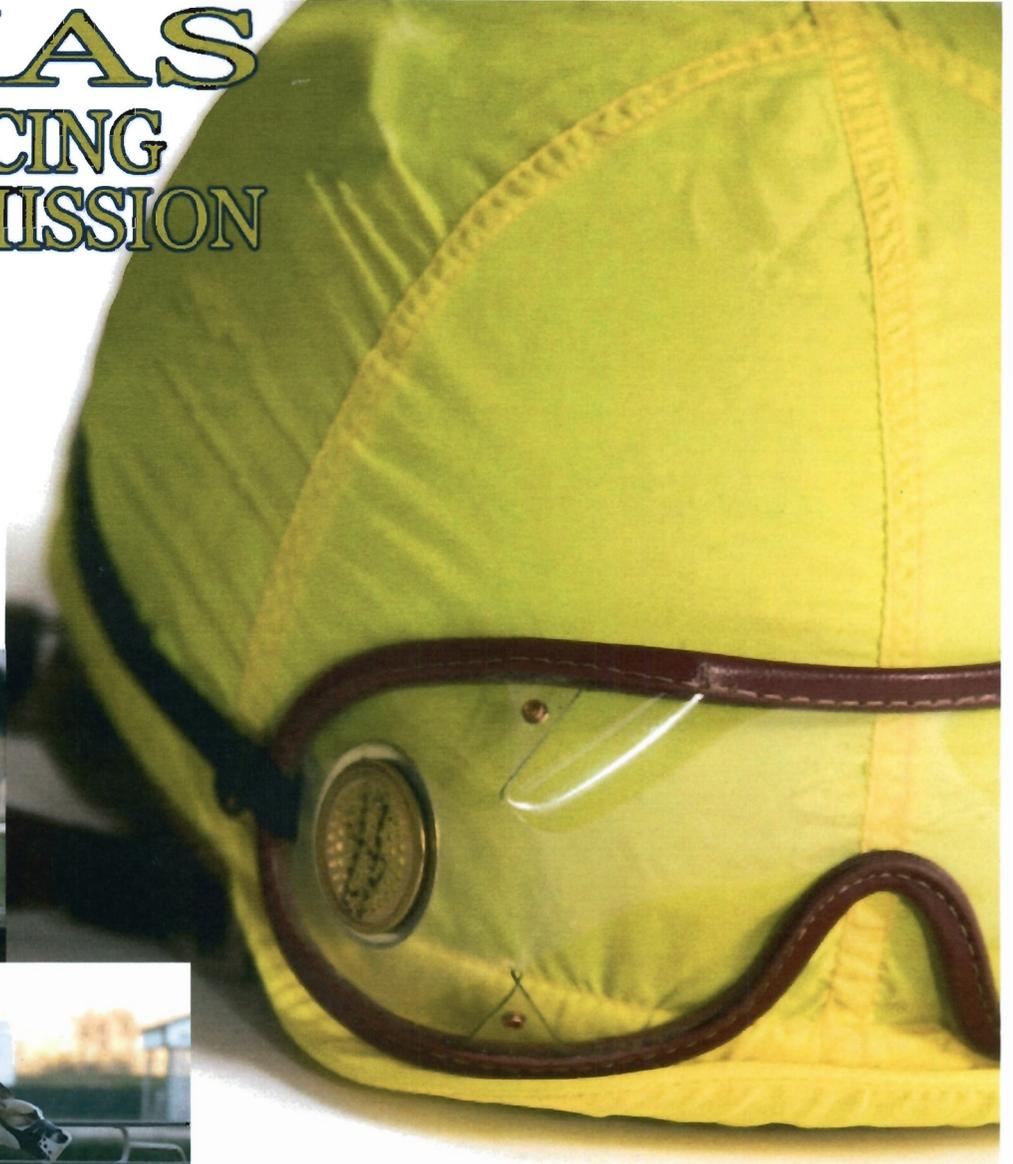


TEXAS RACING COMMISSION



Annual Financial Report

PERIOD ENDING AUGUST 31, 2010

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TEXAS RACING COMMISSION
P.O. BOX 12080
AUSTIN, TEXAS 78711-2080
(512) 833-6699
FAX (512) 833-6907

November 20, 2010

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
John O'Brien, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Dear Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas Racing Commission for the year ended August 31, 2010, in compliance with TEX. GOV'T CODE ANN Section 2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Shelley Harris-Curtsinger at 512-490-4029.

