



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

Casino Control Fund

Fiscal Year 2002

**Richard L. Fair
State Auditor**

LEGISLATIVE SERVICES COMMISSION

SENATE

JOHN O. BENNETT RICHARD J. CODEY
Co-Chairman *Co-Chairman*

BYRON M. BAER
NIA H. GILL
WILLIAM L. GORMLEY
BERNARD F. KENNY, JR.
ROBERT E. LITTELL
ROBERT W. SINGER

GENERAL ASSEMBLY

PETER J. BIONDI
FRANCIS J. BLEE
ALEX DECROCE
PAUL DIGAETANO
JOSEPH V. DORIA, JR.
JOSEPH J. ROBERTS, JR.
ALBIO SIRES
LORETTA WEINBERG



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR

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

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

ALBERT PORRONI
Executive Director
(609) 292-4625

The Honorable James E. McGreevey
Governor of New Jersey

The Honorable John O. Bennett
President of the Senate

The Honorable Richard J. Codey
President of the Senate

The Honorable Albio Sires
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the State of New Jersey Casino Control Fund for the years ended June 30, 2002 and 2001. If you would like a personal briefing, please call me at (609) 292- 3700.

Richard L. Fair
State Auditor

May 15, 2003

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balances	4
Notes to Financial Statements	5
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual-Budgetary Basis	11
Budgetary Comparison Schedule Budget-To-GAAP Reconciliation	13
Supplementary Information	
Expenditure Detail	14
Report on Compliance and on Internal Control Related to the Audit of the Financial Statements	16

LEGISLATIVE SERVICES COMMISSION

SENATE

JOHN O. BENNETT
Co-Chairman

RICHARD J. CODEY
Co-Chairman

BYRON M. BAER
NIA H. GILL
WILLIAM L. GORMLEY
BERNARD F. KENNY, JR.
ROBERT E. LITTELL
ROBERT W. SINGER

GENERAL ASSEMBLY

PETER J. BIONDI
FRANCIS J. BLEE
ALEX DECROCE
PAUL DIGAETANO
JOSEPH V. DORIA, JR.
JOSEPH J. ROBERTS, JR.
ALBIO SIRES
LORETTA WEINBERG



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR

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

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

ALBERT PORRONI
Executive Director
(609) 292-4625

The Honorable James E. McGreevey
Governor of New Jersey

The Honorable John O. Bennett
President of the Senate

The Honorable Richard J. Codey
President of the Senate

The Honorable Albio Sires
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of the State of New Jersey Casino Control Fund as listed in the accompanying table of contents as of and for the years ended June 30, 2002 and 2001. These financial statements are the responsibility of management. Our responsibility is to express an opinion 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Casino Control Fund as of June 30, 2002 and 2001 and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2003 on our consideration of the Casino Control Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Expenditure Detail schedule is presented for the purpose of additional analysis and is not a required part of the Casino Control Fund financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Casino Control Fund financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Richard L. Fair
State Auditor

March 31, 2003

**STATE OF NEW JERSEY
CASINO CONTROL FUND
BALANCE SHEET
JUNE 30, 2002 AND 2001**

	2002	2001
<u>ASSETS</u>		
Cash	\$ 51,000	\$ 51,000
Accounts Receivable	6,634,901	5,817,668
Less: Allowance for Doubtful Accounts	30,327	32,984
Net Accounts Receivable	6,604,574	5,784,684
Due from General Fund	8,399,819	6,969,255
Deferred Charges	-	135,170
Total Assets	\$ 15,055,393	\$ 12,940,109
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts Payable	\$ 4,769,552	\$ 4,136,106
Deferred Revenue	8,204,000	8,793,500
Total Liabilities	12,973,552	12,929,606
Fund Balances		
Reserved for:		
Encumbrances	696,795	1,236,127
Other	-	135,170
Unreserved:		
Designated for Continuing Appropriation	1,524,871	1,069,253
Undesignated	(139,825)	(2,430,047)
Total Fund Balances	2,081,841	10,503
Total Liabilities and Fund Balances	\$ 15,055,393	\$ 12,940,109

[You're viewing an archived copy from the New Jersey State Library.](#)

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, 2002 AND 2001**

	2002	2001
REVENUES		
Casinos		
Licenses - Casino	\$ 38,455,331	\$ 35,363,722
- Slot Machine	19,041,411	18,367,865
- Alcoholic Beverage	150,269	134,612
Assessments	-	-
	57,647,011	53,866,199
Credits - Prior Year Fund Balance	(10,503)	(2,116,090)
Total from Casinos	57,636,508	51,750,109
Other Sources		
Licenses - Casino Employees	2,051,606	2,965,011
- Casino Service Industry	1,225,565	1,044,455
Equipment Prototype Testing	923,527	916,490
Other Revenues	142,259	169,667
Total from Other Sources	4,342,957	5,095,623
Investment Earnings	242,185	466,641
Total Revenues	62,221,650	57,312,373
 EXPENDITURES		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	35,132,419	34,897,653
Government Direction, Management and Control (Casino Control Commission)	25,018,589	24,520,307
Total Expenditures	60,151,008	59,417,960
Net Increase (Decrease) in Fund Balance for the Year	2,070,642	(2,105,587)
Fund Balance - Beginning (2002 Restated)	11,199	2,116,090
Fund Balance - Ending	\$ 2,081,841	\$ 10,503

