

*New Jersey Casino Control Commission*

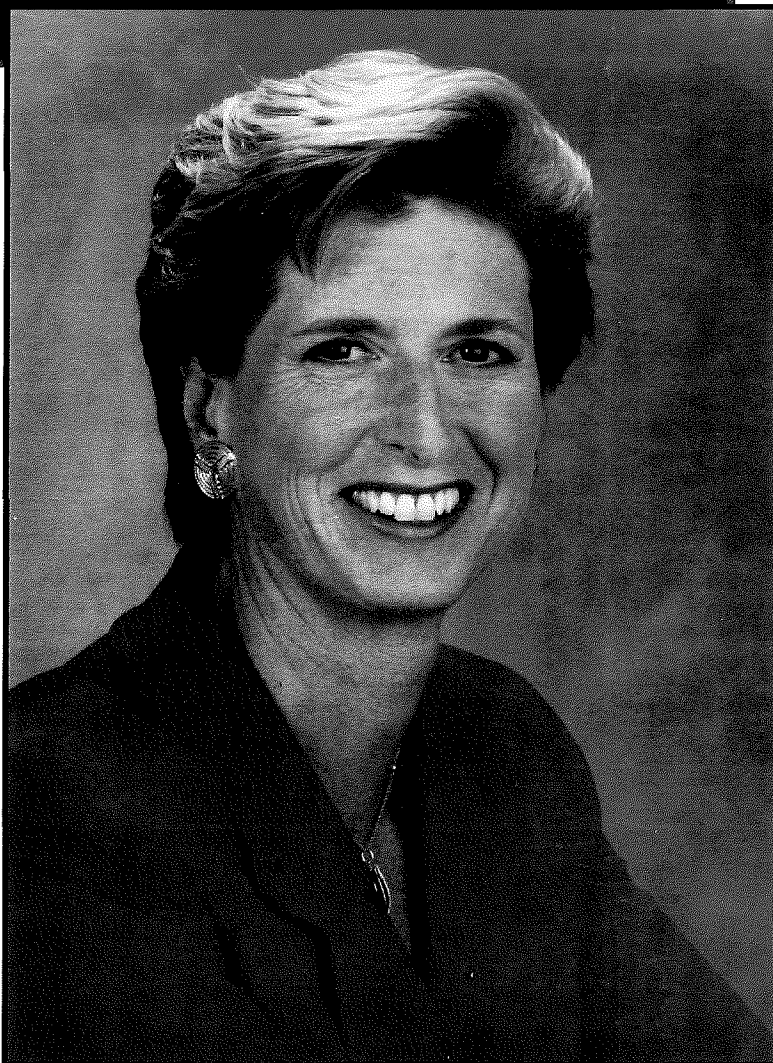
# *Annual Report*







**T**he 1997 Annual Report of the New Jersey Casino Control Commission is submitted to the Governor and the New Jersey Legislature.



*Governor Christine T. Whitman*



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# Casino Control Commission 1997



*From Left: Commissioner Leanna Brown, Chairman Bradford S. Smith,  
Commissioner Diane Legreide, Vice Chairman James R. Hurley*

*Photographed by Donna Connor at the Garden Pier Arts Center,  
Boardwalk & New Jersey Avenue, Atlantic City*

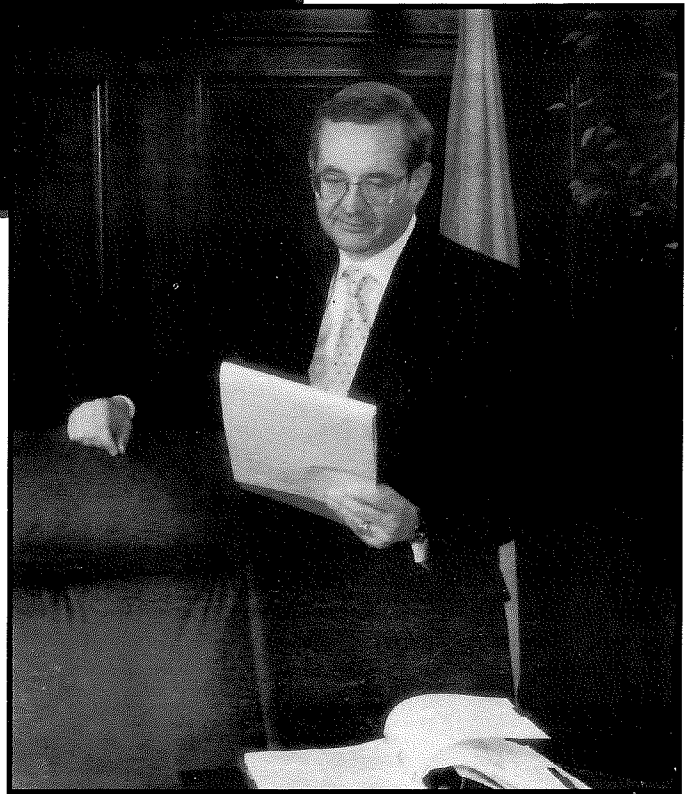
# Chairman's Message

It was 20 years ago in 1977 when Gov. Brendan T. Byrne stood on the Boardwalk and signed the Casino Control Act. It was an historic moment in the history of the state. The people had voted to permit casinos in Atlantic City as a "unique tool of urban redevelopment". Supporters had promised that casinos would create jobs, attract investment, generate taxes and reduce street crime. And they earmarked the state's tax to programs to benefit seniors and people with disabilities.

But those would not be the yardsticks of success, according to Gov. Byrne. He told the crowd of several thousand people packed in front of the Boardwalk Convention Hall that "the legislation will be viewed as a success if the casinos in Atlantic City are operated honestly, decently and cleanly." I can tell you today that, by Gov. Byrne's own measure, the legislation has clearly been a success.

A lot has happened since Gov. Byrne made his prediction. Atlantic City has been transformed from a dying seashore town and a drain on the resources of the state into a vibrant resort with an enormous tax base. It went from being one of the state's poorest municipalities to one of its richest. The gaming industry contributes billions of dollars to the state's economy every year. It happened because the state insisted that casinos be operated honestly, decently and cleanly.

When the Casino Control Commission was created, we implemented high standards for licensing every casino employee, executive, owner and operator. In the 20 years since the commission's first chairman, Joseph Lordi, and his fellow commissioners set these standards, every one of his successors worked diligently to maintain them. Through that continuing focus on integrity, the Casino Control Commission ensured that Atlantic City's casinos would operate honestly, decently and cleanly. And while I am proud of the regulatory reform that has occurred in the last



*Bradford S. Smith*

several years, we have not strayed - and we will not stray - from our responsibility to maintain those high standards of integrity.

The need for vigilance is constant and the efforts of unsavory elements to infiltrate the industry never end. In 1997, the Casino Control Commission prohibited casinos from dealing with a wholesale seafood company because one of its salesmen turned out to be the reputed head of an organized crime family.

The result of those high standards has been to accomplish many of the goals set forth in the preamble to the Casino Control Act. When they wrote that law, members of the legislature said the state's tourism, resort and convention industry were a critical component of the state's economic structure. They said that if properly developed, controlled and fostered, the introduction of casinos could provide a substantial contribution to the general welfare, health and prosperity of the state and its residents.

It clearly has done that. When the first casino opened, people looked for immediate success. Many thought that the rebirth of Atlantic City would happen

overnight. Joe Lordi had to face critics who pronounced just 20 months after voters approved casino gaming that it was a failure. People complained there was no new housing; there were not enough jobs. Joe Lordi cautioned them not to rush to judgement and said 20 months was just too short a time period to use for rebuilding Atlantic City or for measuring the impact of gaming on the general welfare, health and prosperity of the state and its residents.

Twenty years, on the other hand, is a realistic time to use to measure those impacts. Let me point out just a few of the impacts casinos have had. In the last 20 years, more than 5,000 new housing units were built in Atlantic City alone and nearly 50,000 direct jobs were created. Casinos now have a payroll in excess of \$1 billion a year. Thousands of additional new housing units have been built in the region and between 40,000 and 50,000 additional jobs have been created else where in the state's economy.

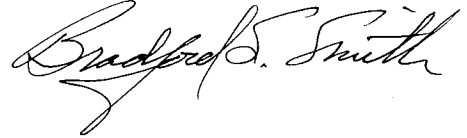
The casinos may only be in Atlantic City, but their impact has been statewide. Every year they spend more than \$1.5 billion buying goods and services from companies all around New Jersey. Casinos buy seafood in

Secaucus, floor covering in Fort Lee, automobiles in Maple Shade and shrubs in Scotch Plains.

In the last 20 years, casinos paid almost \$3.8 billion into the Casino Revenue Fund that has dramatically improved the quality of life for more than 200,000 senior citizens and people with disabilities. The fund subsidizes the purchase of prescription drugs and payment of utility bills by senior citizens in every county of this state and supports a variety of other programs for them as well.

These things would not have happened if New Jersey had not ensured that casinos were run honestly, decently and cleanly. Without the attention to integrity established two decades ago, people would not have confidence that the games were fair and the people dealing them were honest. Without the attention to integrity, Wall Street would not have had the confidence to raise billions of dollars for companies to invest in Atlantic City.

The promised jobs, investment and new tax revenue have been realized, crime in the city has been on the decline for a number of years and the "experiment" of using casinos as a "unique tool of urban redevelopment" has dramatically changed the face of Atlantic City. The benefits are felt every day all across the state of New Jersey.



