

New Jersey Casino Control Commission

Annual Report December 31, 1989





Casino Control Commission 1989

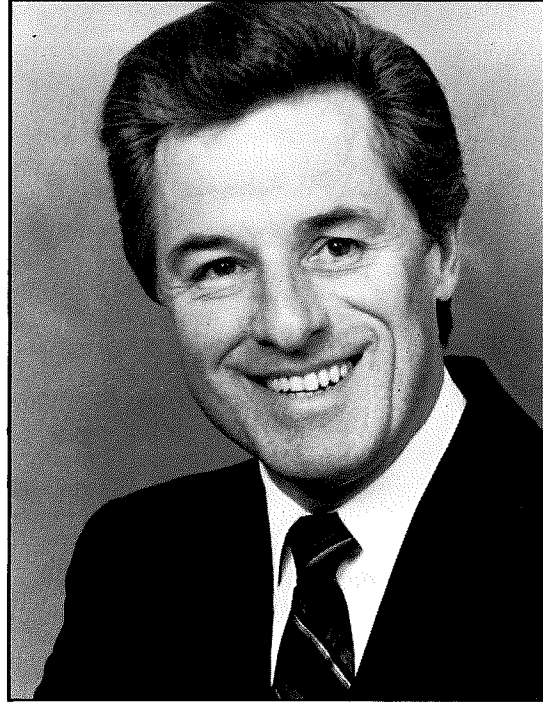
from left: E. Kenneth Burdge, Frank J. (Pat) Dodd, W. David Waters
 seated: Walter N. Read, Chairman, Valerie H. Armstrong

TABLE OF CONTENTS

Message from the Chairman	2
Financial Evaluation and Control	4
Legal Division	5
Affirmative Action and Planning	6
License Division	8
Administrative Division	10
Casino Revenue Fund	12
Statistics	15
Auditor's Report	22



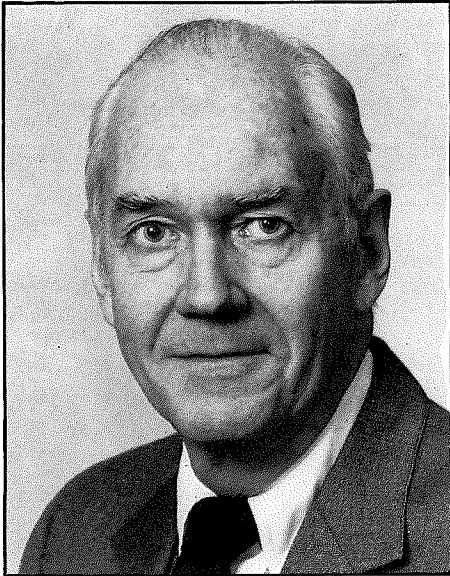
Governor
Thomas H. Kean



Governor
James J. Florio

*The Annual Report of
the New Jersey Casino Control Commission
is submitted to the Governor and to the members of
the New Jersey Legislature.*

Chairman's Report



Walter N. Read

In reviewing 1989, as in past years, the vital question is whether casino regulation in New Jersey has fulfilled the mandates of the Casino Control Act and in doing so has the state moved closer to its goal of revitalizing Atlantic City.

The past year, like so many before it, was marked by a series of highs and lows for both the industry and the Casino Control Commission. But in handling those peaks and valleys we have successfully measured the Act against the events of the day while at the same time, I believe, moving toward a better Atlantic City.

Like all worthwhile goals progress has been made only through struggle. Scaling the mountain of obstacles that casino gambling has brought to Atlantic City will only make the prize the sweeter when we reach the summit.

By far the most significant event was the denial of a casino license for the first time for failure to establish financial stability and the subsequent naming of a conservator to take title to the failing company.

The failure of Atlantis Hotel and Casino to meet the state licensing standards in early April was the culmination of several close brushes with death that the Elsinore-owned property experienced. It marked the first time that any casino in New Jersey had been denied relicensure.

The subsequent naming of Joseph M. Nolan as conservator also marked another historic "first" as his holding title to the defunct casino allowed it to continue operation until it was closed on May 22. Eventually the property was sold and now operates as a non-casino hotel.

The drama of the Atlantis closing was played out on the front pages of most of the newspapers of the state but it was not the only event that captured the attention of the public or had an impact on the state.

For the first time in the 12-year history of casino gaming in New Jersey revenues flattened out. After a long upward spiral the gross revenues for the industry showed only a three percent growth and in the final months of calendar 1989 there was no growth at all.

The failure to sustain the earlier growth coupled with the planned opening of the Taj Mahal in the spring of 1990 has caused some concern about the future health of the industry in this state.

In late December, both the parent company and the holding company of Resorts International, the first casino to open its doors in New Jersey, filed for bankruptcy as part of their financial restructuring plan. A relicensing hearing for Resorts is scheduled for early 1990.

Despite these setbacks there are still some reasons to be hopeful about the future of gambling in Atlantic City. New housing is coming on line, the expansion of the airport appears to be closer, the Amtrak line to Atlantic City, now in operation, is being heavily promoted. All of these are positive signs for the future.

A number of significant cases were decided before the end of the year including the disposition of charges against five casinos for catering to the gambling whims of teenager Debbie Kim Cohen and finally the resolution of the case against Caesars for violating the rights of some of its minority employees in the handling of a high roller.

The Cohen case was disposed of when the five casinos - Caesars, Harrah's, Resorts, Trump Plaza and Atlantis - agreed to pay small fines to the Casino Control Fund and make larger contributions to be used by hospitals and social agencies in combatting compulsive gambling.

Debbie Kim Cohen was a young Ventnor resident who defied the wishes of her father, an Atlantic City police detective, and continued to gamble in several casinos which plied her with varying amounts of complimentary meals, beverages, rooms and credit.

In another highly publicized case the final disposition of an affirmative action charge against Caesars resulted in the second largest fine ever imposed by the commission when it assessed the casino \$250,000 for removing females and minority employees from the pit where Robert Libutti was gambling because the casino believed he desired an all-white male crew.

Libutti has denied the accusation vehemently.

Those cases were well-reported in the news media as were several other equally significant decisions which the commission rendered during the year.

In a decision which had an impact on Wall Street the commission barred Drexel Burnham Lambert from investing in the casino industry because of the charges brought by the federal government for alleged stock practice irregularities.

The investment firm had been involved in the financing of several New Jersey casinos in the past but was forced to divest itself of any direct holdings in the industry today and also prevented the firm from handling the refinancing of any existing casino for the present.

During the year the commission resolved several cases that carry heavy emphasis for casino industry leaders. Most significant was the ratification by the commission of an agreement between the industry and the Division of Gaming Enforcement which gives the regulators access to the casinos' computers.

Ratification of the agreement ended several years of negotiations during which the DGE insisted upon access to the casino computers as a necessary ingredient in its attempts to enforce casino regulations. The industry was equally adamant that there was no absolute right to unfettered access.

The commission also gave final approval at year's end to Megabucks, a program which will allow several casinos to link together a series of slot machines which will offer unusually high payoffs as an inducement to visit those casinos.

The commission also approved the introduction of a modified surrender rule in blackjack. The original rule was dropped eight years ago at the behest of the industry but a new modified version has been promoted by the Claridge Hotel Casino as a means of attracting new customers.

In an effort to make the commission staff more accessible to the industry, the commission relocated its 25-member operations staff from the Lawrenceville office to the CitiCenter Building in Atlantic City. The move means that industry executives will have closer relationships with commission staff members who are most directly involved in the day-to-day workings of the casinos.

The relocation means 385 members of the commission staff, more than 75 percent of the total work force, are now assigned to the Atlantic City offices.

While there is much that the commission can view with pride, it was saddened like the rest of the casino industry when three executives of the Trump organization were killed in a helicopter crash. The loss of all three can not be measured but it is anticipated that it will have a profound impact on both the Trump organization and the industry as a whole.

The past year with its peaks and valleys has been not unlike the past seven years which have been marked with considerable success.

We have been able in those seven years to see several casinos change hands smoothly; we have seen the financial restructuring of several of the casinos although there is some concern about the debt to equity ratio; we have seen the successful implementation of the Interim Casino Authorization legislation.

The commission has taken an active role in assisting the industry in its efforts to recruit new employees in anticipation of an increased labor shortage in 1990 when the Taj Mahal opens.

We have been able to eliminate some overlapping responsibilities between the commission and the division. It is important, however, to understand that there will always be some overlap as is intended under the Casino Control Act but we are determined that it will not exist except in areas of security and under the most sensitive of circumstances.

If the past is prologue to the future, then we can look forward to some years of success but not without some struggle.

Casino regulation has worked in Atlantic City. It has given the industry credibility in the financial investment community and it has kept the industry clean. No taint of scandal has touched the casinos or their executives.

The hope for the future of Atlantic City rests on factors beyond the jurisdiction of the commission. The future success of casino gambling depends upon a cooperative effort between government at all levels and the private sector.

The restoration of the city, the expansion of the airport, the construction of a convention center, more quality hotel rooms, adequate housing for a middle income level society, are essential if the city is to combat successfully the threat of other areas which are now turning toward legalized gaming.

Until these essential ingredients and other amenities are in place, it will be difficult to attract new ventures here but there is a need to attract major players who are now located in Nevada but do not have properties in this state.

Casino gambling can continue to be successful in this state but it will require someone with a vision for Atlantic City and the leadership ability to pull all the diverse factions together in a unified effort to achieve that goal.

I am confident that it can be done and that Atlantic City will again be the Queen of Resorts
Walter N. Read resigned as chairman and as a member of the commission on January 8, 1990. This report was prepared before his resignation.

Division Of Financial Evaluation And Control

The Division of Financial Evaluation and Control, under Director William H. Delaney and Deputy Directors Deno R. Marino and John H. Trzaka, continued throughout 1989 to address the unique operational gaming matters and complex financial issues before the commission, thereby helping to ensure the integrity of gaming activity of New Jersey's casinos.

In July 1989, the Operations Unit was relocated from Lawrenceville to Atlantic City. Its relocation was the result of a Cresap audit recommendation that this unit move to Atlantic City in order to be more responsive to industry needs. During the second half of 1989, the Operations Unit also worked closely with representatives from Trump's Taj Mahal in anticipation of its Spring 1990 opening. Efforts were primarily directed to the preliminary reviews and detailed analysis of numerous submissions and petitions. The opening of Atlantic City's largest casino will demand significant time from the staffs of the Operations, Inspection and Financial Evaluation Units in the early part of 1990.

The Casino Accounting and Operations Unit, before and after its move, responded to advances in gaming technology and the industry's changing needs throughout 1989. Recent technological advances required this unit to regulate the installation of bill changers, new coin dispensers, Sands' slot monitoring system, "bar-coded" drop buckets and automatic shuffling devices.