Sincerely,

A handwritten signature in black ink that reads "Charla Ann King".

Charla Ann King
Executive Director

UNAUDITED

<u>LONG-TERM LIABILITIES ADJUSTMENTS</u>	<u>OTHER ADJUSTMENTS</u>	<u>STATEMENT OF NET ASSETS</u>
\$	\$	\$
		3,000.00
		3,969,332.68
		415.15
		12,986.39
<u>0.00</u>	<u>0.00</u>	<u>3,985,734.22</u>
\$	\$	\$
		107,378.37
		(83,761.48)
		260,845.32
		(258,927.38)
<u>0.00</u>	<u>0.00</u>	<u>25,534.83</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 4,011,269.05</u>
\$	\$	\$
		421,820.80
		310,426.21
322,519.61		322,519.61
<u>322,519.61</u>	<u>0.00</u>	<u>1,054,766.62</u>
243,351.28		243,351.28
<u>243,351.28</u>	<u>0.00</u>	<u>243,351.28</u>
<u>565,870.89</u>	<u>0.00</u>	<u>1,298,117.90</u>

UNAUDITED

<u>LONG-TERM LIABILITIES ADJUSTMENTS</u>	<u>OTHER ADJUSTMENTS</u>	<u>STATEMENT OF NET ASSETS</u>
\$	\$	\$
		155,769.25
		12,986.39
		3,000.00
<u>0.00</u>	<u>0.00</u>	<u>3,081,731.57</u>
<u>0.00</u>	<u>0.00</u>	<u>3,253,487.21</u>
\$ <u><u>565,870.89</u></u>	\$ <u><u>0.00</u></u>	\$ <u><u>4,551,605.11</u></u>
		25,534.83
		0.00
		0.00
<u>(565,870.89)</u>	<u> </u>	<u>(565,870.89)</u>
\$ <u><u>(565,870.89)</u></u>	\$ <u><u>0.00</u></u>	\$ <u><u>2,713,151.15</u></u>
		\$ <u><u>4,011,269.05</u></u>

UNAUDITED

TEXAS RACING COMMISSION (476)

EXHIBIT II

COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES/
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS

For the Year Ended August 31, 2010

	General Funds (Exh A-2)	Capital Asset Adjustments
REVENUES:	\$	\$
Legislative Appropriations	1,500,000.00	
Additional Appropriations	420,752.60	
Licenses and Permits	3,867,055.98	
Sales of Goods and Services	5,628,899.43	
Other Revenue	47,334.39	
Total Revenues	11,464,042.40	0.00
EXPENDITURES:		
Salaries and Wages	3,143,676.42	
Payroll Related Costs	882,980.40	
Professional Fees & Services	88,597.17	
Travel	146,962.32	
Materials and Supplies	85,771.12	
Communication and Utilities	109,832.28	
Repairs and Maintenance	36,904.20	
Rentals and Leases	117,467.53	
Printing and Reproduction	4,170.47	
Other Operating Expenditures	4,075,234.07	
Capital Outlay		
Depreciation Expense		17,800.38
Total Expenditures	8,691,595.98	17,800.38
EXCESS OF REVENUES OVER EXPENDITURES	2,772,446.42	(17,800.38)
OTHER FINANCING SOURCES (USES):		
Operating Transfers Out (Agy 902, Fund 0001)	(375,605.27)	0.00
Operating Transfers Out (Agy 556, Fund 0001)	(81,416.87)	
Total Other Financing Sources (Uses)	(457,022.14)	0.00
NET CHANGE IN FUND BALANCES/NET ASSETS	2,315,424.28	(17,800.38)
FUND BALANCES - Beginning	938,062.93	
Restatement		
FUND BALANCES - Beginning as Restated	938,062.93	0.00
Lapsed Appropriations	0.00	

