

AUDIT SUMMARY

Our audit of the Virginia Racing Commission for the year ended June 30, 1999, found:

- proper recording and reporting of transactions, in all material aspects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.

September 3, 1999

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
and Review Commission
Richmond, Virginia

We have audited the accounts and records of **Virginia Racing Commission** for the year ended June 30, 1999, and submit herewith our complete reports on financial statements and compliance and on internal control over financial reporting.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying Statement of Revenues Collected, Expenditures Paid, and Changes in Cash Balances - Budget and Actual - Special Revenue Funds of the Virginia Racing Commission for the year ended June 30, 1999. The financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

As discussed in Note 1, the financial statement is presented on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, and includes only the special revenue funds.

In our opinion, the financial statement referred to above present fairly, in all material respects, the revenues collected, expenditures paid, and changes in cash balances of the Virginia Racing Commission for the year ended June 30, 1999, on the basis of accounting described above.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING

In planning and performing our audit of the financial statement of the Virginia Racing Commission for the year ended June 30, 1999, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, and contracts in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected promptly by employees in the normal course of performing their duties. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting is intended solely for the information and use of the Governor and General Assembly of Virginia, the Virginia Racing Commission, and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on September 3, 1999.

AUDITOR OF PUBLIC ACCOUNTS

JHS:whb
whb:26

FINANCIAL STATEMENT

VIRGINIA RACING COMMISSION
STATEMENT OF REVENUES COLLECTED, EXPENDITURES
PAID AND CHANGES IN CASH BALANCES - BUDGET AND
ACTUAL - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes on pari-mutual wagering	\$ 3,347,888	\$ 3,306,919	\$ (40,969)
Application fees	-	145,511	145,511
Interest	-	73,110	73,110
Total revenues	3,347,888	3,525,540	177,652
Expenditures:			
Personal services	495,541	644,556	(149,015)
Contractual services	961,227	992,393	(31,166)
Supplies and materials	6,500	9,566	(3,066)
Transfer payments	1,864,053	780,478	1,083,575
Continous charges	28,500	23,367	5,133
Equipment	45,000	9,256	35,744
Total expenditures	3,400,821	2,459,616	941,205
Transfers Out:			
Loan repayments	-	1,065,331	(1,065,331)
Other transfers	-	3,599	(3,599)
Total transfers	-	1,068,930	(1,068,930)
Excess / (deficiency) of revenues over / (under) expenditures and transfers	(52,933)	(3,006)	49,927
Cash balance, June 30, 1998	1,250,844	1,250,844	-
Cash balance, June 30, 1999	\$ 1,197,911	\$ 1,247,838	\$ 49,927

The accompanying notes to the financial statement are an integral part of this statement.

VIRGINIA RACING COMMISSION

NOTES TO THE FINANCIAL STATEMENT

AS OF JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia Racing Commission controls all horse racing with pari-mutuel wagering in the Commonwealth, and prescribes regulations and conditions for racing and wagering. The mission of the Commission is to maintain horse racing in the Commonwealth of the highest quality with complete honesty and integrity.

A separate report is prepared for the Commonwealth of Virginia which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Commission is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

B. Fund Accounting

The accounts of the Commission are organized in accordance with the Commonwealth Accounting and Reporting System, which has been established to account for specified financial activities of the Commonwealth. Resources are allocated to and accounted for in individual funds based upon the financing sources. Each fund is an independent fiscal and accounting entity with a self-balancing set of accounts. For the financial statement, similar individual funds are combined into the following governmental fund type.

Special Revenue Funds - account for the proceeds of revenue sources that are legally restricted to expenditures for specific purposes. Special revenue funds are comprised of the following:

- State Racing Operations Fund - accounts for revenues and expenditures relating to the operation and administration of the Commission.
- Virginia Breeder Fund - accounts for the revenues and expenditures relating to the establishment of an award and incentive program to foster the industry of breeding race horses in Virginia.

C. Basis of Accounting

The accompanying financial statement is presented on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Commonwealth uses the cash basis of accounting to prepare its budget and to record revenues and expenditures on the Commonwealth Accounting and Reporting System. Under the cash

basis, revenues are recognized when they are collected rather than when earned. Expenditures are recognized under the cash basis when paid rather than when incurred.

D. Budgets and Budgetary Accounting

The Commission's budget is established by the Appropriation Act as enacted by the General Assembly of Virginia for the biennium ending June 30, 2000. No payments can be made out of the state treasury except in pursuance of appropriations made by law.

Budgeted amounts reported in the financial statement are amounts originally appropriated to the Commission as adjusted by subsequent appropriations authorized by the General Assembly.

E. Cash

All state funds of the Commission are held by the Treasurer of Virginia pursuant to Section 2.1-177 et.seq. of the Code of Virginia. The Treasurer is responsible for the collection, disbursement, custody, and investment of state funds.

F. Pension Plan and Other Post-Retirement Benefits

The Commission contributes to a defined benefit plan administered by the Virginia Retirement System (VRS). VRS also administers life insurance and health related plans for retired employees. Information related to these plans is available on a statewide basis in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

2. LOANS PAYABLE

During the year ended June 30, 1999, the Commission completed repayment of its loans from the Commonwealth that provided start-up cash.

3. VIRGINIA BREEDERS FUND

At June 30, 1999, the Virginia Breeders fund had a balance of \$1,245,742 to be used primarily for purse supplements for Virginia-bred horses.

4. SURETY BOND

The employees of the Commission were covered by a Faithful Performance Duty Bond administered by the Commonwealth of Virginia's Department of General Services, Division of Risk Management with liability limits of \$500,000 for each occurrence. Information relating to the Commonwealth's self-insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

VIRGINIA RACING COMMISSION
Richmond, Virginia

COMMISSION MEMBERS

Robin Traywick Williams, Chairman

John W. Bates, III	John deK. Bown, III
Robert G. Beck	Ernest M. Oare

Stan Bowker, Executive Secretary