

NEW JERSEY CASINO CONTROL COMMISSION

Annual Report 2002



Serving 25 Years
1977-2002

On the cover: *Left photo:* Atlantic City skyline, 1970. Aerial photo courtesy of Atlantic Photo Center, Atlantic City, New Jersey 08401.
Right photo: Atlantic City skyline, August 2002. Aerial photo courtesy of AC Photo, Linwood, New Jersey 08221.

THE ANNUAL REPORT OF THE
NEW JERSEY CASINO CONTROL COMMISSION



*Governor
James E. McGreevey*

The 2002 Annual Report of the
New Jersey Casino Control Commission
is submitted to the Governor and
New Jersey Legislature.

IN THE BEGINNING

When the Casino Control Act was signed and the Casino Control Commission was formed 25 years ago, Atlantic City was a deteriorated seaside resort that had just been given a new lease on life. The commission had the responsibility to ensure that the economic power of casino gaming was used to accomplish the public policy goals spelled out in the law -- rebuilding Atlantic City and its tourism and convention economy while maintaining strict integrity controls over the industry.

Those goals have remained constant over the quarter century, but the law has been amended more than a dozen times over the last 25 years to meet the ever-changing needs of New Jersey. The first changes were as early as 1978, less than a year after it was signed, to expedite the opening of the first casinos. The most recent ones were in 2002 when the process for reviewing internal controls was restructured and a variety of revisions made.

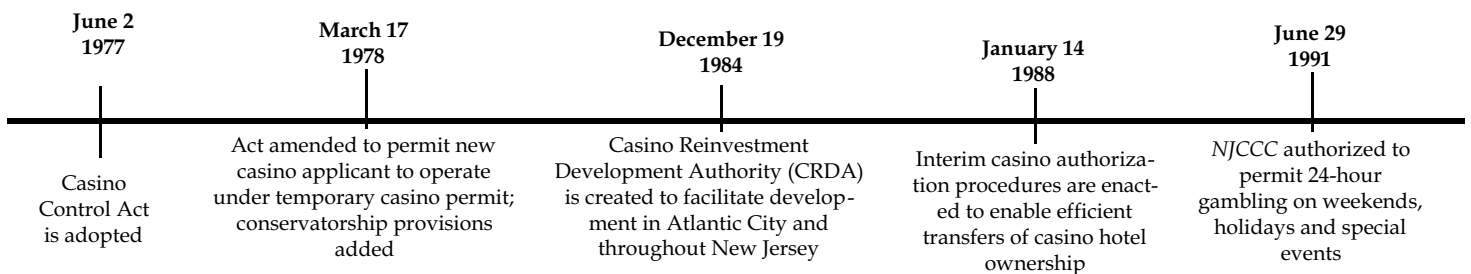
New Jersey's responsible approach to regulating casinos has resulted in an investment of more than \$7 billion into Atlantic City, the creation of 45,000 jobs and more than \$5 billion in taxes to help seniors and people with disabilities. It also has succeeded in using gaming as a "unique tool of urban redevelopment" as it was envisioned 25 years ago.

25 YEARS OF GROWTH AND CHANGE



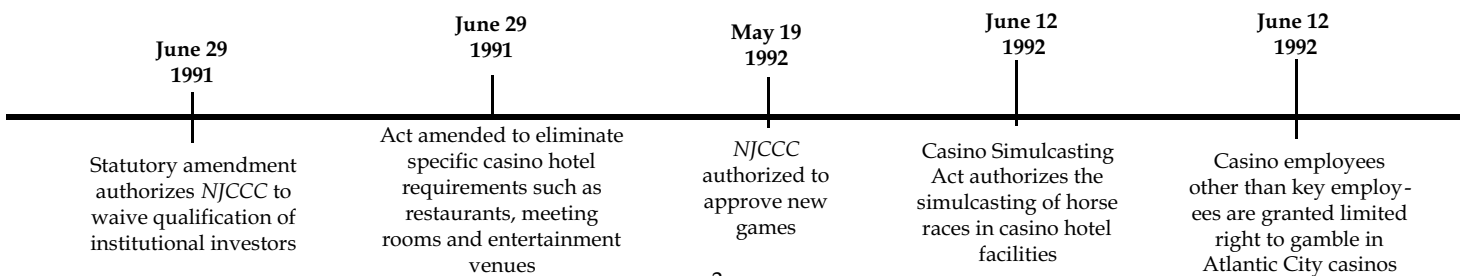
Photos: Governor Brendan T. Byrne signs the Casino Control Act on June 2, 1977 on the Boardwalk in front of Atlantic City Convention Hall, Atlantic City, New Jersey.

TIMELINE OF AMENDMENTS TO THE CASINO CONTROL ACT





*Top: Governor Brendan T. Byrne's motorcade in route to Boardwalk Hall for the bill signing.
Above: Mementos of the bill signing handed out to the audience.
Right: Governor Brendan T. Byrne displays the bill with his signature.*



THE ATLANTIC CITY OF TOMORROW

As New Jersey celebrates the Silver Anniversary of casino gaming, Atlantic City is well-positioned to continue growing not only as a great place to visit, but as a great place to live and work as well. Atlantic City is poised right now for the largest expansion since the earliest days of legalized gambling. In addition to the Borgata and expansions at several casinos, there is an enormous amount of new retail, entertainment and commercial development going on in the city that will help to broaden Atlantic City's appeal to new visitors. All of this new development also will position the city to face the potential of new competition in nearby states.

The Casino Control Commission is committed to creating and maintaining a regulatory environment in which casinos can truly serve as a "unique tool of urban redevelopment." The commission recognizes that it must maintain the high levels of integrity while permitting casino operators to run their businesses effectively, efficiently and economically. By doing so, the commission can ensure that casino gaming will continue to make meaningful contributions to the economic and social health of Atlantic City and all of New Jersey through the next 25 years.

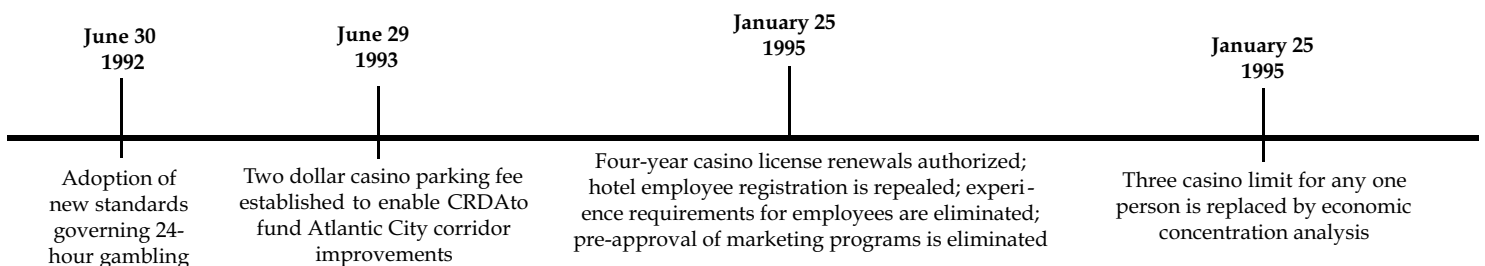


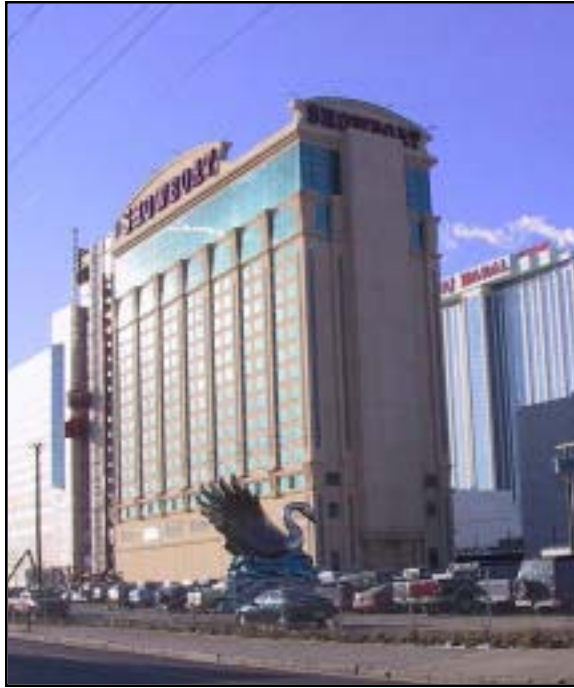
Governor James E. McGreevey signs legislation to streamline casino regulations on August 14, 2002.

Standing (l to r): Senator William Gormley, Assemblyman Paul D'Amato and Assembly Majority Leader Joseph J. Roberts, Jr.



Right: Siganos Boardwalk Properties, Inc. continues work on the \$2 million makeover of the 1700 block of the Atlantic City Boardwalk. Siganos Plaza is scheduled to open in May 2003.





Showboat continues construction on its 544-room hotel tower scheduled for completion in May 2003.



The Borgata Casino Hotel & Spa is scheduled to open in the summer of 2003. The facility will have 2,002 rooms and over 100,000 sq. ft. of gaming space.

Tropicana expects to open its 502-room addition and 200,000 sq. ft. retail area, "The Quarter" in March 2004.



Construction of Resorts 459-room hotel tower is underway. The tower should be completed by spring 2004.

July 25
1996

Casino hotel facility may include more than one casino room; keno runners are authorized to sell tickets in other parts of the casino hotel facility

March 9
1999

Poker dealers are permitted to retain own tips or pool them separately from other dealers

March 23
2001

Act amended to create New Jersey Casino Gambling Self-Exclusion Program for problem gamblers

August 14
2002

Regulatory reform bill signed by Gov. James E. McGreevey reduces review for amended internal controls to 15 days and streamlines regulatory process

MEMBERS OF THE COMMISSION



Commissioners William T. Sommeling, Michael C. Epps, Chair Linda M. Kassekert and Vice Chair Michael A. Fedorko

Photographed by AC Photo, Linwood, New Jersey at the Ventnor Municipal Pier, Ventnor, New Jersey.

Commission Chairs

in order of service:

| | | | |
|--------------------|-----------|---|-----------|
| *Joseph P. Lordi | 1977-1981 | *Joel R. Jacobson | 1980-1986 |
| *Walter N. Read | 1982-1990 | Carl Zeitz | 1980-1988 |
| Steven P. Perskie | 1990-1994 | E. Kenneth Burge | 1982-1990 |
| Bradford S. Smith | 1994-1998 | Valerie H. Armstrong (Acting Chair '90) | 1985-1991 |
| James R. Hurley | 1998-2002 | W. David Waters | 1986-1991 |
| Linda M. Kassekert | 2002- | Frank J. (Pat) Dodd | 1989-1993 |

Commissioners and Acting Chairs

in order of service:

| | | | |
|--|-----------|---------------------------------------|-----------|
| *Alice Corsey | 1977-1980 | James R. Hurley (Acting Chair '94) | 1989-1998 |
| *Prospero Debona | 1977-1980 | Jeannine LaRue | 1991-1996 |
| Albert Merck | 1977-1980 | Charles Irwin | 1991-1993 |
| *Kenneth N. MacDonald | 1977-1980 | Leanna Brown | 1993-1999 |
| *Martin B. Danziger (Acting Chair '81) | 1980-1982 | Diane Legreide | 1994-2002 |
| Madeline H. McWhinney | 1980-1982 | Susan F. Maven | 1998-2001 |
| Don M. Thomas (Acting Chair '82) | 1980-1984 | Michael A. Fedorko (Acting Chair '02) | 1999- |
| | | William T. Sommeling | 2000- |
| | | Michael C. Epps | 2002- |

*Deceased

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MESSAGE FROM THE CHAIR

It was 25 years ago when then-Gov. Brendan Byrne stood on the Boardwalk and signed the Casino Control Act. At that time, he made a series of promises to the people of New Jersey about what they could expect to see from casino gaming and how they could measure the success of this "experiment." Since joining the commission in November of 2002, I've had a chance to take a look at those promises and I can say that by the measures set down by Gov. Byrne 25 years ago, this experiment has clearly been a success.

