

**AMENDED AGENDA**  
**(Amended Items in Bold)**  
KANSAS RACING AND GAMING COMMISSION  
10:00 am, Thursday, June 3, 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 May 14, 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. Approvals and Revocations for certain **electronic** gaming machine hardware and **electronic** lottery facility games.
  - a. [EGM Approvals/Revocations](#)
2. Boot Hill Casino and Resort Internal Control Amendment Approvals
  - a. [BHCR Internal Control Amendment Approvals](#)

E. KANSAS LOTTERY COMMISSION REPORT

F. LOTTERY GAMING FACILITY REPORTS/ITEMS

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

G. COMMISSION ITEMS

1. KHA Reimbursement from Kansas Bred Program

<i>Commission Action</i>	<i>Commission review and discussion</i>
Staff Presentation:	Don Cawby, Deputy Director for Administration
Staff Recommendation:	Staff recommends approval
a.	<a href="#">Staff Memo</a>
b.	<a href="#">KHA Letter</a>
c.	<a href="#">Kansas Bred Registry Income and Cash Flow</a>



- |                           |         |
|---------------------------|---------|
| xi. Cruz, Monica A.       | Level 3 |
| xii. Dyer, Taylor R.      | Level 3 |
| xiii. Frost, Bradley K.   | Level 3 |
| xiv. Gutierrez, Alejandro | Level 3 |
| xv. Heredia, Jennifer R.  | Level 3 |
| xvi. Hussein, Zakiya A.   | Level 3 |
| xvii. McMahon, Tad        | Level 3 |
| xviii. Monge, Martina     | Level 3 |
| xix. Perez, Vanessa       | Level 3 |
| xx. Stout, Sarah D.       | Level 3 |

L. ADJOURNMENT

## KANSAS RACING AND GAMING COMMISSION

### MINUTES – MAY 14, 2010

CALL TO ORDER:  
(A.)

Chair Sader called the May 14, 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 participated by phone. Others present included Interim Executive Director 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 (Schwan) moved to approve the agenda with a suggested change. Motion passed unanimously.

MOTION, APPROVE  
APRIL 9, 2010, AMENDED  
MEETING MINUTES:  
(C.)

Commissioner Falstad (Schwan) moved to approve the minutes of the April 9, 2010, commission meeting with suggested amendments. Motion passed unanimously.

MOTION, APPROVE  
CONSENT AGENDA:  
(D.)

Commissioner Falstad (Braun) moved to approve the consent agenda, as submitted.

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:

- Groundbreaking at the Hollywood Casino and Resort occurred two weeks ago.
- There has been some management change at the Boot Hill Casino and Resort.
- Through the end of April, Boot Hill has realized almost \$15 million in gaming revenue with over \$3 million going to the State.
- The construction of the events center adjacent to the Boot Hill Casino is coming along well.
- Chisholm Creek withdrew from the South Central Zone, so the Lottery Commission reopened the bidding process. The new deadline for applications to manage a lottery gaming facility is July 22, 2010.
- There were bills pending in the Legislature that would have changed the investment in the Southeast Zone and modified the revenue percentage for the racetracks. The combined bill

did not pass the senate after losing by one vote.

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:

- Business at the Boot Hill Casino and Resort was up slightly in April over March.
- Mike Tamburelli, former general manager of Boot Hill Casino and Resort, is now employed by the Cherokee Nation in Oklahoma. Mark Kashuda is the new general manager.

LOTTERY GAMING  
FACILITY  
REPORTS/ITEMS:  
(F.2.)

The commission heard a report from Jeff Boerger, president of Kansas Speedway Development Corporation, about matters at the Hollywood Casino at the Kansas Speedway:

- The groundbreaking took place on Friday, April 30. More than 300 people attended. Mr. Boerger showed a video presentation covering the event.

DISCUSSION, KRGC  
COMPLIANCE AUDIT OF  
EUREKA DOWNS FOR  
2009:  
(G.1.)

The commission heard Mr. David Schultz, Chief Audit Officer, discuss the KRGC's compliance audit of Eureka Downs for 2009.

MOTION, KRGC  
COMPLIANCE AUDIT OF  
EUREKA DOWNS FOR  
2009:  
(G.1.)

Commissioner Falstad (Braun) moved to approve the audit as submitted. Motion passed unanimously.

DISCUSSION, KRGC  
COMPLIANCE AUDIT OF  
ANTHONY DOWNS FOR  
2009:  
(G.2.)

The commission heard Mr. Schultz discuss the KRGC's compliance audit of Anthony Downs for 2009. Mr. Shultz originally presented the audit at the April 9, 2010, commission meeting. During that meeting, the commission requested feedback from the licensee. Based on additional information provided by the licensee, commission staff identified \$22,190 which, pursuant to commission order, should be refunded to the starters on a pro rata basis.

Mr. Dan Bird, president of the Anthony Fair Association, addressed the fair association's disagreement with the audit's outcome

MOTION, KRGC  
COMPLIANCE AUDIT OF  
ANTHONY DOWNS FOR  
2009:  
(G.2.)

