



JUMP, BOWE, HOLMAN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Chairman and Members of the Board  
Casino Reinvestment Development Authority:

We have audited the accompanying balance sheet of the Casino Reinvestment Development Authority as of December 31, 1994 and the related statement of revenues, expenses and changes in fund equity and cash flows for the year then ended. These financial statements are the responsibility of the Casino Reinvestment Development Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Casino Reinvestment Development Authority as of December 31, 1993 were audited by other auditors whose report dated January 19, 1994, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Casino Reinvestment Development Authority at December 31, 1994 and the results of its cash flows for the year then ended in conformity with generally accepted accounting principles.

*JUMP BOWE HOLMAN + COMPANY*

January 20, 1995

Balance Sheet

December 31, 1994

ASSETS

	<u>Operating Fund</u>	<u>Reinvestment Fund</u>	<u>Development Fund</u>
Cash and cash equivalents (note 3)	\$19,303,021	145,301,084	4,357,920
Receivables:			
Current obligations (note 6)	-	9,664,339	
Prior obligations (note 6)	-	12,131,558	-
Notes (notes 4 and 15)	1,249,024	-	33,666,350
Parking fees	-	-	14,804,428
Interest	1,077,939	-	424,479
Other	801,439	-	35,781
Escrowed funds (note 14)	75,206	-	-
Investments (note 5)	-	-	2,443,679
Real estate (notes 2 and 14)	3,906,834	-	35,214,962
Fixed assets (net) (note 2)	<u>265,277</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$26,678,740</u>	 <u>167,096,981</u>	 <u>90,947,599</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts payable and accrued liabilities	518,624	-	-
Interest payable	-	1,870,909	684,281
Obligation and donated deposits (notes 6,8,11,12)	-	143,429,875	-
Accrued investment obligations (note 6)	-	9,664,339	-
Deferred investment obligations (note 6)	-	12,131,558	-
Bonds payable (net) (notes 5 and 7)	-	-	35,046,759
Other liabilities (note 5)	<u>-</u>	<u>300</u>	<u>1,686,421</u>
 Total liabilities	 <u>518,624</u>	 <u>167,096,981</u>	 <u>37,417,461</u>
Fund equity - unrestricted:			
Reserve for:			
Indemnification (note 13)	1,250,000	-	-
Land banking (note 14)	4,586,513	-	-
Loan repayment (note 18)	250,000	-	-
Development projects (note 14)	-	-	10,030,940
Demolition program (note 15)	876,029	-	-
ACMC Trauma Center (note 16)	12,464	-	-
Maintenance facility (note 17)	3,815,616	-	-
Unreserved fund equity-retained earnings	<u>15,369,494</u>	<u>-</u>	<u>43,499,198</u>
 Total fund equity	 <u>26,160,116</u>	 <u>-</u>	 <u>53,530,138</u>
 Total liabilities and fund equity	 <u>\$26,678,740</u>	 <u>167,096,981</u>	 <u>90,947,599</u>

See accompanying notes to financial statements.

Balance Sheet

December 31, 1993

ASSETS

	<u>Operating Fund</u>	<u>Reinvestment Fund</u>	<u>Development Fund</u>
Cash and cash equivalents (note 3)	\$17,645,285	163,331,790	2,863,797
Receivables:			
Current obligations (note 6)	-	8,528,532	-
Prior obligations (note 6)	-	12,431,558	-
Notes (notes 4 and 15)	1,249,024	-	28,951,900
Parking fees	-	-	5,793,663
Interest	807,961	-	81,721
Other	297,361	-	800
Escrowed funds (note 14)	75,206	-	-
Investments (note 5)	-	-	3,218,489
Real estate (notes 2 and 14)	3,775,227	-	29,275,216
Fixed assets (net) (note 2)	<u>267,502</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$24,117,566</u>	 <u>184,291,880</u>	 <u>70,185,586</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts payable and accrued liabilities	419,159	-	-
Interest payable	-	1,356,460	394,187
Obligation and donated deposits (notes 6,8,11,12)	-	161,975,030	-
Accrued investment obligations (note 6)	-	8,528,532	-
Deferred investment obligations (note 6)	-	12,431,558	-
Bonds payable (net) (notes 5 and 7)	-	-	31,249,491
Other liabilities (note 5)	<u>-</u>	<u>300</u>	<u>1,751,105</u>
 Total liabilities	 <u>419,159</u>	 <u>184,291,880</u>	 <u>33,394,783</u>
 Fund equity - unrestricted:			
Reserve for:			
Indemnification (note 13)	1,000,000	-	-
Land banking (note 14)	4,722,117	-	-
Development projects (note 14)	-	-	20,639,684
Demolition program (note 15)	1,750,976	-	-
ACMC Trauma Center (note 16)	12,464	-	-
Maintenance facility (note 17)	2,000,000	-	-
Unreserved fund equity-retained earnings	<u>14,212,850</u>	<u>-</u>	<u>16,151,119</u>
 Total fund equity	 <u>23,698,407</u>	 <u>-</u>	 <u>36,790,803</u>
 Total liabilities and fund equity	 <u>\$24,117,566</u>	 <u>184,291,880</u>	 <u>70,185,586</u>