[You're viewing an archived copy from the New Jersey State Library.](#)

The accompanying notes are an integral part of the financial statements

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

NOTE 1 - Significant Accounting Policies

A. Basis of Presentation

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

B. 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 to 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 specific appropriations, the sum of which may not exceed estimated revenues. The annual appropriations act for fiscal year 2002 authorized \$59,703,000. 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 2002, the Division of Gaming Enforcement was granted an additional appropriation of \$ 1,341,000. Additional appropriation authority is granted to recover prior year deficits.

A Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual-Budgetary Basis for the fiscal year ended June 30, 2002 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 Casino Control Fund's final budgeted revenue figure differs from that presented in the State of New Jersey Comprehensive Annual Financial Report (CAFR) due to an anticipated budget

action which was never enacted and budgetary timing differences in the treatment of encumbrances.

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

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

- 1) Reserved for Encumbrances - Used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.
- 2) Reserved - Other - Used to segregate a portion of the fund balance to provide for anticipated expenditures in future fiscal years.
- 3) Unreserved - Designated for Continuing Appropriations - Used to represent that portion of fund balance which has been appropriated by the Legislature.
- 4) Unreserved - Undesignated - Used to represent that portion of fund balance resources available for appropriation.

H. Other

Other significant accounting policies are described in Notes 2 to 12.

NOTE 2 - Cash

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

NOTE 3 - Accounts Receivable

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

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

NOTE 4 - Due from General Fund

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

NOTE 5 - Deferred Charges

Represents amounts paid in advance from the Casino Control Commission and Division of Gaming Enforcement's fiscal year 2001 appropriations to fund planned office renovations and indirect costs.

NOTE 6 - 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. A summary of these capital assets and related accumulated depreciation for the year ended June 30, 2002 follows:

<u>Program</u>	<u>Asset</u>	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Accum. Depreciation</u>	<u>Net Capital Assets</u>
Government Direction, Management and Control	Machinery & Equipment	\$1,024,685	-	-	\$636,781	\$387,904
Public Safety and Criminal Justice	Machinery & Equipment	\$595,937	\$251,930	\$60,078	\$645,757	\$142,032

NOTE 7 - Deferred Revenue

Deferred Revenue represents fiscal year 2003 and fiscal year 2002 slot machine license billings collected and recorded in June 2002 and 2001, respectively.

NOTE 8 - Fund Balance

The positive fund balance as of June 30, 2002 and June 30, 2001 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e), the balance at June 30, 2002 will be credited to casino licensees during fiscal year 2003 in proportion to the relative amount of total fees incurred or paid by each casino licensee with respect to the fiscal year ended June 30, 2002. The balance at June 30, 2001 was credited in the same manner to casino licensees during fiscal year 2002.

NOTE 9 - 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, 2002 and June 30, 2001 of approximately \$3.9 million and \$3.8 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, 2002 and June 30, 2001 of approximately \$1.3 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 10 - 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 2002 and fiscal year 2001 was equal to the effective rate of return on investments in the General Fund and varied from 2.23% to 4.46% in fiscal year 2002 and from 4.90% to 6.60% in fiscal year 2001. 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 11 - 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. 19:41-9.1 allows the Casino Control Fund to apportion any uncollected cost among the licensed casino facilities.

NOTE 12 - Restatement of Fund Balance

The fund balance at the beginning of fiscal year 2002 has been restated from \$10,503 to \$11,199 so that the fund balance is in agreement with that reflected on the State's financial statements. This difference is the result of the Casino Control Fund and the State's General Fund recognizing certain dishonored checks in different accounting periods.