**"The casinos  
may only be in  
Atlantic City,  
but their impact  
has been  
statewide."**

# **R**egulating New Jersey Casinos

## *The CCC's First 20 Years* *Important Milestones*

### 1977

June 2

Casino Control Act signed

October 4

Casino Control Commission's first public meeting

### 1978

May 26

Resorts International, New Jersey's first casino opens

### 1979

June 26

Caesars Boardwalk Regency opens

December 29

Bally's Park Place opens

### 1980

August 13

The Brighton opens (Currently the Sands)

November 23

Harrah's Marina opens

December 12

Golden Nugget opens (Currently AC Hilton)

### 1981

April 14

Playboy opens (Later renamed Atlantis)

July 23

Claridge opens

November 26

Tropicana opens

### 1984

May 26

Trump Plaza opens (Partnered with Harrah's)

December 19

Casino Reinvestment Development Authority is created

### 1985

February 28

Hilton denied casino license

June 19

Trump Castle opens (Currently Trump Marina)

### 1987

April 2

Showboat opens

### 1989

May 22

Atlantis ceases operations

### 1990

April 4

Trump Taj Mahal opens

### 1992

July 9

Twenty-four hour gambling approved

September 22

The Casino Revenue Fund Advisory Commission is created by the Legislature

### 1993

June 17

Legislature approved two dollar casino parking fee to fund Atlantic City corridor improvements



## *More Important Milestones*

### 1995

January 25

Major changes to the Casino Control Act included the creation of The Atlantic City Fund and the elimination of the casino employee hotel registration requirement

### 1996

November 26

Hilton found qualified

### 1997

October 22

Sun International found qualified

# Regulatory and Statutory Changes

## Statutory

Section 100 of the Casino Control Act was amended to permit the commission to authorize separate tip pools for poker dealers. Casinos may establish separate tip pools for poker dealers provided that they have a minimum of 25 poker tables.

## Regulatory

- 1 New regulations were adopted that permit casino hotels to operate brew pubs on their premises.
- 2 The commission amended regulations to reduce the amount of information casinos must provide in their internal control submissions concerning business transactions with vendors.
- 3 Regulatory amendments were adopted to give casinos more flexibility to establish or modify their organizational structures. These changes developed as a result of ongoing discussions with the casino industry in a joint regulatory review effort.
- 4 In January 1997, the commission approved amendments to NJAC 19:47 to authorize the game of Three Card Poker for use in Atlantic City casinos.
- 5 The commission amended NJAC 19:47-18.6 to allow an optional bonus wager at the game of Let It Ride Poker.



# Atlantic City Developments

Construction crews put finishing touches on The New Atlantic City Convention Center in 1997. Its doors opened to the public on May 1 with much celebration and fanfare. The \$268 million mega-facility has 500,000 contiguous square feet of exhibit space on one floor. The New Atlantic City Convention Center, built by the New Jersey Sports and Exposition Authority has 610,000 square feet of total space.



*Above: The New Atlantic City Convention Center*

Today, Atlantic City is the home of two convention facilities. The other facility, the Boardwalk Convention Hall, remains open and operating on the Boardwalk where it will continue to host the annual Miss America Pageant.

Visitors who come to Atlantic City by train, bus or car are getting a refreshing new impression of the city. Their first view of Atlantic City upon entering from the expressway is of the new Grand Boulevard which officially opened in November 1997. The Grand Boulevard

replaces a once drab, deteriorated area of the city. The old bus terminal is gone and has been replaced with new street surfaces and a landscaped park. The new bus terminal was completed in 1997 two blocks away from the old site. The Grand Boulevard also features a uniquely designed lighthouse that splashes colored laser beams across the sky at night, giving visitors a spectacular light show. Other developments include the opening of the 502-room convention center headquarters hotel. The Sheraton Atlantic City Convention Center Hotel opened on November 18, 1997.



*Above: The Atlantic City Sheraton convention center headquarter hotel opened November 18, 1997.*

The Atlantic City Inlet revitalization efforts also continued in 1997. In April, the Casino Reinvestment Development Authority (CRDA) began construction on the \$7.1 million Madison Landing housing project. This project, located on a full city block in the Northeast Inlet, consists of 38 two and three bedroom single family and semi-detached twin homes.

Additionally, CRDA implemented the \$1.5 million Gardner's Landing housing project in 1997. Six single family homes and one duplex will be situated within blocks of a \$3.3 million marine education center now under construction at Historic Gardner's Basin.



*Left: Atlantic City Inlet, Madison Landing Housing Project*

# Forging Ahead . . .



*Division Directors*

*From left: Administration, Antonia Cowan; General Counsel, John Zimmerman; Compliance Division, Richard Franz; License Division, Christopher Storcella; Financial Evaluation Division, Noreen Iannuzzi.*

... toward the new millennium with:

- 20-years experience
- A shared vision
- New ideas
- Solid leadership
- A diverse work force

## Internal Developments

During 1997, our staff forged ahead, moving at a remarkable pace to accomplish the goals established for the year. Thanks to our team of dedicated and talented employees we made outstanding accomplishments during the year and we continue to move toward the new millennium with solid leadership, new ideas and a more determined commitment to excellence.

During the year we handled two particularly challenging licensing proceedings. One involved the acquisition of Resorts International by Sun International, a company with holdings in Great Britain, South Africa and the Bahamas. We found Sun International qualified for a license in October 1997. The other involved efforts first by Hilton Hotels Corp., and later by Starwood Hotels and Resorts Worldwide, Inc. to acquire ITT Corp., the parent company of Caesars Hotel Casino. Despite the complex nature of these transactions, our staff completed the necessary reviews quickly and professionally.

Additionally, we approved the expansion of Bally's Park Place. The result is a new themed casino called the Bally's Wild Wild West. We also approved hotel expansions at the Atlantic City Hilton, Caesars Atlantic City and Harrah's.

Another significant highlight from 1997, included our move to strengthen the skills of our supervisors and managers. In April commissioners, directors, managers and supervisors attended a six week State Core Leadership Training Program sponsored by the New Jersey Department of Personnel's, Human Resource Development Institute. This course taught key elements of effective leadership and expanded the knowledge and skills our employees will use to be effective leaders in the future.





Diane Legreide

## Commissioners' Office

Diane Legreide was elected vice chair at the commission's reorganization meeting in January 1997. Gov. Whitman appointed Legreide to the commission in 1994.

In addition to managing the rigorous demands of her position, she has formed strong community ties. Vice Chair Legreide serves on numerous boards and organizations in the southern New Jersey region. In Atlantic County she serves on the Historic Gardner's Basin Board of Directors, Atlantic County 2000 Board of Directors, the Atlantic County Women's Hall of Fame and the LPGA Urban Youth Golf Program.

Prior to coming to the commission, Legreide was the deputy executive director of the New Jersey Senate staff.

In 1997, Chairman Bradford S. Smith served his second year on the Atlantic City

Convention and Visitors Authority Board of Directors.

Commissioner James R. Hurley served as the commission representative on the Casino Reinvestment Development Authority. Commissioner Hurley is the creator and member of the Board of Directors of the non-profit Affordable Homes of Millville Ecumenical and the Millville Rescue Squad Board of Directors.

Commissioner Leanna Brown served on the Special Improvement District of Atlantic City. Brown is also a member of the Atlantic County Women's Hall of Fame Board of Directors and the South Jersey Stage Co. Board of Directors.

The Office of Organizational Development (OD) made significant contributions during 1997 with its coordination of several key workplace initiatives. Two of the more popular programs have been in effect for several years.

- *Alternate Workweek Program*, allows employees flexibility in their work schedules.

- *PRIDE Program*, is an upward mobility program for classified employees.

One initiative the OD office coordinated last year was *Workplace Violence Crisis Management Planning*. Department Director Mark Tucci also coordinated employee training opportunities throughout the year, including the commission's tuition aid program.

Thanks to the efforts of the OD Office, employees now use a more streamlined, paperless e-mail system to make training requests. This replaces the paper-based system previously used.

This office also played a key role on the New Jersey Department of Personnel's Diverse Workforce Planning Team for all of state government.

Affirmative Action Officer Marvin Askins oversees the commission's personnel practices to ensure compliance with equal employment guidelines. His 1997 report indicates that 52 percent of the commission's employees are women and 25 percent are minorities. In addition, there were six staff promotions during the year. Four of them went to women and two went to minorities. This office was also involved in both the New Jersey Department of Personnel's Equal Employment Officer Training and the ADA teams for all state employees representing agencies, commissions, authorities and educational institutions.

The Public Information Office continued to serve as a clearinghouse for information about the commission. During the year, the office handled more than 3,000 inquiries from the news media, the financial community and the general public.

The office, headed by Daniel Heneghan, distributed more than 26,000 pieces of literature about the commission and the casino industry in 1997. It also expanded the commission's World Wide Web page [www.state.nj.us/casinos](http://www.state.nj.us/casinos) – to provide the public with licensing information, revenue statistics and other data about the commission. The public can also find a copy of the commission's recent report to the National Gambling Impact Study Commission on the website.

# Our Employees



2nd Quarter Award Linda Ealer, senior auditor,  
Division of Financial Evaluation



1st Quarter Award Iris Butts, customer service  
representative, Division of Licensing

## Sandra M. Donahue Employee Of The Quarter Award recipients for 1997.

As we move forward, past our twentieth anniversary, we look with pride on our accomplishments. With significant contributions from all of our employees, we have helped make New Jersey's gaming industry a model for the world.

Each day our employees go about their duties ready and eager to provide an array of services to the public. Highly motivated employees, like Iris Butts, Karen Tessein, Linda Ealer and Erin Hill have helped pave the way for the progress we have made since the commission's doors first opened in 1977.

We are particularly proud of our Sandra M. Donahue Employee Of The Quarter Award recipients for 1997.

The commission benefits everyday from their fresh ideas and hard work. They are part of a team of employees who continues to deliver the highest level of service to New Jersey citizens.



