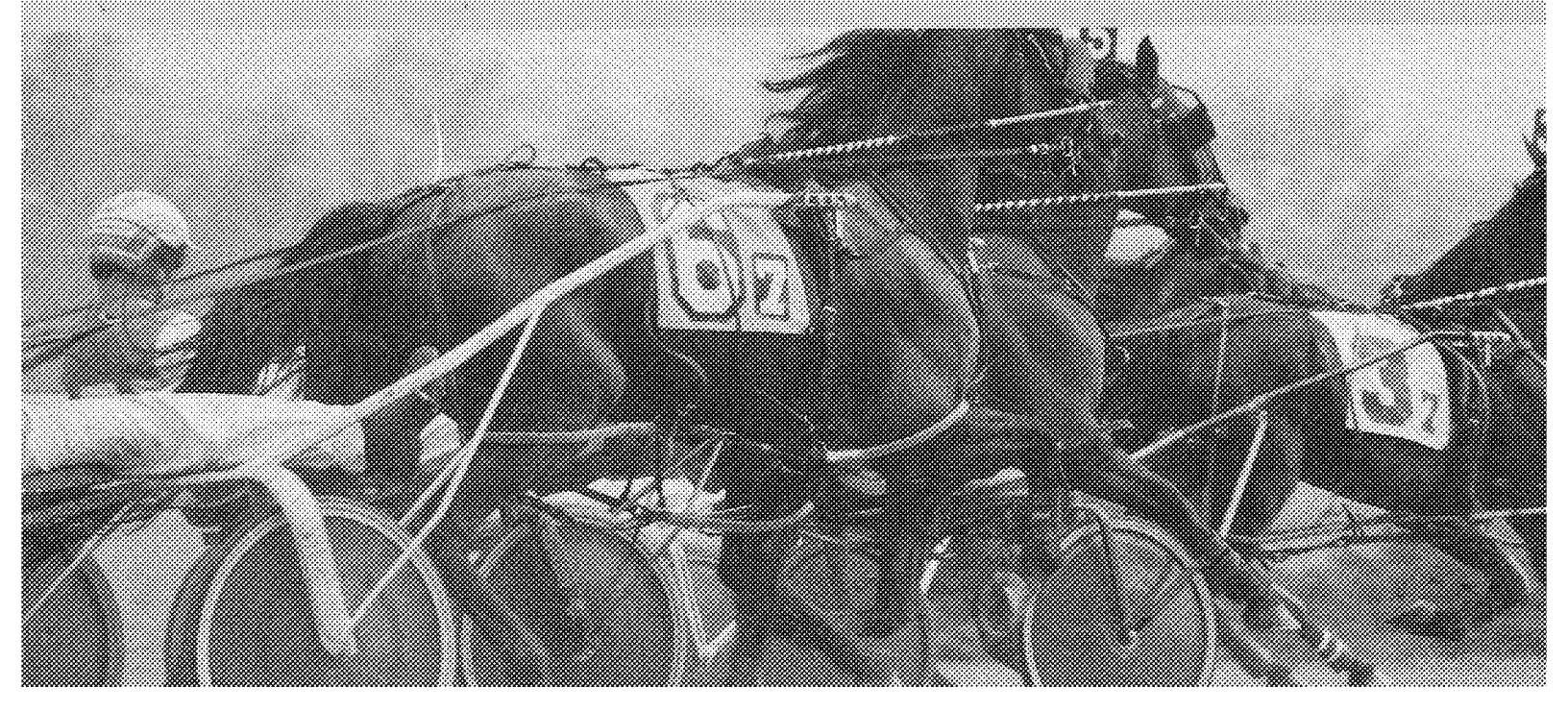




Virginia Racing Commission

2006 Annual Report

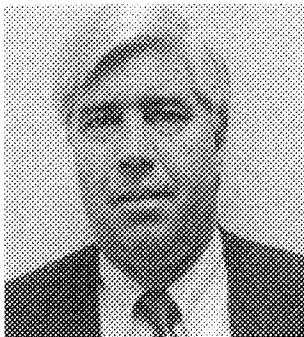


Virginia Racing Commission



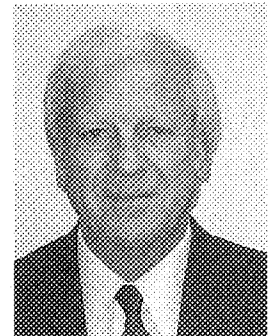
Mark T. Brown

Palmyra



Peter C. Burnett

Leesburg



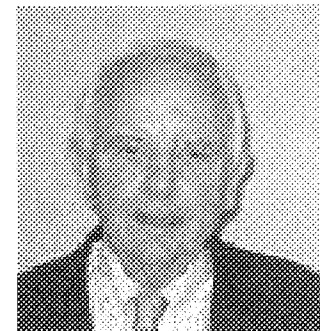
I. Clinton Miller

Richmond



William H. (Trip) Ferguson

Newport News



David C. Reynolds

Richmond

Staff

Stanley K. Bowker—Executive Secretary

David S. Lermond, Jr.—Director of Pari-Mutuels

Marvin A. Sniegou—Director of Financial Management & Planning

Joseph M. Roney—Director of Operations & Enforcement

Kimberly M. Carter—Office Administrator

Dennis E. West—Operations Manager

Peggy E. Mason—Assistant Operations & Enforcement Manager



COMMONWEALTH of VIRGINIA

Virginia Racing Commission

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

February 5, 2007

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

Pursuant to the provisions of the Code of Virginia Title 59, Chapter 29, Section 59.1-369 relating to horse racing with pari-mutuel wagering, it is my privilege and pleasure to submit herewith the 2006 Annual Report of the Virginia Racing Commission.

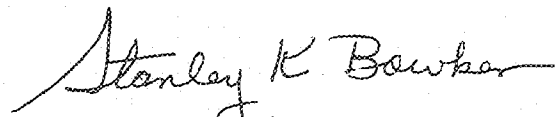
It has been nearly 10 years since Colonial Downs ran the first race with pari-mutuel wagering in Virginia. The agribusiness activity represented by the breeding, training and related support activities for race horses throughout Virginia has grown into an important segment in the Commonwealth's economy.

With the opening of a new facility in Scott County near the Bristol, TN border in January 2006 there are now nine satellite wagering facilities located in Virginia. In addition to generating the bulk of the funding for purses and program for Virginia's Thoroughbred and Standardbred breeders, the communities where the facilities are located also benefit in terms of jobs and revenues for local governments.

The annual Grand Slam of Grass, sponsored by Jacobs Entertainment, continues to bring the national horse racing spotlight to Virginia and Colonial Downs. In 2006 Colonial Downs offered two \$1,000,000 races—the Colonial Cup and the Virginia Derby. For 2007 efforts are underway to obtain national television coverage of at least one of the races.

