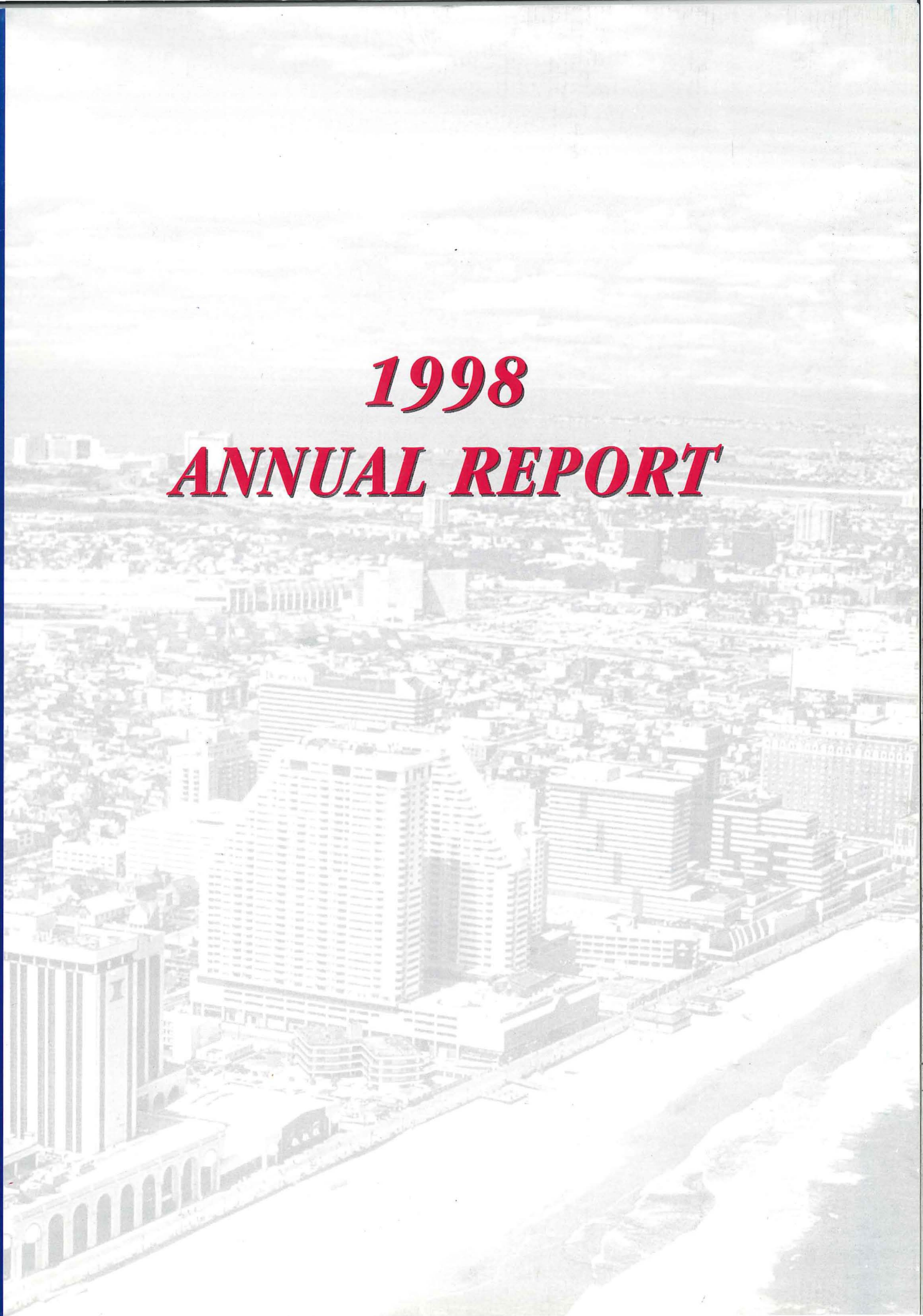
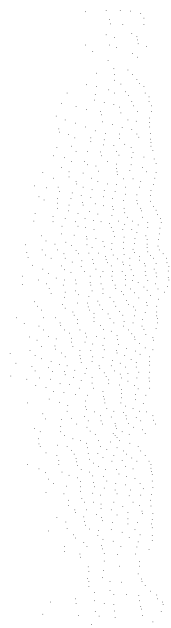


# *1998 ANNUAL REPORT*





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## Governor of New Jersey



Christine Todd Whitman

The 1998 Annual Report of the New Jersey Casino Control Commission is submitted to the Governor and the New Jersey Legislature.

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## New Jersey Casino Control Commission 1998



*From left: Chairman James R. Hurley, Commissioner Diane M. Legreide, Vice Chair Leanna Brown and Commissioner Susan F. Maven.*

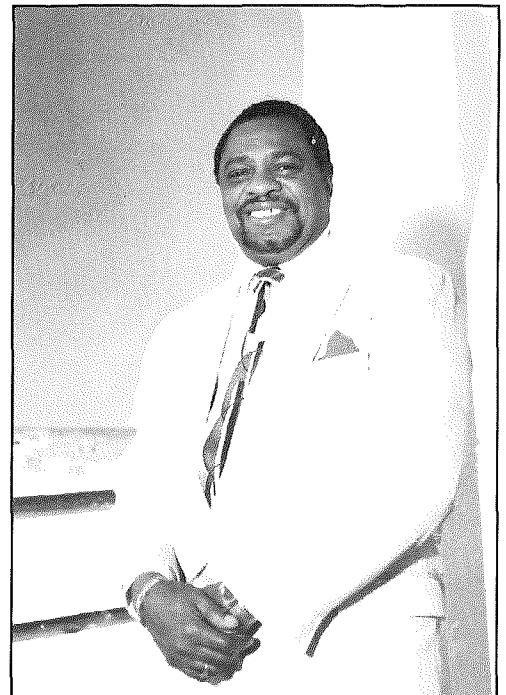


## Management Team



*Above: Division Directors*

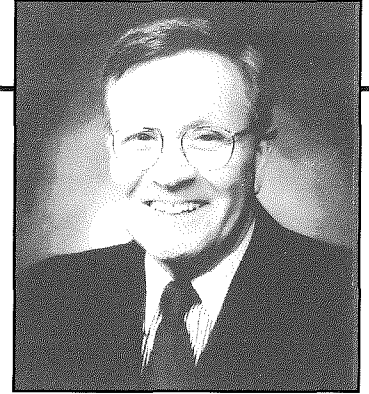
*From left: Noreen Iannuzzi, Christopher Storcella, Richard Franz, Dennis Daly, and John Zimmerman*



*Above: Affirmative Action Officer  
Marvin Askins*

*Photographs by Donna Connor  
Left: The New Atlantic City Convention Center  
Right: Atlantic City Boardwalk*

## Message From Our Chairman



**W**hen I became chairman last September, I told commission employees that there was a "new dawn" at the commission. For them, it certainly meant a new chairman with some new ideas, a new person at the helm with some new ways of doing things. But the new dawn refers to a lot more than just a change in who chairs the commission. It refers to a vision of the new challenges and opportunities that the commission and the industry, the city and the state will face as we prepare to enter a new millennium.

There clearly is a new dawn at hand for Atlantic City. Casinos were introduced here in 1978 as a "unique tool of urban redevelopment" and the commission was established to regulate the casinos in a manner that would ensure that the promise of redevelopment would be met. Anyone who compares Atlantic City today to what it looked like in 1978 would see that there has been a dramatic redevelopment of the city. Atlantic City is poised for more dramatic changes in the next several years.

There are major new projects that are under way or will get under way in 1999, including the casino hotels planned by Mirage Resorts and Boyd Gaming. They are projects that have the potential to redefine the industry here. They will create thousands of new hotel rooms, new theaters, retail space and other attractions that will enable the industry to dramatically expand its market and start attracting people who have never been to Atlantic City before.

Casino gambling has already generated billions of dollars in taxes that have helped hundreds of thousands of seniors and people with disabilities to obtain prescription drugs, help with utility bills and other benefits. But in the next several years, the new development and growth in the industry will provide significant increases in tax revenues to all levels of government. There will be more money for programs for seniors and people with disabilities

through the Casino Revenue Tax; there will be more money for new housing and other improvements in Atlantic City

through the Casino Reinvestment Development Authority. An expanded local industry will increase the amount of real estate taxes generated by casinos as well as luxury taxes, room taxes and parking fees.

Casinos already employ more than 48,000 people. And by purchasing more than \$2.5 billion of goods and services each year, they have created tens of thousands of additional jobs elsewhere in the economy. Those numbers will get an enormous boost in the next several years through the new developments here.

The Casino Control Commission laid the groundwork for all of these developments through nearly a decade of legislative and regulatory reforms that have created a much more responsive agency and a much more attractive business climate. As a member of the commission since 1990, I have been intimately involved in all of those reforms. That process of reform is one that I am committed to and one that will continue while I am chairman. I am likewise committed to maintaining the Casino Control Commission's reputation as perhaps the finest gaming regulatory agency in the world.

As we move ahead, the commission intends to be a leader in many areas, particularly the area of new technology. At a time when others are focusing on ensuring computer systems are Y2K compliant, we want to look beyond that, well into the next millennium. To do that, I have established a special technology committee that is chaired by Commissioner Susan F. Maven which includes key people from every part of the commission. That committee is examining advances in technology and considering ways to properly assess and control gaming activities that utilize new technology. Casino operators and gaming equipment

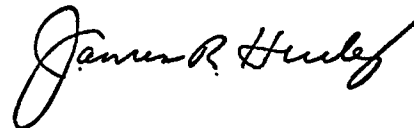
manufacturers are moving closer and closer to cashless wagering systems where gambling would be done through electronic debits and credits to a patron's account. Bonus systems and intensive graphic applications already require new kinds of hardware that were unheard of in machines just a couple of years ago. Suppliers are developing systems that provide automatic hopper fills, hoppers that pay out in currency instead of coin and automated jackpot payout kiosks.