One of the highlights of the Operation Unit's 1989 activities was its involvement in the casino industry's proposed casino credit bureau and bank verification service. Its analysts were primarily responsible for the development of related regulatory amendments and the accounting and internal control procedures to be used by the credit bureau as well as by casino licensees proposing to use its services. The commission anticipates that Central Credit of New Jersey will begin serving as the credit bureau for casinos in New Jersey during the first quarter of 1990.

Another 1989 highlight was the unit's review of the internal control procedures and required regulatory amendments related to the implementation of the first Megabucks Progressive Slot Machine System, anticipated to be on-line in early 1990.

During the year, the operations' staff also reviewed over 1,000 petitions and submissions, with more than 85 percent being completed in 60 days or less. In addition, its staff was instrumental in numerous regulatory changes considered by the commission, including the procedures for accepting and sending wire transfers, counter check deposit times, craps and big six procedures, a new blackjack surrender rule and gaming table layouts.

The impact of our rapidly changing economic environment on the industry is evidenced by the issues addressed by the commission's financial analysts during 1989. These issues included Ramada Inc.'s corporate restructuring and Bally Manufacturing Corporation's debt restructuring. In addition to analyzing the impact of these transactions on the licensee's financial stability and the industry as a whole, the Financial Evaluation Unit conducted reviews to determine the financial ability of six casinos and their parent companies to determine suitability for licensure. As the '90s begin, the Financial Evaluation Unit is expected to enhance the commission's financial database to keep pace with the industry's highly technical financial transactions and increasing sophistication.

During Fiscal Year '89 the Accounting Unit, supervised by Teresa B. Gervasio, was responsible for the collection of \$245 million in gross revenue taxes and the assessment, collection and deposit of \$57.7 million in fees from casinos, service industries and casino employees in the Casino Control Fund.

During the year, steps were taken to improve this fund's cash flow; the processing time of staff time and expense reports was reduced and stricter controls over the collection of monies were initiated. In addition, a collection procedure was instituted through the New Jersey State Division of Taxation that reduced outstanding accounts from individual applicants due to dishonored checks and doubtful accounts.

The Inspection Unit, under the direction of Rochelle J. Jefferson, continued to ensure the integrity of New Jersey's casino operations by monitoring the counting of funds from table games and slot machines. Throughout 1989, the inspection staff handled more than 3,500 informal complaints and 700 formal complaints from gaming patrons relating to table game or slot payoffs, bus coupon disputes and other casino-related incidents. In addition, the inspectors helped resolve approximately 800 table inventory discrepancies and 1,400 deviations of internal controls, gaming equipment and rules of the games. The closing of the Atlantis casino also demanded the attention of the Inspection and Financial Evaluation Units.

During 1989, the Inspection Unit implemented a comprehensive, controlled test to evaluate a recommendation to reduce inspection personnel that was made by Cresap, McCormick & Paget, an independent consulting firm, which conducted a management audit of the commission during in 1988. The test results indicated that, with certain modifications, comparable levels of review and control of casino activities could be maintained with a reduction in staff. Therefore, the inspection staff size at all casinos will be reduced in 1990.

The Audit Unit, under Michael Wozniak, completed all casino gross revenue audits for 1988 as well as all backlog audits. During 1989, the commission's auditors also reviewed 28 casino petitions related to records retention, thereby helping the industry improve document safety and control.

Legal Division

The Legal Division, under General Counsel Robert J. Genatt and Deputy Director John R. Zimmerman, was called upon in 1989 to defend the commission's actions against a variety of legal challenges.

After the commission denied relicensure to the Atlantis Casino Hotel because of its inadequate financial resources, the company sought to enjoin the commission's action in the United States Bankruptcy Court. The Legal Division successfully argued to the court that the Bankruptcy Code does not preempt the financial stability, integrity and responsibility requirements of the Casino Control Act. Thus, the commission was able to protect the interests of the state and the gaming public by appointing a conservator to replace the former casino licensee.

The Legal Division also advised the commission concerning this first denial of a casino relicensure application and first use of the conservatorship provisions of the Casino Control Act. The division also advised the commission concerning the subsequent closing of the Atlantis and approval of the sale of the building to Donald Trump.

The closing was ordered at a hearing when it became clear that, even under a conservatorship, the Atlantis could not be operated in such a manner as to protect the regulatory interest of the state or the rights of the gaming public. At yet another hearing the commission concluded that Mr. Trump's purchase of the Atlantis would not violate the provisions of the Casino Control Act which prohibit undue economic concentration in the casino industry. The Atlantis facility is now operated by Mr. Trump as a non-casino hotel.

Another significant litigation victory for the commission came in the challenge by a senior casino executive to the provision of the Casino Control Act which prohibits casino licensees and certain employees from making political contributions. Senior Assistant Counsel David Missimer persuaded the Appellate Division of Superior Court that the statute, which is one of a series of legislative measures designed to separate casinos from the political process in New Jersey, does not violate the first

amendment rights of casino employees. The decision is currently under appeal.

Senior Assistant Counsel Dennis Daly successfully defended several commission decisions in the Appellate Division, including the denial of casino service industry licensure to a local air passenger service, the imposition of a fine against the Trump Castle Hotel and Casino for use of advertisements which violated the Casino Control Act and Consumer Fraud Act, and the prohibition of business between casinos and a construction firm found to have ties to organized crime.

Senior Assistant Counsel James Schwerin instituted claims against several casinos for underpayment of the eight percent tax on gross casino revenue, and has defended the commission's claims against a variety of dismissal applications. Final decisions on those claims are expected in 1990.

Another area which has occupied much of the Legal Division's time and effort in 1989 involves implementation of the interim casino authorization amendments to the Casino Control Act which were enacted in 1988.

Senior Assistant Counsels E. Dennis Kell and Catherine Walker represented the commission in a variety of matters involving the interim casino authorization process. For example, Bass PLC became the first company to complete successfully the process, which is designed to allow a company unfamiliar to the commission to enter the casino industry without being prequalified but also without endangering essential regulatory concerns. Merv Griffin subsequently completed the process, thereby consummating his acquisition of the Resorts Casino Hotel.

In other interim casino authorization matters, the commission encountered resistance to the process. In one such case, commission counsel obtained an order from the Law Division of Superior Court enforcing a commission order requiring Industrial Equity Pacific Ltd. to divest its interest in Del E. Webb Co., owners of the Claridge Casino Hotel for failure to file an interim casino authorization

application. The matter is pending in the Appellate Division, as is a similar case involving Calmark Associates.

In matters which did not result in litigation, the Legal Division advised the commission on applications for the financial and corporate restructuring of the holding companies of the Bally and TropWorld casino facilities, and the application of the Griffin Company for a finding that it is qualified to own and operate the Resorts Casino Hotel. The division also devoted extensive time to an application for Atlantic City's first multi-casino slot machine system and annuity jackpot system. The commission was able to approve these innovative developments without sacrificing regulatory concerns.

During 1989, attorneys in the division processed approximately 1,400 applications for casino employee and casino key employee licensure, applications to revoke casino hotel employee registrations, complaints against casino and individual license holders, and applications for placement on the list of persons excluded from casino hotels. The Legal Division's attorneys also advised the commission on the numerous other petitions and applications which come before it at its weekly public meetings. The attorneys also represented the commission at all casino license and other evidential hearings.

In 1990, the Legal Division will advise the commission on numerous issues with respect to the proposed licensure and operation of the Taj Mahal Casino Hotel. Financial and corporate restructurings promise to continue, with a Harrah's Marina restructuring to be decided early in the new year. Difficult issues may also be presented by the February 1990 Resorts relicensure hearing, with several holding companies of the licensee seeking to reorganize in bankruptcy court.

With the challenges facing the commission, and thus its attorneys, showing no sign of abating, the Legal Division will continue to perform its duties as expeditiously as possible, and will continue to seek ways to lessen the time and cost of regulation without sacrificing regulatory goals.

Division Of Affirmative Action And Planning

The Division of Affirmative Action and Planning under the leadership of Director Luis A. Fuentes and Deputy Director Claire C. Frank continues to carry out the commission's mandate to ensure equal employment opportunity for all employees of the casino industry.

A division analysis of the casino industry's Equal Employment Opportunity/Affirmative Action performance for a seven year period ending in December 1989, showed the industry making steady EEO/AA progress since 1982.

In 1990, the division will be encouraging the industry to continue the progress it has made in this important area and to focus on reducing the high rates of turnover among minority employees.

Because of a decrease during the past two years in the annual median salary earned by minorities employed in the industry, commission chairman Walter N. Read in a speech before the NAACP pledged a greater emphasis on improving the standing of minorities and females in the upper salary ranges of the industry. The chairman designated Commissioner W. David Waters to work with the staff of the division in encouraging the industry to develop plans of action to improve this situation.

In November 1989, the commission adopted a resolution delegating to the director and deputy director authority to approve affirmative action plans and programs submitted by applicants and licensees, approve tests and other employment related criteria and review the hiring of a licensee's equal employment officer based on minimum experiential requirements.

The commission held hearings in August to assess the industry's good faith efforts in attracting minority-owned and female-owned businesses to participate in the industry and found all licensees in compliance. The industry purchased \$27.3 million in goods and services from certified MBE/WBE firms during 1989, representing 2.7 percent of the industry's total net disbursements for goods and services. As of December 31, 1989, there were 640 vendors certified by the state Department of Commerce as women or minority-owned. Of this total 13 percent had transacted business with the casino industry. The division's Casino Unit, under the direction of Deborah Boykin-Greenberg, is responsible for the implementation of this program.

Under a complaint referral system developed in 1988 the Casino Unit referred 104 equal employment opportunities complaints to appropriate agencies for resolution. The division handled 126 complaints in other matters. This unit also continues to provide the commission with an analysis of the affirmative action performance of the 11 operating casinos. At year's end the industry employed 39,603 full-time workers, of whom 17,932 or 45 percent were female and 16,245 or 41 percent were minorities. Twenty-three percent of the industry's full-time employees live in Atlantic City for a total of 39 percent of all working people in Atlantic City.

The division will continue its efforts in 1990 to establish industry guidelines for the development of affirmative action plans. The guidelines will place a greater emphasis on the development of individualized EEO/AA plans tailored to the management objectives of each casino licensee and will also seek to streamline current industry EEO/AA reporting requirements.

