



V.I. CASINO CONTROL COMMISSION

FY 2020

ANNUAL REPORT

12/10/2020

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LETTER TO THE GOVERNOR

December 10, 2020

Honorable Albert E. Bryan, Jr.
Governor of the Virgin Islands of the United States
Office of the Governor
Government House, Charlotte Amalie
St. Thomas, VI 00802

Dear Governor Bryan,

The attached comprises the Virgin Islands Casino Control Commission's Annual Report as mandated by 32 V.I.C. § 424 which states that, "The Commission shall make to the Governor and the Legislature an annual report of all revenues, expenses and disbursements, and shall include therein such recommendations for changes in this chapter as the Commission deems necessary or desirable." As such, the enclosed document reports on the financial position of the Commission for Fiscal Year 2020, and our records indicate that this is the Commission's first issuance of an Annual Report.

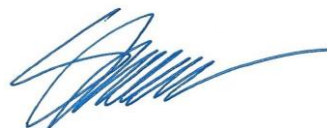
Submitted to the Governor, as well as the Legislature of the Virgin Islands of the United States for the period of October 1st, 2019 through September 30th, 2020 are the following reports: Balance Sheet, Income, Cash Flow Statement and Casinos Gross Earnings for a Five-Year Period; along with a comparative analysis of the previous fiscal year's financial position versus that of the concluding year.

A presentation of recommendations, as deemed necessary by the Commission, concludes our submission of the fiscal year 2020 Annual Report. The Commission Members and Staff remains readily available to assist the Executive and Legislative Branches in any attempts to update or implement changes to the existing laws that governs gambling and gaming in the Virgin Islands.

Sincerely,



Usie R. Richards, Commissioner
VICCC Acting Chairman



Stacy A. Bourne, Commissioner
VICCC Secretary/Treasurer

LETTER TO THE SENATE PRESIDENT

December 10, 2020

Honorable Novelle E. Francis
Senate President, 33rd Legislature of the U.S. Virgin Islands
Capitol Building, Charlotte Amalie
St. Thomas, VI 00804


Dear President Francis,

The attached comprises the Virgin Islands Casino Control Commission's Annual Report as mandated by 32 V.I.C. § 424 which states that, "The Commission shall make to the Governor and the Legislature an annual report of all revenues, expenses and disbursements, and shall include therein such recommendations for changes in this chapter as the Commission deems necessary or desirable." As such, the enclosed document reports on the financial position of the Commission for Fiscal Year 2020, and our records indicate that this is the Commission's first issuance of an Annual Report.

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Sincerely,



Usie R. Richards, Commissioner
VICCC Acting Chairman



Stacy A. Bourne, Commissioner
VICCC Secretary/Treasurer

THE VIRGIN ISLANDS CASINO CONTROL COMMISSION

Established for the governance, operational, and regulatory functions of internet gaming, racinos pursuant to the Virgin Islands Horse Racing Industry, and Casino IV establishments within the enterprise zones of Christiansted and Frederiksted St. Croix; the Virgin Islands Casino Control Commission (VICCC) receives its authority pursuant to Title 32, Chapter 21 of the Virgin Islands Code. Funded through four sources:

- (1) The General Fund for employee salaries only,
- (2) A Special Casino Control Commission Checking Account, formerly the Casino Control Revolving Fund pursuant to 32 VIC §514, which was amended by Act 7643. This account is funded in the same manner as the former Revolving Fund, namely by casino and casino employee license fees, fines and other fees imposed by law or through regulation by the Commission,
- (3) The Casino Revenue Fund pursuant to 32 VIC §517 which is funded by the 12% and 8% tax on both casinos. In this regard, the Commission receives a mere 10% of these taxes, with 90% being allocated to other Departments and Agencies of Government, and
- (4) The Casino Revenue Fund pursuant to 32 VIC §901 (The Virgin Islands Horse Racing Industry Assistance Act of 2011 (Bill 29-0127; Act 7318).

The collections of these fees support the day-to-day functions requiring administrative and operational oversight of the casinos.

FISCAL YEAR 2020 REVENUES

BY REVENUE SOURCES

General Fund

Though the VICCC was allotted **\$600,000** (per Act No. 8245) for fiscal year 2020 for the Agency's funded positions, the actual payroll cost was **\$823,000**. The amount remains in line with funds received in fiscal year 2018 and 2019.