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

Respectfully Submitted,


Stanley K. Bowker
Executive Secretary

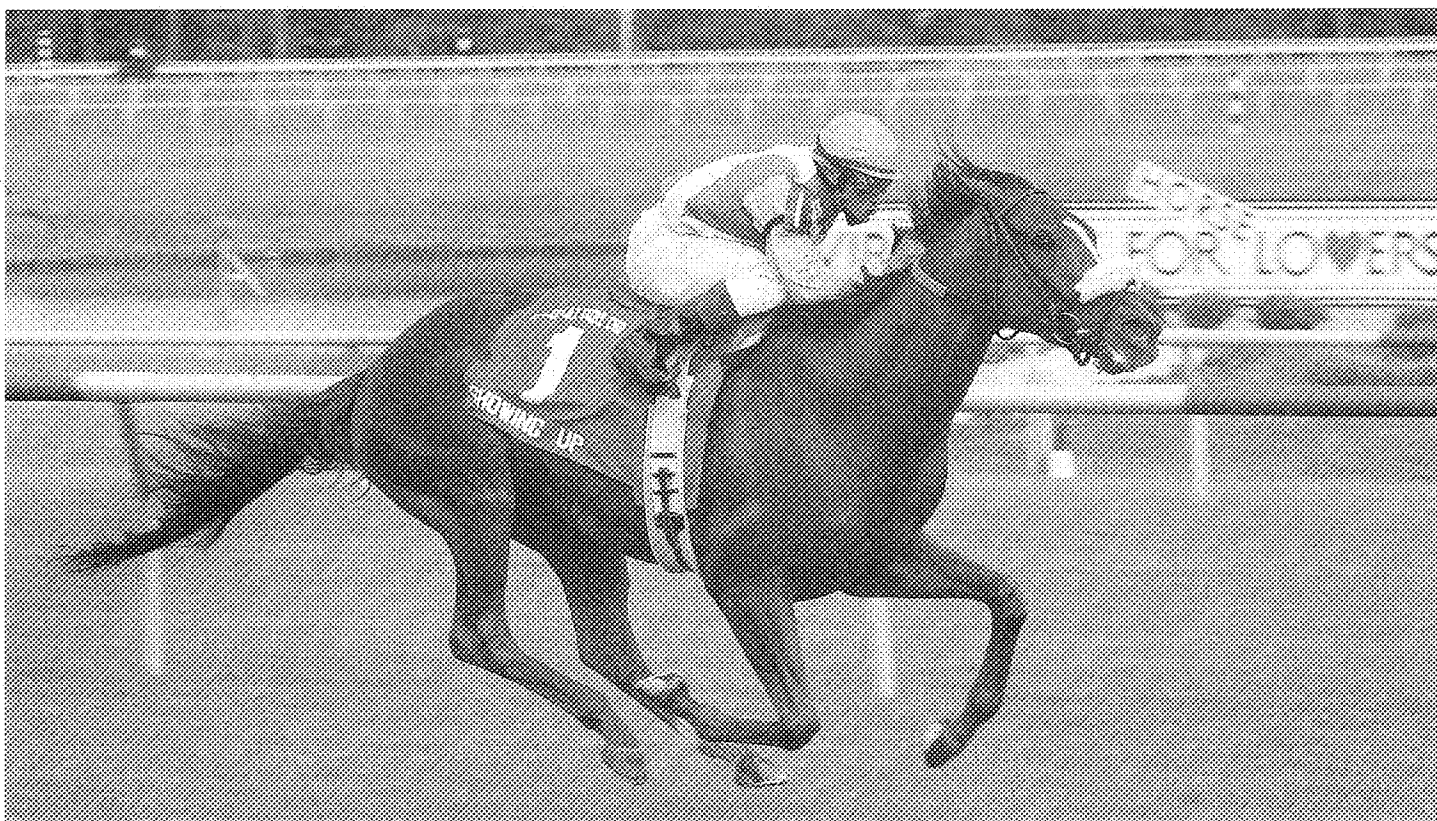
2006 VIRGINIA DERBY & COLONIAL TURF CUP



Go Between (above) is shown winning the 2006 Virginia Derby at Colonial Downs. The "Derby" was the 2nd leg of the \$5 million Jacobs Investments Grand Slam of Grass Turf Series. The first leg was the \$1,000,000 Colonial Turf Cup won by Showing Up (below). Colonial Downs will host the first two legs of the four race series in 2007 on these dates:

1st Leg - \$750,000 Colonial Turf Cup - Saturday, June 16th

2nd Leg - \$1,000,000 Virginia Derby (Gr. II) - Saturday, July 21st.



Virginia Racing Commission

2006 Annual Report

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ACTIVITIES OF THE COMMISSION

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

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

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

In 2005, the General Assembly created a fund in the Racing Commission’s appropriation for the promotion and marketing of the Virginia horse industry. The goals of the program include increasing business for the state’s pari-mutuel system, in the breeding and ownership of horses, in horse-related agricultural commodities and equine activities and to raise the visibility of the horse industry.

CRT/tanaka, a Richmond-based firm, is developing a number of programs that will be in place during 2007.

Since 2003, the Commission has been licensing and regulating advance deposit account wagering companies that operate in Virginia. Presently there are four companies licensed in Virginia—Colonial Downs PhoneBet, TVG, XpressBet and AmericaTab. Account wagering in Virginia has already grown to the point that it is the second largest source of pari-mutuel wagering in Virginia. In 2006 account wagering total \$28,300,972 or 15% of the total wagering in the state.

Recap of Handle

Year	Pari-Mutuels	Account Wagering	Sale of Signal Out of State	Total Handle
1996	\$ 36,952,607	\$	\$	\$ 36,952,607
1997	95,094,161		19,412,236	114,506,397
1998	120,717,190		19,998,352	140,715,542
1999	121,324,249		22,348,265	143,672,514
2000	121,754,800		26,607,001	148,361,801
2001	123,879,396		24,042,027	147,921,423
2002	124,064,569		27,264,413	151,328,982
2003	130,382,875		31,627,734	162,010,609
2004	145,394,480	1,287,541	31,812,210	178,494,231
2005	151,758,202	12,691,398	40,330,328	204,779,928
2006	164,208,077	28,300,972	48,615,505	241,124,554
Total	\$1,335,530,606	\$42,279,911	\$292,058,071	\$ 1,669,868,588

Pari-Mutuel Handle Statistics

Total Pari-Mutuel Handle

Year	Total Handle	Racing Attendance	Daily Average Days*	Per-Capita Attendance	Wagering
1996	\$ 36,952,607	178,570	338	528	\$206.94
1997	95,094,161	578,831	840	689	164.29
1998	120,717,190	446,859	1,381	324	251.65
1999	121,324,249	544,744	1,351	305	222.72
2000	121,754,800	490,868	1,540	319	248.04
2001	123,879,396	511,856	1,445	354	242.02
2002	124,064,569	523,216	1,441	363	237.12
2003	130,382,875	552,632	1,534	360	235.93
2004	145,394,480	613,084	1,976	310	237.15
2005	151,758,202	665,555	2,490	267	228.02
2006	164,208,077	678,426	3,065	221	242.04
Total	\$ 1,335,530,606	5,784,641	17,401	332	\$ 230.88