Perhaps the most memorable was his pledge to keep out organized crime.

"The legislation will be viewed as a success if the casinos in Atlantic City are operated honestly, decently and cleanly," Byrne said. He added his now famous warning to the mob to: "Keep your filthy hands off Atlantic City. Stay the hell out of our state."

The Casino Control Commission has been vigilant since it was first created to keep organized crime elements not only out of the ownership and operation of the casinos, but also out of the businesses and labor unions that deal with the industry. It has been a daunting task because organized crime hasn't given up. As I reviewed the history of the commission, one constant that I saw was that organized crime has tried to get involved in the casino industry -- directly or indirectly -- on a regular basis over the 25 years. But on each occasion, the commission and its staff, along with the Division of Gaming Enforcement, rose to the challenge and took the steps necessary to make sure Byrne's promise was fulfilled.

It is something that my predecessors took quite seriously and I can assure the people of New Jersey that I do as well. Maintaining integrity and public confidence in the casino industry is as crucial today as it was 25 years ago and as long as I serve on the Casino Control Commission, keeping the mob out and maintaining integrity will always be a top priority.

While keeping organized crime out drew the most attention, Gov. Byrne set down several



Chair Linda M. Kassekert

other yardsticks with which to measure the success of casino gaming and the Casino Control Act.

"Our efforts will not be deemed a success unless we carry out the constitutional mandate that the proceeds be used for the senior citizens and the disabled," Byrne said.

Since that day, casinos have paid \$5.5 billion in taxes into the Casino Revenue Fund. Much of that money has gone to fund the Pharmaceutical Assistance to the Aged and Disabled, New Jersey's prescription drug program for seniors and people with disabilities. At a time when the federal government is looking into creating a national prescription drug program, New Jersey can be proud that it already has offered that sort of benefit for 25 years. Right now, approximately 200,000 seniors and people with disabilities -- people all around the State of New Jersey -- get their prescriptions filled for \$5 each.

The casino tax revenues have gone to a variety of other programs as well. Casino taxes provide rebates on utility bills to qualifying residents and have funded improved transportation services all around the state. Over the years, the money has been used for respite care, to supplement nutrition programs, improve transportation services and a wide variety of other programs.

Byrne also said non-casino development, particularly housing, would be a yardstick with which to measure success.

"If in the legislation and in its implementation we make sure Atlantic City will be a home for all of its citizens, we will be judged a success," he said. "It is not enough to create 16,000 rooms for guests if we don't provide decent housing for our citizens."

A look around Atlantic City would show that there has been an enormous amount of new housing built since Byrne uttered those words. Casinos have used their reinvestment obligations to fund the construction of thousands of units of new housing. The Northeast Inlet -- one of Atlantic City's most blighted areas before casinos -- is now a new, stable neighborhood. Through the Casino Reinvestment Development Authority, casinos continue to build new housing there and all around the city. These projects are providing new, affordable housing for thousands of residents and helping Atlantic City to finally reverse a decline in population that started in the 1930s.

But the casino industry hasn't used its reinvestment funds for only housing. It has used the money to build a senior center, a Boys and Girls Club and a supermarket. Casino reinvestment funds have gone into several neighborhood beautification programs, into low-interest loan programs for local residents, into the Civil Rights Garden on Martin Luther King Jr. Boulevard and a host of other projects in Atlantic City.

Clearly the introduction of casinos has not only helped to create affordable, new housing in Atlantic City, it has provided many of the other ingredients needed to build a strong, well-balanced community.

Moreover, casino funds have gone to projects in 17 of New Jersey's 21 counties including community centers, housing projects, and baseball stadiums. Casino reinvestment funds were used to help build the New Jersey Performing Arts Center in Newark, the FoodBank of Monmouth and Ocean counties and rebuild the Morristown Community Theater. They have been used to help build a Boy

Scout camp in Ocean County, an assisted living center in Lumberton and an entertainment center in Camden.

That's an impressive history for 25 years of legalized gaming. And it has been made possible because my predecessors remained focused on their roles.

Through all those years, they insisted on the highest levels of integrity and insisted the casino industry be run honestly, decently and cleanly. They established a regulatory system that became the measuring stick for new gaming jurisdictions and they created a regulatory climate that instilled confidence in investors and the general public.

I have inherited the results of all of their work. Due in no small measure to their efforts, Atlantic City is in the middle of a tremendous period of growth. As 2002 ends and 2003 begins, there are almost 3,500 rooms under construction at the Borgata, Showboat, Resorts and the Tropicana. There is a massive infusion of new investment going on right now -- not only in hotel rooms, but also in retail and commercial space and other attractions -- which will ensure that we will continue to meet and exceed the goals spelled out by Gov. Byrne 25 years ago.

As chair, I will continue that focus on integrity and responsible regulation. I know it is vital to the continued success of the casino industry and to the industry's continued contribution to New Jersey. I have already taken steps that will help to streamline operations of the commission and I will continue to review the way we regulate this \$4.3 billion industry. It is my goal to ensure that this agency will work towards the future survival and growth of the industry, and be an asset as the industry faces increased competition from nearby states.



MEMBERS OF THE COMMISSION



*Linda M. Kassekert
Chair*

Linda M. Kassekert was appointed by Gov. James E. McGreevey in November 2002 to chair the New Jersey Casino Control Commission. Prior to joining the commission, Chair Kassekert was the associate director of government relations for the New Jersey Education Association and also had 12 years of experience in various positions in state and county government. She spent a year as an assistant county counsel in Camden County in 1994 and 1995. She represented the county in the state courts in litigation dealing with employment law, contracts and other governmental matters. Between 1990 and 1994, Chair Kassekert was the deputy commissioner in the New Jersey Department of Personnel in Trenton and served for a period as acting commissioner. She holds a law degree from Widener University School of Law and is admitted to practice in New Jersey and Pennsylvania. In addition, she received a masters degree in Public Policy from Rutgers University and a bachelor of science degree in political science from Gettysburg College. Chair Kassekert is the first woman to be named chair of the commission. Her term expires in 2007.



*Michael A. Fedorko
Vice Chair*

Michael A. Fedorko was appointed to the New Jersey Casino Control Commission by Gov. Christine Todd Whitman in November 1999. Commissioner Fedorko came to the commission after more than 30 years in the New Jersey State Police, retiring as the acting superintendent. Commissioner Fedorko is a veteran of the United States Marine Corps serving in Vietnam. He completed his undergraduate studies at Trenton State College earning a bachelor of science degree in Criminal Justice. He earned a masters degree in Governmental Administration from the University of Pennsylvania and attended the Management Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government at Harvard University. He serves on the board of the Marine Corps Law Enforcement Foundation, the McGuire Memorial Foundation, and the International Association of Chiefs of Police. In January 2002 and 2003, commission members elected him vice chair. His term expires in 2004.

William T. Sommeling was appointed to the New Jersey Casino Control Commission by Gov. Christine Todd Whitman in November 2000. Prior to joining the commission, he served as undersheriff in Ocean County for 11 years. He has more than 35 years of experience in law enforcement. Commissioner Sommeling held several positions in casino surveillance departments in the Atlantic City casino industry. Active in politics for years, he held many positions in local and county government. He completed his undergraduate studies at Ocean County College and Trenton State College earning a bachelors of science degree in Criminal Justice. He also earned a masters degree in Administration from Rider University and also attended Cornell University's School of Hotel Administration. Commissioner Sommeling is active in a number of professional and civic organizations, including the FBI National Academy Associates, International Association of Chiefs of Police and the Emerald Society of New Jersey. His term expires in 2005.



*William T. Sommeling
Commissioner*

Michael C. Epps was appointed to the New Jersey Casino Control Commission by Acting Gov. Donald T. DiFrancesco and was sworn into office in January 2002. Prior to his appointment, Commissioner Epps served as general counsel for the Atlantic City Board of Education for four and a half years. For a year before joining the Board of Education, he was an associate with the law firm of Horn, Goldberg, Gorney, Plackter, Weiss & Perskie in Atlantic City. The first Atlantic City native to serve on the commission, Commissioner Epps graduated from Atlantic City High School. He earned a bachelor of science degree in Broadcast Journalism from the University of Maryland and a Juris Doctorate from Howard University School of Law. He is a member of the American Bar Association, the New Jersey Bar Association and the Atlantic County Bar Association. He currently serves as commissioner on the Atlantic County Utilities Authority, is a member of the Advisory Board of the Urban Youth Golf Program and serves on the Board of Directors of Atlantic City Special Improvement District. Gov. McGreevey appointed Commissioner Epps to serve as the commission's representative on the Casino Reinvestment Development Authority (CRDA). His term expires in 2006.



*Michael C. Epps
Commissioner*

In April 2002, Gov. James E. McGreevey appointed Commissioner Diane M. Legreide to serve as acting director of the Division of Motor Vehicle Services. Legreide had served the commission since 1994.

In August 2002, James R. Hurley's term expired. He served as chair from 1998.

Hurley left the commission after 12 1/2 years of service.

In March 2003, Gov. James E. McGreevey nominated Ralph G. Frulio to the commission. Frulio was employed by the commission in 1978 as an inspector. He became a senior inspector and then principal inspector before retiring in 1996.

OPERATIONS OF THE COMMISSION

Division of Administration

The Division of Administration's principal focus in 2002 was to "rebuild." Due to the Governor's Early Retirement Incentive plan, the commission lost a significant number of valuable employees, especially in the Division of Administration.

Under the leadership of Linda A. Brooks, Director of Administration, the division continues to play a major role in providing comprehensive information, training, technology, budget and other administrative functions.

The **Administrative Operations Unit** is the organizational hub of the commission. John Kovac is the unit manager. This unit is responsible for two core functions: seamless public meeting scheduling and coordination; and comprehensive facilities management. The Administrative Operations Unit processes all incoming and outgoing mail, oversees the publication of commission regulations, organizes public meetings, maintains central files, and manages all transportation and facilities-related concerns.

The **Human Resources Unit**, under the direction of Dolores P. Hamilton, is responsible for all matters pertaining to personnel and employee services, including new hires, promotions, retirements, financial disclosures, relative affidavits, time/leave reporting, employee benefits and compensation. In 2002, the unit began updating its current Human Resources' tracking system to provide more up-to-date and accurate information to its employees. In the coming year, the unit will direct its focus on improving service to the employees through new initiatives in the areas of time and attendance, new hire orientations, job specifications development and a comprehensive review of the commission's compensation system.

The **Information Technology Unit**, under the direction of Julian Grauer, continues to meet the commission's demanding requirements for efficient and reliable computer-related and information technology services. In 2002, the unit managed the enhancement of several critical internal information

systems, and developed comprehensive plans for modifying outdated systems. The unit also expanded new technologies into the commission by integrating Palm-based PDA devices with desktop computers. This initiative enhances user mobility through the linking of email, contact lists, calendars and meeting schedules onto one portable device. The unit analyzed new technology-based gaming systems that will be implemented throughout New Jersey casinos in the coming years.



