Division *
Security & Licensing Division

** currently inactive*

Administration

The Administration Division provides support services for the entire agency. These services include accounting, purchasing, budgeting, human resources, information technology, and records management. The Division is also responsible for managing space and facilities, travel coordination, legislative tracking and fiscal note responses, and producing formal reports and other correspondence for the agency.

Audit & Electronic Security

The Audit and Electronic Security Division is comprised of two sub-units, the audit unit and electronic security unit, each containing their own unique duties and functions. However, both work to accomplish the goals of ensuring that the parimutuel and expanded gaming industries are held to the highest accounting and internal control standards and that the electronic systems used in those industries are accurate, secure and reliable.

The Division is comprised of experts in their fields such as certified public accountants and certified information system security professionals who work diligently to ensure the commission has the best information available to make appropriate regulatory decisions. Services provided by the department include financial and compliance audits, certification of electronic gaming devices, information system security audits and consultation to the commission and the parimutuel and gaming industries in Kansas.

Communications & Responsible Gaming

The Division of Communications and Responsible Gaming handles a multitude of duties for the Commission. Its primary role in communications is to manage media calls and requests, draft and distribute news releases for the commission and handle any other media event for the agency. The Division is responsible for the development and maintenance of the agency website.

In the area of responsible gaming, the Division is responsible for both the creation and the daily operation of the state's voluntary exclusion program. This includes coordination with other entities to develop assessment criteria and responsible gaming education classes. The Division will also spearhead the newly formed Kansas Responsible Gaming Alliance by working with other state agencies and stakeholders to provide a comprehensive and cohesive approach to problem and responsible gaming.

Legal

The KRGC is statutorily assigned two assistant attorney generals "to assist it in all matters." From a legal perspective, the KRGC's work can generally be divided into three areas: administrative, criminal and civil. Administratively, the KRGC's attorneys research and prepare parimutuel and gaming regulations and also prosecute violations of those regulations in administrative hearings.

Because the KRGC is also a law enforcement agency, the KRGC's attorneys assist in criminal matters. Specifically, attorneys coordinate the KRGC's response to complaints and information related to illegal gaming issues and act as counsel for the agency's enforcement agents when necessary.

On civil issues, the KRGC's attorneys assume both litigation and transactional roles – that is, the attorneys prepare contracts and represent the agency in law suits. The attorneys also act as in-house counsel providing research, analysis and communication necessary to either represent the agency or resolve any legal issues it has.

Animal Health

The Kansas Parimutuel Racing Act provides that the commission appoint an animal health officer and assistants to advise the commission in matters of veterinary medicine and to serve and protect the health and well being of the racing animals. The animal health officer serves on the commission staff in Topeka and assistants serve at each racetrack.

The animal health officers are responsible for conducting veterinary services for racing animals. This includes physical examinations prior to racing and observation for lameness, illness, or any other condition which would prevent the animal from racing to its potential. They are also responsible for treating emergencies of a veterinary nature encountered during the running of the race. In consultation with the racing judges or stewards, the animal health officers help determine which animals may be scratched from racing due to injury, disease, or disability.

Racing animals are subject to drug testing to deter the use of drugs to influence the outcome of a race. The animal health officer at each track is charged with obtaining blood and/or urine samples to be submitted to the official testing laboratory. A concerted effort is made to obtain the desired specimens from the animals and deliver them to the laboratory under strict chain of custody procedures so that a given specimen is unadulterated and from the identified animal. The racing chemistry was performed under a contract with Center for Tox Services in Tempe, Arizona.

Racing

Parimutuel wagering and racing activities at each racetrack are under the general authority and supervision of the Commission's appointed greyhound racing judges and horse racing stewards. The judges/stewards may interpret the regulations and order appropriate action to ensure a fair race and to protect the best interests of racing. The stewards and judges perform the following:

- conduct administrative hearings;
- levy penalties on licensees;
- observe each race to ensure races are conducted in accordance with the regulations;
- determine the official winner and respective positions;
- maintain a detailed written account of each question, dispute, protest, complaint and objection;
- excuse any racing animal that is unfit or ineligible to run; and
- submit and file a written report for each performance to the commission office.