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

Total Account Wagering Handle

	Colonial Downs				Total
	PhoneBet	TVG	XpressBet	AmericaTab	
2004	\$1,287,541	\$	\$	\$	\$ 1,287,541
2005	3,939,764	4,080,824	4,670,810		12,691,398
2006	3,736,391	8,169,546	7,816,430	8,578,605	28,300,972
Total	\$8,963,696	\$12,250,370	\$12,487,240	\$8,578,605	\$42,279,911

Sale of Signal Live Meets (Out of State)

Year	Thoroughbred	Harness	Total
1997	\$ 19,412,236	\$	\$ 19,412,236
1998	16,232,300	3,766,052	19,998,352
1999	18,640,650	3,707,615	22,348,265
2000	22,716,226	3,890,775	26,607,001
2001	22,545,623	1,496,404	24,042,027
2002	25,171,620	2,092,793	27,264,413
2003	29,488,341	2,139,393	31,627,734
2004	28,402,323	3,409,887	31,812,210
2005	36,507,736	3,822,592	40,330,328
2006	43,828,004	4,787,501	48,615,505
Total	\$ 262,945,059	\$29,113,012	\$ 292,058,071

ABOUT COLONIAL DOWNS

On September 1, 1997, Colonial Downs opened the first live pari-mutuel horse racing meet in Virginia—30 days of Thoroughbred racing. Harness racing joined the schedule in 1998 and since that time both breeds have run annual racing seasons at the New Kent facility.

Now 10 years old, Colonial Downs has been the catalyst of a sport that now generates nearly \$200,000,000 in annual pari-mutuel wagering in Virginia. In 2006 total attendance was a record 678,426 as attendance for the first 10 years totaled 5,784,641 while total mutuel handle surpassed \$1.35 billion.

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

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

Jacobs Entertainment sponsors the Grand Slam of Grass, a series of four races for three-year-olds. Two of the races are run at Colonial Downs—the \$750,000 Colonial Cup and the \$1,000,000 Virginia Derby. The Secretariat Stakes at Arlington Park and the Breeders Cup Turf complete the series. A horse winning all four races is eligible to receive a total of \$5,000,000 in purses and bonuses.

In 2006, a Virginia record pari-mutuel handle of \$3,602,203 was established on Colonial Cup Day. The Virginia Derby Day generated \$2,799,465 in wagering—two of the biggest days in Colonial Downs history.

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

In 2006 Colonial Downs hosted the \$100,000 Invitational Trot which drew most of the top trotters in the nation. It was won by the popular Vivid Photo, owned and trained by Roger Hammer.

One of the highlights of the annual harness meet is a day filled with races to showcase Virginia-bred or owned horses.

ABOUT COLONIAL DOWNS

Annually, the harness meet features a one-turn mile for most of its races. Each year a number of record and career best times have been established in Virginia.

Colonial Downs now owns nine satellite wagering facilities. In January 2006 the ninth facility was opened in Scott County, just across the Virginia-Tennessee border near Bristol. The satellite facilities provide the bulk of the pari-mutuel handle in the state which generates the purses paid for live racing as well as breeders' awards for owners and breeders of horses bred in Virginia.

Advance deposit account wagering is now becoming the second largest generator of pari-mutuel wagering in Virginia. In 2006, \$28,300,972 in wagering was generated by four account wagering companies licensed in Virginia—Colonial Downs PhoneBet, TVG, XpressBet and AmericaTab.

As a result of the efforts in 2006, the horse racing industry in Virginia is poised to continue to grow.

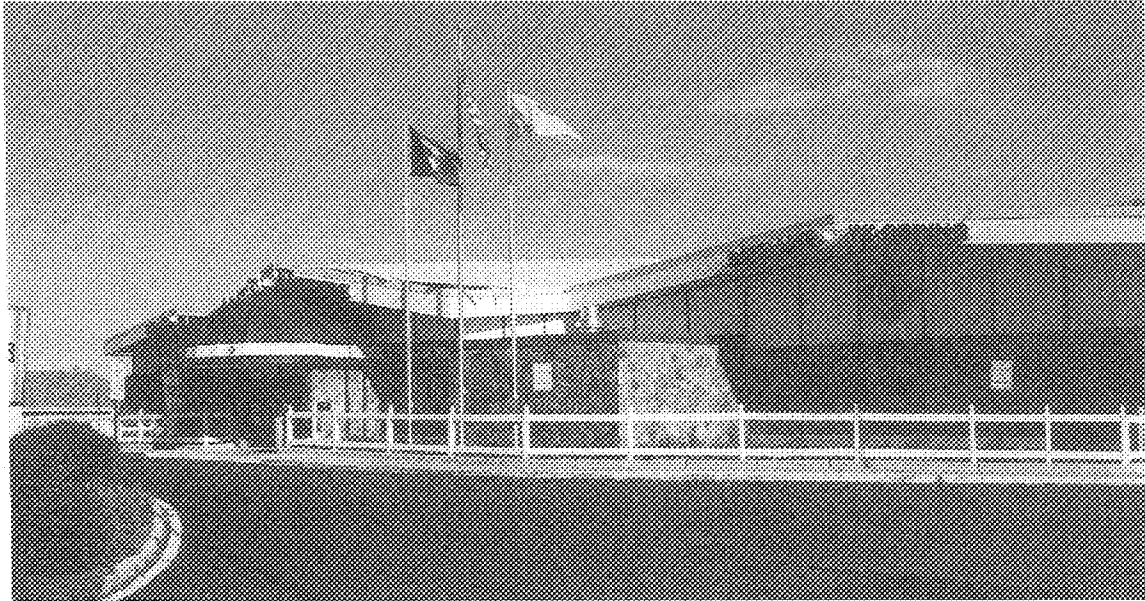
Live Thoroughbred Racing

	Daily Average On-Track Handle	Total Handle	Daily Average Total Handle	Daily Average Attendance	On-Track Per Capita
1997	\$183,594	\$28,182,006	\$ 939,400	3,620	\$ 65.71
1998	141,154	21,293,467	881,473	2,263	75.03
1999	107,881	23,420,243	975,854	1,628	87.50
2000	90,589	27,923,752	872,617	1,247	109.81
2001	117,818	27,579,707	1,103,188	1,940	85.48
2002	140,067	31,039,485	1,193,826	2,202	86.95
2003	140,305	36,090,262	1,203,009	2,193	86.30
2004	138,236	36,205,494	1,064,867	2,155	91.68
2005	124,122	44,710,190	1,117,755	2,028	85.17
2006	113,438	51,587,415	1,258,230	1,804	83.44

Live Harness Racing

	Daily Average On-Track Handle	Total Handle	Daily Average Total Handle	Daily Average Attendance	On-Track Per Capita
1998	\$56,661	\$7,260,770	\$172,875	1,379	\$ 56.21
1999	41,319	5,795,265	193,175	909	62.31
2000	19,270	5,903,010	147,575	258	148.76
2001	30,912	2,459,010	163,934	486	105.54
2002	30,860	3,716,853	154,869	478	117.01
2003	34,585	4,148,072	148,145	580	101.50
2004	40,361	5,815,294	181,728	645	92.65
2005	26,859	6,217,238	172,701	620	85.68
2006	20,498	6,562,653	182,296	312	100.25

RICHMOND SATELLITE WAGERING FACILITY



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

The Richmond Satellite Wagering Facility was completely remodeled during 2006 and was closed for more than two months. It is centrally located on Broad Street, which is one of the main thoroughfares in Richmond. The facility can accommodate up to 500 patrons with smoking and non-smoking preferences, one central main bar area, and teller lines for up to 23 tellers. The facility also has a VIP room with a full bar and tellers for patrons who prefer more privacy. The facility has parking capacity for 350 vehicles.