UNAUDITED

<u>Long-term Liabilities Adjustments</u>	<u>Statement of Activities</u>
\$	\$
	1,500,000.00
	420,752.60
	3,867,055.98
	5,628,899.43
	47,334.39
<hr/>	<hr/>
0.00	11,464,042.40
(11,826.00)	3,131,850.42
	882,980.40
	88,597.17
	146,962.32
	85,771.12
	109,832.28
	36,904.20
	117,467.53
	4,170.47
	4,075,234.07
	0.00
	17,800.38
<hr/>	<hr/>
(11,826.00)	8,697,570.36
<hr/>	<hr/>
11,826.00	2,766,472.04
<hr/>	<hr/>
	(375,605.27)
	(81,416.87)
<hr/>	<hr/>
0.00	(457,022.14)
11,826.00	2,309,449.90
<hr/>	<hr/>
	938,062.93
	0.00
<hr/>	<hr/>
0.00	938,062.93
<hr/>	<hr/>
	0.00

UNAUDITED

TEXAS RACING COMMISSION (476)
 EXHIBIT II
 COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES/
 STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2010

	General Funds (Exh A-2)	Capital Asset Adjustments
FUND BALANCES - Ending	\$ 3,253,487.21	
Government-wide Statement - Net Assets		
Change in Net Assets		(17,800.38)
Net Assets Beginning		
Adjustments to Beginning Net Assets		43,335.21
Restatement		
Net Assets Beginning as Restated and Adjusted		43,335.21
Net Assets Ending		\$ 25,534.83

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

UNAUDITED

<u>Long-term Liabilities Adjustments</u>	<u>Statement of Activities</u>
	\$ 3,247,512.83
<u>11,826.00</u>	
	0.00
(577,696.89)	(534,361.68)
	0.00
<u>(577,696.89)</u>	<u>(534,361.68)</u>
\$ <u>(565,870.89)</u>	\$ <u>2,713,151.15</u>

UNAUDITED

TEXAS RACING COMMISSION (476)
 EXHIBIT VI
 COMBINED STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
 For the Year Ended August 31, 2010

	PRIVATE- PURPOSE TRUST (Exh I-1)	AGENCY FUNDS (Exh J-1)	TOTAL 2010
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current Assets			
Cash and Cash Equivalents			
Cash in State Treasury	\$ 134,992.52	\$ 564,992.86	\$ 699,985.38
Accounts Receivable	0.00	0.00	0.00
Total Current Assets	<u>134,992.52</u>	<u>564,992.86</u>	<u>699,985.38</u>
 TOTAL ASSETS	 <u>\$ 134,992.52</u>	 <u>\$ 564,992.86</u>	 <u>\$ 699,985.38</u>
 LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 134,992.52	\$	\$ 134,992.52
Funds Held for Others	<u> </u>	564,992.86	564,992.86
Total Current Liabilities	<u>134,992.52</u>	<u>564,992.86</u>	<u>699,985.38</u>
 TOTAL LIABILITIES	 <u>134,992.52</u>	 <u>564,992.86</u>	 <u>699,985.38</u>
 NET ASSETS			
Held in Trust for:	\$	\$	\$
Individuals, Organizations, and Other Governments	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
 TOTAL NET ASSETS	 <u>0.00</u>	 <u>0.00</u>	 <u>0.00</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 134,992.52</u>	 <u>\$ 564,992.86</u>	 <u>\$ 699,985.38</u>

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

UNAUDITED

TEXAS RACING COMMISSION (476)
 EXHIBIT VII
 COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
 For the Year Ended August 31, 2010