*Linda Brooks, Director
Division of Administration*

The **Budget and Fiscal Office**, led by Jody Feldman Karsevar, is responsible for the commission's budget. The Budget and Fiscal Office is also responsible for all purchases and payments to vendors and for providing services necessary for the operation of the commission.

For the past 25 years, the Division of Administration has seen many directors, each adding his or her own style, knowledge and leadership to the division. Through it all, the division has kept pace with the ever-changing needs of the commission.

Division of Compliance

The Division of Compliance is responsible for the review and approval of petitions and submissions related to accounting and internal controls, gaming equipment and rules of the games. The division also is responsible for monitoring gaming activities on the casino floor and the certification of casino gross revenues.

The Division of Compliance consists of a Director's Office and three operating units – the Casino Operations Unit, the Inspection Unit and the Legal Advisory Unit.

The **Casino Operations Unit** assures that each casino licensee has a system of effective controls over its gaming operations and complies with the requirements of the Casino Control Act and related regulations in the area of gaming operations. The unit reviews internal control submissions filed by casino licensees and reviews new gaming equipment, new games, and new rule options on existing games.

These responsibilities have resulted in this unit playing a major role in many of the more significant changes in casino operations over the past 25 years. The most significant change, however, was the recent amendments to the Casino Control Act. Those amendments require the unit to provide its expert advice on internal controls within a 15-day review period. Since the implementation of this new procedure in mid-September 2002, the unit has processed approximately 150 submissions.

As a result of the industry's desire to use new gaming technologies, the unit has been involved in the review and testing of gaming voucher systems, coupon acceptance systems, updated slot monitoring systems, automated jackpot payment systems, tokenization, hopperless slot machines and electronic credit systems. In addition, the unit has been actively reviewing gaming equipment and internal control submissions for the Borgata Casino Hotel & Spa scheduled to open in summer of 2003.

The **Legal Advisory Unit** is responsible for the analysis and review of existing regulations and for drafting new regulations related to gaming operations, such as new games and wagers. The three attorneys

in this unit also advise the commission, director and staff on regulatory and statutory matters, and present proposals to the commission for formal approval. The unit also has a legal analyst who processes formal complaints filed by casino patrons. In 2002, more than 350 complaints were handled by the unit.



*Richard P. Franz, Director
Division of Compliance*

The **Inspection Unit** has the most visible role in the regulatory process. Inspectors monitor gaming activities and observe the collection, counting and certification of all gaming revenues.

A principal inspector assigned to each casino is responsible for reviewing and approving casino floor modifications, table game and slot machine movements, changes to the cashier's cage, slot booths and other gaming-related areas.

Inspectors provide feedback to commission management on the implementation of newly approved gaming technologies and procedures, and observe and report any problems or irregularities in casino operations. Inspectors are responsible for receiving and recording any complaints from gaming patrons. The unit is presently preparing to play a major role in the opening of the Borgata.

Division of Financial Evaluation

The Division of Financial Evaluation is responsible for the appraisal and study of casino finances and overseeing the financial reporting requirements of the casino industry. Each of its three units, Audit, Financial Evaluation and Revenue, provided oversight of millions of dollars in financial transactions during 2002 .

During the past year the **Audit Unit**, led by manager Marybeth Butler, completed comprehensive tax examinations to certify each licensee's casino revenue and verified the sufficiency of gross revenue tax payments to the state. The auditors uncovered a slot cashing scam at one Atlantic City property that resulted in a significant tax deficiency as well as criminal proceedings by the Division of Gaming Enforcement.

With the continued introduction of certain new technologies, this unit monitored changes to internal control procedures to ensure that gross revenue was properly reported and adequate audit coverage was maintained. In addition, audit staff began preparing for the Borgata opening expected for the summer of 2003.

Other duties of the unit include internal audit services to the commission, ensuring the agency complies with various state guidelines regarding internal control procedures, industry record retention and approval of various accounting methodologies.

Under the direction of Christopher Glau, the **Financial Evaluation Unit** analyzed a variety of complex financial transactions in 2002, including Resorts' and Trump Marina's debt refinancing and Claridge's merger into Bally's Atlantic City. The unit also prescribes the financial reporting requirements of the industry and plays a key role in providing statistical information to the public. In this regard, the unit evaluated new accounting pronouncements regarding the reporting of revenue and promotional expenses and prescribed a uniform approach for all casino operators. Finally, the Financial Evaluation Unit is developing a new database that incorporates the electronic transfer of

information between the commission and licensees, which should significantly improve the financial reporting process.

During fiscal year 2002, the **Revenue Unit**, led by Kevin Garvey, collected \$347.9 million in Gross Revenue Tax. It also collected an additional \$411,703 in fines, which were deposited to the State's General Fund to provide funding for the Council on Compulsive Gambling of New Jersey.

To fully fund the Fiscal Year 2002 operations of the Casino Control Commission and Division of Gaming Enforcement, the Revenue Unit collected \$62 million in licensing fees from the casino industry. Casino licensees remitted an additional \$6.9 million to this unit for the Atlantic City Fund as the result of certain budgetary savings realized by the regulatory agencies.

Since the inception of casino gaming, the Revenue Unit has collected \$5.3 billion in Gross Revenue Tax, \$1.1 billion in license fees, \$11.2 million in fines and \$48.3 million in Atlantic City Fund contributions.



*Noreen Iannuzzi, Director
Division of Financial
Evaluation*

Division of Licensing

The Division of Licensing, which has been located in Atlantic City since 1978, is responsible for all aspects of casino employee and business enterprise licensing, casino hotel alcoholic beverage licensing and, since 1990, for the management of the contested case hearing and settlement process for the commission.

Over the last 25 years, the division has been involved in many significant changes and commission decisions related to the regulation of Atlantic City's casinos, and the licensing and registration of casino employees and enterprises doing business with the casino industry.

The **Employee License Unit** has issued more than 285,000 plenary licenses and registrations over the years. During this time, the division saw the elimination of license endorsements and Hotel Employee licensing and registration, the mailing of initial licenses and registrations through the use of a photo imaging system, and the creation of the commission's Self-Exclusion List.

In 2002, the unit helped draft regulatory amendments to strengthen the identification process by increasing the number of times an individual is required to establish his or her identity with the commission. These amendments also require applicants, licensees and registrants who are non-citizens to establish that they are authorized to work in the United States. The new regulations, and an enhanced photo imaging system and revised database, which were accomplished with the assistance of the **Support Services Unit**, will help to ensure a more secure and efficient means of producing license cards.

Similarly, the **Enterprise License Unit**, which has registered more than 62,000 companies and issued more than 7,500 enterprise licenses, has seen numerous changes in the registration and licensing of companies transacting business with Atlantic City casinos. Over time, the unit streamlined its vendor registration process by replacing the sizeable Contract Approval Form with the one page Vendor Registration Form and the Notice of Intent to Conduct Enterprise Business (NICE)

form, and developed regulations to allow casinos to reduce the descriptive detail required in their internal controls for transacting business with vendors. The unit also implemented a number of regulatory changes designed to ensure the integrity of companies conducting



*Christopher D. Storcella, Director
Division of Licensing*

business with casinos. Some changes enhanced the disclosure requirements for gaming related casino service industries and their key personnel and imposed timelines for notifying the commission of personnel changes. Others further clarified which individuals and entities must establish their qualifications for the issuance or renewal of a license. Additionally, in 2002, the unit developed new procedures to provide for the temporary qualification of certain principal employees of gaming related casino service industries at the time these companies are issued a license.

Lastly, the **Legal Advisory Unit** continued in its traditional role of advising the commission on the bulk of the agency's contested cases. Among the more significant matters the unit handled in 2002 was a case that began in 2001 and is presently awaiting initial decision. The matter involves the license application of a construction company with alleged organized crime connections. The record in the case, by far the largest in commission history, closed in 2002 with more witnesses, more volumes of transcript and more written documents than any previous case before the commission. Additionally, the unit counseled the commission in decisions in which it entered prohibitory orders against two international companies, one a leading accounting firm, the other a worldwide communications company.

Office of the General Counsel

In 2002, the Office of the General Counsel saw the retirement of John Zimmerman, who had ably served as General Counsel since October 1992 and as a senior staff counsel for many years before that. Mr. Zimmerman was highly regarded in the casino regulatory arena, by other regulators, by the regulated and most especially by the attorneys he worked with and against. Mr. Zimmerman retired at mid-year, taking advantage of Gov. McGreevey's Early Retirement Incentive plan.

The Office of the General Counsel also suffered the retirement of Ms. Catherine Hoffman, who had long served as secretary to Mr. Zimmerman and other general counsels before him, stretching back to the earliest days of the commission. Both Mr. Zimmerman and Ms. Hoffman will be missed.

Dennis Daly, the Commission's Executive Secretary, took up the duties of General Counsel in July. Shortly thereafter the Governor signed into law Senate Bill No. 1656, which made a number of changes designed to streamline the regulation of the casino industry. These changes, particularly those involving the internal control processes required for section 99 of the Casino Control Act, triggered numerous modifications to commission regulations and procedures.

The attorneys in the General Counsel's Office also shepherded a number of significant regulatory initiatives in 2002. They included the adoption of regulations: allowing for the temporary qualification of persons required to qualify as part of an application for a casino service industry license; reinstating the obligation of casino licensees to award all progressive slot machine jackpots to a winning patron (rather than allowing, as has been permitted for the past 10 years, a casino licensee to withdraw an offered jackpot before it was won); and permitting the use of gaming vouchers as a means to award slot machine jackpots and transfer credits from one slot machine to another.

In total, the commission adopted 35 regulatory proposals in 2002 involving amendments to 98 sections of its rules. In addition, the commission

authorized the publication of proposed amendments to 171 sections of its rules during the calendar year.

Also in 2002, the commission took a major step toward achieving the State's goal of continuing to assure equal employment opportunity to all persons who wish to participate in the



Dennis Daly, Executive Secretary/General Counsel

benefits of legalized casino gaming in New Jersey. The commission published substantial amendments to its equal employment opportunity regulations in response to various federal court decisions that had resulted in the invalidation of the commission's prior affirmative action rules. Unlike the commission's prior employment goal oriented regulations, the proposed rules concentrate on assuring equality of opportunity in employment.

Among other matters of special interest that were handled by the General Counsel's office in 2002 were the merger of the Bally and Claridge casinos, which allowed for the creation of the largest casino hotel in Atlantic City by casino size (179,258 sq. ft.) and number of hotel rooms (1,753), and the temporary reduction below 500 of the number of hotel rooms at Resorts International Casino Hotel to facilitate the construction of a new casino tower with over 400 luxury guest rooms.

Affirmative Action Officer

The role of the Affirmative Action Officer is to ensure that the commission adheres to all Federal and State laws and equal employment opportunity and affirmative action policies for the protection of all employees at the commission.

During 2002, the commission employed 324 employees of whom 168 (52%) were female and 85 (25%) were minority. The commission hired 17 employees during this period, four female (24%) and six (35%) minorities. The Affirmative Action Officer also takes a lead role in recruiting new employees for open positions and the commission's resume bank. This year, the commission attended career days held at Rowan and Rutgers University campuses in Glassboro, Camden, New Brunswick and Newark. Also included in this year's recruitment schedule was Camden Community College's HireAbility Job Fair for physically challenged New Jersey Professionals seeking employment.

The Affirmative Action Officer is also responsible for monitoring employee promotions within the commission to ensure that persons seeking promotions are afforded equal opportunity for advancement.

In 2002, the commission promoted 31 employees of whom 17 (55%) were female and five (19%) were minorities.



*Marvin Askins, Director
Affirmative Action*

Office of Communications

The Office of Communications is responsible for media relations, community relations, publications and legislative liaison for the commission.