**TOTAL INDUSTRY EMPLOYEES BY EEO CATEGORY
(INCLUDES FULL TIME EMPLOYEES ONLY)
CASINO HOTEL INDUSTRY AFFIRMATIVE ACTION COMPLIANCE LEVELS
FOR THE MONTH ENDING DECEMBER 31, 1989**

EEO Category	Total Employees	Females	Minorities
Officials & Managers	7,745	2,953 38%	1,751 23%
Professionals	5,875	2,503 43%	1,862 32%
Technicians	791	223 28%	157 20%
Salesworkers	424	287 68%	151 36%
Office & Clericals	6,416	4,786 75%	2,834 44%
Craftpersons	1,257	161 13%	276 22%
Operatives	1,140	253 22%	408 36%
Laborers	1,489	452 30%	1,074 72%
Service Workers	14,466	6,314 44%	7,744 54%
Total	39,603	17,932 45%	16,257 41%

License Division

As a result of meetings with advocates for the disabled community these guidelines will be expanded to address efforts by the industry to recruit and train the disabled.

The Construction and Industry Unit under the supervision of Marvin Askins was actively involved in monitoring minority and female work force participation in construction projects at every licensed casino hotel. Resumption of construction activity on the Taj Mahal in March 1989 made this project the focus of the Construction Unit's activities for the remainder of the year.

Division analysis has determined that over the past seven years minority and female employment levels in the construction area have remained virtually unchanged at 12 percent for minority journeyworkers and one percent for females. Encouraging stronger efforts to improve the representation of minorities and females on casino related construction projects will be a major focus of this unit in the coming year.

In an effort to reduce costs to the industry and prevent duplication of effort, the Division of Affirmative Action with the Division of Gaming Enforcement developed procedures to share the commission's project manning report data base. This data base is used to store construction work force data for each contractor working on any casino hotel property. The Division of Gaming Enforcement will use this information to assist in its investigations of non-compliant casino hotels and contractors and in an effort to expedite the review process for casino service industry licensure, the unit now involves all personnel in evaluating the EEO/AA programs submitted by prospective licensees.

The License Division, under the direction of Director Christopher D. Storcella, Deputy Director Richard P. Franz and Acting Deputy Director John I. Bowman, faced a variety of issues involving employee and enterprise licensing, while at the same time responding to the growth and change in the casino industry.

As a response to a growing concern in the casino industry regarding the recruiting of employees, the Employee License Bureau under Acting Chief Margaret Williams mailed approximately 15,000 questionnaires to persons who were licensed but not employed in the industry. The questionnaire, which was designed in conjunction with the Casino Association, requested that persons return a statement if they desired to have their names and addresses supplied to the casinos for possible employment opportunities. First indications are that 1,300 names and addresses will be supplied to the casinos in January 1990.

A newly designed employee license card was introduced during the year. Using state-of-the-art laser printers, new cards are produced which have sharper character images and high contrast. The clarity of the license category and position endorsements which are listed on the license cards is much improved, resulting in clearer pictures of the cards on casino surveillance cameras. In addition to changing the design of the license cards, the method of printing the cards was modified. Now the cards are printed from an on-line computer system when the individual licensee appears to obtain his or her license card. This process has resulted in less time to receive an employee license.

In 1989, the bureau processed 15,707 applications for employee licenses, 8,214 applications for renewals and 4,015 applications for position additions. In addition, this past year brought the bureau past the 100,000 mark in the processing of hotel employee registrations.

The Enterprise License Bureau staff, under Chief Mark A. Tucci, played an integral role in facilitating the joint purchasing plan that was proposed by two casino hotels and ultimately approved by the commission.

The staff members have also been active participants in the "Cooperative Efforts Subcommittees" comprised of representatives from the commission, Division of Gaming Enforcement and the casino industry, which continue to explore ways for minority-owned and women-owned businesses to obtain more contracts with the industry.

The bureau was granted authorization to approve internal control submissions from casino licensees and casino license applicants regarding purchasing and disbursing procedures.

Working closely with the Office of Telecommunications and Information Systems, the bureau was able to improve its financial file system by obtaining more fiscal information and also to provide the staff with the technical capability to perform on-line updates for the processing of financial reporting.

During 1989 there were 3,731 vendor registration forms filed on behalf of non-gaming enterprises and 439 applications for casino service industry licenses were filed on behalf of gaming and non-gaming corporations and subsidiaries who do business with the casinos, including gaming schools.

The Enterprise License Bureau continues to monitor the financial transactions between the casino industry and more than 10,700 companies which conduct in excess of \$1.8 billion worth of business annually.

Since the casino industry started in New Jersey, the Enterprise License Bureau has processed 27,527 vendor registration forms and 3,758 casino service industry license applications.

CASINO SERVICE INDUSTRY TOTAL VOLUME OF BUSINESS-1989

	Total Companies	Percent of Total Companies	Dollar Volume of Business ¹	Percent of Total Business
All Enterprises on Master Vendors List	10,707	100%	\$1,784,877,305	100%
New Jersey Enterprises ²	4,112	38.4%	1,269,432,873	71.12%
Pennsylvania Enterprises	1,547	14.45%	171,695,939	9.62%
New York Enterprises	1,752	16.36%	107,759,321	6.04%
Delaware Enterprises	51	0.48%	3,878,779	0.22%
All Other States	3,104	28.99%	215,496,910	12.07%
Foreign Enterprises	141	1.32%	16,613,483	0.93%

¹ "Dollar Volume of Business" represents only those monies paid by casino licensees for goods or services. This figure does not include such payments as governmental taxes, fines and fees to the Casino Control Commission, charitable contributions, guest losses or court garnishments.

² 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.

CASINO SERVICE INDUSTRY TOTAL VOLUME OF BUSINESS - NEW JERSEY FIRMS-1989

	Total Companies	Percent of Total Companies	Dollar Volume of Business	Percent of Total Business
New Jersey Enterprises	4,112	100%	\$1,269,432,873	100%
Atlantic	1,799	43.75%	944,038,084	74.37%
Bergen	210	5.11%	21,796,431	1.72%
Burlington	233	5.67%	29,439,956	2.32%
Camden	477	11.6%	48,018,560	3.78%
Cape May	160	3.89%	6,938,930	0.55%
Cumberland	101	2.46%	18,013,686	1.42%
Essex	114	2.77%	92,367,981	7.28%
Gloucester	117	2.85%	4,525,253	0.36%
Hudson	92	2.24%	6,728,007	0.53%
Hunterdon	11	0.27%	\$48,842	0%
Mercer	82	1.99%	43,377,276	3.42%
Middlesex	131	3.19%	7,937,498	0.63%
Monmouth	117	2.85%	5,412,056	0.43%
Morris	86	2.09%	5,235,910	0.41%
Ocean	108	2.63%	5,274,771	0.42%
Passaic	99	2.41%	8,443,544	0.67%
Salem	10	0.24%	\$223,624	0.0176%
Somerset	45	1.09%	5,103,274	0.4%
Sussex	9	0.22%	25,843	0%
Union	108	2.63%	16,473,607	1.3%
Warren	3	0.07%	9,740	0.001%

Administrative Division

During the past year, the casino hotel industry in New Jersey has been involved in numerous facility renovation projects. Two major hotel room expansions (Bally's Park Place and Trump Castle) were substantially completed, resulting in the addition of approximately 900 sleeping rooms and other space. The commission staff continues to have oversight on casino related facilities. The Taj Mahal will add 120,000 square feet of casino floor to the industry total, which is in excess of an 18 percent increase. The Taj Mahal will also include 1,250 sleeping rooms and in excess of 225,000 square feet of public space.

The Document Control Unit received and distributed 1,575 petitions filed with the commission in 1989, an increase of 15 percent from the 1988 total. All petitions are entered in the petition tracking system data base and assigned a unique petition reference number. Distribution to the appropriate commission and Division of Gaming Enforcement personnel is made within 24 hours of receipt.

An expanded capability of the electronic mail and distribution system has proven to be extremely efficient and an important component in the audit trail of documents received by the License Division's Document Control Unit. A companion responsibility of the Document Control Unit is the filing, retrieval and storage of all casino hotel corporate submissions received by the commission.

The Administrative Division, under Director Joseph A. Papp brought its best efforts to bear on implementation of the Cresap recommendations and a continuing effort to control commission operating expenses.

Papp and Personnel Officer David Hopkins were part of a task force to evaluate the recommendations embodied in the Cresap report.

The task force presented a detailed evaluation of the report and was instrumental in carrying out some of the report during 1989 and planning for the implementation of others during 1990.

Deputy Director Jim Fiandaca, as project manager, was instrumental in the relocation of the Casino Accounting and Operations Unit from Lawrenceville to Atlantic City. As a result of this relocation, the commission is better able to respond to the casino industry as a whole.

New telephone systems were purchased and installed in each of the commission's three offices. The new telephone systems are fully compatible and are state-of-the-art equipment. The telecommunications systems were wired in conjunction with plans designed for an integrated computer system which contributed to a substantial labor cost savings. The commission is now in compliance with the telecommunications master plan as required by the Office of Telecommunications and Information Systems. All lease costs associated with telecommunications equipment have been terminated resulting in a saving to the commission.

During 1989, the Budget and Fiscal Office was responsible for drafting a budget for Fiscal Year 1991 which reflected no growth in non-salary items for the sixth consecutive year. This budget request of \$26.2 million reflects salary adjustments associated with the negotiated employees' contracts as well as the negotiated increases in property rentals. Unlike other state agencies which receive salary adjustments through the General State Fund, the commission must budget in advance for proposed cost of living and fringe benefit increases. Approximately 84 percent of the budget is dedicated to the funding of salaries and wages during the coming fiscal year.

As in the past, the Budget and Fiscal Office has made a serious commitment to the state's set-aside programs. In Fiscal Year 1989 the commission exceeded the mandated goals in issuing contracts to small business, minority and female owned business enterprises.

Final year end figures reflect that more than 65.7 percent of available business contracts were issued to buyers qualified under these programs. The value of all discretionary non-salary expenditures approximated \$931,282. This year's set aside activity represents a ten percent increase in financial volume over Fiscal Year 1988.

Significant savings in data processing costs continue to be realized from the in-house minicomputer system which is located in the Lawrenceville office. Four important applications, which include cost accounting, personnel records, time-keeping and petition tracking, are now operational on the minicomputer system and this has resulted in a 50 percent savings annually as compared with the cost of outside vendors.

During the past year, a second minicomputer has been installed in the commission's Atlantic City office. Applications for the minicomputer in this location include a time tracking system and communications processing. Also, the Financial Evaluation and Reporting System, which is a large financial data base that is currently maintained by an outside vendor, will be transferred to this system. The transfer of the Financial Evaluation and Reporting System to in-house resources will yield important savings in operating costs.

The commission is continuing its program to develop microcomputer resources in order to exploit the benefits and economies available from personal computers. With regard to word processing, in particular, microcomputers represent a decentralized approach that is efficient and highly responsive to the needs of staff. During the coming year an emphasis will be placed on training and education to insure that staff have the skills necessary to benefit fully from the investment that has been made in microcomputers.