	<u>PRIVATE- PURPOSE TRUST (Exh I-2)</u>	<u>TOTAL 2010</u>
ADDITIONS		
Contributions		
Member Contributions	\$	\$
Total Contributions		
Investment Income		
From Investing Activities		
Net Appreciation (Depreciation) in Fair Value of Investments		
Interest and Investment Income	1,514.15	1,514.15
Total Investing Income	<u>1,514.15</u>	<u>1,514.15</u>
Total Net Investment Income	<u>1,514.15</u>	<u>1,514.15</u>
Other Additions		
Federal Revenue		
Contributions to Employee Benefit Funds		
Settlement of Claims		
Other Revenue	1,093,509.79	1,093,509.79
Transfers-In	<u>0.00</u>	<u>0.00</u>
Total Other Additions	<u>1,093,509.79</u>	<u>1,093,509.79</u>
Total Additions	<u>1,095,023.94</u>	<u>1,095,023.94</u>
DEDUCTIONS		
Employee Benefit Payments		
Transfers Out of Contributions		
Interest Expense		
Other Expense	1,095,023.94	1,095,023.94
Transfers Out	<u>0.00</u>	<u>0.00</u>
Total Deductions	<u>1,095,023.94</u>	<u>1,095,023.94</u>
NET INCREASE (DECREASE)	<u>0.00</u>	<u>0.00</u>
Net Assets - Beginning of Year	<u>0.00</u>	<u>0.00</u>
Net Assets - End of Year	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ENTITY

The Texas Racing Commission was established by the Legislature to administer and enforce the Texas Racing Act as adopted by the 69th Legislature, Second Called Session, 1986, Article 179e, V.T.C.S. The purposes of the Racing Act are to provide for strict regulation and control of horse racing and greyhound racing and the control of pari-mutuel wagering in connection with that racing.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying financial report to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Blended Component Units

No component units have been identified which should have been blended into an appropriate fund.

B. FUND STRUCTURE

The accompanying financial statements are presented on the basis of funds and account groups, each of which is considered a separate accounting entity.

GOVERNMENTAL FUND TYPES & GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Fund

The general fund is used to account for all financial resources of the state except those required to be accounted for in another fund.

Capital Asset Adjustment Fund Type

Capital Asset Adjustment Fund Type will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

Long-Term Liabilities Adjustment Fund Type will be used to convert governmental fund types' debt from modified accrual to full accrual.

FIDUCIARY FUND TYPES

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

Private Purpose Trust Funds

The Racing Commission Escrow Purse Trust Accounts (Fund 0876) is the escrow account for the purse set aside under Subsection (c)(4) of the Texas Racing Act, Article 6, Sec. 6.091.

C. BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified basis of accrual. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, and long-term claims and judgments. The activity will be recognized in these new fund types.

Proprietary funds, pension trust funds, external investment trust funds, and private-purpose trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets.

D. BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS

ASSETS

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual

TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements.

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. Inventories for governmental fund types use the purchase method of accounting. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types and the government-wide statements. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost, or if any purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

LIABILITIES

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Employees' Compensable Leave

Employees' Compensable Leave Balances represent the liability that became "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

FUND BALANCES/NET ASSETS

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and the "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

Reservations of Fund Balance

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditures.

Reserved for Encumbrances

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures

UNAUDITED

TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Reserved for Consumable Inventories

This represents the amount of supplies, postage and prepaids held to be used in the next fiscal year.

Unreserved/Undesignated

Other - represents the unappropriated balance at year-end.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets

Restricted Net Assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

F. INTERFUND TRANSACTIONS AND BALANCES

The agency has the following types of transactions among funds:

- 1) Transfers: Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.
- 2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
- 3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current", repayment for two (or more) years is classified as "Non-Current."
- 4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of the agency's Interfund receivables and payables at August 31, 2010, if any, is presented in Note 12.

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2010:

UNAUDITED

TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

	Balance 9/1/09	Adjustments	Completed CIP	Inc Int'agy Trans	Dec Int'agy Trans
Governmental Activities:					
Depreciable Assets					
Furniture and					
Equipment	\$ 368,223.69	\$ (260,845.32)	\$	\$	\$
Intangible Assets					
Computer Software	0.00	260,845.32	0.00	0.00	0.00
Total depreciable and intangible assets	368,223.69	0.00	0.00	0.00	0.00
Less Accum Deprec for:					
Furniture and Equip	(324,888.48)	257,573.54			
Less Accum Amortiz for:					
Computer Software	0.00	(257,573.54)			
Total Accum Deprec/Amor	(324,888.48)	0.00	0.00	0.00	0.00
TOTAL	\$ 43,335.21	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

