

Sec. 12-574-F8. Financial reporting

(a) **Scope.** This particular section of these regulations shall apply only to association, concessionaire, vendor and their affiliate licensees. When the term licensee is used in sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies, unless otherwise specified, it shall be deemed to include only those licensees. The division on its own or upon appropriate application may exempt a licensee from or modify the provisions of this section. The burden of proving that an exemption should be granted rests solely with the licensee.

(b) **Monthly.**

(1) Attendance schedules. Within ten (10) calendar days after the end of the month each licensee shall prepare and submit to the division on forms provided by the division, a schedule of paid and unpaid attendance for each facility at which an admission charge is customarily assessed, for each day of operation during the preceding month.

(2) Revenue schedules. Fifteen (15) calendar days after the end of the month or according to section 12-574-F8(c)(2) of the Regulations of Connecticut State Agencies, the division may require each licensee to prepare and submit to the division on forms provided by the division, simple schedules detailing by performance and price, the number of persons, vehicles or transactions, where applicable, and the dollar amount in receipts of the following revenue categories:

- (A) Admissions (by type);
- (B) Parking (by type);
- (C) Fast foods;
- (D) Programs, chart books, year books, etc;
- (E) Bars;
- (F) Restaurants;
- (G) Boutiques and souvenirs; and
- (H) Miscellaneous revenue segregated for pari-mutuel and nonpari-mutuel activities.

For all nonpari-mutuel related activities which result in revenue receipts or expenses of a licensee during a dark period, full details shall be provided to the division with this monthly information.

(3) Payroll reports. Each licensee shall upon request, provide the division with access to a copy of each payroll detailed by department, employee name, employee number and dollar amount of salary, commission and bonus, as applicable.

(4) Outs reconciliation. Pursuant to the provisions of section 12-574-F10 of the Regulations of Connecticut State Agencies, each association shall prepare and submit to the division within fifteen (15) calendar days after the end of the month, such reconciliation of the amounts in the outsbook to its account.

(5) Reduplication. With the division's permission, information which is submitted more frequently than monthly need not be reduplicated in the monthly report.

(c) **Quarterly.**

(1) Financial statement. Within forty-five (45) calendar days after the end of its fiscal quarters, each licensee as directed by the division shall prepare and submit to the division its quarterly financial statements prepared on an accrual basis in accordance with generally accepted accounting principles. Such statements are:

- (A) Balance sheets;
- (B) Statement of operations;
- (C) Statement of owner's equity; and
- (D) Statement of cash flows.

(2) Disclosure. Each licensee shall disclose changes to the following, if applicable, under the uniform reporting system schedules of the division:

- (A) Principles of consolidated or combined statements as prepared annually, if any;
- (B) Related party transactions:

(i) Nature of relationship (receivable, payable, revenue, expense, gain/loss and cash flow);

(ii) Amount of investment in related parties;

(iii) Description of the related party transactions involved; and

(iv) Dollar value and terms of the related party transactions and the manner of settlement of such;

(C) Adjustments to develop combined or consolidated statements to prevent duplication in reporting and provide a fair representation:

(i) Amounts that could be eliminated in related party transactions including non-licensees and licensees separately;

(ii) Amounts of intercompany profit and loss which may be eliminated; and

(iii) Disclosure of mark-up of cost or revenue, imputed interest rates or adjusted interest rates if favorable rates are provided to related parties.

(3) Reduplication. With the division's permission, information which is submitted in the monthly reports need not be reduplicated in the quarterly report. Licensees who submit monthly reports in lieu of the quarterly reports shall have thirty calendar days after the end of the month in which to submit the monthly report.

(d) **Annually.**

(1) Price structures. Each licensee shall provide the division with a list of prices for items and services by revenue category which shall be available as of the first day of operation each calendar year at such facility, and shall include a seating plan detailing the price per seat, the number of seats per price category and their location. The division shall be apprised of any subsequent change of such pricing information or changes in the sales mix and the effective dates thereof. If an association or any OTB facility operator anticipates providing group packages, such report shall be expanded to indicate total discounts offered, how the package price shall be detailed and recorded by revenue category and the anticipated volume of such packages to be sold.