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
1996	21	17,403	829	\$ 3,391,418	\$ 161,496
1997	363	206,530	569	51,556,304	142,028
1998	363	178,841	493	50,183,501	138,247
1999	361	173,378	480	51,347,173	142,236
2000	361	162,921	451	49,096,147	136,000
2001	362	164,372	454	50,475,896	139,436
2002	360	159,222	442	49,986,746	138,852
2003	357	156,339	430	47,927,303	134,250
2004	362	123,682	342	40,821,803	112,767
2005	363	118,343	326	38,066,496	104,866
2006	302	94,348	312	31,823,009	105,374
Total	3,575	1,555,379	435	\$464,675,796	\$ 129,979

CHESAPEAKE SATELLITE WAGERING FACILITY



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

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

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
1996	317	161,167	508	\$ 33,561,189	\$105,871
1997	363	148,373	409	35,138,043	96,799
1998	363	114,682	316	28,929,078	79,694
1999	360	106,782	297	30,154,358	83,762
2000	362	100,405	277	29,663,510	81,943
2001	362	103,778	287	30,031,322	82,959
2002	361	100,937	280	30,816,019	85,363
2003	359	102,054	284	32,839,851	91,476
2004	363	98,618	272	32,771,667	90,280
2005	366	83,032	229	27,557,180	75,915
2006	350	48,210	138	14,455,627	41,302
Total	3,926	1,168,038	292	\$325,917,844	\$83,015

HAMPTON SATELLITE WAGERING FACILITY



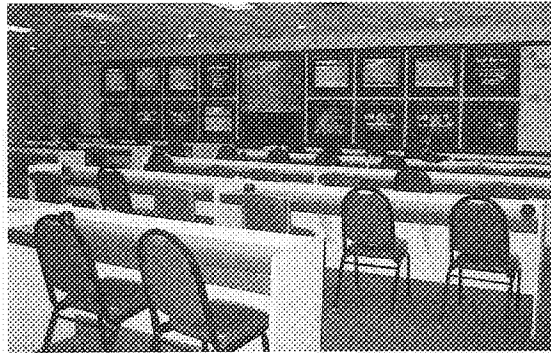
1909 Commerce Drive
Hampton, VA 23666
13,500 Sq. Ft.

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

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
1997	7	1,651	236	\$ 327,811	\$ 46,830
1998	363	114,679	316	22,765,994	62,716
1999	361	103,945	288	23,298,797	64,540
2000	362	99,618	275	24,999,787	69,060
2001	362	99,718	275	26,083,186	72,053
2002	361	98,362	272	25,058,151	69,413
2003	358	95,064	266	25,947,756	72,480
2004	363	95,269	262	28,321,244	78,020
2005	363	85,723	237	26,720,455	73,610
2006	362	82,352	227	25,638,907	70,826
Total	2,262	876,381	269	\$229,162,088	\$70,252

BRUNSWICK SATELLITE WAGERING FACILITY



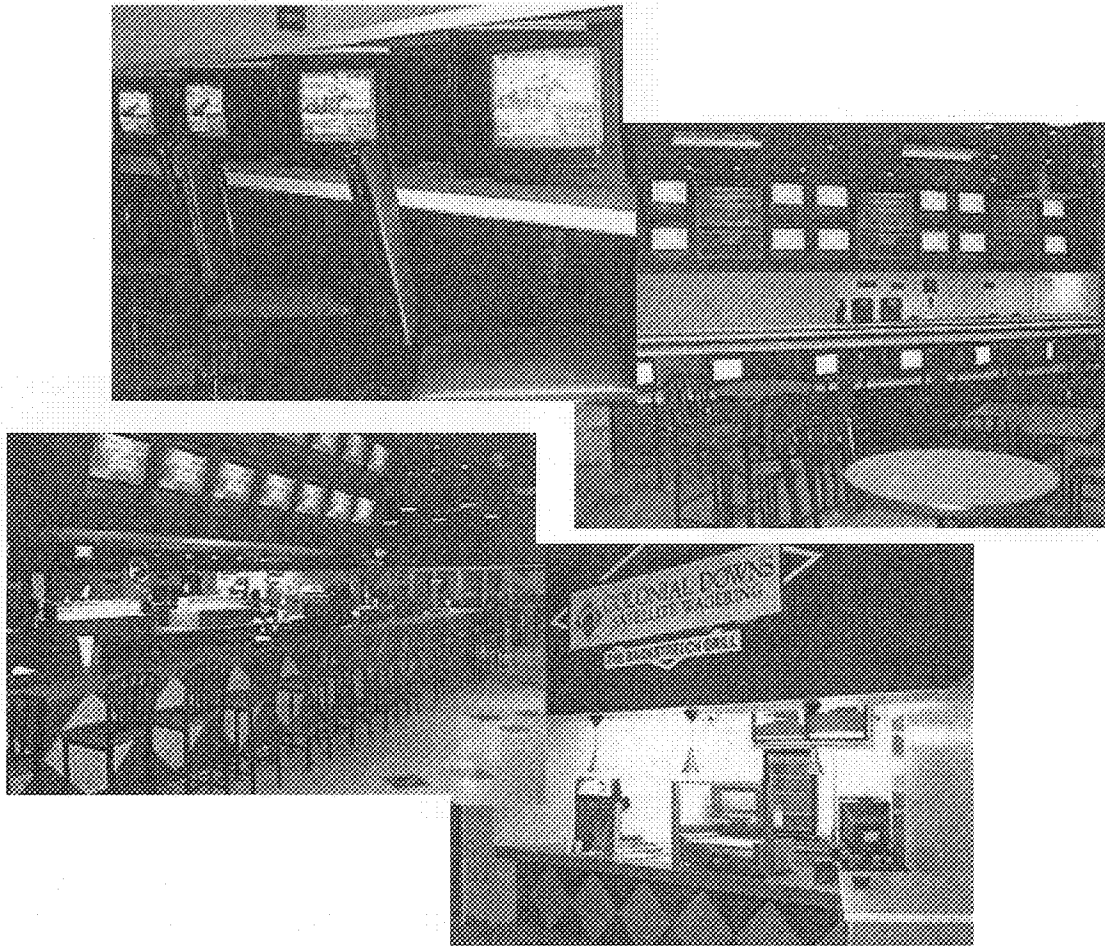
24 Colonial Downs Place
 Alberta, VA 23821
 20,000 Sq. Ft.

