



**New Jersey State Legislature  
Office of Legislative Services  
Office of the State Auditor**

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**Casino Control Fund**

Fiscal Year 2013

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**Stephen M. Eells  
State Auditor**



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New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

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The Honorable Chris Christie  
Governor of New Jersey

The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Vincent Prieto  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Casino Control Fund for Fiscal Year 2013. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells  
State Auditor  
May 8, 2014

## Table of Contents

	<b>Page</b>
Independent Auditor's Report .....	1
Financial Statements	
Balance Sheet .....	5
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	6
Notes to the Financial Statements .....	7
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Budgetary Basis .....	13
Budgetary Comparison Schedule Budget-to-GAAP Reconciliation.....	14
Supplementary Information	
Expenditure Detail .....	16
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	17

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### INDEPENDENT AUDITOR'S REPORT

The Honorable Chris Christie  
Governor of New Jersey

The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Vincent Prieto  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

#### **Report on the Financial Statements**

We have audited the accompanying modified accrual basis financial statements of the State of New Jersey Casino Control Fund as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting described in Note 1; this includes determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

As discussed in Note 1, the Casino Control Fund prepares its financial statements on a modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Additionally, the financial statements present only the Casino Control Fund and do not purport to, and do not, present fairly the financial position of the State of New Jersey as of June 30, 2013 and 2012, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified accrual basis financial position of the Casino Control Fund as of June 30, 2013 and 2012, and the respective changes in modified accrual financial position for the years then ended in accordance with the modified accrual basis of accounting described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – Budgetary Basis and reconciliation be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

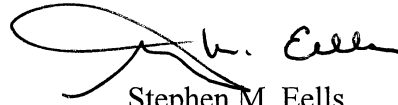
Our audit was conducted for the purpose of forming opinions on the Casino Control Fund financial statements. The expenditure detail schedule is presented for the purpose of additional analysis and is not a required part of the financial statements.

The expenditure detail schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the expenditure detail schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2014 on our consideration of the Casino Control Fund management's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Casino Control Fund's internal control over financial reporting and compliance.



Stephen M. Eells  
State Auditor  
May 1, 2014

**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
BALANCE SHEET  
JUNE 30, 2013 AND 2012**

<b><u>ASSETS</u></b>	<u>2013</u>	<u>2012</u>
Cash	\$ 50,350	\$ 50,350
Accounts Receivable	10,452,489	8,951,568
Less: Allowance for Doubtful Accounts	<u>84,223</u>	<u>85,129</u>
Net Accounts Receivable	10,368,266	8,866,439
Due from General Fund	<u>9,164,582</u>	<u>2,049,222</u>
Total Assets	<u>\$ 19,583,198</u>	<u>\$ 10,966,011</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities		
Accounts Payable	\$ 4,429,175	\$ 4,062,144
Deferred Revenue	<u>9,406,000</u>	<u>3,287,568</u>
Total Liabilities	<u>13,835,175</u>	<u>7,349,712</u>
Fund Balances		
Committed	<u>5,748,023</u>	<u>3,616,299</u>
Total Fund Balances	<u>5,748,023</u>	<u>3,616,299</u>
Total Liabilities and Fund Balances	<u>\$ 19,583,198</u>	<u>\$ 10,966,011</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
<b><u>REVENUES</u></b>		
Casinos		
Licenses - Casino	\$ 37,182,535	\$ 37,269,527
- Slot Machine	13,602,875	13,889,374
- Alcoholic Beverage	43,505	68,761
Assessments	-	-
	50,828,915	51,227,662
Credits - Prior Year Fund Balance	-	(4,462,571)
Total from Casinos	50,828,915	46,765,091
Other Sources		
Licenses - Casino Employees	1,218,547	1,164,784
- Casino Service Industry	1,096,403	998,726
Equipment Prototype Testing	2,427,692	2,409,629
Other Revenues	22,160	58,947
Total from Other Sources	4,764,802	4,632,086
Investment Earnings	8,349	10,837
Total Revenues	55,602,066	51,408,014
<b><u>EXPENDITURES</u></b>		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	45,802,679	44,472,333
Government Direction, Management and Control (Casino Control Commission)	7,667,663	7,781,953
Total Expenditures	53,470,342	52,254,286
Excess (Deficiency) of Revenues over Expenditures	2,131,724	(846,272)
<b><u>OTHER FINANCING SOURCES</u></b>		
Transfers from Other Funds	-	-
Total Other Financing Sources	-	-
Net Change in Fund Balance	2,131,724	(846,272)
Fund Balance - Beginning	3,616,299	4,462,571
Fund Balance - Ending	\$ 5,748,023	\$ 3,616,299