Special Casino Control Commission Account

The VICCC received a total allotment of **\$184,010** from casino and casino employee fees, fines, and other fees imposed by law or through regulations set by the Commission.

Casino Revenue Fund

The VICCC received a total allotment of **\$411,392** which represents 10% of collections from taxes acquired from licensed gaming entities by the Government of the Virgin Islands.

- Includes an amount of **\$154,377** allocated for youth related programs and administered by the VICCC pursuant to Title 32, Chapter 21, Article XI, §518 (A-G).

CASH FLOW STATEMENT AS OF SEPTEMBER 30 , 2020

Table 1 provides an illustration of the flow of revenues generated by the Commission for fiscal year 2020.

Table 1

Virgin Islands Casino Control Commission
Statement of Cash Flows
October 2019 through September 2020

October 2019 – September 2020

OPERATING ACTIVITIES

Net Income	<u>190,512</u>
Net Cash Provided by Operating Activities	<u>190,512</u>
Net Cash Increase for FY 2020	190,512
Cash at the Beginning of the Period	<u>320,246</u>
Cash at the End of the Period	<u>510,758</u>

- The VICCC earned **\$411,392** in revenues generated from a percentage of sales from casino income.
- FY 20 recorded collections for work permit income was **\$184,010**.
- FY 20 recorded expenditures totaled **\$404,890**.
- FY 20 net income was **\$190,512**.

CASINOS GROSS EARNINGS FOR A FIVE-YEAR PERIOD 2016 - 2020

Total Annual Gross Earnings for VIGL (Caravelle Casino)

*April – December 2016	\$2,985,174.30
January – December 2017	\$5,533,332.46
January – December 2018	\$8,978,203.92

January – December 2019	\$10,385,466.21
January – October 2020	\$2,459,174.19

**VIGL, Caravelle Casino, commenced operations in April 2016.*

Total Annual Gross Earnings for DIVI Carina Bay Casino

	DIVI	TRAXCO
January – December 2015	\$15,082,967.00	\$3,595,687
January – December 2016	\$12,005,152.00	**\$1,251,999
*January – September 2017	\$7,617,765.00	
September – December 2018	\$4,099,559.38	
January – December 2019	\$11,730,912.52	
January – October 2020	\$ 4,825,120.16	

**On September 20, 2017 Hurricane Maria caused DIVI Carina Bay Casino to close due to the significant damages to the casino. DIVI reopened in September 2018.*

*** TRAXCO ended operations on May 6, 2016*

“Gross revenue”, as defined by the Casino Act — The total of all sums, including checks received by a casino licensee pursuant to section 457 of this title, whether collected or not, actually received by a casino licensee from gaming operations, less only the total of all sums paid out as winnings to patrons and a deduction for uncollectible gaming receivables. The deduction for uncollectible gaming receivables shall not exceed the lesser of: (1) a reasonable provision for uncollectible patron checks received from gaming operations; or (2) four percent (4%) of the total of all sums including checks, whether collected or not, less than the amount paid out as winnings to patrons. Gross revenue shall not include any amount received by a casino from casino simulcasting. For the purpose of this definition, any check which is invalid and unenforceable pursuant to subsection (f) of section 457 of this title, shall be treated as cash received by the casino licensee from gaming operations.

DISASTER RELIEF FUNDING

The VICCC received approval of a Project Work Sheet in the amount of **\$123,326.72** in disaster relief funding for fiscal year 2020. Utilization of the funds remains dependent upon incurred expenses prior to applying for reimbursement. Approved funding is being directed to internal building damages, mold remediation, security cameras and damaged vehicles.

BANK ACCOUNT BALANCES AS OF SEPTEMBER 30, 2020

A financial overview of the Commission, by bank account for the period of October 1, 2019 thru September 30, 2020 has been compiled in Table 2.

Table 2

Accounts	Beginning Balance October 1, 2019	Ending Balance September 30, 2020
Commission Operating Account (BP)	\$65,443	\$49,693
Youth Programs Account (BP)	\$216,370	\$366,247
Commission Revolving Account	\$26,963	\$41,063
Commission/DGE Revolving Account	\$11,470	\$53,755

With the exception of the Youth Programs savings account, beginning balance reflects statement balance on 9/30/2019.

