

AGENDA

KANSAS RACING AND GAMING COMMISSION
10:00 am, Friday, May 14, 2010

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

A. CALL TO ORDER

B. APPROVAL OF AGENDA

C. APPROVAL OF MINUTES

1. [Minutes of April 9, 2010](#)

D. CONSENT AGENDA

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

1. Consent to attached and incorporated staff recommendations on approvals, revocations, and conditional revocations for certain electronic gaming machine hardware and electronic lottery facility games.
 - a. [EGM Approvals](#)
 - b. [EGM Revocations](#)
 - c. [EGM Conditional Revocations](#)

E. KANSAS LOTTERY COMMISSION REPORT

F. LOTTERY GAMING FACILITY REPORTS/ITEMS

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

G. COMMISSION ITEMS

1. KRGC Compliance Audit of Eureka Downs for 2009
Commission Action *Commission review and discussion*
Staff Presentation: David Schultz, Chief Audit Officer
Staff Recommendation: Staff Recommends approval
 - a. [Staff Memo](#)
 - b. [Eureka Downs Engagement Report 2009](#)
 - c. [Eureka Downs 2009 Expense Analysis](#)
 - d. [KQHRA 2009 Financial Statements](#)

2. KRGC Compliance Audit of Anthony Downs for 2009
Commission Action *Commission review and discussion*
 Staff Presentation: David Schultz, Chief Audit Officer
 Staff Recommendation: Staff Recommends approval
 - a. [Staff Memo](#)
 - b. [Anthony Downs Engagement Report 2009](#)
 - c. [Anthony Profit and Loss Comparison 2009](#)
 - d. [Anthony Fair Association Financial Statements](#)

3. Audited financial statements of Kansas Racing, LLC and The Racing Association of Kansas East for the year ended December 31, 2009
Commission Action *Commission review and discussion*
 Staff Presentation: Charles LaBoy, Deputy Director for Audit and Electronic Security
 Staff Recommendation: No recommendation
 - a. [Staff Memo](#)
 - b. [Engagement Letters](#)

4. Approval of GTECH Service Batch 1 and Related Waivers
Commission Action *Commission review and discussion*
 Staff Presentation: Charles LaBoy, Deputy Director for Audit and Electronic Security
 Staff Recommendation: Staff recommends approval
 - a. [Staff Memo](#)

5. Boot Hill Casino and Resort Internal Control Amendments and Related Financial Information
Commission Action *Commission review and discussion*
 Staff Presentation: Charles LaBoy, Deputy Director for Audit and Electronic Security
 Staff Recommendation: Staff recommends approval
 - a. [Staff Memo](#)

H. PUBLIC COMMENTS

I. STAFF REPORTS

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

J. EXECUTIVE SESSIONS

1. Attorney-client communication
2. Confidential background reports

K. OTHER BUSINESS/FURTHER COMMISSION ACTION

1. Discussion, consideration and possible action on licenses
 - a. GHI Solutions, Inc. (Gaming Vendor), and its employees:
 - i. Winkler, Claudia Level 1
 - ii. Moon, Christopher Level 3
 - iii. Weather, Andrew Level 3
 - b. Midwest Card and ID Solutions, LL (Gaming Vendor), and its employees:
 - i. Johannes, Philip Level 1
 - ii. Ourth, Brenden Level 1
 - c. Western Beverage, Inc. (Non-Gaming Vendor), and its employees:
 - i. Bogner, John Level 1
 - ii. Bogner, Joseph Level 1
 - iii. Bogner, Shirley Level 1
 - iv. Downing, Steven Level 1
 - v. Ewy, Jon Level 1
 - vi. Hixon, William Level 1
 - vii. Kennedy, James Level 1
 - viii. Ring, Douglas Level 1
 - ix. Ransour, Donald Jr. Level 1
 - x. McGee, Steven Level 2
 - xi. Sandoval, Frank Level 2
 - d. Bottling Group, LLC (Non-Gaming Vendor), and its employees:
 - i. King, Stephen Level 1
 - ii. McCampbell, Amy Level 1
 - iii. Neubauer, Teresa Level 1
 - iv. Pingsterhaus, Mark Level 1
 - v. Garcia, Anson Level 3
 - e. Boot Hill Casino and Resort employees:
 - i. Barnes, Russell D. Level 2
 - ii. Boyles, Sharon L. Level 2
 - iii. Budnyk, Stephanie A. Level 2
 - iv. Feilmeier, Clay A. Level 2
 - v. Finkeldei, Darrell D. Level 2
 - vi. Medina, Victor A. Level 2

vii.	Mooney, Marilyn K.	Level 2
viii.	Nosaphangthong, Pannha	Level 2
ix.	Orellana, Magnolia V.	Level 2
x.	Parker, Bradley E.	Level 2
xi.	Sullivan, Marc A.	Level 2
xii.	Taylor, Rashelle J.	Level 2
xiii.	Ward, Russell	Level 2
xiv.	Wilkerson, Larry L.	Level 2
xv.	Wilson, Randy J.	Level 2
xvi.	Brummer, Nikiya D.	Level 3
xvii.	Canales, Jenifer	Level 3
xviii.	Chavez, Bruce W.	Level 3
xix.	Dickens, Zachary A.	Level 3
xx.	Fairbanks, Christopher J.	Level 3
xxi.	Galindo, Joe	Level 3
xxii.	Leachman, Maria I.	Level 3
xxiii.	Martinez, Karina L.	Level 3
xxiv.	Minjarez, Jessica L.	Level 3
xxv.	Miramontes, Israel I.	Level 3
xxvi.	Nieto, Erica	Level 3
xxvii.	Rhodes, Renee L.	Level 3
xxviii.	Rosales, Darcie	Level 3
xxix.	Wheeler, Benjamin J.	Level 3

L. ADJOURNMENT

KANSAS RACING AND GAMING COMMISSION

MINUTES – APRIL 9, 2010

- CALL TO ORDER:
(A.)
- Chair Sader called the April 9, 2010, meeting to order at 10:05 am at 700 SW Harrison, Auditorium A, Suite 450, Topeka, Kansas. Commissioners Sader, Braun, Falstad, and Schwan were present at the meeting. Commissioner McKechnie 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; Director of Communications/Responsible Gaming Mike Deines; Recording Secretary Linda Pendarvis and other staff.
- MOTION, APPROVE
AMENDED AGENDA:
(B.)
- Commissioner Schwan (Braun) moved to approve the amended agenda as presented. Motion passed unanimously.
- MOTION, APPROVE
MARCH 12, 2010,
MEETING MINUTES:
(C.)
- Commissioner Falstad (Schwan) moved to approve the minutes of the March 12, 2010, commission meeting as submitted. Motion passed unanimously.
- MOTION, APPROVE
CONSENT AGENDA:
(D.)
- Commissioner Falstad (Braun) moved to approve the consent agenda as indicated by Mr. LaBoy, to include approval of the 45 listed electronic gaming machine hardware components and electronic lottery facility games and the revocation of the seven listed electronic gaming machine software components.
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:
- Through the end of March, Boot Hill Casino and Resort is at approximately \$11.6 million in total revenue, which is over \$2.5 million to the State. The \$110,000 per day figure is still on target – to reach the \$40 million per year projection. The events center near Boot Hill is progressing nicely and is still on track to be completed by February of 2011.
 - Southeast Zone: No activity. If no one has applied by a week from today, the deadline will be automatically extended into July.
 - Northeast Zone: Groundbreaking is three weeks from today.
 - South Central Zone: The Governor denied extension of that request as of yesterday. The developer has withdrawn as of this morning, and the Lottery will be directing that the \$25 million privilege fee be refunded. Bidding will be re-opened.

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

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

- Almost 25,000 people have registered for the Players Club.
- Planning on the hotel will begin soon with an anticipated opening in 2011.
- A question was raised concerning the geographic area represented by the patrons. Less than 25% of the total business is coming from the local area.
- Mr. Martino mentioned that a conference call took place yesterday with Boot Hill, and it is anticipated that in the future a pre-commission meeting call will take place before each commission meeting.

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

The commission heard a report from Marty Naumann, V.P. of Operations at the Hollywood Casino at Kansas Speedway:

- Groundbreaking will take place on Friday, April 30, at 11 am. Lieutenant Governor Troy Findley will be present.
- April 14 the Speedway board will meet to approve the road course, and there will be racing in 2011. Kansas Entertainment is still confident that a second date will be agreed upon with NASCAR.

The commission heard a report from Latoria Chinn, Compliance Officer of Construction with Kansas Entertainment LLC.

The commission heard a report from Carl Yaeger with Berger Devine Yaeger architects.

DISCUSSION, SEMI-
ANNUAL ACTIVITY
REPORT OF BINGO
OPERATIONS:
(G.1.)

Mr. Martin introduced Patsy Congrove, Director of Charitable Gaming from the Department of Revenue, who provided additional information on the Semi-Annual Activity Report presented at the March 12 meeting.

DISCUSSION, KHA
REIMBURSEMENT FROM
KANSAS BRED
PROGRAM:
(G.2.)

The commission heard Mr. LaBoy discuss the Kansas Horsemen's Association (KHA) request for reimbursement from the Kansas Bred Program for expenses for April and May 2009 in the amounts of \$2,230.71 and \$2,205.06, subject to availability of funds.