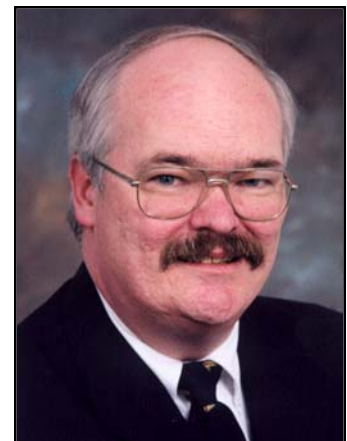
Every year, the office responds to hundreds of inquiries from the news media, the general public, stock analysts, investment bankers and government officials. The communications office provides detailed information on the regulatory system, the casino industry and the impact of casino gaming on the city and the state. The office writes speeches and prepares multi-media presentations for members of the commission, and assists other commission staff to create presentations for professional conferences and other events. It assists in scheduling commission presentations at trade shows, conferences, job fairs, legislative hearings as well as to senior citizen groups, students, civic organizations and others.

In 2002, the office assisted in arranging a number of public events for the commission, including the swearing-in of Chair Linda Kassekert, a bill signing ceremony for Gov. McGreevey, the Black History Month Celebration and others.

In its community relations function, the office provided technical support and assistance to various community groups, schools and non-profit organizations in the Atlantic City region.

The office also monitored legislation dealing with gaming-related issues or measures that would affect the commission and its employees. Those included proposed changes to the New Jersey Casino Control Act and legislation dealing with internet gambling.

The communications office produced and distributed a variety of publications. It also distributed copies of monthly and quarterly casino industry financial reports and filled requests for copies of other documents and reports.



*Daniel Heneghan, Director
Office of Communications*

EMPLOYEE RECOGNITION AWARDS

Each year, the State of New Jersey honors its employees for their service to state government by presenting the New Jersey Public Employees Awards. These awards recognize individuals for outstanding dedication and service to the state and to their community.

Also, the Casino Control Commission honors its own employees with the Sandra M. Donohue Employee Recognition Award for exemplary performance.

In 2002, the awards were presented to very deserving and outstanding individuals. The Co-Worker Recognition Awards went to Lisa Spengler, communications/publications coordinator from the Office of Communications, Leodus Battle, inspector, Division of Compliance and James McClory, financial analyst, Division of Financial Evaluation to receive the Co-Worker Recognition Award. Each of these employees brought a spirit of cooperation and helpfulness to their jobs.

Lisa exhibits a cheerful, friendly and warm manner as she always takes the “extra step” and gives the “extra effort” in her duties. Leodus is an exemplary employee who is always punctual and has never missed a day of work as a gaming regulator. He is a model employee who is well respected by his co-workers as a complete professional. Jim is pleasant, considerate and fun-loving. He is also well respected and serves as a mentor to his co-workers.

John Zimmerman, general counsel, Commissioners’ Office and Ann Donahue, secretarial assistant II, Legal Advisory Unit, Division of Licensing received the Length of Service Award for 25 years of state service. Their dedication and service to the state was invaluable.

The Exceptional Service Award was presented to Michael Gaines, financial analyst, Audit Unit, Division of Financial Evaluation and Thomas Olah, supervising inspector, Inspection Unit, Division of Compliance.

Michael was recognized in part, for his outreach in the community. He is involved in a number of faith-based ministries and organizations. Mike exhibits the true meaning of community spirit by his dedication to others.

A true act of bravery earned Inspector Tom Olah the Exceptional Service Award. His quick thinking and decisive actions possibly saved the life of a fellow inspector who was incapacitated after suffering a stroke on his way to work.

Also during 2002, the Sandra M. Donohue Employee Recognition Award was awarded to Tom Osterman, senior inspector, Division of Compliance. Tom was best described as a dynamic employee, the ultimate professional and a role model of state service.



*Top: Lisa Spengler
Middle: Leodus Battle
Bottom: James McClory*

**Length of Service
Award
(25 years)**



John Zimmerman



Ann Donahue

**Exceptional Service
Award**



Thomas Olah



Michael Gaines

**Sandra M.
Donohue
Employee
Recognition Award**



Tom Osterman

ATLANTIC CITY DEVELOPMENTS

When he signed the Casino Control Act 25 years ago, Gov. Brendan Byrne said that non-casino development, particularly housing, would be a yardstick with which to measure success. He promised that casino gaming would be used as a “unique tool of urban redevelopment.”

Since that day, there has been an enormous amount of development in Atlantic City, including thousands of new housing units, which is transforming the once-dying resort into a thriving community in which to live, work and play. Much of the money for this rebirth of Atlantic City has come from the casinos through the Casino Reinvestment Development Authority (CRDA).

The biggest investments have been in the casinos. Companies have invested more than \$7 billion in the gaming halls. Through their reinvestment obligations, casinos also have invested more than \$1 billion in housing, community facilities, a supermarket and shopping areas. They paid to convert the Boardwalk Hall into a special events arena and to build a non-casino hotel at the Convention Center. They have contributed funding for a variety of attractions as well, including a baseball stadium, ice skating rink, aquarium, miniature golf course and many other projects.

Last year, the CRDA completed several new housing projects, including Portsmouth Place and Washington Square, and it started work on other new projects. In addition, work started on a \$60 million retail/restaurant/entertainment complex called The Walk. The 320,000 square-foot project should be completed in mid-2003.

The public sector has made a major investment in Atlantic City as well. The state helped finance the construction of the new Convention Center, the train station, the Atlantic City-Brigantine connector, the bus terminal and other improvements. The city has built a new firehouse, a public safety building, an \$83 million high school, and is currently building two new elementary schools.

Taken together, all of these projects have remade the face of Atlantic City in the last 25 years. It was possible, in large part, because New Jersey developed and maintained a responsible casino regulatory system that allowed the industry to prosper while keeping out unsavory elements and maintaining high levels of integrity.



Top: Work continues on the \$60 million, 320,000 sq. ft. shopping and entertainment complex located primarily along Michigan Avenue between Atlantic and Baltic Avenues.

Middle: The Sovereign Avenue School is scheduled to be completed by winter 2003.

Bottom: The New York Avenue School is scheduled to be completed by winter 2003.

FINANCIAL STATISTICS



| | |
|----|---|
| 22 | New Jersey Casino Industry Facility Statistics |
| 24 | New Jersey Casino Industry Financial Statistics |
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| 30 | New Jersey Casino Industry Enterprise Registration and Licensing Statistics |
| 33 | New Jersey Casino Control Commission Employees and Budget Appropriations |
| 34 | Casino Revenue Fund |
| 35 | Independent Auditor's Report |

**NEW JERSEY CASINO INDUSTRY
FACILITY STATISTICS
AT YEAR END DECEMBER 31, 2002 AND 2001**

| | AC HILTON | | BALLY'S ATLANTIC CITY | | CAESARS | | CLARIDGE | | HARRAH'S | | RESORTS | |
|---------------------------------|--------------|--------------|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| <i>TABLE GAMES:</i> | | | | | | | | | | | | |
| Blackjack | 38 | 39 | 62 | 66 | 61 | 59 | 28 | 30 | 32 | 29 | 32 | 32 |
| Craps | 9 | 9 | 13 | 13 | 14 | 13 | 6 | 6 | 5 | 6 | 5 | 7 |
| Roulette | 10 | 10 | 20 | 20 | 15 | 15 | 4 | 4 | 7 | 6 | 8 | 8 |
| Big Six | - | - | 2 | 2 | 3 | 2 | 1 | 1 | - | - | - | 1 |
| Baccarat | 1 | 2 | 2 | 2 | 1 | 2 | 1 | 1 | - | - | 3 | 3 |
| Minibaccarat | 7 | 5 | 4 | 3 | 3 | 4 | 4 | 4 | 1 | 1 | 1 | 3 |
| Sic Bo | - | - | 1 | 1 | 2 | 2 | - | - | - | - | - | - |
| Pai Gow Poker | 4 | 4 | 6 | 7 | 4 | 5 | 2 | 2 | 1 | 2 | 1 | 2 |
| Pai Gow | 3 | 3 | 1 | 1 | 1 | 1 | 2 | 2 | - | - | - | 1 |
| Poker | - | - | 10 | 11 | - | - | - | - | 5 | 7 | - | - |
| Caribbean Stud Poker | 4 | 4 | 8 | 8 | 4 | 5 | 3 | 3 | 3 | 3 | 3 | 4 |
| Let It Ride Poker | 4 | 4 | 8 | 8 | 4 | 6 | 2 | 3 | 5 | 5 | 4 | 5 |
| Spanish 21 | - | - | 6 | 6 | 6 | 5 | 4 | 2 | 2 | - | 2 | 3 |
| Three Card Poker | 5 | 4 | 8 | 6 | 7 | 4 | 4 | 4 | 7 | 5 | 5 | 5 |
| Colorado Hold 'Em | - | - | 1 | 1 | - | - | 1 | 1 | - | - | - | - |
| Triple Shot (a) | - | - | - | - | - | - | - | - | 1 | - | - | - |
| Let's Get Wild Poker (a) | - | - | 1 | - | - | - | 1 | - | - | - | - | - |
| Boston 5 Stud Poker (a) | - | - | - | - | 2 | - | - | - | - | - | - | - |
| Total Table Games | 85 | 84 | 153 | 155 | 127 | 123 | 63 | 63 | 69 | 64 | 64 | 74 |
| <i>KENO WINDOWS</i> | - | - | 4 | 4 | 6 | 6 | - | - | 4 | 4 | - | - |
| <i>SLOT MACHINE</i> | | | | | | | | | | | | |
| Nickel | 464 | 490 | 982 | 1,058 | 797 | 722 | 421 | 356 | 829 | 658 | 376 | 473 |
| Quarter | 946 | 980 | 2,116 | 2,102 | 1,352 | 1,857 | 961 | 1,116 | 2,011 | 1,565 | 1,456 | 1,507 |
| Fifty Cents | 134 | 160 | 396 | 383 | 328 | 456 | 105 | 83 | 295 | 183 | 227 | 232 |
| Dollars | 294 | 301 | 572 | 597 | 511 | 558 | 189 | 185 | 758 | 530 | 293 | 275 |
| Five Dollars | 115 | 65 | 129 | 99 | 128 | 117 | 48 | 33 | 115 | 107 | 67 | 66 |
| Twenty-Five Dollars | 8 | 8 | 21 | 14 | 18 | 16 | 6 | 4 | 11 | 7 | 6 | 5 |
| One Hundred Dollars | 12 | 6 | 19 | 9 | 14 | 10 | - | - | 5 | 5 | 4 | 5 |
| Other Slot Machines | 31 | 14 | 76 | 54 | 86 | 120 | - | - | 88 | 116 | 45 | 20 |
| Total Slot Machines | 2,004 | 2,024 | 4,311 | 4,316 | 3,234 | 3,856 | 1,730 | 1,777 | 4,112 | 3,171 | 2,474 | 2,583 |
| Casino Sq. Ft. | 59,612 | 59,832 | 129,998 | 128,220 | 117,378 | 117,378 | 49,260 | 58,792 | 127,049 | 89,757 | 65,292 | 68,794 |
| Simulcast Sq. Ft. | - | - | 35,453 | 35,453 | 7,342 | 7,342 | 10,959 | - | - | - | 13,074 | 16,512 |
| # of Hotel Rooms | 804 | 804 | 1,246 | 1,246 | 1,140 | 1,140 | 502 | 507 | 1,630 | 1,174 | 480 | 644 |
| # Parking Spaces | 1,825 | 1,825 | 2,840 | 2,840 | 2,666 | 2,666 | 1,142 | 1,121 | 3,822 | 3,822 | 1,349 | 1,263 |
| <i>Property & Equipment</i> | | | | | | | | | | | | |
| Gross (\$Millions) | 548.4 | 536.9 | 1,146.5 | 1,092.1 | 880.5 | 848.1 | 88.5 | 72.9 | 762.6 | 661.9 | 158.1 | 130.6 |
| Number of Employees | 3,298 | 3,337 | 5,672 | 5,636 | 4,803 | 4,646 | 2,220 | 2,282 | 3,259 | 3,172 | 3,066 | 3,151 |