Security & Licensing

Security personnel are vested with the power and authority of law enforcement officers in the execution of the duties vested in the Commission by provisions of the Parimutuel Racing Act and the Expanded Lottery Act. The division's goals are:

- to ensure the integrity of racing and gaming in Kansas
- to ensure racing and gaming sites are a safe entertainment venue for patrons and employees
- to be proactive and responsive to racing and gaming laws and regulations
- to protect the interests of the public and the State as they relate to racing and gaming

Security personnel work towards these goals by monitoring activities in the racing and gaming properties, and investigating criminal and regulatory violations of the acts. They serve as the on-site regulatory staff for the Kansas Racing and Gaming Commission (KRGCC) to ensure operations comply with Kansas law and Commission regulations.

Security personnel also conduct background investigations of KRGCC employees, management companies, racing and gaming facility employees, and vendors. Backgrounds are conducted to protect the public interest by maintaining a legitimate and viable gaming industry assuring honesty, good character and integrity of racing and gaming facility operators, employees, and vendors.

Licensing activities ensure the integrity of racing and gaming in Kansas and the qualifications of employees at a facility by identifying, licensing and fingerprinting all persons acquiring a license. Facility employees, owners of racing animals, and industry personnel participating in racing and gaming are required to obtain an occupation license or certification and undergo a background check before working for a facility or racing animals at a facility. In addition, licenses or certifications are granted to facility owners and managers, non-profit organizations, concessionaires, and equipment and services providers. All of these individuals and entities are subject to background investigations before a license is granted by the commission.

GAMING OPERATING REVENUES

Currently the Kansas Racing and Gaming Commission is operating on a loan of \$5.0 million. The deadline for repayment was extended to June 30, 2010 by 2009 SB 23. Once the facilities are approved, facility managers are billed for the accrued costs of regulation since July 1, 2007 when the implementation process began, plus interest on the loan. We expect that by the end of calendar 2009, we will have an operational casino in Dodge City and will have two additional approved casinos in Wyandotte and Sumner Counties, providing us with the ability to bill back for all accrued expenses and to repay the loan with interest by the statutory deadline.

Billing of Expenses

The 2007 Expanded Lottery Act only allows us to recoup regulatory expenses through reimbursement. In order to allow for cash flow once the loan is being repaid, we have created the following billing procedure to facilities.

1. For billings, we are providing each facility with an apportioned cost of regulatory expenses accrued from July 1, 2007.
2. We also generate an estimate of expenses for the upcoming quarter, including the anticipated direct expenses of each facility and the anticipated indirect expenses assigned by formula to the facility.
3. When payments are received, we will track the payments and actual expenses for each facility. Reports will be generated on a monthly basis to track the current status of funding and the anticipated overage/shortfall for each facility.
4. Approximately 30 days before the beginning of each quarter, we will provide a billing with a new estimate for the upcoming quarter, which will apply any overage/shortfall to the new payment.
5. The actual and estimated expenses included in billings include any background investigation deposits and expenses.
6. The estimated quarterly expenses will be based on the agency's budget but will be adjusted for any major changes in operations that may occur that could not have been anticipated or were the result of a policy change by the Commission. It should be expected that during the opening of gaming facilities estimates may vary considerably from actual expenditures should timing changes be made by a gaming facility regarding opening.
7. These expenses do not include any expenses of the Commission related to the staffing and operation of the Lottery Gaming Facility Review Board. Those have been paid for and tracked separately.

Direct Expenses

Facilities will be charged for any expenses accrued directly for that facility. These charges will include staff, equipment, and operational expenses accrued for activity at the facility. Direct charges also will be accrued for any central staff time or expenses to conduct investigations or audits for a specific facility. Licensing background investigations primarily will be conducted by security staff located at each facility.

Indirect Expenses

Indirect expenses are defined as administrative or centrally located expenses that benefit the entire operation or cannot be identified as an expense to a specific facility.