MOTION, KHA
REIMBURSEMENT FROM
KANSAS BRED
PROGRAM:
(G.2.)

Commissioner Falstad (Schwan) moved to approve reimbursement for April and May 2009, subject to availability of funds. Motion passed unanimously.

DISCUSSION, BOOT HILL CASINO AND RESORT INTERNAL CONTROL WAIVERS/AMENDMENTS: (G.3.)

The commission heard Mr. LaBoy present four waivers/amendments submitted by the Boot Hill Casino and Resort relating to its internal control plan, plus the February 2010 financial statements. Due to the confidential nature of the information, he recommended that they be discussed in executive session.

MOTION, EXECUTIVE SESSION: (G.3.)

Commissioner Braun (Schwan) moved that the commission recess into executive session for a period of 15 minutes, from 11:00 to 11:15 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 11:15 am with all members present as previously noted.

MOTION, APPROVAL OF BOOT HILL CASINO AND RESORT INTERNAL CONTROL WAIVERS/AMENDMENTS: (G.3.)

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

- Approve waivers BH60, BH62, BH63, and BH64.

Motion passed unanimously.

DISCUSSION, COMPLIANCE AUDIT OF ANTHONY DOWNS FOR 2009: (G.4.)

The commission heard Mr. LaBoy discuss the compliance Audit of Anthony Downs for 2009. The audit revealed \$51,061 in profit that staff believed should be reclassified as a liability per the 2009 commission order granting the parimutuel license to the Anthony Fair Association. The Anthony Fair Association's accountant analyzed the \$51,061 and has identified an additional \$48,462 in expenses that they believe should be allowed to be charged against the entry fee items and grant money. KRGC staff needs time to meet with Anthony to go over the items on a line-by-line basis. Staff recommends tabling this matter until they have had time to meet with Anthony Fair Association to go over the audit findings, and the matter will be brought up again at the May 14, 2010, commission meeting.

MOTION, COMPLIANCE AUDIT OF ANTHONY DOWNS FOR 2009: (G.4.)

Commissioner Braun (Schwan) moved to table approval of the compliance audit of Anthony Downs until the May 14, 2010, meeting. Motion passed unanimously.

DISCUSSION, ANNUAL AUDITED FINANCIAL STATEMENTS OF WICHITA GREYHOUND CHARITIES, INC. FOR THE YEAR ENDED DECEMBER 31, 2009: (G.5.)

The commission heard Mr. David Schultz, KRGC Chief Audit Officer, discuss the annual audited financial statements of Wichita Greyhound Charities, Inc. for the year ended December 31, 2009. This entity has suspended operations since the fall of 2007, but it did post a net income of \$71,000 due entirely to an inner-company transfer of liabilities.

MOTION, ANNUAL AUDITED FINANCIAL STATEMENTS OF WICHITA GREYHOUND CHARITIES, INC. FOR THE YEAR ENDED DECEMBER 31, 2009:
(G.5.)

Commissioner Falstad (Schwan) moved to accept the annual audited financial statements of Wichita Greyhound Charities, Inc. for the year ended December 31, 2009. Motion passed unanimously.

DISCUSSION, ANNUAL AUDITED FINANCIAL STATEMENTS OF WICHITA GREYHOUND PARK, INC. AND SUBSIDIARY FOR THE YEAR ENDED DECEMBER 31, 2009:
(G.6.)

The commission heard Mr. David Schultz discuss the annual audited financial statements for Wichita Greyhound Park, Inc. for the year ended December 31, 2009. Wichita Greyhound Park, Inc. also suspended operations in 2007, and it posted a net loss of \$947,000. Included in that loss is the \$71,000 transfer of liabilities from Wichita Greyhound Charities, Inc. Mr. Schultz distributed an amended sheet of information.

MOTION, ANNUAL AUDITED FINANCIAL STATEMENTS OF WICHITA GREYHOUND PARK, INC. AND SUBSIDIARY FOR THE YEAR ENDED DECEMBER 31, 2009:
(G.6.)

Commissioner Falstad (Schwan) moved to approve the annual audited financial statements for the year ended December 31, 2009, as amended. Motion passed unanimously.

DISCUSSION, EXTENSION REQUEST ON THE ANNUAL AUDITED FINANCIAL STATEMENTS OF THE RACING ASSOCIATION OF KANSAS EAST FOR THE YEAR ENDED DECEMBER 31, 2009:
(G.7. and G.8.)

The commission heard Mr. Charles LaBoy discuss an extension request on the annual audited financial statements of The Racing Association of Kansas East for the year ended December 31, 2009. Kansas Racing LLC has also requested a 60-day extension of the due date for their 2009 audited financial statements. Neither of the letters was signed by the licensees. Mr. LaBoy expressed hesitation to recommend approval of the extension requests because they lacked signatures.

MOTION, EXTENSION REQUEST ON THE ANNUAL AUDITED FINANCIAL STATEMENTS OF THE RACING ASSOCIATION OF KANSAS EAST FOR THE YEAR ENDED DECEMBER 31, 2009:
(G.7. and G.8.)

Commissioner Schwan (Braun) moved to extend the due date on the annual audited financial statements of The Racing Association of Kansas East and Kansas Racing LLC, for the year ended December 31, 2009, for 30 days from April 9, with a new deadline of May 9. Motion passed unanimously.

DISCUSSION,
PRESENTATION OF KRGC
ANNUAL REPORT FOR
THE YEAR 2009:
(G.9.)

The commission heard Mr. Martino discuss the KRGC annual report for the year 2009.

MOTION, APPROVAL OF
KRGC ANNUAL REPORT
FOR THE YEAR 2009:
(G.9.)

Commissioner Braun (Falstad) moved to approve the KRGC annual report for the year 2009. Motion passed unanimously.

CALL FOR PUBLIC
COMMENTS:
(H.)

Chair Sader called for public comments. There were none.

STAFF REPORT,
MARTINO:
(I.1.)

The commission heard a staff report from Mr. Martino:

- Reminded the commission to file their Statements of Substantial Interest by the end of the month.
- Yesterday Governor Parkinson rejected the requested extension of the Kansas Lottery Gaming Facility Review Board for the South Central gaming zone that was initiated by the applicant Chisholm Creek. It appears that a consequence of that has been the withdrawal of the applicant today.
- Today is Mr. Martino's last day as executive director of KRGC. He expressed thanks to the commission and staff and announced that Mr. Patrick Martin would be serving as interim executive director.

STAFF REPORT, DEINES:
(I.2.)

The commission heard a staff report from Mr. Deines:

- There are currently six individuals registered in the voluntary exclusion program.
- During the month of March there were 32 appropriate calls on the help line. Slot machines continue to be the primary game of preference among those seeking help.
- There were 519 visitors on the Kansas Gambling Help website, which more than tripled the amount of traffic from preceding months.

STAFF REPORT, CAWBY:
(I.3.a.)

Mr. Cawby was not at the meeting, but Chair Sader mentioned that the October meeting has been changed from October 15 to October 13.

MOTION, EXECUTIVE
SESSION:
(J.1.)

Commissioner Falstad (Schwan) moved that the commission take a 5-minute break followed by an executive session for 15 minutes from 12:15 pm until 12:30 pm for the purpose of attorney-client communication regarding litigation matters. 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 12:30 pm with all members present as previously noted.

MOTION, EXECUTIVE
SESSION:
(J.2.)

Commissioner Falstad (Schwan) moved that the commission go into executive session from 12:30 pm to 1:15 pm for the purpose of hearing 25 background reports. Those included in the executive session were the commission, Mr. Martino, Mr. Martin, and security 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 1:15 pm with all members present as previously noted.

MOTION, DENY
LICENSES:
(K.)

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

- a. Level II Gaming Licenses
 - i. Cardenas, Jesus
 - ii. Lang, Jaime D.
 - iii. Tapia, Juan M.

Motion passed unanimously.

MOTION, APPROVE
LICENSES:
(K.1.)

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

- a. Level I Gaming Licenses
 - i. Fleming, Larry
 - ii. Gardiner, Robert
- b. Level II Gaming Licenses
 - i. Bennett, Kimberly M.
 - ii. Brock, Kendra
 - iii. Dome, Toni L.
 - iv. Eichman, Kevin D.
 - v. Kerns, Scott W.
 - vi. Medina, Arianne E.
 - vii. Myers, Susan K.
 - viii. O'Brien, Erin
 - ix. Paul, Michelet

- x. Roberts, Dawn R.
- xi. Roberts, Tyler J.
- xii. Sauer, Allen D.
- xiii. Smith, Marilyn A.
- xiv. Weber, Garrett D.
- c. Level III Gaming Licenses
 - i. Bustillos, Kristal R.
 - ii. Conde, Stephanie
 - iii. Garcia, Diaz C.
 - iv. Klassen, Elizabeth
 - v. Law (Molinar), Jennie D.
 - vi. Ochoa, Thalia J.

Motion passed unanimously.

ADJOURN:

Commissioner Braun (Schwan) moved to adjourn at 1:20 pm.
Motion passed unanimously.

