

VIRGIN ISLANDS CASINO CONTROL COMMISSION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021
(Together With Independent Auditor's Report Thereon)

VIRGIN ISLANDS CASINO CONTROL COMMISSION
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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Board of Commissioners
Virgin Islands Casino Control Commission
St. Croix, U.S. Virgin Islands

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Virgin Islands Casino Control Commission (the "Commission") which comprise the consolidated statement of net position as of September 30, 2021, and the related consolidated statement of revenues, expenses, and changes in net position for the year then ended and the related notes to the consolidated financial statements, which collectively comprise the Commission's basic consolidated financial statements.

Management's Responsibility

The Commission's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Unmodified Opinion

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the net position of the Commission as of September 30, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the consolidated financial statements present only the Commission's consolidated financial position and the consolidated changes in financial position and do not purport to, and do not, present fairly the financial position of the Government of the U.S. Virgin Islands as of September 30, 2021, and changes in the financial position of the Government of the U.S. Virgin Islands for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Commission's basic consolidated financial statements. The consolidated schedule of net position and consolidated schedule of changes in net position on pages 12 and 13 are presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The other information, as noted in the preceding paragraph, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the consolidated schedule of net position and consolidated schedule of changes in net position is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Bert Smith & Co.

Washington, D.C.
December 15, 2023

VIRGIN ISLANDS CASINO CONTROL COMMISSION
CONSOLIDATED STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2021

	2021
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 991,171
Other Receivables, net	125,642
Total Current Assets	1,116,813
 Total Assets	 \$ 1,116,813
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 11,205
Other Current Liabilities and Accrued Expenses	74,316
Total Current Liabilities	85,521
 Total Liabilities	 \$ 85,521
NET POSITION	
Net Position	
Unrestricted Net Position	\$ 1,031,292
Total Net Position	\$ 1,031,292

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN ISLANDS CASINO CONTROL COMMISSION
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021
Operating Revenues	
Non-Capital Appropriations	\$ 1,065,998
Casino Revenue Fund	434,532
License and Slot Fees	493,767
Work Permit Income	92,945
Other Income	45,476
Total Operating Revenues	2,132,718
 Operating Expenses	
Personnel Costs	1,066,498
Administrative	140,751
Professional	131,547
Rent	86,666
Investigative Fees	58,827
License Fees	23,051
Advertising and Promotion	8,199
Travel	4,263
Training, Conferences and Dues	26,726
Total Operating Expenses	1,546,528
 Profit from Operations	586,190
 Change in Net Position	586,190
Net Position, Beginning of Year	445,102
Net Position, End of Year	\$ 1,031,292

The accompanying notes are an integral part of these consolidated financial statements.

VIRGIN ISLANDS CASINO CONTROL COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 REPORTING ENTITY

- Organization: The Virgin Islands Casino Control Commission (the “Commission”) was established by Title 32 Virgin Islands Code Chapter 21, as amended, in November 1995 (Act No. 6069). The Commission is responsible for the regulation of casinos pursuant to the Act and subsequently by Act No. 6419, Internet Gaming and Gambling Act; Racinos, pursuant to the Virgin Islands Racing Industry Assistance Acts of 2011 and 2016 (Act No. 7318 and 7952) and the Casino IV Establishments (Act No. 7702). The Commission is a component unit of the Government of the Virgin Islands and as such, its consolidated financial statements are included in the Comprehensive Annual Financial Statements of the Central Government.

The Commission is funded through four (4) different sources:

1. Appropriations from the Government of the Virgin Islands General Fund. These appropriations fund the Commission’s personnel costs.
2. Fees and fines imposed by law or through regulation by the Commission. These amounts are imposed pursuant to 32 VIC §514, which was amended by Act 7643.
3. Casino Revenue funds. The Commission receives 10% of the 12% tax on gross casino revenue pursuant to 32 VIC §517.
4. The Horse Racetrack Casino Revenue. These funds are funded pursuant to 32 VIC §901 (The Virgin Islands Horse Racing Industry Assistance Acts of 2011 and 2016 (Bill 29-0127; Act 7318 and Bill 31-0484; Act 7952).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***Basis of Presentation:*** The Commission’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board. The Commission uses the economic resources measurement focus and follows the accrual basis of accounting whereby revenue is recorded when earned and expenses are recorded when incurred.
- ***Basic Financial Statements:*** Standards for external financial reporting require that resources be classified for accounting and reporting purposes into net positions, categories and to report the change in net position. Net position is the residual of all other elements presented in the statements of net position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and consists of the following categories:
 - ***Net Investment in Capital Assets*** – This category of net position consists of capital assets, net accumulated depreciation, reduced by any outstanding balances of mortgages or notes attributable to the acquisition, construction or improvement of those assets.
 - ***Restricted Net Position*** – This category consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

- **Unrestricted Net Position** – This category consists of the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets, or the restricted component of net position.

The Commission does not have investments in capital assets or restricted net position.

- **Separate Funds:** The accounts of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. All transactions are recorded in a separate set of self-balancing accounts, which include assets, liabilities, net position, revenues and expenses.

