

**ALLIANCE OF  
GOVERNMENTAL  
AUDITORS, LLC**

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A JOINT VENTURE OF  
**SWARTZ & CO.,LLC &  
TRACEY HEUN BRENNAN & CO.**

**Independent Auditor's Report**

The Chairman and Members of the Board  
Casino Reinvestment Development Authority  
Atlantic City, NJ 08401

Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Casino Reinvestment Development Authority (the "CRDA" or the "Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements of the CRDA as listed in the table of contents. These basic financial statements are the responsibility of CRDA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the CRDA as of December 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to tests and other auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alliance of Governmental Auditors, LLC

Alliance of Governmental Auditors, LLC

February 6, 2007

**Casino Reinvestment Development Authority**  
**(A Component Unit of the State of New Jersey)**

**Statement of Net Assets**

**December 31, 2006**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 202,727,667
Restricted cash	17,124,945
Marketable securities, net of allowance	21,696,693
Receivables:	
Notes receivable	127,326,616
Accrued interest receivable	26,445,044
Accrued revenue	8,837,128
Other	4,318,393
Deferred costs	7,526,526
Real Estate	93,297,115
Capital assets, net of depreciation	78,838
<b>Total Assets</b>	<u><u>509,378,965</u></u>
<b>Liabilities</b>	
Interest payable	9,140,896
Other payables	13,626,116
Long-term liabilities:	
Due within one year	4,340,156
Due in more than one year	502,086,245
<b>Total Liabilities</b>	<u><u>529,193,413</u></u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	78,838
Restricted for:	
Debt service	17,124,945
Unrestricted	(37,018,231)
<b>Total net assets</b>	\$ <u><u>(19,814,448)</u></u>

**Casino Reinvestment Development Authority  
(A Component Unit of the State of New Jersey)  
Statement of Activities  
For The Year Ended December 31, 2006**

<b>Functions/Programs</b>		<b>Program Revenue</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>	
		<b>Expenses</b>	<b>Fees</b>	<b>Operating Income</b>	<b>Governmental Activities</b>	<b>Total</b>
Governmental Activities						
General and Administration	\$	3,617,993	1,786,617		(1,831,376)	(1,831,376)
Other		341,791		1,990,043	1,648,252	1,648,252
Program costs		515,039	6,536,476	67	6,021,504	6,021,504
Depreciation		37,388			(37,388)	(37,388)
Interest on long-term debt		3,714,099			(3,714,099)	(3,714,099)
Community development		82,997,671	32,972,179	108,645	(49,916,847)	(49,916,847)
Total governmental activities	\$	<u>91,223,981</u>	<u>41,295,272</u>	<u>2,098,755</u>	<u>(47,829,954)</u>	<u>(47,829,954)</u>
General revenues:						
Investment income					<u>23,136,135</u>	<u>23,136,135</u>
Total general revenues					<u>23,136,135</u>	<u>23,136,135</u>
Changes in net assets					(24,693,819)	(24,693,819)
Net assets - beginning					<u>4,879,371</u>	<u>4,879,371</u>
Net assets - ending					<u>(19,814,448)</u>	<u>(19,814,448)</u>

The accompanying notes are an integral part of these financial statements

**Casino Reinvestment Development Authority  
(A Component Unit of the State of New Jersey)**

**Balance Sheet  
Governmental Funds  
December 31, 2006**

	<b>General Fund</b>	<b>Special Revenue Fund</b>		<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
		<b>Parking Fee</b>	<b>Hotel Room Fee</b>		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 27,417,199	146,749,913	43,574,424	2,111,076	219,852,612
Marketable securities, net of allowance		21,695,281	1,412	-	21,696,693
Receivables:					
Accrued interest receivable				590,085	590,085
Accrued parking fees		4,851,940		-	4,851,940
Accrued hotel room fees			3,985,188	-	3,985,188
Interfund	3,631,436			577,147	4,208,583
Other	1,820,102			1,569,787	3,389,889
<b>Total Assets</b>	<b>32,868,737</b>	<b>173,297,134</b>	<b>47,561,024</b>	<b>4,848,095</b>	<b>258,574,990</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interest payable		1,317,504	2,389,285	696,421	4,403,210
Interfund payable	383,105	2,203,182	1,366,614	255,682	4,208,583
Due to fiduciary funds		1,222,150			1,222,150
Other payables	659,252	786,725		130	1,446,107
<b>Total Liabilities</b>	<b>1,042,357</b>	<b>5,529,561</b>	<b>3,755,899</b>	<b>952,233</b>	<b>11,280,050</b>
<b>Fund Balances:</b>					
Reserved fund equity:					
Reserve for debt service		15,316,321		3,318,715	18,635,036
Reserve for project costs	12,329,979	152,451,252	43,805,125	577,147	209,163,503
Unreserved fund equity:					
Undesignated	19,496,401				19,496,401
<b>Total Fund Balances</b>	<b>31,826,380</b>	<b>167,767,573</b>	<b>43,805,125</b>	<b>3,895,862</b>	<b>247,294,940</b>
<b>Total liabilities and fund balances</b>	<b>\$ 32,868,737</b>	<b>173,297,134</b>	<b>47,561,024</b>	<b>4,848,095</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

78,838

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

250,725,137

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(517,913,363)

Net assets of governmental activities

(19,814,448)

**Casino Reinvestment Development Authority**  
**(A Component Unit of the State of New Jersey)**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For The Year Ended December 31, 2006**