3rd Quarter Award Karen Tessein, MIS LAN manager,  
Division of Administration



4th Quarter Award Erin Hill, supervising payroll clerk,  
Division of Administration

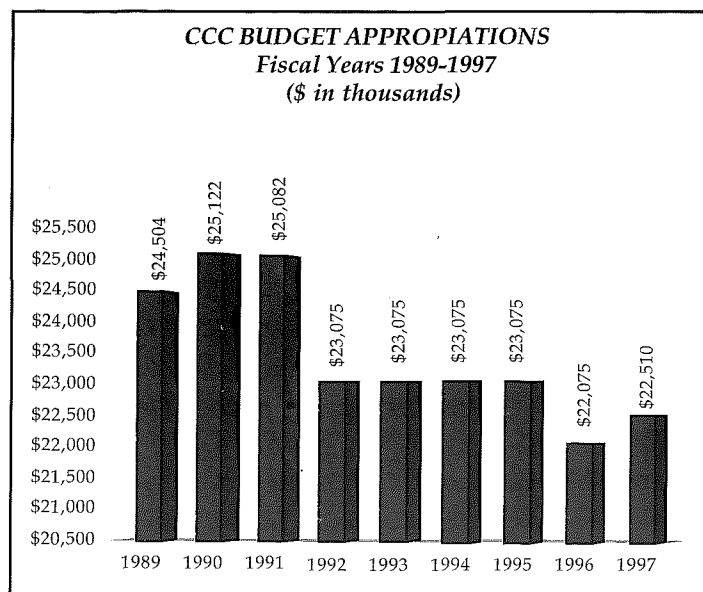
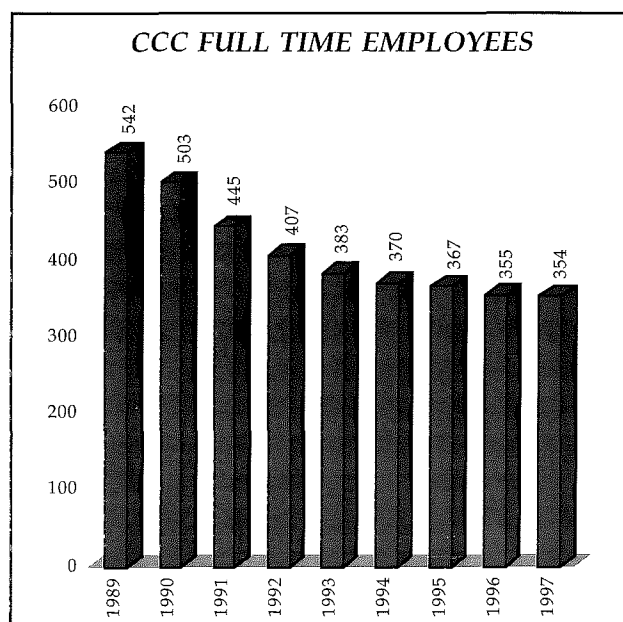
# Division of Administration

The Division of Administration includes the Human Resources Unit, the Information Systems Unit, the Administrative Practices Unit and the Administrative Operations Unit.

This past year, the Information Systems Unit has focused on a major AS 400 upgrade, enhancement of all agency personal computers with upgraded office automation software, development of a cost billing system and a financial evaluation system, upgrading hardware and software for the LAN system, participation in the evaluation of an electronic gaming system and the installation of internet services. Additionally, the Division researched new management software for the Human Resources Unit in order to provide newer techniques for administering payroll, personnel and benefits.

The Administrative Practices Unit continued to provide public meeting preparations, recording for pending petitions and other legal filings.

The Administrative Operations Unit assured continuous operation of the telecommunications systems and other systems intrinsic to daily operations. Lastly, the Division added desktop publishing capabilities for internal and external Commission documents.



## General Counsel

During 1997, the Legal Advisory Unit of the General Counsel's Office advised the commission on a number of casino license applications and corporate and financial restructurings of casino enterprises. These included the qualification of Sun International, the acquisition of ITT Corp. by Starwood Hotels and Resorts Worldwide, Inc., and the acquisition of Showboat, Inc. by Harrah's Entertainment, Inc.

The Regulatory Review Unit oversaw the operation of the Joint Regulatory Review Committee, consisting of representatives of the commission, the Division of Gaming Enforcement and the casino industry. As a result of the committee's work, more than 25 regulatory amendments were adopted in 1997. One of the most significant proposals amended the commission's rules that established the mandatory operating departments of casinos. As a result, casino operators now have more flexibility in structuring the essential aspects of their internal and accounting control systems.

The Regulatory Review Unit processed more than 28 other proposals. Of particular note was a new subchapter of the rules which codified the commission's previous rulings regarding restrictions on political contributions by casino operators. In total, the commission amended more than 150 regulations in 1997.



## Division of Compliance

What a difference 20 years makes. Gone are the days of mechanical slot machines and limited casino games. Slot machines are now computer driven, and casino customers can choose from more than 20 different table games. These changes have brought with them the challenges of new gaming technology.

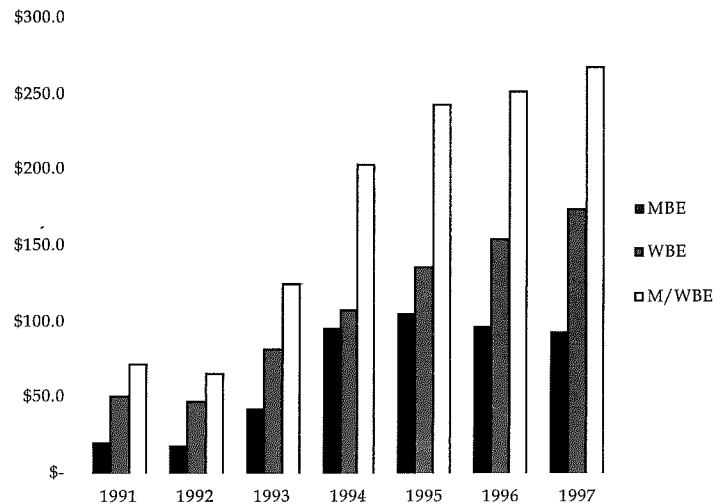
The Division of Compliance has the important task of evaluating the suitability of casino games and slot machines among other things. It consists of the Legal Advisory Unit, the Casino Operations Unit, the AA/EEO Unit and the Field Gaming Unit. The division approves casino submissions and recommends changes to existing regulations. It looks at everything from cashless slots, to "talking" slots, to multi-casino linked slots. Compliance must meet the challenges of new technology in order to properly evaluate table games and slots. Today it examines table games connected to computers, computer-based information systems, and surveillance systems. It also oversees a number of other sophisticated computer-based operations.

Last year the Operations Unit reviewed more than 1,000 internal control changes that were submitted by casinos. In addition, the Operations Unit recommended approval of amendments to the regulations that allow keno runners to operate outside of casino rooms.

The Field Gaming Unit, along with the Operations Unit, spent the first quarter of 1997 preparing for Bally's Wild Wild West Casino opening. The casino opened in July 1997 upon meeting the criteria imposed by the Division of Compliance.

The Affirmative Action and Equal Employment Opportunity Unit monitored casino activities for AA/EEO compliance. Atlantic City casinos met the regulatory requirements for minority employment in eight of the nine EEO categories monitored by the AA/EEO Unit. They also met the regulatory requirements for female representation in five of the nine EEO categories. During the year, the AA/EEO Unit monitored casino practices resulting from a 1996 regulatory change. The change requires casinos to take affirmative action in the employment and advancement of persons with disabilities.

*Casino W/MBE Purchasing Trends 1991-1997*  
(\$ in millions)



As a result, the commission retained Rutgers University to conduct a survey to determine the number of disabled persons currently employed in casinos. The Rutgers team began their survey in October 1997.

Last year was another record year for casinos doing business with minority- and women-owned firms. The amount of business conducted increased by 5.3 percent to \$268.3 million. That represents 22.1 percent of the industry's total disbursements and is well above the 15 percent goal established in the Casino Control Act. In 1996, the industry spent \$254.8 million with minority- and women-owned firms.

During the early 1990's, the casino industry and the commission upgraded efforts toward ensuring equal business opportunities for minority- and women-owned businesses. As a result, it is clear that minority- and women-owned firms are better able to compete in the casino marketplace than ever before.

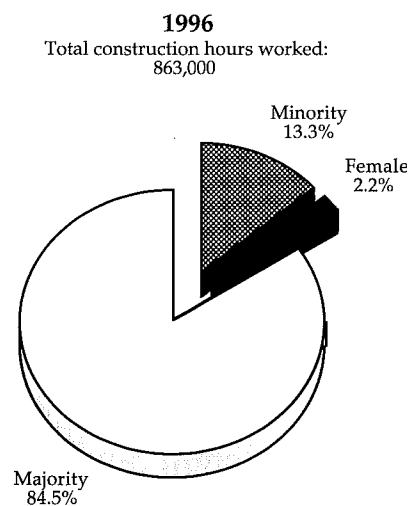
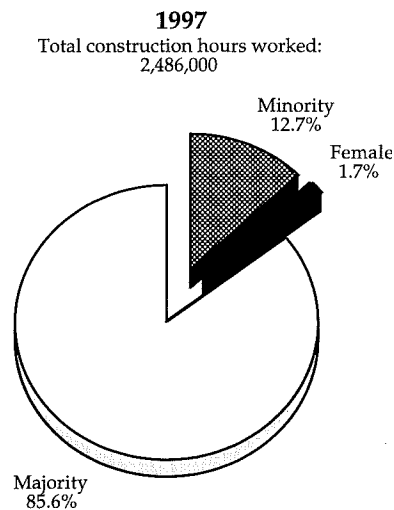
# Casino Hotel Industry Operations Work Force Composition

1997				
EEO CATEGORY	TOTAL	FEMALES	MINORITIES	WHITE MALES
Officials & Managers	7,419	41.1%	27.8%	44.8%
Professionals	5,338	44.5%	44.6%	32.5%
Technicians	960	19.5%	21.3%	64.1%
Sales Workers	4,210	67.4%	61.8%	12.4%
Office & Clerical	3,265	80.0%	44.9%	10.8%
Craftsperson	995	6.8%	17.3%	78.1%
Operatives	1,279	22.7%	45.9%	42.8%
Laborers	1,720	24.9%	81.5%	15.6%
Service Workers	16,700	46.8%	49.7%	27.9%
<b>TOTAL</b>	<b>41,886</b>	<b>46.8%</b>	<b>49.7%</b>	<b>27.9%</b>

1996				
EEO CATEGORY	TOTAL	FEMALES	MINORITIES	WHITE MALES
Officials & Managers	7,438	40.5%	27.2%	45.5%
Professionals	5,087	44.3%	42.8%	33.6%
Technicians	961	17.1%	21.1%	66.9%
Sales Workers	4,284	65.5%	61.0%	13.1%
Office & Clerical	3,183	80.3%	43.7%	10.6%
Craftsperson	986	6.9%	16.8%	78.3%
Operatives	1,430	24.4%	49.9%	39.0%
Laborers	1,154	21.7%	73.7%	22.1%
Service Workers	16,820	45.1%	58.7%	22.1%
<b>TOTAL</b>	<b>41,343</b>	<b>38.4%</b>	<b>43.9%</b>	<b>36.8%</b>

Minority Goal		Female Goal	
Craftspersons	14%	Craftsperson	5%
All other categories	25%	Operatives	30%
		Laborers	14%
		All other categories	46%

# Casino Construction Work Force Participation



## Division of Licensing

The Division of Licensing consists of four sections: the Employee License Unit, the Enterprise License Unit, the Legal Advisory Unit and the Technical Resource Unit.