continued	Addition	Deletions	Balance 8/31/10
Governmental Activities:			
Depreciable Assets			
Furniture and			
Equipment	\$ 0.00	\$ 0.00	\$ 107,378.37
Intangible Assets			
Computer Software	0.00	0.00	260,845.32
Total depreciable and intangible assets	0.00	0.00	368,223.69
Less Accum Deprec for:			
Furniture and Equip	(16,446.54)	0.00	(83,761.48)
Less Accum Amortiz for:			
Computer Software	(1,353.84)	0.00	(258,927.38)
Total Accum Deprec/Amor	(17,800.38)	0.00	(342,688.86)
TOTAL	\$ (17,800.38)	\$ 0.00	\$ 25,534.83

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

Texas Racing Commission is authorized by statute to make investments following the "prudent person rule." There were no significant violations of legal provisions during the period.

UNAUDITED

TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

Deposits of Cash in Bank

As of August 31, 2010, the carrying amount of deposits was \$3,000.00 as presented below.

Government Activities:

CASH IN BANK - CARRYING VALUE	\$	3,000.00
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent		<u>0.00</u>

Cash in Bank per AFR	\$	<u>3,000.00</u>
----------------------	----	-----------------

Governmental Funds Current Assets Cash in Bank	\$	<u>3,000.00</u>
--	----	-----------------

Cash in Bank per AFR	\$	<u>3,000.00</u>
----------------------	----	-----------------

As of August 31, 2010, the total bank balances was as follows:

Governmental Activities	\$	<u>2,986.00</u>
-------------------------	----	-----------------

None of the bank balances was exposed to custodial credit risk.

NOTE 4: SHORT TERM DEBT

Not applicable

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

Notes and Loans Payable:

The agency did not have any notes or loans payable as of August 31, 2010.

Changes In Long-Term Liabilities

During the year ended August 31, 2010, the following changes occurred in liabilities.

	Balance 9/01/09	Additions	Deductions	Balance 8/31/10	Amounts Due Within One Yr
Governmental Activities:					
Compensable Leave	\$ 577,696.89	\$ 507,622.02	\$ (519,448.02)	\$ 565,870.89	\$ 322,519.61
TOTAL	<u>\$ 577,696.89</u>	<u>\$ 507,622.02</u>	<u>\$ (519,448.02)</u>	<u>\$ 565,870.89</u>	<u>\$ 322,519.61</u>

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary funds are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

TEXAS RACING COMMISSION (476)
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: BONDED INDEBTEDNESS

Not applicable

NOTE 7: CAPITAL LEASES

Not applicable

NOTE 8: OPERATING LEASE OBLIGATIONS

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases:

<u>Fund Type</u>	
General Fund (0597)	\$ <u>104,308.80</u>

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Year Ended August 31:

2011	104,308.80
2012	104,308.80
2013	34,769.60
2014	0.00
2015	0.00
2016 & Beyond	<u>0.00</u>
Total Minimum Future Lease Payment Requirements	\$ <u>243,387.20</u>

NOTE 9: RETIREMENT PLANS

Not applicable

NOTE 10: DEFERRED COMPENSATION

Not applicable

NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not applicable

NOTE 12: INTERFUND BALANCES/ACTIVITIES

As explained in Note 1, Interfund Transactions and Balances are transactions between funds and agencies. At year-end, amounts to be received or paid are reported as Due From or Due To Other Funds. Individual interfund receivable and payable balances on August 31, 2010 were as follows:

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TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Purpose</u>
Operating Transfers In/Out			
General (01)			
Appd Fund 0597, D23 Fund 0597			
Agy 902, Fd 0001	375,605.27		
Agy 556, Fd 0001	<u>81,416.87</u>		Service Trfr
 Total Operating Transfers	 \$ <u>457,022.14</u>	 \$ <u>0.00</u>	

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 2011, unless continued in existence by the State Legislature as provided by the Act. If abolished, the Agency may continue until September 1, 2012 to close out its operations.