The commission is in the process of linking all computer hardware into a powerful local area network that will give users access to important data processing resources at the lowest possible cost. The installation of the cable for this network was timed to coincide with the installation of the new phone system so that labor costs would be minimized.

One of the goals of this initiative is to integrate mainframe, minicomputer and microcomputer resources into one system that will be capable of satisfying a variety of user needs. The network will also permit the fast and economical exchange of document and data between the offices located in Lawrenceville and Atlantic City.

Casino Control Commission Volume Of Contracts Issued in FY 1989

	Contracts Issued	Percent Total #	Dollar Volume of Contracts	Percent Total \$
Total Contracts Issued by The CCC FY 1989	1,316	100%	\$931,281.77	100%
Contracts Issued To Non-SBE, WBE & MBE	451	34.3%	263,323.91	28.4%
Contracts Issued To Small Business Enterprises	416	31.6%	254,351.51	27.3%
Contracts Issued To* SBE's Pending Application Approval	179	13.6%	294,642.59	31.6%
Contracts Issued To Female Business Enterprises	78	5.9%	25,641.46	2.7%
Contracts Issued To Minority Business Enterprises	192	14.6%	93,322.30	10%

*Application for SBE, MBE or WBE status pending approval by the Department of Commerce and Economic Development.

Commission's Affirmative Action Plan

As custodian of the official records of the Executive Secretary, the General Services Office manages a modern reference library of microfilmed and hard copy commission documents. It provided over 1,900 documents to the public under the Freedom of Information Act which generated revenue amounting to \$10,829. Additionally, this office provided copies of the commission meeting agendas, minutes of regular and special meetings, a listing of filed petitions and all changes to commission regulations on a subscription basis. In 1989, these subscription fees amounted to \$14,345.

As part of this unit, the Administrative Practice Office processed 119 rule making changes during 1989 of which 60 were adopted within Title 19K of the New Jersey Administrative Code. The commission's computerized tracking system, implemented in 1987, continues to generate more timely responses to the annual average of 1,000 petitions received from the public and the casino industry.

The Personnel Office under the direction of Personnel Officer David Hopkins continues to provide personnel training and payroll services to commission employees and management. In 1989, the office processed approximately 650 personnel actions through the Personnel Management Information System (PMIS) linked to the Department of Personnel. The PMIS provides quicker approvals of requested personnel actions as well as providing on-line edits so requests may be submitted error free to the Department of Personnel.

During 1989, the Personnel Office completed the process of entering employment history data of its employees onto a computer data base. Numerous management reports are now provided on a current basis and employee records are more rapidly updated.

The Casino Control Act requires the commission to review and monitor all aspects of Equal Employment Opportunity and Affirmative Action within the industry. The commission itself is required by the state to carry out all applicable affirmative action laws within the commission staff.

In fact, the commission attempts to set an example for the standards of compliance that are expected of the industry.

The commission's affirmative action officer, Inez Killian, reports directly to the commission chair, and in that capacity she makes recommendations to the commissioners regarding recruitment, hiring and promoting of females and minorities.

The commission's commitment to the EEO/AA concepts and principles is communicated to all prospective applicants and new employees during the initial recruitment and orientation process and is carried out by the chair and the EEO/AA officer.

The focus of the 1989 effort has been to enhance employment opportunities through upward mobility of various minority and female groups. During 1989, for example, the commission promoted 33 females and 10 minority employees. The number of females in the officials/administrators category increased by three during the year while the number in the professional category jumped by nine.

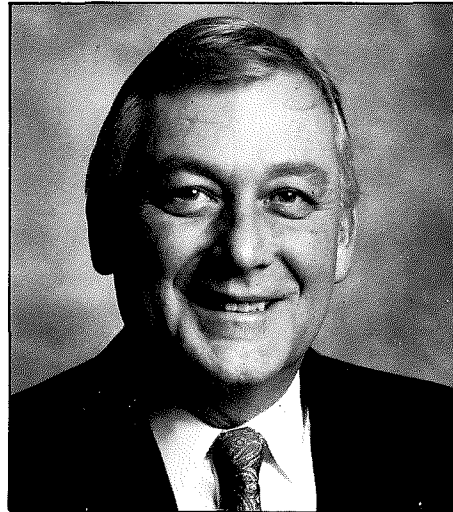
The commission's employee attrition rate was five percent during 1989, the lowest in the past three years. Despite the imposition of two hiring freezes, approval was granted to fill 16 positions on an emergency basis during the year. Of that total 12 were members of protected classes, bringing the commission's level of compliance to 53 percent female and 25 percent minority.

The commission reviewed its internal salary structure to determine the number of minorities and females earning in excess of \$25,000 per year.

The commission's affirmative action plan was revised to reflect the new guidelines prepared by the New Jersey Department of Personnel. The plan provides for a stronger role for the Equal Opportunity officer, new internal procedures for processing discrimination appeals, a remedial action plan to achieve statistical goals, and a plan to improve existing employment conditions at the commission.

The commission's protected class resume bank and its referral service network have been expanded to include a more diversified work force.

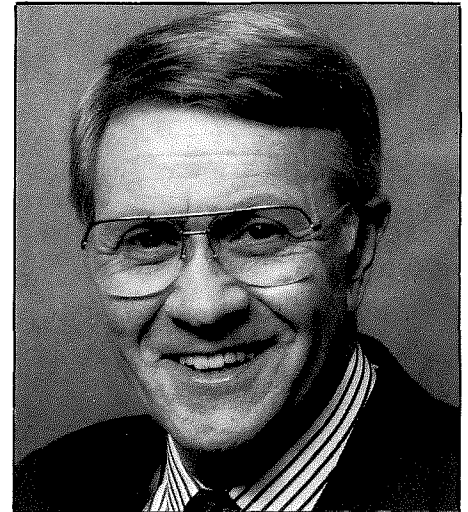
New Members



Frank J. (Pat) Dodd was sworn in as a member of the Casino Control Commission on March 2, 1989, replacing former commissioner Carl Zeitz.

Dodd, a former state senator, had served as chairman of the Hazardous Waste Facilities Siting Commission from 1981 until his appointment to the Casino Control Commission. He represented Essex County in the Assembly from 1966 to 1970 and then served in the Senate for three terms, serving as senate president during 1974-1975. It was during his senate tenure that he sponsored legislation creating the Hazardous Waste Facilities Siting Commission.

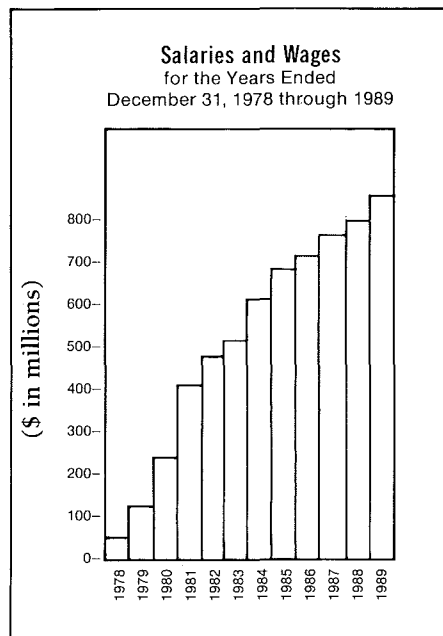
Dodd attended Seton Hall and Upsala Universities.



James R. Hurley was appointed as a member of the commission on January 8, 1990 to replace Chairman Walter N. Read who resigned.

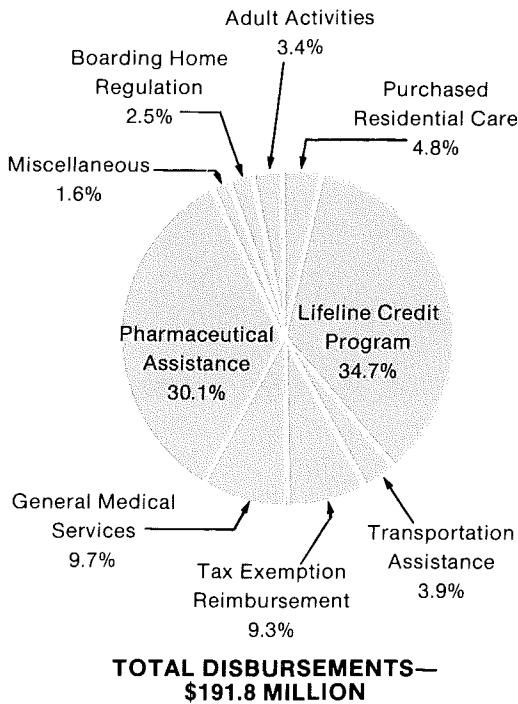
Like Dodd, Hurley has served in the Legislature. He served in the Assembly from 1966 to 1982 before being elected to the Senate where he served until he joined the commission. Hurley served in a leadership role in both houses.

He is a graduate of the University of North Carolina and served in the Army for three years.

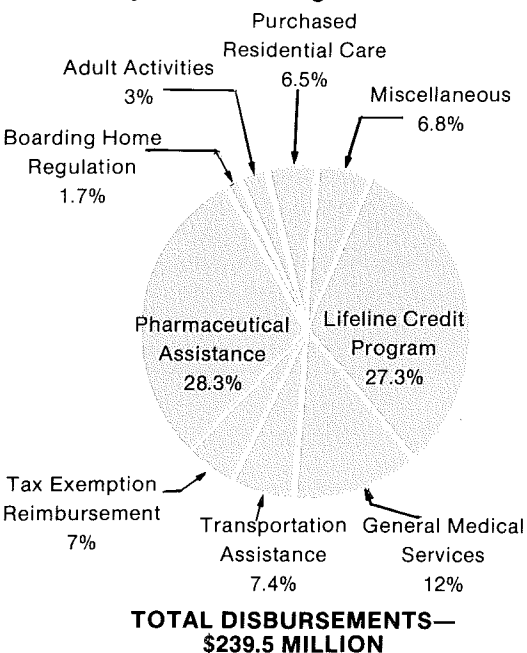


Casino Revenue Fund

Casino Revenue Fund Disbursements July 1, 1987 through June 30, 1988



Casino Revenue Fund Disbursements July 1, 1988 through June 30, 1989



During 1989 the Casino Revenue Fund collected \$245,080,486 to underwrite the cost of programs which are available to assist New Jersey's senior citizens and disabled persons.

The \$245 million collected during 1989 represents an increase of 8.4 percent compared with the \$226 million collected in 1988. Since the first casino, Resorts International, opened in 1978 the fund has collected \$1,613,310,336 plus an additional \$74,349,535 earned in interest.

The Casino Revenue Fund, in accordance with the 1976 constitutional amendment, must be used solely for programs to assist senior citizens and disabled persons.