Commissioner Falstad (Schwan) moved to table the issue until the June 3, 2010, meeting to allow staff to consider Mr. Bird's new allegations and to finalize the audit. Commissioner Braun suggested that staff contact representatives of the various horsemen's associations for input about the refund amounts. Motion passed unanimously.

DISCUSSION, FINANCIAL STATEMENTS OF KANSAS RACING, LLC AND THE RACING ASSOCIATION OF KANSAS EAST FOR THE YEAR ENDED DECEMBER 31, 2009:  
(G.3.)

The commission heard Mr. LaBoy discuss the financial statements of Kansas Racing, LLC and The Racing Association of Kansas East for the year ended December 31, 2009. At the April 9, 2010, commission meeting, a request from TRAK East and Kansas Racing, LLC was received asking for a 60-day extension for submitting their audited financial statements. At that time, the commission granted a 30-day extension. Both entities have changed auditing firms and have supplied the commission with the appropriate engagement letters.

Mr. Howard Grace, of Kansas Racing, LLC addressed the reasons for the delayed audits. Additionally, Mr. Grace stated that he would like to surrender the Kansas Racing, LLC's license. Statutes dictate that the license may not be surrendered and, regardless, Kansas Racing, LLC's license will automatically be revoked on June 28, 2010 (30 days after *sine die*) pursuant to commission order.

MOTION, FINANCIAL STATEMENTS OF KANSAS RACING, LLC AND THE RACING ASSOCIATION OF KANSAS EAST FOR THE YEAR ENDED DECEMBER 31, 2009:  
(G.3.)

Commissioner Schwan (Braun) moved to extend the deadline for the audit until the June 3, 2010, meeting. Motion passed unanimously.

DISCUSSION, APPROVE GTECH SERVICE BATCH 1 AND RELATED WAIVERS:  
(G.4.)

The commission heard Mr. LaBoy discuss the possible approval of GTECH Service Batch 1 and related waivers. The commission approved several waivers at the December 4, 2009, meeting to provide time for GTECH to address 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 and four waivers.

MOTION, APPROVE GTECH SERVICE BATCH 1 AND RELATED WAIVERS:  
(G.4.)

Commissioner Braun (Falstad) moved to approve GTECH Service Batch 1 and related waivers. Motion passed unanimously.

DISCUSSION, BOOT HILL CASINO AND RESORT INTERNAL CONTROL AMENDMENTS AND RELATED FINANCIAL INFORMATION:  
(G.5.)

The commission heard Mr. LaBoy discuss Boot Hill Casino and Resort internal control amendments.

MOTION, BOOT HILL CASINO AND RESORT INTERNAL CONTROL AMENDMENTS AND RELATED FINANCIAL INFORMATION:  
(G.5.)

Commissioner Falstad (Schwan) moved to approve the following amendments:

- BH65 (poker room)
- BH66 (poker room)
- BH70 (additional controller position)

Motion passed unanimously.

CALL FOR PUBLIC COMMENTS:  
(H.)

Chair Sader called for public comments.

- Robert Rodgers, president of KQHRA, voiced his dissatisfaction with the legislative session and the future of horse racing in the State of Kansas.

STAFF REPORT, MARTIN:  
(I.1.)

The commission heard a staff report from Mr. Martin:

- The legislature adjourned without making any modifications to the Expanded Lottery Act.
- The Lottery is rebidding the South Central zone for a third time. Accordingly, staff activity with the review board will increase in the fall.
- Hollywood Casino will be opening in 2012, and staff needs to increase to accommodate the increased work load.

STAFF REPORT, DEINES:  
(I.2.)

The commission heard a staff report from Mr. Deines:

- There are now seven individuals on the state-wide self-exclusion list. Short surveys will be sent to those people to follow up with them and to uncover their future needs.
- There were 25 appropriate calls during the month of April on the responsible gambling HelpLine. Casino slots and lottery scratch tickets continue to be the primary games of choice for these people.
- There were 300 visitors to the [www.ksgamblinghelp.com](http://www.ksgamblinghelp.com) website. Of them, 220 were unique visitors.
- Mr. Deines circulated a mock-up of the Spanish language versions of the self-exclusion brochure and the responsible gambling brochure.
- KRGC is working with an advertising agency to revamp the agency website. Staff anticipates website completion by the end of July.

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

The commission heard a staff report from Mr. Cawby:

- The Governor's office and legislature approved the KRGC's budget without modifications.
- We have a conflict with the July 16 meeting. Staff will investigate alternative meeting dates.

MOTION, EXECUTIVE  
SESSION:  
(J.1.)

Commissioner Schwan (Falstad) moved that the commission adjourn into executive session for the purpose of attorney client communication regarding litigation matters for a period of 10 minutes from 11:55am until 12:05 pm. Those included in the executive session were the commission 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 12:05 pm with all members present as previously noted.

MOTION, EXECUTIVE  
SESSION:  
(J.2.)

Commissioner Schwan (Braun) moved that the commission take a 5-minute break followed by a 1-hour executive session from 12:15 pm to 1:15 pm to hear confidential background reports. Those included in the executive session were the commission, 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.

McKECHNIE EXITS  
TELECONFERENCE

Commissioner McKechnie exited the teleconference at 12:10 pm.

RECONVENE:

The commission meeting reconvened at 1:15 pm with all members present as previously noted.