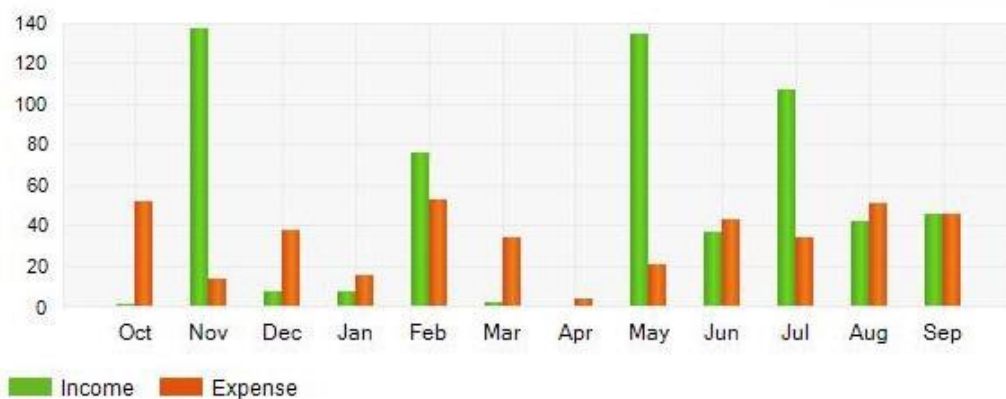
- The four accounts listed in Table 2 contained an accrued beginning balance of **\$320,246**.
- At the end of FY 20 the VICCC had a total ending balance of **\$510,758**.

Casino establishments reopened during the first quarter of FY20 following closure due to damages sustained during the 2017 hurricane season. Unfortunately, the VICCC has been unable to collect the 12% tax on gross revenues from DIVI Carina Bay Casino and Resort, as a result of a two-year reprieve offered to the establishment through Act No. 7952. Continued challenges from the ongoing pandemic have affected the operations of both Casinos.

Exhibit I.

Virgin Islands Casino Control Commission
Income/Expense Trend Report
Fiscal Year 2020

\$ in 1,000's



FISCAL YEAR 2020 PROFIT AND LOSS STATEMENT

Table 3 contains a copy of VICCC's *Profit and Loss Statement* for fiscal year 2020. Compiled based on bank statements obtained from bank accounts for the Commission at Banco Popular De Puerto Rico and First Bank.

Table 3

Virgin Islands Casino Control Commission
Profit and Loss Statement
 October 2019 through September 2020

	Oct '19 - Sep 20
Ordinary Income/Expense	
<i>Income</i>	
Sales	411,392
Work Permit Income	184,010
Total Income	<u>595,402</u>
Gross Profit	595,402
<i>Expense</i>	
Advertising and Promotion	12,796
Automobile Expense	4,458
Bank Service Charges	622
Cable Expense	800
Computer and Internet Expenses	34,039
Insurance Expense	22,503
Janitorial Services	240
Meals and Entertainment	439
Merchant Fees	5,413
Miscellaneous Expense	67
Office Supplies	4,307
Professional Fees	149,217
Rent Expense	89,369
Repairs and Maintenance	34,354
Telephone Expense	7,924
Training Expense	3,250
Travel Expense	9,039
Utilities	
Electricity Expense	19,909
Security Expense	540
Water Expense	1,034
Utilities - Other	4,569
Total Utilities	<u>26,051</u>
<i>Total Expense</i>	<u>404,890</u>
Net Ordinary Income	<u>190,512</u>
Net Income	<u>190,512</u>

AN ASSESSMENT OF THE COMMISSION'S FY20 FINANCIAL STANDING

Table 4 comprises a comparative analysis of VICCC's *Profit and Loss Statement* for the periods beginning October 1st through September 30th of fiscal years 2019 and 2020. As illustrated in the report, the Commission's expenses consumed what little income the agency received.