See accompanying notes to financial statements.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Statements of Revenues, Expenses and Changes in Fund Equity

For the years ended December 31, 1994 and 1993

	Operating Fund		Development Fund	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
Revenues:				
Interest	\$ 4,539,958	3,682,877	2,102,313	1,424,796
Grant	-	-	32,839,173	16,044,688
Parking fees	-	-	14,010,765	7,314,488
Project processing and other fees	1,302,700	696,767	-	-
Other income	<u>-</u>	<u>-</u>	<u>472,865</u>	<u>46,143</u>
Total revenues	<u>5,842,658</u>	<u>4,379,644</u>	<u>49,425,116</u>	<u>24,830,115</u>
Expenses:				
Salaries and benefits	1,803,846	1,846,821	-	-
Professional and out- side services	807,462	855,748	-	-
General and admin- istrative	581,259	553,799	-	-
Interest	-	-	2,070,750	1,406,525
Program costs	-	-	30,555,737	2,194,953
Other	<u>3,998</u>	<u>12,356</u>	<u>59,294</u>	<u>51,486</u>
Total expenses	<u>3,196,565</u>	<u>3,268,724</u>	<u>32,685,781</u>	<u>3,652,964</u>
Excess of revenues over expenses before operating fund donations	2,646,093	1,110,920	16,739,335	21,177,151
Operating fund donations	<u>184,384</u>	<u>1,110,033</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenses as restated for 1993 (note 21)	2,461,709	887	16,739,335	21,177,151
Fund equity, beginning of year	<u>23,698,407</u>	<u>23,697,520</u>	<u>36,790,803</u>	<u>15,613,652</u>
Fund equity, end of year	<u>\$26,160,116</u>	<u>23,698,407</u>	<u>53,530,138</u>	<u>36,790,803</u>

See accompanying notes to financial statements.

Statement of Cash Flows

For the year ended December 31, 1994

	<u>Operating Fund</u>	<u>Reinvestment Fund</u>	<u>Development Fund</u>
<b>Cash Flows from Operating Activities:</b>			
Excess of revenues over expenses	\$ 2,461,709	-	16,739,335
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	63,614	-	-
Land subsidy	-	-	11,809,817
Cash provided by (used for) changes in:			
Interest receivable	(269,978)	-	(342,758)
Parking fees receivable	-	-	(9,010,765)
Other receivables	(504,078)	-	(34,981)
Accounts payable and accrued liabilities	99,465	-	41,257
Interest payable	-	-	<u>290,094</u>
Net cash provided by operating activities	<u>1,850,732</u>	-	<u>19,491,999</u>
<b>Cash Flows from Investing Activities:</b>			
Obligation deposits due	-	41,920,491	-
Less: Donations credits and returns	<u>-</u>	<u>8,278,101</u>	<u>-</u>
Net cash received from obligation deposits due	-	33,642,390	-
Collection of interest	-	6,511,796	-
Collection of notes receivable	-	-	387,303
Issuance of bonds	-	(3,823,881)	3,823,881
Payment of interest	-	(5,997,348)	-
Donation disbursements	-	(7,263,522)	-
Direct investment returns	-	(8,260,968)	-
Purchase of land, program costs and related interfund transfers	(131,607)	(32,839,173)	(17,749,563)
Purchase of fixed assets	(61,389)	-	-
Loan disbursements	-	-	(5,101,753)
Proceeds from calling of investments	<u>-</u>	<u>-</u>	<u>642,256</u>
Net cash used in investing activities	<u>(192,996)</u>	<u>(18,030,706)</u>	<u>(17,997,876)</u>
Increase (decrease) in cash and cash equivalents	1,657,736	(18,030,706)	1,494,123
Cash and cash equivalents - beginning of year	<u>17,645,285</u>	<u>163,331,790</u>	<u>2,863,797</u>
Cash and cash equivalents - end of year	<u>\$19,303,021</u>	<u>145,301,084</u>	<u>4,357,920</u>

See accompanying notes to financial statements.