These advances may require new policies on the part of regulators as well. We will continue to ensure that appropriate controls are in place to capture every aspect of electronic wagering and make certain that revenues can be properly audited, and appropriate taxes are paid. We will be able to adequately and accurately track gaming revenues that may only exist as electronic impulses.

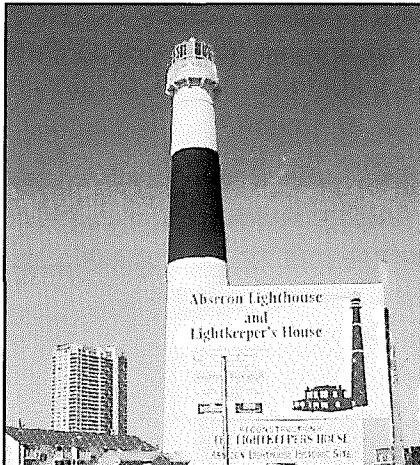
The Casino Control Commission will devote the time, the money and the staff needed to ensure that we meet these new challenges. We have an exceptional staff with extraordinary talents in this and many other areas. If there is any group of people that can devise new regulatory approaches to deal with these issues, it is our staff. Time and

again, it has shown an uncanny ability to develop innovative solutions that have made the commission an efficient and effective regulatory agency.

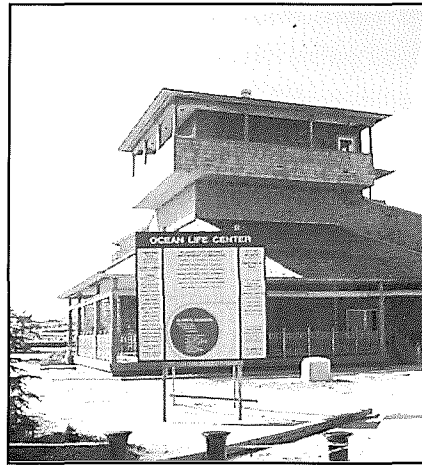
Finally, while a new dawn can connote change, a new beginning and moving forward, it also portrays stability and consistency. And as sure as there will be a new dawn tomorrow, people can be sure that this commission will not yield an inch on matters of integrity. I am the fifth person to serve as chairman of the Casino Control Commission. Each of us has put our own stamp on the commission and has had different approaches to operating this agency. There have been a lot of changes since Joe Lordi became chairman in 1977, but there is something very important that I share with him and each of my predecessors a commitment to maintaining integrity and public confidence in the gaming industry and in the regulatory process. Their commitment to integrity made it possible for us to accomplish as much as we have. And our commitment to integrity will enable future commissioners to accomplish even greater achievements.



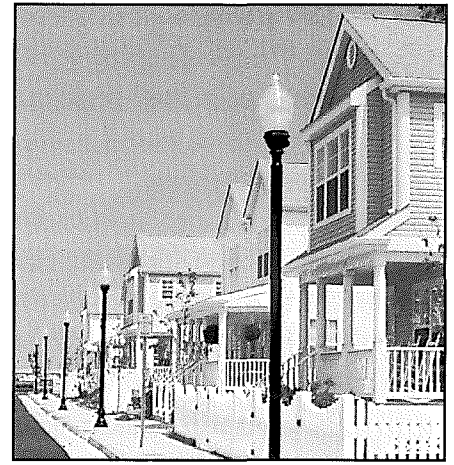




*Above: Absecon Lighthouse located in the Northeast Inlet section of Atlantic City.  
Below: Cranes tower above roadway construction on the H-Tract area in the Atlantic City Marina District.*



*Above: Ocean Life Center located at Historic Gardner's Basin.*



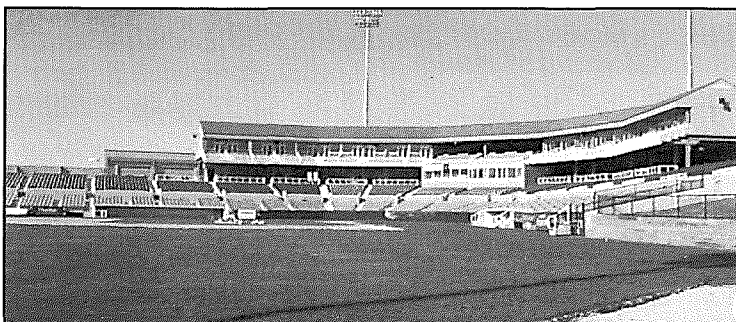
*Above: Madison Landing housing development located in the Northeast Inlet.*

## Atlantic City Developments

Atlantic City is sprucing up its image as it prepares to reclaim the spirit and character that once made it the "Queen of Resorts." Since the early '90s, major efforts have been made to reestablish Atlantic City as "Queen." Those efforts stepped up significantly in 1998 with progress on numerous development projects. Last year, the Casino Reinvestment Development Authority completed construction on several of its housing projects in the Northeast Inlet. Construction progressed on the Ocean Life Center at Gardner's Basin and construction on the new Sandcastle baseball stadium was completed. The Atlantic City Surf played its first game at the new stadium in the spring of 1998. Later during the year, the state began roadway improvements with construction on the tunnel connector that will link downtown Atlantic City to the marina district.

Many other redevelopment projects were either started or completed in 1998. The Absecon Lighthouse was refurbished, construction began on the Atlantic City Expressway Welcome Center and AtlantiCare began constructing its new HealthPlex Center in mid-town Atlantic City.

As construction cranes take over the skyline and street traffic snarls, Atlantic City is redeveloping . . . regaining the splendor that it had when it reigned as "Queen."



*Left: Sandcastle Stadium, home of the Atlantic City Surf baseball team.*

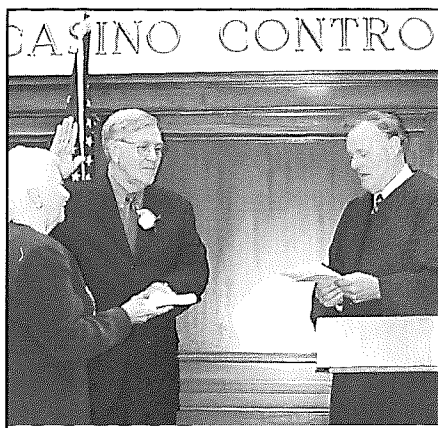
## Casino Control Commission At A Glance

**T**he New Jersey Casino Control Commission, now in its 21st year of operation, regulates one of the most successful gaming jurisdictions in the United States. Based in Atlantic City, its main office is located within walking distance of most Atlantic City casinos. This accessibility, the commission's responsible attitude, and its highly professional staff contribute to this success. The commission has established a proud history in the gaming industry.

This report reflects on commission activities in 1998. It summarizes past performance and projects what's in store as the commission moves forward toward a new millenium.

### Commissioner's Office

In 1998, there were several leadership changes at the Casino Control Commission. In July, Susan F. Maven was appointed to the commission by Governor Christine Whitman.

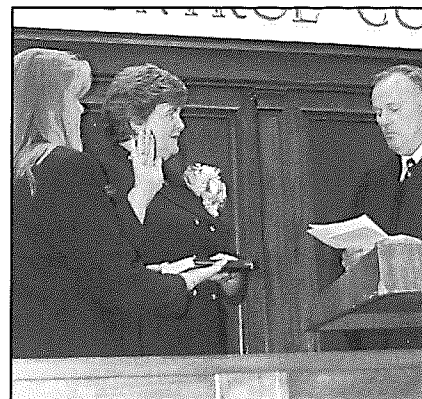


*Above: Chairman James R. Hurley (center left) is sworn in by Judge William Forester as his wife Walda looks on.*

Commissioner Maven, whose term runs until 2001, is former counsel for the Atlantic County Improvement Authority and is the first Atlantic City resident to hold a commission seat. In August Chairman, Bradford S. Smith announced his resignation to seek a position in the private sector.

Governor Whitman quickly nominated commissioner James R. Hurley to fill the vacant position. Hurley, who has served on the commission since 1990, received unanimous senate approval, thus giving

him the distinction of being the first seated commissioner to be promoted to chairman. At the same time that the governor nominated Commissioner Hurley, she renominated Diane M. Legreide to a full five-year term. Commissioner Legreide was originally appointed to the commission in 1994. On October 29, 1998, the two commissioners held a joint swearing-in ceremony. The ceremony was held at commission headquarters in Atlantic City, which enabled scores of employees to attend. Commissioner Leanna Brown was elected vice chair at the commission's reorganization meeting in November 1998.



*Above: Commissioner Diane M. Legreide is sworn in by Judge William Forester as her daughter Suzanne looks on.*

*Right: Commissioner Susan F. Maven is sworn in by Judge Dennis Braithwaite as State Senator William Gormley looks on.*



### Affirmative Action Officer

Marvin Askins is the commission's diversity manager. His role requires that he keep a watchful eye on agency person-

nel practices. He is responsible for maintaining compliance with the state's affirmative action and equal employment opportunity guidelines. In his role, he must work closely with the state's Department of Personnel to ensure that all commission employees get equal opportunities for advancement and training.

Askins reported that the commission was in full compliance with equal employment opportunity laws and guidelines in 1998. Sixteen new employees were hired; 56 percent were women and 44 percent were minorities. While the commission had 360 authorized positions, it only had 342 filled positions at the end of 1998; 53 percent were women and 25 percent were minorities.

### *Department of Governmental and Community Relations*

An important aspect of commission operations is its presence in the community and its commitment to building and maintaining sound relationships with other governmental agencies. The Department of Governmental and Community Relations was primarily responsible for such outreach in 1998. This department, under the leadership of Valarie M. Smith, continued its outreach to New Jersey residents.

In 1998, staff made presentations to senior citizens and business groups from High Point to Cape May regarding the direct and indirect impact of casino gaming on the state. The popular response to these presentations was measured by the tremendous demand.

### *Office of Organizational Development*

During 1998, the Office of Organizational Development (OD) played a key role in all aspects of employee development. Department head Mark A. Tucci processed a total of 536 training requests from employees seeking a wide range of skills development.

