

**CASINO REINVESTMENT
DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 1991 AND 1990**

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

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DECEMBER 31, 1991 AND 1990

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A Professional Corporation
Certified Public Accountants & Consultants



INDEPENDENT AUDITORS' REPORT

Chairman and Members of the Board
Casino Reinvestment Development Authority
Atlantic City, New Jersey:

We have audited the accompanying balance sheet of the Casino Reinvestment Development Authority (the "CRDA") as of December 31, 1991 and the related statements of revenues, expenses and changes in fund equity and of cash flows for the year then ended. These financial statements are the responsibility of CRDA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of CRDA for the year ended December 31, 1990 were audited by other auditors whose report dated January 11, 1991, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our 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.

In our opinion, the 1991 financial statements referred to above present fairly, in all material respects, the financial position of CRDA at December 31, 1991 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Withum, Smith & Brown

January 17, 1992

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MEMBER OF NEXIA INTERNATIONAL, A WORLDWIDE NETWORK OF INDEPENDENT ACCOUNTING FIRMS
OTHER OFFICES: PRINCETON - SOMERVILLE - NEW BRUNSWICK - RED BANK

BALANCE SHEET
DECEMBER 31, 1991

	<u>Notes</u>	<u>Operating Fund</u>	<u>Reinvestment Fund</u>	<u>Development Fund</u>
ASSETS				
Cash and cash equivalents	3	\$17,772,803	\$130,501,382	\$ 1,881,045
Receivables:				
Current obligations	5	--	5,455,503	--
Prior obligations	5	--	13,031,558	--
Notes (net)	4,14	--	--	27,209,281
Interest		1,243,900	--	387,710
Other		333,644	--	500
Escrowed funds	11	75,206	--	--
Real estate held for resale	11	2,346,200	--	9,374,396
Fixed assets (net)	2	106,182	--	--
		<u>\$21,877,935</u>	<u>\$148,988,443</u>	<u>\$38,852,932</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable and accrued liabilities		\$ 329,260	\$ --	\$ --
Interest payable		--	1,806,916	586,286
Obligation and donated deposits	7,8,9	--	128,694,466	--
Accrued investment obligations	5	--	5,455,503	--
Deferred investment obligations	5	--	13,031,558	--
Bonds payable (net)	6,14	--	--	27,948,862
Other		--	--	846,543
Total Liabilities		<u>329,260</u>	<u>148,988,443</u>	<u>29,381,691</u>
Fund equity - unrestricted:				
Reserve for:				
Indemnification	10	1,000,000	--	--
Land banking	11	6,538,110	--	--
Demolition program	12	3,000,000	--	--
ACMC Trauma Center	13	1,012,497	--	--
Unreserved fund equity - retained earnings		9,998,068	--	9,471,241
Total Fund Equity		<u>21,548,675</u>	<u>--</u>	<u>9,471,241</u>
		<u>\$21,877,935</u>	<u>\$148,988,443</u>	<u>\$38,852,932</u>

See independent auditors' report and notes to financial statements

CASINO REINVESTMENT DEVELOPMENT AUTHORITY
BALANCE SHEET
DECEMBER 31, 1990

	<u>Notes</u>	<u>Operating Fund</u>	<u>Reinvestment Fund</u>	<u>Development Fund</u>
ASSETS				
Cash and cash equivalents	3	\$13,197,689	\$126,736,692	\$ 1,328,451
Receivables:				
Current obligations	5	--	3,713,310	--
Prior obligations	5	--	10,781,558	--
Notes	4	--	--	28,111,944
Interest		1,811,296	--	353,380
Other		312,855	--	--
Escrowed funds	11	75,206	--	--
Real estate held for resale	11	765,026	--	4,646,477
Fixed assets (net)	2	108,896	--	--
		<u>\$16,270,968</u>	<u>\$141,231,560</u>	<u>\$34,440,252</u>
TOTAL ASSETS				
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable and accrued liabilities		\$ 269,147	\$ --	\$ --
Interest payable		--	2,519,832	491,171
Obligation and donated deposits	7,8,9	--	124,216,860	--
Accrued investment obligations	5	--	3,713,310	--
Deferred investment obligations	5	--	10,781,558	--
Bonds payable	6	--	--	28,787,429
Other		--	--	460,299
Total Liabilities		<u>269,147</u>	<u>141,231,560</u>	<u>29,738,899</u>
Fund equity - unrestricted:				
Reserve for:				
Indemnification	10	1,000,000	--	--
Land banking	11	4,119,284	--	--
Unreserved fund equity - retained earnings		<u>10,882,537</u>	--	<u>4,701,353</u>
Total Fund Equity		<u>16,001,821</u>	--	<u>4,701,353</u>
		<u>\$16,270,968</u>	<u>\$141,231,560</u>	<u>\$34,440,252</u>
TOTAL LIABILITIES AND FUND EQUITY				