1. Assumptions. For purposes of this explanation, we are working with the original assumption that there will eventually be six gaming facilities.
2. The KRGC has adopted the following formula for the determination of overhead and general administrative expenses as apportioned between parimutuel and gaming facilities:
 - Overhead Split: 75% Gaming Fund, 25% Racing Fund.
 - For positions such as accounting, audit or other functions where time is spent different than the split above, such splits are changed on a position by position basis. All other personnel time or expenses utilize this split of funding.
 - Because no racing is occurring, all non-racing specific staff have been and will continue to be funded 100% from the Gaming Fund. The only remaining racing staff position still with the agency – director of racing – will be paid from the Racing Fund and will not be charged as a gaming expense.
3. The KRGC has adopted the following formula for determining a percentage for overhead and administrative expense in order to calculate each facilities share of the general, or indirect, gaming expenses for the agency.

$$\frac{\text{Facility Gaming Revenue less State Portion}}{\text{Total Gaming Revenue less State Portion}} \times 85\% + \frac{1}{\text{Number of Facilities}} \times 15\%$$

4. The following table details the resulting indirect percentages (calculated in the formula above) based upon an average of the Wells (midpoint) and Cummings estimates for lottery gaming facilities. We estimated gross gaming revenue to the race track gaming facilities at the Cummings estimated amount prior to the lottery gaming facility opening in that zone. The gaming revenues portion of the formula will be adjusted once facilities are operational and actual data can be used.

	Gross Gaming Revenue <u>(\$millions)</u>	Revenue After State Portion <u>(\$millions)</u>	Indirect <u>%</u>
Woodlands	25.4	10.2	4.78%
Camptown	24.1	9.6	4.66%
Cherokee	30.2	22.1	7.45%
Butler National (FO)	52.5	38.3	11.10%
Sumner Gaming (SU)	186.5	136.2	33.04%
KS Entertain. (WY)	222.7	162.6	38.97%

5. Should it become apparent that there will be less than six approved facilities by the time the operating loan is due to be repaid on June 30, 2010, the costs apportioned to non-approved facilities will be recalculated and billed to the currently approved facilities. This recalculation is likely to occur at the conclusion of the 2009 Legislative Session. Should a facility be approved after this recalculation has been performed and paid by the currently approved facilities, the new facility will be responsible for paying the appropriate apportioned costs from July 1, 2007, to June 30, 2010. That apportioned amount will be refunded back to the facilities that paid the additional amount, according to the same formula.