MOTION, DENY  
LICENSES:  
(K.)

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

- a. Boot Hill Casino and Resort employees:
  - i. Medina, Victor Level 2
  - ii. Mooney, Marilyn K. Level 2
  - iii. Nosaphangthong, Pannha Level 2
  - iv. Orellana, Magnolia V. Level 2
  - v. Ward, Russell Level 2
  - vi. Brummer, Nikiya D. Level 3
  - vii. Chavez , Bruce Level 3
  - viii. Galindo, Joe Level 3
  - ix. Nieto, Erica Level 3
  - x. Rosales, Darcie Level 3

Motion passed unanimously.

MOTION, APPROVE  
LICENSES:  
(K.1.)

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

a. GHI Solutions, Inc. (Gaming Supplier), 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 Supplier), and its employees:

- i. Johannes, Philip Level 1
- ii. Ourth, Brenden Level 1

c. Western Beverage, Inc. (Non-Gaming Supplier), 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 Supplier), 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. Parker, Bradley E. Level 2
- vii. Sullivan, Marc A. Level 2

- |        |                           |         |
|--------|---------------------------|---------|
| viii.  | Taylor, Rashelle J.       | Level 2 |
| ix.    | Wilkerson, Larry L.       | Level 2 |
| x.     | Wilson, Randy J.          | Level 2 |
| xi.    | Canales, Jenifer          | Level 3 |
| xii.   | Dickens, Zachary A.       | Level 3 |
| xiii.  | Fairbanks, Christopher J. | Level 3 |
| xiv.   | Leachman, Maria I.        | Level 3 |
| xv.    | Martinez, Karina L.       | Level 3 |
| xvi.   | Minjarez, Jessica L.      | Level 3 |
| xvii.  | Miramontes, Israel I.     | Level 3 |
| xviii. | Rhodes, Renee L.          | Level 3 |
| xix.   | Wheeler, Benjamin J.      | Level 3 |

Motion passed unanimously. (*Commissioner Schwan abstained on Western Beverage and its employees.*)

ADJOURN:

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

SUBMITTED BY:

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William Falstad  
Secretary

APPROVED BY:

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Carol H. Sader  
Chair



**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

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

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

<b>Recommended for Approval</b>					
	<b>Manufacturer</b>	<b>File Number</b>	<b>ID Number</b>	<b>Version</b>	<b>Game Name</b>
1	ARISTOCRAT	MO-22-ARI-10-29	66B290197211	2.90/2.11	N/A
2	BALLY	MO-166-BAL-10-03	66B290198211	2.90/2.11	MEI CASHFLOW FIRMWARE
3	IGT	MO-22-IGT-08-521	HARDWARE	P/N 76943300W	RGB REEL CONTROLLERS
4	IGT	MO-22-IGT-08-521	HARDWARE	P/N 76943400W	RGB REEL CONTROLLERS
5	IGT	MO-22-IGT-08-521	HARDWARE	P/N 76943500W	RGB REEL CONTROLLERS
6	IGT	MO-22-IGT-09-167	BFDB0004	AVP	AVP DYNAMIC BUTTON
7	IGT	MO-31-IGT-09-29	HARDWARE	75439601W	MEGAJACKPOTS WHEEL OF FORTUNE TRIPLE DIAMOND
8	SHUFFLE MASTER	LO-08-SHU-08-02	TABLE GAME		ULITMATE TEXAS HOLD'EM
9	SHUFFLE MASTER	MA-00-SHU-10-01	TABLE GAME		FORTUNE PAI GOW POKER
10	WMS	MO-22-WMS-10-71	66B210197211_WMS	2.10/2.11	MEI BILL ACCEPTOR FIRMWARE
11	WMS	MO-22-WMS-10-76	SC04-000-1030C0	1030 H9.23	ZEUS
12	WMS	MO-22-WMS-10-81	SC07-000-1030C0	1030 H9.23	WILD SAFARI
<b>Recommend Revocation</b>					
	<b>Manufacturer</b>	<b>File Number</b>	<b>ID Number</b>	<b>Version</b>	<b>Game Name</b>
1	WMS	MO-22-WMS-09-57	SC04-000-1020C0	1020 H9.23	ZEUS remove by July 31, 2010
2	WMS	MO-22-WMS-09-58	SC07-000-1020C0	1020 H9.23	WILD SAFARI remove by July 31, 2010
3	WMS	MO-73-WMS-10-09	SSSG-000-1650	1650/H13.12	Operating System

### Boot Hill Casino and Resort Internal Control Amendments

Item # / (Description)	Regulation/IC Reference	Staff Recommendation
BH67 (key controls)	112-104-34 - 38	Approval
BH68 (blind drop and key)	112-104-34	Approval
BH69 (lockbox access)	110.020.00	Approval
BH71 (drop radius)	112-104-18	Approval
BH72 (position removal)	112-104-2(b)(6)	Approval
BH75 (name removal)	112-104-1	Approval
BH77 (add table games)	112-108(b)	Approval

