

**NEW JERSEY CASINO REINVESTMENT
DEVELOPMENT AUTHORITY**

REPORT ON FINANCIAL STATEMENTS

DECEMBER 31, 1985

September 18, 1986

Chairman and Members of the Board
Casino Reinvestment Development Authority
Atlantic City, New Jersey

We have examined the statements of financial position of the Casino Reinvestment Development Authority as of December 31, 1985, and the related statement of revenues, expenditures and changes in fund balances for the period December 19, 1984 (date of inception) through December 31, 1985. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of accounting records and such other auditing procedures as we considered necessary under the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Casino Reinvestment Development Authority at December 31, 1985, and the results of its operations for the period December 19, 1984 (date of inception) through December 31, 1985, in conformity with generally accepted accounting principles.

Touche Ross & Co.

Certified Public Accountants

NEW JERSEY CASINO REINVESTMENT DEVELOPMENT AUTHORITY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 1985

	<u>Operating Fund</u>	<u>Reinvestment Fund</u>
ASSETS:		
Investments	\$ 211,923	\$ -
Investments held by the State of New Jersey (Note B-4)	758,185	50,988,791
Obligations receivable, net of allowance for doubtful accounts of \$832,105	-	5,472,577
Prior obligations receivable (Note B-3)	-	60,479,028
TOTAL ASSETS	<u>\$ 970,108</u>	<u>\$116,940,396</u>
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 63,885	\$ -
Interest due to licensees	-	1,280,930
Loans payable	300,000	-
Deferred investment obligations (Note B-3)	-	60,479,028
TOTAL LIABILITIES	<u>363,885</u>	<u>61,759,958</u>
FUND BALANCES:		
Reserve for small businesses, minorities and women's enterprises (Note D)	-	2,400,000
Reserve for projects	-	52,780,438
Unreserved	606,223	-
TOTAL FUND BALANCES	<u>606,223</u>	<u>55,180,438</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 970,108</u>	<u>\$116,940,396</u>

See notes to financial statements

NEW JERSEY CASINO REINVESTMENT DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES AND EXPENDITURES AND

CHANGES IN FUND BALANCES FOR THE PERIOD

DECEMBER 19, 1984 (DATE OF INCEPTION)

THROUGH DECEMBER 31, 1985

	<u>Operating Fund</u>	<u>Reinvestment Fund</u>
Revenues:		
Investment obligations	\$ -	\$56,012,543
Interest	<u>762,018</u>	<u>1,280,930</u>
Total revenues	<u>762,018</u>	<u>57,293,473</u>
Expenditures:		
Salaries and benefits	70,118	-
Professional fees	85,351	-
Interest payable to licensees	-	1,280,930
Reserve for doubtful accounts	-	832,105
Other	<u>326</u>	<u>-</u>
Total expenditures	<u>155,795</u>	<u>2,113,035</u>
Excess of revenues over expenditures	606,223	55,180,438
FUND BALANCE, beginning of the period	<u>-</u>	<u>-</u>
FUND BALANCE, end of the period	<u>\$ 606,223</u>	<u>\$55,180,438</u>

See notes to financial statements

CASINO REINVESTMENT DEVELOPMENT AUTHORITYNOTES TO FINANCIAL STATEMENTSFOR THE PERIOD DECEMBER 19, 1984 (DATE OF INCEPTION)THROUGH DECEMBER 31, 1985A. ORGANIZATION

The New Jersey Casino Reinvestment Development Authority (CRDA) was created pursuant to Chapter 218 of P.L. 1984, effective December 19, 1984. Under the law, licensees (casinos) are required to pay 2.5% of their revenues as a tax or to invest 1 1/4% of gross revenues in bonds of the CRDA. The bonds are used to finance projects approved by the CRDA, in Atlantic City, South Jersey and North Jersey. The CRDA can approve direct investments by the licensees.