The accompanying notes are an integral part of the financial statements

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

**NOTE 1 - Significant Accounting Policies**

**A. Basis of Presentation**

The financial statements of the Casino Control Fund have been prepared on a modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The more significant of the Casino Control Fund's accounting policies are described in this note.

**B. Financial Reporting Entity**

The Casino Control Commission and the Division of Gaming Enforcement are agencies of the State of New Jersey. N.J.S.A. 5:12-143 established the Casino Control Fund to account for the financial transactions of these agencies.

**C. Fund Level Financial Statements**

The State of New Jersey issues government-wide financial statements that report information for all of the non-fiduciary activities of the State including that of the Casino Control Fund. Due to the legislative mandate that the Casino Control Fund be financed exclusively by licensing fees assessed upon the casino industry, a Fund Level Financial Statement is prepared for the Casino Control Fund.

A Fund Level Financial Statement includes a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

**D. Measurement Focus and Basis of Accounting**

The Casino Control Fund statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and liabilities are included on the balance sheet. The operating statement for the fund presents increases and decreases in total fund balances.

In accordance with the modified accrual basis, revenues are recognized when 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 recognized when the related fund liabilities are incurred. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.

#### **E. Fund Accounting**

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which represents the fund's assets, liabilities, equity, revenues, and expenditures or expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

##### **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, private purpose 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 from the Casino Control Fund to finance the operations of the Casino Control Commission and the Division of Gaming Enforcement.

#### **F. Budgetary Process**

An annual budget is adopted for the Casino Control Fund. The Legislature enacts the budget through passage of a specific appropriation, the sum of which may not exceed estimated revenues. The annual appropriations act for fiscal year 2013 authorized \$55,344,000. Budgetary control is maintained at the program unit level.

During the year, the spending authority delineated in the appropriations act may be revised for supplemental appropriations approved by both the Legislature and the Governor. For fiscal year 2013, no supplemental appropriations were granted to the Division of Gaming Enforcement or Casino Control Commission.

A Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – Budgetary Basis for the fiscal year ended June 30, 2013 is presented as required supplementary information to these statements. This statement presents a comparison of the final budget adopted for the Casino Control Fund with actual data on a budgetary basis.

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.

#### **G. Fund Balances**

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 54, the fund balances of a Special Revenue Fund are classified depicting the relative strength of the spending constraints placed on the purposes for which fund resources can be used.

The fund balances of the Casino Control Fund are classified as *Committed*. Fund balances designated as *Committed* can only be used for specific purposes pursuant to constraints imposed by the government itself. N.J.S.A. 5:12-143b mandates that moneys in the Casino Control Fund shall be appropriated exclusively for the operating expenses of the Casino Control Commission and the Division of Gaming Enforcement.

Within the committed fund balances as of June 30, 2013 and June 30, 2012, money has been set aside (encumbered) pending vendor performance in the amounts of \$1,081,504 and \$420,157 respectively.

#### **H. Other**

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

#### **NOTE 2 - Cash**

Represents a \$100 petty cash fund maintained by the Casino Control Commission, a \$250 petty cash fund maintained by the Division of Gaming Enforcement and a \$50,000 confidential fund maintained by the Division of Gaming Enforcement.

#### **NOTE 3 - Accounts Receivable**

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

Allowance for doubtful accounts represents 100 percent of non-current receivables.