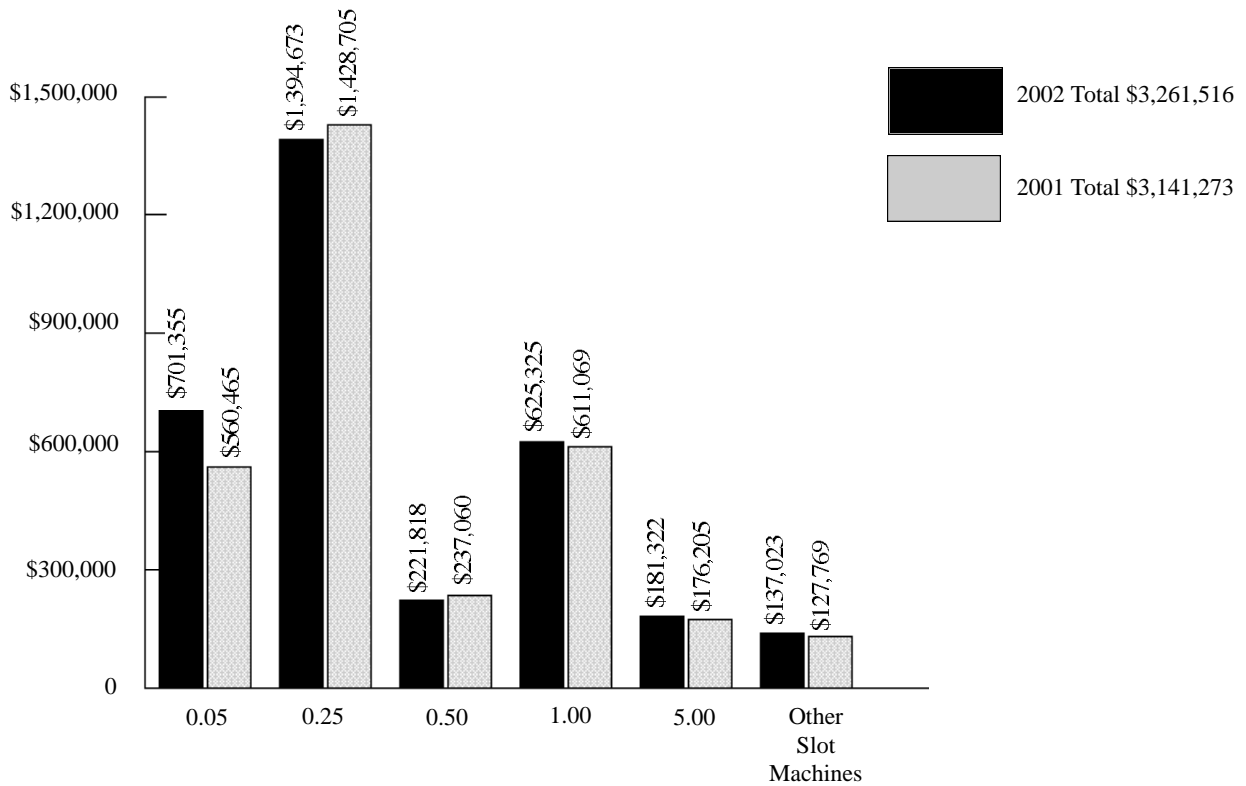
(a) Triple Shot commenced operations in July 2002. Let's Get Wild Poker and Boston 5 Stud Poker commenced operations in November 2002.

| SANDS | | SHOWBOAT | | TROPICANA | | TRUMPMARINA | | TRUMPLAZA | | TRUMP TAJ MAHAL | | INDUSTRY | |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|--------------|---------------|---------------|
| 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| 15 | 33 | 26 | 29 | 66 | 62 | 40 | 37 | 41 | 42 | 55 | 68 | 496 | 526 |
| 3 | 7 | 5 | 5 | 10 | 12 | 8 | 8 | 7 | 7 | 10 | 10 | 95 | 103 |
| 5 | 11 | 5 | 7 | 13 | 13 | 9 | 9 | 9 | 8 | 14 | 16 | 119 | 127 |
| - | - | 1 | 1 | 1 | 1 | - | - | 1 | 1 | 2 | 2 | 11 | 11 |
| - | 1 | 2 | 3 | 3 | 3 | 2 | 3 | 2 | 3 | 5 | 4 | 22 | 27 |
| - | 4 | 1 | 2 | 6 | 6 | 2 | 2 | 7 | 7 | 8 | 4 | 44 | 45 |
| - | - | - | - | 1 | 1 | - | - | 1 | 1 | 1 | 2 | 6 | 7 |
| - | 2 | 3 | 1 | 5 | 6 | 3 | 3 | 5 | 5 | 7 | 9 | 41 | 48 |
| - | - | - | 1 | 6 | 6 | 2 | 2 | 4 | 3 | 4 | 5 | 23 | 25 |
| - | 11 | - | - | 43 | 43 | - | - | - | - | 66 | 67 | 124 | 139 |
| - | 3 | 3 | 3 | 5 | 6 | 3 | 4 | 3 | 3 | 4 | 5 | 43 | 51 |
| 1 | 2 | 2 | 4 | 5 | 6 | 3 | 4 | 3 | 3 | 3 | 4 | 44 | 54 |
| - | 2 | 2 | 2 | 3 | 2 | 2 | 2 | 2 | 2 | 5 | 5 | 34 | 31 |
| 3 | 3 | 5 | 3 | 5 | 4 | 6 | 4 | 4 | 3 | 7 | 6 | 66 | 51 |
| - | - | - | - | - | - | - | - | - | - | - | - | 2 | 2 |
| - | - | - | - | - | - | - | - | - | - | - | - | 1 | - |
| - | - | - | - | - | - | - | - | - | - | - | - | 2 | - |
| - | - | - | - | 2 | - | - | - | - | - | - | - | 4 | - |
| 27 | 79 | 55 | 61 | 174 | 171 | 80 | 78 | 89 | 88 | 191 | 207 | 1,177 | 1,247 |
| - | - | - | - | - | - | - | - | - | - | 3 | 8 | 17 | 22 |
| 602 | 386 | 690 | 738 | 964 | 865 | 553 | 430 | 708 | 637 | 973 | 836 | 8,359 | 7,649 |
| 1,117 | 960 | 2,011 | 1,884 | 1,898 | 2,036 | 1,261 | 1,296 | 1,620 | 1,478 | 2,694 | 2,913 | 19,443 | 19,694 |
| 143 | 178 | 143 | 133 | 316 | 321 | 177 | 205 | 219 | 249 | 336 | 290 | 2,819 | 2,873 |
| 308 | 375 | 448 | 450 | 657 | 604 | 362 | 420 | 288 | 347 | 645 | 624 | 5,325 | 5,266 |
| 90 | 93 | 81 | 70 | 106 | 105 | 90 | 89 | 73 | 75 | 125 | 116 | 1,167 | 1,035 |
| 8 | 9 | 4 | 4 | 14 | 14 | 18 | 19 | 13 | 12 | 14 | 15 | 141 | 127 |
| 5 | 5 | 4 | 4 | 9 | 9 | 12 | 13 | 6 | 6 | 7 | 6 | 97 | 78 |
| 49 | 54 | 109 | 107 | 160 | 160 | 55 | 56 | 35 | 35 | 32 | 25 | 766 | 761 |
| 2,322 | 2,060 | 3,490 | 3,390 | 4,124 | 4,114 | 2,528 | 2,528 | 2,962 | 2,839 | 4,826 | 4,825 | 38,117 | 37,483 |
| 61,812 | 56,018 | 89,769 | 88,840 | 128,885 | 128,885 | 65,000 | 65,000 | 91,181 | 87,980 | 120,138 | 117,965 | 1,105,374 | 1,067,461 |
| 16,560 | 22,923 | 14,109 | 15,061 | 8,380 | 8,380 | 16,182 | 16,182 | - | - | 36,846 | 40,715 | 158,905 | 162,568 |
| 637 | 645 | 765 | 765 | 1,625 | 1,624 | 728 | 728 | 904 | 904 | 1,250 | 1,250 | 11,711 | 11,431 |
| 1,684 | 1,684 | 3,051 | 3,051 | 3,281 | 3,075 | 2,986 | 2,986 | 2,778 | 2,778 | 7,180 | 7,180 | 34,604 | 34,291 |
| 196.0 | 184.0 | 594.2 | 530.8 | 818.7 | 756.9 | 571.1 | 557.2 | 653.0 | 640.6 | 1,115.2 | 1,083.6 | 7,532.8 | 7,095.6 |
| 2,511 | 3,005 | 3,176 | 3,129 | 4,739 | 4,958 | 3,016 | 3,109 | 3,512 | 3,561 | 5,548 | 5,606 | 44,820 | 45,592 |

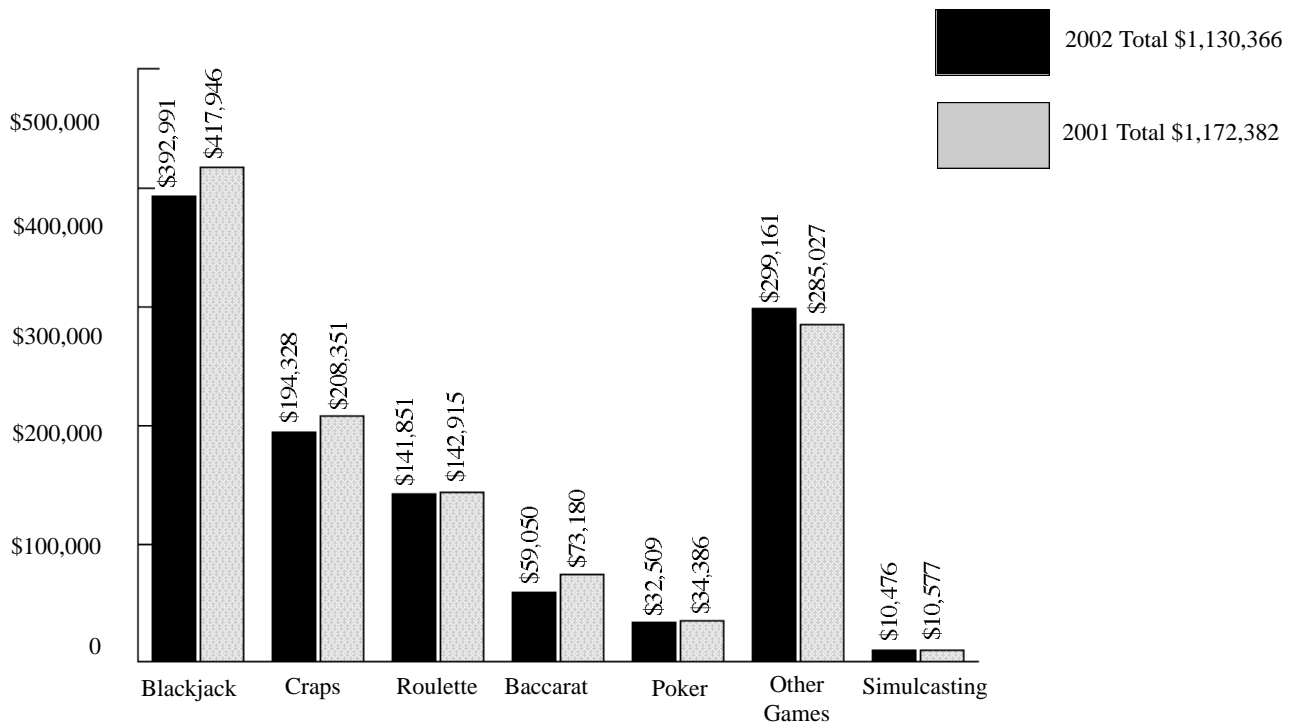
**NEW JERSEY CASINO INDUSTRY
GROSS REVENUE STATISTICS
FOR THE TWO YEARS ENDED DECEMBER 31, 2002 AND 2001
(\$ IN THOUSANDS)**