Through an arrangement with the New Jersey Department of Personnel's Human Resource Development Institute (HRDI), the OD Office coordinated a training program that provided 45 computer software classes for employees. These classes were conducted by HRDI instructors over a period

of several months in the commission's computer training room. Other training opportunities offered in 1998 included a slot technician certificate program, a Certified Public Manager's (CPM) training program, Introduction to Casino Slot Data Systems and BPS 1000 currency and coupon processing systems. The slot training occurred at Atlantic Community College and CPM at Fairleigh Dickinson University.

The commission provided tuition reimbursement for 28 graduate and undergraduate courses for employees last year. In total employees benefited from 4,144 workforce training hours in 1998. This represents an average of two training days per employee.

### *Public Information Office*

The Public Information Office was the first stop for those seeking information about the commission or the casino industry in 1998. The office, led by Public Information Officer Daniel Heneghan, served as the commission's information clearinghouse. Staff within the office handled several thousand telephone inquiries last year and also served as the agency's primary media link.

In January 1998, staff helped complete the commission's Report to the National Gambling Impact Study Commission. Additionally, steps were taken in 1998 to restructure the Public Information Office due to its expanding levels of responsibility. The commission also developed plans to restructure it as the Department of Communications.

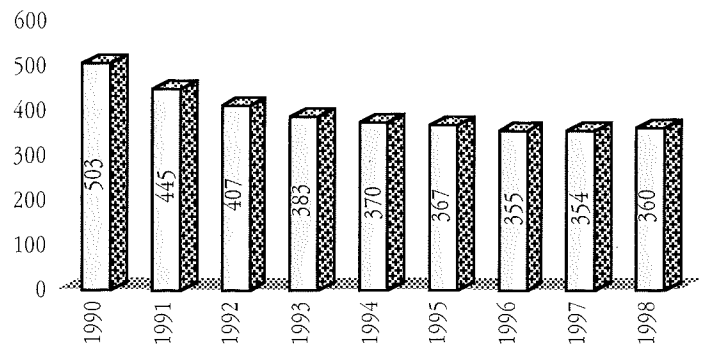
This office also continued as the distribution center for casino industry financial revenue reports, which were distributed to more than 130 companies and individual subscribers around the world.

## DIVISION OF ADMINISTRATION

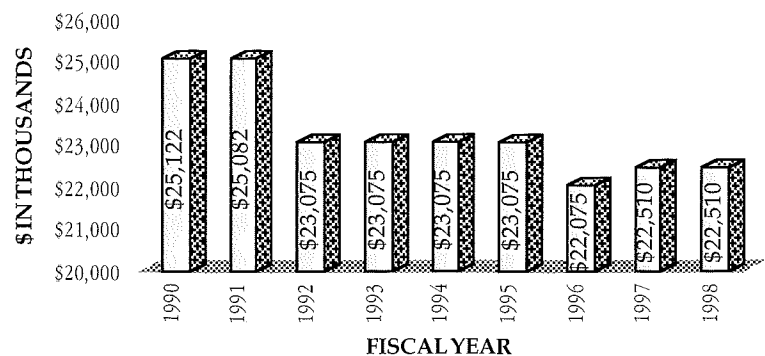
Last year was one of transition and development of new initiatives for the Division of Administration. This division is responsible for human resource management, computer systems management and the provision of myriad administrative services required for efficient operation of the agency. It experienced a major transition when Dennis Daly was appointed as Executive Secretary/Director of Administration. Daly took over in September 1998 and helped guide staff through completion of several initiatives. During the year staff in Administration:

- Developed a master plan for dealing with the Y2K compliance.
- Hired an experienced AS/400 manager to coordinate and support the commission's growing number of mini-computer applications.
- Upgraded the computer link between the commission's main office and its field operations located in the 12 casinos.
- Processed innumerable personnel transactions.
- Facilitated the commission's public meetings, oversaw the repainting of the office interiors and satisfied the commission's transportation needs.
- Began a number of initiatives to be completed in the following year concerning salaries and other organizational concerns.

### Authorized Full Time Positions



### CCC Budget Appropriations



## 

The Division of Compliance reviews casino submissions to determine the suitability of casino games, gaming equipment and slot machines. The Field Gaming Unit which is responsible for certifying gaming revenues, monitoring casino games and taking patron complaints is part of the Division of Compliance. This Division also monitors casino compliance with AA/EEO requirements.

### 

The AA/EEO Unit conducted its role as monitor of casino AA/EEO compliance last year. Atlantic City casinos met the regulatory requirements for minority employment in eight of the nine EEO categories that this unit monitors. Casinos also met the requirements for female employment in five of the nine EEO categories. The commission's AA/EEO staff stepped up its efforts in regard to monitoring casino hiring of persons with disabilities. In 1998, Dr. Monroe Berkowitz of Rutgers University completed a survey of Atlantic City casinos. The Rutgers survey determined that more than 8 percent of casino employees are persons with disabilities.

The total number of construction worker hours reported by Atlantic City casinos declined significantly in 1998. Minority

and female participation increased from the 1997 levels. Minority workers comprised 13.4 percent of hours worked, while women garnered 2.6 percent of the hours worked. Most encouraging is the fact that minority workers represented over 29 percent of all apprentice hours, and women represented 9.4 percent.

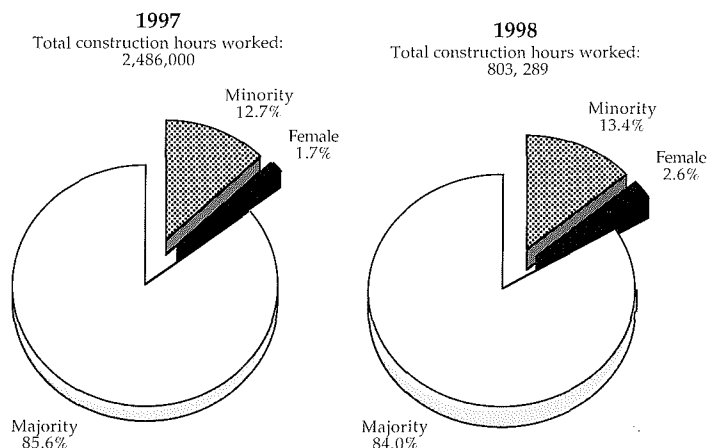
In 1998, casino hotels spent \$251 million with certified minority and women owned firms (M/WBE) to purchase goods and services. The M/WBE business amount represents 25.7 percent of the industrywide net disbursement amount, and is well above the 15 percent goal established in the Casino Control Act. The industrywide net disbursement amount in 1998 decreased by nearly 20 percent from 1997. This was due to large expenditures for major construction that occurred in 1997. As a result, while there was almost a 6 percent decrease in actual dollars awarded to M/WBE firms in 1998, their percentage participation rate increased by 3.6 percentage points over the 1997 level.

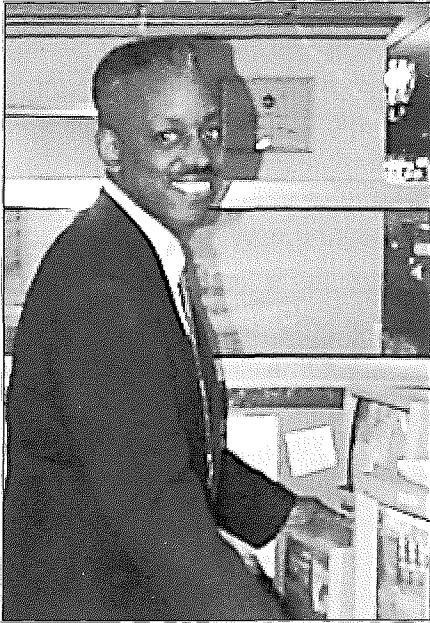
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Last year the Operations Unit reviewed approximately 1,200 internal control submissions and recommended approval of several new games including Casino War and Fast Action Hold 'em. This unit also reviewed and approved several new rule options to existing games.

The increasing use of new gaming technologies by the casino industry had a significant impact on the Operations Unit. In 1998, staff reviewed submissions relating to automated currency counting systems, automated jackpot and hopper systems, and automated player tracking systems.

Additionally, advances in slot machine design raised important issues for this unit. Although the new automated systems are innovative and exciting for casino patrons, the complex equipment and operating systems created unique challenges for this unit which is responsible for ensuring that these systems comply with regulations.





*Left: Field Gaming Unit Inspector Leodus Battle monitoring gaming operations at Trump World's Fair Hotel Casino. Leodus was awarded the Sandra Donahue Employee Recognition Award for fourth quarter 1998.*

## *Field Gaming Unit*

The commission's inspectors make up the Field Gaming Unit. Their duties require that they maintain a presence in casino rooms 24-hours a day, seven days a week. They monitor gaming activities within the casinos and accounting procedures in the coin and currency count rooms to ensure compliance with our laws and regulations. Inspectors within this unit are confronted daily with the challenges of keeping up with the latest advances in new gaming technology. Although it wasn't easy, inspectors like Leodus Battle met the challenges head on in 1998. Battle, like all commission inspectors, is continuously trained to meet the challenges of the future. Last year, all of the unit's principal inspectors received Slot Data System training. Other inspectors attended slot technician training and training on the new BPS 1000 Currency Counting system.

## *Legal Advisory Unit*

The Legal Advisory Unit has the responsibility of analyzing existing gaming regulations and making recommendations for change when necessary. The attorneys in this unit also advise the director and staff on regulatory and statutory matters. This unit is responsible for processing all formal patron complaints received by inspectors within the Field Gaming Unit. During the past year, Ken Doss, Legal Analyst and Sandra Donahue Employee Recognition Award recipient, processed approximately 400 patron complaints that the Legal Advisory Unit received last year.