**NOTE 4 - Due from General Fund**

Cash transactions of the Casino Control Fund are made by and through the State of New Jersey's 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 - Capital Assets**

Capital 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 government-wide financial statements. Capital assets are depreciated using the straight line method. The State assigned estimated useful life for machinery and equipment is 4-30 years. A summary of these capital assets and related accumulated depreciation for the year ended June 30, 2013 follows:

<u>Program</u>	<u>Asset</u>	<u>Balance July 1, 2012</u>	<u>Additions/ Transfers In</u>	<u>Retirements/ Transfers Out</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets June 30, 2013</u>
Government Direction, Management and Control	Machinery & Equipment	929,355	-	311,545	440,642	177,168
Public Safety and Criminal Justice	Machinery & Equipment	419,943	223,372	116,196	486,995	40,124

**NOTE 6 - Deferred Revenue**

Deferred Revenue represents fiscal year 2014 and fiscal year 2013 slot machine license billings collected and recorded in June 2013 and 2012, respectively.

**NOTE 7 - Fund Balance**

The Casino Control Fund ended with a positive fund balance as of June 30, 2013. The balance includes \$3,616,299 of the fiscal year 2012 fund balance which was credited to casino licensees at the beginning of fiscal year 2014. Pursuant to N.J.A.C. 13:69A-9.1(e) the remaining fund balance as of June 30, 2013 totaling \$2,131,724 will be credited to casino licensees in fiscal year 2014 upon approval by the Director of the Division of Gaming Enforcement in proportion to the relative amount of total fees paid by each casino licensee with respect to the fiscal year ended June 30, 2013.

**NOTE 8 - 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. Sick leave accumulations may also be used by an employee for a personal illness or injury as a means of continuing regular pay. The liability for accumulated employee sick leave balances as of June 30, 2013 and June 30, 2012 of approximately \$2.5 million and \$2.8 million, respectively, is reflected as a non-current liability on the State's government-wide financial statements 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, 2013 and June 30, 2012 of approximately \$1.0 million and \$1.2 million, respectively, is reflected as a non-current liability on the State's government-wide financial statements and is not accrued in these financial statements.

**NOTE 9 - 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 2013 and fiscal year 2012 was equal to the effective rate of return on investments in the General Fund and varied from 0.10% to 0.16% in fiscal year 2013 and from 0.14% to 0.19% in fiscal year 2012. The net effect of these transactions is reflected in the Investment Earnings account on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

**NOTE 10 - Contingent Liability**

As of the issuance date of these statements, the Casino Control Fund is not involved in any legal actions wherein there is potential for unanticipated expenditure. Should any legal actions subsequently materialize, N.J.A.C 13:69A-9.1 allows the Casino Control Fund to apportion any uncollected cost among the licensed casino facilities.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**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, 2013**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget
<b>REVENUES</b>				
Casinos				
Licenses - Casino	\$ 38,206,695	\$ 38,199,695	37,182,535	\$ (1,017,160)
- Slot Machine	13,589,500	13,589,500	13,602,875	13,375
- Alcoholic Beverage	69,000	69,000	43,505	(25,495)
Assessments	-	-	-	-
Total from Casinos	<u>51,865,195</u>	<u>51,858,195</u>	<u>50,828,915</u>	<u>(1,029,280)</u>
Other Sources				
Licenses - Casino Employees	1,164,800	1,164,800	1,218,547	53,747
- Casino Service Industry	998,700	998,700	1,096,403	97,703
Equipment Prototype Testing	2,409,600	2,409,600	2,427,692	18,092
Other Revenues	59,000	59,000	22,160	(36,840)
Total from Other Sources	<u>4,632,100</u>	<u>4,632,100</u>	<u>4,764,802</u>	<u>132,702</u>
Investment Earnings	18,000	18,000	8,349	(9,651)
Total Revenues	<u>56,515,295</u>	<u>56,508,295</u>	<u>55,602,066</u>	<u>(906,229)</u>
<b>EXPENDITURES</b>				
Public Safety and Criminal Justice (Division of Gaming Enforcement)	47,167,497	47,149,217	46,267,170	882,047
Government Direction, Management and Control (Casino Control Commission)	9,597,798	9,594,078	7,916,942	1,677,136
Total Expenditures	<u>56,765,295</u>	<u>56,743,295</u>	<u>54,184,112</u>	<u>2,559,183</u>
Net Change in Fund Balance	(250,000)	(235,000)	1,417,954	1,652,954
Fund Balance - July 1, 2012	250,000	1,780,000	1,780,000	-
Fund Balance - June 30, 2013	<u>\$ -</u>	<u>\$ 1,545,000</u>	<u>\$ 3,197,954</u>	<u>\$ 1,652,954</u>