	<u>General Fund</u>	<u>Special Revenue Fund</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		<u>Parking Fee</u>	<u>Hotel Room Fee</u>		
<b>REVENUES</b>					
Administrative fees	\$ 340,346				340,346
Interest and investment income	14,090,810	2,933,851	120,615	3,677,543	20,822,819
Parking revenue		25,001,803			25,001,803
Hotel room fee revenue			7,970,376		7,970,376
Sales and luxury tax rebate revenue	6,536,476				6,536,476
Processing fees	1,446,271				1,446,271
Other	1,990,043	108,645		67	2,098,755
Total revenues	<u>24,403,946</u>	<u>28,044,299</u>	<u>8,090,991</u>	<u>3,677,610</u>	<u>64,216,846</u>
<b>EXPENDITURES</b>					
Current:					
Salaries and benefits	2,787,227				2,787,227
General & administrative	641,914				641,914
Professional services	188,852				188,852
Project Costs	515,039	38,755,810	23,307,724	4,918	62,583,491
Other				341,791	341,791
Debt Service:					
Interest expense		14,874,506	4,060,210	3,197,260	22,131,976
Principal		4,778,257		4,352,096	9,130,353
Capital outlay					
Purchase of Fixed Assets	13,284				13,284
Purchase of Real Estate	1,267,542				1,267,542
Total expenditures	<u>5,413,858</u>	<u>58,408,573</u>	<u>27,367,934</u>	<u>7,896,065</u>	<u>99,086,430</u>
Excess (deficiency) of revenues over expenditures	18,990,088	(30,364,274)	(19,276,943)	(4,218,455)	(34,869,584)
<b>OTHER FINANCING SOURCES (USES)</b>					
Payments received on notes				4,044,576	4,044,576
Payment received on other receivables	58,871				58,871
Other escrows	362,668	3,557,297		(23,939)	3,896,026
Payments of note payable		(640,000)			(640,000)
Capital related debt issued				555,399	555,399
Loan disbursements				(555,399)	(555,399)
Purchase (sale) of real estate	531,833	(808,358)			(276,525)
Total other financing sources and uses	<u>953,372</u>	<u>2,108,939</u>	<u>-</u>	<u>4,020,637</u>	<u>7,082,948</u>
Net change in fund balance	19,943,460	(28,255,335)	(19,276,943)	(197,818)	(27,786,636)
Fund Equity, January 1, 2006	<u>11,882,920</u>	<u>196,022,908</u>	<u>63,082,068</u>	<u>4,093,680</u>	<u>275,081,576</u>
Fund Equity, December 31, 2006	<u>\$ 31,826,380</u>	<u>167,767,573</u>	<u>43,805,125</u>	<u>3,895,862</u>	<u>247,294,940</u>

The accompanying notes are an integral part of these financial statements

**Casino Reinvestment Development Authority  
(A Component Unit of the State of New Jersey)  
Combined Statement of Revenues, Expenditures and Changes in Fund Equity  
to the Statement of Activities  
For The Year Ended December 31, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(27,786,636)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the current period.		1,519,963
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,313,316
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The issuance of long-term debt (e.g. bonds, notes payable) provides current financial resources to governmental funds, and the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, these transactions do not affect net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		5,271,510
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Disbursements on long-term notes receivable consume current financial resources of governmental funds, and principal payments received on notes receivable provide current financial resources to governmental funds. These transactions do not affect net assets.		(3,548,048)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(2,463,924)
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Change in net assets of governmental activities	\$	<u>(24,693,819)</u>
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The accompanying notes are an integral part of these financial statements

**Casino Reinvestment Development Authority**  
**(A Component Unit of the State of New Jersey)**  
**Statement of Revenues, Expenditures and Changes in Fund Equity**  
**Budget and Actual - General Fund Type**  
**For The Year Ended December 31, 2006**

	Budget	Actual	Variance
<b>REVENUES:</b>			
Administrative fees	\$ 355,619	340,346	(15,273)
Interest and investment income	5,702,723	14,090,810	8,388,087
Sales and luxury tax rebate revenue		6,536,476	6,536,476
Processing fees	1,757,500	1,446,271	(311,229)
Other	100,000	1,990,043	1,890,043
	<u>7,915,842</u>	<u>24,403,946</u>	<u>16,488,104</u>
<b>EXPENDITURES:</b>			
Salaries and benefits	3,041,139	2,787,227	253,912
General & administrative	778,282	641,914	136,368
Professional services	481,700	188,852	292,848
Capital Outlay - Fixed Assets		13,284	(13,284)
Capital Outlay - Real Estate		1,267,542	(1,267,542)
Project Costs		515,039	(515,039)
	<u>4,301,121</u>	<u>5,413,858</u>	<u>(1,112,737)</u>
Excess of revenues over expenditures	<u>3,614,721</u>	<u>18,990,088</u>	<u>15,375,367</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Other Receivables		58,871	58,871
Payments on other payables		362,668	362,668
Purchase of real estate		531,833	531,833
Total other financing sources and uses		<u>953,372</u>	<u>953,372</u>
Net change in fund balances	3,614,721	19,943,460	16,328,739
Fund balance - beginning	<u>11,882,920</u>	<u>11,882,920</u>	
Fund balance - ending	<u>\$ 15,497,641</u>	<u>31,826,380</u>	<u>16,328,739</u>

There were no modifications to the adopted budget

The accompanying notes are an integral part of these financial statements



**Casino Reinvestment Development Authority**  
**(A Component Unit of the State of New Jersey)**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2006**

	<u>Total</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 257,298,262
Receivables:	
Notes receivable	6,139,095
Accrued interest receivable	19,694
Obligations receivable	15,433,755
Other	10,082,634
Capital Assets:	
Real Estate	20,294,415
	<u>309,267,855</u>
<b>Total Assets</b>	<u>309,267,855</u>
<b>Liabilities</b>	
Interest payable	3,438,448
Other payables	15,319,677
<b>Reserves:</b>	
Obligations payable	219,365,213
Direct investment deposits	2,768,898
Donation deposits	36,330,735
Project costs	32,044,884
	<u>309,267,855</u>
<b>Total Liabilities and Reserves</b>	<u>309,267,855</u>
<b>Net Assets:</b>	
<b>Total Net Assets</b>	\$ <u>-</u>

**Casino Reinvestment Development Authority  
(A Component Unit of the State of New Jersey)  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended December 31, 2006**

	<u>Total</u>
<b>ADDITIONS:</b>	
Obligation deposits	\$ 64,991,960
Accrued obligations	278,603
Transfer from reinvestment	5,956,342
Retail and luxury tax rebate	16,265,238
Interest on notes	426,203
Other income	736
Total Additions	<u>87,919,082</u>
<b>DEDUCTIONS:</b>	
Direct investments	13,272,977
Direct donations:	
Transfers to other fiduciary funds	1,150,727
Other	4,805,615
Bonds issued	1,163,550
Credits	74,889
Retail and luxury tax rebate	16,265,238
Grants and donations	17,874,901
Total deductions	<u>54,607,897</u>
<b>NET CHANGE IN RESERVES</b>	33,311,185
Net assets - beginning	
Net assets - ending	\$ <u><u>                    </u></u>

The accompanying notes are an integral part of these financial statements

Casino Reinvestment Development Authority  
(A Component Unit of the State of New Jersey)  
Notes to Financial Statements  
December 31, 2006

**Summary of Significant Accounting Policies**

The financial statements of the Casino Reinvestment Development Authority (CRDA) have been prepared in conformity with accounting principals generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In the accounting and financial reporting, the CRDA follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the CRDA are discussed below.