Lottery Gaming Facility Revenue\*  
Boot Hill Casino and Resort

	May 2010	YTD 2010	Fiscal YTD 2010
Electronic gaming machines	2,685,975.55	13,587,450.97	15,293,547.23
Table games	<u>416,213.00</u>	<u>2,362,243.00</u>	<u>2,646,139.50</u>
Total Lottery Gaming Facility Revenue	<u>3,102,188.55</u>	<u>15,949,693.97</u>	<u>17,939,686.73</u>
State Share 22%	682,481.48	3,508,932.67	3,946,731.08
Local Share 3%	93,065.66	478,490.82	538,190.60
Problem Gambling Share 2%	62,043.77	318,993.88	358,793.73
Casino Share 73%	2,264,597.64	11,643,276.60	13,095,971.31

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

*Kansas Racing and Gaming Commission*

**STAFF AGENDA MEMORANDUM**

**DATE OF MEETING:** June 3, 2010

**AGENDA ITEM:** **KHA Reimbursement from Kansas Bred Program**

**PRESENTER:** Don Cawby, Director of Administration

**ISSUE SUMMARY:** The Kansas Horsemen's Association (KHA) is requesting approval and reimbursement of expenses incurred for the operation of the Kansas Bred Program for June 2009 through October 2009 totaling \$711.02. The expenses presented for reimbursement are less than expenses incurred by the KHA in the past. Due to declining horse registrations, the KHA reduced the overhead for the Kansas Bred program.

The Commission is authorized by K.S.A. 74-8830 to "contract with and designate an official registering agency to implement the registration of horses." Funds shall be withdrawn from the Kansas Bred Program account only for maintaining and administering the program and only with the prior approval of the Commission or the Commission's executive director.

**COMMISSION ACTION REQUIRED/REQUESTED:** Commission discussion, consideration and possible action on the request for reimbursement.

**STAFF RECOMMENDATIONS:** Staff recommends approval of the June 2009 through October 2009 expenses and reimbursement of those expenses subject to availability of funds.

MAY 25, 2010

MS KEYSA THOMAS  
KANSAS RACING AND GAMING COMMISSION  
700 SW HARRISON  
TOPEKA, KS

DEAR MS. THOMAS,

THE KANSAS HORSEMEN'S ASSOCIATION WOULD LIKE TO REQUEST  
THAT THE EXPENSES FOR THE MONTHS OF JUNE, JULY, AUGUST,  
SEPT AND OCTOBER 2009 BE PLACED BEFORE THE COMMISSION FOR  
REIMBURSEMENT.

JUNE 2009	\$ 43.37 ✓
JULY 2009	42.14 ✓
AUG 2009	127.55 ✓
SEPT 2009	192.93 ✓
OCT 2009	304.93 ✓
TOTAL	711.02

SINCERELY,  
DWIGHT DANIELS, PRESIDENT  
KANSAS HORSEMEN'S ASSOCIATION

KANSAS HORSEMEN'S ASSOCIATION  
 MONTHLY EXPENDITURES AND BUDGET COMPARISION  
 JUNE 2009

KANSAS BRED PROGRAM FUND  
 MONTHLY YEAR TO DATE BUDGET YEARTO COMPARISON  
 EXPENSE EXPENSE MONTHLY DATE (OVER)  
 BUDGET UNDER

INSURANCE	-0-	-0-	47.67	286.02	286.02
TRAVEL	-0-	-0-	65.00	390.00	390.00
TELEPHONE	30.00	208.85	99.62	597.72	388.87
Salary	-0-	9903.80	2145.82	12874.92	2971.12
FICA	-0-	757.60	164.15	984.90	227.30
TAXES	-0-	56.00	6.29	37.74	(18.26 )
Misc	13.47	96.35	48.75	292.50	196.15

00TAL . 43.47 . 11022.60 2577.30 15463.80 4441.20

SALARY CLERICAL -0-

FICA -0-

TOTAL -0-

KANSAS BRED FUND STATUS

BALANCE MAY 31, 2009	1008.40
DEPOSITS MADE IN JUNE	2170.00
SERVICE FEE	( 2.45 )
BALANCE JUNE 30, 2009	3175.95

12 HORSE REGISTERED IN JUNE  
 2 HORSES CERTIFIED IN JUNE  
 0 HORSE PUT IN PENDING FILES IN JUNE

KANSAS HORSEMEN'S ASSOCIATION  
 MONTHLY EXPENDITURES AND BUDGET COMPARISON  
 JULY 2009

KANSAS BRED PROGRAM FUND  
 MONTHLY YEAR TO DATE BUDGET YEARTO COMPARISON  
 EXPENSE EXPENSE MONTHLY DATE (OVER)  
 BUDGET UNDER

INSURANCE	-0-	-0-	47.67	333.69	333.69
TRAVEL	-0-	-0-	65.00	455.00	455.00
TELEPHONE	30.00	238.85	99.62	697.34	458.49
Salary	-0-	9903.80	2145.82	15020.74	5116.94
FICA	-0-	757.60	164.15	1149.05	391.45
TAXES	-0-	56.00	6.29	44.03	(11.97 )
Misc	12.14	108.49	48.75	341.25	232.76