During fiscal year ended September 30, 2021, the Commission maintained three (3) accounting divisions which constitute major transactions of the Commission:

1. **Virgin Islands Casino Commission** – The Commission is responsible for the governance, operational, and regulatory functions of casinos, internet gaming and gambling racinos pursuant to the Virgin Islands Horse Racing Industry, and the Casino IV establishments within the enterprise zones of Christiansted and Frederiksted St. Croix.
 2. **Division of Gaming Enforcement (DGE)** – Working in unison with the Casino Control Commission, the Department of Justice, Division of Gaming Enforcement (DGE) provides an investigative arm in matters for investigation, prosecution, and the search for evidence of violations of the Virgin Islands Casino and Resort Control Act. Twenty percent of the funds collected in the Commission’s Revolving Account are allocated to DGE for operating expenses.
 3. **Youth Programs** – Ten percent of taxes collected from licensed gaming entities by the Government of the Virgin Islands is earmarked to youth related programs. The following training programs are subsidized by the Commission, in accordance with Virgin Islands Code, Title 32, Section 518:
 - Financial assistance to help casino employees obtain their General Education Diploma (GED) and further their education, to include but not limited to college education.
 - Financial assistance for casino employees to obtain certification in the field of Hotel/Hospitality Management.
 - Fifty percent (50%) funding for the Jobs for America’s Graduates Virgin Islands program.
 - Make available to the casino licensee half the cost of each employee participating in the GED or Hotel/Hospitality programs.
- **Economic Dependency:** The Commission’s sustainability depends primarily on appropriations from the Government of the Virgin Islands. In addition, it earns income from casino fees and license fees. During fiscal year ended September 30, 2021, the Commission received appropriations totaling \$1,065,998 from the Government of the Virgin Islands, which approximates 62% of its revenue.
 - **Accounts Receivable:** Accounts receivable represent the government appropriations outstanding as of the fiscal year end.
 - **Cash and Cash Equivalents:** Cash and cash equivalents are defined as cash on hand, demand deposits, certificate of deposits with financial institutions and all highly liquid investments available for current use with an initial maturity of three months or less.

- ***Use of Estimates:*** The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to estimates and assumptions include the provision for loan losses, valuation of investments, and potential grant disallowances.
- ***Accounting Pronouncements Issued but Not Yet Adopted:***

GASB Statement No. 87, Leases

In June 2017, GASB issued Statement No. 87, Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use the lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021, as postponed by GASB Statement. The Commission has not determined the effect of this Statement on its financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at September 30, 2021:

	<u>Unrestricted</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$991,171</u>	<u>\$991,171</u>

The custodial credit risk for deposits is the risk that in the event of a bank failure, the VI Casino Control Commission's deposits may not be recovered. The VI Casino Control Commission does not have a policy to address custodial credit risk. Cash consists of cash held by various depository institutions in the Commission's name. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2021, the Commission had a cash balance of \$493,256 that was uninsured and uncollateralized.

NOTE 4 RISK MANAGEMENT

The Commission faces various risks of loss related to torts; theft of, damages to, and destruction of assets; and natural disasters for which the Commission has commercial insurance coverage. Annual premium payments are made in proportion to the anticipated exposure to the liability losses assessed.

NOTE 5 DISASTER RELIEF FUNDING

On September 6 and 19, 2017, the United States Virgin Islands was struck by two category five hurricanes. The extent and severity of the storms was unprecedented and resulted in catastrophic damage to the Territory. The Commission received disaster relief funding from the Federal Emergency Management Agency (FEMA) in the amount of \$123,326. Funding is on a reimbursement basis and will be used for building and equipment damage and mold remediation. Expenses reimbursed to date total \$2,760.

NOTE 6 NON-CAPITAL APPROPRIATIONS

Non-Capital Appropriations represent the amounts funded by the Government of the United States Virgin Islands for the Commission’s personnel costs.

NOTE 7 CONTINGENCIES

The Commission is a party to a legal proceeding. The Commission believes the proceeding will result in a favorable outcome. The Commission asserts that there have been no material claims, suits, or complaints filed nor are any pending against the organization. In the opinion of management and legal counsel, this matter and all other matters which are asserted or unasserted are without merit and would not have a significant effect on the financial position or results of operations of the organization, if disposed of unfavorably.

NOTE 8 COMMITMENTS

The VI Casino Control Commission signed a one-year rental space for its administrative office agreement. The future minimum rental payments are as follows:

2022	<u>\$ 84,006</u>
Total	<u><u>\$ 84,006</u></u>

Rent expense for the fiscal year 2021 was \$84,006.

NOTE 9 SUBSEQUENT EVENTS

The VI Casino Control Commission has evaluated all subsequent events through December 15, 2023, which is the date the financial statements were available to be issued. This review and evaluation revealed no additional material events that would have an effect on the accompanying financial statements.