Statement of Cash Flows

For the year ended December 31, 1993

	Operating Fund	Reinvestment Fund	Development Fund
<b>Cash Flows from Operating Activities:</b>			
Excess of revenues over expenses \$	887	-	21,177,151
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	64,082	-	-
Cash provided by (used for) changes in:			
Interest receivable	61,583	-	139,721
Parking fees receivable	-	-	(5,793,663)
Other receivables	(929,381)	-	(300)
Accounts payable and accrued liabilities	79,526	-	(931,157)
Interest payable	-	-	18,067
Net cash provided by (used in) operating activities	(723,303)	-	14,609,819
<b>Cash Flows from Investing Activities:</b>			
Obligation deposits due	-	40,236,320	-
Less: Donations credits and returns	-	2,635,912	-
Net cash received from obligation deposits due	-	37,600,408	-
Collection of interest	-	5,150,139	-
Collection of notes receivable	-	-	221,112
Issuance of bonds	-	(122,398)	122,398
Payment of interest	-	(5,055,581)	-
Donation disbursements	-	(4,655,750)	-
Direct investment returns	-	(3,246,098)	-
Purchase of land, program costs and related interfund transfers	(425,357)	(16,571,429)	(13,803,798)
Purchase of fixed assets, net	(132,032)	-	-
Loan disbursements	-	-	(139,978)
Purchase of investments	-	-	(563,014)
Net cash provided by (used in) investing activities	(557,389)	13,099,291	(14,163,280)
Increase (decrease) in cash and cash equivalents	(1,280,692)	13,099,291	446,539
Cash and cash equivalents - beginning of year	18,925,977	150,232,499	2,417,258
Cash and cash equivalents - end of year	\$17,645,285	163,331,790	2,863,797
See accompanying notes to financial statements.			

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements

For the years ended December 31, 1994 and 1993

1. 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 either pay 2.5% of their gross revenues as a tax or to invest 1.25% of their gross revenues in bonds of CRDA. The bond proceeds are used to finance projects, approved by CRDA, in Atlantic City, South Jersey and North Jersey. CRDA may also approve licensees' direct investments in projects or donations to CRDA that may be used to satisfy the licensees' investment obligations.

On July 1, 1993 Chapter 159 of P.L. 1993 became effective which imposes a daily parking fee, in Atlantic City, on motor vehicles which are parked, garaged or stored in parking facilities owned or operated by a casino licensee. The daily parking fee is currently \$2.00; of that amount \$1.50 is available exclusively for use by CRDA for eligible projects in the "corridor region of Atlantic City" as defined by CRDA. In addition, P.L. 1993 also empowered CRDA to issue public debt for projects in the "corridor region of Atlantic City" to be repaid from the parking fee revenues.

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

Eight members, including two members of the casino hotel industry, appointed by the Governor with the advise and consent of the State Senate.

One member appointed by the Governor upon the recommendation of the President of the State 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.

CRDA as created pursuant to law is empowered to:

- Maintain public confidence in the casino gaming industry as a unique tool of urban redevelopment for the City of Atlantic City and to directly facilitate the redevelopment of blighted areas throughout the State by providing eligible projects in which licensees may invest.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

1. Organization (continued)

- Provide loans and other financial assistance for the planning, acquisition, construction and rehabilitation of housing, recreation, transportation, education and community service facilities to provide decent, safe and sanitary living conditions for persons of low, moderate, median and middle incomes.
- Assist in financing buildings, infrastructure and other property to increase opportunities in manufacturing, industrial, commercial, entertainment, and service enterprises to induce and accelerate opportunity for employment in those enterprises.
- Promote the tourist industry in the State, especially in Atlantic County.
- Encourage investment in, or financing of, projects which are made as part of a comprehensive plan to improve blighted areas in the State or areas that are targeted to benefit low through middle income state residents.

CRDA is established in, but not of, the Department of the Treasury of the State of New Jersey and is a component unit of the State of New Jersey for financial reporting purposes.

The State Treasurer is required to approve all CRDA bond resolutions, investments and the annual operating budget.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared in conformance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the Financial Accounting Standards Board. The accounts of CRDA are organized on the basis of funds, each of which is defined as a separate accounting entity. The funds utilized are as follows:

- Operating Fund is used to account for all administrative and general transactions relating to the general operations of CRDA. Revenues are derived from one-third of the interest earned on the investment obligations received by CRDA from the licensees prior to the issuance of bonds, from project processing and administrative fees collected for the administration of CRDA loans, and from the interest earned on donations received by CRDA.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

- Reinvestment Fund is used to account for the receipt of the investment obligations and donated obligations from licensees which are available to finance projects. Investment obligations and donated obligations are held in this fund until bonds have been issued, directs investment payments have been made for approved projects, or donated funds have been expended. Two-thirds of all interest earned on investment obligations held in the Reinvestment Fund is due to the licensees and one-third is due to the Operating Fund. All interest earned on donated obligations is also due to the Operating Fund.
- Development Fund is used to account for all project financing from investment obligations and the corresponding loans receivable from those projects as well as parking fee revenue. It is also used to account for project grants that have not yet been disbursed for projects. All bonds included in the Development Fund are nonrecourse obligations of CRDA. Donated obligations are recognized as grant income when expended for approved projects.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis. Separate accounts are maintained for each major fund, with all financial transactions recorded and reported by fund group.

Budgetary Requirements - CRDA operates under a budget adopted by its Board. The annual operating budget is submitted by the last day of October of each year to the State Treasurer for approval.