Twenty years ago casino employees and enterprises seeking to do business with casinos had to complete extensive applications for licenses. In 1997, the Division of Licensing revised these forms and reduced the amount of required information. This resulted in a more streamlined and simpler application form.

The Employee License Unit showed its flexibility and ability to handle unusual situations quickly and effectively. In June, it issued 374 temporary employee licenses. This represents a record number of temporary employee licenses issued in a single month. The increase is attributed to the opening of Bally's Wild Wild West Casino.

The Employee License Unit also modified a program that allows employees of casinos to receive their license credential in the mail when they provide certain documents to Commission staff in the inspection booth of their employing casino. The program, which began in 1995 with only renewed licenses, now includes certain initial licenses.

The Commission continued its efforts to keep organized crime out of New Jersey casinos. For example, the Legal Advisory Unit handled a contested case where a New Jersey-based company applied to do business with casinos and was denied a license. This denial was based on the fact that one of its employees is the reputed head of a Philadelphia-based organized crime family.

When Caesars became the owner of the Ocean One Mall, the Enterprise License Unit asked it to file vendor registrations for the shopkeepers now doing business with them as tenants. Caesars petitioned the Commission for relief and the Commission subsequently ruled that these ancillary industries were within its regulatory jurisdiction. Over 80 vendor registrations were filed with the Commission as a result of this decision. Several of the shopkeepers were found to be doing business with Caesars at a level that required them to be licensed as nongaming casino service industries.

### The New Jersey Casino Industry Salaries and Wages

(\$ in thousands)

	1997	1996
Atlantic City Hilton (a)	\$ 69,446	\$ 69,632
Bally's Park Place	101,849	93,401
Caesars	95,109	95,650
Claridge	53,994	56,311
Harrah's	83,547	80,932
Resorts	80,261	82,655
Sands	69,883	74,389
Showboat	89,167	89,467
Tropicana	97,287	92,211
Trump Marina (b)	73,457	73,797
Trump Plaza	108,068	101,247
Trump Taj Mahal	134,860	133,557
Industry Totals	\$ 1,056,928	\$1,043,249

a) Formerly Bally's Grand

b) Formerly Trump Castle

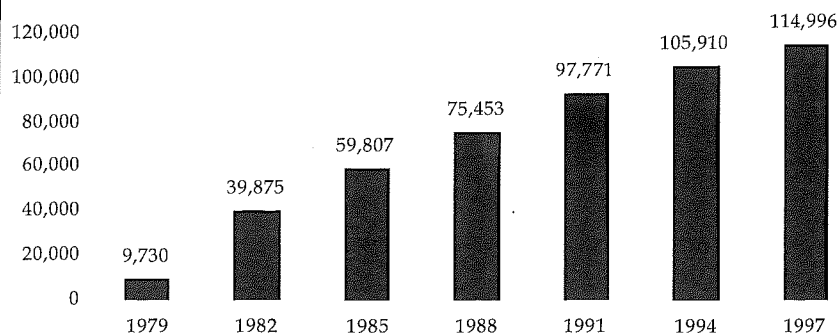
The Technical Resource Unit helped prepare for the Commission's minicomputer upgrade and tested the Division of Licensing's systems. The unit also provided information and training on software and helped resolve user problems within the Division of Licensing, created database tracking systems and assisted casinos in preparing required reports and transferring information electronically, and participated in discussions about new and innovative uses of data processing technology.



# Licensing Statistics

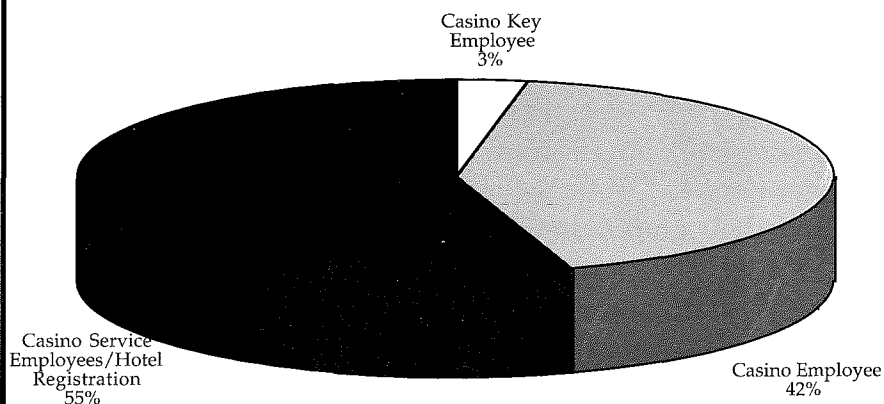
## Employee Initial Licenses

Issued 1978 through 1997



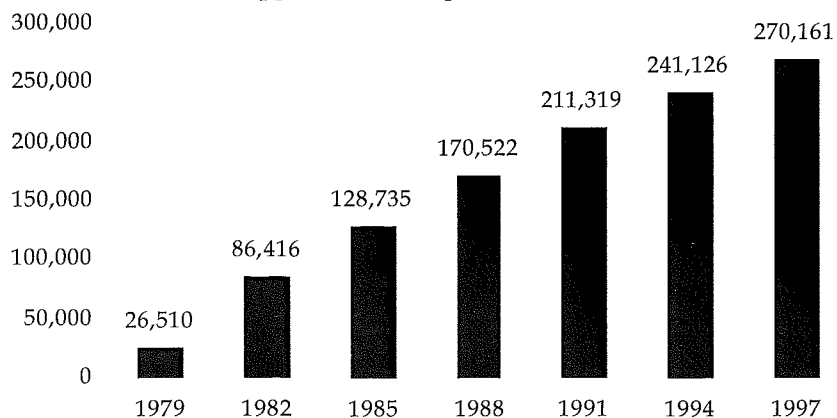
## Employee License/Registration

Applications Accepted 1978 - 1997

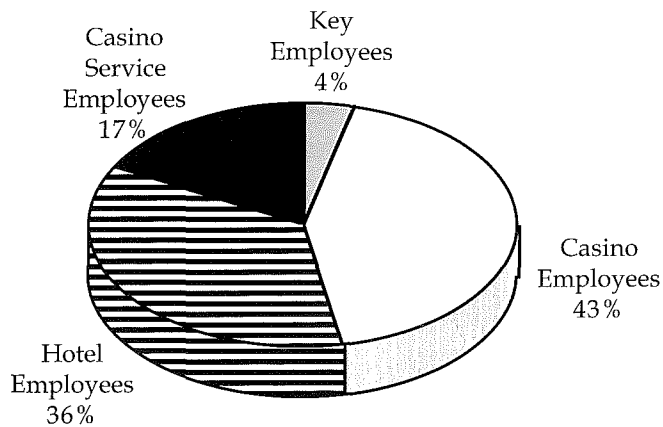


## Employee License/Registration

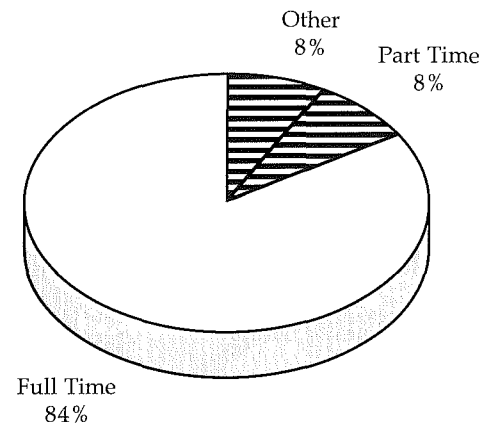
Applications Accepted 1978 - 1997



### Casino Hotel Employment



### Casino Hotel Employment



### Employee License Bureau

#### APPLICATIONS ACCEPTED AND LICENSES/CASINO SERVICE EMPLOYEE REGISTRATIONS ISSUED

	1/1/97 12/31/97	Inception to 12/31/97
<b>Casino Key Employees:</b>		
Applications filed	236	7,001
Licenses issued	282	6,512
<b>Casino Employees:</b>		
Applications filed	3,845	113,417
Licenses issued	3,925	108,484
<b>Casino Service Employees:</b>		
Licenses & registrations issued	2,737	147,913
<b>Gaming School and Junket Employees: <sup>1</sup></b>		
Applications filed		1,724
Licenses issued		1,567
<b>Total Employees:</b>		
Applications filed	4,081	122,142
Plenary licenses registrations issued	6,944	264,476
Temporary licenses issued	1,908	19,814
Employee license renewals processed	4,370	168,125

<sup>1</sup> Gaming School and Junket employee license categories were eliminated by statutory change

**TOTAL VOLUME OF BUSINESS**  
Casino Service Industry - Calendar Year 1997

	Total Companies	Percent of Total Companies	Dollar Volume of Business*	Percent of Total Business	
Total Number of					Total Number of
Vendors Receiving Payments	8,264	100.00%	\$2,763,953,078.00	** 100%	Vendors Receiving Payments
New Jersey Enterprises	3,355	40.60%	\$1,870,262,045.00	67.67%	New Jersey Enterprises
Pennsylvania Enterprises	1,038	12.56%	\$166,360,329.00	6.02%	Pennsylvania Enterprises
New York Enterprises	1,043	12.62%	\$162,229,914.00	5.87%	New York Enterprises
Delaware Enterprises	46	0.56%	\$8,694,894.00	0.31%	Delaware Enterprises
All other States	2,615	31.64%	\$539,790,252.00	19.53%	All other States
Foreign Enterprises	167	2.02%	\$16,615,644.00	0.60%	Foreign Enterprises

\* "Dollar Volume of Business" represents only those monies paid by casinos for goods and services. This figure does not include such payments as government taxes, fines and fees to the Casino Control Commission, charitable contributions, guests losses or court garnishments.