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

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
1997	14	1,460	104	\$ 226,146	\$ 16,153
1998	292	38,657	132	10,573,166	36,209
1999	269	27,925	104	11,404,545	42,396
2000	279	28,018	100	11,888,170	42,610
2001	265	24,821	94	12,085,136	45,604
2002	259	27,243	105	11,882,404	45,878
2003	292	28,548	98	14,094,878	48,270
2004	311	28,067	90	14,152,950	45,508
2005	309	25,276	82	12,620,398	40,843
2006	269	21,825	81	9,967,380	37,053
Total	2,559	251,840	98	\$108,895,173	\$42,554

SOUTH RICHMOND SATELLITE WAGERING FACILITY



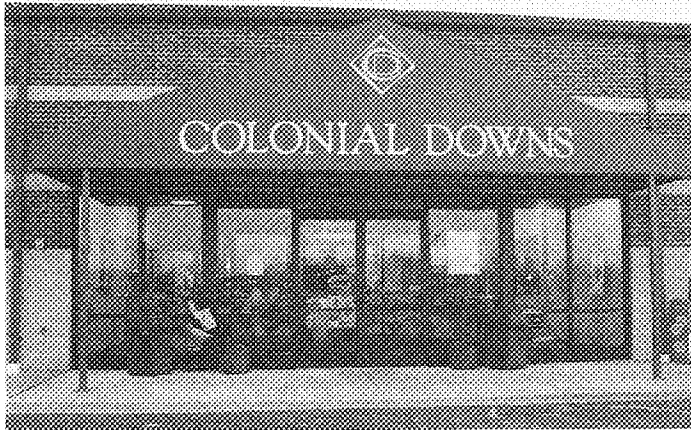
6550 Hull Street Road
 Richmond, VA 23224
 11,500 Sq. Ft.

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

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
2003	48	8,634	180	\$ 2,001,182	\$ 41,691
2004	361	64,479	179	17,832,357	49,397
2005	363	63,337	174	18,318,539	50,464
2006	362	74,216	205	23,560,440	65,084
Total	1,134	210,666	186	\$61,712,518	\$ 54,420

VINTON SATELLITE WAGERING FACILITY



1135 Vinyard Road
 Vinton, VA 24179
 14,600 Sq. Ft.

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

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
2004	81	13,447	166	\$ 2,455,993	\$ 30,321
2005	357	49,607	139	10,807,394	30,272
2006	286	42,806	150	10,471,558	36,614
Total	724	105,860	146	\$23,734,945	\$ 32,783

MARTINSVILLE SATELLITE WAGERING FACILITY



3951 Greensborough Road
Martinsville, VA 24148
12,500 Sq. Ft.

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

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
2005	137	18,978	139	\$ 3,529,839	\$ 25,765
2006	323	36,231	112	10,358,670	32,070
Total	460	55,209	120	\$13,888,509	\$ 30,192

NEW CHESAPEAKE SATELLITE WAGERING FACILITY



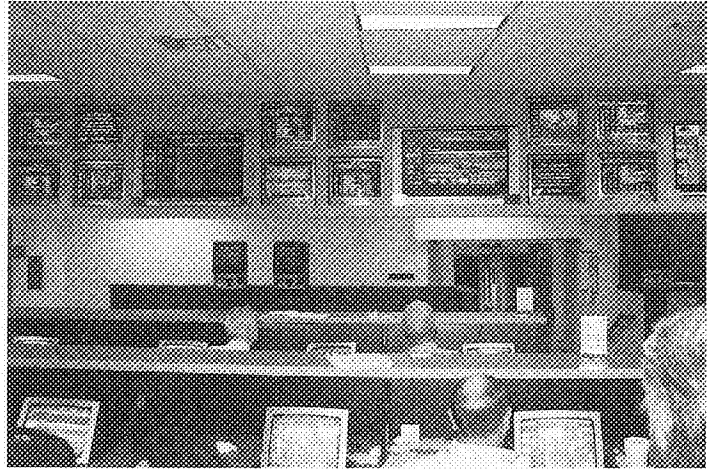
4301 Indian River Road
 Chesapeake, VA 23325
 10,000 Sq. Ft.

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

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
2005	80	15,648	139	\$ 4,963,971	\$ 62,050
2006	362	69,818	193	23,666,541	65,377
Total	442	85,466	193	\$28,630,512	\$ 64,775

SCOTT COUNTY SATELLITE WAGERING FACILITY



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

The Scott County Satellite Wagering Facility opened on January 18, 2006. The facility can accommodate 400 patrons with seating for 246. Smoking and non-smoking areas are provided. The facility employs 29 people.

Statistics

Year	Number of Race Days	Total Attendance	Daily Average Attendance	Total Handle	Daily Average Handle
2006	272	36,100	133	\$ 6,592,864	\$ 24,238
Total	272	36,100	133	\$ 6,592,864	\$ 24,238

ABOUT THE BREEDER'S FUNDS

Funded by a 1% takeout of all wagering conducted at the race track and satellite wagering facilities in Virginia, funds have been established for both Thoroughbred and Standardbred horses, their breeders and owners.

For 2006, a record \$1,285,476 was generated for the Thoroughbred breeders' fund bringing the 10-year total to \$10,366,476.

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

Harness racing, both live and simulcasting, accounts for more than 20% of total wagering in Virginia. As a result, \$2,988,039 has been generated for the Standardbred breeders' fund in the past nine years.

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

Breeders' Funds

Year	Thoroughbred	Standardbred
1996	\$ 263,517	\$ 105,288
1997	755,900	195,041
1998	917,484	289,688
1999	915,431	297,811
2000	942,714	274,834
2001	967,123	271,671
2002	970,555	270,091
2003	1,035,181	268,647
2004	1,136,789	317,156
2005	1,176,374	341,208
2006	1,285,476	356,604
Total	\$10,366,544	\$2,988,039