SUBMITTED BY:

William Falstad
Secretary

APPROVED BY:

Carol H. Sader
Chair

Approved Software

3.31.2010

Manufacturer	File Number	ID Number	Version	Game Name
SHUFFLE MASTER	PA-73-SHU-02-02	HARDWARE	DECKMATE SHUFFLER	DECK MATE
SHUFFLE MASTER	PA-73-SHU-02-02	HARDWARE	DECKMATE SHUFFLER	BLACKJACK
SHUFFLE MASTER	MO-122-SHU-07-01	DECK MATE	V1.11	SOFTWARE DECK MATE
WMS	MO-73-WMS-10-09	SSSG-000-1650	1650/H13.12	OPERATING SYSTEM
WESTERN MONEY	MO-72-WEM-10-01	FLS-US20-371012	371012	N/A
IGT	MO-22-IGT-10-41	M6048F 2.15 198 2.03	2.15/2.03	N/A
ARISTOCRAT	PA-22-ARI-08-03	MACHINE	N/A	N/A
ARISTOCRAT	MO-22-ARI-08-160	HARDWARE	P/N 07-41439	N/A
ARISTOCRAT	PA-22-ARI-08-03	HARDWARE	P/N 01-70046	N/A
ARISTOCRAT	PA-22-ARI-08-03	HARDWARE	P/N 07-41490	N/A
ARISTOCRAT	PA-22-ARI-08-03	HARDWARE	P/N 07-10262	N/A
ARISTOCRAT	PA-22-ARI-08-03	HARDWARE	P/N 07-41438	N/A
ARISTOCRAT	PA-22-ARI-08-03	HARDWARE	P/N 07-10269	N/A
ARISTOCRAT	MO-22-ARI-09-05	1.00-60421	RFX GEN7	5 KOI
ARISTOCRAT	MO-22-ARI-09-11	1.00-60445	RFX GEN7	5 DRAGONS DYNASTY
ARISTOCRAT	MO-22-ARI-09-55	HARDWARE	01-70049	N/A
ARISTOCRAT	MO-22-ARI-09-55	HARDWARE	07-41466	N/A
ARISTOCRAT	MO-22-ARI-09-59	HARDWARE	04-15086 A	N/A
ARISTOCRAT	MO-22-ARI-09-72	HARDWARE	579849	N/A
ARISTOCRAT	MO-73-ARI-09-28	1.01-60601	RFX GEN7	Skin Deep Cherries
ARISTOCRAT	MO-22-ARI-09-76	1.02-60388	RFX GEN7	Big Ride
ARISTOCRAT	MO-73-ARI-09-44	1.02-60375	GEN7	Jungle Joe Searching High and Low Beat the Bandits
ARISTOCRAT	MO-73-ARI-09-53	1.00-60602	RFX GEN7	Same Way Sevens
ARISTOCRAT	MO-73-ARI-09-58	1.02-60600	RFX GEN7	Hillbillions
ARISTOCRAT	MO-73-ARI-09-68	1.00-60603	RFX GEN7	Pow-tastic Sevens
ARISTOCRAT	MO-22-ARI-09-94	1.01-60700	GEN7	Fortune Princess Beat the Bandits
ARISTOCRAT	MO-73-ARI-09-83	1.00-60677	GEN7	King Cobra
ARISTOCRAT	MO-22-ARI-10-03	Linux Operating System	3.03.0	N/A
ARISTOCRAT	MO-22-ARI-10-06	SET CHIP	7.00.22	N/A
ARISTOCRAT	MO-22-ARI-10-11	2.57.0-1.56.0	GEN7	N/A
ARISTOCRAT	MO-73-ARI-10-12	1.00-60605	RFX GEN7	Oaks Day Kentucky Derby
ARISTOCRAT	MO-73-ARI-10-13	1.00-60606	RFX GEN7	Run for the Roses Kentucky Derby
ARISTOCRAT	MO-73-ARI-10-14	HARDWARE	593058	Kentucky Derby
ARISTOCRAT	MO-73-ARI-10-14	HARDWARE	590180	Kentucky Derby



Mark Parkinson, Governor
Stephen Martino, Executive Director

RACING AND GAMING COMMISSION

ARISTOCRAT	MO-22-ARI-10-12	Firmware	VF1.1.0a	N/A
ARISTOCRAT	MO-22-ARI-10-12	Operation System	VOS5.12600.0-1	N/A
ARISTOCRAT	MO-22-ARI-10-12	Graphic Sequence	VGS1.1.0b	N/A
ARISTOCRAT	MO-22-ARI-10-12	Vertex	1.1.0.3	N/A
WMS	MO-73-WMS-10-10	DB09-000-1000	1000/H13-10	Tiger's Realm
WESTERN MONEY	Y-166-WEM-10-01	PXC.exe	4.0.11.0	N/A
WESTERN MONEY	SY-166-WEM-10-01	CXC.exe	12.0.12.0	N/A
IGT	MO-22-IGT-10-44	DIAGNOSTIC-014-04	57509390	AVP
KONAMI GAMING INC.	MO-22-KON-09-18	HARDWARE	995106	N/A
KONAMI GAMING INC.	MO-22-KON-09-18	HARDWARE	995107	N/A
KONAMI GAMING INC.	MO-22-KON-10-01	HARDWARE	K-0424(A)	N/A

Revoked Software				
KONAMI GAMING INC.	MO-07-KON-08-75	PROV101G12	GAME PROGRAM	PIRATE ROSE
KONAMI GAMING INC.	MO-07-KON-08-75	PROV101G12	GAME PROGRAM	PIRATE ROSE
KONAMI GAMING INC.	MO-07-KON-08-75	PROV101G12-CF	SOUND/GRAPHICS	PIRATE ROSE
KONAMI GAMING INC.	MO-07-KON-09-74	PROV102G12	GAME PROGRAM	Pirate's Rose
KONAMI GAMING INC.	MO-07-KON-09-74	PROV102G12	GAME PROGRAM	Pirate's Rose
KONAMI GAMING INC.	MO-07-KON-09-74	PROV102G12-CF	SOUND/GRAPHICS	Pirate's Rose
WMS	MO-22-WMS-09-62	SB09-000-1020C2	1020/H9.22	Tiger's Realm



RACING AND GAMING COMMISSION

Mark Parkinson, Governor
Patrick Martin, Interim Executive Director

Recommended for Approval				5/14/2010	
	Manufacturer	File Number	ID Number	Version	Game Name
1	ARISTOCRAT	MO-22-ARI-05-47	HARDWARE	UBA-10-SS-USA	N/A
2	ARISTOCRAT	MO-66-ARI-05-04	HARDWARE	UBA-11-SS	N/A
3	ARISTOCRAT	MO-73-ARI-09-87	1.01-60805	GEN7	Bonanza Bros.
4	ARISTOCRAT	MO-73-ARI-09-88	1.01-60829	GEN7	Golden Axe Power Pay
5	ARISTOCRAT	PA-73-ARI-09-01	MACHINE	582897	N/A
6	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	442287_1	N/A
7	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	442288_1	N/A
8	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	579270_3	N/A
9	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	494180	N/A
10	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	434048	N/A
11	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	494209	N/A
12	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	494207	N/A
13	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	494204	N/A
14	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	494077_01	N/A
15	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	432842_x	N/A
16	ARISTOCRAT	MO-22-ARI-10-07	1.01-60845	GEN7WS	Wild Splash
17	ARISTOCRAT	MO-22-ARI-10-08	1.01-60860	GEN7WS	The Buck Stops Here
18	ARISTOCRAT	MO-22-ARI-10-09	1.01-60859	GEN7WS	Lucky Count
19	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	582586_1	N/A
20	ARISTOCRAT	PA-73-ARI-09-01	BIOS 2.00.0	2.00.0	N/A
21	ARISTOCRAT	MO-73-ARI-10-07	1.01-60892	GEN7WS	Bone-Bonus
22	ARISTOCRAT	MO-73-ARI-10-08	1.01-60862	GEN7WS	Party in Rio
23	ARISTOCRAT	PA-73-ARI-09-01	HARDWARE	579962	N/A
24	ARISTOCRAT	MO-73-ARI-10-16	1.01-60875	GEN7WS	In the Gold
25	ARISTOCRAT	MO-22-ARI-10-16	HARDWARE	580275	N/A
26	ARISTOCRAT	MO-22-ARI-10-19	HARDWARE	442287_9	N/A
27	ARISTOCRAT	MO-22-ARI-10-19	HARDWARE	442288_5	N/A
28	ARISTOCRAT	MO-22-ARI-10-18	1.01-60914	GEN7WS	The Bullet and the Badge
29	BALLY	MO-73-BAL-10-15	AVBBP26SIMPU-05	N/A	STANDARD BIOS 1 GB IMPU BOARD
30	BALLY	MO-73-BAL-10-15	AVOCLEAR0335-01	N/A	RAM CLEAR
31	BALLY	MO-73-BAL-10-44	AVOS00000336-05	5	OPERATING SYSTEM
32	BALLY	MO-73-BAL-09-81	AVGGMM702500-01	N/A	GAME MAKER