The financial statements are prepared in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

- The financial statements include:
  - ❖ A Management Discussion and Analysis (MDA) section providing an analysis of the District's overall financial position and results of operations.
  - ❖ Financial statements prepared using full accrual accounting for all of the CRDA's activities.
- The focus is on the major funds in reporting of the fund financial statements.

**Reporting Entity**

The CRDA's financial statements include the accounts of all of CRDA's operations. The CRDA, as a component unit of the State of New Jersey, is financially accountable to the State. As set forth in Government Accounting Standards Board (GASB) 14, financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The CRDA, as a component unit, issues separate financial statements from the State of New Jersey.

**Basis of Presentation: Fund Accounting**

**Governmentwide and Discrete Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non fiduciary activities of the CRDA during 2006. The effect of interfund activity has been removed from these statements.

Casino Reinvestment Development Authority  
(A Component Unit of the State of New Jersey)  
Notes to Financial Statements  
December 31, 2006

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include charges to casinos or applicants who use or directly benefit from services or privileges provided by a given function or segment and interest earned on investments and obligation deposits that is used to fund the operation of the governmental fund. Other items not properly included within program revenues are reported instead as *general revenues*. There were no general revenues during 2006.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **Measurement of assets, liabilities, and net position**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the CRDA considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Parking fees, hotel room fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the CRDA.

The CRDA reports the following major governmental funds:

The *general fund* is the CRDA's primary operating fund. It accounts for all financial resources of the CRDA, except those required to be accounted for in another fund.

The *special revenue funds* are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The *parking fee fund* is used to account for the collection of parking fees as a source of funds to pay for Atlantic City projects on the boardwalk and, in the corridor region, for casino hotel expansion projects and for debt service on a long-term obligation.

Casino Reinvestment Development Authority  
(A Component Unit of the State of New Jersey)  
Notes to Financial Statements  
December 31, 2006

The *Hotel Room Fee fund* is used to account for the collection of hotel room fee revenue as a source of funds to pay for Atlantic City casino hotel expansion projects, advances to the New Jersey Sports and Exhibition Authority for horse racing purse enhancements, projects in South Jersey and North Jersey and debt service on a long-term obligation.

Additionally, the CRDA reports the following fiduciary fund types:

The *Reinvestment Fund* is used to account for the receipt of the obligation deposits and donated obligations from licensees, which are available to commit to projects. Obligation deposits and donated obligations are held in this fund until bonds have been issued, direct investment payments have been made for approved projects, or donated funds have been expended. Two-thirds of all interest earned on obligation deposits held in this fund are due to the licensees and one-third is due to the General Fund. All interest earned on donated obligations is also due to the General Fund.

The *Other Fiduciary Funds* account for projects administered by the Authority and assets held in the Authority's name on behalf of others. Cash, cash equivalents and investments held in these funds are considered restricted in accordance with the terms of the individual contracts and agreements.

#### Budgets and Budgetary Accounting

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 5:12-143. The operating budget adopted annually covers the general fund activity only. The annual operating budget is required to be submitted by the last day of October of each year to the State Treasurer for approval.

#### Real Estate

Real estate consists of land, land improvements and related acquisition costs and is recorded at cost. Real estate is held by the CRDA for development, sale, lease or donation. Real estate that is donated is expensed as a program cost.

#### Fixed Assets

Fixed assets, consisting primarily of furniture and equipment, are carried at cost less accumulated depreciation of 671,414 at December 31, 2006. The CRDA capitalizes assets with a cost of 400 or more, and depreciates its assets using the straight-line method over the estimated useful lives, generally seven years for office equipment and furniture and fixtures and five years for computer equipment.

Casino Reinvestment Development Authority  
(A Component Unit of the State of New Jersey)  
Notes to Financial Statements  
December 31, 2006

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the certain reported amounts and disclosures. Actual results could differ from those estimates.

Risk of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event that may exceed policy coverage limits.

Notes Receivable

Notes receivable includes mortgages, which are stated at unpaid principal balances. Certain mortgages have annual forgiveness provisions over the life of the mortgage. Any unpaid principal balance upon the sale of the property is payable to the CRDA. The annual principal amount forgiven is recorded as forgiveness of debt.

Management periodically evaluates whether an allowance for uncollectible notes receivable is required based on the CRDA's past uncollectible loss experience, known and other risks inherent in the note receivable portfolio, adverse situations that may effect each borrower's ability to repay, estimated value of any underlying collateral and current economic conditions. As of December 31, 2006, a provision for uncollectible accounts was not required.

Bonds Payable

The Authority issues tax-exempt private activity bonds and taxable bonds to casino licensees. The proceeds from these bond issues are used to provide long-term, low-interest, loans to businesses, certain 501 (c) (3) non-profit activities, and other projects. Also included in bonds payable are parking fee revenue bonds and hotel room fee revenue bonds issued to the public. Parking fee revenue is applied first to the debt service on the parking fee bonds. Hotel room fee revenue is applied first to debt service on the hotel room fee bonds.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits.

Casino Reinvestment Development Authority  
(A Component Unit of the State of New Jersey)  
Notes to Financial Statements  
December 31, 2006

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the District-wide Financial Statements as a Governmental Activity.

. **In est ents**

As of December 31, 2006, the Authority had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
Treasury Notes	various	21,696,693

**Interest R te Ris .** The “Securities Purchase Contract” between the CRDA and the licensees prescribes the types of investments allowed in the Reinvestment Fund. The “Securities Purchase Contract” requires that all investments be as follows:

Direct obligations of or obligations unconditionally guaranteed by the United States or direct obligations of or obligations unconditionally guaranteed by any state of the United States. If the latter is chosen, the securities must be rated in any of the two highest rating categories by a nationally recogni ed rating service.

Repurchase agreements that are collateralized by direct obligations of or obligations unconditionally guaranteed by the United States. The collateral must have a market value at all times equal to the repurchase price, and must be perfected for the benefit of the CRDA.

Units of the New Jersey Cash Management Fund, invested by the State Division of Investments, consisting of short-term obligations of the U.S. Government and certain of its agencies, commercial paper, certificates of deposit, repurchase agreements and bankers’ acceptances.

Certificates of deposit issued by a bank, trust company, national banking association, savings and loan association or other financial institution that is fully and continuously secured by direct obligations of, or obligations unconditionally guaranteed by the United States. The securities underlying the certificates of deposit must have a market value at all times equal to the principal amount of such certificates of deposit, and must be held in such a manner as they may be required to provide a perfected security interest for the benefit of the CRDA.