\*\* This dollar figure includes disbursements to subcontractors made pursuant to N.J.A.C. 19:43-10.6 (a)5.

Numbers reflect the states in which the offices serving hotel/casinos are located and may not be the states in which the enterprises are incorporated or have a home office.

**TOTAL VOLUME OF BUSINESS - NEW JERSEY COMPANIES**  
**Calendar Year 1997**

	<b>Total Companies</b>	<b>Percent of Total Companies</b>		<b>Dollar Volume of Business</b>	<b>Percent of Total Business</b>
New Jersey Enterprises	3,355	100.00%	\$	1,870,262,045	100.000%
Atlantic	1,412	42.09%	\$	1,082,313,550	57.870%
Bergen	195	5.81%	\$	31,200,539	1.668%
Burlington	208	6.20%	\$	46,908,636	2.508%
Camden	348	10.37%	\$	96,633,496	5.167%
Cape May	107	3.19%	\$	16,986,399	0.908%
Cumberland	86	2.56%	\$	20,257,898	1.083%
Essex	118	3.52%	\$	212,117,240	11.342%
Gloucester	120	3.58%	\$	20,846,379	1.115%
Hudson	61	1.82%	\$	25,414,179	1.359%
Hunterdon	7	0.21%	\$	66,098	0.004%
Mercer	95	2.83%	\$	15,004,937	0.802%
Middlesex	105	3.13%	\$	203,304,258	10.870%
Monmouth	111	3.31%	\$	16,699,332	0.893%
Morris	74	2.21%	\$	4,588,739	0.245%
Ocean	106	3.16%	\$	12,236,274	0.654%
Passaic	64	1.91%	\$	13,202,479	0.706%
Salem	7	0.21%	\$	47,567	0.003%
Somerset	39	1.16%	\$	18,207,220	0.974%
Sussex	4	0.12%	\$	107,510	0.006%
Union	84	2.50%	\$	34,114,536	1.824%
Warren	4	0.12%	\$	4,779	<0.000%



## Enterprise License Bureau Statistics

### Casino Service Industry Licenses

	Period 1-1-97 to 12-31-97	Inception to 12-31-97
Enterprises permitted to conduct business with casino licensees	4,023	51,270
Current Total Active Vendors		13,809
Enterprises prohibited from conducting business with casino licensees	89	1,661
Current Total Prohibited Vendors		1,111
<b>Initial Casino Service Industry (Gaming Related):</b>		
Applications Filed	7	217
Licenses Issued	11	126
Licenses Denied	0	15
Withdrawals Granted	0	41
<b>Total Licensees</b>		<b>39</b>
<b>*Renewal Casino Service Industry (Gaming Related):</b>		
Applications Filed	7	168*
Licenses Issued	4	70*
Licenses Denied	0	1*
Withdrawals Granted	1	1*
<b>Total Licensees</b>		<b>32</b>
<b>Initial Casino Service Industry Licenses (Non-Gaming Related)</b>		
Applications Filed	271	4,813
Licenses Issued	196	3,417
Licenses Denied	5	186
Withdrawals Granted	10	722
<b>Total Licensees</b>		<b>643</b>
<b>*Renewal Casino Service Industry Licenses (Non-Gaming Related)</b>		
Applications Filed	133	1,877*
Licenses Issued	132	1,748*
Licenses Denied	3	20*
Withdrawals Granted	5	53*
<b>Total Licensees</b>		<b>574</b>
Exemptions Granted by CCC	11	192
<b>Initial Casino Service Industry Licenses (Junket Enterprises)</b>		
Applications Filed	30	390
Licenses Issued	17	256
Licenses Denied	2	6
Withdrawals Granted	0	39
<b>Total Licensees</b>		<b>61</b>
<b>*Renewal Casino Service Industry Licenses (Junket Enterprises)</b>		
Applications Filed	12	146*
Licenses Issued	9	106*
Licenses Denied	0	1*
Withdrawals Granted	0	1*
<b>Total Licensees</b>		<b>43</b>
<b>Casino Service Industry Licenses (Gaming Schools)</b>		
Applications Filed	0	19
Licenses Issued	0	10
Schools Currently Operating		5
<b>Labor Organizations</b>		
Registrations	7	
Total Registered		7

\*Cumulative figures in this area account for the time period 1-1-88 to 12-31-97

# Division of Financial Evaluation

The Division of Financial Evaluation is responsible for evaluating the financial stability of casinos and the collection of gross revenue taxes. It provides the commission and New Jersey citizens with the comfort of knowing that casinos are financially secure enough to operate in New Jersey.

The Division of Financial Evaluation consists of four units; the Financial Evaluation Unit, the Audit Unit, the Budget and Fiscal Office and the Revenue Unit.

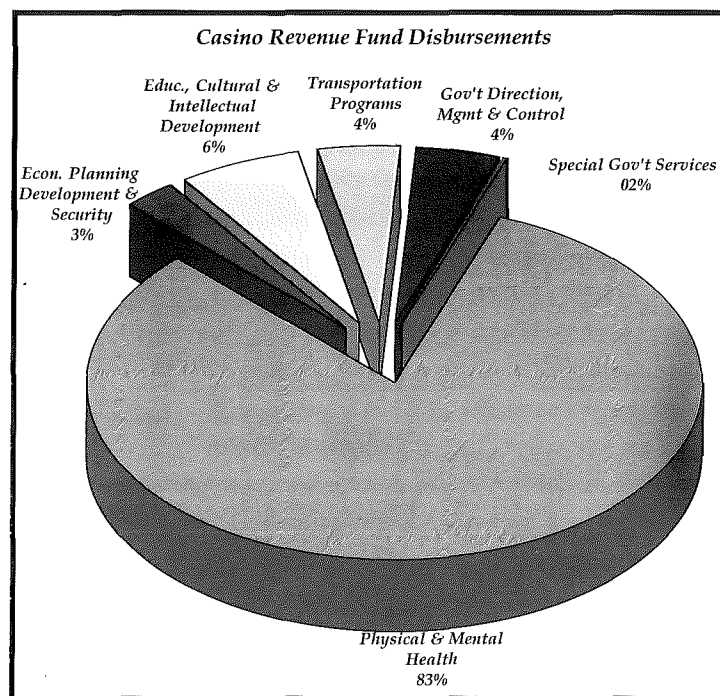
In 1997, the Budget and Fiscal Office oversaw the commission's \$22.5 million budget. These funds were expended from the Casino Control Fund for commission payroll and other operational expenses.

The Revenue Unit accounted for \$308.3 million in casino gross revenue tax and \$192,514 in fines that were levied against the casino industry. The money from fines are used to fund compulsive gambling programs.

Since the first casino opened in 1978, the Revenue Unit has collected \$3.8 billion in casino taxes and \$782.8 million in regulatory fees. Casino taxes are deposited into the Casino Revenue Fund and regulatory fees are deposited into the Casino Control Fund.

The Financial Evaluation Unit is responsible for the appraisal and study of casino finances. Its ability to evaluate complex financial structures was tested last year in hearings on the qualification of Sun International and Starwood Resorts and Hotels Worldwide, Inc. The Financial Evaluation Unit met the challenge and successfully completed thorough analyses of the companies and their suitability for casino licenses.

The Audit Unit maintains a presence in each casino hotel to review financial records. This unit also audits commission records. It assures that all records are completed and filed properly, and that all documents are in compliance with regulatory requirements.



## Casino Revenue Fund

Senior and disabled citizens are the primary beneficiaries of casino tax dollars in New Jersey. In 1997, New Jersey residents participated in programs funded by the 8 percent gross revenue tax that casinos pay to the state.

In fiscal year 1997, the Casino Revenue Fund had resources of \$423.5 million. Of that amount, \$384.2 million was disbursed to statewide programs.

Although there are many statewide programs that receive casino tax dollars, Lifeline Credit and Pharmaceutical Assistance for the Aged and the Disabled (PAAD) are the two most popular programs. More than 200,000 New Jersey citizens received PAAD and Lifeline assistance. Senior citizens who receive PAAD assistance pay only \$5.00 to have prescriptions filled. Senior and disabled homeowners and tenants may qualify for a \$225.00 annual Lifeline credit to help with utility payments.

New Jersey citizens may obtain additional information about services supported with Casino Revenue Funds from their county offices on aging.