33	BALLY	MO-73-BAL-09-83	300289B	N/A	BLAZING DOLLARS
34	IGT	MO-22-IGT-10-53	GUU0010502	N/A	FUTURE LOGIC GEN-2 UNIVERSAL USB PRINTER
35	IGT	MO-22-IGT-10-76	eKey000007	AVP	UNIVERSAL SYSTEM SETUP eKey
36	IGT	MO-22-IGT-08-24	HARDWARE	P/N 699707XXW	AVP STEPPER AND COMPONENTS
37	KONAMI GAMING INC.	MO-07-KON-10-09	SEEF103G23	GAME PROGRAM	Secrets of Egypt
38	KONAMI GAMING INC.	MO-07-KON-10-09	SEEF103G23	GAME PROGRAM	Secrets of Egypt
39	KONAMI GAMING INC.	MO-07-KON-10-09	SEEF103G23-CF	SOUND/GRAPHICS	Secrets of Egypt
40	KONAMI GAMING INC.	MO-22-KON-10-02	66B290198211	2.90/2.11	N/A
41	KONAMI GAMING INC.	MO-07-KON-10-14	PROV104G12	GAME PROGRAM	Pirate's Rose
42	KONAMI GAMING INC.	MO-07-KON-10-14	PROV104G12-CF	ND/GRAPHICS	Pirate's Rose
43	KONAMI GAMING INC.	MO-286-KON-10- 01	RCCC209KR-CF	RAM CLEAR	N/A
44	SDS	SY-171-SDS-10-01	\sds floor	11.1.4	N/A
45	SDS	SY-171-SDS-10-02	big.jar	11.4	N/A
46	SDS	SY-171-SDS-10-01	\sds ui	11.1.4	N/A
47	SDS	SY-73-SDS-10-09	H908301C.BIN	300.01.03	N/A
48	SDS	SY-171-SDS-10-02	bigsvc.jar	11.4	N/A
49	SDS	SY-171-SDS-10-02	bigui.jar	11.4	N/A
50	WMS	MO-22-WMS-10- 41	DB77-000-1020	1020/H13.10	HOT HOT SUPER RESPIN: CHINA MOON



RACING AND GAMING COMMISSION

Mark Parkinson, Governor
Patrick Martin, Interim Executive Director

Recommend Conditional Revocation *					
	Manufacturer	File Number	ID Number	Version	Game Name
1	Bally	MO-22-BAL-09-03	AVO00000326-00		* Bally OS not to be used with Paltronics Progressive Controllers



RACING AND GAMING COMMISSION

Mark Parkinson, Governor
Patrick Martin, Interim Executive Director

	Recommend Revocation				
	Manufacturer	File Number	ID Number	Version	Game Name
1	WMS	MO-22-WMS-09-13	SB77-000-1040	1040-/H9.22	HOT HOT SUPER RESPIN: CHINA MOON

Lottery Gaming Facility Revenue*
Boot Hill Casino and Resort

	April 2010	YTD 2010	Fiscal YTD 2010
Electronic gaming machines	2,617,774.37	10,901,475.42	12,607,571.68
Table games	<u>563,420.50</u>	<u>1,946,030.00</u>	<u>2,229,926.50</u>
Total Lottery Gaming Facility Revenue	<u><u>3,181,194.87</u></u>	<u><u>12,847,505.42</u></u>	<u><u>14,837,498.18</u></u>
State Share 22%	699,862.87	2,826,451.19	3,264,249.60
Local Share 3%	95,435.85	385,425.16	445,124.95
Problem Gambling Share 2%	63,623.90	256,950.11	296,749.96
Casino Share 73%	2,322,272.26	9,378,678.96	10,831,373.67

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

Kansas Racing and Gaming Commission

STAFF AGENDA MEMORANDUM

DATE OF MEETING: May 14, 2010

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

PRESENTER: David Schultz, Chief Audit Officer, KRGC

ISSUE SUMMARY: The Eureka Downs 2009 compliance audit was conducted on February 23, 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 Eureka Down's 2009 financial report.

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

Memo

To: Patrick Martin, Executive Director, KRGC
From: Charles LaBoy, Director of Auditing and Electronic Gaming Security, KRGC
Date: May 4, 2010
Re: Eureka 2009 Financial Report

Commission staff has completed a compliance audit of the accompanying Balance Sheet of Eureka Downs, a division of the Kansas Quarter Horse Racing Association, Inc. as of November 30, 2009 and the related Profit and Loss Statement 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 Eureka Downs was in compliance with the Kansas Racing and Gaming Commission's rules and regulations.

Our compliance audit consisted of inquiries of Eureka Downs 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. Additionally, no financial statement adjustments of a material nature were proposed by Commission staff to Eureka Downs.

Included is a report titled Eureka Downs 2009 Expense Analysis. The objective of this report was to determine the allocation of the operational expenses of Eureka Downs between expenses that were allowed to be charged against the KRGC grant and expenditures and those that were not allowable. As detailed in the provided report, the grant and entry fees received exceeded allocable expenses, after adjustment, from this activity by \$50,000. The Commission Order required that these profits be used for the retirement of debt, to enhance purses or to refund entry fees on a prorated basis. Eureka Downs has recognized a liability for the refund of starter fees in the amount of \$14,488 and this accrued expenditure reduced net income from \$64,488 to the \$50,000 of net income used to reduce debt. As a result, Eureka Downs is in compliance with the Commission's order.

Additionally, this report separated those expenses that were attributable to the pari-mutuel activity at Eureka Downs from non pari-mutuel related expenditures. This analysis concluded that the pari-mutuel activity at Eureka Downs resulted in net income of \$54,555. The use of the Eureka Downs facility during periods outside of the horse meet resulted in a net loss of \$13,019.

Kansas Racing and Gaming Commission
Eureka Downs 2009 Expense Analysis

	Expenses Allowable Under Grant	Other Pari-mutuel Related Activity	Total Pari-Mutuel Related Activity	Non Pari-Mutuel Related Activity	Total
Revenue					
Admissions	\$ -	\$ 22,444	\$ 22,444		\$ 22,444
Advertising		5,073	5,073		5,073
Rental Income - KQHRA Office			-	5,500	5,500
Entry Fees	270,012		270,012		270,012
Woodlands/TRAK E Added Money		33,354	33,354		33,354
KRGC grant - purse share	562,121		562,121		562,121
Miscellaneous income			-	2,224	2,224
Mutuels Income					
- Horseman's share		19,738	19,738		19,738
- Track share		29,606	29,606		29,606
Program income		7,908	7,908		7,908
Stall rent		-	-	37,804	37,804
Track rent		-	-	307	307
Total Revenue	<u>832,133</u>	<u>118,123</u>	<u>950,256</u>	<u>45,835</u>	<u>996,091</u>
Expenses					
Advertising & Promo		3,049	3,049		3,049
Ambulance	2,693		2,693		2,693
Bank service charges		127	127		127
Cash over/short		(167)	(167)		(167)
Program Commissions		849	849		849
Bookkeeping	3,790	1,210	5,000	2,500	7,500
Depreciation expense			-	1,469	1,469
Equipment fuel & repairs	6,401	2,044	8,445	1,067	9,512
Equipment rental	9,755	3,114	12,869	12,075	24,944
Purses Expense	562,121	53,092	615,213		615,213
Insurance	51,457	16,441	67,898	8,013	75,911
Lease expense - racetrack facility	21,830	6,970	28,800	10,000	38,800
Licenses & permits		75	75		75
Miscellaneous	3,000		3,000	1,472	4,472
Payroll	44,251	14,127	58,378	2,875	61,253
Payroll & other taxes	3,640	1,162	4,802	237	5,039
Photo finish	11,550		11,550		11,550
Postage & delivery	181	58	239	(253)	(14)
Printing - cond book, stakes & programs			-		-
Professional fees	750	3,775	4,525	8,775	13,300
Repairs	9,782	3,124	12,906	41	12,947
Stewards and vet fees	10,000		10,000		10,000
Supplies	1,137	363	1,500	698	2,198
Tote charges	26,781		26,781		26,781
Travel & entertainment			-	31	31
Utilities	13,014	4,155	17,169	7,666	24,835
Income taxes & penalties			-	2,188	2,188
Total expenses	<u>782,133</u>	<u>113,568</u>	<u>895,701</u>	<u>58,854</u>	<u>954,555</u>
Net Income	<u>\$ 50,000</u>	<u>\$ 4,555</u>	<u>\$ 54,555</u>	<u>\$ (13,019)</u>	<u>\$ 41,536</u>

FINANCIAL STATEMENTS

and

ACCOUNTANTS' COMPILATION REPORT

KANSAS QUARTER HORSE RACING ASSOCIATION, INC.

November 30, 2009 and 2008



PUTHOFF & COMPANY

CPA's, PA

225 NORTH MARKET • SUITE 355 • WICHITA, KS 67202 • phone 316.262.5056 • fax 316.262.0102

REPORT OF ACCOUNTANTS

Board of Directors
Kansas Quarter Horse Racing Association, Inc.
Eureka, Kansas

We have compiled the accompanying balance sheet of Kansas Quarter Horse Racing Association, Inc. as of November 30, 2009 and 2008 and the related statements of income, retained earnings, and cash flows for the years then ended, and the accompanying supplementary information, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the adjustments described in Note J that were applied to restate the 2009 financial statements.

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

We are not independent with respect to the Kansas Quarter Horse Racing Association, Inc.

Puthoff & Company CPA's, PA

PUTHOFF & COMPANY CPA's, PA
May 3, 2010

KANSAS QUARTER HORSE RACING ASSOCIATION, INC.