Real Estate - Real estate consists of land, land improvements and related acquisition costs and is recorded at cost. Real estate is held by CRDA for future development, sale or donation. Real estate costs are expensed upon the disposition of the property.

Fixed Assets - Fixed assets, consisting primarily of furniture and equipment, are carried at cost less accumulated depreciation of \$253,821 and \$190,207 at December 31, 1994 and 1993, respectively. CRDA depreciates its assets using the straight-line method over their estimated useful lives, generally seven years for office equipment, and furniture and fixtures, five years for computer equipment, and ten years for leasehold improvements.

Bond Program - The Authority issues tax-exempt private activity bonds and taxable bonds. The proceeds from these bond issues are used to provide long-term, low-interest, loans to businesses and certain 501(c)(3) non-profit activities and other projects.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

3. Cash and Cash Equivalents

The "Securities Purchase Contract" between CRDA and the licensees prescribes the types of investments allowed in the Reinvestment Fund. The "Securities Purchase Contract" requires that all investments be as follows:

- Direct obligations of or obligations unconditionally guaranteed by the United States or direct obligations of or obligations unconditionally guaranteed by any state of the United States. If the latter is chosen, the securities must be rated in any of the two highest rating categories by a nationally recognized rating service.
- Repurchase agreements that are collateralized by direct obligations of or obligations unconditionally guaranteed by the United States. The collateral must have a market value at all times equal to the repurchase price, and must be perfected for the benefit of CRDA.
- Units of the New Jersey Cash Management Fund, invested by the State Division of Investments, consisting of short-term obligations of the U.S. Government and certain of its agencies, commercial paper, certificates of deposit, repurchase agreements and bankers' acceptances.
- Certificates of deposit issued by a bank, trust company, national banking association, savings and loan association or other financial institution that is fully and continuously secured by direct obligations of, or obligations unconditionally guaranteed by the United States. The securities underlying the certificates of deposit must have a market value at all times equal to the principal amount of such certificates of deposit, and must be held in such a manner as may be required to provide a perfected security interest for the benefit of CRDA.

As of December 31, 1994 and 1993, all cash and cash equivalents held in the Reinvestment Fund by CRDA were in compliance with the requirements of the "Securities Purchase Contract".

Substantially all cash and cash equivalents held at December 31, 1994 and 1993 were invested in the New Jersey Cash Management Fund.

For the purpose of the statement of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Notes Receivable

Notes receivable consist of loans with terms varying from 23 to 40 years at interest rates varying between 6.0% and 8.5%.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

5. Investments

Investments consist principally of marketable securities and are recorded at the lower of cost or market. A portion of the investments at December 31, 1994 and 1993 were jointly owned with the Atlantic City Improvements Authority (ACIA) but maintained by CRDA. The ACIA's portion of the investments is recorded as part of "other liabilities".

At December 31, 1994 and 1993, investments consisted of 80,979 shares of Allied Federated Department stores, 329,000 Eckerd Bonds and 515,000 FNMA debentures and had the following values:

	Cost Basis	Market Value	Valuation Allowance
1994	<u>\$4,590,583</u>	<u>2,443,679</u>	<u>2,146,904</u>
1993	<u>\$5,318,489</u>	<u>3,218,489</u>	<u>2,100,000</u>

In accordance with the Authority's agreement with its bond holders, the decline in market value is shown as a reserve against the bonds payable within the corresponding project.

6. Investment Obligations

- a. Obligations collected from licensees are held in the Reinvestment Fund until projects are approved by CRDA's Board of Directors. At that time, they are used for the purpose of purchasing bonds issued by CRDA for financing approved projects, disbursing licensees' obligations for approved direct investment projects, financing approved projects with donated obligations, or purchasing bonds of the New Jersey Development Authority.
- b. Current obligations represent amounts incurred by licensees under CRDA statute and are based upon 1.25% of their gross revenues. Payments are due quarterly on April 15, July 15, October 15, and January 15, for the preceding quarter. For financial reporting purposes, amounts outstanding are also recorded as accrued investment obligations.
- c. Prior obligations represent amounts incurred by licensees operating prior to the establishment of CRDA in 1984 and are based upon 2% of their gross revenues. As of December 31, 1994, all licensees have fulfilled their obligations accrued prior to January 1, 1984 with the exception of Resorts International Hotel, Inc. (Resorts) (see "D" below) and Bally's Park Place (see "E" below). For financial reporting purposes, amounts outstanding are also recorded as deferred investment obligations.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

6. Investment Obligations (continued)

- d. Resorts has claimed a direct investment credit for the Pinnacle and Country Place housing projects in Atlantic County completed prior to the creation of CRDA. Casino obligations during this time period are restricted to housing and housing related projects. Due to its claim, Resorts has not made full obligation payments for the years 1980 to 1983 for a total of \$10,781,558.