# Financial Statistics

## THE NEW JERSEY CASINO INDUSTRY STATISTICS AT DECEMBER 31, 1997 AND 1996

	AC HILTON (a)		BALLY'S PARK PLACE		CAESARS		CLARIDGE		HARRAH'S MARINA		RESORTS	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
<b>TABLE GAMES:</b>												
Blackjack	51	51	93	52	56	53	36	41	48	45	45	42
Craps	10	10	14	10	13	14	8	10	9	9	9	9
Roulette	10	10	19	12	12	13	5	5	12	12	10	11
Big Six	1	1	4	2	2	2	1	1	1	1	2	2
Baccarat	2	2	2	2	3	4	2	-	1	-	3	2
Minibaccarat	6	4	2	2	4	3	3	1	1	2	1	2
Red Dog	0	-	0	-	-	-	-	-	-	-	-	-
Sic Bo	1	1	1	1	3	2	1	1	-	-	1	1
Pai Gow Poker	5	4	5	2	4	4	2	1	2	2	1	2
Pai Gow	3	2	1	-	3	2	-	-	-	-	1	1
Poker	8	11	16	16	7	9	-	-	8	8	17	18
Caribbean Stud Poker	6	6	8	6	4	5	4	3	7	8	4	6
Let It Ride Poker	4	3	10	5	5	3	2	2	6	6	2	2
Mini-Craps (c)	-	-	-	-	-	-	1	-	2	3	-	1
Three Card Poker (d)	-	-	-	-	-	-	-	-	-	-	2	2
Mini-Dice (e)	-	-	-	-	-	-	-	-	-	-	-	-
Total Table Games	107	105	175	110	116	114	65	65	97	96	98	101
<b>KENO WINDOWS</b>												
	4	4	4	4	6	6	-	-	4	4	4	5
<b>SLOT MACHINES:</b>												
\$.05 Slot Machines	-	-	172	24	-	-	15	40	-	-	-	-
\$.25 Slot Machines	1,088	1,081	2,512	1,374	1,430	1,536	1,288	1,312	1,365	1,431	1,500	1,430
\$.50 Slot Machines	241	261	468	292	482	477	158	162	270	272	359	441
\$1 Slot Machines	369	364	671	471	582	592	262	282	708	663	325	389
\$5 Slot Machines	80	80	117	82	72	65	27	24	113	104	58	53
\$25 Slot Machines	12	10	11	11	13	9	1	1	9	5	4	9
\$100 Slot Machines	5	2	3	3	7	6	-	-	3	3	2	3
Other Slot Machines	31	31	152	74	95	102	-	-	61	29	6	25
Total Slot Machines	1,826	1,829	4,106	2,331	2,681	2,787	1,751	1,821	2,529	2,507	2,254	2,350
<b>Casino Square Footage</b>												
	58,124	58,124	118,710	71,380	75,642	78,470	58,705	58,705	80,775	82,023	67,655	70,000
<b>Simulcast Square Footage</b>												
	1,517	1,517	36,124	8,679	6,765	5,898	-	-	-	-	8,058	8,058
<b>Number Of Hotel Rooms</b>												
	801	454	1,268	1,268	1,144	556	504	504	1,174	760	662	662
<b>Number of Parking Spaces</b>												
	1,848	1,848	2,119	2,269	2,018	2,145	1,460	1,174	2,878	2,395	1,719	1,483
<b>Fixed Asset Investment (\$ in Millions) (f)</b>												
	\$486.7	\$427.7	\$947.1	\$820.5	\$735.5	\$508.3	\$45.4	\$46.6	\$483.8	\$450.8	\$228.9	\$209.2
<b>Number of Employees</b>												
	3,432	3,280	5,473	4,243	4,126	4,045	2,508	2,462	3,543	3,569	3,526	3,933

a) Formerly Bally's Grand

b) Formerly Trump Castle

c) Mini-Craps was introduced in January 1996.

d) Three Card Poker was introduced in June 1996.

e) Mini-Dice was introduced in November 1996.

f) Represents property and equipment before accumulated depreciation. Fixed asset investment for Claridge primarily represents gaming equipment and the parking garage, since Claridge leases its hotel property and non-gaming equipment.



SANDS		SHOWBOAT		TROPICANA		TRUMP MARINA (b)		TRUMP PLAZA		TRUMP TAJ MAHAL		INDUSTRY TOTALS	
1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
57	60	48	48	56	54	46	40	65	88	74	79	675	653
11	12	10	10	14	14	12	13	10	12	14	15	134	138
14	12	13	13	13	13	9	9	15	15	18	19	150	144
2	2	2	2	1	2	1	1	2	3	4	4	23	23
5	3	5	3	3	3	3	3	2	4	7	6	38	32
3	3	2	1	8	4	4	3	7	5	3	5	44	35
-	-	-	-	-	-	-	-	-	-	-	1	0	1
1	1	1	1	1	1	1	1	2	1	2	2	15	13
2	2	2	2	5	4	4	3	3	2	8	10	43	38
1	2	1	1	6	5	2	2	2	1	7	6	27	22
16	16	-	6	50	50	-	6	-	-	63	64	185	204
6	6	6	8	6	6	6	6	4	4	10	12	71	76
4	2	6	5	4	4	6	6	5	6	7	8	61	52
1	1	-	-	-	1	-	-	-	-	-	-	4	6
-	-	-	-	-	-	-	-	-	-	-	-	2	2
-	-	-	-	-	-	-	-	-	-	1	-	1	0
123	122	96	100	167	161	94	93	117	141	218	231	1,473	1,439
4	4	-	1	7	7	-	-	-	-	10	10	43	45
-	-	75	39	-	-	35	77	287	200	210	139	794	519
1,317	1,249	2,705	2,636	2,144	1,811	1,233	1,223	2,532	2,534	2,752	2,375	21,866	19,992
257	265	317	310	463	419	293	325	512	624	322	352	4,142	4,200
408	408	551	533	771	675	448	527	623	632	694	764	6,412	6,300
68	68	58	61	143	103	81	110	86	71	106	104	1,009	925
6	6	2	2	18	8	12	15	8	7	13	13	109	96
3	3	2	2	9	4	4	6	4	4	4	4	46	40
17	17	27	22	171	159	46	56	38	151	35	48	679	714
2,076	2,016	3,737	3,605	3,719	3,179	2,152	2,339	4,090	4,223	4,136	3,799	35,057	32,786
57,812	53,427	80,707	76,595	114,205	99,986	73,734	73,734	138,305	139,474	116,199	126,784	1,040,573	988,702
15,447	22,962	20,998	20,486	10,183	10,183	2,150	2,150	-	-	31,521	12,317	132,763	92,250
532	532	800	800	1,624	1,624	728	728	1,404	1,395	1,250	1,250	11,891	10,533
1,738	1,738	3,514	3,514	2,968	2,844	2,986	2,986	3,572	3,572	7,180	5,057	34,000	31,025
\$320.5	\$317.0	\$457.3	\$438.9	\$689.2	\$678.4	\$521.4	\$514.7	\$719.1	\$694.6	\$1,007.0	\$965.0	\$6,641.9	\$6,071.7
3,071	3,292	3,551	3,780	5,116	5,053	3,487	3,442	5,275	5,536	6,015	6,321	49,123	48,956



THE NEW JERSEY CASINO INDUSTRY  
GROSS REVENUE AND RELATED TAX  
FOR THE YEAR ENDED DECEMBER 31, 1997 AND 1996  
(\$ in thousands)

Casino Hotel	Casino Win	Daily Average Casino Win	Adjustment for Uncollectibles	Gross Revenue	Tax
AC Hilton (1)					
1997	248,939	682	1,479	247,460	19,797
1996	250,804	685	1,014	249,790	19,983
Bally's Park Place					
1997	406,621	1,114	1,155	405,466	32,437
1996	351,747	961	1,113	350,634	28,051
Caesars					
1997	383,537	1,051	4,046	379,491	30,359
1996	391,006	1,068	1,083	389,923	31,194
Claridge					
1997	165,424	453	196	165,228	13,218
1996	162,727	446	211	162,516	13,001
Harrah's Marina					
1997	322,976	885	1,404	321,572	25,726
1996	316,254	864	1,252	315,002	25,200
Resorts					
1997	245,950	674	786	245,164	19,613
1996	259,217	708	1,318	257,899	20,632
Sands					
1997	236,274	647	2,788	233,486	18,679
1996	243,833	666	2,100	241,733	19,339
Showboat					
1997	353,369	968	2,076	351,293	28,103
1996	343,724	939	1,311	342,413	27,393
Tropicana					
1997	371,703	1,018	3,697	368,006	29,441
1996	350,702	958	2,154	348,548	27,884
Trump Marina (2)					
1997	265,572	728	1,488	264,084	21,127
1996	250,652	685	1,416	249,236	19,939
Trump Plaza					
1997	377,637	1,035	1,579	376,058	30,085
1996	373,301	1,020	1,369	371,932	29,754
Trump Taj Mahal					
1997	527,751	1,446	5,408	522,343	41,787
1996	519,631	1,420	10,402	509,229	40,738
TOTAL					
1997	3,905,753	10,701	26,102	3,879,651	310,372
1996	3,813,598	10,420	24,743	3,788,855	303,108