BALANCE SHEET

As of November 30,

(See Accountants' Compilation Report)

ASSETS

	2009	2008
CURRENT ASSETS		
Cash	\$ 27,295	\$ 1,695
Certificates of Deposit (Note B):		
Pledged	75,000	75,000
Unpledged	0	27,129
Prepaid income taxes & tax benefit receivable (Notes A & G)	614	614
Total current assets	102,909	104,438
PROPERTY AND EQUIPMENT (Notes A & H)		
Furniture, Fixtures & Office equipment	9,173	14,001
Machinery and equipment	12,295	19,295
Total property and equipment	21,468	33,296
Less accumulated depreciation	17,358	27,496
Total net property and equipment	4,110	5,800
OTHER ASSETS		
Note Receivable - Eureka Downs	25,000	25,000
Investment in Sub. - KQHRA Concessions (Notes A & D)	14,217	11,566
Investment in Sub. - Eureka Downs (Notes A & C)	4,089	(37,447)
Total other assets	43,306	(881)
TOTAL ASSETS	\$ 150,325	\$ 109,357

LIABILITIES AND EQUITY

	2009	2008
CURRENT LIABILITIES		
Payroll taxes payable	\$ 1,559	\$ 571
Kansas Jackpot Race payable (Note B)	38,150	25,000
Accounts payable - trade	574	11,487
Total current liabilities	40,283	37,058
LONG TERM LIABILITIES		
Kansas Jackpot Race payable (Note B)	50,000	50,000
Total liabilities	90,283	87,058
EQUITY (Note F)		
Retained earnings	60,042	22,299
Total equity	60,042	22,299
TOTAL LIABILITIES AND EQUITY	\$ 150,325	\$ 109,357

The accompanying notes are an integral part of these statements.

KANSAS QUARTER HORSE RACING ASSOCIATION, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

As of November 30,

(See Accountants' Compilation Report)

	2009	2008
Membership dues	\$ 7,475	\$ 9,195
Administrative Income	16,506	11,508
Convention Registration	3,550	3,275
Silent Auction Income (net)	2,197	3,818
Equity in Undistributed Income - KQHRA Concessions (Note D)	2,651	658
Equity in Undistributed Income - Eureka Downs (Note C)	41,536	(34,739)
Kansas Jackpot Auction Revenue	65,488	103,050
Equipment Lease Income (Note I)	12,000	0
Total Income	151,403	96,765
Advertising	5,150	7,060
Board Meeting Expenses	1,300	1,720
Awards - Races	4,691	6,528
Convention Expense	11,530	7,246
Awards - Convention	2,308	3,720
Catalog Expense	3,695	4,515
Bank Charges and credit card fees	2,078	1,826
Depreciation Expense	2,329	3,763
Dues & Subscriptions	150	384
Stallion Auction Chute Fees	4,850	10,475
Legal & Professional Fees	10,102	9,435
Lobby Fees	0	6,147
Maintenance	34	0
Meals & Entertainment	535	311
Office Expenses	2,637	2,998
Office Supplies	1,793	1,426
Payroll tax expense	2,906	4,227
Postage	2,700	4,079
Rent or lease expense	2,400	3,400
Added Money	31,000	48,975
Salaries	21,594	26,600
Telephone	2,328	2,183
Travel	1,056	1,318
Utilities	4,169	5,080
Contract Labor	145	661
Other expense	282	1,259
Total operating expenses	121,762	165,336
Income (Loss) from operations	29,641	(68,571)
OTHER INCOME		
Interest income	1,952	4,282
A.Q.H.A. Grant Income	5,000	15,000
Miscellaneous Income	1,150	0
Loss on Sale of Fixed Assets	0	(440)
Donations received	0	220
Total other income	8,102	19,062
NET INCOME (LOSS) BEFORE INCOME TAXES	37,743	(49,509)
INCOME TAX (EXPENSE) BENEFIT (NOTE G)	0	0
NET INCOME (LOSS)	37,743	(49,509)

The accompanying notes are an integral part of these statements.

KANSAS QUARTER HORSE RACING ASSOCIATION, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (CONTINUED)
As of November 30,
(See Accountants' Compilation Report)

	2009	2008
NET INCOME (LOSS)	37,743	(49,509)
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>22,299</u>	<u>71,808</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 60,042</u>	<u>\$ 22,299</u>

The accompanying notes are an integral part of these statements.

KANSAS QUARTER HORSE RACING ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

As of November 30,
(See Accountants' Compilation Report)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 126,116	\$ 146,066
Cash paid to suppliers and employees	(129,358)	(151,104)
Interest received	1,952	4,282
Net cash provided by (used) in operating activities	(1,290)	(756)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(639)	0
Proceeds from sale of equipment	400	5,332
Change in certificates of deposit	27,129	(2,129)
Net cash provided by investing activities	26,890	3,203
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on jackpot race payable	(25,000)	(25,000)
Advances on jackpot race payable	25,000	25,000
Net cash provided by (used in) financing activities	0	0
Net change in cash (bank overdrafts)	25,600	2,447
Cash at beginning of year	1,695	(752)
CASH (BANK OVERDRAFTS) AT END OF YEAR	\$ 27,295	\$ 1,695

RECONCILIATION OF NET INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES

	2009	2008
Net Income (loss)	\$ 37,743	\$ (49,509)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation	2,329	3,763
Loss (Gain) on Sale of fixed assets	(400)	440
Change in:		
Payroll taxes payable	988	(123)
Accounts payable - trade	(10,913)	10,592
Jackpot Race Payable	13,150	0
Investment in Sub. - KQHRA Concessions	(2,651)	(658)
Investment in Sub. - Eureka Downs	(41,536)	34,739
Net cash used in operating activities	\$ (1,290)	\$ (756)

The accompanying notes are an integral part of these statements.

KANSAS QUARTER HORSE RACING ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

November 30, 2009 and 2008

(See Accountants' Compilation Report)

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Business activity

The Company is engaged in the promotion of racing American Quarter Horses in Kansas and across the country. The Company does not extend credit to members or customers. The Company's major source of revenue is through donations of stallion breeding rights from farms across the country. These stallion breeding rights are then auctioned off to members of the association at an annual stallion auction. The produce from these breedings are then eligible, after payment of nomination and sustaining entry fees to the Company, for numerous races sponsored by the Company. The company retains a percentage of these entry fees as administrative income for sponsorship of these restricted races. In addition, the Company engages in the operation of Eureka Downs, a horse racing track located in Eureka, Kansas. The operation of this racing facility is funded largely by a grant from the State of Kansas through the Kansas Racing and Gaming Commission. The Company operates this facility as a division of Kansas Quarter Horse Racing Association, Inc. The Company owns 100% of its' subsidiary, KQHRA Concessions, Inc. This entity operates the concessions for the duration of the race meet at Eureka Downs. The Company, division and subsidiary have no union contracts and generally acquires labor and other services locally.

Income recognition

Income is recorded at the time of receipt for all income. Lease income is derived principally from equipment rental which is recognized in the period contracted. Income from interest is recorded at the time of receipt. Income from the Eureka Downs divisions and KQHRA Concessions, Inc. (See Note D), is recognized under the equity method of accounting. Separate compiled financial statements for each of these entities are included with this report.

Property and equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight line method is used for substantially all assets for financial reporting purposes over the following estimated useful lives:

Machinery and equipment	3-7 years
Office furniture and equipment	5-7 years

Maintenance, repairs, and renewals which do not materially add to the value of the property and equipment or appreciably prolong its life are charged to expense as incurred.

Investments

Investments, consisting of a Eureka Downs, a division of KQHRA, and KQHRA Concessions, Inc., a subsidiary of KQHRA, are carried at cost and are accounted for under the equity method of accounting.

KANSAS QUARTER HORSE RACING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

November 30, 2009 and 2008
(See Accountants' Compilation Report)

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Advertising costs

Advertising costs are expensed as incurred. Advertising expenses were \$5,150 and \$7,060 respectively, for the years ended November 30, 2009 and November 30, 2008.

Income taxes

The Company's provision for income taxes is the total of current taxes payable or refundable and tax expense or benefit. The Company has no deferred tax expense or benefit since the same basis of accounting is used for financial report standards and tax laws and regulations. No provision for any additional income tax benefit has been accrued for the most recent fiscal year.

Cash and cash equivalents

For purposes of the statements of cash flows, the Company considers any highly liquid investment instruments with an original maturity of ninety days or less to be a cash equivalent. The Company had no cash equivalents at November 30, 2009 or 2008.

Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CERTIFICATES OF DEPOSIT

At November 30, 2009 and 2008 the Company had certificates of deposit at various financial institutions totaling \$75,000 and \$102,129 respectively. These certificates of deposits have various maturity dates ranging from 6 to 18 months. Interest on these certificates of deposit are paid quarterly. No interest has been accrued on these balances. \$75,000 of these certificates of deposits are pledged to sponsor the Kansas Jackpot Futurity Races. These sponsorships are \$25,000 per year for three years. Other certificates of deposit, if in excess of \$75,000, are unpledged.

NOTE C - EUREKA DOWNS DIVISION

The company operates the race track facility known as Eureka Downs located in Eureka, KS. The Company accounts for this operation as a division of the Company. This division is accounted for under the equity method of accounting. For the years ended November 30, 2009 and 2008, the division had net income of \$41,536 and a net loss of \$34,739 respectively.

KANSAS QUARTER HORSE RACING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

November 30, 2009 and 2008
(See Accountants' Compilation Report)

NOTE D - KQHRA CONCESSIONS

The company owns 100% of a separate subsidiary known as KQHRA Concessions, Inc. This subsidiary is accounted for under the equity method of accounting. For the years ended November 30, 2009 and 2008, the division had net income of \$2,651 and net income of \$658, respectively.