*Left: Ken Doss, Legal Analyst in the Compliance Division discusses a casino customer concern. Ken was awarded the Sandra Donahue Employee Recognition Award for first quarter 1998.*



ATLANTIC CITY CASINO HOTEL INDUSTRY  
OPERATIONS WORKFORCE COMPOSITION REPORT  
FOURTH QUARTER 1998

**WORKFORCE COMPOSITION PRECENTAGES BY EEO CATEGORY**

EEO CATEGORY	TOTAL	FEMALES	MINORITIES	WHITE MALES
OFFICIAL AND MANAGERS	7167	41.2%	28.6%	44.4%
PROFESSIONALS	5289	45.4%	46.1%	31.3%
TECHNICIANS	954	20.3%	21.5%	63.5%
SALESWORKERS	4334	67.4%	63.4%	12.1%
OFFICE AND CLERICALS	3068	81.5%	47.3%	9.8%
CRAFTPERSONS	1014	7.6%	16.3%	78.2%
OPERATIVES	1132	22.9%	43.7%	44.1%
LABORERS	1959	26.4%	81.7%	15.3%
SERVICE WORKERS	16467	47.0%	60.8%	20.5%
<b>TOTAL</b>	<b>41384</b>	<b>47.3%</b>	<b>51.1%</b>	<b>27.1%</b>

ATLANTIC CITY CASINO HOTEL INDUSTRY  
OPERATIONS WORKFORCE COMPOSITION REPORT  
FOURTH QUARTER 1997

**WORKFORCE COMPOSITION PRECENTAGES BY EEO CATEGORY**

EEO CATEGORY	TOTAL	FEMALES	MINORITIES	WHITE MALES
OFFICIAL AND MANAGERS	7419	41.1%	27.8%	44.8%
PROFESSIONALS	5338	44.5%	44.6%	32.5%
TECHNICIANS	960	19.5%	21.3%	64.1%
SALESWORKERS	4210	67.4%	61.8%	12.4%
OFFICE AND CLERICALS	3265	80.0%	44.9%	10.8%
CRAFTPERSONS	995	6.8%	17.3%	78.1%
OPERATIVES	1279	22.7%	45.9%	42.8%
LABORERS	1720	24.9%	81.5%	15.6%
SERVICE WORKERS	16700	46.5%	59.4%	21.2%
<b>TOTAL</b>	<b>41886</b>	<b>46.8%</b>	<b>49.7%</b>	<b>27.9%</b>

## GENERAL COUNSEL

**T**he General Counsel's office processed three casino license applications in 1998. In addition, this office, led by John Zimmerman, processed hundreds of regulatory amendments and argued a key commission issue before the New Jersey Supreme Court.



*Left: Fay Catando, Administrative Assistant in the General Counsel's Office was awarded the second quarter Sandra Donahue Employee Recognition Award for outstanding service in 1998.*

### *Assistant General Counsels*

Fay Catando's skills were put to the test last year, as she helped provide countless hours of administrative and secretarial support for the General Counsel's office. This office was faced with the enormous responsibility of evaluating the qualifications of three casino license applicants during the year: Boyd Gaming Corporation, The Rank Organization and Starwood Hotels and Resorts Worldwide, Inc.

The General Counsel's office also reviewed financial and restructuring transactions for casino licensees. In 1998, this office handled four major transactions: Starwood's conversion from a REIT to a corporation; Hilton's spin off of its

gaming business; Harrah's debt restructuring and Harrah's acquisition of Showboat.

In addition to handling casino-related transactions, the General Counsel's Office also litigated matters involving the commission. In 1998, it successfully argued the matter of *Campione v. Adamar and the Casino Control Commission* before the New Jersey Supreme Court. This case involved a professional card counter who sued a casino alleging discrimination, breach of contract and malicious prosecution. This case resulted in a determination that the commission has primary jurisdiction over issues involving interpretation of the Casino Control Act and regulations.

### *Regulatory Review Unit*

During 1998, the Regulatory Review Unit of the General Counsel's Office processed and the commission adopted 42 regulatory proposals concerning a wide variety of gaming and internal control issues. Of these 42 proposals, 14 were generated by the commission's Joint Regulatory Review Committee, consisting of representatives from the commission, Division of Gaming Enforcement and the casino industry. One very significant proposal provided casinos with various options concerning the collection and counting of table game revenues. Another proposal adopted by the commission authorized the use of keno "runners" in areas of the casino hotel outside of the casino room and permitted these runners to operate out of individual work stations at approved locations. In addition, two new games, Fast Action Hold'em and Casino War were approved in 1998.

In total, the commission adopted amendments to 142 regulations and authorized the publication of 208 proposed amendments.

## DIVISION OF LICENSING

**T**he Division of Licensing, under the direction of Christopher Storcella, is responsible for accepting and processing applications for licenses and registrations from individuals who seek employment with a casino and from companies seeking to do business with the casinos. Since 1978, this Division issued and renewed more than 440,000 employee licenses and 13,600 enterprise licenses. In 1998, the commission adopted regulations prepared by staff which required that holding and intermediary companies of gaming related Casino Service Industries (CSI) must qualify for licensure. Additionally, these regulatory changes required that persons owning five percent or more of such companies must also qualify for licensure. These regulations also require the qualification of every officer and director of a gaming related CSI and such CSI's holding or intermediary companies. Another regulation exempted certain insurance providers and dental service corporations from licensure. Other regulations adopted last year, gave the Commission the authority to issue alcoholic beverage permits for certain types of events. Previously, most of these permits had been issued by the New Jersey Division of Alcoholic Beverage Control.

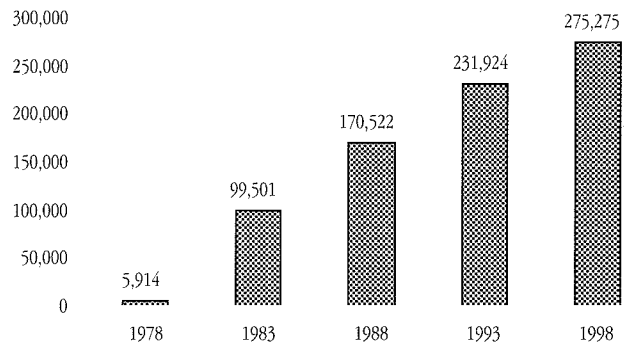
### *Employee License Unit*

The Employee License Unit continued to process employee licenses and registrations. Additionally, the Unit monitored casinos to assure that required positions were staffed. Last year, this unit initiated a project to utilize photo imaging for the issuance of license cards. Photo imaging will improve customer service by reducing the time needed to issue licenses and may also allow for the mailing of licenses in some situations. The process will also reduce the cost of creating the license card.

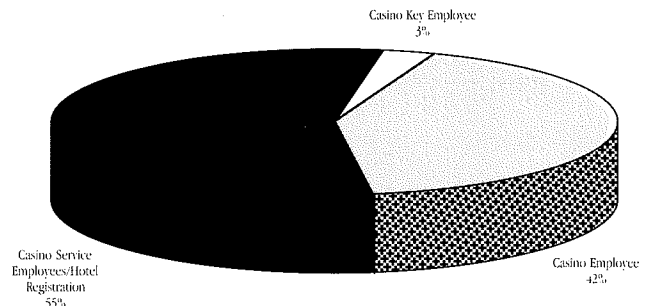
### *Enterprise License Unit*

The Enterprise License Unit managed licensing activities affecting companies and other entities conducting

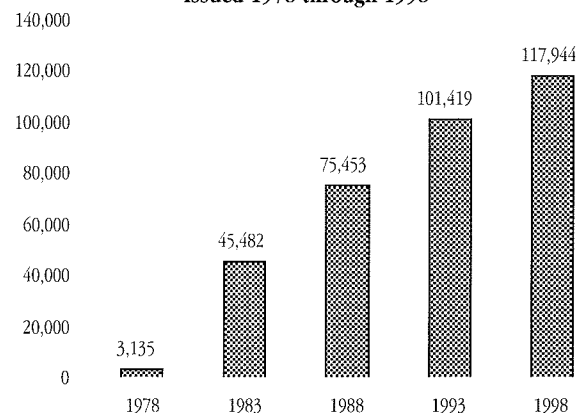
**Employee License/Registration**  
Applications Accepted 1978 through 1998



**Employee License/Registratic**  
Applications Accepted 1978 - 1998



**Employee Initial Licenses**  
Issued 1978 through 1998



\*Figures do not include Hotel Licenses/Registrations/Casino Service Employee Registrations

business with casinos. Last year, in preparation for two new casinos, Mirage Resorts, Inc. and Boyd Gaming Corp., unit staff met with company representatives to discuss the vendor registration and financial reporting requirements of casino license applicants. Additionally, the unit began a process of separating its vendor registration and licensing database from the State supported mainframe computer.

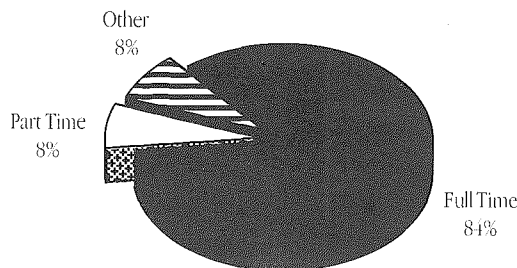
### *Legal Advisory Unit*

The Legal Advisory Unit managed all contested case hearings and settlements, provided legal counsel to the commission on licensing-related issues and prepared regulations that address licensing matters. Last year's highlights included the handling of two significant cases involving applicants with organized crime associations. In both cases Casino Service Industry licenses were denied.

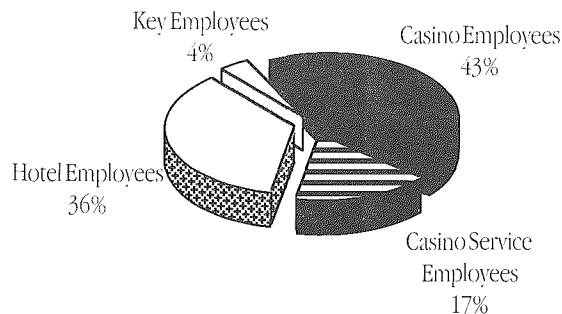
### *Technical Resource Unit*

The Technical Resource Unit is responsible for managing the application processing needs of the Division of Licensing. Staff in this unit made major progress in its effort to evaluate its computer systems for Y2K compliance. Partial Y2K testing on the Employee and Enterprise License Unit systems was completed in 1998. This unit also evaluated the method it uses to produce reports, and has developed a more economical method of producing them.