The 12 operating casinos are taxed eight percent of their gross revenues or "win" each month. The money is then deposited in an interest bearing account by the Department of Treasury which administers the fund.

Included among the various programs financed by the fund are utility payments, pharmaceutical assistance, real estate property tax rebates, boarding home assistance and other programs such as senior citizens housing, home delivered meals, education and day training, health facilities evaluation, local and community health services, epidemiology and disease control, adult activities and social supervision.

The largest expenditure from the fund during Fiscal Year '89 was \$67.8 million provided to senior citizens and disabled persons for pharmaceutical assistance. General medical services to the aged and disabled received \$28.7 million while \$16.6 million was spent for property tax rebates to low income senior citizens and disabled persons.

Also during Fiscal Year '89, \$65.4 million was expended for utility payments. To be eligible an applicant must be at least 65 years of age or receiving Social Security disability benefits. Maximum income is \$13,650 for single persons and \$16,750 for married couples.

Residential care services received \$15.6 million and transportation support received \$17.6 million. Adult activities for senior citizens and disabled persons received \$7.1 million; boarding home regulation and assistance received \$4.0 million; and miscellaneous programs received \$16.4 million.

The Casino Revenue Fund is not used to underwrite the state's cost for regulating the casino industry. All costs of the Casino Control Commission are borne by the casino industry through license fees, taxes and assessments. None of the costs are paid out of the general fund of the state.

The cost of administering the Casino Revenue Fund is underwritten by the fund itself and is approximately three percent of the total cost of the programs.

STATISTICS

STATISTICS

THE NEW JERSEY CASINO INDUSTRY FACILITY STATISTICS at December 31, 1989 and 1988

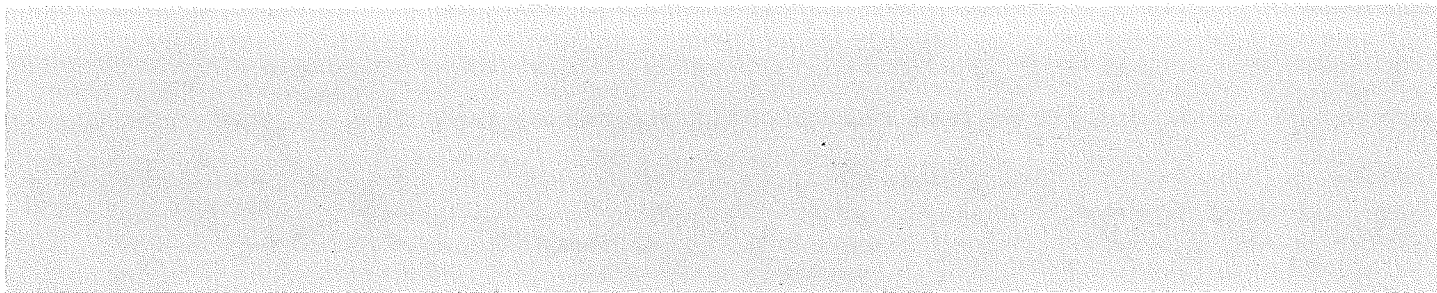
	Atlantis ¹		Bally's Grand		Bally's Park Place		Caesars		Claridge		Harrah's Marina	
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
Table Games:												
Blackjack	—	79	62	61	74	74	58	58	50	54	76	85
Craps	—	12	18	18	18	18	24	24	12	12	22	22
Roulette	—	12	10	10	12	12	11	11	8	8	18	12
Big Six	—	2	4	4	4	4	4	4	1	1	3	3
Baccarat	—	4	2	2	2	2	5	5	3	2	4	3
Total Table Games	—	109	96	95	110	110	102	102	74	77	123	125
Slot Machines:												
.05 slot machines	—	175	68	68	93	93	89	108	66	66	104	119
.25 slot machines	—	740	589	551	706	780	706	827	527	558	621	685
\$1 slot machines	—	169	194	254	193	204	234	157	125	113	266	253
Other slot machines ²	—	311	507	484	669	592	714	597	521	502	760	650
Total Slot Machines	—	1,395	1,358	1,357	1,661	1,669	1,743	1,689	1,239	1,239	1,751	1,707
Casino Square Footage	—	50,601	45,442	45,442	59,996	59,996	60,000	59,617	43,054	43,054	60,364	60,364
Number of Hotel Rooms	—	500	518	518	1,214	506	644	644	501	504	760	760
Convention Space Square Footage	—	26,260	23,536	23,536	52,675	49,035	26,364	26,364	27,512	27,953	32,348	32,348
Number of Parking Spaces	—	906	1,683	1,767	1,418	987	858	1,064	1,336	1,493	2,754	2,930
Number of Theatre Seats	—	850	509	540	380	380	1,050	1,050	600	600	850	850
Number of Restaurants	—	5	10	10	11	11	13	12	8	8	9	9
Fixed Asset Investment ³ (\$ in Millions)	—	\$187.9	\$295.3	\$287.4	\$703.5	\$619.2	\$343.2	\$317.5	\$13.2⁴	\$12.4 ⁴	\$299.5	\$281.1
Number of Employees	—	2,125	3,379	3,446	4,010	3,568	4,114	3,937	2,133	2,282	3,941	3,848

¹Atlantis discontinued its casino operations at 4:00 a.m. May 22, 1989

²Includes all other slot machines

³Represents property and equipment before accumulated depreciation as reported by each casino licensee

⁴Fixed asset investment for Claridge at December 31, 1988 and 1989, only includes gaming equipment because



Resorts		Sands		Showboat		TropWorld		Trump Castle		Trump Plaza		Industry Totals	
1989	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
70	78	62	63	72	74	108	110	67	68	78	80	777	884
20	22	18	18	18	18	20	20	21	25	20	20	211	229
11	11	12	12	12	12	10	10	12	12	12	12	128	134
4	4	3	3	4	4	4	4	3	3	3	3	37	39
3	3	4	3	6	3	5	3	5	5	4	2	43	37
108	118	99	99	112	111	147	147	108	113	117	117	1,196	1,323
89	84	72	79	88	124	119	119	86	98	92	96	966	1,229
735	833	563	611	658	894	999	981	749	808	767	867	7,620	9,135
209	199	185	187	191	156	276	338	249	220	199	141	2,321	2,391
629	556	586	562	723	498	975	930	603	535	608	562	7,295	6,779
1,662	1,672	1,406	1,439	1,660	1,672	2,369	2,368	1,687	1,661	1,666	1,666	18,202	19,534
59,849	59,857	50,186	50,090	58,853	59,388	90,827	87,760	60,000	60,000	60,000	60,000	648,571	696,196
681	689	500	500	516	516	1,014	1,004	700	607	536	566	7,584	7,314
49,647	48,953	26,549	26,549	45,067	45,940	52,106	52,106	52,406	47,046	27,417	27,417	415,627	433,507
2,535	2,721	2,595	2,595	2,534	2,534	4,381	4,070	2,816	2,816	2,858	2,940	25,768	26,823
1,600	1,600	850	850	1,700	1,550	1,860	1,860	1,562	462	750	750	11,711	11,342
12	12	12	11	12	12	12	12	10	9	10	9	119	120
\$236.8	\$178.9	\$281.1	\$261.6	\$258.0	\$247.0	\$313.6⁵	\$302.3⁵	\$457.5	\$407.4	\$386.4	\$353.1	\$3,588.1	\$3,455.8
3,029	3,608	3,088	2,945	3,818	3,612	4,935	4,868	3,669	3,502	4,511	4,393	40,627	42,134

⁵Fixed asset investment for TropWorld at December 31, 1988 and 1989 does not include the original building and certain non-gaming assets because Adamar of New Jersey, Inc. leases these assets as a result of a sale and leaseback transaction.

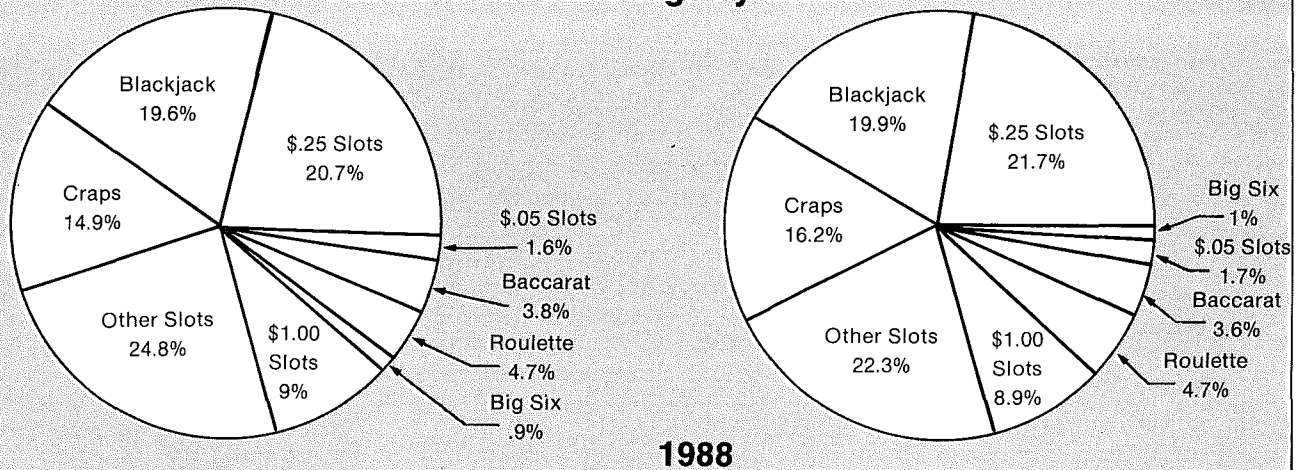
**The New Jersey Casino Industry
Gross Revenue and Related Tax
For the Years Ended December 31, 1989 and 1988**

(\$ in Thousands)