See independent auditors' report and notes to financial statements

CASINO REINVESTMENT DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1991 and 1990

	<u>Note</u>	<u>Operating Fund</u>		<u>Development Fund</u>	
		1991	1990	1991	1990
REVENUES:					
Interest	2	\$ 6,449,109	\$ 7,808,504	\$ 1,290,026	\$ 1,776,116
Grant	2	--	--	5,326,308	4,646,477
Project processing and other fees		829,460	242,177	--	--
Other income		<u>3,009</u>	<u>18,038</u>	<u>19,165</u>	<u>13,820</u>
Total Revenues		<u>7,281,578</u>	<u>8,068,719</u>	<u>6,635,499</u>	<u>6,436,413</u>
EXPENSES:					
Salaries and benefits		971,588	941,137	--	--
Professional services		568,952	501,786	--	--
General and administrative		194,184	173,115	--	--
Interest		--	--	1,229,235	1,716,696
Program costs		--	--	545,972	--
Other		--	--	<u>90,404</u>	<u>53,580</u>
Total Expenses		<u>1,734,724</u>	<u>1,616,038</u>	<u>1,865,611</u>	<u>1,770,276</u>
EXCESS OF REVENUES OVER EXPENSES		5,546,854	6,452,681	4,769,888	4,666,137
FUND EQUITY, BEGINNING OF YEAR		<u>16,001,821</u>	<u>9,549,140</u>	<u>4,701,353</u>	<u>35,216</u>
FUND EQUITY, END OF YEAR		<u>\$21,548,675</u>	<u>\$16,001,821</u>	<u>\$ 9,471,241</u>	<u>\$ 4,701,353</u>

See independent auditors' report and notes to financial statements

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1991**

	<u>Operating Fund</u>	<u>Reinvestment Fund</u>	<u>Development Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 5,546,854	\$ --	\$ 4,769,888
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	32,235	--	--
Accrued interest income	--	--	(387,710)
Accrued interest expense	--	--	586,286
Other liabilities	--	--	413,507
Cash provided by (used for) changes in:			
Interest receivable	567,396	--	--
Other receivables	(20,789)	--	--
Accounts payable and accrued liabilities	60,113	--	--
Net Cash Provided by Operating Activities	<u>6,185,809</u>	<u>--</u>	<u>5,381,971</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Obligation deposits due	--	34,688,886	--
Less:			
Donation credits	--	(14,961,887)	--
Direct investment credits	--	(2,717,254)	--
Net cash received from obligation deposits due	--	17,009,745	--
Collection of interest	--	7,769,862	353,763
Collection of notes receivable	--	--	64,096
	--	24,779,607	417,859
Issuance of bonds	--	(2,391,433)	2,391,433
Payment of interest	--	(8,482,778)	(519,317)
Donation disbursements	--	(1,412,743)	--
Direct investment returns	--	(3,224,435)	--
Donation credit returns	--	(183,686)	--
Purchase of land and related interfund transfers	(1,581,174)	(4,773,870)	(4,727,919)
Payment of processing fee	--	(545,972)	--
Purchase of fixed assets	(29,521)	--	--
Loan disbursements	--	--	(2,391,433)
Net Cash Provided by (Used in) Investing Activities	<u>(1,610,695)</u>	<u>3,764,690</u>	<u>(4,829,377)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	4,575,114	3,764,690	552,594
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>13,197,689</u>	<u>126,736,692</u>	<u>1,328,451</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 17,772,803</u>	<u>\$130,501,382</u>	<u>\$ 1,881,045</u>