**Con entr tion o Credit Ris .** There is no limit on the amount the Authority may invest in any one issuer.

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. **C s**

**Custodi Credit Ris Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution only those institutions with an acceptable estimated risk level are used as depositories. As of December 31, 2006, 1,791,088 of the Authority's bank balance of 1,991,088 was exposed to custodial credit risk.

Cash and cash equivalents included various checking and money market accounts, and U.S. obligations with maturities of three months or less. 17,124,945 of the CRDA's cash is reserved for debt service.

. **Notes Re ei e**

As of December 31, 2006, the Parking Fee Revenue Fund includes a note receivable in the amount of 8,600,000 due from the New Jersey Sports and Exposition Authority (NJSEA), a component unit included in the State of New Jersey's comprehensive annual report. This note, which bears interest at 5.773 %, is due on February 10, 2008 or such longer term as shall be required for repayment of the loan and interest thereon from NJSEA's "Available Cash Flow" as defined in the note.

Remaining notes receivable within the Parking Fee Revenue Fund and the debt service fund consist of loans with terms varying from 15 to 40 years at interest rates varying between 3.4 and 8.5 %. Repayment of notes receivable are secured by mortgages.

. **Fi ed Assets**

Summary of changes in fixed assets for the year ended December 31, 2006:

	<u>Furniture and Equipment</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Balance January 1, 2006	743,207	(640,265)	102,942
Increases	13,284	(37,388)	(24,104)
Decreases			-
Balance December 31, 2006	<u>756,491</u>	<u>(677,653)</u>	<u>78,838</u>



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. **Interfund Receivables and Payables**

The following is a summary of interfund receivables and payables at December 31, 2006

	Due to (due from) General	Due to (due from) Reinvestment	Due to (due from) Parking Fee	Due to (due from) Hotel Room Fee	Due to (due from) Deregulation	Due to (due from) Debt Service Fund	Due to (due from) Fiduciary Funds
Interest	3,375,754	(1,215,823)	(1,589,029)	(542,419)			(28,483)
Administrative fees	255,682					(255,682)	
Miscellaneous	(383,105)	5,103,126	(1,836,303)	(824,195)			(2,059,523)
Deregulation Funds		(577,147)			577,147		
	<u>3,248,331</u>	<u>3,310,156</u>	<u>(3,425,332)</u>	<u>(1,366,614)</u>	<u>577,147</u>	<u>(255,682)</u>	<u>(2,088,006)</u>

The interfunds are the result of timing issues. They will be eliminated in the subsequent year.

. **Obligation Deposits**

- a. Obligation deposits collected from the licensees are held in the Reinvestment Fund until the CRDA's Board of Directors approves projects. Subsequent to approval of a project, when disbursements for a project are to be made, obligation deposits are disbursed as either bonds payable or direct investment reimbursements. If the approved project is designated as a donation project the funds are initially reclassified from obligation deposits to donation deposits. Donation deposits are disbursed to the Agency Funds as donations to temporarily restricted assets when disbursements for the project are required. The obligation deposits set aside for New Jersey Development Authority for Small Businesses, Minorities and Women Enterprises (NJSBMWE) can be used to purchase bonds of the New Jersey Development Authority.
- b. Current obligations represent amounts incurred by licensees under the CRDA statute and are based upon 1.25% of their gross revenues. Payments are due quarterly on April 15, July 15, October 15, and January 15, for the preceding quarter. For financial reporting purposes, amounts outstanding are also recorded as current obligations receivable with an offsetting reserve as accrued investment obligations.

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- c. 2006 Obligations and Donations account activity is summarized below:

<u>Obligation deposits</u>	
Beginning Balance	188,423,477
Obligation deposits	49,836,808
Direct investments	(12,962,059)
Transfer to direct investment deposits	
Direct donations	(8,643,794)
Transfer to donations	(11,484,535)
Bonds issued	(1,163,550)
Credits	(74,889)
Obligations receivable	15,433,755
Ending balance	<u>219,365,213</u>

<u>Direct Investment Deposit</u>	
Beginning Balance	3,079,815
Transfers from Obligations	-
Disbursements	(310,917)
Ending Balance	<u>2,768,898</u>

<u>Donation Deposits</u>	
Beginning balance	22,158,749
Transfers from obligations	11,484,535
Grants to Agency and Debt Service Funds	2,687,452
Ending balance	<u>36,330,736</u>
	<u>258,464,847</u>

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. **Bonds Payable**

The CRDA has utilized two types of debt, publicly issued bonds and project bonds which are issued solely to the Atlantic City casino licensees.

Public Issuance

On March 23, 2005 the CRDA issued \$291,670,000 in Parking Fee Revenue Bonds. Series 2005A in the amount of \$107,140,000 were tax exempt bonds, the proceeds of which were used to refund \$68,405,000 of the previously issued Parking Fee Revenue Bonds, Series 1997A and \$43,205,000 of the previously issued Parking Fee Revenue Bonds, Series 2001A. Series 2005B in the amount of \$184,530,000 were taxable bonds, the proceeds of which were used to refund \$68,405,000 of the previously issued Investment Alternative Tax and Subordinated Parking Fee Revenue Bonds, Series 2001B and to fund projects on the Atlantic Boardwalk and at the casinos. The bonds are payable from Parking Fee Revenues, certain pledged Investment Alternative Taxes and an additional contractual parking charge remitted by the casinos. In October of 2004 the CRDA issued \$93,000,000 of tax exempt Hotel Room Fee Revenue Bonds (Series 2004). The proceeds of these bonds were used to fund projects in North and South Jersey as well as Atlantic City casino expansion projects. These bonds are payable solely from hotel room fees.

Refunding Issue:

The funds for redemption were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the redeemed bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Authority's activities column of the statements of net assets. This advance refunding was undertaken to provide new project funds totaling \$138.5 million and consolidate the two parking fee bonds into one, and resulted in an economic loss of \$3,302,515.

Casino Pool Bonds

The CRDA also issues project bonds to casino licensees with terms varying from 35 to 50 years at interest rates varying between 4.0% and 7.0%. Such bonds are payable solely from the revenues and other monies derived from projects financed by such bonds, or other monies which may be pledged with respect to such issues.

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All bonds issued by the CRDA are special obligations of the CRDA, do not constitute obligations against the general credit of the CRDA, and are not a debt or liability of the State. Accordingly, due to a lack of revenues generated from the Vermont Plaza project, the bond holders of this project have been limited to receiving interest payments at a discounted rate which is substantially less than the bonds original stated rate. Anticipated revenues have not matched the projections at the Sheraton Headquarters Hotel and this has resulted in no payments to date to bondholders of this project. Marcal Paper Mills, Inc., an affiliate of MPMI, Inc. ("Marcal Project") filed for Chapter 11 bankruptcy on November 30, 2006. License fees received from Marcal Paper Mills, Inc. are the only source of revenue for the Marcal Project. These license fees, the source of payment for the bondholders, are subject to any restrictions that will be imposed by the United States Bankruptcy Court.