00TAL 42.14 11064.74 2577.30 18041.10 6976.36

SALARY CLERICAL -0-  
 FICA -0-

TOTAL -0-

KANSAS BRED FUND STATUS

BALANCE JUNE 30 2009 3175.95  
 DEPOSITS MADE IN JULY 2000.00  
 SERVICE FEE ( 1.30 )  
 CK#1432 PARTIAL DEC 09 ( 594.03 )  
 CK#1433 JANUARY 2009 (2192.71 )  
 CK#1444 FEBRUARY 2009 (2175.63 )

BALANCE JULY 31, 2009 212.28

14 HORSE REGISTERED IN JULY  
 0 HORSES CERTIFIED IN JULY  
 0 HORSE PUT IN PENDING FILES IN JULY

PROCESSED  
 2009 SEP -9 P 2:14  
 RECEIVED  
 KANSAS RACING AND  
 GAMING COMMISSION

KANSAS HORSEMEN'S ASSOCIATION  
 MONTHLY EXPENDITURES AND BUDGET COMPARISION  
 AUGUST 2009

KANSAS BRED PROGRAM FUND					
MONTHLY EXPENSE	YEAR TO DATE EXPENSE	BUDGET MONTHLY	YEARTO DATE BUDGET	COMPARISON (OVER) UNDER	
INSURANCE	-0-	-0-	47.67	381.36	381.36
TRAVEL	-0-	-0-	65.00	520.00	520.00
TELEPHONE	30.00	268.85	99.62	796.96	528.11
Salary	-0-	9903.80	2145.82	17166.56	7262.76
FICA	-0-	757.60	164.15	1313.20	555.60
TAXES	-0-	56.00	6.29	50.32	( 5.68 )
Misc	97.55	206.04	48.75	390.00	183.96

00TAL 127.55 11192.29 2577.30 20618.40 9426.11

SALARY CLERICAL -0-  
 FICA -0-

TOTAL -0-

KANSAS BRED FUND STATUS

BALANCE JUL 31 2009 212.28  
 DEPOSITS MADE IN AUG -0-  
 SERVICE FEE AUG ( 1.54 )  
 BALANCE AUG 31, 2009 210.74

2 HORSE REGISTERED IN AUGUST  
 0 HORSES CERTIFIED IN AUGUST  
 0 HORSE PUT IN PENDING FILES IN AUGUST

KANSAS HORSEMEN'S ASSOCIATION  
MONTHLY EXPENDITURES AND BUDGET COMPARISON  
SEPTEMBER 2009

KANSAS BRED PROGRAM FUND

	MONTHLY EXPENSE	YEAR TO DATE EXPENSE	BUDGET MONTHLY	YEARTO DATE BUDGET	COMPARISON (OVER) UNDER
INSURANCE	-0-	-0-	47.67	429.03	429.03
TRAVEL	-0-	-0-	65.00	585.00	585.00
TELEPHONE	-0-	268.85	99.62	896.58	627.73
Salary	-0-	9903.80	2145.82	19312.38	9408.58
FICA	-0-	757.60	164.15	1477.35	719.75
TAXES	-0-	56.00	6.29	56.61	.61
Misc	192.93	398.97	48.75	438.75	39.78
TOTAL	192.93	11385.22	2577.30	23195.70	11810.48
SALARY CLERICAL		-0-			
FICA		-0-			
TOTAL		-0-			

KANSAS BRED FUND STATUS

BALANCE AUG 31 2009	210.74
DEPOSITS MADE IN SEP	-0-
SERVICE FEE SEP	( .51 )
BALANCE SEP 30, 2009	210.23

5 HORSE REGISTERED IN SEPTEMBER  
0 HORSES CERTIFIED IN SEPTEMBER  
0 HORSE PUT IN PENDING FILES IN SEPTEMBER

KANSAS HORSEMEN'S ASSOCIATION  
 MONTHLY EXPENDITURES AND BUDGET COMPARISON  
 OCTOBER 2009

KANSAS BRED PROGRAM FUND  
 MONTHLY YEAR TO DATE BUDGET YEARTO COMPARISON  
 EXPENSE EXPENSE MONTHLY DATE (OVER)  
 BUDGET UNDER

INSURANCE	-0-	-0-	47.67	476.70	476.70
TRAVEL	-0-	-0-	65.00	650.00	650.00
TELEPHONE	30.00	298.85	99.62	996.20	697.35
Salary	-0-	9903.80	2145.82	21458.20	11554.40
FICA	-0-	757.60	164.15	1641.50	883.90
TAXES	-0-	56.00	6.29	62.90	6.90
Misc	274.93	673.90	48.75	487.50	(186.40)