The Casino Control Commission, which had jurisdiction over these projects, granted project approval subject to an audit by the State Treasurer to determine the actual amount of eligible credit. The State Treasurer is in the process of finalizing that audit. At present, Resorts has not been presented with a final determination letter as to the amount of eligible credit. In the event that direct investment credit for such amount is not approved, CRDA believes that Resorts will be obligated to make payments for such amounts according to law.

- e. During 1991, Bally's Park Place concluded negotiations with the State Treasurer and agreed to a settlement as follows:

Payments for investments or donations to be paid over the next six years	\$2,250,000
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The settlement outstanding as of December 31, 1994 and 1993 amounted to \$1,350,000 and \$1,650,000, respectively.

Guaranties on primary residence mortgages in Atlantic City for employees of Bally's Park Place and The Grand, who meet certain eligibility standards.

Mortgages to be funded by:

CRDA	\$1,000,000
New Jersey Housing and Mortgage Financing Agency	\$1,000,000

The amount of guaranties remaining unused at June 30, 1997 will then expire.

7. Bonds Payable

Bonds payable consist of bonds issued by CRDA to licensees with terms varying from 42 to 50 years at interest rates varying between 4.0% and 7.0%. As of December 31, 1994 and 1993 no bonds have been issued to the public.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

7. Bond Payable (continued)

As set forth in such bonds and in the various agreements and documents related to their authorization and issuance, the principal of, premium if any, and interest on all bonds issued are payable solely from the revenues and other monies derived from the sale or other disposition of the projects financed by such bonds, any other revenues from the projects or other monies which may be pledged with respect to such issues. All such bonds are special obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the State.

8. Project and Direct Investment Commitments and Disbursements

a. During 1994 and 1993, CRDA committed approximately \$97.38 and \$69.6 million in current and future CRDA obligations to finance direct investment and other projects.

As of December 31, 1994, CRDA had made cumulative commitments and disbursements as follows:

<u>Project</u>	<u>Commitments</u>	<u>Disbursements</u>		
		<u>Bonds</u>	<u>Direct Investment</u>	<u>Donated Obligation</u>
Northwest Inlet	\$ 3,307,100	2,413,051	-	-
Vermont Plaza	21,000,000	21,000,000	-	-
Regency and Victorian Ct.	38,246,970	-	37,219,792	-
Victorian Court II	2,620,242	-	2,445,332	-
Harrahs Phase I:				
Direct Investment	52,492,031	-	38,646,173	-
Grant Escrow	1,050,000	-	-	1,050,000
Jacobs Family Terrace	12,464,843	3,002,593	9,001,976	-
Landmark Group	880,000	880,000	-	-
NE Inlet Redev Plan	21,409,248	-	-	585,521
NH Widening	8,798,151	-	-	8,085,841
The Enclave at Gardner's Basin	27,969,572	-	-	27,498,510
Dockside Packing Co.	210,960	-	-	31,644
Phase III Project	14,297,904	-	-	9,165,297
Atlantic City				
Alternative Bonds	2,000,000	-	-	-
Caesars Demolition	3,000,000	-	-	-
Delaware Ave. Widening	8,000,000	-	-	5,327,473
Citywide Rehabilitation Program	3,500,000	-	-	60,038
Youth Build Program	1,000,000	-	-	875,000

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

8. Project and Direct Investment Commitments and Disbursements (continued)

<u>Project</u>	<u>Commitments</u>	<u>Bonds</u>	<u>Disbursements</u>	
			<u>Direct Investment</u>	<u>Donated Obligation</u>
Atlantic City Corridor Development	6,319,322	-	-	3,995,343
Atlantic City Special Improvement District	3,000,000	-	-	2,803,150
CBD Supermarket/Retail Complex	8,100,000	-	-	5,496,268
Trump Plaza Hotel and Park Project	11,590,325	-	1,986,089	-
Caesars Convention Center HQ Hotel	15,000,000	-	831,445	-
Showboat Hotel Expansion	9,118,151	-	3,045,872	-
Marina Corridor Beautification	5,100,000	-	-	418,382
Ducktown Corridor	1,273,569	-	-	570,769
The Grand Hotel Expansion	6,934,928	-	-	-
Bally's Park Place Hotel Expansion	2,536,390	-	-	-
Tropworld Hotel Expansion	20,098,460	-	-	-
Neighborhood Corridor Beautification	2,000,000	-	-	-
Trump Taj Mahal Hotel Expansion	16,053,082	-	-	-
Neighborhood Corridor Beautification	6,500,000	-	-	217,319
Neighborhood Stabilization Program	5,000,000	-	-	-
Martin Luther King, Jr. Corridor	2,500,000	-	-	71,055
NE Inlet Land Banking (Purchased to date, 113 parcels)	<u>6,088,770</u>	<u>-</u>	<u>-</u>	<u>6,088,770</u>
Sub-total Atlantic City	349,460,018	27,295,644	93,176,679	72,340,380
Woodbury Child Development Center	880,000	-	-	870,897
Agricultural Loan Program	3,000,000	-	-	-
Waterfront Project/Trenton	2,000,000	-	-	-