The CRDA has a debt service reserve set up for the following bond issues:

<b><u>Bond Issue</u></b>	<b><u>A mount</u></b>
107 million Parking Fee Revenue Bonds	11,027,887
184.5 million Parking Fee Revenue Bonds	3,864,479
Atlantic City Boardwalk Convention Center Project Bonds	423,954
Balance at December 31, 2006	<u><u>15,316,320</u></u>

One half of the debt service reserve fund requirement for the 2005 Parking Fee Revenue Bonds is provided by a surety bond. The cash portion of the debt service reserve for the 2005 Parking Fee Bonds has been invested through a Reserve Fund Forward Delivery Agreement with Merrill Lynch Capital Services, Inc. The Agreement provides a guaranteed rate of return of 4.475% and converts to cash on each future bond payment date.

The entire debt service reserve fund requirement for the Hotel Room Fee Revenue Bonds is funded by a surety bond.

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The following is a summary of the CRDA's long-term debt transactions for the year ended December 31, 2006:

	Publicly Issued Bonds	Project Bonds	Total
Debt outstanding 12/31/05	384,670,000	112,126,713	496,796,713
Additions to Debt		1,163,550	1,163,550
Reduction of Debt	(4,680,000)	(4,450,353)	(9,130,353)
Debt outstanding 12/31/06	379,990,000	108,839,910	488,829,910
Net Unamortized Premium	14,327,745		14,327,745
	<u>394,317,745</u>	<u>108,839,910</u>	<u>503,157,655</u>
Amounts due within one year:	<u>4,205,000</u>	<u>135,156</u>	<u>4,340,156</u>

The following table reflects scheduled debt service for publicly issued revenue bonds:

Calendar year	Principal	Interest
2007	4,205,000	19,636,309
2008	9,985,000	19,311,990
2009	10,440,000	18,832,079
2010	10,915,000	18,309,075
2011	12,350,000	17,731,447
2012-2016	116,170,000	72,407,259
2017-2021	117,980,000	41,261,598
2022-2026	97,945,000	10,856,199
Total	<u>379,990,000</u>	<u>218,345,956</u>

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The following table reflects scheduled debt service for project bonds issued:

<u>Calendar Year:</u>	<u>Principal</u>	<u>Interest</u>
2007	135,156	3,999,113
2008	140,367	3,992,718
2009	145,682	3,986,220
2010	151,255	3,979,463
2011	157,099	3,972,435
2012-2016	822,338	19,750,004
2017-2021	928,854	19,551,310
2022-2026	16,671,469	17,786,958
2027-2031	52,491,289	14,866,811
2032-2036	4,959,274	8,160,627
2037-2041	7,231,040	7,148,985
2042-2046	25,006,087	2,255,467
2047-2051		
Total	<u>108,839,910</u>	<u>109,450,111</u>

• **Note P e**

During 2002, the CRDA purchased certain real estate from the Housing Authority and Urban Redevelopment Agency of the City of Atlantic City for 7,200,000. The CRDA financed 6,400,000 through a non-interest bearing note to the seller that is payable in ten equal annual installments of 640,000 commencing October 21, 2002. The note, which totals 3,248,443 as of December 31, 2006, is recorded in the accompanying statement of net assets, net of unamortized discount. Interest was imputed at 5%, which approximates the CRDA's effective borrowing rate. The note is secured by a first money mortgage on the real estate.

• **Project and Direct Investment Commitments**

- a. During 2006, the CRDA commitments decreased approximately 50 million in current and future CRDA obligations to finance direct investment and other projects.

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As of December 31, 2006, CRDA had outstanding commitments as follows:

Atlantic City

Northeast Inlet Redevelopment	4,610,249
Bally's Hope Loan Program	999,424
Caesar's Convention Center Hotel	665,950
Caesar's Hotel Expansion	17,616,232
Harrah's Hotel Expansion	14,985,858
Resorts Hotel Expansion	9,819,215
NJIT Housing Technology Demonstration Park	896,398
Convention Center East Hall	58,638,318
Habitat for Humanity	83,483
AC Brigantine Connector Road	53,800,767
Virginia Avenue Improvements	3,281,776
Atlantic Avenue Façade Program	717,180
North Carolina Avenue Improvements	526,997
Westside Façade	98,259
2nd Ward Façade	316,552
Pennsylvania Avenue Homes	100,959
Chesapeake Gardens	2,764,327
Trump Construction Financing Fund	5,000,000
Carolina Gardens	1,105,767
Cityscape	126,721
Pennsylvania Avenue Firehouse Conversion	339,614
AC Housing Fund	7,462,601
Tropicana Entertainment Retail Project	1,314,540
Martin Luther King Jr. Widening	5,785,601
Maryland Avenue Façade	11,438
Vision 2000 Homeowners Program	42,799
Firefighter and Teacher Home Loan Program	4,473
Maine Avenue Project	7,763,309
Boys' Girls Club	186,360
Tax Certificate Acquisitions	104,574
ACCC Workforce Center	74,969
Venice Park Bulkhead	12,725,885
Dwayne Harris Memorial Ballfield	10,000
Fairmount Avenue Façade	58,740
Reliance Health Relocation	29,093
Hope VI On-Site Project	78,221
Pete Pallitto Field Project	11,523
Parking Fee Bond Pledge	145,620,862
Hope VI Housing	6,700,001
2nd Ward Housing	1,270,780

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Atlantic City (Continued)	
Chelsea Historic District	40,000
Stockton Campus Project	40,000
Westside All Wars Memorial	5,000,000
Corridor Garage and Office	20,400,000
Healthplex	2,000,000
Bader Field Redevelopment	500,000
Atlantic City Economic Development	57,698
	<hr/>
Total Atlantic City	393,832,851
	<hr/>
South Jersey	
Agricultural Loan Program	232,096
Woodbine Airport	135,000
Gateway Village	480,521
Camden Project Fund	3,400,000
A.C. Boys Girls Club	140,649
South Jersey Investment Fund	31,600,000
South Jersey Project Fund	7,089,286
Shepherd s Farm Housing	1,103,667
Camden Town Project	6,000,000
Glassboro CBD Project	4,975,421
Egg Harbor City Development	920,408
EHT Route 40 Corridor	3,000,000
Pennsauken Project	14,100,000
SJ Regional Fire Training Center	3,500,000
	<hr/>
Total South Jersey:	76,677,048
	<hr/>
North Jersey	
Marcas Extraction Facility Elmwood Park	4,305,180
Long Branch Project	2,288,377
South Amboy Project	5,062,185
North Jersey Project Fund	34,490,458
Lakewood Baseball Stadium	1,330,000
Branch Brook Park	549,721
Hahnemann-Griffith Project	20,000,000
Atlantic City Development Project	8,500,000
NJSEA Purse Enhancements	53,859,718
Central Jersey Regional Airport	973,888
	<hr/>
Total North Jersey:	131,359,527
	<hr/>
NJSBMWE Set Aside	15,233,139
	<hr/>
Total Commitments at December 31, 2006	617,102,565
	<hr/>



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. **Program Costs Related to Restricted Assets**

Program costs as shown in the Fiduciary Funds reflect costs associated primarily with the donation of real estate upon completion of a project.