Racing and Gaming Commission Fund Activity
Fiscal Years 2007 and 2008



	<i>State Racing Fund</i>	<i>Horse Fair Racing Benefit Fund</i>	<i>Horse Breeding Development Fund</i>	<i>Racing Investigative Expense Fund</i>	<i>Greyhound Breeding Development Fund</i>	<i>Racing Reimbursable Expense Fund</i>	<i>Racing Applicant Deposit Fund</i>	<i>Tribal Gaming Fund</i>	<i>Totals</i>
FY 2007									
Beginning balance (7-1-06)	\$ 115,501	\$ 184,350	\$112,768	\$ 19,892	\$ 151,383	\$ 28,484	\$ 889	\$ 308,271	\$ 921,537
Prior period adjustments	-	-	-	-	-	-	-	-	-
<u>Receipts</u>									
Revenue	2,736,879	728,017	419,939	5,000	188,057	339,365	46	1,499,778	\$ 5,917,081
Operating transfer	-	-	-	-	-	-	-	-	-
General Fund transfer	-	-	-	-	-	-	-	-	0
<u>Disbursements</u>									
Operating expenditures	(2,437,712)	(735,072)	(430,219)	(2,396)	(121,867)	(341,943)	-	(1,573,359)	(5,642,567)
State Gaming Revenue Fund transfer	-	-	-	-	-	-	-	-	-
Operating transfer	-	-	-	-	-	-	-	-	-
Greyhound Tourism Fund transfer	-	-	-	-	-	-	-	-	0
General Fund transfer	-	-	-	-	-	-	-	-	0
KSIP expenditures	-	-	-	-	-	-	-	-	-
Ending balance (6-30-07)	<u>\$ 414,668</u>	<u>\$ 177,295</u>	<u>\$102,488</u>	<u>\$ 22,496</u>	<u>\$ 217,573</u>	<u>\$ 25,906</u>	<u>\$ 935</u>	<u>\$ 234,690</u>	<u>\$ 1,196,050</u>
<hr/>									
FY 2008									
Beginning balance (7-1-07)	\$ 414,668	\$ 177,295	\$102,488	\$ 22,496	\$ 217,573	\$ 25,906	\$ 935	\$ 234,690	\$ 1,196,050
Prior period adjustments	-	-	-	-	-	-	-	-	0
<u>Receipts</u>									
Revenue	1,584,953	553,624	435,624	-	187,398	574,525	42	1,664,111	5,000,278
General Fund transfer	-	-	-	-	-	-	-	-	0
<u>Disbursements</u>									
Operating expenditures	(1,426,353)	(554,437)	(356,766)	(2,723)	(228,829)	(574,786)	-	(1,548,765)	(4,692,660)
State Gaming Revenue Fund transfer	-	-	-	-	-	-	-	-	-
Operating transfer	-	-	-	-	-	-	-	-	-
Greyhound Promo & Develmt Fund transfer	-	-	-	-	(28,110)	-	-	-	(28,110)
General Fund transfer	-	-	-	-	-	-	-	-	0
KSIP expenditures	-	-	-	-	-	-	-	-	-
Ending balance (6-30-08)	<u>\$ 573,268</u>	<u>\$ 176,482</u>	<u>\$181,346</u>	<u>\$ 19,773</u>	<u>\$ 148,033</u>	<u>\$ 25,645</u>	<u>\$ 977</u>	<u>\$ 350,035</u>	<u>\$ 1,475,558</u>



Track Statistics

For Calendar Years 2007 and 2008



	Overall Totals	
	2007	2008
Pari-mutuel tax		
Live		
Horse	\$ 53,770	\$ 7,669
Greyhound	459,958	226,494
Total live pari-mutuel tax	<u>513,727</u>	<u>234,163</u>
Simulcast		
Horse	1,238,625	631,548
Greyhound	706,697	248,758
Total simulcast pari-mutuel tax	<u>1,945,321</u>	<u>880,307</u>
Total pari-mutuel tax	<u>\$ 2,459,049</u>	<u>\$ 1,114,470</u>
Outs		
Live		
Horse	\$ 24,348	\$ 3,878
Greyhound	101,346	43,927
Total live outs	<u>125,694</u>	<u>47,805</u>
Simulcast		
Horse	208,609	108,903
Greyhound	92,945	31,566
Total simulcast outs	<u>301,554</u>	<u>140,469</u>
Total outs	<u>\$ 427,248</u>	<u>\$ 188,273</u>
Breakage		
Live		
Horse	\$ 11,355	\$ 2,176
Greyhound	40,470	20,527
Total live breakage	<u>51,825</u>	<u>22,703</u>
Simulcast		
Horse	130,489	79,889
Greyhound	45,103	11,519
Total simulcast breakage	<u>175,592</u>	<u>91,409</u>
Total breakage	<u>\$ 227,417</u>	<u>\$ 114,112</u>
Admission tax		
Live/Simulcast		
Horse	\$ 1,060	\$ 1,004
Greyhound	378	428
Total admission tax	<u>\$ 1,438</u>	<u>\$ 1,432</u>
Other taxes & fees		
Daily license fees	\$ 114,500	\$ 41,400
Licensing	76,195	17,185
Fines	11,322	4,050
Local ad valorem tax	1,422	1,276
Total other taxes & fees	<u>\$ 203,439</u>	<u>\$ 63,911</u>