The CRDA is governed by a board of twelve members appointed as follows:

Five members appointed by the Governor of the State of New Jersey with the consent of the Senate

One member appointed by the Governor upon the recommendation of the President of the Senate

One member appointed by the Governor upon the recommendation of the Speaker of the General Assembly

One member of the Casino Control Commission appointed by the Governor

The Mayor of Atlantic City

The State Treasurer

Two members appointed by the Governor representing the casino industry

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD DECEMBER 19, 1984 (DATE OF INCEPTION)

THROUGH DECEMBER 31, 1985

(Continued)

The CRDA as created pursuant to law is to:

Maintain public confidence in the casino gaming industry as a tool of urban redevelopment for the City of Atlantic City and to directly facilitate the redevelopment of blighted areas by providing eligible projects in which licensees (casinos) can invest.

Promote the tourist industry in New Jersey, especially in Atlantic City.

Encourage investment in, or financing of, projects which are made as part of a comprehensive plan to improve blighted areas or are targeted to benefit low through middle income residents.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Description of Funds - the accounting policies of the CRDA conform to the accounting principles applicable to governmental entities. Under this method of accounting, the CRDA accounts for its financial transactions through the use of fund accounting. These funds are as follows:

Operating Fund: used to account for all financial transactions relating to the general operations of the CRDA. Revenues are derived primarily from one third of the interest earned on the investment of the obligations received by the CRDA from the licensees prior to the issuance of bonds.

Reinvestment Fund: used to account for the receipt of the obligations from the licensees which are available to finance projects and for which bonds have not been issued. The reinvestment fund is an expendable trust fund and follows the accounting principles applicable thereto. Two thirds of all interest earned by the CRDA from the investment of the obligations received from the licensees is due to those licensees.

Development Fund: used to account for all active projects financed with bonds.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD DECEMBER 19, 1984 (DATE OF INCEPTION)

THROUGH DECEMBER 31, 1985

(Continued)

2. Basis of Accounting - the modified accrual method of accounting is used by the CRDA. Under the modified accrual method, revenues are recorded when they become both measurable and available. As such, the CRDA recognizes the 1 1/4% of gross revenues of the licensees when it is earned by the licensees. Revenues which are considered measurable but not available are recorded as receivable and deferred revenue. Expenditures are recorded when the liability is incurred.

3. Prior Obligations - Obligations incurred by licensees operating prior to the establishment of the CRDA are payable to the CRDA in accordance with the following schedule:

1979	due	1984
1980	due	1985
1981	due	1986
1982	due	1987
1983	due	1988
1984	due	1989

For accounting purposes, these amounts are recorded as deferred revenues to be recognized when the payments are due. As of December 31, 1985, the prior obligations totaled \$60,479,028.

4. Investment held by State of New Jersey - represents the current obligations paid to the State Treasurer which were held until the CRDA established its Rules and Regulations. Investments held by the State were invested in the State of New Jersey Cash Management Fund.

C. BUDGETARY REQUIREMENTS

The CRDA operates under a budget approved by its board. The annual operating budget of the CRDA is submitted to the State Treasurer for approval by the last day of October of each year.

CASINO REINVESTMENT DEVELOPMENT AUTHORITYNOTES TO FINANCIAL STATEMENTSFOR THE PERIOD DECEMBER 19, 1984 (DATE OF INCEPTION)THROUGH DECEMBER 31, 1985

(Continued)

D. RESERVE FOR THE NEW JERSEY DEVELOPMENT AUTHORITY FOR SMALL BUSINESSES,
MINORITIES AND WOMEN'S ENTERPRISES

Section 512.181 of the Casino Control Act requires the CRDA to set aside \$1,200,000 annually for the purpose of investing in obligations of the New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises. As of December 31, 1985, the CRDA has reserved \$2,400,000.

E. DIRECT INVESTMENTS

On July 11, 1986, the CRDA approved an application by Bally's Park Place, Inc. for a direct investment for the Jacobs Family Terrace Housing Project. Bally's was granted a direct investment in the amount of \$5,450,843 as a credit against their 1984 and 1985 obligations.