TOTAL 304.93 11690.15 2577.30 25773.00 14082.85

SALARY CLERICAL -0-  
 FICA -0-

TOTAL -0-

KANSAS BRED FUND STATUS

BALANCE SEP 30 2009 210.23  
 DEPOSITS MADE IN OCT 1250.00  
 SERVICE FEE OCT ( .01 )  
 BALANCE OCT 31, 2009 1460.23

2 HORSE REGISTERED IN OCTOBER  
 0 HORSES CERTIFIED IN OCTOBER  
 15 HORSE PUT IN PENDING FILES IN OCTOBER

YEAR TO DATE TOTALS

KS DOM MARE REGISTRATIONS

QH  
 TB 16  
 PA

KS MARE CERTIFICATIONS

QH 1  
 TB 24  
 PA

KS DOM STALLION REGISTRATIONS

QH  
 TB  
 PA  
 AP

KS STALLION CERTIFICATIONS

QH  
 TB  
 PA  
 AP

WEANLINGS QH 12 TB 5 PA APP 1  
 YEARLINGS QH 2 TB  
 2 YEAR OLD AND UP QH 2 TB 9

*Kansas Racing and Gaming Commission*

**STAFF AGENDA MEMORANDUM**

**DATE OF MEETING:** June 3, 2010

**AGENDA ITEM:** **Annual audits of the financial statements of Kansas Racing, LLC and TRAK East for the years ended December 31, 2009**

**PRESENTER:** Charles LaBoy, Director of Audit and Electronic Security

**ISSUE SUMMARY:** At the May 14, 2010 Commission meeting, Howard Grace assured the Commission that the audit of Kansas Racing LLC would be completed and available for discussion at this meeting on June 3, 2010. Subsequently, Mr. Grace stated that the audit reports would be sent to Commission staff no later than May 27, 2010.

**COMMISSION ACTION REQUIRED/REQUESTED:** Commission discussion and action based on any verbal update provided by staff at the June 3, 2010 meeting.

**STAFF RECOMMENDATIONS:** No recommendation.

**KANSAS RACING, L.L.C.**

**FINANCIAL STATEMENTS**

DECEMBER 31, 2009

(With Independent Auditor's Report Thereon)

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Statement of Cash Flows	5
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**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Kansas Racing, L.L.C.

We have audited the accompanying balance sheet of Kansas Racing, L.L.C. as of December 31, 2009 and the related statements of operations, changes in member's equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Racing, L.L.C. at December 31, 2009, and the results of its operations, changes in member's equity and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the financial statements, the Company has not been able to negotiate an economically feasible agreement with the State of Kansas to allow the addition of Class III gaming to its facilities. The Company suspended racing operations in August 2008. Accordingly, all operating revenues have ceased. The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

*M Mather CPA PLC*

May 25, 2010

# KANSAS RACING, L.L.C.

## BALANCE SHEET December 31, 2009

### ASSETS

Current assets:		
Cash operations	\$	17,497
Prepaid expenses		29,735
Total current assets		<u>47,232</u>
Property and equipment		
Land		3,943,000
Land improvements		1,365,799
Buildings and improvements		5,816,829
Construction in progress		633,281
Equipment		4,270,184
		<u>16,029,093</u>
Less: accumulated depreciation		(6,829,628)
Property and equipment, net		<u>9,199,465</u>
	\$	<u>9,246,697</u>

### LIABILITIES AND MEMBER'S EQUITY

Current liabilities:		
Current maturities of capital lease payable	\$	11,513
Accounts payable		16,800
Accrued liabilities-property tax		87,776
Advances from affiliates		654,132
Total current liabilities		<u>770,221</u>
Member's equity		<u>8,476,476</u>
	\$	<u>9,246,697</u>

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

**KANSAS RACING, L.L.C.**  
**STATEMENT OF OPERATIONS**  
**For the Year ended December 31, 2009**

Revenues:	
Leases and management fees, affiliate	\$ 1,194
Other income	13,077
	<hr/>
Total revenue	14,271
	<hr/>
Cost of sales	0
	<hr/>
Gross profit	14,271
	<hr/>
Operating expenses:	
Salaries, wages and employee benefits	604,213
Operation of facilities	326,591
Professional and consulting services	50,125
Legislative efforts	12,000
Rent	3,826
Utilities	189,196
Marketing	6,800
Depreciation	457,835
	<hr/>
Total operating expenses	1,650,586
	<hr/>
Net (loss) from operations	(1,636,315)
Other income (expense)	
Interest income	181
Interest expense	(3,412)
	<hr/>
Total other income (expense)	(3,231)
	<hr/>
Net (Loss)	\$ (1,639,546)
	<hr/> <hr/>

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

**KANSAS RACING, L.L.C.**

**STATEMENT OF CHANGES IN MEMBER'S EQUITY  
For the Year ended December 31, 2009**

Member's Equity - December 31, 2008	\$ 8,901,648
Capital contributions	1,214,374
Capital distributions	0
Net (loss) for the year ended December 31, 2009	<u>(1,639,546)</u>
Member's Equity - December 31, 2009	<u>\$ 8,476,476</u>

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

# KANSAS RACING, L.L.C.

## STATEMENT OF CASH FLOWS For the Year ended December 31, 2009

Cash flows from operating activities:	
Net (loss)	\$ (1,639,546)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	457,835
Decrease in accounts receivable	354,847
Decrease in prepaid expenses	94,457
Decrease in accounts payable	(437,902)
Increase in accrued liabilities	(156,806)
Net cash (used in) operating activities	\$ <u>(1,327,115)</u>
Cash flows from investing activities:	
Property and equipment purchases	(133)
Net cash (used in) investing activities	<u>(133)</u>
Cash flows from financing activities:	
Repayments to affiliates, net	(228,846)
Member's contributions	1,407,999
Debt principal payments	<u>(34,110)</u>
Net cash used in financing activities	<u>1,145,043</u>
Net decrease in cash	(182,205)
Cash, beginning of year	<u>199,702</u>
Cash, end of year	\$ <u><u>17,497</u></u>
<b>Supplemental disclosures:</b>	
Cash paid for interest	\$ <u><u>3,412</u></u>
Noncash investing and financing activities - Equipment distributed to Member net of associated debt	\$ <u><u>193,625</u></u>

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

# KANSAS RACING, L.L.C.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kansas Racing, L.L.C. (Company) was formed as a Kansas LLC in 1998 to operate and manage greyhound and horse racing and gaming facilities in Kansas. The Company is a single member limited liability company wholly owned by Mid-Continent Racing and Gaming III.