Casino Hotel	Casino Win	Daily Average Casino Win	Adjustment for Uncollectibles	Gross Revenue	Tax
Atlantis (a)					
1989	\$ 30,927	\$219	\$ 0	\$ 30,927	\$ 2,474
1988	84,165	230	0	84,165	6,733
Bally's Grand					
1989	\$ 210,748	\$577	\$ 969	\$ 209,779	\$ 16,782
1988	221,631	606	1,721	219,910	17,593
Bally's Park Place					
1989	\$ 278,890	\$764	\$ 807	\$ 278,083	\$ 22,247
1988	269,286	736	622	268,664	21,493
Caesars					
1989	\$ 303,056	\$830	\$ 3,004	\$ 300,052	\$ 24,004
1988	307,600	840	4,833	302,767	24,221
Claridge					
1989	\$ 128,641	\$352	\$ 575	\$ 128,066	\$ 10,245
1988	132,971	363	682	132,289	10,583
Harrah's Marina					
1989	\$ 293,105	\$803	\$ 1,244	\$ 291,861	\$ 23,349
1988	281,347	769	1,079	280,268	22,421
Resorts					
1989	\$ 227,384	\$623	\$ 1,550	\$ 225,834	\$ 18,067
1988	242,860	664	1,473	241,387	19,311
Sands					
1989	\$ 219,492	\$601	\$ 3,561	\$ 215,931	\$ 17,274
1988	205,448	561	3,084	202,364	16,189
Showboat					
1989	\$ 258,836	\$709	\$ 5,196	\$ 253,640	\$ 20,291
1988	209,414	572	2,162	207,252	16,580
TropWorld					
1989	\$ 285,393	\$782	\$ 4,011	\$ 281,382	\$ 22,511
1988	232,785	636	1,281	231,504	18,520
Trump Castle					
1989	\$ 264,835	\$726	\$ 2,397	\$ 262,438	\$ 20,995
1988	246,427	673	1,603	244,824	19,586
Trump Plaza					
1989	\$ 305,683	\$837	\$ 3,590	\$ 302,093	\$ 24,167
1988	300,841	822	4,362	296,479	23,718

(a) Atlantis discontinued its casino operations at 4:00 a.m. on May 22, 1989

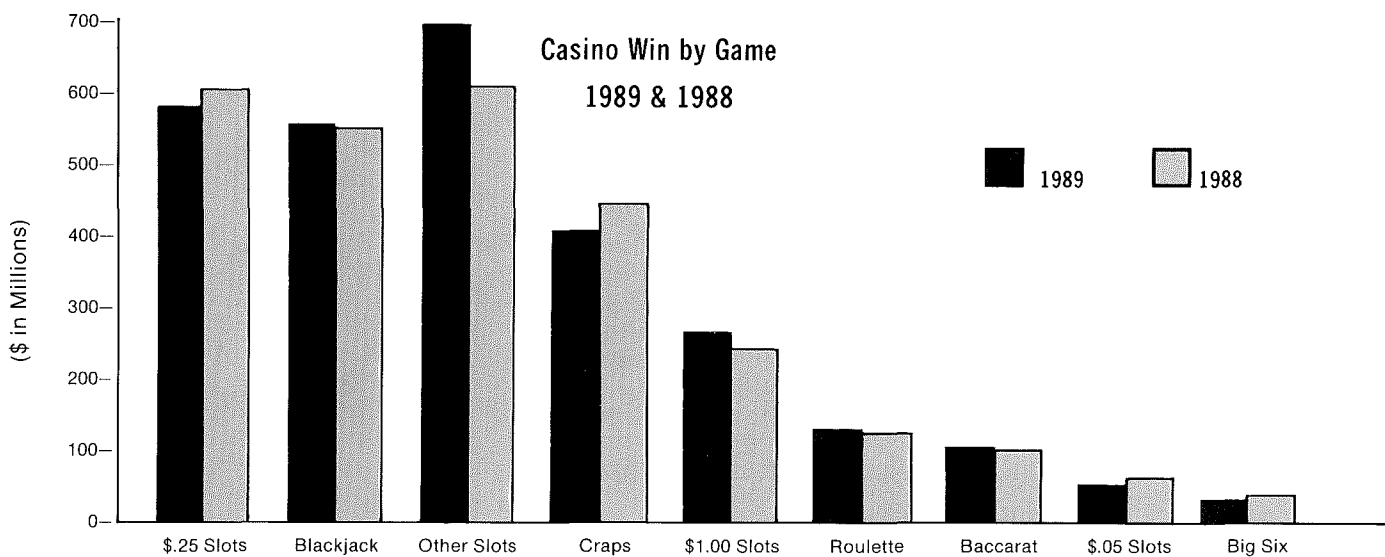
Casino Win Percentage by Game



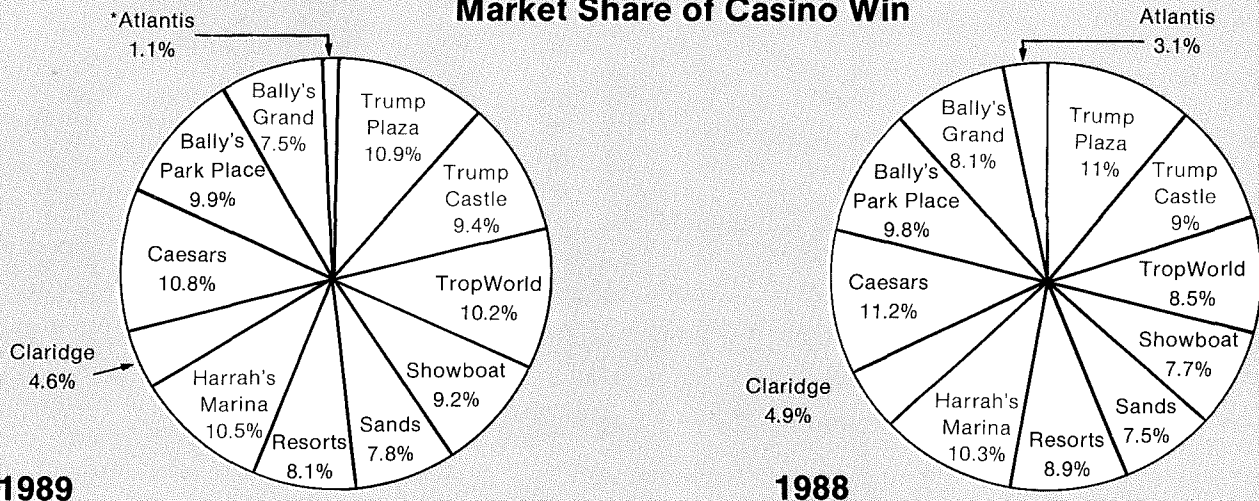
1989

1988

Casino Win by Game 1989 & 1988



Market Share of Casino Win



1989

1988

*Atlantis discontinued operations at 4:00 a.m. on May 22, 1989

Enterprise License Bureau Statistics Casino Service Industries

	1/1/89 to 12/31/89	Inception to 12/31/89
Enterprises permitted to conduct business with casino licensees	3,731	27,527
Enterprises prohibited from conducting business with casino licensees	164	695
Contracts reviewed	5,054	21,127
Initial Gaming Related:		
Applicants	4	138
Licenses Issued	3	55
Licenses Denied	0	5
Withdrawals Granted	1	30
Licenses Active		19
*Renewal Gaming Related:		
Applicants	15	40*
Licenses Issued	2	8*
Licenses Denied	0	0*
Withdrawals Granted	0	0*
Licenses Active		12
Initial Non-Gaming Related:		
Applicants	316	3,012
Licenses Issued	321	1,502
Licenses Denied	10	110
Withdrawals Granted	75	405
Licenses Active		710
*Renewal Non-Gaming Related:		
Applicants	94	298*
Licenses Issued	136	255*
Licenses Denied	0	2*
Withdrawals Granted	2	2*
Licenses Active		288
Exemptions granted by CCC	13	28

Junket Enterprises

Initial Junket Enterprises:		
Applicants	2	253
Licenses Issued	13	173
Licenses Denied	0	18
Withdrawals Granted	1	23
Licenses Active		69
*Renewal Junket Enterprises:		
Applicants	8	17*
Licenses Issued	6	9*
Licenses Denied	0	0*
Withdrawals Granted	0	0*
Licenses Active		14

Gaming Schools

Applications Filed	0	17
Licenses Issued	0	10
Schools Currently Operating	4	

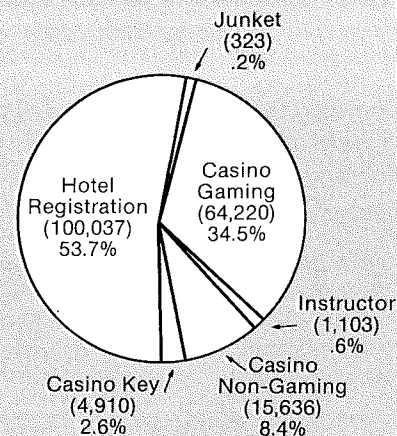
Labor Organizations

Registered	1	18
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* Newly developed tracking system to account for ongoing renewal information.
Cumulative figures account for the time period 1-1-88 to 12-31-89.