**Casino Hotel Employment**



**Casino Hotel Employment by License Category**





## Enterprise License Unit Statistics Casino Service Industry Licenses

	Period 1-1-98 to 12-31-98	Inception to 12-31-98
Enterprises permitted to conduct business with casino licensees	3,363	53,813
Universe of Active Vendors		13,612
Enterprises prohibited from conducting business with casino licensees	127*	1,788
Universe of Prohibited Vendors		1,019*
<b>Initial Casino Service Industry (Gaming Related):</b>		
Applications Filed	7	224
Licenses Issued	5	131
Licenses Denied	0	15
Withdrawals Granted	2	43
<b>Total Licensees</b>		<b>41</b>
<b>Renewal Casino Service Industry (Gaming Related):</b>		
Applications Filed	30	198**
Licenses Issued	5	75**
Licenses Denied	0	1**
Withdrawals Granted	0	1**
<b>Total Licensees</b>		<b>29</b>
<b>Initial Casino Service Industry Licenses (Non-Gaming Related)</b>		
Applications Filed	255	5,068
Licenses Issued	239	3,656
Licenses Denied	10	196
Withdrawals Granted	27	749
<b>Total Licensees</b>		<b>679</b>
<b>Renewal Casino Service Industry Licenses (Non-Gaming Related)</b>		
Applications Filed	170	2,047**
Licenses Issued	126	1,874**
Licenses Denied	2	22**
Withdrawals Granted	13	66**
<b>Total Licensees</b>		<b>565</b>
Exemptions From Licensure Granted by CCC	17	209
<b>Initial Casino Service Industry Licenses (Junket Enterprises)</b>		
Applications Filed	13	403
Licenses Issued	13	269
Licenses Denied	3	9
Withdrawals Granted	0	39
<b>Total Licensees</b>		<b>58</b>
<b>Renewal Casino Service Industry Licenses (Junket Enterprises)</b>		
Applications Filed	19	165**
Licenses Issued	14	120**
Licenses Denied	0	1**
Withdrawals Granted	0	1**
<b>Total Licensees</b>		<b>49</b>
<b>Casino Service Industry Licenses (Gaming Schools)</b>		
Applications Filed	1	20
Licenses Issued	1	11
Schools Currently Operating		6
<b>Labor Organizations</b>		
Registrations	7	
Total Registered		7

\* This figure includes enterprises prohibited for the following reasons; denial of a casino service industry license, failure to file a casino service industry license, failure to file a casino service industry license application, withdrawal of a casino service industry license application, and nonfiling of a required vendor registration.

\*\*Cumulative figures in this area account for the time period 1-1-88 to 12-31-98



## Employee License Unit

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

	1/1/1998 to 12/31/98	Inception to 12/31/98
Casino Key Employees:		
Applications filed	188	7,189
Licenses issued	183	6,695
Casino Employees:		
Applications filed	2,871	116,288
Licenses issued	2,765	111,249
Casino Service Employees:		
Licenses & registrations issued	2,055	149,968
Gaming School and Junket Employees: <sup>1</sup>		
Applications filed		1,724
Licenses issued		1,567
Total Employees:		
Applications filed	3,059	125,201
Plenary licenses registrations issued	5,003	269,479
Temporary licenses issued	1,682	21,496
Employee license renewals processed	2,991	171,116

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





**CASINO SERVICE INDUSTRY**  
**TOTAL VOLUME OF BUSINESS --CALENDAR YEAR 1998**

	<b>Total Companies</b>	<b>Percent of Total Companies</b>	<b>Dollar Volume of Business*</b>	<b>Percent of Total Business</b>
Total Number of Vendors Receiving Payments	7,874	100.00%	\$2,479,051,088 **	100.00%
New Jersey Enterprises	3,132	39.78%	\$1,557,846,217	62.84%
Pennsylvania Enterprises	1,002	12.73%	\$131,652,196	5.31%
New York Enterprises	1,031	13.09%	\$183,061,030	7.38%
Delaware Enterprises	40	0.51%	\$7,085,975	0.29%
All Other States	2,495	31.69%	\$588,275,831	23.73%
Foreign Enterprises	174	2.21%	\$11,129,839	0.45%

\* "Dollar Volume of Business" represents only the amount 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.

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

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



**TOTAL VOLUME OF BUSINESS -- NEW JERSEY COMPANIES**  
**Calendar Year 1998**

	<b>Total Companies</b>	<b>Percent of Total Companies</b>	<b>Dollar Volume of Business</b>	<b>Percent of Total Business</b>
New Jersey Enterprises	3,132	100.00%	\$1,557,846,217	100.0000%
Atlantic	1,388	44.32%	\$891,241,946	57.2099%
Bergen	142	4.53%	\$26,368,773	1.6926%
Burlington	189	6.03%	\$42,603,773	2.7348%
Camden	313	9.99%	\$93,303,949	5.9893%
Cape May	105	3.35%	\$15,392,630	0.9881%
Cumberland	78	2.49%	\$13,012,477	0.8353%
Essex	108	3.45%	\$148,132,353	9.5088%
Gloucester	118	3.77%	\$17,668,063	1.1341%
Hudson	58	1.85%	\$15,560,956	0.9989%
Hunterdon	4	0.13%	\$245,239	0.0157%
Mercer	91	2.91%	\$10,011,606	0.6427%
Middlesex	88	2.81%	\$198,664,154	12.7525%
Monmouth	108	3.45%	\$15,537,363	0.9974%
Morris	74	2.36%	\$12,996,479	0.8343%
Ocean	101	3.22%	\$13,709,364	0.8800%
Passaic	51	1.63%	\$10,653,733	0.6839%
Salem	6	0.19%	\$66,879	0.0043%
Somerset	36	1.15%	\$26,141,472	1.6781%
Sussex	5	0.16%	\$180,231	0.0116%
Union	66	2.11%	\$6,351,224	0.4077%
Warren	3	0.10%	\$3,553	0.0002%

## DIVISION OF FINANCIAL EVALUATION

The Division of Financial Evaluation, led by Noreen Iannuzzi, is responsible for the appraisal and study of casino finances and overseeing the financial reporting requirements of the industry. Each of its four units provided oversight over millions of dollars in financial transactions last year.

### *Revenue Unit*

During Fiscal Year 1998, the Revenue Unit accounted for \$312.7 million in casino gross revenue tax and \$141,916 in fines. Through fiscal 1998, this unit accounted for \$23.8 million in regulatory savings deposited into the Atlantic City Fund.

Since the first casino opened in 1978, the Revenue Unit has collected \$4.0 billion in casino taxes which was deposited into the Casino Revenue Fund and \$835.9 million in regulatory fees which was deposited into the Casino Control Fund.

Last year, the Revenue Unit implemented a new billing system that provided for a more timely and accurate billing of casino licensing fees. In addition, this unit implemented procedures to further ensure a more timely and accurate payment of the gross revenue taxes due the Casino Revenue Fund.

### *Budget and Fiscal Unit*

In fiscal 1998, the Budget and Fiscal Unit oversaw the commission's \$22.5 million budget. Commission payroll and other operational expenses came from the Casino Control Fund.

### *Audit Unit*

The Audit Unit performed annual gross revenue tax examinations to certify each licensee's casino revenue and verified the sufficiency of gross revenue tax payments to the State. With the introduction of certain new technologies, this unit monitored changes to internal control procedures to ensure that adequate audit coverage was obtained. The Audit Unit reviewed and approved all industry record retention issues, which included several reviews of CD-Rom based record storage systems.

### *Financial Evaluation Unit*

The Financial Evaluation Unit's ability to evaluate complex financial and organizational structures was tested last year by the dynamic gaming environment. In 1998, the Financial Evaluation Unit met the challenge and successfully completed thorough analyses in conjunction with the qualification of Starwood Hotels and Resorts Worldwide, Inc., the acquisition of Showboat Inc. by Harrah's Entertainment, Inc., the issuance of a Statement of Compliance to Boyd Gaming Corporation, and the year-end split-up of Hilton Hotels Corporation. Additionally, the unit played a key role in assisting the Public Information Office with issuing statistical information electronically and on the agency's web site.



*Left: Linda Ottinger, at work as Word Processing Specialist I in the Financial Evaluation Unit. Linda was awarded the Sandra Donahue Employee Recognition Award for the third quarter 1998.*

Linda Ottinger, the unit's Word Processing Specialist I and Sandra Donahue Employee Recognition Award recipient, played a significant role in helping the unit accomplish its goals last year. She provided secretarial support for the unit manager and helped with the tedious task of data entry of financial revenue reports.