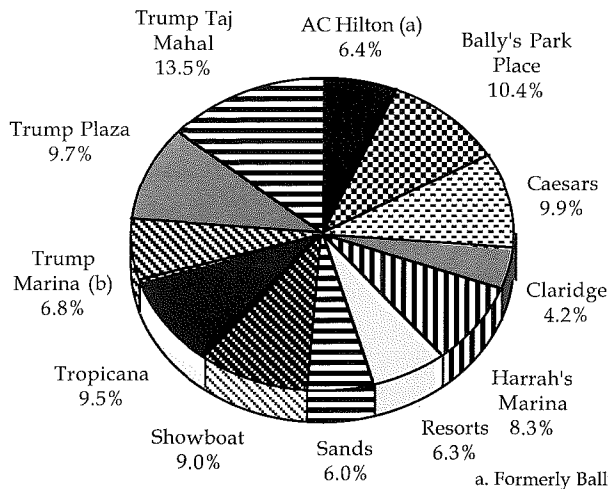
(1) Formerly known as Bally's Grand

(2) Formerly known as Trump Castle

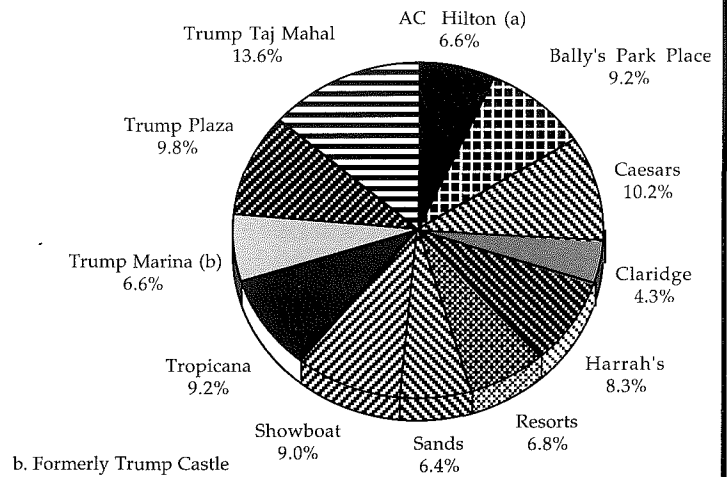
1997

# Market Share of Casino Win

1996

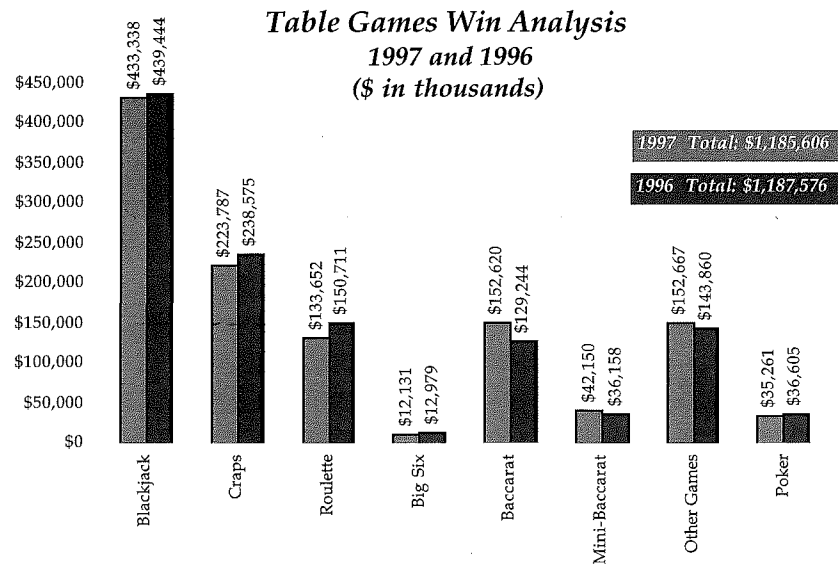


a. Formerly Bally's Grand

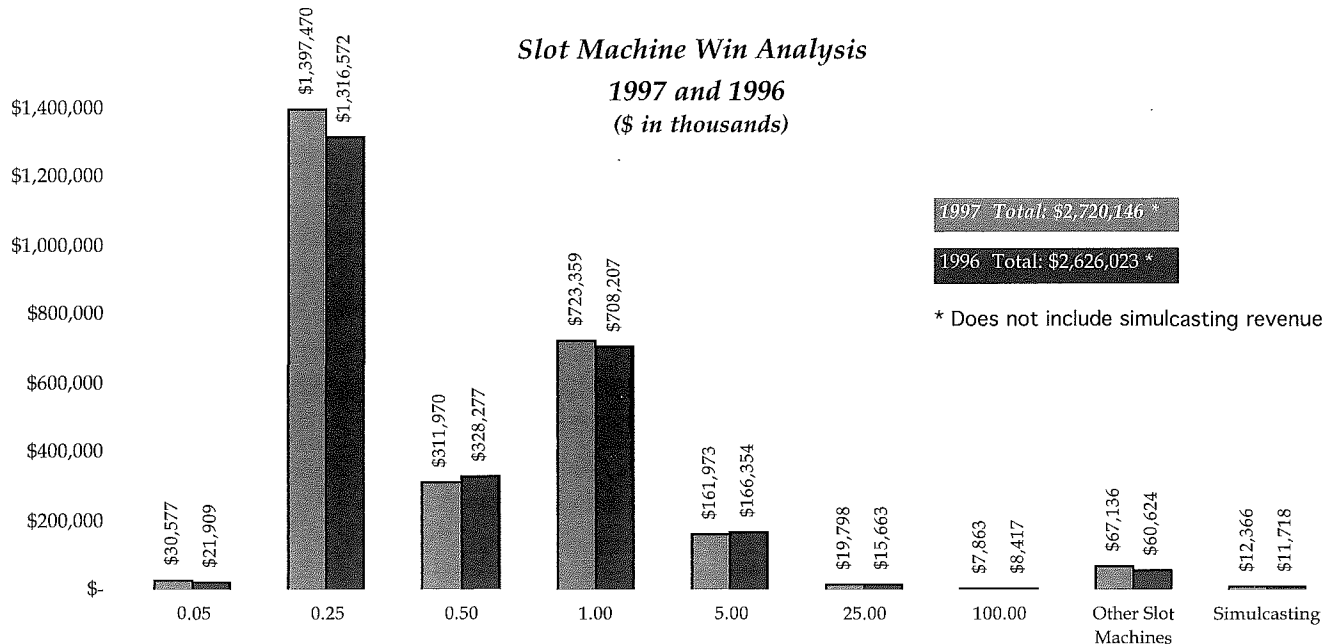


b. Formerly Trump Castle

## Table Games Win Analysis 1997 and 1996 (\$ in thousands)



## Slot Machine Win Analysis 1997 and 1996 (\$ in thousands)



\* Does not include simulcasting revenue

**LEGISLATIVE  
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**New Jersey State Legislature**

**OFFICE OF LEGISLATIVE SERVICES**

**OFFICE OF THE STATE AUDITOR**

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**(609) 292-3700**  
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**ALBERT PORRONI**

*Executive Director*

**(609) 292-4625**

The Honorable Christine Todd Whitman  
Governor of New Jersey

The Honorable Donald T. DiFrancesco  
President of the Senate

The Honorable Jack Collins  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the State of New Jersey Casino Control Fund as of and for the years ended June 30, 1997 and 1996. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Casino Control Fund and are not intended to present fairly the financial position and results of operations of the State of New Jersey, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Casino Control Fund as of June 30, 1997 and 1996, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated April 6, 1998 on compliance and internal control related to our audit of the financial statements of the State of New Jersey Casino Control Fund.

Our audit was made for the purpose of forming an opinion on the Casino Control Fund financial statements taken as a whole. The Expenditure Detail schedule is presented for the purpose of additional analysis and is not a required part of the Casino Control Fund financial statements. Such information has been subjected to the same auditing procedures applied in the examination of the Casino Control Fund financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read 'Richard L. Fair'.

**Richard L. Fair**  
**State Auditor**  
**April 6, 1998**

STATE OF NEW JERSEY  
CASINO CONTROL FUND  
BALANCE SHEET  
JUNE 30, 1997 AND 1996

EXHIBIT I  
(In \$000)

	1997	1996
<b>ASSETS</b>		
Cash	\$ 51.0	\$ 51.0
Accounts Receivable	6,052.4	5,861.6
Less: Allowance for Doubtful Accounts	<u>34.5</u>	<u>35.6</u>
Net Accounts Receivable	6,017.9	5,826.0
Due from General Fund	<u>7,875.6</u>	<u>10,949.3</u>
Total Assets	<u>\$ 13,944.5</u>	<u>\$ 16,826.3</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 3,696.1	\$ 2,392.0
Deferred Revenue	<u>7,905.1</u>	<u>8,526.9</u>
Total Liabilities	<u>11,601.2</u>	<u>10,918.9</u>
<b>Fund Balances</b>		
Reserved for:		
Encumbrances	3,552.0	3,445.4
Unreserved:		
Designated for Continuing Appropriation	347.5	2,330.9
Undesignated	<u>(1,556.2)</u>	<u>131.1</u>
Total Fund Balances	<u>2,343.3</u>	<u>5,907.4</u>
Total Liabilities and Fund Balances	<u>\$ 13,944.5</u>	<u>\$ 16,826.3</u>

STATE OF NEW JERSEY  
CASINO CONTROL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

EXHIBIT II  
(in \$000)

	1997	1996
<b>REVENUES</b>		
Casinos		
Licenses - Casino	\$ 33,575.0	\$ 32,301.5
- Slot Machine	16,513.8	14,979.8
- Alcoholic Beverage	49.3	30.9
Assessments	<u>-</u>	<u>-</u>
	50,138.1	47,312.2
Credits - Prior Year Fund Balance	<u>(5,907.4)</u>	<u>(1,963.1)</u>
Total from Casinos	<u>44,230.7</u>	<u>45,349.1</u>
Other Sources		
Licenses - Casino Employees	3,466.9	5,039.4
- Casino Service Industry	1,140.2	1,475.4
Slot Prototype	618.9	454.8
Other Revenues	<u>97.0</u>	<u>99.5</u>
Total from Other Sources	<u>5,323.0</u>	<u>7,069.1</u>
Investment Earnings	<u>593.1</u>	<u>523.2</u>
Total Revenues	<u>50,146.8</u>	<u>52,941.4</u>
<b>EXPENDITURES</b>		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	29,919.7	28,294.1
Government Direction, Management and Control (Casino Control Commission)	<u>23,791.2</u>	<u>22,392.7</u>
Total Expenditures	<u>53,710.9</u>	<u>50,686.8</u>
Net Increase (Decrease) in Fund Balance for the Year	<u>(3,564.1)</u>	<u>2,254.6</u>
Fund Balance - Beginning	<u>5,907.4</u>	<u>3,652.8</u>
Fund Balance - Ending	<u>\$ 2,343.3</u>	<u>\$ 5,907.4</u>



STATE OF NEW JERSEY  
CASINO CONTROL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

EXHIBIT III-A  
(in \$000)

	Budget	Actual	Variance- Favorable (Unfavorable)
<b>REVENUES</b>			
Casinos			
Licenses - Casino	\$ 32,182.8	\$ 33,575.0	\$ 1,392.2
- Slot Machine	16,447.0	16,513.8	66.8
- Alcoholic Beverage	19.6	49.3	29.7
Assessments	3,215.0	-	(3,215.0)
	51,864.4	50,138.1	(1,726.3)
Credits - Prior Year Fund Balance	(5,907.4)	(5,907.4)	-
Total from Casinos	45,957.0	44,230.7	(1,726.3)
 Other Sources			
Licenses - Casino Employees	3,677.1	3,466.9	(210.2)
- Casino Service Industry	1,287.1	1,140.2	(146.9)
Slot Prototype	460.0	618.9	158.9
Other Revenues	100.0	97.0	(3.0)
Total from Other Sources	5,524.2	5,323.0	(201.2)
 Investment Earnings	-	593.1	593.1
 Total Revenues	51,481.2	50,146.8	(1,334.4)
 <b>EXPENDITURES</b>			
Public Safety and Criminal Justice (Division of Gaming Enforcement)	29,151.0	29,875.3	(724.3)
Government Direction, Management and Control (Casino Control Commission)	24,791.9	24,123.2	668.7
Total Expenditures	53,942.9	53,998.5	(55.6)
 Net Increase (Decrease) in Fund Balance for the Year	\$ (2,461.7)	\$ (3,851.7)	\$ (1,390.0)