| Casino Hotel | Casino Win | Daily Average Casino Win | Adjustment for Uncollectibles | Gross Revenue | Tax | Market Share of Casino Win |
|------------------------------|------------------|--------------------------------|-------------------------------------|------------------|----------------|----------------------------------|
| AC Hilton | | | | | | |
| 2002 | 308,054 | 844 | 1,758 | 306,296 | 24,504 | 7.0% |
| 2001 | 326,705 | 895 | 1,941 | 324,764 | 25,981 | 7.6% |
| Bally's Atlantic City | | | | | | |
| 2002 | 526,674 | 1,443 | 1,657 | 525,017 | 42,001 | 12.0% |
| 2001 | 520,798 | 1,427 | 1,860 | 518,938 | 41,515 | 12.1% |
| Caesars | | | | | | |
| 2002 | 527,402 | 1,445 | 3,160 | 524,242 | 41,939 | 12.0% |
| 2001 | 489,520 | 1,341 | 2,501 | 487,019 | 38,962 | 11.4% |
| Claridge | | | | | | |
| 2002 | 159,467 | 437 | 181 | 159,286 | 12,743 | 3.7% |
| 2001 | 160,049 | 438 | 509 | 159,540 | 12,763 | 3.7% |
| Harrah's Marina | | | | | | |
| 2002 | 451,047 | 1,236 | 205 | 450,842 | 36,067 | 10.3% |
| 2001 | 413,067 | 1,132 | - | 413,067 | 33,045 | 9.6% |
| Resorts | | | | | | |
| 2002 | 262,602 | 719 | 2,034 | 260,568 | 20,846 | 6.0% |
| 2001 | 243,751 | 668 | 777 | 242,974 | 19,438 | 5.7% |
| Sands | | | | | | |
| 2002 | 209,826 | 575 | 2,379 | 207,447 | 16,596 | 4.8% |
| 2001 | 236,833 | 649 | 4,297 | 232,536 | 18,603 | 5.5% |
| Showboat | | | | | | |
| 2002 | 369,114 | 1,011 | 610 | 368,504 | 29,480 | 8.4% |
| 2001 | 354,373 | 971 | 1,389 | 352,984 | 28,239 | 8.2% |
| Tropicana | | | | | | |
| 2002 | 406,917 | 1,115 | 1,615 | 405,302 | 32,424 | 9.3% |
| 2001 | 417,405 | 1,144 | 3,445 | 413,960 | 33,117 | 9.7% |
| Trump Marina | | | | | | |
| 2002 | 283,004 | 775 | 2,028 | 280,976 | 22,478 | 6.5% |
| 2001 | 272,289 | 746 | 1,252 | 271,037 | 21,683 | 6.3% |
| Trump Plaza | | | | | | |
| 2002 | 341,069 | 934 | 2,414 | 338,655 | 27,093 | 7.8% |
| 2001 | 332,975 | 912 | 3,108 | 329,867 | 26,389 | 7.7% |
| Trump Taj Mahal | | | | | | |
| 2002 | 536,231 | 1,469 | 4,229 | 532,002 | 42,560 | 12.2% |
| 2001 | 535,313 | 1,467 | 2,810 | 532,503 | 42,600 | 12.5% |
| TOTALS | | | | | | |
| 2002 | 4,381,407 | 12,004 | 22,270 | 4,359,137 | 348,731 | |
| 2001 | 4,303,078 | 11,789 | 23,889 | 4,279,189 | 342,335 | |

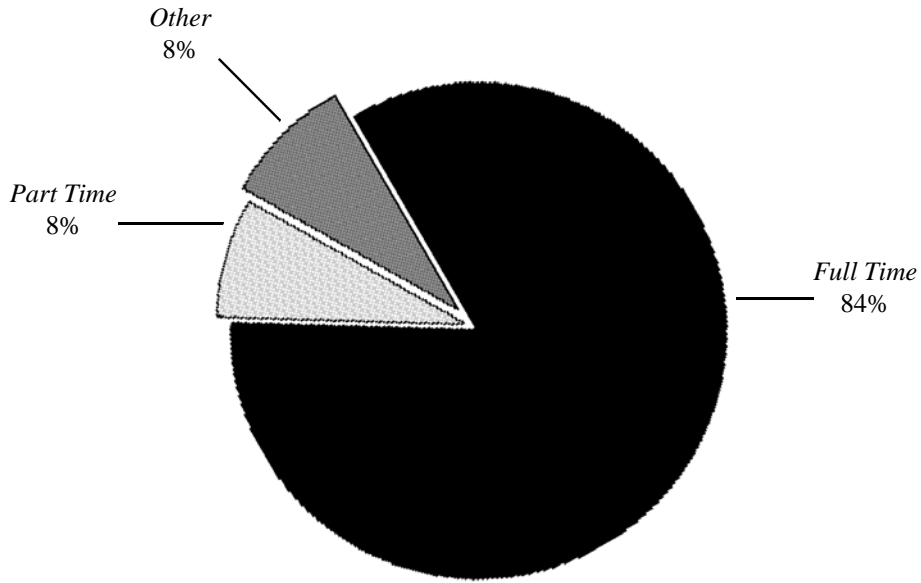
**SLOT MACHINE WIN COMPARISON
FOR THE TWO YEARS ENDED DECEMBER 31, 2002 AND 2001
(\$ IN THOUSANDS)**



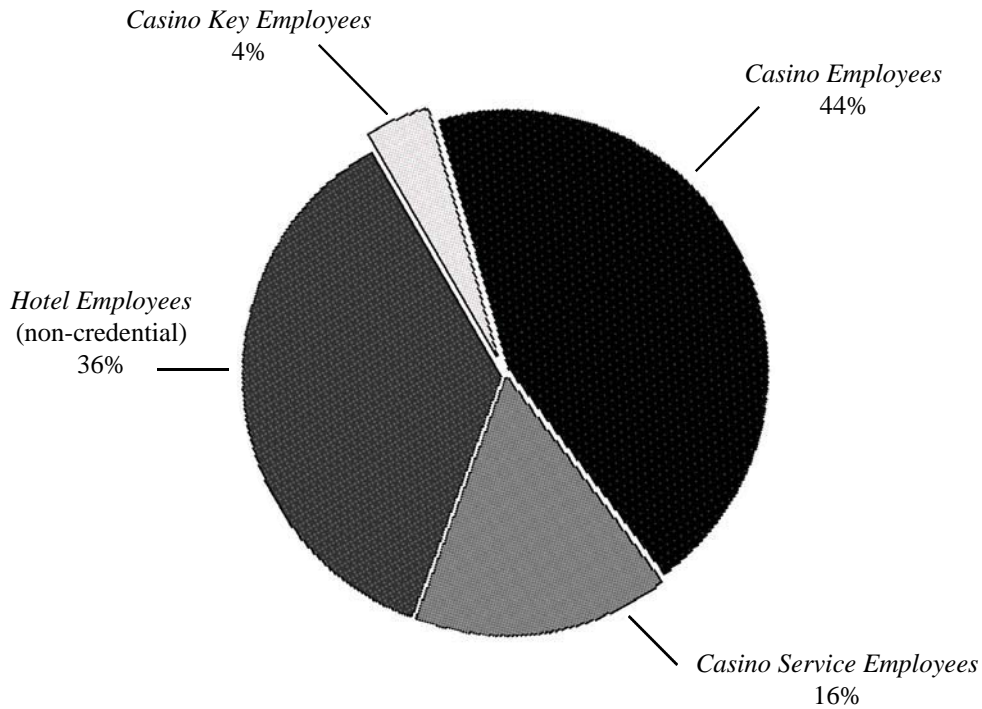
**TABLE GAME WIN COMPARISON
FOR THE TWO YEARS ENDED DECEMBER 31, 2002 AND 2001
(\$ IN THOUSANDS)**



**NEW JERSEY CASINO INDUSTRY
BY TYPE OF EMPLOYMENT
FOR THE YEAR ENDED DECEMBER 31, 2002**



**NEW JERSEY CASINO INDUSTRY
EMPLOYMENT BY LICENSE CATEGORY
FOR THE YEAR ENDED DECEMBER 31, 2002**



**EMPLOYEE LICENSE AND REGISTRATION
APPLICATIONS ACCEPTED AND ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2002**

Casino Key Employees:

| | |
|--------------------|-----|
| Applications Filed | 196 |
| Licenses Issued | 176 |

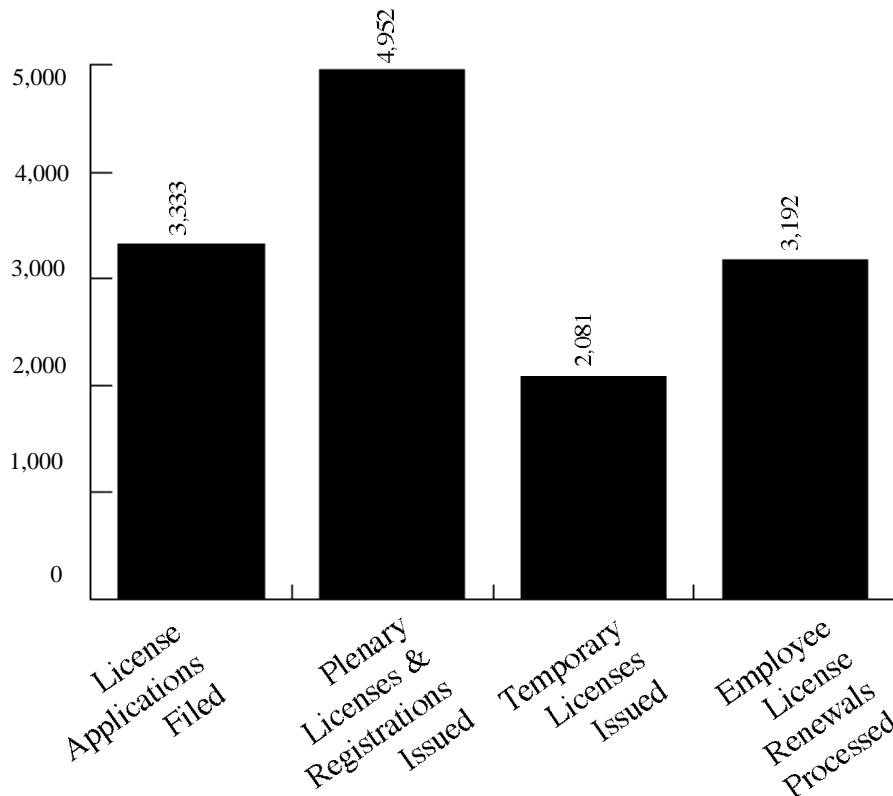
Casino Employees:

| | |
|--------------------|-------|
| Applications Filed | 3,137 |
| Licenses Issued | 2,835 |