## FINANCIAL STATISTICS

### THE NEW JERSEY CASINO INDUSTRY

#### GROSS REVENUE STATISTICS

FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

(\$ IN THOUSANDS)

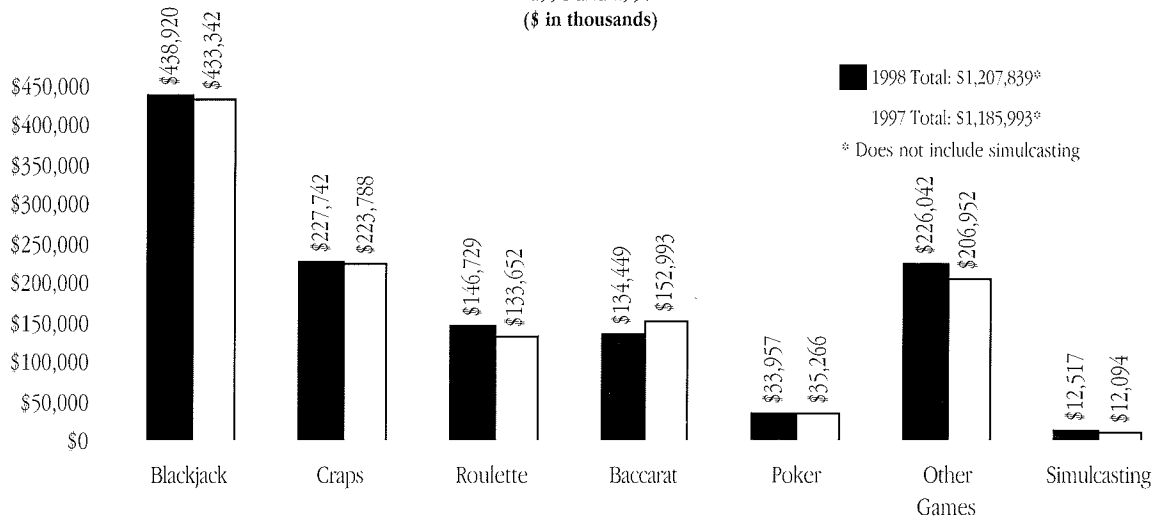
Casino Hotel	Casino Win	Daily Average Casino Win	Adjustment for Uncollectibles	Gross Revenue	Tax	Market Share of Casino Win
<i>AC Hilton</i>						
1998	256,703	703	1,464	255,239	20,419	6.4%
1997	248,939	682	1,479	247,460	19,797	6.4%
<i>Bally's Park Place</i>						
1998	466,867	1,279	1,455	465,412	37,233	11.6%
1997	406,627	1,114	1,155	405,472	32,438	10.4%
<i>Caesars</i>						
1998	424,695	1,164	9,078	415,617	33,249	10.5%
1997	383,537	1,051	4,046	379,491	30,359	9.8%
<i>Claridge</i>						
1998	164,705	451	1,101	163,604	13,088	4.1%
1997	165,424	453	196	165,228	13,218	4.2%
<i>Harrab's Marina</i>						
1998	349,216	957	1,798	347,418	27,793	8.7%
1997	322,976	885	1,404	321,572	25,726	8.3%
<i>Resorts</i>						
1998	235,493	645	643	234,850	18,788	5.8%
1997	245,950	674	786	245,164	19,613	6.3%
<i>Sands</i>						
1998	221,901	608	2,021	219,880	17,591	5.5%
1997	236,274	647	2,788	233,486	18,679	6.0%
<i>Shoebout</i>						
1998	357,064	978	1,179	355,885	28,471	8.9%
1997	353,380	968	2,075	351,305	28,104	9.0%
<i>Tropicana</i>						
1998	388,576	1,065	7,473	381,103	30,488	9.6%
1997	371,703	1,018	3,882	367,821	29,426	9.5%
<i>Trump Marina</i>						
1998	264,825	726	984	263,841	21,107	6.6%
1997	265,572	728	1,488	264,084	21,127	6.8%
<i>Trump Plaza</i>						
1998	379,604	1,040	1,866	377,738	30,219	9.4%
1997	377,637	1,035	1,579	376,058	30,064	9.7%
<i>Trump Taj Mahal</i>						
1998	523,348	1,434	12,323	511,025	40,882	13.0%
1997	528,121	1,447	5,409	522,712	41,817	13.5%
<b>TOTALS</b>						
1998	4,032,997	11,049	41,385	3,991,612	319,328	
1997	3,906,140	10,702	26,287	3,879,853	310,388	

Note: These statistics do not include simulcasting, since revenue from simulcasting is not subject to the casino revenue tax.



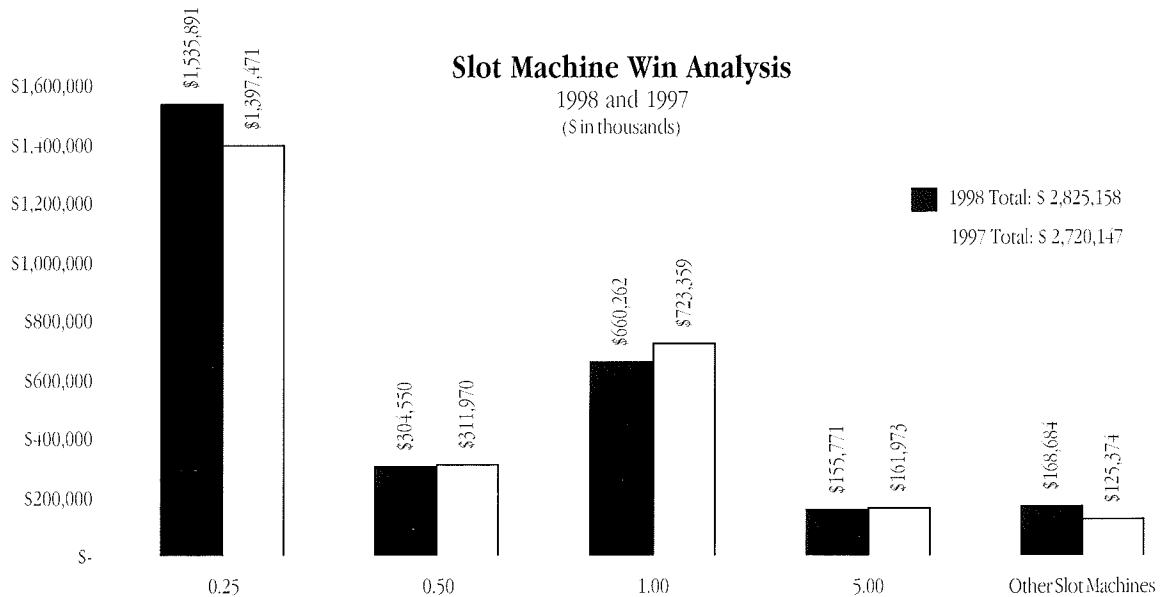
### Table Game Win Analysis

1998 and 1997  
(\$ in thousands)



### Slot Machine Win Analysis

1998 and 1997  
(\$ in thousands)



## Casino Facility Statistics 1998/1997

	AC HILTON		BALLY'S PARK PLACE		CAESARS		CLARIDGE		HARRAH'S MARINA		RESORTS	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
<b>TABLE GAMES:</b>												
Blackjack	46	51	92	93	74	56	36	36	37	48	39	45
Craps	10	10	12	14	12	13	8	8	9	9	6	9
Roulette	11	10	19	19	13	12	5	5	9	12	8	10
Big Six	1	1	3	4	2	2	1	1	1	1	1	2
Baccarat	2	2	2	2	3	3	2	2	1	1	2	3
Minibaccarat	6	6	2	2	4	4	2	3	2	1	2	1
Red Dog	0	0	0	0	0	0	0	0	0	0	0	0
Sic Bo	1	1	1	1	2	3	0	1	0	0	0	1
Pai Gow Poker	4	5	5	5	4	4	2	2	2	2	2	1
Pai Gow	3	3	2	1	1	3	2	0	0	0	1	1
Poker	0	8	16	16	6	7	0	0	8	8	0	17
Caribbean Stud Poker	6	6	6	8	4	4	3	4	5	7	4	4
Let It Ride Poker	4	4	8	10	8	5	2	2	5	6	4	2
Mini-Craps	0	0	0	0	0	0	1	1	0	2	0	0
Three Card Poker	0	0	0	0	0	0	0	0	0	0	0	2
Mini-Dice	0	0	0	0	0	0	0	0	0	0	0	0
Casino War [a]	0	0	0	0	0	0	0	0	1	0	0	0
<b>Total Table Games</b>	<b>94</b>	<b>107</b>	<b>168</b>	<b>175</b>	<b>133</b>	<b>116</b>	<b>64</b>	<b>65</b>	<b>80</b>	<b>97</b>	<b>69</b>	<b>98</b>
<b>KENO WINDOWS</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>4</b>
<b>SLOT MACHINES:</b>												
\$0.05 Slot Machines	50	0	264	172	0	0	36	15	0	0	0	0
\$0.25 Slot Machines	1,104	1,088	2,440	2,512	1,991	1,430	1,265	1,288	1,455	1,365	1,525	1,500
\$0.50 Slot Machines	221	241	472	468	550	482	170	158	229	270	282	359
\$1 Slot Machines	396	369	578	671	756	582	247	262	643	708	315	325
\$5 Slot Machines	77	80	99	117	123	72	30	27	113	113	55	58
\$25 Slot Machines	13	12	11	11	13	13	4	1	9	9	7	4
\$100 Slot Machines	10	5	6	3	7	7	0	0	3	3	0	2
Other Slot Machines	25	31	129	152	155	95	0	0	48	61	6	6
<b>Total Slot Machines</b>	<b>1,896</b>	<b>1,826</b>	<b>3,999</b>	<b>4,106</b>	<b>3,595</b>	<b>2,681</b>	<b>1,752</b>	<b>1,751</b>	<b>2,500</b>	<b>2,529</b>	<b>2,190</b>	<b>2,254</b>
<b>Casino Square Footage</b>	<b>58,272</b>	<b>58,124</b>	<b>118,710</b>	<b>118,710</b>	<b>110,540</b>	<b>75,642</b>	<b>58,932</b>	<b>58,705</b>	<b>80,822</b>	<b>80,775</b>	<b>67,655</b>	<b>67,655</b>
<b>Simulcast Square Footage</b>	<b>1,517</b>	<b>1,517</b>	<b>36,124</b>	<b>36,124</b>	<b>9,691</b>	<b>6,765</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,058</b>	<b>8,058</b>
<b>Number Of Hotel Rooms</b>	<b>804</b>	<b>801</b>	<b>1,251</b>	<b>1,268</b>	<b>1,144</b>	<b>1,144</b>	<b>507</b>	<b>507</b>	<b>1,174</b>	<b>1,174</b>	<b>662</b>	<b>662</b>
<b>Number of Parking Spaces</b>	<b>1,762</b>	<b>1,848</b>	<b>2,830</b>	<b>2,245</b>	<b>2,148</b>	<b>2,018</b>	<b>1,460</b>	<b>1,460</b>	<b>2,753</b>	<b>2,753</b>	<b>1,485</b>	<b>1,719</b>
<b>Fixed Asset Investment (\$ in Millions) [b]</b>	<b>\$505.9</b>	<b>\$486.7</b>	<b>\$989.6</b>	<b>\$947.1</b>	<b>\$824.0</b>	<b>\$735.5</b>	<b>\$39.6</b>	<b>\$45.4</b>	<b>\$496.2</b>	<b>\$483.8</b>	<b>\$249.6</b>	<b>\$228.9</b>
<b>Number of Employees</b>	<b>3,378</b>	<b>3,432</b>	<b>5,447</b>	<b>5,473</b>	<b>4,688</b>	<b>4,126</b>	<b>2,411</b>	<b>2,508</b>	<b>3,477</b>	<b>3,543</b>	<b>3,245</b>	<b>3,526</b>

[a] Casino War was introduced in December 1997.

