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FROM: Virginia Racing Commission

RE: Statement of Operations for Fiscal Year 2024

The Virginia Racing Commission (the "Commission" or "VRC") is mandated to produce a detailed financial statement outlining the operational activities of the Commission on or before March 1 of each year.

The VRC oversees a range of activities related to the regulation and oversight of horse racing and pari-mutuel wagering within the Commonwealth of Virginia. These activities are geared towards the promotion, sustenance, and growth of a native industry, while maintaining the health, safety, and welfare of the people and ensuring the integrity of racing.

One of the primary functions of the VRC is the licensing of various entities involved in the horse racing industry. This includes issuing licenses for owner-operators and operators to conduct horse race meetings with pari-mutuel wagering for an extended period, subject to annual review. The VRC also issues limited licenses for horse race meetings with pari-mutuel wagering privileges for a period not exceeding 14 days, or up to 75 days for significant infrastructure limited licensees. Furthermore, the Commission is responsible for licensing satellite facilities that may offer simulcast horse racing and for granting licenses to conduct account wagering and pari-mutuel wagering on historical horse racing. The application process for these licenses is thorough, requiring applicants to disclose detailed information regarding their financial plans, ownership structure, character, and proposed operations. For instance, applicants for a license must disclose financial projections for the development period and the first five racing years, and they may be required to submit an accountant's review report of these projections. The Commission also scrutinizes potential owners, partners, members, and principal stockholders of licensees, requiring them to apply for approval and provide necessary information.

Beyond initial licensing, the VRC actively oversees and regulates the ongoing operations of its licensees. This involves the annual review of licenses, the approval of requests for racing days and types of pari-mutuel wagering pools. Licensees are also required to furnish regular financial reports to the Commission and to maintain a separate "horsemen's account" for purse money, subject to Commission audit. On each day deposits are made, licensees must file a report detailing total retainage, taxes, purse moneys, breakage, and breeders' fund taxes. The Commission also mandates security measures, requiring licensees to submit security plans and reports on arrests or rule violations. To ensure the integrity of racing, the VRC appoints stewards to oversee race meetings, enforce regulations, and decide on racing matters. The Commission also issues permits to racing officials and vendors and may conduct background investigations, including fingerprinting, of various personnel involved in the industry. The VRC has the authority to conduct audits and inspections of licensees' financial reports, software, terminals, and other equipment. Moreover, the Commission can fine, suspend, or revoke licenses and permits for non-compliance or violations.

All revenues received by the Commission are placed in a fund known as the State Racing Operations Fund, which is used to fund the total costs for the operation and administration of the VRC. Additionally, the VRC plays a role in the administration of the Virginia Breeders Fund, which was created to foster the industry of breeding racehorses in the Commonwealth. The Commission may either administer this fund directly or designate an entity to do so, with the costs of administration and promotion being deducted from the fund before disbursement to breeders and owners.

Revenues:

The total revenues for the fiscal year ended June 30, 2024, were \$34,138,683. This is an increase from the total revenues of \$32,219,109 in 2023 and \$32,967,821 in 2022.

- License Tax to the Commonwealth: This was the largest revenue source, amounting to \$30,817,673 in 2024.
- Breeders Fund Contributions: This contributed \$2,586,269 in 2024, \$2,572,746 in 2023, and \$1,542,606 in 2022. There was a notable increase due to a change in the pari-mutuel tax structure that allowed the fund to capture revenues from historical horse racing.
- Interest From Other Sources: The funds generated \$734,741 in interest in 2024, a significant increase from \$342,577 in 2023 and a much smaller \$16,417 in 2022. This is largely due to the significant rolling-balance during the year that the funds maintain.

Expenses:

The total expenditures for the fiscal year ended June 30, 2024, were \$34,948,026. This is higher than the total expenditures of \$30,642,779 in 2023 and \$32,900,717 in 2022.

- General Fund: This was the largest expense category, totaling \$27,671,353 in 2024, \$26,387,752 in 2023, and \$29,934,629 in 2022. This category reflects the amount that is required to be transferred to the General Fund pursuant to the Appropriation Act.
- Incentives: These expenses were \$4,288,838 in 2024, a significant increase from \$1,597,042 in both 2023 and 2022. These amounts relate to the amounts awarded to the Virginia Thoroughbred Association and the Virginia Harness Horse Association for promotion of their respective breeds.
- Out-Of-State Political Entity: These expenses remained relatively consistent at \$763,920 in 2024 and \$740,137 in 2023. These reflect the amounts assessed by the Horseracing Integrity and Safety Authority for the Commonwealth and paid by the VRC.



STATEMENT OF OPERATIONS
STATE RACING OPERATIONS AND VIRGINIA BREEDERS FUNDS
For the fiscal years ended 2024, 2023 and 2022

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
REVENUES			
License Tax to the Commonwealth	\$ 30,817,673	\$ 29,297,823	\$ 31,408,798
Breeders Fund Contributions	\$ 2,586,269	\$ 2,572,746	\$ 1,542,606
Interest From Other Sources	\$ 734,741	\$ 342,577	\$ 16,417
Misc Licenses, Permits & Fees		\$ -	
Proceeds From Sale Of Surplus		\$ 5,963	
TOTAL REVENUES	<u>\$ 34,138,683</u>	<u>\$ 32,219,109</u>	<u>\$ 32,967,821</u>
EXPENSES			
General Fund	\$ 27,671,353	\$ 26,387,752	\$ 29,934,629
Incentives	\$ 4,288,838	\$ 1,597,042	\$ 1,597,878
Out-Of-State Political Entity	\$ 763,920	\$ 740,137	
Wages, General	\$ 446,489	\$ 441,574	\$ 210,282
Salaries, Classified	\$ 408,459	\$ 254,756	\$ 263,314
Agency Service Charges	\$ 146,207	\$ 107,226	\$ 80,506
Salaries, Appointed Officials	\$ 137,795	\$ 135,875	\$ 137,009
Travel, Subsistence & Lodging	\$ 127,761	\$ 111,910	\$ 51,013
VITA It Infrastructure Srv	\$ 117,249	\$ 95,120	\$ 48,518
Auditing Services	\$ 95,119	\$ 91,248	\$ 94,691
Employer Health Ins Premium	\$ 91,512	\$ 62,668	\$ 59,756
Salary Social Securty&Medicare	\$ 84,739	\$ 73,633	\$ 49,234
Employer Retire Contrb-Def Ben	\$ 82,307	\$ 57,934	\$ 52,848
Travel, Meal Reimb-Not Rpt Irs	\$ 77,684	\$ 73,706	\$ 35,575
Management Services	\$ 75,500		
Skilled Services	\$ 67,358	\$ 151,148	\$ 93,078
Other Expenses	\$ 265,737	\$ 261,051	\$ 192,389
TOTAL EXPENDITURES	<u>\$ 34,948,026</u>	<u>\$ 30,642,779</u>	<u>\$ 32,900,717</u>
CHANGE IN NET ASSETS	<u>\$ (809,344)</u>	<u>\$ 1,576,330</u>	<u>\$ 67,104</u>