NOTE 14: ADJUSTMENTS TO FUND BALANCES/NET ASSETS

Not applicable

NOTE 15: CONTINGENT LIABILITIES

Not applicable

NOTE 16: SUBSEQUENT EVENTS

Not applicable

NOTE 17: RISK MANAGEMENT

The agency is exposed to a variety of civil claims resulting from performance of its duties. The agency is also exposed to property and casualty risks and workers' compensation risks. It is the agency's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The agency assumes substantially all risks associated with tort claims and liability claims due to the performance of its duties. Currently there is no purchase of commercial insurance, nor is the agency involved in any risk pools with other governmental agencies.

The agency's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors.

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS/MATERIAL CHANGES TO AFR

Not applicable

NOTE 19: THE FINANCIAL REPORTING ENTITY: RELATED ORGANIZATIONS

Not applicable

TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Not applicable

NOTE 21: N/A

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

Not applicable

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not applicable

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Not applicable

NOTE 25: TERMINATION BENEFITS

Not applicable

NOTE 26: SEGMENT INFORMATION

Not applicable

UNAUDITED

TEXAS RACING COMMISSION (476)
 EXHIBIT A-1
 COMBINING BALANCE SHEET -
 ALL GENERAL AND CONSOLIDATED FUNDS
 For the Year Ended August 31, 2010

	FUND 0001 U/F (0001)	TEXAS RACING FUND FUND 0597 U/F 0597	TOTALS (EXHIBIT I) 2010
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$	\$	\$
Cash in Bank		3,000.00	3,000.00
Cash In State Treasury		3,969,332.68	3,969,332.68
Legislative Appropriations	415.15		415.15
Consumable Inventories	<u>0.00</u>	<u>12,986.39</u>	<u>12,986.39</u>
Total Current Assets	\$ <u>415.15</u>	\$ <u>3,985,319.07</u>	\$ <u>3,985,734.22</u>
TOTAL ASSETS	\$ <u><u>415.15</u></u>	\$ <u><u>3,985,319.07</u></u>	\$ <u><u>3,985,734.22</u></u>
LIABILITIES			
Current Liabilities:			
Payables from :			
Accounts Payable	\$	\$ 421,820.80	\$ 421,820.80
Payroll Payable		310,426.21	310,426.21
Deferred Revenue			<u>0.00</u>
Total Current Liabilities	<u>0.00</u>	<u>732,247.01</u>	<u>732,247.01</u>
TOTAL LIABILITIES	\$ <u>0.00</u>	\$ <u>732,247.01</u>	\$ <u>732,247.01</u>
Fund Financial Statements - Fund			
FUND BALANCES (DEFICITS):			
Reserved For:			
Imprest Account	\$	\$ 3,000.00	\$ 3,000.00
Encumbrances		155,769.25	155,769.25
Consumable Inventories	0.00	12,986.39	12,986.39
Unreserved:			
Undesignated:			
Other Unreserved - Undesignated	<u>415.15</u>	<u>3,081,316.42</u>	<u>3,081,731.57</u>
TOTAL FUND BALANCES	<u>415.15</u>	<u>3,253,072.06</u>	<u>3,253,487.21</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u><u>415.15</u></u>	\$ <u><u>3,985,319.07</u></u>	\$ <u><u>3,985,734.22</u></u>

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

UNAUDITED

TEXAS RACING COMMISSION (476)
 EXHIBIT A-2
 COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN
 FUND BALANCES - GENERAL AND CONSOLIDATED FUNDS
 For the Year Ended August 31, 2010