NOTE E - RELATED PARTIES

At November 30, 2009 and 2008 the Company did not have any accounts payable balances due to members or other related parties at either year end.

NOTE F - EQUITY

The Company was incorporated in the State of Kansas in 1962 as a nonprofit corporation under Section 501 (c) (5) of the Internal Revenue Code. No common stock is issued. Voting rights are determined under the by-laws of the Company.

NOTE G - INCOME TAXES

The Company has been granted tax exempt status under Section 501 (c) (5) of the Internal Revenue Code. However, the operation of a race track facility and concessionaire business are not tax-exempt activities. Payments for federal and Kansas income taxes have been projected based on taxable income multiplied by anticipated effective marginal federal and state corporate income tax rates. No provision for the parent company has been made for the year ended November 30, 2009.

NOTE H - DEPRECIATION EXPENSE

The amount of depreciation expense was \$2,329 and \$3,763, respectively, for the years ended November 30, 2009 and 2008.

NOTE I - LEASES

The Company rents equipment on an as needed basis. Equipment rentals totaled \$12,000 and \$0 for each of the years ended November 30, 2009 and 2008. All lease are accounted for as operating leases and are renewable annually. The company does not have any capital leases.

KANSAS QUARTER HORSE RACING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

November 30, 2009 and 2008
(See Accountants' Compilation Report)

NOTE J - ADJUSTMENT TO INVESTMENT

Eureka Downs, a subsidiary of the Company, was required by the Kansas Gaming and Racing Commission to restate its financial statements for the year ending November 30, 2009 to distribute income back to entrants in the form of reimbursements of racing entry fees. The \$14,488 adjustment is reflected in a reduction in the Company's investment account and undistributed income account.

SUPPLEMENTAL INFORMATION

5:40 PM
 03/15/10
 Accrual Basis

KQHRA CONCESSIONS INC.
Balance Sheet Prev Year Comparison
 As of November 30, 2009

	Nov 30, 09	Nov 30, 08
ASSETS		
Current Assets		
Checking/Savings		
Checking - Emprise Bank	14,396.03	10,228.30
Total Checking/Savings	14,396.03	10,228.30
Accounts Receivable		
Accounts Receivable		
Misc. Income	0.00	802.50
Total Accounts Receivable	0.00	802.50
Total Accounts Receivable	0.00	802.50
Total Current Assets	14,396.03	11,030.80
Fixed Assets		
Equipment		
Accumulated Depreciation	-3,873.00	-3,690.01
Equipment - Other	4,314.13	4,314.13
Total Equipment	441.13	624.12
Total Fixed Assets	441.13	624.12
TOTAL ASSETS	14,837.16	11,654.92
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Income Taxes Payable	86.00	86.00
Sales Tax Payable	54.70	2.73
Taxes Payable - Federal	486.00	0.00
Taxes Payable - KS	13.00	0.00
Total Other Current Liabilities	619.70	88.73
Total Current Liabilities	619.70	88.73
Total Liabilities	619.70	88.73
Equity		
Added Capital-KQHRA	1,000.00	1,000.00
Dividends	-10,000.00	-10,000.00
Retained Earnings	20,566.19	19,908.15
Net Income	2,651.27	658.04
Total Equity	14,217.46	11,566.19
TOTAL LIABILITIES & EQUITY	14,837.16	11,654.92

KQHRA CONCESSIONS INC.
Profit & Loss Prev Year Comparison
 December 2008 through November 2009

	<u>Dec '08 - Nov 09</u>	<u>Dec '07 - Nov 08</u>
Ordinary Income/Expense		
Income		
Miscellaneous Income	41.10	1,397.25
Rent Income	3,800.00	1,200.00
Sales		
Cash Over/Short	0.00	0.01
Coin Machines	749.27	434.05
Liquor	0.00	340.64
Total Sales	<u>749.27</u>	<u>774.70</u>
Total Income	4,390.37	3,371.95
Cost of Goods Sold		
Food	0.00	7.32
Liquor	0.00	1,173.44
Pop Machine Refill	653.76	0.00
Pre-Mix Soft Drinks	-126.20	486.25
Total COGS	<u>527.56</u>	<u>1,667.01</u>
Gross Profit	3,862.81	1,704.94
Expense		
Annual Report Fees	50.00	55.00
Depreciation Expense	182.99	241.63
Equipment Rental	180.00	100.00
Insurance		
Bond	0.00	100.00
Total Insurance	0.00	100.00
Licenses and Permits	0.00	40.00
Office Supplies	-180.45	0.00
Payroll Expenses		
Sports Bar	0.00	0.00
Total Payroll Expenses	0.00	0.00
Payroll Taxes		
FICA	0.00	0.00
FUTA	0.00	0.00
Medicare	0.00	0.00
SUIKS	0.00	0.00
Total Payroll Taxes	0.00	0.00
Professional Fees		
Accounting	500.00	500.00
Total Professional Fees	500.00	500.00
Supplies		
Sports Bar	0.00	10.27
Total Supplies	0.00	10.27
Taxes		
Federal	466.00	0.00
State	13.00	0.00
Total Taxes	<u>479.00</u>	<u>0.00</u>
Total Expense	<u>1,211.54</u>	<u>1,046.90</u>
Net Ordinary Income	<u>2,651.27</u>	<u>658.04</u>
Net income	<u><u>2,651.27</u></u>	<u><u>658.04</u></u>

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 Accrual Basis

KQHRA, INC.
Balance Sheet Prev Year Comparison
 As of November 30, 2009

	Nov 30, 09	Nov 30, 08
ASSETS		
Current Assets		
Checking/Savings		
Emprise Bank - General Fund	71,233.43	9,308.44
Emprise Bank - Horsemen's Bkpr	3,644.72	(4,107.15)
Emprise Bank - Operations Acct.	103.01	491.39
Total Checking/Savings	74,981.16	5,692.68
Accounts Receivable		
Accounts Receivable		
Other	799.02	142.00
Total Accounts Receivable	799.02	142.00
Total Current Assets	75,780.18	5,834.68
Fixed Assets		
Machinery & Equipment		
Building	22,683.10	22,683.10
Jockey Equipment	3,297.00	3,297.00
Less Accumulated Depreciation	(39,147.29)	(37,677.81)
Machinery & Equipment	22,833.90	22,833.90
Total Machinery & Equipment	9,666.71	11,136.19
Total Fixed Assets	9,666.71	11,136.19
Other Assets		
Tax Benefit Receivable - Kansas	0.00	245.00
Utility Deposits	725.00	725.00
Total Other Assets	725.00	970.00
TOTAL ASSETS	86,171.89	17,940.87
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	8,984.16	846.59
Starter Fees - Horsemen	14,488.00	0.00
Total Accounts Payable	23,472.16	846.59
Other Current Liabilities		
A/P - HB (Griffin)	500.00	0.00
Deposit Payable	800.00	0.00
Estimated deductible due	2,222.12	2,500.00
Gary Worst Children's Fund	621.24	1,863.70
Horsemen's Bookkeeper		
Carryover	2,523.48	0.00
Horsemen's Bookkeeper - Other	0.00	(5,970.85)
Total Horsemen's Bookkeeper	2,523.48	(5,970.85)
Payroll Liabilities		
FUTA	1.00	0.00
SUI-KS	0.00	1.54
Total Payroll Liabilities	1.00	1.54
Small Legal Fees	0.00	6,147.21
Taxes Payable - Federal	1,245.00	0.00
Taxes Payable - KS	698.00	0.00
Total Other Current Liabilities	8,610.84	4,541.60
Total Current Liabilities	32,083.00	5,388.19
Long Term Liabilities		
Note Payable-GCFA	25,000.00	25,000.00

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Accrual Basis

KQHRA, INC.
Balance Sheet Prev Year Comparison
As of November 30, 2009

	<u>Nov 30, 09</u>	<u>Nov 30, 08</u>
Note Payable-KQHRA	25,000.00	25,000.00
Total Long Term Liabilities	<u>50,000.00</u>	<u>50,000.00</u>
Total Liabilities	82,083.00	55,388.19
Equity		
Retained Earnings	(37,447.32)	(2,707.86)
Net Income	41,536.21	(34,739.46)
Total Equity	<u>4,088.89</u>	<u>(37,447.32)</u>
TOTAL LIABILITIES & EQUITY	<u><u>86,171.89</u></u>	<u><u>17,940.87</u></u>

KQHRA, INC.
Profit & Loss Prev Year Comparison
 December 2008 through November 2009