(2) Annual report. By April 15 or within one-hundred and five (105) days after the close of its fiscal year, each licensee shall submit to the division a complete audit of its accounts prepared for the licensee and the division by a certified public accountant. Such audit shall consist of the financial statements required by a CPA report which shall include: (A) a balance sheet; (B) statement of operations; (C) statement of owner's equity; and (D) statement of cash flows. Where the licensee is a subsidiary of a company which is subject to reporting to the Securities and Exchange Commission, or its successor agency, the complete audit of the parent company financial statements may be substituted in compliance with this requirement, provided there is also submitted complete unaudited financial

statements for the licensee, along with a schedule reflecting the adjustments made in consolidating such subsidiary statements into the consolidated parent company financial statements. Such unaudited financial statements of the licensee shall be submitted on forms provided by or in a format acceptable to the division, and shall be accompanied by a statement signed by the licensee's chief financial officer verifying that, to the best of the signer's knowledge and belief, such financial statements have been prepared from the licensee's financial records and are true, correct and complete, and that in the opinion of management all adjustments necessary to present fairly the financial position, results of operations and cash flows as of and for the periods indicated have been made.

(3) Disclosure. In addition, the division may require the following under its uniform reporting system:

- (A) Disclosure of all related party transactions as referred to in quarterly reporting;
- (B) Organizational data (listing directors, officers and schedule of stockholders' holdings);
- (C) Schedules as of year end or the year ended, for:
 - (i) Cash accounts by bank and balance;
 - (ii) Receivables;
 - (iii) Investments;
 - (iv) Insurance coverage (including the names and addresses of all companies with whom the policies have been placed as well as the agents with whom the policies have been placed);
 - (v) Prepaid expenses;
 - (vi) Fixed assets (detailing acquisition date and cost, asset life and depreciation rate used);
 - (vii) Loans or notes outstanding to and from the association licensee related parties;
 - (viii) Accounts payable;
 - (ix) Miscellaneous revenue in detail by source;
 - (x) Expenses for, or reimbursements to, employees, officers, stockholders, and directors other than salaries or wages;
 - (xi) Salaries and wages by department;
 - (xii) Salaries paid to officials and department heads;
 - (xiii) Legal, accounting, lobbyist and consulting fees;
 - (xiv) Travel and entertainment (in complete detail showing actual disposition of funds);
 - (xv) Contributions or donations;
 - (xvi) Taxes expensed or paid or both by type of tax;
 - (xvii) Advertising expense; and (xviii) Depreciation and amortization;
 - (xviii) Depreciation and amortization;
- (D) The results of the study and evaluation of internal control to include the procedures and tests and such other evidential matters utilized as the basis for the study and evaluation;
- (E) The licensee's representation letter to the auditor for accounting information material to the financial statements and for matters relating to audit disclosure requirements;
- (F) Access to articles of organization and any changes thereto, resolution, amendments to by-laws, minutes of annual corporate meetings, and schedules of percentage distribution of income; and

(G) Reconciliation of the differences between accounting and tax reports (e.g., timing differences) that shall include a concise explanation as to the difference.

(e) **Licensees subject to reporting to the Securities and Exchange Commission.**

(1) In addition to any other accounting system requirements imposed by these regulations, any licensee which is subject to reporting to the Securities and Exchange Commission, or its successor agency, shall be required to submit additional documents to the division.

(2) Each such licensee shall submit to the division a copy of its form 8k, form 10k, form 10-q, proxy statement and annual report to shareholders within fifteen (15) calendar days of filing with the Securities and Exchange Commission.

(f) **Contact person.** Each licensee shall designate individuals knowledgeable in and responsible for the licensee's accounting and reporting systems, as the contact person with the division to respond to accounting and other financially related questions or problems. In addition, each licensee shall provide a contact for each financial consultant and CPA firm utilized for financial advice, accounting or auditing functions, as applicable, and shall also provide a contact for the legal counsel or firm utilized. Such information as submitted to the division shall be updated for any changes.

(Adopted effective October 3, 2001; Amended February 10, 2003)