Kansas Racing and Gaming Commission
Parimutuel Handle
Fiscal Year 2001 - 2008

Fiscal Year	Live Handle				Total			
	Woodlands	Wichita	Camptown	County Fair				
2001	15,749,338	12,881,960	1,958,151	522,713	31,112,162			
2002	12,855,764	12,443,593	-	452,943	25,752,300	-17.23%		
2003	16,915,281	11,125,191	-	463,958	28,504,430	10.69%		
2004	15,826,584	9,244,343	-	464,357	25,535,284	-10.42%		
2005	14,120,418	6,621,750	-	422,838	21,165,006	-17.11%		
2006	11,570,396	4,922,320	-	388,002	16,880,717	-20.24%		
2007	10,292,032	3,117,065	-	313,215	13,722,312	-18.71%	-56%	
2008	6,093,009	-	-	258,230	6,351,239	-53.72%		
			Simulcast Handle					
	Woodlands	Wichita	Camptown	County Fair	Total			
2001	50,119,634	27,506,159	1,551,606	167,574	79,344,973			
2002	52,515,145	27,946,093	-	171,535	80,632,773	1.62%		
2003	51,979,997	27,832,659	-	156,837	79,969,493	-0.82%		
2004	46,758,861	26,125,386	-	137,828	73,022,075	-8.69%		
2005	43,129,520	23,914,085	-	121,359	67,164,964	-8.02%		
2006	40,930,631	21,813,172.7	-	106,323	62,850,127	-6.42%		
2007	37,546,292	16,728,625	-	68,108	54,343,025	-13.54%	-32%	
2008	25,119,506	-	-	-	25,119,506	-53.78%		
			Total Handle					
	Kansas City	Wichita	Camptown	County Fair	Total			
2001	65,868,972	40,388,119	3,509,757	690,287	110,457,135			
2002	65,370,909	40,389,686	-	624,478	106,385,073	-3.69%		
2003	68,895,278	38,957,850	-	620,795	108,473,923	1.96%		
2004	62,585,445	35,369,729	-	602,185	98,557,359	-9.14%		
2005	57,249,938	30,535,835	-	544,197	88,329,970	-10.38%		
2006	52,501,027	26,735,493	-	494,325	79,730,844	-9.74%		
2007	47,838,324	19,845,690	-	381,323	68,065,337	-14.63%	-38%	
2008	31,212,515	-	-	258,230	31,470,745	-53.76%		

The Kansas pari-mutuel racing act directs that each organization licensee must distribute net earnings to 501(c)(3) nonprofits who are domiciled in and who will expend the monies in Kansas. The following schedule indicates the amount of charitable contributions by each organization licensee:

	Calendar Year	
	<u>2007</u>	<u>2008</u>
TRAK East	\$ 77,908.25	\$ 64,803.04

TRAK East is associated with the Woodlands Race Course and Woodlands Kennel Club. The following reflects how these charitable distributions improve the quality of life for Kansans:

TRAK EAST, INC.

(16 CONTRIBUTIONS)

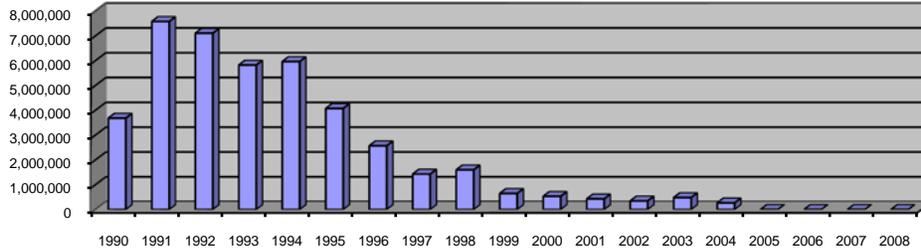
American Red Cross, Wyandotte County	\$3,038.00
Armourdale Renewal Association	4,000.00
Autism Society of the Heartland	5,000.00
Communities In Schools KCK/Wyandotte	5,000.00
Donnelly College	5,000.00
Easter Seals Capper Foundation	2,500.00
Family Service Guidance Center of Topeka, Inc.	2,549.95
Friends of Kaw Point Park	6,000.00
KCK Huggers, Inc./Special Olympics	2,000.00
Leavenworth Road Association	5,000.00
Rosedale Development Association	5,000.00
Salina Emergency Aid/Food Bank	4,115.09
Shepherd's Center of Kansas City, Kansas	5,000.00
Strawberry Hill Ethnic Cultural Society	2,800.00
The Kansas Jaycees' Cerebral Palsy Foundation, Inc.	4,300.00
The National Agriculture Center and Hall of Fame	<u>3,500.00</u>
Total	\$64,803.04