	Dec '08 - Nov 09	Dec '07 - Nov 08
Ordinary Income/Expense		
Income		
Admissions		
Admissions Tax	(2,391.00)	(1,192.70)
General Admission	13,498.59	5,657.97
Turf Room Tables	11,336.00	6,375.60
Total Admissions	22,443.59	10,840.87
Advertising Income		
Condition Book	375.00	2,700.00
Programs & Stakes Book	3,275.00	2,150.00
Race Sponsor		
Blanket Costs	(1,384.54)	(912.31)
Race Sponsor - Other	2,808.00	3,700.00
Total Race Sponsor	1,423.46	2,787.69
Total Advertising Income	5,073.46	7,637.69
Entry Fees		
Starting Fees	270,012.00	6,760.00
Total Entry Fees	270,012.00	6,760.00
KRC Reimbursement	0.00	155,018.00
Misc Income	2,223.58	2,240.78
Mutuels Income		
Eureka Downs	29,606.31	14,838.06
Total Mutuels Income	29,606.31	14,838.06
Program Sales		
Live Racing	7,907.81	4,838.90
Total Program Sales	7,907.81	4,838.90
Purse Income		
Greyhound Simulcast \$\$	0.00	30,698.07
Horseman's Purses	595,475.93	60,000.00
Mutuels Income - Horsemen's	19,737.54	9,890.72
Purse Carryover	0.00	14,014.56
Total Purse Income	615,213.47	114,603.35
Rents		
Building Rent	5,500.00	3,400.00
Horse Boarding	30.00	0.00
Stall Rent	37,803.62	19,932.00
Track Rent	277.00	226.00
Total Rents	43,610.62	23,558.00
Total Income	996,090.84	340,335.65
Expense		
Advertising		
Flyers	352.31	0.00
Internet Expense	125.55	167.40
Miscellaneous	42.46	496.57
Newspaper	1,172.50	260.90
Radio	954.30	973.00
Trophies	401.70	462.00
Total Advertising	3,048.82	2,359.87
Ambulance		
EMT	2,692.50	1,708.75
Total Ambulance	2,692.50	1,708.75
Bank Service Charges		
General Fund	120.00	59.00
Bank Service Charges - Other	7.00	0.00

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 Accrual Basis

KQHRA, INC.
Profit & Loss Prev Year Comparison
 December 2008 through November 2009

	Dec '08 - Nov 09	Dec '07 - Nov 08
Total Bank Service Charges	127.00	59.00
Cash Over/Short	(167.04)	13.84
Commissions	848.50	518.75
Contract Labor		
Bookkeeping	7,500.00	6,875.00
Singer	0.00	100.00
Total Contract Labor	7,500.00	6,975.00
Depreciation Expense	1,469.48	2,224.46
Equipment		
Gas, Fuel, Oil	3,270.20	1,705.02
Repairs	6,242.27	5,074.34
Total Equipment	9,512.47	6,779.36
Equipment Rent		
Computer Software	5,750.00	750.00
Copier Rental	662.34	1,303.15
Starting Gate	1,620.00	942.00
Television	(88.60)	0.00
Tractor & Water Truck	17,000.00	0.00
Total Equipment Rent	24,943.74	2,995.15
Horsemen's Purse		
Horsemen's Purse Shortage TB	0.00	2,500.00
Purse C/O to 2010	2,523.48	0.00
Horsemen's Purse - Other	612,690.00	114,300.00
Total Horsemen's Purse	615,213.48	116,800.00
Insurance		
Broker Fees & Tax	0.00	150.00
Business Auto	128.00	0.00
Director's & Officer's	2,263.52	2,231.00
General Liability	9,961.60	13,590.52
Jockey		
Deductible	5,000.00	0.00
Jockey - Other	33,494.18	12,566.00
Total Jockey	38,494.18	12,566.00
Property	19,442.86	18,645.00
Work Comp	5,621.14	3,991.00
Total Insurance	75,911.30	51,173.52
Jockey Expenses	0.00	(0.53)
Licenses and Permits	75.00	650.00
Manure Removal	3,900.00	0.00
Miscellaneous	77.96	0.00
Payroll Expenses		
Gross Wages		
Admissions	0.00	114.00
Announcer	1,240.00	650.00
Clerk of Scales	1,000.00	600.00
Director of Operations	2,500.00	3,125.00
Gate Crew Misc	1,812.14	0.00
General Manager	12,000.00	12,000.00
Horsemen's Bookkeeper	3,050.00	5,070.00
Maintenance	5,997.00	12,496.68
Mowing Grounds	1,275.00	0.00
Mutuel Clerks	3,751.13	1,635.02
Mutuel Manager	2,600.00	1,500.00
Office Secretary	3,200.01	0.00
Office Staff	630.00	1,300.52
Oustrider	2,400.00	1,300.00
Photo Finish	750.00	400.00
Racing Staff	0.00	1,589.75
Reservations	0.00	248.00

KQHRA, INC.
Profit & Loss Prev Year Comparison
 December 2008 through November 2009

	Dec '08 - Nov 09	Dec '07 - Nov 08
Security	8,918.32	7,138.13
Security Manager	1,250.00	750.00
Starter	2,500.00	1,500.00
Gross Wages - Other	3,529.40	824.64
Total Gross Wages	58,403.00	52,241.74
Payroll Expenses - Other	2,850.00	2,625.00
Total Payroll Expenses	61,253.00	54,866.74
Payroll Taxes		
FICA	3,795.32	3,428.48
FUTA	353.22	402.38
Medicare	890.57	801.84
SUIKS	0.00	164.18
Total Payroll Taxes	5,039.11	4,796.88
Penalty	41.00	0.00
Photo Finish	11,550.00	6,930.00
Postage	(13.89)	631.80
Professional Fees		
Accounting	4,525.00	4,350.00
Legal Fees	8,774.78	6,147.21
Total Professional Fees	13,299.78	10,497.21
Rent	38,800.00	40,000.00
Repairs		
Building Repairs	6,736.35	7,187.93
Landscaping	40.68	0.00
Stall Repairs	382.42	52.24
Track Repairs	1,946.35	1,232.00
Track Resurfacing	3,840.22	21,361.27
Total Repairs	12,946.02	29,833.44
Stewards & Vet Expense	10,000.00	0.00
Supplies		
Maintenance Supplies	456.17	491.86
Office Supplies	1,741.38	591.14
Total Supplies	2,197.55	1,083.00
Taxes		
Federal Income	1,204.00	0.00
State Income	943.00	0.00
Total Taxes	2,147.00	0.00
Tote Charges		
United Tote	0.00	10,350.00
Tote Charges - Other	26,781.46	0.00
Total Tote Charges	26,781.46	10,350.00
Travel & Ent		
Meals	30.58	429.58
Travel	0.00	819.59
Total Travel & Ent	30.58	1,249.17
Utilities		
Cable	28.45	0.00
Electric	10,500.88	8,106.08
Gas	631.76	899.90
Port-a-Potties	1,015.18	969.94
Telephone	3,036.58	2,527.18
Trash	1,541.34	1,959.42
Water	8,080.96	4,918.01
Total Utilities	24,835.15	19,380.53
Weed Control	290.00	195.00

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Accrual Basis

KQHRA, INC.
Profit & Loss Prev Year Comparison
December 2008 through November 2009

	<u>Dec '08 - Nov 09</u>	<u>Dec '07 - Nov 08</u>
Total Expense	954,349.97	372,070.94
Net Ordinary Income	41,740.87	(31,735.29)
Other Income/Expense		
Other Expense		
Bad Debts - Horsemen	0.00	634.75
Gary Worst Memorial	0.00	1,863.70
Seller Over/Shorts	204.66	505.72
Total Other Expense	204.66	3,004.17
Net Other Income	(204.66)	(3,004.17)
Net Income	<u>41,536.21</u>	<u>(34,739.46)</u>

Kansas Racing and Gaming Commission

STAFF AGENDA MEMORANDUM

DATE OF MEETING: May 14, 2010

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

PRESENTER: David Schultz, Chief Audit Officer, KRGC

ISSUE SUMMARY: At the April 9, 2010 Commission meeting the Anthony Downs 2009 compliance audit was presented by staff for approval. The Commission requested feedback from the licensee on this matter as there were no representatives from the licensee in attendance at the meeting. Based on additional information provided by the licensee, Commission staff have proposed a liability in the amount of \$22,190, that should be refunded to the starters on a pro rata basis.

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

STAFF RECOMMENDATIONS: Staff recommends Commission approval of the 2009 Anthony Downs financial report.

Memo

To: Patrick Martin, Executive Director, KRGC
From: Charles LaBoy, Director of Audit & Electronic Security, KRGC
CC:
Date: May 7, 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'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 \$22,190. 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 \$22,190 existed at October 31, 2009, and, in accordance with Order #1, Anthony Downs shall expend this amount in a manner consistent with the order. The Commission staff requested the Association restate their compiled financial statements to reflect accruals of professional fees of \$5,180 and an accrual for the refunds of starter fees or enhanced purses in the amount of \$22,190.

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 accrual 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 \$22,190. 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, accrual basis, of \$ 52,973. The use of the Anthony Downs facility during periods outside of the horse meet resulted in net income of \$900.