SEE NOTES TO FINANCIAL STATEMENTS

STATE OF NEW JERSEY  
CASINO CONTROL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

EXHIBIT III-B  
(in \$000)

	Budget	Actual	Variance- Favorable (Unfavorable)
<b>REVENUES</b>			
Casinos			
Licenses - Casino	\$ 30,479.9	\$ 32,301.5	\$ 1,821.6
- Slot Machine	14,000.0	14,979.8	979.8
- Alcoholic Beverage	36.9	30.9	(6.0)
Assessments	-	-	-
	44,516.8	47,312.2	2,795.4
Credits - Prior Year Fund Balance	-	(1,963.1)	(1,963.1)
Total from Casinos	44,516.8	45,349.1	832.3
 Other Sources			
Licenses - Casino Employees	5,069.2	5,039.4	(29.8)
- Casino Service Industry	1,097.5	1,475.4	377.9
Slot Prototype	442.5	454.8	12.3
Other Revenues	100.0	99.5	(0.5)
Total from Other Sources	6,709.2	7,069.1	359.9
 Investment Earnings	-	523.2	523.2
 Total Revenues	51,226.0	52,941.4	1,715.4
 <b>EXPENDITURES</b>			
Public Safety and Criminal Justice (Division of Gaming Enforcement)	29,151.0	28,176.3	974.7
Government Direction, Management and Control (Casino Control Commission)	23,778.5	21,496.5	2,282.0
Total Expenditures	52,929.5	49,672.8	3,256.7
 Net Increase (Decrease) in Fund Balance for the Year	\$ (1,703.5)	\$ 3,268.6	\$ 4,972.1

SEE NOTES TO FINANCIAL STATEMENTS

STATE OF NEW JERSEY  
CASINO CONTROL FUND  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

**B. Fund Accounting**

The state uses funds, account groups and component units to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts which represent the fund's assets, liabilities, equity, revenues and expenditures or expenses. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is then divided into separate "Fund Types".

**Governmental Fund Type - Special Revenue Fund**

The Casino Control Fund is a governmental fund type - special revenue fund. Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

The Casino Control Fund (N.J.S.A. 5:12-143) accounts for fees from the issuance and renewal of casino licenses and other license fees. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement.

**C. Basis of Accounting**

The Casino Control Fund is accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues susceptible to accrual would include casino license fees.

Expenditures are recorded on the accrual basis when the related liability is incurred. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.

**D. Budgetary Process**

An annual budget is adopted for the Casino

Control Fund. The Legislature enacts the budget through passage of specific appropriation, the sum of which may not exceed estimated revenues. The annual appropriation act for fiscal years 1997 and 1996 authorized \$51,661,000 and \$51,226,000 respectively. Budgetary control is maintained at the program unit level.

The accompanying statements of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Budgetary Basis present comparisons of the budget established at the start of the fiscal year with actual data on a budgetary basis. The Casino Control Fund's budgeted figures differ from those presented in the State of New Jersey Comprehensive Annual Financial Report (CAFR) due to state budget revisions made throughout the year for supplemental appropriations and changes in appropriated revenues.

The state's budgetary basis of accounting differs from that utilized to present financial statements in conformity with generally accepted accounting principles (GAAP). The main differences between the budgetary basis and the GAAP basis are that under the budgetary basis encumbrances are recognized as expenditures, and the budgetary basis reflects transactions only for the current fiscal year.

There were no expenditures in excess of appropriations in the Casino Control Fund. The following presents a reconciliation of the budgetary basis to the GAAP basis of reporting:

Actual on Budgetary to GAAP Basis  
June 30, 1997 and 1996  
(In Thousands)

	<u>1997</u>	<u>1996</u>
Budgeted Funds:		
Budgetary basis - net increase (decrease) in fund balances for the fiscal year	\$ (3,849.6)	\$ 3,268.6
Various other financing sources	-	-
Prior year expenditures and other financing uses	(1,378.0)	(3,297.5)
Encumbrances	<u>1,663.5</u>	<u>2,283.5</u>
GAAP basis - net increase (decrease) in fund balances for the fiscal year	(3,564.1)	2,254.6
Non-Budgeted Funds:		
GAAP basis - net increase (decrease) in fund balances for the fiscal year	-	-
Total All Funds:		
GAAP basis - net increase (decrease) in fund balances for the fiscal year	<u>\$ (3,564.1)</u>	<u>\$ 2,254.6</u>

**E. Fixed Assets**

Fixed assets acquired with fund resources are recorded as expenditures of the fund at the time of acquisition. Assets greater than \$20,000 are also recorded in the State's General Fixed Asset Account Group.

**F. Fund Balances**

The fund balances of the Casino Control Fund consist of the following:

- 1) Reserved for Encumbrances - Used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.
- 2) Reserved - Other - Used to segregate a portion of the fund balance to provide for anticipated expenditures in future fiscal years.
- 3) Unreserved - Designated for Continuing Appropriations - Used to represent that portion of fund balance which has been appropriated by the Legislature.
- 4) Unreserved - Undesignated - Used to represent that portion of fund balance resources available for appropriation.

**G. Other**

Other significant accounting policies are described in Notes 2 to 10.

**NOTE 2 - Cash**

Represents a \$500 petty cash fund maintained by each agency and a \$50,000 confidential fund maintained by the Division of Gaming Enforcement.

**NOTE 3 - Accounts Receivable**

Represents amounts due from casinos and related industries. Net receivables are substantially collected within three months.

Allowance for doubtful accounts represents one hundred percent of non-current receivables.

**NOTE 4 - Due From General Fund**

Cash transactions of the Casino Control Fund are made by and through the General Fund cash accounts. The balance of cash for this fund held in the General Fund, after receipt and disbursement transactions, is accounted for and reflected in the Due From account on the Balance Sheet.

**NOTE 5 - Deferred Revenue**

Deferred Revenue represents fiscal year 1998 and fiscal year 1997 slot machine license billings collected and recorded in June 1997 and 1996, respectively.

**NOTE 6 - Fund Balance**

The positive fund balance as of June 30, 1997 and June 30, 1996 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e) the balance at June 30, 1997 will be credited to casino licensees during fiscal

year 1998 in proportion to the relative amount of total fees incurred or paid by each casino licensee with respect to the fiscal year ended June 30, 1997. The balance at June 30, 1996 was credited in the same manner to casino licensees during fiscal year 1997.

**NOTE 7 - Employee Benefit Costs**

Fringe benefit costs which include pension, health benefits, payroll taxes, and amounts for unused sick leave are originally paid by the General Fund and are charged to the Casino Control Fund using a composite fringe benefit rate.

Cash payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on fifty percent of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from state service prior to retirement are not entitled to payments for accumulated sick leave balances. The liability for accumulated employee sick leave balances as of June 30, 1997 of approximately \$3.7 million is reflected in the State's Long-Term Debt Account Group and is not accrued in these financial statements.

Employees annually earn 12 to 25 vacation days based on years of service and are permitted to carry over those days earned within a one year period. The liability for accumulated vacation pay as of June 30, 1997 of approximately \$1.1 million is reflected in the State's General Long-Term Debt Account Group and is not accrued in these financial statements.

**NOTE 8 - Interest**

The General Fund charges interest to the Casino Control Fund when disbursements exceed receipts collected and credits interest to the Casino Control Fund when receipts collected exceed disbursements made. The interest rate used during fiscal year 1997 and fiscal year 1996 was equal to the effective rate of return on investments in the General Fund and varied from 5.29% to 5.55% in fiscal year 1997 and from 5.26% to 5.81% in fiscal year 1996. The net effect of these transactions is reflected in the Investment Earnings account on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

**NOTE 9 - Restatement**

The Designated for Continuing Appropriation balance as of June 30, 1996 has been restated to reflect a reapportionment increase of \$48,919 for the Commission.

**NOTE 10 - Contingent Liability**

The Casino Control Fund is involved in a number of legal actions wherein there is potential for unanticipated expenditure. The exact amount involved in these legal proceedings is not fully determinable. N.J.A.C. 19:41-9.1 allows the Casino Control Fund to apportion any uncollected cost among the licensed casino facilities.



STATE OF NEW JERSEY  
CASINO CONTROL FUND  
EXPENDITURE DETAIL  
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

SCHEDULE I  
(in \$000)

	1997		1996	
	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL
EXPENDITURES:				
Salaries	\$ 18,547.0	\$ 15,255.2	\$ 17,993.8	\$ 15,093.0
Payroll Taxes and Employee Benefits	4,971.4	3,972.4	3,488.2	3,179.5
Printing and Office Supplies	152.3	255.6	126.4	133.4
Vehicular Supplies	105.5	-	95.9	-
Travel	81.5	40.0	32.1	31.0
Telephone	378.3	228.0	293.1	176.0
Data Processing	668.9	538.1	1,597.7	1,413.0
Professional Services	426.7	115.1	322.8	89.6
Other Services Other Than Personal	595.2	112.2	492.5	217.3
Rent-Facilities	1,957.5	1,787.6	1,971.4	1,515.5
Rent-Automobiles and Other	117.9	96.9	133.0	119.8
Indirect Costs	906.2	54.3	1,106.1	215.1
Office Equipment	39.1	1,244.3	93.8	150.1
Vehicular Equipment	600.0	16.5	195.9	-
Other Equipment	372.2	75.0	351.4	59.4
TOTAL EXPENDITURES	\$ 29,919.7	\$ 23,791.2	\$ 28,294.1	\$ 22,392.7







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The Arcade Building*

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