**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
BUDGETARY COMPARISON SCHEDULE  
BUDGET-TO-GAAP RECONCILIATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Budgetary Basis - Net Increase (Decrease) in Fund Balances** \$ 1,417,954

Differences - Budget to GAAP

Encumbrances for items ordered but not received are reported in the year the resources are encumbered for budgetary purposes, but in the year the items were received for GAAP purposes. \$ 1,081,504

Expenditures in prior fiscal year accounts are reported in the year the resources are encumbered for budgetary purposes, but in the year the funds are disbursed for GAAP purposes. (367,734)

Total Differences - Budget to GAAP 713,770

**GAAP Basis - Net Increase (Decrease) In Fund Balances** \$ 2,131,724

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW JERSEY  
CASINO CONTROL FUND  
EXPENDITURE DETAIL  
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>		<u>2012</u>	
	<u>PUBLIC SAFETY AND CRIMINAL JUSTICE</u>	<u>GOVERNMENT DIRECTION MANAGEMENT AND CONTROL</u>	<u>PUBLIC SAFETY AND CRIMINAL JUSTICE</u>	<u>GOVERNMENT DIRECTION MANAGEMENT AND CONTROL</u>
EXPENDITURES:				
Salaries	\$ 26,867,480	\$ 3,916,148	\$ 28,543,369	\$ 3,988,978
Payroll Taxes and Employee Benefits	10,878,976	1,777,868	9,723,582	1,505,019
Printing and Office Supplies	204,635	89,346	192,173	85,876
Vehicular Supplies	322,343	11	329,584	-
Travel	171,378	14,235	112,549	8,660
Telephone	307,216	85,600	299,461	83,387
Data Processing	811,689	287,614	442,437	512,738
Professional Services	1,510,407	24,080	54,724	23,456
Other Services Other Than Personal	328,629	67,842	394,659	96,846
Rent-Facilities	2,337,902	1,289,689	2,428,466	1,385,252
Rent-Automobiles and Other	84,920	65,498	75,580	84,466
Indirect Costs	1,429,294	15,382	1,418,672	-
Improvements	8,497	-	847	-
Office Equipment	14,694	19,379	34,651	(4,413)
Vehicular Equipment	310,082	-	207,729	(3,285)
Other Equipment	214,537	14,971	213,850	14,973
Total Expenditures	<u>\$ 45,802,679</u>	<u>\$ 7,667,663</u>	<u>\$ 44,472,333</u>	<u>\$ 7,781,953</u>

State of New Jersey Casino Control Fund

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on  
an Audit of the Financial Statements Performed in Accordance  
with *Government Auditing Standards*

For the Fiscal Year Ended  
June 30, 2013

LEGISLATIVE SERVICES COMMISSION

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*Assistant State Auditor*

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

### INDEPENDENT AUDITOR'S REPORT

The Honorable Chris Christie  
Governor of New Jersey

The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Vincent Prieto  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of New Jersey Casino Control Fund as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated May 1, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State of New Jersey Casino Control Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of New Jersey Casino Control Fund's internal control.

Accordingly, we do not express an opinion on the effectiveness of the State of New Jersey Casino Control Fund's internal control.

A *deficiency in internal control* exists when the design or the operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

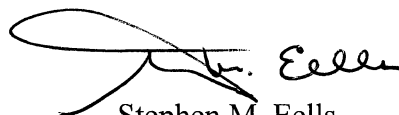
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of New Jersey Casino Control Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Stephen M. Eells  
State Auditor  
May 1, 2014