Kansas Racing and Gaming Commission
Anthony Downs 2009 Expense Analysis-Accrual Basis..After KRGC Adjustments

	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	760,221	160,591	920,812	4,989	925,801
Expenses					
Advertising and promotions	-	2,708	2,708	-	2,708
Concession supplies	-	19,718	19,718	-	19,718
Contract Labor	72,652	318	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	4,322	858	5,180	-	5,180
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	1,087	572	1,659	-	1,659
Race purses	625,685	42,082	667,767	-	667,767
Repairs	5,667	-	5,667	945	6,612
Salaries	14,198	7,486	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	3,069	5,742
Total expenses	760,221	107,619	867,839	4,089	871,928
Net Income (Loss)	\$ 0	\$ 52,973	\$ 52,973	\$ 900	\$ 53,873

Original add'l accrual for horse purses 51,061

Changes in allocations:

Professional fees accrued-attributable to meet	(4,322)
State fees-commission	(6,000)
Additional allowed contract labor	(12,087)
Salaries disallowed on reallocation	6,316
Payroll taxes disallowed re: payroll realloc.	572
Race sponsorships allowable	(13,350)

Adjusted add'l accrual for horse purses 22,190

ANTHONY FAIR ASSOCIATION
Anthony , Kansas

BALANCE SHEET
October 31, 2009

ASSETS

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

LIABILITIES

Current Liabilities	
Accounts payable	\$ 5,180
Horsemen accounts payable	<u>23,890</u>
Total Current Liabilities	<u>29,070</u>
Stockholders' Equity	
Common stock, \$10 par, issued and outstanding 680 shares	6,775
Retained earnings	<u>145,840</u>
Total Stockholders' Equity	<u>152,615</u>
Total	<u><u>\$ 181,685</u></u>

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

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	667,767
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
Legal and accounting	5,180
Payroll taxes	1,659
Miscellaneous	21,421
Total Expense	<u>871,928</u>
Other Income (Expense)	
Dividend income	14
Interest income	61
Total Other Income	<u>75</u>
Net Income/(Loss)	<u>\$ 53,873</u>

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)	-	53,873	53,873
Balance October 31, 2009	<u>\$ 6,775</u>	<u>\$ 145,840</u>	<u>\$ 152,615</u>

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

ANTHONY FAIR ASSOCIATION
Anthony , KansasSTATEMENT OF CASH FLOWS
Increase (Decrease) in Cash
Year Ended October 31, 2009

Cash Flows from Operating Activities	
Net income/(loss)	\$ 53,873
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	28,675
Total Adjustments	34,245
Net Cash Provided By (Used In) Operating Activities	88,118
Cash at Beginning of Year	9,950
Cash at End of Year	\$ 98,068

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: May 14, 2010

AGENDA ITEM: **Audited financial statements of Kansas Racing, LLC and The Racing Association of Kansas East for the year ended December 31, 2009.**

PRESENTER: Charles LaBoy, Deputy Director of Audit and Electronic Security
Kansas Racing LLC representative

ISSUE SUMMARY: KRGC regulations require that racetrack licensees' annual financial audits must be submitted to the Commission within 90 days after the licensees' fiscal year end. K.A.R. 112-3-15. Accordingly, Kansas Racing, LLC and TRAK East are required to file financial audits and their fiscal year ends were December 31, 2009. The Commission previously granted a 30-day extension (effectively until May 10th) to Kansas Racing, LLC and TRAK East to complete their 2009 financial statement audits.

Both entities recently changed auditing firms and supplied the attached engagement letters. We understand that Mr. Howard Grace will be at the commission meeting to explain the status of the audits.

COMMISSION ACTION REQUIRED/REQUESTED: Commission review and discussion.

STAFF RECOMMENDATIONS: No recommendation.

Michael Mather, CPA, PLC

Certified Public Accountant

2254 N. 15th Avenue Phoenix, Arizona 85007 Telephone (602) 253-8777 Telefax (602) 253-8982 Email michael@mathercpa.com

May 6, 2010

Kansas Racing LLC
The Racing Association of Kansas East
c/o Mr. Howard Grace
7575 N 16th Street
Phoenix, Arizona

Mr. Grace;

I hereby confirm that my firm, Michael Mather CPA PLC has been engaged to perform audits of the financial statements of Kansas Racing LLC, and The Racing Association of Kansas East as of and for the year ended December 31, 2009.

The engagement letters related to these audits is attached to this confirmation. Such letters itemize the understanding of the services we are to provide, as well as the timing and estimated costs of the engagements.

If you have further questions, please let me know.

Very truly yours,



Michael Mather CPA PLC

Michael Mather, CPA, PLC
Certified Public Accountant

2254 N. 15th Avenue Phoenix, Arizona 85007 Telephone (602) 253-8777 Telefax (602) 253-8982 Email michael@mathercpa.com

April 23, 2010

The Racing Association of Kansas East

c/o Howard Grace

7575 N 16th St

Phoenix, Arizona

We are pleased to confirm our understanding of the services we are to provide for The Racing Association of Kansas East for the year ended December 31, 2009.

We will audit the Statement of Financial Position of The Racing Association of Kansas East as of December 31, 2009, and the related Statements of Activities, and cash flows for the year then ended.

Audit Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Audit Procedures

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors that come to our attention, and we will inform you of any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

Management Responsibilities

You are responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee the tax services and any other

non-attest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, statement of activities, and cash flows in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the company involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

Engagement Administration, Fees, and Other

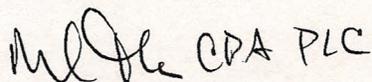
We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

Michael Mather is the engagement partner and is responsible for supervising the engagement and signing the report. We expect to begin our audit during the week of May 17, 2010. We further expect to have a draft of the audited financial statements available for your review within 30 days of the inception of the project.

Our fees for these services will be charged at our standard per diem rates, and are not expected to exceed \$5,000. You may also be billed for travel and other out-of-pocket costs such as report production, word processing, postage, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Michael Mather CPA PLC

RESPONSE:

This letter correctly sets forth the understanding of The Racing Association of Kansas East.

Officer signature: *Nancy E. Wheatley*

Title: *Director of Finance*

Date: *5/6/2010*

Michael Mather, CPA, PLC

Certified Public Accountant

2254 N. 15th Avenue Phoenix, Arizona 85007 Telephone (602) 253-8777 Telefax (602) 253-8982 Email michael@mathercpa.com

April 23, 2010

Kansas Racing LLC

c/o Howard Grace

7575 N 16th St

Phoenix, Arizona

We are pleased to confirm our understanding of the services we are to provide for Kansas Racing LLC for the year ended December 31, 2009.

We will audit the balance sheet of Kansas Racing LLC as of December 31, 2009, and the related statements of operations, member's equity, and cash flows for the year then ended.

Audit Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

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Engagement Administration, Fees, and Other

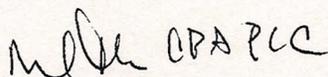
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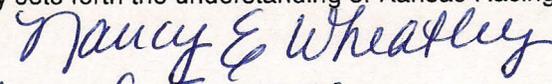
Very truly yours,

 CPA PLC

Michael Mather CPA PLC

RESPONSE:

This letter correctly sets forth the understanding of Kansas Racing LLC.

Officer signature: 

Title: *Director of Finance*

Date: *5/6/2010*

Kansas Racing and Gaming Commission

STAFF AGENDA MEMORANDUM

DATE OF MEETING: May 14, 2010

AGENDA ITEM: **Approval of GTECH Service Batch 1 and Related Waivers**

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

ISSUE SUMMARY: During the initial testing of the GTECH central computer system staff noted several areas that were not in compliance with KRGC regulations. K.A.R. 112-110-2 *et seq.* provides the requirements for the Kansas Lottery's GTECH central computer system. The Commission approved several waivers at the December 4, 2009 meeting to provide time for GTECH to address those issues.

GTECH has submitted Service Batch 1 for approval which addresses many of these issues of non compliance.

Because GTECH has now corrected the outstanding non-compliant issues with its Service Batch 1, staff recommends that the commission approve that Batch.

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

STAFF RECOMMENDATIONS: Staff recommends approval of the GTECH Service Batch 1 with approval of the below waivers:

Reference #	Requirement Number	KRGC Staff Recommendation
11	112-110-6 (c)	Recommend Wavier Approval with correction in a later service batch
47	112-110-2 (c) (4)	Recommend Wavier Approval with correction in a later service batch
74	112-110-5 (d)	Recommend Wavier Approval with correction in a later service batch
135	112-110-3 (d) (15)	Recommend Wavier Approval with correction in a later service batch

Kansas Racing and Gaming Commission

STAFF AGENDA MEMORANDUM

DATE OF MEETING: May 14, 2010

AGENDA ITEM: **Boot Hill Casino and Resort Internal Control Amendments**

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

ISSUE SUMMARY: Boot Hill Casino and Resort has submitted the following amendments to their internal control plan. Staff believes that these are routine modifications or improvements to already-approved internal controls, and therefore does not request an executive session on them.

Waiver/Amendment #	Regulation/IC Reference	Staff Recommendation
BH65 (poker room)	112-104-16, 112-108-43	Approval
BH66 (poker room)	112-108-43(b)	Approval
BH70 (additional controller position)	112-104-2	Approval

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

STAFF RECOMMENDATIONS: Staff recommendations listed above.

May 2010 - April 2011

Kansas Racing and Gaming Commission Planner

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					

MAY

14 Commission Meeting

Nov 2010						
S	M	T	W	T	F	S
	1	2	3	4	5	6
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28	29	30				

JUNE

3 Commission Meeting (rescheduled from June 11)

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
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JULY

16 Commission Meeting

Dec 2010						
S	M	T	W	T	F	S
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AUGUST

13 Commission Meeting

Jul 2010						
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18	19	20	21	22	23	24
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SEPTEMBER

10 Commission Meeting (rescheduled from September 17)

Jan 2011						
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30	31					

OCTOBER

13 Commission Meeting (rescheduled from October 15)

Aug 2010						
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NOVEMBER

12 Commission Meeting

Feb 2011						
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DECEMBER

17 Commission Meeting

Sep 2010						
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Mar 2011						
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Oct 2010						
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31						

Apr 2011						
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