. **General Fund Donations**

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

Absecon Lighthouse	15,039
Belmont Project	500,000
	<hr/>
Total:	<u>515,039</u>

. **General Fund Reserves for Project Costs**

Reserved:

Reserve for Absecon Lighthouse	268,907
Reserve for Urban Lab Project	11,432
Reserve for St. Nicholas of Tolentine	49,640
Reserve for Corridor Garage and Office	10,000,000
Reserve for Belmont Project	500,000
Reserve for Express Train	<u>1,500,000</u>

Total reserved	12,329,979
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Unreserved net assets	<u>19,496,401</u>
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Total	<u><u>31,826,380</u></u>
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. **Pension Plan**

The Public Employees Retirement System was established in January, 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement benefits to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

**Significant Legislation**

During the year ended August 31, 1997, legislation was enacted authorizing the New Jersey Economic Development Authority (the "NJEDA") to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. On June 30, 1997, the NJEDA issued bonds pursuant to this legislation and \$241,106,642 from the proceeds of the bonds was deposited into the investment accounts of PERS.

As a result of additional legislation enacted during the year ended August 31, 1997 (Chapter 115, P.L. 1997), the asset valuation method was changed from market related value to full-market value for the valuation reports dated March 31, 1996. This legislation also contains a provision to reduce the employee contribution rates under PERS by 1 percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a similar reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. Effective January 2000 the employee contribution rate was lowered to 3 percent. The legislation also provides for a reduction in the normal contributions of the State to the systems from excess assets for FY's 1997 and 1998, and local employers for FY 1998, and, thereafter, authorizes the State Treasurer to reduce the normal contributions of State and local employers to the systems, to the extent possible, from up to 100 percent of excess assets through FY 2002, and on a declining maximum percentage of excess thereafter.

Due to the enactment of the legislation described above, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated.

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**Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Authority's contribution to PERS was \$41,668 and \$14,950 for the year ended December 31, 2006 and 2005, respectively.

Year Ended	Employees		Authority	
	Amount	Percent of Covered Payroll	Amount	Percent of Covered Payroll
December 31, 2006	101,997	95.98	41,668	95.98
December 31, 2005	111,149	98.71	14,950	98.71
December 31, 2004	71,809	98.78	0	0.00

**Fidelity Bond**

The CRDA has a \$1,000,000 Honesty Blanket Bond supplied by Zurich-American Insurance Group covering all of its employees.

**Commitments and Contingencies**

The CRDA occupies office space in Atlantic City. The facility was leased on a month to month basis, which expired on October 31, 2006. The CRDA is currently in negotiations for a new lease. There are no future minimum lease payments as of December 31, 2006.

The CRDA has also entered into settlement agreements regarding a difference between the CRDA's estimated market value of parcels of land in the Corridor Region of Atlantic City, and the owner's estimated value of the property. The remaining balance is payable as follows:

Year	Annual Payment
2007	153,259
2008	153,259
Total	<u>306,518</u>

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The settlement amounts have been included in the program costs associated with the Atlantic City Corridor project.

On October 10, 1997, the CRDA entered into a Parking Fee Agreement with the South Jersey Transportation Authority ("SJTA"), which is a component unit included in the State of New Jersey's comprehensive annual report. Pursuant to the Agreement, a portion of parking fees from marina parking facilities used in conjunction with any new licensed casino hotel construction and located on land in the Marina District of Atlantic City will be payable to SJTA. The maximum amount payable to SJTA under the Parking Fee Agreement is an amount sufficient to amortize \$65,000,000 of SJTA bonds issued to finance the Atlantic City Expressway Connector Project and certain costs of issuance. The maximum annual remittance to SJTA is the lesser of the Marina Parking Fees or the amount released by the Trustee of the Parking Fee Revenue Bonds after the semi-annual debt service. The CRDA's payment obligations are subordinate to the lien on the Marina Parking Fees of the Parking Fee Revenue Bonds (see Note 8). Other payables on the Statement of Net Assets and Community and Economic Development expenses on the accompanying Statement of Activities include \$688,207 payable to SJTA in connection with this obligation.

. **Risk Management**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

**Property and Liability Insurance** - The Authority maintains commercial insurance coverage for property, liability and surety bonds. The Authority is also a member of a Joint Insurance Fund. There has been no significant decrease in insurance coverage and there have been no claims in excess of coverage.

. **Pending Litigation**

There is currently litigation pending against the CRDA for various matters. The amounts to be paid by the CRDA, if any, cannot be determined at this time.

. **Economic Dependence**

The CRDA has a significant economic dependence upon the casino industry in Atlantic City and the casino investment alternative taxes, parking fees and hotel room fees that are remitted to the Authority through the State of New Jersey.

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. **Deficit in Restricted Project Costs**

There is a deficit in the Net Assets on the Statement of Net Assets due to a deficit in net assets restricted for project costs. This has occurred because the Hotel Room Fee Special Revenue Fund has expended over 60 million to date and revenue has only been received in this fund beginning in July 2006. It is projected that sufficient funds will be generated to offset the projected expenditures.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### YEAR ENDING DECEMBER ,

This section of the Casino Reinvestment and Development Authority's annual financial report presents our discussion and analysis of the CRDA's financial performance during the fiscal year that ended on December 31, 2006. It should be read in conjunction with the CRDA's financial statements, which follow this section.