	GENERAL REVENUE FUND 0001 U/F (0001)	TEXAS RACING FUND 0597 U/F (0597)	TOTALS EXHIBIT II 2010
REVENUES:			
Legislative Appropriations	\$ 1,500,000.00	\$	\$ 1,500,000.00
Additional Appropriations	420,752.60		420,752.60
Licenses, Fees and Permits		3,867,055.98	3,867,055.98
Sales of Goods and Services		5,628,899.43	5,628,899.43
Other Revenue		47,334.39	47,334.39
Total Revenues	1,920,752.60	9,543,289.80	11,464,042.40
EXPENDITURES:			
Salaries and Wages	1,573,001.38	1,570,675.04	3,143,676.42
Payroll Related Costs	420,520.20	462,460.20	882,980.40
Professional Fees & Services		88,597.17	88,597.17
Travel	189.60	146,772.72	146,962.32
Materials and Supplies		85,771.12	85,771.12
Communication and Utilities		109,832.28	109,832.28
Repairs and Maintenance		36,904.20	36,904.20
Rentals and Leases		117,467.53	117,467.53
Printing and Reproduction		4,170.47	4,170.47
Other Operating Expenditures		4,075,234.07	4,075,234.07
Capital Outlay		0.00	0.00
Total Expenditures	1,993,711.18	6,697,884.80	8,691,595.98
EXCESS OF REVENUES OVER EXPENDITURES	(72,958.58)	2,845,405.00	2,772,446.42
OTHER FINANCING SOURCES (USES):			
Operating Transfers Out (Agy 902, Fd 0001)		(375,605.27)	(375,605.27)
Operating Transfers Out (Agy 556, Fd 0001)		(81,416.87)	(81,416.87)
Total Other Financing Sources (Uses)	0.00	(457,022.14)	(457,022.14)
EXCESS OF REVENUE & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES	(72,958.58)	2,388,382.86	2,315,424.28
FUND BALANCES - Beginning	73,373.73	864,689.20	938,062.93
Lapsed Appropriations			0.00
Restatements			0.00
FUND BALANCES - Ending	\$ 415.15	\$ 3,253,072.06	\$ 3,253,487.21

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

UNAUDITED

TEXAS RACING COMMISSION (476)
 EXHIBIT I-1
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PRIVATE PURPOSE TRUST FUNDS
 For the Year Ended August 31, 2010

	PRIVATE- PURPOSE TRUST <u>0876 (U/F 0876)</u>	PRIVATE- PURPOSE TRUST <u>0876 (U/F 8876)</u>	<u>TOTAL 2010</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents			
Cash in State Treasury	\$ 60,399.52	\$ 74,593.00	\$ 134,992.52
Accounts Receivable	0.00	0.00	
Total Current Assets	<u>60,399.52</u>	<u>74,593.00</u>	<u>134,992.52</u>
TOTAL ASSETS	<u>\$ 60,399.52</u>	<u>\$ 74,593.00</u>	<u>\$ 134,992.52</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 134,992.52	\$	\$ 134,992.52
Funds Held for Others			0.00
Total Current Liabilities	<u>134,992.52</u>	<u>0.00</u>	<u>134,992.52</u>
TOTAL LIABILITIES	<u>134,992.52</u>	<u>0.00</u>	<u>134,992.52</u>
NET ASSETS			
Held in Trust for:	\$	\$	\$
Individuals, Organizations, and Other Governments	<u>(74,593.00)</u>	<u>74,593.00</u>	<u>0.00</u>
TOTAL NET ASSETS	<u>(74,593.00)</u>	<u>74,593.00</u>	<u>0.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 60,399.52</u>	<u>\$ 74,593.00</u>	<u>\$ 134,992.52</u>

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

UNAUDITED

TEXAS RACING COMMISSION (476)

EXHIBIT I-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PRIVATE PURPOSE TRUST FUNDS