The Kansas Racing and Gaming Commission (Commission) granted the Company an ownership and management license to operate these tracks. In accordance with Kansas law, the license to conduct pari-mutuel greyhound and horse racing was granted to The Racing Association of Kansas East (TRAK East), a Kansas not-for-profit organization. TRAK East leased the facilities from the Company, and the Company provided management services to TRAK East.

The Company suspended all racing activities in August 2008, pending actions of the Kansas legislature to authorize favorable conditions for the addition of Class III gaming to the facilities. The Company's ownership and management license is being held in abeyance by the Commission.

**Property and Equipment** - Property and equipment are carried at cost. Depreciation is being recorded on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	15-39 years
Equipment	3-12 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made of retirements resulting from renewals or betterments.

**Income Taxes** - The Company is a limited liability company. As such, no income taxes are recorded on the Company's books, as they are passed through to the individual member.

**Cash Equivalents** - For purposes of the statement of cash flows, all temporary investments with a maturity of 90 days or less are classified as cash equivalents.

**Advertising** - Advertising costs are expensed as incurred, and totaled \$6,800 in 2009.

**Estimates** - 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.

(Continued)

# KANSAS RACING, L.L.C.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

(Continued)

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

**Impairment of Long-Lived assets** - The Company reviews long-lived assets for impairment whenever events indicate the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

### (2) CAPITAL LEASE PAYABLE

The Company leases equipment under a capital lease. The balance due on this lease totals \$11,513 at December 31, 2009. The lease requires monthly payments of \$1,001 including interest imputed at 7.9% per annum.

Future minimum lease payments are as follows:

2010	\$ <u>11,513</u>
------	------------------

### (3) MANAGEMENT AGREEMENT

Under Kansas statutes, Kansas Racing, L.L.C. is not granted any race days and does not generate any pari-mutuel commissions. The Commission has granted Kansas Racing, L.L.C. the facility ownership and management licenses.

The Company leased the facilities to TRAK East and provided management and consulting services. The Commission approved such agreement. As of December 31, 2009 TRAK East owes the Company \$1,819.

### (4) RELATED PARTY TRANSACTIONS

As of December 31, 2009, the Company owes various affiliates a net total of \$654,132. These amounts are non-interest bearing and have no scheduled repayment terms. During the current year, a total of \$228,846 was repaid to such parties.

During 2009, the Company's sole member contributed additional capital of \$1,407,999. These amounts were utilized to support operating expenditures.

### (5) PENSION PLAN

The Company has a 401(k) plan for the benefit of its full time employees. Company match contributions for the year ended December 31, 2009 totaled \$535.

(Continued)

# KANSAS RACING, L.L.C.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

(Continued)

### (6) CONTINGENCIES

There are various legal actions that have arisen in the ordinary course of business. It is the opinion of management that the outcome of any lawsuit or claim which are pending or threatened will not have a material adverse effect on the Company's financial position.

The Company is subject to various federal and state regulations regarding the care, use and containment of various products, which the Company either does or has handled. The Company is contingently liable for any associated costs which could arise from the handling, use, and containment of these products.

### (7) UNCERTAINTIES

The Company's financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. Management has chosen to cease all racing operations and to pursue other options with its 400 acres of prime real estate. Management believes that significant opportunities are available for development of the property for alternative use and that those alternative uses would provide sufficient cash flows to support the carrying values of long-lived assets, and would enable the Company to continue as a viable operating entity.

In the past, the sole member of the Company has contributed the capital required for operations. Continued member contributions appear to be required in the future until such time that operating cash flows improve. It is the member's intention to continue to support the Company's operations until such time that positive cash flows are achieved. If the member is unable or unwilling to fund future cash flow deficiencies, the ability of the Company to continue as a going concern is uncertain. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**THE RACING ASSOCIATION OF KANSAS EAST**

**FINANCIAL STATEMENTS**

DECEMBER 31, 2009

(With Independent Auditor's Report Thereon)

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# 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

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
The Racing Association Of Kansas East

We have audited the accompanying 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. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Racing Association Of Kansas East at December 31, 2009, and the results of its activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, the Company has discontinued all racing activities effective August 2008. Accordingly, all operating revenues have ceased. The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

*M. Mather CPA PLC*

May 25, 2010

# THE RACING ASSOCIATION OF KANSAS EAST

## STATEMENT OF FINANCIAL POSITION December 31, 2009

### ASSETS

Cash operations	\$	3,900
Accounts receivable, less allowance for uncollectible accounts of \$627		-
	\$	<u>3,900</u>