On March 11, 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. The pandemic spread globally and adversely affected economic conditions throughout the world. On May 5, 2023, WHO declared an end to the global pandemic. Management believes that any future financial impact is not significant. Management continues to monitor any changes related to this matter.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Virgin Islands Casino Control Commission
St. Croix, U.S. Virgin Islands

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of the Virgin Islands Casino Control Commission (the "Commission") as of and for the year ended September 30, 2021, and the related notes to the financial statements and have issued our report thereon dated December 15, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bert Smith & Co.

Washington, D.C.
December 15, 2023

VIRGIN ISLANDS CASINO CONTROL COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
AS OF SEPTEMBER 30, 2021

Finding: 2021 – 001: Internal Control Policies and Procedures (*Significant Deficiency*)

Finding and Recommendation: The Commission does not currently have a formalized policy for review and approval of transactions. While we did not find any illegitimate transactions, we believe that formalized policies and procedures are key to the prevention and detection of errors and fraud. We understand that the Commission had staff changes and significant time was devoted to reconciling accounts and other internal matters. We noted that the Commission is working towards creating the appropriate policies and procedures that would govern review and approval of transactions, however this process is not complete. We recommend that the Commission continues to develop the policies and procedures that would govern all transactions recorded in the system. These written policies and procedures will ensure that transactions are recorded and approved with the appropriate segregation of duties on a consistent basis.

Views of Responsible Officials and Planned Corrective Action: The Commission concurs with the auditor's findings and recommendations. The Commission is working towards developing and fully implementing an accounting policies and procedures manual.

SUPPLEMENTARY INFORMATION

VIRGIN ISLANDS CASINO CONTROL COMMISSION
CONSOLIDATED SCHEDULE OF NET POSITION
AS OF SEPTEMBER 30, 2021

	<u>VICCC</u>	<u>DGE</u>	<u>Youth Program</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current Assets					
Cash	\$ 309,880	\$184,653	\$ 496,638	\$ -	\$ 991,171
Other Receivable, net	62,821	-	62,821	-	125,642
Due from Affiliate	-	-	35,307	(35,307)	-
Total Current Assets	<u>372,701</u>	<u>184,653</u>	<u>594,766</u>	<u>(35,307)</u>	<u>1,116,813</u>
Total Assets	<u>\$ 372,701</u>	<u>\$184,653</u>	<u>\$ 594,766</u>	<u>\$ (35,307)</u>	<u>\$1,116,813</u>
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 11,205	\$ -	\$ -	\$ -	\$ 11,205
Other Current Liabilities and Accrued Expenses	66,770	7,546	-	-	74,316
Due to Affiliate	35,307	-	-	(35,307)	-
Total Current Liabilities	<u>113,282</u>	<u>7,546</u>	<u>-</u>	<u>(35,307)</u>	<u>85,521</u>
Total Liabilities	<u>\$ 113,282</u>	<u>\$ 7,546</u>	<u>\$ -</u>	<u>\$ (35,307)</u>	<u>\$ 85,521</u>
NET POSITION					
Net Position					
Unrestricted	<u>\$ 259,419</u>	<u>\$177,107</u>	<u>\$ 594,766</u>	<u>\$ -</u>	<u>\$1,031,292</u>
Total Net Position	<u>\$ 259,419</u>	<u>\$177,107</u>	<u>\$ 594,766</u>	<u>\$ -</u>	<u>\$1,031,292</u>

VIRGIN ISLANDS CASINO CONTROL COMMISSION
CONSOLIDATED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>VICCC</u>	<u>DGE</u>	<u>YOUTH PROGRAM</u>	<u>TOTAL</u>
Operating Revenues				
Non-Capital Appropriations	\$1,065,998	\$ -	\$ -	\$1,065,998
Casino Revenue Fund	217,266	-	217,266	434,532
License and Slot Fees	427,352	66,415	-	493,767
Work Permit Income	54,440	38,505	-	92,945
Other Income	15,310	29,200	966	45,476
Total Revenues	<u>1,780,366</u>	<u>134,120</u>	<u>218,232</u>	<u>2,132,718</u>
Operating Expenses				
Personnel Costs	1,066,498	-	-	1,066,498
Administrative	138,127	2,624	-	140,751
Professional	129,657	1,890	-	131,547
Rent	84,006	2,660	-	86,666
Investigative Fees	58,827	-	-	58,827
License Fees	23,051	-	-	23,051
Advertising and Promotion	7,171	1,028	-	8,199
Travel	4,207	56	-	4,263
Training, Conferences and Dues	24,216	2,510	-	26,726
Total Expenses	<u>1,535,760</u>	<u>10,768</u>	<u>-</u>	<u>1,546,528</u>
Profit from Operations	<u>244,606</u>	<u>123,352</u>	<u>218,232</u>	<u>586,190</u>
Change in Net Position	244,606	123,352	218,232	586,190
Net Position at Beginning of Year	<u>14,813</u>	<u>53,755</u>	<u>376,534</u>	<u>445,102</u>
Net Position at End of Year	<u>\$ 259,419</u>	<u>\$ 177,107</u>	<u>\$ 594,766</u>	<u>\$1,031,292</u>