**Virginia Racing Commission
Statistical Sheet Colonial Downs Live Meet
Thoroughbred 2006 (41days)**

DATE	Day	LIVE HANDLE	SIMULCAST HANDLE	Out of State HANDLE	Single Race	Colonial Downs OTB	TOTAL HANDLE	TRACK ATTEND	On TRACK PER CAP
16-Jun-06	Friday	133,258	40,405	1,184,130		48,002	1,405,795	1,993	87.14
17-Jun-06	Saturday	176,433	63,360	1,057,776		36,741	1,334,310	3,145	76.25
18-Jun-06	Sunday	131,000	44,505	577,180		27,597	780,282	2,587	67.84
19-Jun-06	Monday	66,775	7,589	1,150,176		23,946	1,248,486	597	124.56
20-Jun-06	Tuesday	52,860	9,345	864,804		29,922	856,931	817	76.14
23-Jun-06	Friday	84,055	40,498	808,194		37,916	971,663	1,171	106.36
24-Jun-06	Saturday	341,748	69,367	3,080,383		110,705	3,602,203	3,351	122.68
25-Jun-06	Sunday	110,251	37,844	804,551		36,477	989,123	1,744	84.92
26-Jun-06	Monday	40,007	21,920	650,860		15,090	727,877	550	112.59
27-Jun-06	Tuesday	45,966	10,844	780,312		16,447	853,569	557	101.99
30-Jun-06	Friday	100,199	29,812	828,599		42,414	1,001,024	1,485	87.55
1-Jul-06	Saturday	121,665	54,555	1,246,075		53,973	1,476,268	1,680	104.99
2-Jul-06	Sunday	133,248	41,139	793,190		30,980	976,014	1,658	91.58
3-Jul-06	Monday	130,551	35,373	821,100		37,160	1,026,881	3,866	43.62
4-Jul-06	Tuesday	130,551	34,233	760,175		32,567	957,526	3,966	41.55
7-Jul-06	Friday	112,178	42,825	1,010,370		48,026	1,213,399	1,443	107.42
8-Jul-06	Saturday	146,338	102,625	1,183,501		43,618	1,476,082	1,972	126.25
9-Jul-06	Sunday	100,118	42,252	698,986		26,527	867,883	1,630	87.34
10-Jul-06	Monday	55,812	14,123	1,270,863		17,930	1,358,728	656	106.61
11-Jul-06	Tuesday	87,134	15,550	1,349,980		27,824	1,480,488	1,197	85.78
14-Jul-06	Friday	88,931	41,227	720,137		34,025	884,320	1,296	100.43
15-Jul-06	Saturday	484,629	124,852	2,065,317		124,667	2,799,465	6,815	92.14
16-Jul-06	Sunday	97,014	40,273	533,477		21,221	691,985	1,623	84.59
17-Jul-06	Monday	47,719	11,336	1,319,387		25,047	1,403,489	566	104.34
18-Jul-06	Tuesday	57,967	16,285	934,449		24,503	1,033,204	798	93.05
21-Jul-06	Friday	86,000	27,448	876,815		34,833	1,025,096	1,235	91.86
22-Jul-06	Saturday	111,095	38,645	1,449,489		61,114	1,660,343	1,628	91.98
23-Jul-06	Sunday	90,617	33,608	1,212,703		35,877	1,372,805	1,468	84.62
24-Jul-06	Monday	64,489	16,957	1,421,235		27,594	1,530,275	639	127.46
25-Jul-06	Tuesday	69,117	21,513	1,126,190		29,380	1,246,180	790	114.72
28-Jul-06	Friday	100,213	28,355	905,684		38,327	1,072,579	1,508	85.28
29-Jul-06	Saturday	145,280	47,031	1,022,516		49,945	1,264,772	3,752	51.26
30-Jul-06	Sunday	95,724	38,408	784,866		32,580	951,578	1,763	76.08
31-Jul-06	Monday	50,377	17,540	1,226,419		21,681	1,316,017	553	122.62
1-Aug-06	Tuesday		1,490				1,490	10	149.00
4-Aug-06	Friday	68,970	37,820	778,883		31,061	916,734	994	107.43
5-Aug-06	Saturday	184,638	51,518	1,130,071		48,651	1,414,878	5,155	45.81
6-Aug-06	Sunday	94,583	45,005	837,607		35,930	1,013,125	1,492	93.56
7-Aug-06	Monday	67,077	19,254	1,203,624		33,956	1,323,911	942	91.65
8-Aug-06	Tuesday	77,795	21,693	1,144,511		27,735	1,271,734	1,132	87.89
11-Aug-06	Friday	122,896	36,807	853,448		45,814	1,058,965	1,628	98.10
12-Aug-06	Saturday	165,539	46,618	1,358,971		58,810	1,629,938	2,323	91.33
TOTAL HANDLE		4,630,971	1,521,847	43,828,864	0.0%	1,586,593	51,587,415	73,975	
PERCENT OF TOTAL AVERAGE HANDLE		9.0%	3.0%	86.0%	0.0%	3.4%	100.0%	1.804	83.44
Average 2005		124,122	48,624	912,693	-	32,315	1,117,755	2,028	85.17
Average 2004		138,236	59,341	835,362	-	31,928	1,064,867	2,455	91.68
Average 2003		140,305	48,969	982,945	-	30,799	1,203,009	2,193	86.38
Average 2002		140,067	51,391	968,139	-	34,229	1,193,826	2,202	86.95
Average 2001		117,818	49,011	901,825	2.998	32,536	1,103,188	1,940	85.48
Average 2000		90,599	46,380	709,682	25,968	25,766	872,617	1,247	109.81
Average 1999		107,881	34,997	776,694	25,968	30,714	975,854	1,628	87.50
Average 1998		141,154	28,641	649,292	32,652	29,734	881,473	2,263	75.03
Average 1997		183,594	54,254	647,075	29,384	25,093	939,400	3,620	65.71

Virginia Racing Commission
Statistical Sheet Colonial Downs Live Meet
Harness 2006(36days)

DATE	Day	LIVE HANDLE	SIMULCAST HANDLE	Out of State HANDLE	Single Race	Colonial Downs OTB	TOTAL HANDLE	TRACK ATTEND	On TRACK PER CAP
4-Sep-06	Monday	41,423	19,468	54,793		14,217	129,901	591	103.03
6-Sep-06	Wednesday	10,483	5,095	82,857		14,531	112,966	97	160.60
7-Sep-06	Thursday	9,874	3,449	136,908		17,836	168,067	142	93.82
8-Sep-06	Friday	16,659	9,794	107,794		15,518	149,775	181	146.20
12-Sep-06	Tuesday	14,456	4,595	186,316		13,102	218,469	115	165.66
13-Sep-06	Wednesday	9,570	6,332	113,237		17,540	146,679	161	98.77
14-Sep-06	Thursday	12,202	5,975	100,883		14,366	133,426	143	127.11
16-Sep-06	Saturday	14,303	4,292	27,431		14,778	60,804	1,622	11.46
19-Sep-06	Tuesday	13,872	4,808	241,486		16,093	281,259	159	148.93
20-Sep-06	Wednesday	17,360	8,710	144,973		17,994	187,037	134	179.63
21-Sep-06	Thursday	13,208	8,304	109,625		12,283	143,421	134	160.54
22-Sep-06	Friday	25,206	8,034	103,922		12,882	150,044	395	84.15
26-Sep-06	Tuesday	18,751	3,931	207,636		17,111	247,429	142	159.73
27-Sep-06	Wednesday	13,813	7,119	134,446		18,171	173,549	163	128.42
28-Sep-06	Thursday	15,977	6,098	155,942		15,450	193,377	154	142.76
29-Sep-06	Friday	32,481	10,839	127,197		19,317	189,834	627	69.09
3-Oct-06	Tuesday	17,856	6,600	238,796		15,685	278,937	161	151.90
4-Oct-06	Wednesday	14,601	3,170	144,416		21,768	183,955	112	158.67
5-Oct-06	Thursday	16,138	6,237	167,243		23,104	212,722	134	166.98
6-Oct-06	Friday	14,697	3,618	107,630		22,412	148,357	242	75.68
10-Oct-06	Tuesday	19,892	5,849	137,229		12,169	175,139	208	123.75
11-Oct-06	Wednesday	14,477	2,983	147,173		19,966	184,598	112	155.89
12-Oct-06	Thursday	17,478	5,032	158,465		25,471	206,446	187	120.37
13-Oct-06	Friday	50,148	12,041	114,834		21,803	198,826	982	63.33
17-Oct-06	Tuesday	10,678	2,719	163,073		14,360	190,830	146	91.76
18-Oct-06	Wednesday	16,128	5,706	116,485		19,382	157,701	137	159.37
19-Oct-06	Thursday	15,282	5,878	147,909		18,121	187,190	177	119.55
20-Oct-06	Friday	31,957	12,588	108,304		25,044	177,893	424	105.06
24-Oct-06	Tuesday	20,552	7,746	114,419		11,706	154,423	298	94.96
25-Oct-06	Wednesday	15,263	4,956	107,684		22,116	150,019	134	150.89
26-Oct-06	Thursday	16,067	9,485	128,515		17,454	171,521	199	128.40
27-Oct-06	Friday	27,625	15,650	157,660		28,949	229,884	340	127.28
31-Oct-06	Tuesday	17,273	6,292	146,468		14,464	184,497	137	172.01
1-Nov-06	Wednesday	16,351	10,911	120,372		21,842	169,476	196	139.09
2-Nov-06	Thursday	16,067	9,485	128,515		17,454	171,521	199	128.40
4-Nov-06	Saturday	84,765	134,519	96,865		26,531	342,680	1,729	126.83
TOTAL HANDLE		737,944	386,218	4,787,581	0.0%	650,990	6,562,653	11,214	
PERCENT OF TOTAL AVERAGE HANDLE		11.2%	5.9%	73.0%	0.0%	9.9%	100.0%	342	160.25
Average 2005		36,959	16,166	106,183	-	13,393	172,701	620	85.68
Average 2004		40,361	19,433	106,559	-	14,682	181,728	645	92.65
Average 2003		34,585	24,306	76,407	-	15,420	148,145	580	101.50
Average 2002		30,860	25,076	87,200	-	11,734	154,869	478	117.01
Average 2001		30,912	20,416	99,760	-	12,845	163,934	486	105.54
Average 2000		19,270	19,180	97,269	-	11,855	147,575	258	148.76
Average 1999		41,319	15,344	123,587	-	12,926	193,176	909	62.31
Average 1998		56,611	20,892	89,668	5,705	-	172,875	1,379	56.21