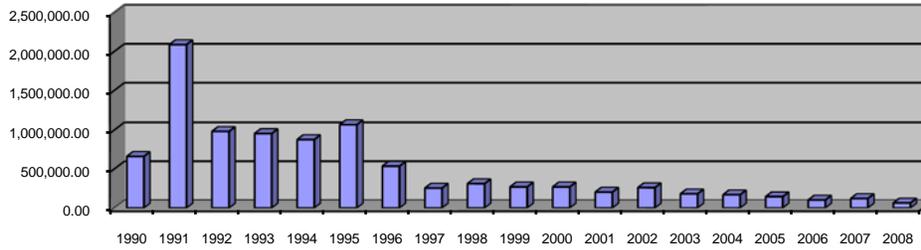
Benefits of Parimutuel Racing



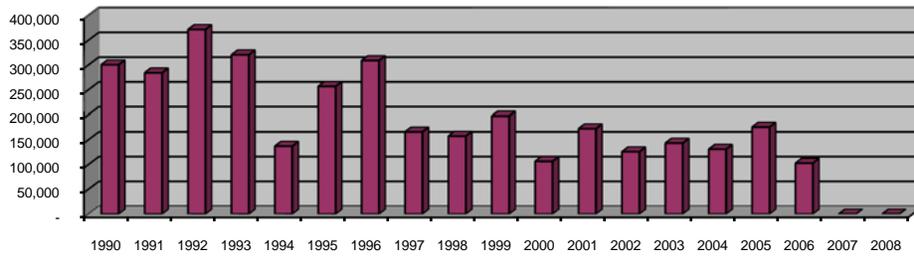
Transfers to State Gaming Revenue Fund



Charitable Contributions



Research Grants Funded



Race Days	1990	1991	1992	1993	1994	1995	1996
WDS							
Horse	76	75	63	63	60	45	20
Greyhound	213	214	240	240	299	300	250
WGP							
Greyhound	291	295	308	310	308	261	305
Eur							
Horse	38	0	0	0	20	20	20
Ant							
Horse	0	0	0	0	6	6	6
Greyhound	0	0	0	0	6	6	6
CGP							
Greyhound	0	0	0	0	0	147	0
County Fair Grants							
Anthony	-	-	-	-	179,345	176,746	185,000
Eureka	-	-	-	-	242,333	405,635	370,060

1997	1998	1999	2000	2001	2002	2003	2004	2005
22	21	21	26	26	25	30	30	26
287	289	306	258	256	257	250	243	237
319	320	284	263	263	254	239	223	254
20	20	21	20	20	20	21	21	19
6	6	6	6	6	6	6	6	6
6	6	6	6	6	6	6	6	6
0	0	0	60	0	0	0	0	0

174,300	160,000	138,480	150,000	158,000	170,517	171,778	168,000	162,500
407,652	461,600	500,000	526,000	600,000	568,390	630,000	532,000	487,500

2006	2007	2008
31	25	0
248	252	212
253	194	0
18	11	6
6	6	6
6	6	6
0	0	0
150,000	186,613	168,675
450,000	438,387	215,018

Kansas Racing and Gaming Commission

STAFF AGENDA MEMORANDUM

DATE OF MEETING: March 12, 2010

AGENDA ITEM: **Semi-annual activity report of inspections and investigations of bingo operations**

PRESENTER: Stephen L. Martino, Executive Director

ISSUE SUMMARY: Kansas statute KSA 79-4715 requires the director of Alcoholic Beverage Control to submit semi-annual activity reports to the Commission concerning inspections and investigations of bingo operations in Kansas. The current report is for the last six months of calendar year 2009.