For the Year Ended August 31, 2010

	PRIVATE- PURPOSE TRUST <u>0876 (U/F 0876)</u>	PRIVATE- PURPOSE TRUST <u>0876 (U/F 8876)</u>	TOTAL 2010 (Exh VII)
ADDITIONS			
Contributions			
Member Contributions	\$	\$	\$
Total Contributions			
Investment Income			
From Investing Activities			
Net Appreciation (Depreciation) in Fair Value of Investments		1,514.15	1,514.15
Interest and Investment Income		1,514.15	1,514.15
Total Investing Income	<u>0.00</u>	<u>1,514.15</u>	<u>1,514.15</u>
Total Net Investment Income	<u>0.00</u>	<u>1,514.15</u>	<u>1,514.15</u>
Other Additions			
Federal Revenue			
Contributions to Employee Benefit Funds			
Settlement of Claims			
Other Revenue	1,093,509.79		1,093,509.79
Transfers-In	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Other Additions	<u>1,093,509.79</u>	<u>0.00</u>	<u>1,093,509.79</u>
Total Additions	<u>1,093,509.79</u>	<u>1,514.15</u>	<u>1,095,023.94</u>
DEDUCTIONS			
Employee Benefit Payments			
Transfers Out of Contributions			
Interest Expense			
Other Expense	1,095,023.94		1,095,023.94
Transfers Out	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Deductions	<u>1,095,023.94</u>	<u>0.00</u>	<u>1,095,023.94</u>
NET INCREASE (DECREASE)	<u>(1,514.15)</u>	<u>1,514.15</u>	<u>0.00</u>
Net Assets - Beginning of Year	<u>(73,078.85)</u>	<u>73,078.85</u>	<u>0.00</u>
Net Assets - End of Year	<u>\$ (74,593.00)</u>	<u>\$ 74,593.00</u>	<u>\$ 0.00</u>

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

UNAUDITED

TEXAS RACING COMMISSION (476)
 EXHIBIT J-1
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS
 For the fiscal year ended August 31, 2010

	Balances September 1, 2009	Additions
	<u> </u>	<u> </u>
OTHER AGENCY FUNDS		
Child Support Deductions (0807) U/F (8070)		
Assets:		
Cash in State Treasury	\$ 0.00	\$ 445.00
Accounts Receivable	0.00	
Total Assets	<u>\$ 0.00</u>	<u>\$ 445.00</u>
Liabilities:		
Accounts Payable	\$ 0.00	\$ 0.00
Funds Held for Others	0.00	445.00
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 445.00</u>
Suspense Fund (0900) U/F (0900)		
Assets:		
Cash in State Treasury	\$ 230,000.00	\$ 564,547.86
Accounts Receivable	0.00	
Total Assets	<u>\$ 230,000.00</u>	<u>\$ 564,547.86</u>
Liabilities:		
Accounts Payable	\$ 0.00	\$ 0.00
Funds Held for Others	230,000.00	564,547.86
Total Liabilities	<u>\$ 230,000.00</u>	<u>\$ 564,547.86</u>
TOTALS - ALL AGENCY FUNDS		
Assets:		
Cash in State Treasury	\$ 230,000.00	\$ 564,992.86
Accounts Receivable	0.00	0.00
Total Assets	<u>\$ 230,000.00</u>	<u>\$ 564,992.86</u>
Liabilities:		
Accounts Payable	\$ 0.00	\$ 0.00
Funds Held for Others	230,000.00	564,992.86
Total Liabilities	<u>\$ 230,000.00</u>	<u>\$ 564,992.86</u>

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

<u>Deductions</u>	<u>Balances August 31, 2010</u>
\$ 0.00	\$ 445.00
<u>0.00</u>	<u>0.00</u>
<u><u>0.00</u></u>	<u><u>445.00</u></u>
\$ 0.00	\$ 0.00
<u>0.00</u>	<u>445.00</u>
<u><u>0.00</u></u>	<u><u>445.00</u></u>
\$ (230,000.00)	\$ 564,547.86
<u>(230,000.00)</u>	<u>0.00</u>
<u><u>(230,000.00)</u></u>	<u><u>564,547.86</u></u>
\$ (230,000.00)	\$ 0.00
<u>(230,000.00)</u>	<u>564,547.86</u>
<u><u>(230,000.00)</u></u>	<u><u>564,547.86</u></u>
\$ (230,000.00)	\$ 564,992.86
<u>0.00</u>	<u>0.00</u>
<u><u>(230,000.00)</u></u>	<u><u>564,992.86</u></u>
\$ 0.00	\$ 0.00
<u>(230,000.00)</u>	<u>564,992.86</u>
<u><u>(230,000.00)</u></u>	<u><u>564,992.86</u></u>