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

8. Project and Direct Investment Commitments and Disbursements (continued)

<u>Project</u>	<u>Commitments</u>	<u>Disbursements</u>		
		<u>Bonds</u>	<u>Direct Investment</u>	<u>Donated Obligation</u>
Roebling Complex/Trenton	3,293,900	-	-	-
Waterfront Project/Camden	3,000,000	-	-	3,000,000
SJ MLP Bond Reserve	557,161	557,161	-	-
Serendipity/Willingboro	625,000	625,000	-	-
ARC/Lakewood	516,029	516,029	-	-
GE Aerospace Facility/ Camden	1,932,496	-	-	1,932,496
YMCA/Hamilton	700,000	700,000	-	-
Day Care Center/Lakewood	525,000	525,000	-	-
Atlantic City Medical Center	1,787,503	-	-	1,787,503
BCCAP/Pemberton	<u>96,738</u>	<u>96,738</u>	-	-
Sub-total South Jersey	<u>18,913,827</u>	<u>3,019,928</u>	-	<u>7,590,896</u>
Sub-total	<u>368,373,845</u>	<u>30,315,572</u>	<u>93,176,679</u>	<u>79,931,276</u>
North Oraton Homes/ East Orange	1,400,000	-	-	-
Marcal Extraction FAC/ Elmwood Park	25,500,000	2,095,529	-	-
Clifton Grove Estates	2,200,000	1,461,613	-	-
Jersey City Afford- able Housing	1,600,000	-	-	-
NEDC/Newark	900,000	900,000	-	-
Children's Day Nursery/ Passaic	502,500	502,500	-	-
Vietnam Vets Memorial/ Holmdel	1,000,000	-	-	1,000,000
MI Bandera Market/ Union City	724,419	724,419	-	-
Recreation Center/ West New York	478,727	478,727	-	-
Catholic Social Services HQ/Newark	<u>2,500,000</u>	-	-	<u>2,500,000</u>
Sub-total North Jersey	<u>36,805,646</u>	<u>6,162,788</u>	-	<u>3,500,000</u>
Totals as of December 31, 1994	<u>\$405,179,491</u>	<u>36,478,360</u>	<u>93,176,679</u>	<u>83,431,276</u>

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

8. Project and Direct Investment Commitments and Disbursements (continued).

b. Harrahs, through its Northeast Inlet Phase I direct investment project, has accumulated a prepayment and prepayment discount carryforward of approximately \$15.3 million as of December 31, 1994 to be applied to future Atlantic City CRDA obligations due. The prepayment is a result of direct investment project expenditures and discount credit advanced in excess of obligations due.

9. Program Costs

Program costs are included as expenses within the Statement of Revenues, Expenses and Changes in Fund Equity and consisted of the following:

	1994	1993
Development fund:		
Atlantic City Corridor	\$ 1,273,934	1,266,100
Delaware Avenue Widening	2,329,050	657,892
New Hampshire Avenue Widening	-	87,982
Northeast Inlet Phase III	-	142,979
Society Hill I	26,952,538	-
Renaissance Plaza Supermarket/ Retail Complex	<u>215</u>	<u>40,000</u>
	<u>\$30,555,737</u>	<u>2,194,953</u>

10. Operating Fund Donations

Donations from the operating fund are included as expenses within the Statement of Revenues, Expenses and Changes in Fund Equity and consisted of the following:

	1994	1993
Operating fund:		
Atlantic City Medical Center donation	\$ -	1,000,033
Albany Avenue/O'Donnell Park donation	-	110,000
Bus Maintenance Facility donation	<u>184,384</u>	<u>-</u>
	<u>\$184,384</u>	<u>1,110,033</u>

11. Allocation of Obligation and Donation Deposits

CRDA is required by a formula in the Statute to allocate obligations received to Atlantic City, South Jersey and North Jersey. CRDA is also required to set aside \$1,200,000 annually for the purpose of investing in obligations of the New Jersey Development Authority (NJDA). As of December 31, 1994 and 1993, CRDA has allocated obligation and donation deposits as follows:

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

11. Allocation of Obligation and Donation Deposits (continued)

	1994	1993
Obligation deposits by area:		
Atlantic City	\$ 71,418,623	79,758,766
South Jersey	9,482,482	7,970,411
North Jersey	8,489,810	9,952,735
NJDA	4,573,523	3,864,310
Donation deposits by area:		
Atlantic City	45,956,334	59,548,808
South Jersey	<u>3,509,103</u>	<u>880,000</u>
Total	<u>\$143,429,875</u>	<u>161,975,030</u>