Casino Service Employees:

| | |
|----------------------|-------|
| Registrations Issued | 1,941 |
|----------------------|-------|

**TOTAL EMPLOYEE LICENSE AND REGISTRATION
APPLICATIONS ACCEPTED AND ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2002**



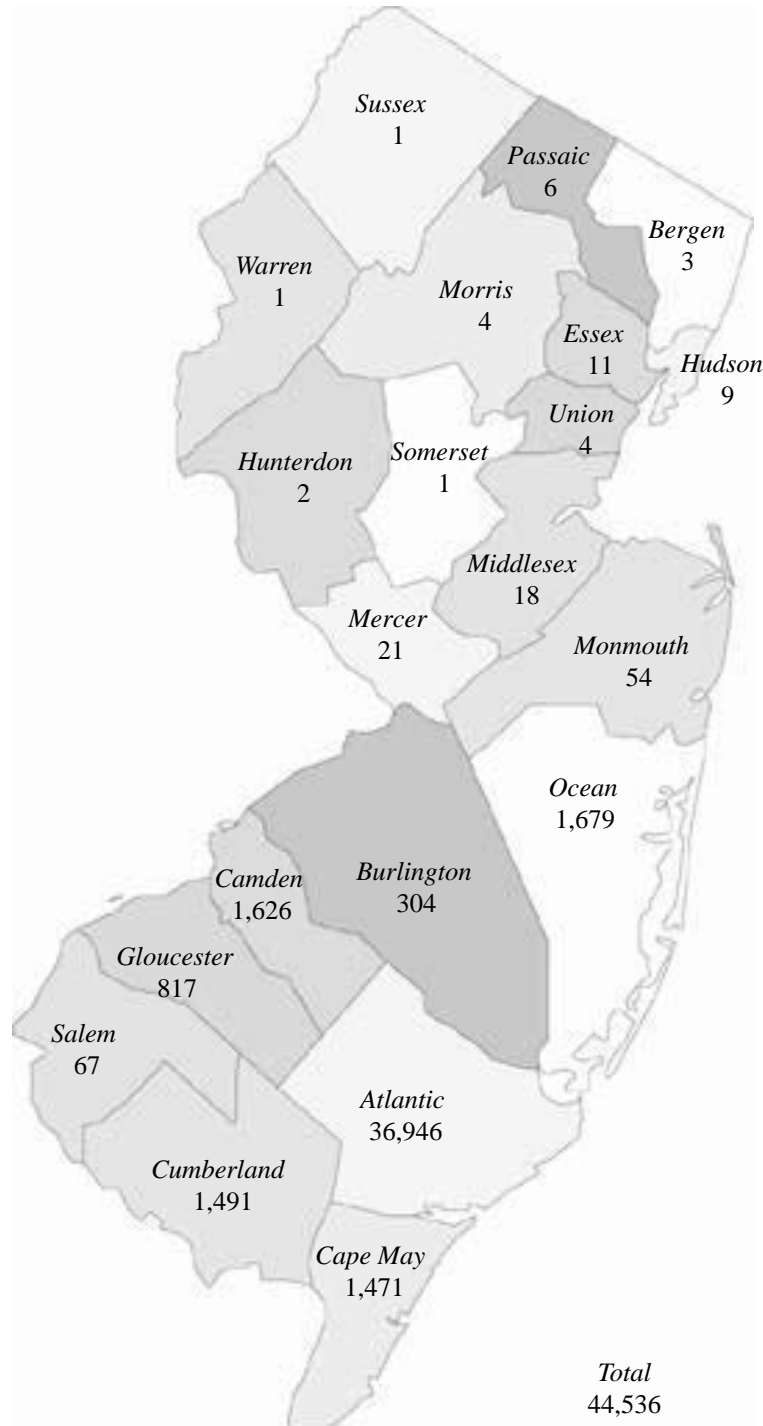
**NEW JERSEY CASINO INDUSTRY
EMPLOYMENT STATISTICS
FOR THE FOUR YEARS ENDED DECEMBER 31, 2002**

| | 2002 | 2001 | 2000 | 1999 |
|------------------------------|---------------|---------------|---------------|---------------|
| <i>AC Hilton</i> | 3,298 | 3,337 | 3,389 | 3,285 |
| <i>Bally's Atlantic City</i> | 5,672 | 5,636 | 5,611 | 5,393 |
| <i>Caesars</i> | 4,803 | 4,646 | 4,432 | 4,474 |
| <i>Claridge</i> | 2,220 | 2,282 | 2,379 | 2,379 |
| <i>Harrah's</i> | 3,259 | 3,172 | 3,550 | 3,461 |
| <i>Resorts</i> | 3,066 | 3,151 | 3,038 | 3,185 |
| <i>Sands</i> | 2,511 | 3,005 | 3,079 | 3,069 |
| <i>Showboat</i> | 3,176 | 3,129 | 3,194 | 3,278 |
| <i>Tropicana</i> | 4,739 | 4,958 | 5,181 | 5,141 |
| <i>Trump Marina</i> | 3,016 | 3,109 | 3,484 | 3,428 |
| <i>Trump Plaza</i> | 3,512 | 3,561 | 3,929 | 4,323 |
| <i>Trump Taj Mahal</i> | 5,548 | 5,606 | 6,160 | 5,950 |
| TOTALS | 44,820 | 45,592 | 47,426 | 47,366 |

**NEW JERSEY CASINO INDUSTRY
SALARIES AND WAGES
FOR THE FOUR YEARS ENDED DECEMBER 31, 2002
(\$ IN THOUSANDS)**

| | 2002 | 2001 | 2000 | 1999 |
|------------------------------|--------------------|------------------|------------------|--------------------|
| <i>AC Hilton</i> | \$85,252 | 84,680 | 83,075 | \$71,314 |
| <i>Bally's Atlantic City</i> | 138,920 | 137,382 | 136,494 | 115,046 |
| <i>Caesars</i> | 116,560 | 112,041 | 111,013 | 112,405 |
| <i>Claridge</i> | 54,726 | 58,031 | 54,195 | 55,094 |
| <i>Harrah's</i> | 83,450 | 82,397 | 87,186 | 85,829 |
| <i>Resorts</i> | 72,943 | 71,659 | 73,600 | 73,248 |
| <i>Sands</i> | 62,094 | 70,333 | 69,238 | 69,034 |
| <i>Showboat</i> | 80,174 | 79,892 | 80,610 | 81,750 |
| <i>Tropicana</i> | 101,174 | 102,505 | 103,539 | 99,189 |
| <i>Trump Marina</i> | 77,153 | 77,403 | 78,744 | 78,655 |
| <i>Trump Plaza</i> | 86,116 | 89,182 | 91,170 | 101,166 |
| <i>Trump Taj Mahal</i> | 136,713 | 136,438 | 138,240 | 138,645 |
| TOTALS | \$1,095,275 | 1,101,943 | 1,107,104 | \$1,081,375 |

**EMPLOYMENT BY ATLANTIC CITY CASINO
LICENSEES BY COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2002***



*Approximately 284 individuals are employed in the casino industry but live outside of New Jersey.

**NEW JERSEY CASINO INDUSTRY
ENTERPRISE REGISTRATION AND LICENSING STATISTICS
FOR THE YEAR ENDED DECEMBER 31, 2002**

Registration and Licensing Processing Statistics

| | |
|---------------------------------------|-------|
| Vendor Registrations Processed | 3,071 |
|---------------------------------------|-------|

| | |
|--|-------|
| Enterprises Prohibited from Conducting Business with Casino Licensees | 231 * |
|--|-------|

| | |
|---|---|
| Exemptions From Licensure Granted By CCC | 7 |
|---|---|

Initial Casino Service Industry Licenses

Gaming Related:

| | |
|---------------------|----|
| Applications Filed | 15 |
| Licenses Issued | 6 |
| Licenses Denied | 0 |
| Withdrawals Granted | 5 |

Non-Gaming Related:

| | |
|---------------------|-----|
| Applications Filed | 261 |
| Licenses Issued | 187 |
| Licenses Denied | 2 |
| Withdrawals Granted | 19 |

Junket Enterprises:

| | |
|---------------------|---|
| Applications Filed | 7 |
| Licenses Issued | 7 |
| Licenses Denied | 1 |
| Withdrawals Granted | 1 |

Renewal Casino Service Industry Licenses

Gaming Related:

| | |
|---------------------|----|
| Applications Filed | 23 |
| Licenses Issued | 11 |
| Licenses Denied | 0 |
| Withdrawals Granted | 2 |

Non-Gaming Related:

| | |
|---------------------|-----|
| Applications Filed | 195 |
| Licenses Issued | 154 |
| Licenses Denied | 1 |
| Withdrawals Granted | 3 |

Junket Enterprises:

| | |
|---------------------|----|
| Applications Filed | 17 |
| Licenses Issued | 20 |
| Licenses Denied | 0 |
| Withdrawals Granted | 2 |

Registration and Licensing Status Totals

| | |
|---|--------|
| Universe of Active Vendors | 12,057 |
| Universe of Prohibited Vendors | 1035 * |
| Gaming Schools Currently Operating | 4 |
| Labor Organizations Currently Registered | 8 |

Licensed Casino Service Industry Enterprises:

Initial Licensees:

| | |
|-----------|-----|
| Gaming | 11 |
| Nongaming | 528 |
| Junket | 30 |

Renewal Licensees:

| | |
|-----------|-----|
| Gaming | 42 |
| Nongaming | 585 |
| Junket | 51 |

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

**NEW JERSEY CASINO INDUSTRY
TOTAL VOLUME OF VENDOR BUSINESS
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | Total Companies | Percent of Total Companies | Dollar Volume of Business* | Percent of Total Business |
|---|----------------------------|---|---|--|
| New Jersey Enterprises | 2,673 | 100.00 | \$2,210,293,678 | 100.00 |
| Atlantic | 1,264 | 47.29 | 1,515,465,189 | 68.57 |
| Bergen | 121 | 4.53 | 19,787,503 | 0.90 |
| Burlington | 169 | 6.32 | 73,650,986 | 3.33 |
| Camden | 236 | 8.83 | 58,039,747 | 2.63 |
| Cape May | 86 | 3.22 | 17,308,872 | 0.78 |
| Cumberland | 61 | 2.28 | 20,310,092 | 0.92 |
| Essex | 81 | 3.03 | 76,139,033 | 3.44 |
| Gloucester | 99 | 3.70 | 22,704,997 | 1.03 |
| Hudson | 43 | 1.61 | 13,778,996 | 0.62 |
| Hunterdon | 5 | 0.19 | 1,409,676 | 0.06 |
| Mercer | 57 | 2.13 | 12,814,807 | 0.58 |
| Middlesex | 78 | 2.92 | 211,447,730 | 9.57 |
| Monmouth | 94 | 3.52 | 71,793,667 | 3.24 |
| Morris | 53 | 1.98 | 7,317,426 | 0.33 |
| Ocean | 90 | 3.37 | 14,003,835 | 0.63 |
| Passaic | 34 | 1.27 | 22,102,627 | 0.53 |
| Salem | 5 | 0.19 | 6,461,467 | 0.29 |
| Somerset | 33 | 1.23 | 40,166,642 | 1.82 |
| Sussex | 5 | 0.19 | 13,711 | 0.06 |
| Union | 56 | 2.10 | 5,566,323 | 0.25 |
| Warren | 3 | 0.11 | \$10,352 | 0.00 |
| Total Number of Vendors Receiving Payments | 6,747 | 100.00 | \$2,870,899,283 ** | 100.00 |
| New Jersey Enterprises | 2,673 | 39.62 | 2,210,293,678 | 76.99 |
| Pennsylvania Enterprises | 782 | 11.59 | 185,038,626 | 6.45 |
| New York Enterprises | 773 | 11.46 | 106,173,552 | 3.70 |
| Delaware Enterprises | 30 | 0.44 | 7,227,191 | 0.25 |
| All Other States | 2,390 | 35.42 | 358,477,999 | 12.49 |
| Foreign Enterprises | 99 | 1.47 | \$3,688,237 | 0.13 |