Employee License/Registration

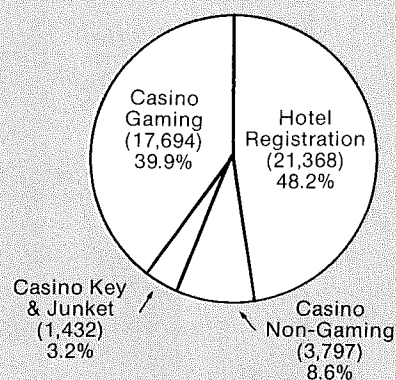
Applications Accepted 1978-1989



TOTAL APPLICATIONS = 186,229

Casino/Hotel Employment

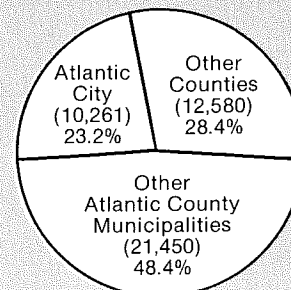
By License Category 1989



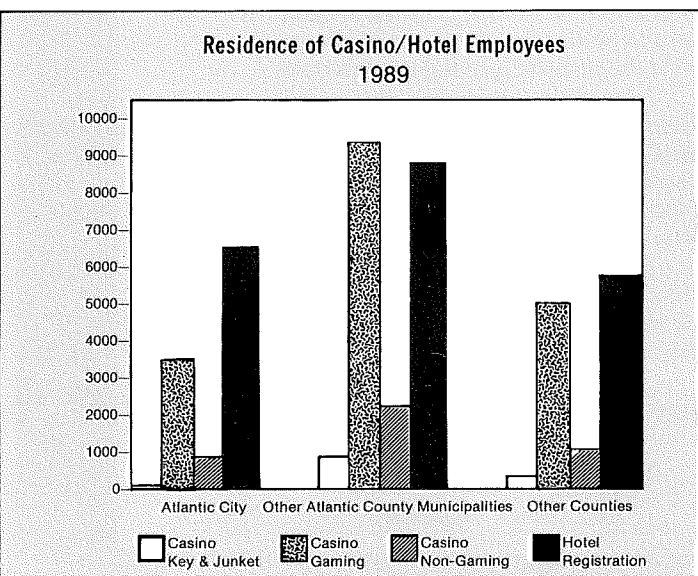
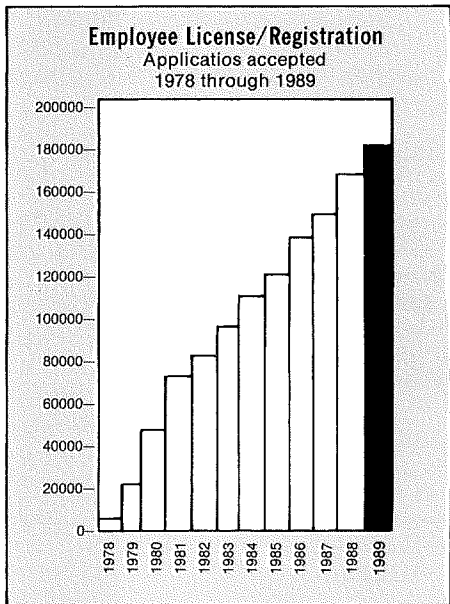
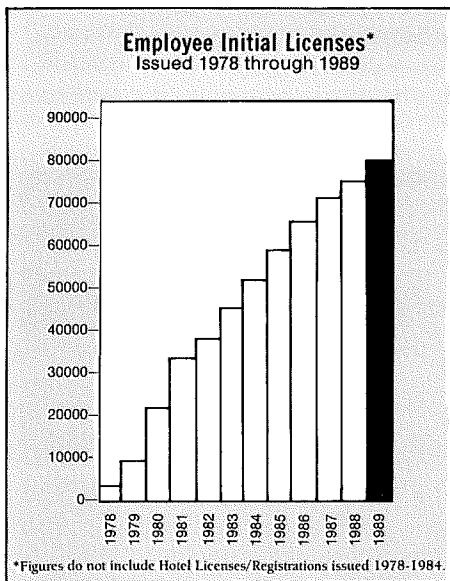
TOTAL EMPLOYMENT = 44,291

Casino/Hotel Employees

By Location 1989



TOTAL EMPLOYMENT = 44,291



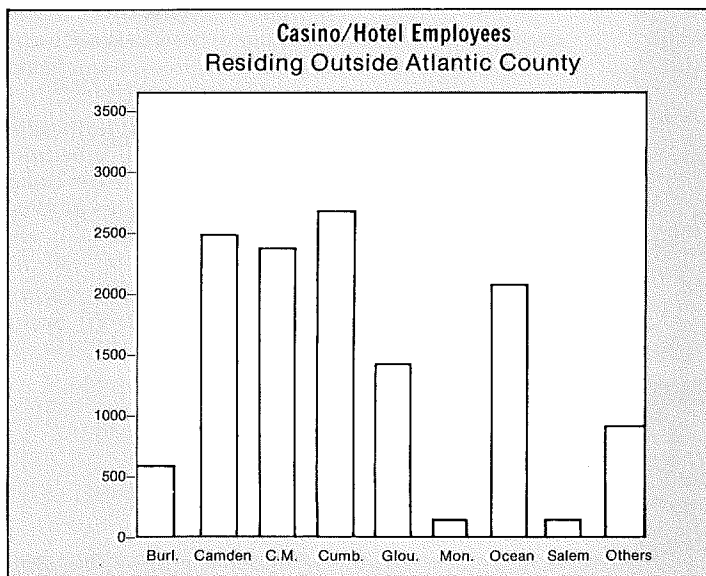
Employee License Bureau Applications Accepted and Licenses/Registrations Issued

	1/1/89 to 12/31/89	Inception to 12/31/89
Casino Key Employees:		
Applications filed	380	4,910
Licenses issued	284	4,151
Temporary licenses issued	183	1,843
Casino Employees:		
Applications filed	5,559	79,856
Licenses issued	4,234	75,968
Temporary non-gaming licenses issued	612	8,966
Temporary Junket Employee licenses issued ¹	0	1,691
Junket Employees:		
Applications filed ²	119	323
Licenses issued ³	113	136
Gaming School Employees:		
Applications filed	1	1,103
Licenses issued	2	943
Temporary licenses issued	0	92
Casino Hotel Employees:		
License & registration applications filed	9,648	100,037
Licenses & registration issued	9,648	99,931
Total Employees:		
Applications filed	15,707	186,229
Plenary licenses & hotel registrations issued	14,281	181,129
Temporary licenses issued	795	12,592
Position additions processed	4,015	44,286
Employee license renewals processed	8,214	95,451

¹ Temporary Junket Employee Licenses were issued prior to a change in the Casino Control Act in January 1988.

² "Junket applications filed" include both initial applications and renewal upgrades.

³ Adjustments were made to the category of "Licenses issued" for the figures "Inception to 12/31/89" due to the results of an audit performed on these figures.



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New Jersey State Legislature
OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
210 CARNEGIE CENTER
PRINCETON, NEW JERSEY 08540
MAILING ADDRESS:
CN 067
TRENTON, NEW JERSEY 08625

RICHARD L. FAIR
STATE AUDITOR - DESIGNATE
(609) 292-3700

ALBERT PORRONI
Executive Director
(609) 292-4625

December 29, 1989

The Honorable Thomas H. Kean
Governor of New Jersey
The Honorable John F. Russo
President of the Senate
The Honorable Chuck Hardwick
Speaker of the General Assembly
Mr. Albert Porroni
Executive Director
Office of Legislative Services

Gentlemen:

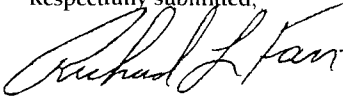
We have audited the balance sheet of the **Casino Control Fund** of the State of New Jersey as of June 30, 1989 and 1988, and the related statement of revenues, expenditures, and changes in fund balance, and statement of revenues, expenditures, and changes in fund balances, budget and actual-(budgetary basis) for the years then ended. These financial statements are the responsibility of the State of New Jersey 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Control Fund** as of June 30, 1989 and 1988, and the results of its operations and changes in fund balances for the years then ended in conformity with generally accepted accounting principles.

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

The examination was performed and this report is submitted pursuant to the State Auditor's audit responsibilities as set forth in Article VII, Section 1.6 of the State Constitution, and N.J.S.A. 52:24-4.

Respectfully submitted,

Richard L. Fair
State Auditor - Designate

**State of New Jersey
Casino Control Fund
Balance Sheet
June 30, 1989 and 1988**

	Exhibit I (in \$000)	
	1989	1988
Assets:		
Accounts Receivable (Note 3)	\$ 11,015.8	\$ 15,107.3
Less: Allowance for Doubtful Accounts	<u>1,682.3</u>	<u>1,652.1</u>
Net Accounts Receivable	9,333.5	13,455.2
Due from General Fund (Note 2)	<u>797.1</u>	<u>1,027.4</u>
Total Assets	<u>\$ 10,130.6</u>	<u>\$ 14,482.6</u>
Liabilities and Fund Balance:		
Liabilities:		
Accounts Payable (Note 4)	\$ 8,639.4	\$ 10,608.7
Deferred Revenue (Note 5)	<u>1,491.0</u>	<u>3,159.5</u>
Total Liabilities	<u>10,130.4</u>	<u>13,768.2</u>
Fund Balance: (Note 1)		
Reserved:		
Reserved for Encumbrances		
Current Year	2,522.8	3,007.1
Prior Year	71.5	84.3
Unreserved:		
Undesignated	<u>(2,594.1)</u>	<u>(2,377.0)</u>
Total Fund Balance (Note 6)	<u>.2</u>	<u>714.4</u>
Total Liabilities and Fund Balance	<u>\$ 10,130.6</u>	<u>\$ 14,482.6</u>

() Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

**State of New Jersey
Casino Control Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balances
for the Fiscal Years Ended June 30, 1989 and 1988**

	Exhibit II (in \$000)	
	1989	1988
Revenues:		
Casinos		
Licenses		
Casino	\$ 36,444.3	\$ 34,746.2
Slot Machines	9,727.0	9,321.7
Alcoholic Beverage	87.0	123.7
Work Permits	129.3	110.9
Fines and Penalties	601.1	252.3
Deficit Assessment	<u>5,232.0</u>	<u>1,298.4</u>
	52,220.7	45,853.2
Credits for Prior Year Surplus	<u>(714.4)</u>	<u>(95.0)</u>
Total From Casinos	<u>51,506.3</u>	<u>45,758.2</u>
Other Sources		
Licenses		
Casino Employees	4,735.2	5,006.4
Casino Service Industry	716.5	843.8
Slot Prototype	218.5	516.3
Fines and Penalties	38.5	23.2
Other Revenue	<u>508.7</u>	<u>109.3</u>
Total from Other Sources	<u>6,217.4</u>	<u>6,499.0</u>
Total Revenues	<u>57,723.7</u>	<u>52,257.2</u>
Expenditures:		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	34,238.0	29,612.3
Government Direction, Management and Control (Casino Control Commission)	<u>24,174.7</u>	<u>21,964.8</u>
Total Expenditures	<u>58,412.7</u>	<u>51,577.1</u>
Other Decreases:		
Transfers to General Fund (Note 8)	<u>25.2</u>	<u>60.7</u>
Total Other Decreases	<u>25.2</u>	<u>60.7</u>
Total Expenditures/Other Decreases	<u>58,437.9</u>	<u>51,637.8</u>
Net Increase (Decrease) in Fund Balance for the Year	<u>(714.2)</u>	<u>619.4</u>
Fund Balance - Beginning	<u>714.4</u>	<u>95.0</u>
Fund Balance - Ending	<u>\$.2</u>	<u>\$ 714.4</u>

() Denotes minus amount

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, 1989

	Actual	Adjustment To Budgetary Basis	Actual on Budgetary Basis	Exhibit III-A (in \$000)	
				Budget	Variance- Favorable (Unfavorable)
Revenues:					
Casinos					
Licenses					
Casino	\$ 36,444.3	\$ —	\$ 36,444.3	\$ 34,368.9	\$ 2,075.4
Slot Machines	9,727.0	—	9,727.0	9,650.5	76.5
Alcoholic Beverage	87.0	—	87.0	—	87.0
Work Permits	129.3	—	129.3	144.0	(14.7)
Fines and Penalties	601.1	—	601.1	—	601.1
Deficit Assessments	5,232.0	—	5,232.0	11,588.0	(6,356.0)
	<u>52,220.7</u>	<u>—</u>	<u>52,220.7</u>	<u>55,751.4</u>	<u>(3,530.7)</u>
Credits for Prior Year Surplus	(714.4)	—	(714.4)	—	(714.4)
Total From Casinos	<u>51,506.3</u>	<u>—</u>	<u>51,506.3</u>	<u>55,751.4</u>	<u>(4,245.1)</u>
Other Sources					
Licenses					
Casino Employees	4,735.2	—	4,735.2	4,161.3	(573.9)
Casino Service Industry	716.5	—	716.5	747.5	(31.0)
Slot Prototype	218.5	—	218.5	—	218.5
Fines and Penalties	38.5	—	38.5	—	38.5
Other Revenue	508.7	—	508.7	271.8	236.9
Total from Other Sources	<u>6,217.4</u>	<u>—</u>	<u>6,217.4</u>	<u>5,180.6</u>	<u>1,036.8</u>
Total Revenues	<u>57,723.7</u>	<u>—</u>	<u>57,723.7</u>	<u>60,932.0</u>	<u>(3,208.3)</u>
Expenditures:					
Public Safety and Criminal Justice (Division of Gaming Enforcement)	34,238.0	146.2	34,384.2	36,428.0	2,043.8
Government Direction, Management and Control (Casino Control Commission)	<u>24,174.7</u>	<u>317.3</u>	<u>24,492.0</u>	<u>24,504.0</u>	<u>12.0</u>
Total Expenditures	<u>58,412.7</u>	<u>463.5</u>	<u>58,876.2</u>	<u>60,932.0</u>	<u>2,055.8</u>
Other Decreases:					
Transfers to General Fund	<u>25.2</u>	<u>(25.2)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Decreases	<u>25.2</u>	<u>(25.2)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Expenditures/Other Decreases	<u>58,437.9</u>	<u>438.3</u>	<u>58,876.2</u>	<u>60,932.0</u>	<u>2,055.8</u>
Net Increase (Decrease) in Fund Balance for the Year	<u>\$ (714.2)</u>	<u>\$ (438.3)</u>	<u>\$ (1,152.5)</u>	<u>\$ —</u>	<u>\$ (1,152.5)</u>