12. Donated Obligations

Certain licensees have petitioned to donate obligations to CRDA and NJDA in lieu of purchasing bonds. CRDA and NJDA accepted the donations in accordance with N.J.S.A. 5:12-177 and granted credit against the present or future obligation to purchase bonds. Cumulative current and prior donated amounts and the amount of credit to be applied against future obligations as of December 31, 1994 are as follows:

	<u>Donated Amounts</u>	<u>Future Credit</u>
Atlantic City:		
Atlantis	\$ 5,545,803	-
Bally's Park Place & The Grand	22,713,156	-
Claridge	9,258,968	816,822
Harrah's	2,215,754	-
Resorts	12,048,465	-
Sands	17,643,666	-
Showboat	10,500,000	-
Trump's Castle, Trump Plaza & Taj Mahal	36,883,344	82,803
South Jersey:		
Bally's Park Place & The Grand	3,000,000	-
Claridge	1,230,683	465,499
Harrah's	1,092,700	-
Sands	2,627,299	102,631
Trump's Castle & Trump Plaza	3,149,317	1,051,594
North Jersey:		
Caesar's	1,000,000	-
The Grand	500,000	-
Bally's Park Place	500,000	-
Trump's Castle	621,000	120,039
Trump Plaza	879,000	257,449

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

12. Donated Obligations (continued)

NJDA:

Atlantis	216,985	-
Bally's Park Place	912,594	54,197
Caesar's	755,800	-
Claridge	429,358	-
The Grand	854,875	143,135
Harrah's	907,667	57,112
Sands	649,751	-
Showboat	235,789	-
Trump's Castle	<u>524,703</u>	<u>-</u>

Total	<u>\$136,896,677</u>	<u>3,151,281</u>
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13. Directors and Officers Liability Insurance

On August 8, 1986, CRDA approved the establishment of a \$1,000,000 Indemnification Fund. On October 14, 1993, the fund was increased to \$1,250,000 for 1994. In the event any amount of the Indemnification Fund is used for purposes for which it has been established, CRDA will replenish that amount from operating revenue but not more than \$250,000 per year.

14. Land Banking and Real Estate

- a. Within the Operating Fund through its Land Banking Program, CRDA has authorized the acquisition of land within the Northeast Inlet section of Atlantic City to facilitate the implementation of the Northeast Inlet Redevelopment Plan. CRDA has a balance of \$3,906,834 as of December 31, 1994 and \$3,775,227 as of December 31, 1993 of real estate held for resale to developers of future CRDA approved projects. CRDA had reserved \$9 million of its operating fund's unrestricted fund equity for such purpose. The amount available within reserved fund equity for land acquisition upon authorization by CRDA as of December 31, 1994 and 1993 is \$4,586,513 and \$4,722,117, respectively.
- b. As of December 31, 1994 and 1993, CRDA has escrowed funds totaling \$75,206 for the purchase of land in the Northeast Inlet section of Atlantic City. CRDA expects to complete the transactions and receive title to the land.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

14. Land Banking and Real Estate (continued)

c. CRDA established the Land Banking Program and New Hampshire and Delaware Avenue Widening Projects in the Development Fund which are both funded by previously donated obligations. The Land Banking Program operates similarly to the program described in the Operating Fund. The New Hampshire Avenue Widening Project entails the purchase of land along New Hampshire Avenue in Atlantic City in order to widen the road as directed by the Northeast Inlet Redevelopment Plan. The Delaware Avenue Widening Project entails the purchase of land and the funding of construction costs to widen the roadway.

The Atlantic City Improvement Authority (ACIA) is providing construction management services for the Delaware Avenue Widening Project. CRDA, which has committed \$8,000,000 for this project, will provide funds to the ACIA for budgeted expenses. Land acquisition costs are capitalized by CRDA and construction costs reimbursed to the ACIA are expensed as program costs. As of December 31, 1994 and 1993, approximately \$17.9 million and \$15.0 million, respectively in real estate has been purchased by the Development Fund for the above noted projects and program.

A portion of the land acquired through the New Hampshire Avenue and the Delaware Avenue Widening Projects will be dedicated (for a nominal sum) to the City of Atlantic City. Title transfers will result in cost of land sold expense in the Development Fund. The remaining land will be retained by CRDA for future development.

Within the Development Fund, the CRDA has purchased land and incurred related costs for the proposed The Cove at Gardner's Basin Townhomes by Hovnanian within the Northeast Inlet section of Atlantic City. The contractual provisions were met, and the land was sold to a developer (for a nominal sum). As in the above noted avenue widening projects, title transfers resulted in cost of land sold expense in the development fund.