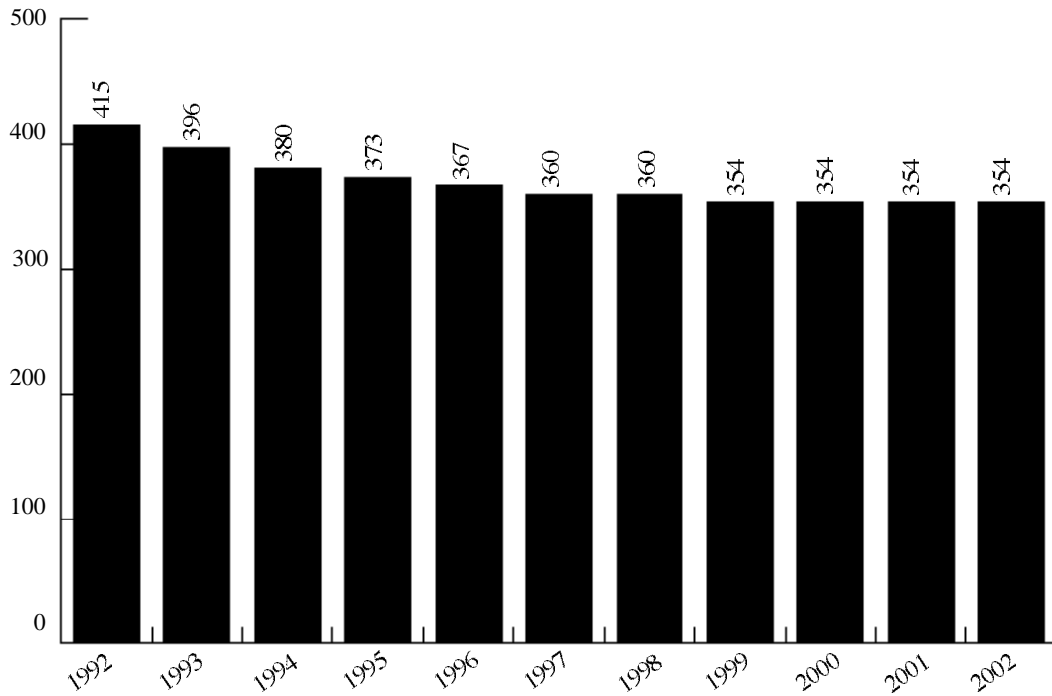
* "Dollar Volume of Business" represents only those monies paid by casino licensees for good or services.

This figure does not include such payments as governmental taxes, fines and fees to the Casino Control Commission, charitable contributions, guest losses or court garnishments.

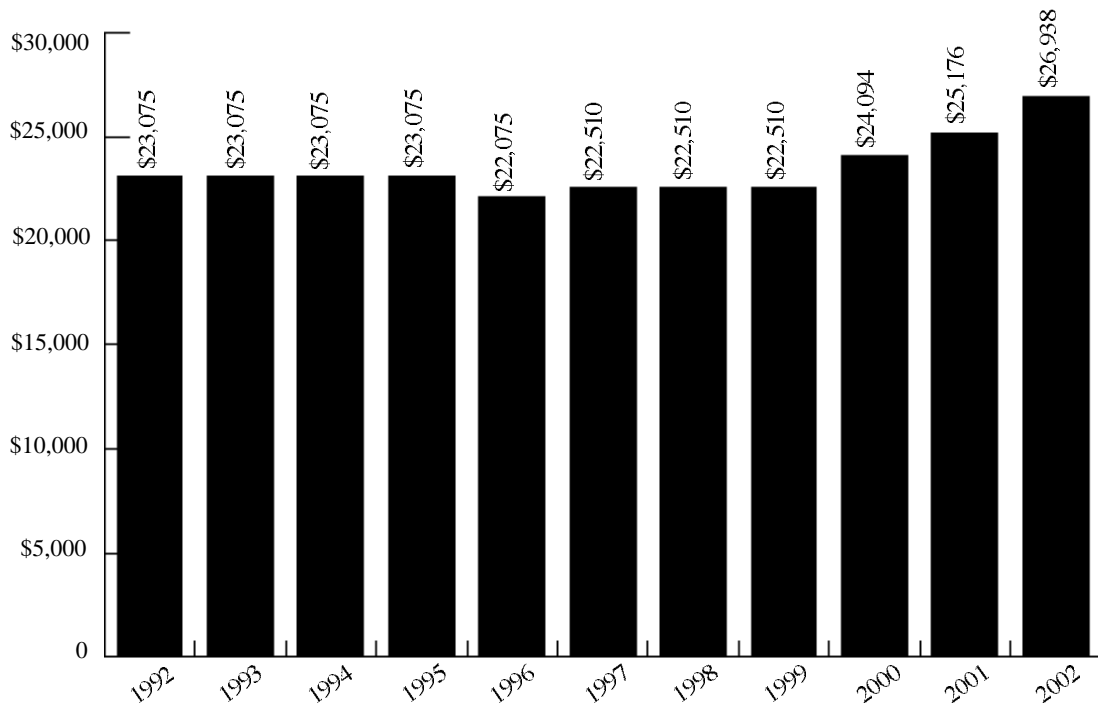
** This dollar figure includes disbursements to subcontractors made pursuant to N.J.A.C. 19:43-10.6(a)5.

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

**NEW JERSEY CASINO CONTROL COMMISSION
NUMBER OF AUTHORIZED EMPLOYEE POSITIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**



**NEW JERSEY CASINO CONTROL COMMISSION
BUDGET APPROPRIATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**



**CASINO REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Programs & Services

Each year New Jersey casinos pay the state 8 percent tax on their gross revenues. Gross gaming revenue is the amount casinos win from gamblers after all payouts have been made. The pool of taxes is deposited into the Casino Revenue Fund.

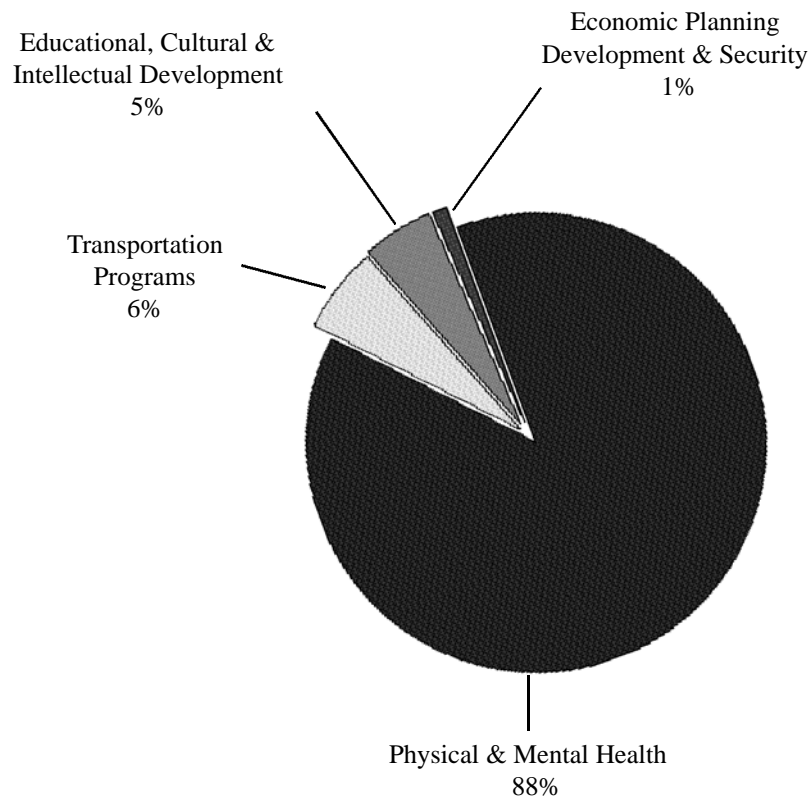
The State Legislature, through the budget, determines the allocation of funds. Input from the Casino Revenue Fund Advisory Commission directs where the money can be spent.

The various Casino Revenue Fund programs providing resources for senior and disabled citizens include Pharmaceutical Assistance for the Aged and Disabled (PAAD), Lifeline Credit, transportation assistance, home delivered meals, property tax reduction and many other authorized programs.

Senior citizens and persons 18 years of age or older with disabilities may qualify for Casino Revenue Fund programs. Qualified New Jersey residents realize tremendous benefits from the tax dollars generated by Atlantic City casinos.

Expenditures for Fiscal Year 2002 (%)

The Casino Revenue Fund total expenditures for the fiscal year 2002 amounted to \$422,615,718.



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New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR

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RICHARD L. FAIR

State Auditor

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FAX (609) 633-0830

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 aspects, 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**

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

| | 2002 | 2001 |
|--|---------------|---------------|
| <u>REVENUES</u> | | |
| 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 |
| | | |
| <u>EXPENDITURES</u> | | |
| 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 |

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 principals (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**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-----------------|---------------|-------------------------------|
| REVENUES | | | | |
| Casinos | | | | |
| 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 | - | - | - | - |
| Total from Casinos | 55,161,700 | 57,863,500 | 57,636,508 | (226,992) |
| 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 | 162,900 | 162,900 | 142,259 | (20,641) |
| Total from Other Sources | 4,541,300 | 4,541,300 | 4,342,957 | (198,343) |
| Investment Earnings | - | - | 242,185 | 242,185 |
| Total Revenues | 59,703,000 | 62,404,800 | 62,221,650 | (183,150) |
| 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) | 26,053,991 | 26,053,991 | 24,740,673 | 1,313,318 |
| Total Expenditures | 60,833,038 | 62,174,038 | 59,563,373 | 2,610,665 |
| Net Change in Fund Balance | (1,130,038) | 230,762 | 2,658,277 | 2,427,515 |
| FUND BALANCE - JULY 1, 2001 (Restated) | 11,199 | 11,199 | 11,199 | - |
| FUND BALANCE - JUNE 30, 2002 | \$ (1,118,839) | \$ 241,961 | \$ 2,669,476 | \$ 2,427,515 |

REQUIRED SUPPLEMENTARY INFORMATION

**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. (1,072,428)

Total Differences - Budget to GAAP \$ (587,635)

GAAP Basis - Net Increase in Fund Balances \$ 2,070,642

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 |
| <u>EXPENDITURES</u> | | | | |
| 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 | <u>300,715</u> | <u>95,702</u> | <u>337,226</u> | <u>154,445</u> |
| TOTAL EXPENDITURES | <u>\$ 35,132,419</u> | <u>\$ 25,018,589</u> | <u>\$ 34,897,653</u> | <u>\$ 24,520,307</u> |



*New Jersey Casino Control Commission
Arcade Building
Tennessee Avenue and Boardwalk
Atlantic City, NJ 08401
(609) 441-3422
www.state.nj.us/casinos*

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