() Denotes minus amount

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, 1988

	Actual	Adjustment To Budgetary Basis	Actual on Budgetary Basis	Exhibit III-B (in \$000)	
				Budget	Variance- Favorable (Unfavorable)
Revenues:					
Casinos					
Licenses					
Casino	\$ 34,746.2	\$ —	\$ 34,746.2	\$ 34,770.1	\$ (23.9)
Slot Machines	9,321.7	—	9,321.7	9,117.0	204.7
Alcoholic Beverage	123.7	—	123.7	—	123.7
Work Permits	110.9	—	110.9	155.0	(44.1)
Fines and Penalties	252.3	—	252.3	—	252.3
Deficit Assessments	1,298.4	—	1,298.4	5,780.4	(4,482.0)
	<u>45,853.2</u>	<u>—</u>	<u>45,853.2</u>	<u>49,822.5</u>	<u>(3,969.3)</u>
Credits for Prior Year Surplus	(95.0)	—	(95.0)	—	(95.0)
Total From Casinos	<u>45,758.2</u>	<u>—</u>	<u>45,758.2</u>	<u>49,822.5</u>	<u>(4,064.3)</u>
Other Sources					
Licenses					
Casino Employees	5,006.4	—	5,006.4	6,465.9	(1,459.5)
Casino Service Industry	843.8	—	843.8	1,537.5	(693.7)
Slot Prototype	516.3	—	516.3	—	516.3
Fines and Penalties	23.2	—	23.2	—	23.2
Other Revenue	109.3	—	109.3	307.1	(197.8)
Total from Other Sources	<u>6,499.0</u>	<u>—</u>	<u>6,499.0</u>	<u>8,310.5</u>	<u>(1,811.5)</u>
Total Revenues	<u>52,257.2</u>	<u>—</u>	<u>52,257.2</u>	<u>58,133.0</u>	<u>(5,875.8)</u>
Expenditures:					
Public Safety and Criminal Justice (Division of Gaming Enforcement)					
	29,612.3	1,122.9	30,735.2	34,233.0	3,497.8
Government Direction, Management and Control (Casino Control Commission)					
	<u>21,964.8</u>	<u>400.9</u>	<u>22,365.7</u>	<u>23,900.0</u>	<u>1,534.3</u>
Total Expenditures	<u>51,577.1</u>	<u>1,523.8</u>	<u>53,100.9</u>	<u>58,133.0</u>	<u>5,032.1</u>
Other Decreases:					
Transfers to General Fund	<u>60.7</u>	<u>(60.7)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Other Decreases	<u>60.7</u>	<u>(60.7)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Expenditures/Other Decreases	<u>51,637.8</u>	<u>1,463.1</u>	<u>53,100.9</u>	<u>58,133.0</u>	<u>5,032.1</u>
Net Increase (Decrease) in Fund Balance for the Year	<u>\$ 619.4</u>	<u>\$ (1,463.1)</u>	<u>\$ (843.7)</u>	<u>\$ —</u>	<u>\$ (843.7)</u>

() Denotes minus amount

**STATE OF NEW JERSEY
CASINO CONTROL FUND**

NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies

A. Fund Accounting

The Governmental Accounting Standards Board, in its Statement 1—entitled *Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide*, continued in force the National Council on Governmental Accounting's (NCGA) Statement 1. NCGA Statement 1 defines a fund as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. These statements reflect financial reporting practices in accordance with that definition.

Special Revenue Fund

The Casino Control Fund is classified as a 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. 52:12-143) accounts for fees from the issuance and renewal of casino licenses, work permit fees, and other license fees. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The Casino Control Fund is accounted for using the modified accrual basis of accounting. Under this basis, 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.

Appropriations are authorized by an act of the Legislature for expenditure during the fiscal year and for a period of one month thereafter. Expenditures are recorded on an accrual basis when the related liability is incurred. Modifications to the accrual basis of accounting include:

- a) Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.
- b) Accumulated unpaid vacation and sick pay are not accrued.

Encumbrances represented by purchase orders and contracts are recorded and reported as reservations of fund balance since they do not constitute expenditures or liabilities.

C. Revenue and Expenditure Budgets

The Casino Control Fund, as detailed in the following table, operates under a budgetary control system comprised of:

- a) The Annual Appropriations Acts approved June 30, 1988 for Fiscal Year 1989, June 30, 1987 for Fiscal Year 1988, and various supplemental appropriation acts approved during the fiscal year.
- b) Reappropriations (authorized by the Annual Appropriations Act) of prior year funds which are available for expenditure in the current year.
- c) Appropriated Revenues (authorized by the Annual Appropriations Act) which established certain revenues as appropriations.

The above items provided the following amounts for the Fiscal Year 1989 and 1988 budgets (in \$000).

	<u>Revenue and Other Increases</u>	
	<u>1989</u>	<u>1988</u>
Annual Appropriations Act	\$60,932.0	\$58,133.0
Totals	<u>\$60,932.0</u>	<u>\$58,133.0</u>
	<u>Expenditures and Other Decreases</u>	
	<u>1989</u>	<u>1988</u>
Annual Appropriations Act	\$60,932.0	\$58,133.0
Totals	<u>\$60,932.0</u>	<u>\$58,133.0</u>

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 legally adopted budget with actual data on a budgetary basis.

The State's budgetary basis of accounting differs from that utilized to present financial statements in conformance with generally accepted accounting principles (GAAP). The main difference between the budgetary basis and the GAAP basis is 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.

D. Fund Balances

The fund balances of the Casino Control Fund consist of:

- a) *Reserved for encumbrances*—used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.
- b) *Unreserved-Undesignated*—used to represent that portion of fund balance resources available for appropriation.

E. Fixed Assets

Fixed assets acquired with fund resources are recorded as expenditures of the fund at the time of acquisition and are also recorded in the State's General Fixed Asset Account Group.

F. Other

Other significant accounting policies are described in Notes 2 to 8.

NOTE 2—Due From General Fund

Cash transactions of the Casino Control Fund are made through and by 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 General Fund account on the Balance Sheet.

NOTE 3—Accounts Receivable

Represent amounts which were collected within the one-month period subsequent to June 30, and outstanding billings applicable to June 30, 1989 and 1988. Approximately 94% and 73% of the outstanding billings were satisfied within a three-month period subsequent to June 30, 1989 and 1988, respectively.

NOTE 4—Accounts Payable

Represent amounts due for goods and services that were received by the State prior to fiscal year end.

NOTE 5—Deferred Revenue

Deferred Revenue represents Fiscal Year 1990 and Fiscal Year 1989 slot machine license billings collected and recorded in June 1989 and 1988, respectively.

NOTE 6—Fund Balance

The positive fund balance as of June 30, 1989 resulted from an excess of estimated assessments made to casino licensees during Fiscal Year 1989 as provided by N.J.A.C. 19:41-9.4(f). The balance at June 30, 1989 will be credited to casino licensees during Fiscal Year 1990 in the same proportion as the aforementioned assessments, pursuant to N.J.A.C. 19:41-9.19(c). The positive fund balance at June 30, 1988 resulted from an excess of estimated assessments made to casino licensees during Fiscal Year 1988 as provided by N.J.A.C. 19:41-9.4(f). The balance at June 30, 1988 was credited to casino licensees during Fiscal Year 1989 in the same proportion as the aforementioned assessments, pursuant to N.J.A.C. 19:41-9.19(c).

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.

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 1989 and Fiscal Year 1988 was equal to the effective rate of return on investments in the General Fund and varied from 7.12% to 9.39% in Fiscal Year 1989 and from 6.40% to 7.08% in Fiscal Year 1988. The net effect of these transactions is reflected in the Transfers to General Fund account on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

NOTE 9—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, 1989 and 1988

	Schedule I (in \$000)			
	1989		1988	
	Public Safety and Criminal Justice	Government Direction Management and Control	Public Safety and Criminal Justice	Government Direction Management and Control
Expenditures:				
Salaries	\$19,407.1	\$15,830.4	\$17,470.4	\$14,565.3
Payroll Taxes and Employee Benefits	5,301.9	3,726.3	4,719.6	3,332.0
Printing and Office Supplies	320.4	289.7	280.0	292.4
Vehicular Supplies	277.7	—	275.9	—
Travel	61.5	41.7	40.7	44.3
Telephone	589.0	186.5	700.3	183.7
Data Processing	1,624.1	891.7	570.5	814.3
Professional Services	581.2	302.2	401.0	286.7
Other Services Other than Personal	530.3	544.7	584.8	604.8
Rent-Facilities	2,099.2	1,216.9	1,807.2	1,532.4
Rent-Automobiles and Other	258.4	130.7	163.5	100.0
Indirect Costs	2,135.9	166.0	1,280.6	2.0
Office Equipment	86.9	736.0	263.1	100.5
Vehicular Equipment	462.2	—	607.8	—
Other Equipment	502.2	111.9	446.9	106.4
Total Expenditures	<u>\$34,238.0</u>	<u>\$24,174.7</u>	<u>\$29,612.3</u>	<u>\$21,964.8</u>

**New Jersey Casino Control Commission
Princeton Pike Office Park
Building No. 5
CN 208
Trenton, New Jersey 08625
Tel. (609) 530-4900**

**Tennessee Avenue and Boardwalk
Atlantic City, New Jersey 08401
Tel. (609) 441-3200**