Note: 1998 data for SWF'S was not maintained

TAX REVENUE

Revenue to the Commonwealth

Year	Total Revenue	Surplus to General Fund
1996	\$ 631,482	\$
1997	1,595,802	
1998	2,065,005	
1999	2,090,137	4,101
2000	2,103,097	534,813
2001	2,150,599	513,222
2002	2,164,933	585,610
2003	2,280,446	940,127
2004	2,556,126	1,168,349
2005	2,680,582	1,093,966
2006	2,894,004	1,202,523
Total	\$23,212,213	\$6,042,711

Revenue to Localities

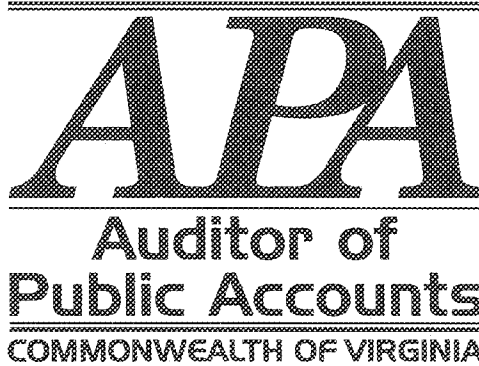
Year	New Kent	Chesapeake	Henrico	Richmond	Hampton	Brunswick	Vinton	Martinsville	Scott
1996	\$ 157,871	\$ 144,304	\$ 6,783	\$ 6,783	\$	\$	\$	\$	\$
1997	408,498	159,665	113,726	113,726	1,430	855			
1998	520,316	128,530	107,693	107,693	101,062	43,538			
1999	524,049	132,641	108,839	108,839	101,396	46,906			
2000	532,156	129,419	104,967	104,967	108,412	49,836			
2001	539,392	131,455	107,885	107,885	115,242	51,140			
2002	544,937	136,127	107,043	107,043	110,778	50,791			
2003	574,992	145,928	103,758	112,388	113,880	59,092			
2004	645,979	146,406	89,652	167,027	125,476	59,268	9,817		
2005	676,257	146,065	84,164	165,595	119,218	52,244	44,660	14,615	
2006	727,828	171,176	70,299	175,246	114,814	41,761	44,349	43,288	26,478
Total	\$5,852,275	\$1,571,716	\$1,004,809	\$1,277,192	\$1,011,708	\$455,431	\$ 98,826	\$ 57,903	\$ 26,478

Total Revenue

Commonwealth	\$23,212,213
Localities	11,356,337
Total	\$34,568,550

VIRGINIA RACING COMMISSION

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2006**



AUDIT SUMMARY

Our audit of the Virginia Racing Commission for the year ended June 30, 2006, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- matters involving internal control and the Commission's operations that we have communicated to management in the Audit Findings and Recommendations section of this report; and
- one instance of noncompliance with applicable laws and regulations.

We recommend that the Commission:

- update and document its information security program; and
- improve the documentation of its revenue reconciliations.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

September 30, 2006

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

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the Virginia Racing Commission for the year ended June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives

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

Audit Scope and Methodology

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

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

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

We performed audit tests to determine whether the Commission's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel and observation of the Commission's operations. We inspected documents including reconciliations, deposit slips and certificates, wagering reports provided by Colonial Downs, revenue summary reports, contracts, and off-track satellite facility review sheets. We reviewed the Commission's policies and procedures and Board minutes and appropriate sections of the Code of Virginia and the 2006 Virginia Acts of Assembly. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

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

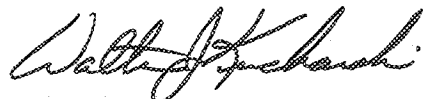
We noted certain matters involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

The Agency has taken adequate corrective action with respect to audit findings reported in the prior year.

EXIT CONFERENCE

We discussed this report with management on October 20, 2006. Management's response is included at the end of this report.

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



AUDITOR OF PUBLIC ACCOUNTS

SAH:sks
sks:33

VIRGINIA RACING COMMISSION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN CASH BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2006

	Total Budget	Actual		Total	Total Variance Positive/ (Negative)
		Breeder's Fund	Operating Fund		
Revenues:					
Taxes and pari-mutuel wagering	\$ 4,715,000	\$ 1,580,745	\$ 2,890,802	\$ 4,471,547	\$ (243,453)
License and permit fees	135,000	-	155,660	155,660	20,660
Fines and assessments	-	-	25,925	25,925	25,925
Interest	30,000	24,813	3,173	27,986	(2,014)
Total revenues	4,880,000	1,605,558	3,075,560	4,681,118	(198,882)
Expenditures:					
Personal services	745,576	-	893,555	893,555	(147,979)
Contractual services	1,268,930	-	444,049	444,049	824,881
Supplies and materials	20,000	-	21,003	21,003	(1,003)
Incentive payments	2,317,957	1,653,342	284,000	1,937,342	380,615
Continuous charges	40,650	-	74,325	74,325	(33,675)
Equipment	20,350	-	19,162	19,162	1,188
Total expenditures	4,413,463	1,653,342	1,736,094	3,389,436	1,024,027
Transfers out:					
General fund	1,171,870	-	1,176,598	1,176,598	(4,728)
Literary fund	-	-	25,925	25,925	(25,925)
Total transfers	1,171,870	-	1,202,523	1,202,523	(30,653)
Revenues over/(under) expenditures and transfers out	(705,333)	(47,784)	136,943	89,159	794,492
Cash balance at June 30, 2005	760,511	734,763	183,957	918,720	(158,209)
Cash balance at June 30, 2006	\$ 55,178	\$ 686,979	\$ 320,900	\$ 1,007,879	\$ 952,701

Source: Commonwealth Accounting and Reporting System

AUDIT FINDINGS AND RECOMMENDATIONS

Update and Document Information Security Program

The Virginia Racing Commission (Commission) does not have a documented information security program that meets Virginia's Information Technology security standard, ITRM Standard SEC 2001-01.1. Some of the Commission's operations met the security standard and best practices for information security programs; however, we found some issues of noncompliance and provide suggestions for improvement. Without a documented information security program, the Commission cannot identify or adequately maintain critical IT components (including data) that the Commission relies upon to carry out its business objectives.