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



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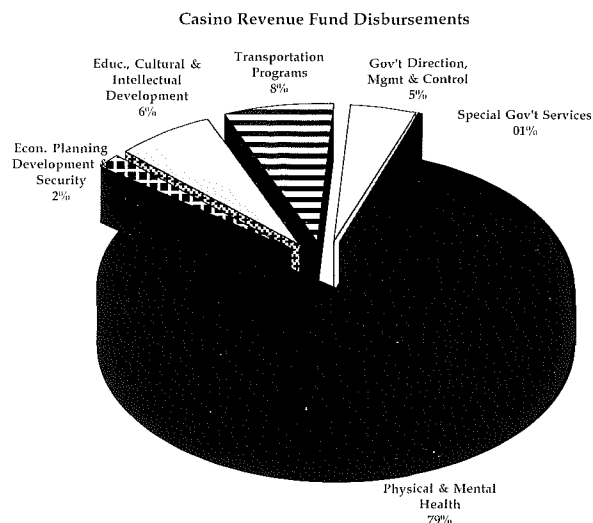
SANDS		SHOWBOAT		TROPICANA		TRUMP MARINA		TRUMP PLAZA		TRUMP TAJ MAHAL		INDUSTRY TOTALS	
1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
43	57	49	48	56	56	44	46	56	65	70	74	642	675
8	11	8	10	14	14	12	12	8	10	12	14	119	134
12	14	13	13	13	13	9	9	13	15	19	18	144	150
2	2	2	2	1	1	1	1	2	2	3	4	20	23
4	5	3	5	3	3	3	3	2	2	5	7	32	38
3	3	2	2	7	8	2	4	6	7	3	3	41	44
0	0	0	0	0	0	0	0	0	0	0	0	0	0
1	1	1	1	1	1	1	1	1	2	2	2	11	15
2	2	2	2	5	5	3	4	3	3	9	8	43	43
1	1	2	1	6	6	3	2	2	2	6	7	29	27
12	16	0	0	50	50	0	0	0	0	64	63	156	185
6	6	6	6	6	6	5	6	5	4	10	10	66	71
4	4	6	6	4	4	7	6	5	5	7	7	64	61
1	1	0	0	0	0	0	0	0	0	0	0	2	4
0	0	0	0	0	0	0	0	0	0	0	0	0	2
0	0	0	0	0	0	0	0	0	0	1	1	1	1
0	0	1	0	0	0	1	0	0	0	0	0	3	0
99	123	95	96	166	167	91	94	103	117	211	218	1373	1473
0	4	0	0	7	7	0	0	0	0	10	10	31	43
29	0	88	75	114	0	51	35	439	287	266	210	1,367	794
1,284	1,317	2,674	2,705	2,079	2,114	1,238	1,233	2,601	2,532	2,745	2,752	22,401	21,806
246	257	261	317	441	463	308	293	513	512	324	322	1,017	1,142
371	408	569	551	735	771	435	448	514	623	663	694	6,222	6,412
64	68	48	58	127	143	77	81	84	86	102	106	999	1,009
6	6	0	2	15	18	13	12	14	8	13	13	118	109
3	3	0	2	10	9	7	4	4	4	4	4	54	46
22	17	48	27	149	171	49	46	35	38	94	35	760	679
2,025	2,076	3,688	3,737	3,700	3,719	2,178	2,152	4,204	4,090	4,211	4,136	35,938	35,057
57,296	57,812	80,707	80,707	114,320	114,205	73,734	73,734	138,295	138,305	116,199	116,199	1,075,482	1,040,573
15,963	15,447	20,998	20,998	10,183	10,183	2,150	2,150	0	0	31,521	31,521	136,205	132,763
532	532	800	800	1,624	1,624	728	728	1,404	1,404	1,250	1,250	11,880	11,894
1,738	1,738	3,521	3,521	3,265	2,968	2,986	2,986	3,282	3,682	7,180	7,180	34,410	34,118
\$327.1	\$320.5	\$471.0	\$457.3	\$710.6	\$689.2	\$527.1	\$521.4	\$731.0	\$719.1	\$1,026.0	\$1,007.0	\$6,897.7	\$6,641.9
3,037	3,071	3,353	3,551	5,084	5,116	3,482	3,487	5,124	5,275	5,766	6,015	48,492	49,124

## Casino Revenue Fund

**E**ach year, New Jersey casinos pay the state 8 percent tax on their gross revenues. For the 12 months ending June 30, 1998, casinos in Atlantic City paid \$312.7 million in taxes. This pool of state revenues was deposited into the Casino Revenue Fund.

Senior citizens and persons 18 years of age or older with disabilities may qualify for Casino Revenue Fund programs. Qualified New Jersey residents realize tremendous benefits from the tax dollars generated by Atlantic City casinos. The various Casino Revenue Fund programs providing resources for senior and disabled citizens include Pharmaceutical Assistance for the Aged and Disabled (PAAD), Lifeline Credit, transportation assistance, home delivered meals on weekends and holidays, property tax reduction and many other authorized programs.

Last year, the state authorized expenditures totalling \$378.9 million for the various Casino Revenue Fund programs.



### 1998 Casino Revenue Fund

Total Revenues	\$412,860,571
Total Expenditures	\$378,864,750
End Balance	\$ 33,995,821

## Casino Industry Salaries and Wages

### The New Jersey Casino Industry Salaries and Wages (\$ in thousands)

	1998	1997
Atlantic City Hilton	\$72,008	\$69,446
Bally's Park Place	\$112,598	\$101,849
Caesars	\$110,361	\$95,109
Claridge	\$55,698	\$53,994
Harrah's	\$84,382	\$83,546
Resorts	\$75,309	\$80,261
Sands	\$66,086	\$69,883
Showboat	\$84,822	\$89,167
Tropicana	\$96,716	\$97,287
Trump Marina	\$77,281	\$78,113
Trump Plaza	\$106,797	\$107,251
Trump Taj Mahal	\$133,538	\$134,764
Industry Totals	\$1,075,596	\$1,060,670

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JACK COLLINS  
*Vice-Chairman*

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*New Jersey State Legislature*

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR

125 SOUTH WARREN STREET  
PO BOX 067  
TRENTON NJ 08625-0067

RICHARD L. FAIR  
*State Auditor*  
(609) 292-3700  
FAX (609) 633-0834

ALBERT PORRONI  
*Executive Director*  
(609) 292-4625

The Honorable Christine Todd Whitman  
Governor of New Jersey

The Honorable Donald T. DiFrancesco  
President of the Senate

The Honorable Jack Collins  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the State of New Jersey Casino Control Fund as of and for the years ended June 30, 1998 and 1997. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

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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.

Government Accounting Standards Board Technical Bulletin 98-1, Disclosures About Year 2000 issues, requires disclosure of certain matters regarding the year 2000 issue. The Casino Control Fund has included such disclosures in Note 11. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Casino Control Fund's disclosures with respect to the year 2000 issue made in Note 11. Further, we do not provide assurance that the Casino Control Fund is or will be year 2000 ready, that the Casino Control Fund's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Casino Control Fund does business will be year 2000 ready.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the financial statements referred to above present fairly, in all material respects, the financial position of the Casino Control Fund as of June 30, 1998 and 1997, and the results of its operation 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 Casino Control Fund financial statements taken as a whole. The Expenditure Detail schedule is presented for the purpose of additional analysis and is not a required part of the Casino Control Fund financial statements. Such information has been subjected to the same auditing procedures applied in the examination of the Casino Control Fund financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 1999 on our consideration of the State of New Jersey Casino Control Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Thomas R. Meseroll  
Technical Director  
March 16, 1999

**STATE OF NEW JERSEY**  
**CASINO CONTROL FUND**  
**BALANCE SHEET**  
**JUNE 30, 1998 AND 1997**

**EXHIBIT I**  
(In \$000)

	<u>1998</u>	<u>1997</u>
<b><u>ASSETS</u></b>		
Cash	\$ 51.0	\$ 51.0
Accounts Receivable	6,129.9	6,052.4
Less: Allowance for Doubtful Accounts	<u>33.2</u>	<u>34.5</u>
Net Accounts Receivable	6,096.7	6,017.9
Due from General Fund	<u>10,087.0</u>	<u>7,875.6</u>
Total Assets	<u>\$ 16,234.7</u>	<u>\$ 13,944.5</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities		
Accounts Payable	\$ 3,362.5	\$ 3,696.1
Deferred Revenue	<u>8,754.6</u>	<u>7,905.1</u>
Total Liabilities	<u>12,117.1</u>	<u>11,601.2</u>
Fund Balances		
Reserved for:		
Encumbrances	2,803.6	3,552.0
Other	1,242.5	-
Unreserved:		
Designated for Continuing Appropriation	469.5	353.0
Undesignated	<u>(398.0)</u>	<u>(1,561.7)</u>
Total Fund Balances	<u>4,117.6</u>	<u>2,343.3</u>
Total Liabilities and Fund Balances	<u>\$ 16,234.7</u>	<u>\$ 13,944.5</u>

SEE NOTES TO FINANCIAL STATEMENTS

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STATE OF NEW JERSEY  
CASINO CONTROL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

EXHIBIT II  
(in \$000)