COMMISSION ACTION REQUIRED/REQUESTED: Commission review and acknowledgment of receipt of the report.

STAFF RECOMMENDATIONS: Acknowledge receipt of the report.

REPORT TO RACING AND GAMING COMMISSION
07/01/09 to 12/31/09
Charitable Gaming

K.S.A. 79-4715 – reports to racing and gaming commission. The director of alcoholic beverage control of the department of revenue shall submit to the Kansas racing and gaming commission semiannual activity reports concerning inspections and investigations of bingo operations in this state.

Inspections;

There were 71 inspections by compliance agents during this time period.

Educational	7
Routine	52
Follow-up	1
Complaints	3
Other	8

The inspections resulted in 2 warnings and 12 fines.

There were five educational workshops conducted throughout the state.

Investigations:

K.S.A. 79-4706 (b). Be member or the spouse of a member of the licensed organization conducting the bingo game or be a member or spouse of a parent or auxiliary unit or society of the licensed organization.

Received complaint bingo workers were not members of the organizations they were serving.

K.S.A. 79-4706 (e). Be a volunteer and not be paid or compensated in any way for their participation in conducting the bingo games.

Received compliant bingo workers were recruited by the parlor and compensated.

No violations were found.

K.S.A. 79-4712a. No person or entity shall sell or distribute any bingo faces, bingo cards or instant bingo tickets to any licensee unless such entity has been issued a distributor certificate by the administrator.

Distributor was selling to an organization that did not have current bingo license.

K.S.A. 79-4703 (f) Each registration certificate, or renewal thereof, issued under the provisions of subsection (e) shall expire at midnight on June 30 following its date of issuance.

Organization was playing without a current bingo license.

Kansas Racing and Gaming Commission

STAFF AGENDA MEMORANDUM

DATE OF MEETING: March 12, 2010

AGENDA ITEM: **Travel to North American Gaming Regulators Association Conference**

PRESENTER: Stephen Martino, Executive Director

ISSUE SUMMARY: The North American Gaming Regulators Association 2010 annual conference is June 27-30 in Vancouver, Canada. Since 2007 and passage of the Kansas Expanded Lottery Act, the KRGC has sent staff to each NAGRA annual conference believing it beneficial to our regulatory mission and to developing and encouraging good relations with other regulators. The commission's travel policy requires prior approval for any travel by staff not for investigative purposes outside the United States. The KRGC has budgeted for this trip and has funds to pay for this travel. Patrick Martin, chief counsel and assistant attorney general, and Don Brownlee, deputy director of security and licensing, have expressed a willingness to attend and represent the agency.

COMMISSION ACTION REQUIRED/REQUESTED: Discussion, consideration and possible action.

STAFF RECOMMENDATIONS: Staff recommends approval.

March 2010 - February 2011

Kansas Racing and Gaming Commission Planner

Mar 2010						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

MARCH

12 Commission Meeting

APRIL

9 Commission Meeting (rescheduled from April 16)

MAY

14 Commission Meeting

JUNE

3 Commission Meeting (rescheduled from June 11)

JULY

16 Commission Meeting

AUGUST

13 Commission Meeting

SEPTEMBER

10 Commission Meeting (rescheduled from September 17)

OCTOBER

15 Commission Meeting

NOVEMBER

12 Commission Meeting

DECEMBER

17 Commission Meeting

Sep 2010						
S	M	T	W	T	F	S
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Apr 2010						
S	M	T	W	T	F	S
			1	2	3	
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

Oct 2010						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

May 2010						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

Nov 2010						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

Jun 2010						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

Dec 2010						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Jul 2010						
S	M	T	W	T	F	S
			1	2	3	
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Jan 2011						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

Aug 2010						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Feb 2011						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					