### LIABILITIES AND NET ASSETS

Accrued liabilities	\$	2,081
Due to Kansas Racing L.L.C.		1,819
Total current liabilities		<u>3,900</u>
Net Assets, unrestricted		<u>0</u>
	\$	<u>3,900</u>

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

**THE RACING ASSOCIATION OF KANSAS EAST**

**STATEMENT OF ACTIVITIES**  
**For the Year ended December 31, 2009**

Revenues:		
Pari-mutuel commissions	\$	0
Other income		0
Total revenue		<u>0</u>
Program expenses		<u>0</u>
Supporting services:		
Management fees		1,194
Administrative costs (benefits), net		(1,194)
		<u>0</u>
Increase in unrestricted net assets		0
Net assets, Unrestricted:		
Beginning of year		0
End of year	\$	<u>0</u>

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

# THE RACING ASSOCIATION OF KANSAS EAST

## STATEMENT OF CASH FLOWS For the Year ended December 31, 2009

Cash flows from operating activities:	
Net (loss)	\$ 0
Adjustments to reconcile net loss to net cash used in operating activities:	
Decrease in accounts receivable	42,190
Decrease in accounts payable	(179,943)
Net cash (used in) operating activities	\$ <u>(137,753)</u>
Cash flows from investing activities:	
Property and equipment purchases	0
Net cash (used in) investing activities	<u>0</u>
Cash flows from financing activities:	
Repayments from affiliates	114,910
Net cash used in financing activities	<u>114,910</u>
Net decrease in cash	(22,843)
Cash, beginning of year	<u>26,743</u>
Cash, end of year	\$ <u><u>3,900</u></u>

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

# THE RACING ASSOCIATION OF KANSAS EAST

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Racing Association Of Kansas East (Company) was incorporated in 1998 as a Kansas not-for-profit corporation. The Kansas Racing and Gaming Commission (KRGC) granted the Company an organization license to conduct and manage greyhound and horse racing in Wyandotte County, Kansas.

KRGC granted Kansas Racing, L.L.C. (an affiliate of the Company) an ownership and management license to operate these tracks. In accordance with Kansas law, the license to conduct pari-mutuel greyhound and horse racing was granted to the Company. The Company leased the facilities from Kansas Racing, L.L.C., and Kansas Racing provided management services to the Company.

The Company suspended all racing activities in August 2008, as such, they are in non-compliance with the Kansas pari-mutuel racing act, K.S.A. 74-8801. The Company expects KRGC to revoke its organization license.

**Income Taxes** - The Company is subject to Federal and state income taxes.

**Cash Equivalents** - For purposes of the statement of cash flows, all temporary investments with a maturity of 90 days or less are classified as cash equivalents.

**Advertising** - Advertising costs are expensed as incurred, and totaled \$-0- in 2009.

**Estimates** - 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.

**Accounts receivable** - Receivables are carried at the original invoice amount less an allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts.

(Continued)

# THE RACING ASSOCIATION OF KANSAS EAST

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

(Continued)

### (2) REVENUES

Under Kansas statutes, the Company was not granted any race days and did not generate any pari-mutuel commissions.

### (3) LEASE COMMITMENT AND MANAGEMENT

The Company leased the racing facilities from its affiliate Kansas Racing, L.L.C. As part of the agreement, Kansas Racing provided management services and incurred most other operating expenses. The lease agreement provided for lease and management fees based on operating cash flows, as defined in the agreement. Total expense under the lease was computed to be \$1,194 for the year ended December 31, 2009. The agreement covered the years through July 2013. Kansas Racing, L.L.C.'s ownership license has been held in abeyance by KRGC, as such, the Company has been released from any further obligation under the agreement.

### (4) UNCERTAINTIES

The Company's financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. All operations have ceased. This condition creates substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might result from this uncertainty.

*Kansas Racing and Gaming Commission*

**STAFF AGENDA MEMORANDUM**

**DATE OF MEETING:** June 3, 2010

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

**PRESENTER:** Charles LaBoy, Deputy Director of Audit and Electronic Security

**ISSUE SUMMARY:** This item is continued from the previous commission meeting. Staff has recalculated the liability using agreed upon procedures which results in a profit of \$15,961. Pursuant to the commission's licensing order, that amount should be refunded to 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 approval.

# Memo

To: Patrick Martin, Executive Director, KRGC  
From: Charles LaBoy, Director of Audit & Electronic Security, KRGC  
CC:  
Date: May 26, 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. Agreed upon procedures indicated that \$15,961 of the \$75,004 profit is subject to the commission order restriction on profit.

# 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
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

### JUNE

3 Commission Meeting (rescheduled from June 11)

### JULY

9 Commission Meeting (rescheduled from July 16)

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			

### AUGUST

13 Commission Meeting

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	

### SEPTEMBER

10 Commission Meeting (rescheduled from September 17)

### OCTOBER

13 Commission Meeting (rescheduled from October 15)

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

### NOVEMBER

12 Commission Meeting

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					

### DECEMBER

17 Commission Meeting

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				

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		

Mar 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	

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						

Apr 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