	<u>1998</u>	<u>1997</u>
<b>REVENUES</b>		
Casinos		
Licenses - Casino	\$ 33,716.6	\$ 33,575.0
- Slot Machine	17,657.7	16,513.8
- Alcoholic Beverage	105.8	49.3
Assessments	<u>-</u>	<u>-</u>
	51,480.1	50,138.1
Credits - Prior Year Fund Balance	<u>(2,343.3)</u>	<u>(5,907.4)</u>
Total from Casinos	<u>49,136.8</u>	<u>44,230.7</u>
Other Sources		
Licenses - Casino Employees	1,961.8	3,466.9
- Casino Service Industry	1,337.9	1,140.2
Slot Prototype	600.5	618.9
Other Revenues	<u>89.7</u>	<u>97.0</u>
Total from Other Sources	<u>3,989.9</u>	<u>5,323.0</u>
Investment Earnings	<u>497.1</u>	<u>593.1</u>
Total Revenues	<u>53,623.8</u>	<u>50,146.8</u>
<b>EXPENDITURES</b>		
Public Safety and Criminal Justice		
(Division of Gaming Enforcement)	29,554.9	29,919.7
Government Direction, Management and Control		
(Casino Control Commission)	<u>22,294.6</u>	<u>23,791.2</u>
Total Expenditures	<u>51,849.5</u>	<u>53,710.9</u>
Net Increase (Decrease) in Fund Balance for the Year	1,774.3	(3,564.1)
Fund Balance - Beginning	<u>2,343.3</u>	<u>5,907.4</u>
Fund Balance - Ending	<u>\$ 4,117.6</u>	<u>\$ 2,343.3</u>

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, 1998

EXHIBIT III-A  
(in \$000)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Casinos			
Licenses - Casino	\$ 33,881.6	\$ 33,716.6	\$ (165.0)
- Slot Machine	17,518.5	17,657.7	139.2
- Alcoholic Beverage	57.4	105.8	48.4
Assessments	-	-	-
	51,457.5	51,480.1	22.6
Credits - Prior Year Fund Balance	(2,343.30)	(2,343.3)	-
Total from Casinos	49,114.2	49,136.8	22.6
Other Sources			
Licenses - Casino Employees	2,558.1	1,961.8	(596.3)
- Casino Service Industry	1,096.7	1,337.9	241.2
Slot Prototype	600.0	600.5	0.5
Other Revenues	100.0	89.7	(10.3)
Total from Other Sources	4,354.8	3,989.9	(364.9)
Investment Earnings	-	497.1	497.1
Total Revenues	53,469.0	53,623.8	154.8
<b>EXPENDITURES</b>			
Public Safety and Criminal Justice			
(Division of Gaming Enforcement)	32,256.5	30,636.1	1,620.4
Government Direction, Management			
and Control			
(Casino Control Commission)	22,857.5	22,443.0	414.5
Total Expenditures	55,114.0	53,079.1	2,034.9
Net Increase (Decrease) in			
Fund Balance for the Year	\$ (1,645.0)	\$ 544.7	\$ 2,189.7

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, 1997

EXHIBIT III-B  
(in \$000)

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

SEE NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW JERSEY**  
**CASINO CONTROL FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - Significant Accounting Policies**

**A. Basis of Presentation**

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

**B. Fund Accounting**

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

**Governmental Fund Type - Special Revenue Fund**

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

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

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

An annual budget is adopted for the Casino Control Fund. The Legislature enacts the budget through passage of specific appropriation, the sum of which may not exceed estimated revenues. The annual appropriation act for fiscal years 1998 and 1997 authorized \$54,761,000 and \$51,661,000 respectively. Budgetary control is maintained at the program unit level.

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

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

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

<u>Actual on Budgetary to GAAP Basis</u> <u>June 30, 1998 and 1997</u> <u>(In Thousands)</u>		
	<u>1998</u>	<u>1997</u>
<b>Budgeted Funds:</b>		
Budgetary basis - net increase (decrease) in fund balances for the fiscal year	\$ 544.7	\$ (3,851.7)
Various other financing sources	-	-
Prior year expenditures and other financing uses	(1,389.4)	(1,375.9)
Encumbrances	<u>2,619.0</u>	<u>1,663.5</u>
GAAP basis - net increase (decrease) in fund balances for the fiscal year	1,774.3	(3,564.1)
<b>Non-Budgeted Funds:</b>		
GAAP basis - net increase (decrease) in fund balances for the fiscal year	-	-
<b>Total All Funds:</b>		
GAAP basis - net increase (decrease) in fund balances for the fiscal year	<u>\$1,774.3</u>	<u>\$(3,564.1)</u>

#### E. Fixed Assets

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

#### F. Fund Balances

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

- 1) Reserved for Encumbrances - Used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.

- 2) Reserved - Other - Used to segregate a portion of the fund balance to provide for anticipated expenditures in future fiscal years.

- 3) Unreserved - Designated for Continuing Appropriations - Used to represent that portion of fund balance which has been appropriated by the Legislature.

- 4) Unreserved - Undesignated - Used to represent that portion of fund balance resources available for appropriation.

#### G. Other

Other significant accounting policies are described in Notes 2 to 11.

#### NOTE 2 - Cash

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

#### NOTE 3 - Accounts Receivable

Represents amounts due from casinos and related industries. Net receivables are substantially collected within three months. Allowance for doubtful accounts represents one hundred percent of non-current receivables.

#### NOTE 4 - Due From General Fund

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

#### NOTE 5 - Deferred Revenue

Deferred Revenue represents fiscal year 1999 and fiscal year 1998 slot machine license billings collected and recorded in June 1998 and 1997, respectively.

#### NOTE 6 - Fund Balance

The positive fund balance as of June 30, 1998 and June



30, 1997 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e) the balance at June 30, 1998 will be credited to casino licensees during fiscal year 1999 in proportion to the relative amount of total fees incurred or paid by each casino licensee with respect to the fiscal year ended June 30, 1998. The balance at June 30, 1997 was credited in the same manner to casino licensees during fiscal year 1998.

**NOTE 7 - Employee Benefit Costs**

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

Cash payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on fifty percent of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from state service prior to retirement are not entitled to payments for accumulated sick leave balances. The liability for accumulated employee sick leave balances as of June 30, 1998 of approximately \$3.8 million is reflected in the State's Long-Term Debt Account Group and is not accrued in these financial statements.

Employees annually earn 12 to 25 vacation days based on years of service and are permitted to carry over those days earned within a one year period. The liability for accumulated vacation pay as of June 30, 1998 of approximately \$1.1 million is reflected in the State's General Long-Term Debt Account Group and is not accrued in these financial statements.

**NOTE 8 - Interest**

The General Fund charges interest to the Casino Control Fund when disbursements exceed receipts collected and credits interest to the Casino Control Fund when receipts collected exceed disbursements made. The interest rate used during fiscal year 1998 and fiscal year 1997 was equal to the effective rate of return on investments in the General Fund and varied from 5.45% to 5.69% in fiscal year 1998 and from 5.29% to 5.55% in fiscal year 1997. The net effect of these transactions is reflected in the Investment Earnings account on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

**NOTE 9 - Restatement**

The Designated for Continuing Appropriation balance as of June 30, 1997 has been restated to reflect a reappropriation increase of \$5,527 for the Division.

**NOTE 10 - Contingent Liability**

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

**NOTE 11 - Year 2000**

The Casino Control Commission has implemented a plan to address the Year 2000 data processing problem to ensure the continuation of Commission operations into the Year 2000 and beyond. In order to provide a systematic approach toward Year 2000 compliance, a master plan has been developed that outlines objectives, responsibilities, assignments of staff, core business systems and target completion dates. Under this plan, two separate review cycles will be used to survey systems and products. The review cycles will involve surveys, certification, remediation and testing. Special attention will be applied toward the Year 2000 certification of Information Technology products. Year 2000 compliance form letters will be sent to all vendors who supply IT products to the Commission.

Formal planning commenced in 1997 with a survey of Year 2000 problems for key Information Processing systems. Corrective measures for the Commission's Employee License systems and Enterprise License systems were started during June 1998. These corrective measures plus activities regarding the Petition Tracking System, Salary History System, and EDI systems are targeted for completion by April 1999.

Although the Casino Control Commission is taking steps to minimize Year 2000 problems, it is impossible to guarantee absolute compliance. To help mitigate the impact of any unanticipated problems, the Commission is developing Year 2000 contingency plans for all major business processes. These contingency plans are targeted for completion by March 15, 1999.

STATE OF NEW JERSEY  
CASINO CONTROL FUND  
EXPENDITURE DETAIL  
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

SCHEDULE I  
(in \$000)

	1998		1997	
	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL
EXPENDITURES:				
Salaries	\$ 19,534.3	\$ 15,494.0	\$ 18,547.0	\$ 15,255.2
Payroll Taxes and Employee Benefits	3,921.1	3,346.0	4,971.4	3,972.4
Printing and Office Supplies	134.6	220.9	152.3	255.6
Vehicular Supplies	93.8	-	105.5	-
Travel	73.4	39.3	81.5	40.0
Telephone	321.9	205.0	378.3	228.0
Data Processing	729.5	1,263.0	668.9	538.1
Professional Services	367.3	130.6	426.7	115.1
Other Services Other Than Personal	602.1	149.8	595.2	112.2
Rent-Facilities	2,073.4	1,108.3	1,957.5	1,787.6
Rent-Automobiles and Other	120.1	68.7	117.9	96.9
Indirect Costs	1,075.9	66.8	906.2	54.3
Office Equipment	116.6	107.2	39.1	1,244.3
Vehicular Equipment	68.7	8.2	600.0	16.5
Other Equipment	322.2	86.8	372.2	75.0
TOTAL EXPENDITURES	\$ 29,554.9	\$ 22,294.6	\$ 29,919.7	\$ 23,791.2

SEE NOTES TO FINANCIAL STATEMENTS





*New Jersey Casino Control Commission  
Arcade Building  
Tennessee Avenue & Boardwalk  
Atlantic City, NJ 08401  
(609) 441-3749  
[www.state.nj.us/casinos](http://www.state.nj.us/casinos)*