Fund equity, within the Development Fund, has been reserved as follows:

	1994	1993
Real estate owned and related costs capitalized:		
New Hampshire Avenue Widening Project	\$ 7,997,859	7,645,745
Delaware Avenue Widening Project	2,033,081	1,880,951
The Cove at Gardner's Basin Townhomes by Hovnanian	<u>          -</u>	<u>11,112,988</u>
	<u>\$10,030,940</u>	<u>20,639,684</u>

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

15. Demolition Program

During 1991, CRDA established the Atlantic City Demolition Program. A total of \$6 million is to be lent to the City of Atlantic City to demolish vacant and abandoned structures. Funding will be provided by a \$3 million interest free loan from the Operating Fund and a \$3 million loan from Caesar's CRDA obligations. The loans are to be repaid by Atlantic City from general tax revenues. As of December 31, 1994 and 1993 \$1,249,024 has been loaned under this program.

16. APMC Trauma Center

In 1991, CRDA committed a \$1,012,497 grant from its Operating Fund to the Atlantic City Medical Center for the construction of a trauma center of which \$1,000,033 has been paid as of December 31, 1994 and 1993. Sands has donated \$1,787,503 to CRDA which has also been paid to the APMC as of December 31, 1994.

17. Maintenance Facility

In 1994 and 1993, CRDA committed \$2,000,000 annually from its Operating Fund to N.J. Transit for the temporary relocation of its bus maintenance facility as part of the Atlantic City Corridor project. During 1994, \$184,384 was paid to New Jersey Transit.

18. Loan Repayment Reserve

CRDA has established a Loan Repayment Reserve to provide funds to a project in the event a project is unable to meet its debt service. The intention of the Loan Payment Reserve is to make these funds available for all CRDA projects. The reserve for calendar 1994 is appropriated from Fund Equity to insure that the \$250,000 will be available.

19. Pensions

a. Plan Description

The Authority, on behalf of all its employees, participates in the Public Employees' Retirement System (PERS) of New Jersey, which is part of the Division of Pensions in the Department of the Treasury, State of New Jersey. The State administered pension funds were established by an Act of the State Legislature and benefits, contributions, means of funding, and manner of administration are determined by the State.

For the year ended December 31, 1994 and 1993, the Authority's total base payroll (excluding back vacation pay) for all employees and Authority members which approximates the Authority's covered payroll amounted to approximately \$1,500,000 and \$1,450,000, respectively. Covered payroll refers to all

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

19. Pensions (continued)

compensation paid by the Authority to active employees covered by the PERS on which contributions to the pension are based. The cost of the plan for the employer's portion for each of the years ended December 31, 1994 and 1993 was approximately \$19,000.

All full-time employees and compensated Board members of CRDA are required to participate in the New Jersey Public Employees Retirement System (PERS), a cost-sharing, multiple employer, defined benefit plan. The Division of Pension charges governmental units their respective contribution on an annual basis. State law requires that funds be subject to actual valuation every year and actuarial investigation every three years.

b. Funding Status and Progress

The PERS, which covers employees throughout the State, does not maintain reports for each supporting unit and accordingly, the actuarial data for the employees of the Authority is not available. The most recent unfunded pension benefit information available is as of June 30, 1994 for the state-wide PERS for local employers and is presented below:

A. Pension Benefit Obligation

1. Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits.	\$3,306,980,000
2. Current employees	
a. Accumulated employee contributions with interest.	1,838,620,000
b. Employer-financed-vested	2,667,100,000
c. Employer-financed-nonvested	355,950,000
3. Total pension benefit obligation	\$8,168,650,000

B. Net assets available for benefits (valuation assets)	\$8,038,772,061
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C. Unfunded pension benefit obligation	\$ 129,877,939
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CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

22. Commitments

The Company operates a 16,500 square foot facility in Atlantic City. The facility is leased under a three year operating lease which commenced in November 1992, and requires annual rental payments of approximately \$245,000. The resulting annual cost approximates \$14.88 per square foot and the agreement includes two one year renewal options.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Schedule 1

Historical Trend Information  
Public Employees Retirement System  
Local Employers

December 31, 1994

(in millions of dollars, except percentage calculations)

Source: NJ Department of Treasury, Division of Pensions

<u>Year</u>	<u>Net Assets Available For Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Pension Benefit Obligation As a Percentage of Covered Payroll</u>
1985	\$2,693.50	2,497.70	107.80%	(195.80)	2,255.40	-
1986	3,153.10	3,188.50	98.90%	35.30	2,491.50	1.40%
1987	3,658.30	3,601.90	101.60%	(56.40)	2,697.00	-
1988	4,117.70	5,423.20	75.90%	1,305.50	2,961.90	44.10%
1989	4,534.40	6,035.70	75.10%	1,501.30	3,228.00	46.50%
1990	6,329.50	6,304.20	100.40%	(25.30)	3,581.70	-
1991	6,958.00	6,900.80	100.80%	(57.10)	3,946.40	-
1992	7,309.20	6,388.40	114.40%	920.80	4,128.30	-
1993	7,771.90	7,257.10	107.10%	(514.70)	4,357.30	-
1994	8,038.80	8,168.70	98.40%	129.90	4,573.20	2.80%