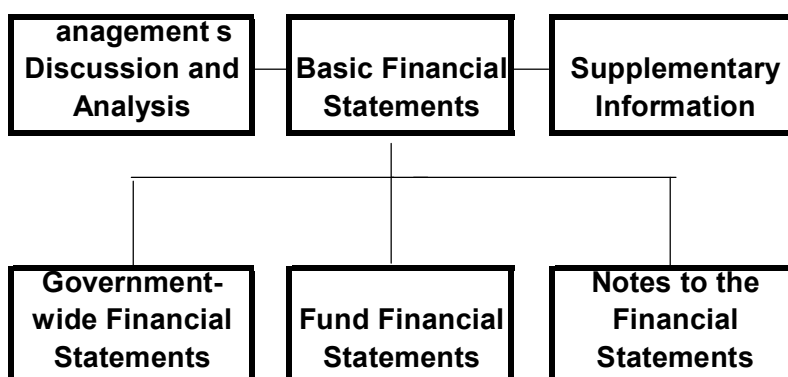
### FINANCIAL HIGHLIGHTS

- The liabilities of the CRDA exceeded its assets at the close of the most recent fiscal year by approximately 19.8 million, a decrease of approximately 24.7 million from the prior year. The decrease is primarily the result of additional development throughout the state.
- Cash and investments total approximately 219.9 million, a decrease of approximately 36.7 million or 14.3 over the prior year. The decrease is mainly due to project expenditures throughout the state.
- Long-term liabilities decreased by approximately 10 million to approximately 506 million at year end 2006. The decrease is the result of scheduled redemptions of publicly issued debt.
- Real estate holdings decreased to approximately 93.3 million during the fiscal year, real estate is sold or conveyed upon completion of Authority projects.
- Realized revenue exceeded budgeted revenue for the 2006 year due to favorable interest rates and investment income, in addition to the initiation of the sales and luxury tax rebate income stream.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of four parts *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non major governmental funds.

## Required Components of CRDA's Annual Financial Report



The basic financial statements include two kinds of statements that present different views of the CRDA:

- *Government-wide financial statements* that provide both *long term* and *short term* information about the CRDA's *overall* financial status.
- *Fund financial statements* that focus on individual parts of the CRDA.

### Government-wide Statements

The government-wide statements report information about the CRDA as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the CRDA's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

CRDA's government-wide financial statements have only one category, *governmental activities*. All of CRDA's operations and programs are included here, including the administration of projects and community and economic development.

### Fund Financial Statements

*Fund financial statements* focus on *individual parts* of the CRDA, reporting the CRDA's operations in *more detail* than the government-wide statements. Funds are an accounting method that CRDA uses to keep track of specific sources of revenue and spending for particular purposes.

The CRDA has two fund groupings, governmental funds and fiduciary funds.

- *Governmental funds statements* provide a detailed *short term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the CRDA's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statement that explains the relationship (or difference) between them.
- *Fiduciary fund statements* address accounts in which CRDA acts solely as a *trustee or agent* for the benefits of others. The CRDA is the trustee, or *fiduciary*, for casino reinvestment obligations. It is also responsible for other assets that because of trust arrangements can only be used for specific purposes. The CRDA is responsible for ensuring that the assets reported in these funds are only used for their intended purposes. All of the CRDA's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the CRDA's government-wide financial statements because the CRDA cannot use these assets to finance its operations.

The basic financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The financial statements and notes are followed by a section of *supplementary information* that further explains and supports the information in the financial statements.



The following chart summarizes the major features of each of CRDA's financial statements, including the scope and types of information they contain.

**a or Features of CRDA s Government-wide and Fund Financial Statements**

	<b>Government-wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire CRDA operation (except fiduciary funds)	The activities of the CRDA that are not fiduciary (governmental activities)	Instances in which the CRDA is the trustee or agent for other s resources, such as the casino reinvestment obligations.
<b>Required financial statements</b>	1) Statement of net assets 2) Statement of activities	1) Balance sheet 2) Statement of revenues, expenditures, and changes in fund balance	1) Statement of fiduciary net assets 2) Statement of changes in fiduciary net assets
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets available to be used and liabilities that come due during the year no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

## Governmental Financial Analysis

	Net Assets		Total Percentage Change
	Governmental Activities		
	<u>2006</u>	<u>2005</u>	
Current and other assets	288,755,234	312,634,214	-8
Notes receivable	127,326,616	130,819,404	-3
Capital assets	93,297,115	93,799,461	-1
Total assets	<u>509,378,965</u>	<u>537,253,079</u>	<u>-5</u>
Other liabilities	22,767,012	16,029,224	42
Long-term liabilities	506,426,401	516,344,484	-2
Total Liabilities	<u>529,193,413</u>	<u>532,373,708</u>	<u>-1</u>
Net Assets:			
Invested in capital assets, net of related debt	78,838	400,386	-80
Restricted	17,124,945	(8,709,482)	-297
Unrestricted	(37,018,231)	13,188,467	-381
Total net assets	<u>(19,814,448)</u>	<u>4,879,371</u>	<u>-506</u>

Restricted net assets represent resources that are subject to external restrictions on how they may be used. The restricted assets consist of debt service in the amount of 17 million. The remaining balance of *unrestricted net assets* includes approximately 23 million which may be used for any Authority purpose, and a negative 60 million designated for project costs.

At the end of 2006, the CRDA maintains positive balances in two of three categories of net assets. The negative project costs resulted from expenditures for approved projects from funds obtained from the 2004 bond issue. Revenue for these projects began to be received in July 2006.

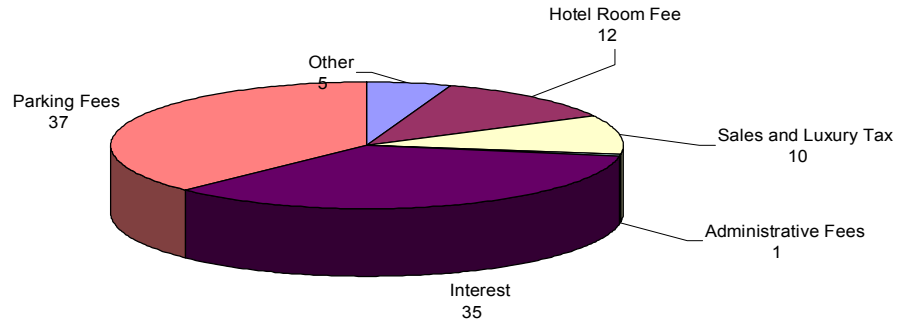
The CRDA holds 93,297,115 in real estate investments. This real estate may be transferred to other entities upon completion of a project.