Table 4

Ordinary Income/Expense	Oct '19 - Sep 20	Oct '18 - Sep 19	\$ Change	% Change
<i>Income</i>				
Sales	411,392	527,763	-116,371	-22%
Work Permit Income	184,010	26,100	157,910	605%
Total Income	595,402	555,863	39,539	7%
Gross Profit	595,402	555,863	39,539	7%
<i>Expense</i>				
Advertising and Promotion	12,796	8,167	4,629	57%
Automobile Expense	4,458	5,280	-822	-16%
Bank Service Charges	622	197	425	216%
Cable Expense	800	2087	-1,287	-62%
Computer and Internet Expenses	34,039	10,711	23,328	218%
Insurance Expense	22,503	2,159	20,344	942%
Janitorial Services	240	2235	-1,995	-89%
Meals and Entertainment	439	0	439	100%
Merchant Fees	5,413	1,917	3,496	182%
Miscellaneous Expense	67	0	67	100%
Office Supplies	4,307	8,544	-4,237	-50%
Professional Fees	149,217	63,493	85,724	135%
Rent Expense	89,369	173,172	-83,803	-48%
Repairs and Maintenance	34,354	27,826	6,528	23%
Telephone Expense	7,924	15,195	-7,271	-48%
Training Expense	3,250	0	3,250	100%
Travel Expense	9,039	12,546	-3,507	-28%
Utilities				
Electricity Expense	19,909	28,265	-8,356	-30%
Security Expense	540	2120	-1,580	-75%
Water Expense	1,034	5,332	-4,298	-81%
Utilities - Other	4,569	6,458	-1,889	-29%
Total Utilities	26,051	42,175	-16,124	-38%
<i>Total Expense</i>	404,890	375,703	29,187	8%
Net Ordinary Income	190,512	178,161	12,351	7%
Net Income	190,512	178,161	12,351	7%

FISCAL YEAR 2020 BALANCE SHEET

Table 5 contains a copy of VICCC's *Balance Statement* as of September 30, 2020. Compiled based on bank statements obtained from bank accounts for the Commission at Banco Popular De Puerto Rico and First Bank.

Table 5

Virgin Islands Casino Control Commission
Balance Sheet
As of September 30, 2020

	30-Sep-20
ASSETS	
<i>Current Assets</i>	
<i>Checking/Savings</i>	
Banco Popular	49,693
First Bank - 7752	41,063
First Bank - 7763	53,755
Youth Programs Account	366,247
<i>Total Checking/Savings</i>	510,758
<i>Accounts Receivable</i>	
Accounts Receivable	-50,922
<i>Total Accounts Receivable</i>	-50,922
<i>Total Current Assets</i>	459,836
TOTAL ASSETS	459,836
LIABILITIES & EQUITY	
<i>Equity</i>	
Opening Balance Equity	15,947
Retained Earnings	253,376
Net Income	190,512
<i>Total Equity</i>	459,836
TOTAL LIABILITIES & EQUITY	459,836

ADMINISTRATIVE AND FINANCIAL MEASURES

The Commission has established and/or about to implement the following measures to enhance the administrative and financial management of the institution:

- A Risk Management Plan in support of the Commission's continued efforts to fulfill administrative functions in accordance with established laws and best practices.
- Establish remote payments via Electronic Fund Transfer (EFT) from our Banco Popular account.
- Establish an online payment portal on the Commission's website for the collection of license fees thru the Banco Popular account to expedite the collection of revenues.
- Determine the availability of establishing a link with the central government financial management system that would allow for improved financial accountability, disbursement of funds and oversight control.
- Posting of the Commission's finances on our website to achieve the ongoing goal of financial transparency.

RECOMMENDATIONS

The following recommendation is being presented in support of promoting an orderly, efficient, and effectively managed entity, consistent with the financial objectives of the Virgin Islands Casino Control Commission.

The Virgin Islands Casino Control Commission recommends the establishment of a one-year deadline for the Master Franchises, USVI Host, Inc. (Formerly US Virgin Islands Technologies Initiative, LLP) and St. Croix Internet Group, LLC, granted pursuant to Section 4, of Act No. 6419, to submit an application for licensure. Similarly, a determination should be made by the Legislature on whether the intent of Act No. 6419 permits the change of the Master Franchises principals or ownership without the approval of the Legislature and/or the Virgin Islands Casino Control Commission.