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, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Casino				
Licenses -Casino	\$ 36,118,100	\$ 38,819,900	\$ 38,444,828	\$ (375,072)
-Slot Machine	18,928,300	18,928,300	19,041,411	113,111
-Alcoholic Beverage	115,300	115,300	150,269	34,969
Assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total from Casinos	<u>55,161,700</u>	<u>57,863,500</u>	<u>57,636,508</u>	<u>(226,992)</u>
Other Sources				
Licenses -Casino Employees	2,319,100	2,319,100	2,051,606	(267,494)
-Casino Service industry	1,099,100	1,099,100	1,225,565	126,465
Equipment Prototype Testing	960,200	960,200	923,527	(36,673)
Other Revenues	<u>162,900</u>	<u>162,900</u>	<u>142,259</u>	<u>(20,641)</u>
Total from Other Sources	<u>4,541,300</u>	<u>4,541,300</u>	<u>4,342,957</u>	<u>(198,343)</u>
Investment Earnings	<u>-</u>	<u>-</u>	<u>242,185</u>	<u>242,185</u>
Total Revenues	<u>59,703,000</u>	<u>62,404,800</u>	<u>62,221,650</u>	<u>(183,150)</u>
EXPENDITURES				
Public Safety and Criminal Justice (Division of Gaming Enforcement)	34,779,047	36,120,047	34,822,700	1,297,347
Government Direction, Management and Control (Casino Control Commission)	<u>26,053,991</u>	<u>26,053,991</u>	<u>24,740,673</u>	<u>1,313,318</u>
Total Expenditures	<u>60,833,038</u>	<u>62,174,038</u>	<u>59,563,373</u>	<u>2,610,665</u>
Net Change in Fund Balance	(1,130,038)	230,762	2,658,277	2,427,515
FUND BALANCE - JULY 1, 2001(Restated)	<u>11,199</u>	<u>11,199</u>	<u>11,199</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2002	<u>\$ (1,118,839)</u>	<u>\$ 241,961</u>	<u>\$ 2,669,476</u>	<u>\$ 2,427,515</u>

**STATE OF NEW JERSEY
CASINO CONTROL FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Budgetary Basis -Net Increase in Fund Balances	\$ 2,658,277
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.	\$ 484,793
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.	<u>(1,072,428)</u>
Total Differences - Budget to GAAP	<u>\$ (587,635)</u>
GAAP Basis - Net Increase in Fund Balances	<u>\$2,070,642</u>

SUPPLEMENTARY INFORMATION

**STATE OF NEW JERSEY
CASINO CONTROL FUND
EXPENDITURE DETAIL
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001**

	2002		2001	
	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL
EXPENDITURES:				
Salaries	\$ 23,264,218	\$ 17,826,910	\$ 23,169,314	\$ 17,008,082
Payroll Taxes and Employee Benefits	5,447,219	4,577,171	4,741,779	4,259,122
Printing and Office Supplies	159,529	120,902	175,855	178,306
Vehicular Supplies	103,645	-	135,329	-
Travel	191,082	43,512	252,884	56,373
Telephone	309,937	168,961	342,653	155,413
Data Processing	376,669	489,508	804,158	1,041,724
Professional Services	130,982	116,170	146,566	124,428
Other Services (Other Than Personal)	484,115	149,364	694,887	198,519
Rent - Facilities	2,153,222	1,148,817	2,168,458	1,078,694
Rent - Automobiles and Other	99,012	106,594	125,675	113,425
Indirect Costs	1,563,775	70,953	1,120,224	47,084
Improvements	-	-	44,091	-
Office Equipment	386,146	104,025	516,750	76,473
Vehicular Equipment	162,153	-	121,804	28,219
Other Equipment	300,715	95,702	337,226	154,445
TOTAL EXPENDITURES	\$ 35,132,419	\$ 25,018,589	\$ 34,897,653	\$ 24,520,307

**Office of the State Auditor
Report on Compliance and on Internal Control
Related to Our Audit of the Financial Statements of the
State of New Jersey Casino Control Fund**

**For the Fiscal Year Ended
June 30, 2002**

SENATE

JOHN O. BENNETT
Co-Chairman

RICHARD J. CODEY
Co-Chairman

BYRON M. BAER
NIA H. GILL
WILLIAM L. GORMLEY
BERNARD F. KENNY, JR.
ROBERT E. LITTELL
ROBERT W. SINGER

GENERAL ASSEMBLY

PETER J. BIONDI
FRANCIS J. BLEE
ALEX DECROCE
PAUL DIGAETANO
JOSEPH V. DORIA, JR.
JOSEPH J. ROBERTS, JR.
ALBIO SIRES
LORETTA WEINBERG



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR

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

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

ALBERT PORRONI
Executive Director
(609) 292-4625

The Honorable James E. McGreevey
Governor of New Jersey

The Honorable John O. Bennett
President of the Senate

The Honorable Richard J. Codey
President of the Senate

The Honorable Albio Sires
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

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

We have audited the financial statements of the State of New Jersey Casino Control Fund as of and for the year ended June 30, 2002, and have issued our report thereon dated March 31, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the 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 affect on the determination of financial statements 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Casino Control Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal controls over financial reporting and its operation that we consider a material weakness.

This report is intended solely for the information and use of the legislature and management and is not intended to be and should not be used by anyone other than these specified parties.



Richard L. Fair
State Auditor

March 31, 2003