## Changes in Net Assets

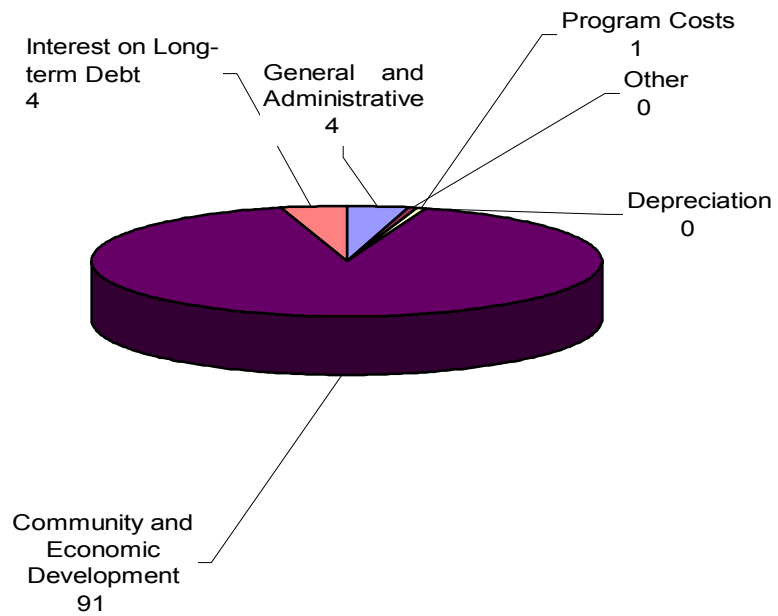
	Governmental Activities		Total Percentage Change
	<u>2006</u>	<u>2005</u>	
<b>Revenues</b>			
Fees:			
Administrative	340,346	329,025	3.4
Hotel room	7,970,376		100.0
Sales and luxury tax	6,536,476		100.0
Parking	25,001,803	17,554,662	42.4
Operating:			
Other	3,545,026	3,603,629	-1.6
Investment income	23,136,135	16,086,104	43.8
<b>Total revenues</b>	<u>66,530,162</u>	<u>37,573,420</u>	<u>77.1</u>
<b>Expenses</b>			
General and Administrative	3,617,993	3,982,873	-9.2
Other	341,791	330,553	3.4
Program Costs	515,039	160,192	221.5
Depreciation	37,388	41,561	-10.0
Interest on long-term debt	3,714,099	3,570,703	4.0
Community Economic Development	82,997,671	64,303,305	29.1
<b>Total expenses</b>	<u>91,223,981</u>	<u>72,389,187</u>	<u>26.0</u>
<b>Decrease in net assets</b>	<u><u>, ,</u></u>	<u><u>, ,</u></u>	<u><u>.</u></u>

The CRDA's net assets decreased by 24,693,819 during the current fiscal year. Approximately 88% of this decrease is attributable to the excess of community and economic development expenditures over parking and hotel room fees, sales and luxury tax rebates, and investment income.

### Revenues



### Expenses



## **Governmental Funds Financial Analysis.**

Governmental activities represent 100% of CRDA's governmental funds. CRDA has no proprietary or business-type activities.

As of the end of 2006, the CRDA's governmental funds reported combined ending fund balances of \$247,294,940 a decrease of \$27,786,636 for the fiscal year. Of this total amount only \$19,496,401 is *unreserved*, or available for any CRDA purpose. The remainder of fund balance or \$227,798,539 is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service (\$18,635,036) and for projects (\$209,163,503).

The Governmental Funds are comprised of the General Fund, Special Revenue Fund and Other Governmental Funds.

The General Fund is the administrative and operating fund of the CRDA. The annual operating budget for the General Fund is approved by the State Treasurer. In recent years, fund balances in the General Fund have been used to additionally fund community and economic development projects.

There are three Special Revenue Funds included in Governmental Funds. The Parking Fee Revenue Fund utilizes parking fee revenue and associated issued debt to pay for projects in the Corridor region and on the Boardwalk in Atlantic City as well as A.C. casino expansion projects. The Hotel Room Fee Fund utilizes hotel room fee revenue and associated issued debt to fund Atlantic City casino expansion projects, advances to the New Jersey Sports and Exhibition Authority for horse racing purse enhancements and projects in South Jersey and North Jersey.

The last category is Other Governmental Funds which includes a group of debt service funds. Activity in the debt service funds includes the accumulation of revenues and the payment of interest and principal on debt issued for projects.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The CRDA's investment in capital assets is \$93,375,953 (net of accumulated depreciation of \$677,653) and consists of real estate, office furnishings, computers, and office equipment.

## **Long-Term Debt**

The CRDA principally utilizes two types of debt, publicly issued bonds and project bonds which are issued solely to the Atlantic City casino licensees. In October of 2004, the CRDA publicly issued tax-exempt Hotel Room Fee Revenue Bonds, Series 2004, in the amount of \$93,000,000, to fund Atlantic City casino expansion projects, advances to the New Jersey Sports and Exhibition Authority for horse racing purse enhancements and projects in South Jersey and North Jersey. These bonds are special and limited obligations of the CRDA, payable solely from hotel room fees.

In March 2005, the CRDA publicly issued tax-exempt Parking Fee Revenue Bonds, Series 2005 A, in the amount of \$107,140,000 and taxable Parking Fee Revenue Bonds, Series 2005 B, in the amount of \$184,530,000. The Series 2005 A Bonds were issued for the purpose of advance refunding the Authority's tax-exempt Parking Fee Revenue Bonds, Series 1997 A, and tax-exempt Parking Fee Revenue Bonds, Series 2001. The Series 2005 B Bonds were issued for the purpose of advance refunding the Authority's Investment Alternative Tax and Subordinated Parking Fee Revenue Bonds, Series 2001, and financing boardwalk revitalization projects or programs which may include property acquisition, facade improvements, parking facilities, new retail and dining venues, improvements to casino boardwalk frontage and or other economic development projects in Atlantic City.

The CRDA also issues project bonds to casino licensees with terms varying from 35 to 50 years at interest rates varying between 4.0% and 7.0%. Such bonds are payable solely from the revenues and other monies derived from projects financed by such bonds, or other monies which may be pledged with respect to such issues.

All bonds issued by the CRDA are special obligations of the CRDA, do not constitute obligations against the general credit of the CRDA, and are not a debt or liability of the State.

The following is summary of the CRDA s long-term debt transactions  
for the years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Debt outstanding January 1,	496,796,713	325,961,159
Additions to Debt	1,163,550	312,901,437
Reduction of Debt	<u>(9,130,353)</u>	<u>(142,065,883)</u>
Debt outstanding December 31,	488,829,910	496,796,713
Plus: Net unamorti ed Premium	<u>14,327,745</u>	<u>15,821,347</u>
	<u><u>503,157,655</u></u>	<u><u>512,618,060</u></u>