As the data owner of information stored on Virginia Information Technologies Agency (VITA) servers, the Commission needs to establish adequate information security policies and procedures for their data and applications and ensure that VITA can provide adequate security policies and procedures for their information technology infrastructure that minimize the risk of unauthorized disclosure or alteration of its critical and/or sensitive data. Based on the Commission's business objectives, and sensitivity and criticality of data in their ownership, the Commission needs to establish their own policies and procedures that include the following components at a minimum.

- Risk Assessment and Business Impact Analysis
- Business Continuity Plan (sometimes called a Continuity of Operations Plan)
- Disaster Recovery Plan
- Incident Response Procedure
- Authorization and Authentication Controls

The Commission does not have any information technology staff and currently relies on VITA to maintain their internal operating system. Under an agreement between VITA and the Commission, VITA has responsibility for maintaining and enhancing the Commission's internal system.

The Department of Information Technology several years ago provided the Commission with most of its current documentation surrounding its information security program. The Commission's agreement with VITA does not indicate that these services will be provided. As the Commission does not currently have the expertise to maintain its own information security program, the Commission should work with VITA to update its agreement to include VITA assisting the Commission with updating its information security policies and procedures to ensure they meet the current security standards and best practices.

Improve Documentation of Revenue Reconciliations

The Commission should improve documentation of its reconciliations of revenue between its internal operating system and the Commonwealth Accounting and Reporting System (CARS). The Commission has recently documented its reconciliation policies and procedures to ensure accuracy of the financial data input to CARS. Although these procedures are adequate, the Commission should ensure they document the resolution of reconciling items and include evidence of supervisory review, to indicate that they have followed the procedures.

AGENCY HIGHLIGHTS

The Virginia Racing Commission controls and prescribes regulations and conditions for all horse racing with pari-mutuel wagering privileges in the Commonwealth. It licenses horse racetracks and satellite facilities and ensures that all their employees have valid Commission permits. The Commission also issues permits to anyone associated with horse racing including horse owners, trainers, jockeys, grooms, veterinarians, and blacksmiths. Pari-mutuel horse racing began in the Commonwealth in September 1997 at Colonial Downs, a privately held racetrack in New Kent County. The Code of Virginia permits up to ten satellite wagering facilities. Currently, there are nine satellite facilities operated by Colonial Downs, which are located in Brunswick, Chesapeake (two), Hampton, Martinsville, Richmond (two), Scott, and Vinton. The Commission monitors each of these facilities as a part of their regulatory oversight.

The Code of Virginia directs the distribution of the funds in the horse racing wagering pools. The percentage distribution varies based on factors such as the type of wagering, whether the race took place within or outside of the Commonwealth, and whether the wagering occurred at the racetrack or at a satellite facility. The Commonwealth retains as a license tax a portion of the wagering pools ranging from 0.75 to 2.25 percent as directed by the Code of Virginia. All revenues received by the Commission go to a special fund known as the State Racing Operations Fund. The Appropriation Act requires the Commission to transfer any funds in excess of the Commission's operating expenses to the General Fund of the Commonwealth. At June 30, 2006, the Commission had a cash balance of \$320,900 in its operating fund related to unspent marketing funds that it was allowed to carry forward to fiscal year 2007.

In 2003, the General Assembly enacted a new statute requiring the Commission to license and regulate advance deposit account wagering companies that have been operating in Virginia. These companies allow individuals to establish an account to be used to place pari-mutuel wagers over the telephone or through the internet. As of June 30, 2006, there had been four licenses granted. The Commission receives 0.50 percent of the amount of advance deposit account wagering and collected approximately \$119,000 in revenue during fiscal year 2006.

The Code of Virginia also created the Virginia Breeders Fund to support an incentive program to foster the industry of breeding racehorses in Virginia. It receives a one percent distribution of the horse racing wagering conducted in the Commonwealth. The Commission contracted with the Virginia Thoroughbred Association and the Virginia Harness Horse Association to manage the fund. The incentive program provides purses for races restricted to Virginia bred or sired horses and awards to the owners and breeders of Virginia bred horses that win or earn purse money in races designated by the Commission. The Breeder's Fund cash balance does not revert to the General Fund at year end.

Below are the results of the fiscal year 2006 financial operations of the Virginia Racing Commission. The Commission increased its budgeted revenue and expenses over the prior years in anticipation of additional race days and the opening of two new satellite wagering facilities during the fiscal year. However, the new wagering facilities did not meet the revenue forecasts of Colonial Downs. These changes resulted in the variances between budgeted and actual taxes and pari-mutuel wagering revenues and incentive payments. The Commission's personal services expenditures exceeded the budgeted amount partly due to the change in the end of fiscal year pay date from July 3 to June 30. A portion of this variance is also due to the Commission budgeting stewards and veterinarians payroll expenses as contractual services. In addition, the Commission did not use its appropriation for marketing expenses, which were included in the contractual services budget. The Appropriation Act allowed the Commission to carry forward \$320,900 of its marketing budget to fiscal year 2007. The Commission began expending these earmarked funds in early fiscal year 2007.



COMMONWEALTH of VIRGINIA

Virginia Racing Commission

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

October 31, 2006

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

Dear Mr. Kucharski:

On behalf of the Virginia Racing Commission and in my capacity as Executive Secretary, I have reviewed the findings and recommendations provided by your office in this report for the period July 1, 2005-June 30, 2006, and offer the following comments:

1. The Racing Commission does not have the expertise or the resources to comply with the myriad of issues involving the Commission's technology systems. We will work with and rely on VITA personnel to bring the Commission up to the required standards. It also should be noted that beginning November 7, 2006, the operating system is being upgraded and any additional appropriate security measures can be addressed by VITA at that time.
2. We agree with the audit report statement that documentation for reconciliation policies and procedures to ensure accuracy of the financial data input to CARS is adequate. While the present method of checks and balances provides the appropriate controls to ensure the accuracy of the deposits made into CARS, the Commission will review its documentation and supervisory sign off.

Sincerely,


Stanley K. Bowker
Executive Secretary

Credits

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



Virginia Racing Commission

10700 Horsemen's Road
New Kent, Virginia 23124

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