See independent auditors' report and notes to financial statements

CASINO REINVESTMENT DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1990

	<u>Operating Fund</u>	<u>Reinvestment Fund</u>	<u>Development Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 6,452,681	\$ --	\$ 4,666,137
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	27,808	--	--
Accrued interest income	--	--	(353,380)
Accrued interest expense	--	--	491,171
Other liabilities	--	--	(2,090,271)
Cash provided by (used for) changes in:			
Interest receivable	(443,256)	--	--
Other receivables	153,332	--	--
Accounts payable and accrued liabilities	41,775	--	--
Net Cash Provided by Operating Activities	<u>6,232,340</u>	<u>--</u>	<u>2,713,657</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Obligation deposits due	--	33,459,502	--
Less:			
Donation credits	--	(12,307,919)	--
Direct investment credits	--	(2,806,022)	--
Net cash received from obligation deposits due	--	18,345,561	--
Collection of interest	--	10,206,462	340,704
Collection of notes receivable	--	--	74,025
	--	28,552,023	414,729
Issuance of bonds	--	(1,764,794)	1,764,794
Payment of interest	--	(10,600,787)	(463,237)
Donation disbursements	--	(5,278,500)	--
Direct investment returns	--	(12,349,886)	--
Donation credit returns	--	(31,520)	--
Purchase of land and related interfund transfers	(3,807)	(4,646,477)	(4,646,477)
Purchase of fixed assets	(29,006)	--	--
Loan disbursements	--	--	(1,764,794)
Net Cash Provided by (Used in) Investing Activities	<u>(32,813)</u>	<u>(6,119,941)</u>	<u>(4,694,985)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,199,527	(6,119,941)	(1,981,328)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,998,162</u>	<u>132,856,633</u>	<u>3,309,779</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 13,197,689</u>	<u>\$126,736,692</u>	<u>\$ 1,328,451</u>

See independent auditors' report and notes to financial statements

**CASINO REINVESTMENT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990**

1. ORGANIZATION

The New Jersey Casino Reinvestment Development Authority (CRDA) was created pursuant to Chapter 218 of P.L. 1984, effective December 19, 1984. Under the law, licensees (casinos) are required to either pay 2.5% of their gross revenues as a tax or to invest 1.25% of their gross revenues in bonds of CRDA. The bond proceeds are used to finance projects, approved by CRDA, in Atlantic City, South Jersey and North Jersey. CRDA may also approve licensees' direct investments in projects or donations to CRDA that may be used to satisfy the licensees' investment obligations.

CRDA is governed by a board of twelve members appointed as follows:

Voting Members:

Seven members appointed by the Governor with the advise and consent of the State Senate.

One member appointed by the Governor upon the recommendation of the President of the State Senate.

One member appointed by the Governor upon the recommendation of the Speaker of the General Assembly.

One member of the Casino Control Commission appointed by the Governor.

The Mayor of Atlantic City.

Nonvoting Member:

The State Treasurer.

CRDA as created pursuant to law is empowered to:

- o Maintain public confidence in the casino gaming industry as a unique tool of urban redevelopment for the City of Atlantic City and to directly facilitate the redevelopment of blighted areas throughout the State by providing eligible projects in which licensees may invest.
- o Provide loans and other financial assistance for the planning, acquisition, construction and rehabilitation of housing, recreation, transportation, education and community service facilities to provide decent, safe and sanitary living conditions for persons of low, moderate, median and middle incomes.
- o Assist in financing buildings, infrastructure and other property to increase opportunities in manufacturing, industrial, commercial, entertainment, and service enterprises to induce and accelerate opportunity for employment in those enterprises.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990

1. ORGANIZATION (CONTINUED)

- o Promote the tourist industry in the State, especially in Atlantic County.
- o Encourage investment in, or financing of, projects which are made as part of a comprehensive plan to improve blighted areas in the State or areas that are targeted to benefit low through middle income state residents.

CRDA is established in, but not of, the Department of the Treasury of the State of New Jersey and is a component unit of the State of New Jersey for financial reporting purposes.

The State Treasurer is required to approve all CRDA bond resolutions, investments and the annual operating budget.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared in conformance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the Financial Accounting Standards Board. The accounts of CRDA are organized on the basis of funds, each of which is defined as a separate accounting entity. The funds utilized are as follows:

- o Operating Fund is used to account for all administrative and general transactions relating to the general operations of CRDA. Revenues are derived from one-third of the interest earned on the investment obligations received by CRDA from the licensees prior to the issuance of bonds, from project processing and administrative fees collected for the administration of CRDA loans, and from the interest earned on donations received by CRDA.
- o Reinvestment Fund is used to account for the receipt of the investment obligations and donated obligations from licensees which are available to finance projects. Investment obligations and donated obligations are held in this fund until bonds have been issued, direct investment payments have been made for approved projects, or donated funds have been expended. Two-thirds of all interest earned on investment obligations held in the Reinvestment Fund is due to the licensees and one-third is due to the Operating Fund. All interest earned on donated obligations is also due to the Operating Fund.
- o Development Fund is used to account for all project financing from investment obligations and the corresponding loans receivable from those projects. It is also used to account for project grants that have not yet been disbursed for projects. All bonds included in the Development Fund are nonrecourse obligations of CRDA. Donated obligations are recognized as grant income when expended for approved projects.

Basis of Accounting-The accompanying financial statements have been prepared on the accrual basis. Separate accounts are maintained for each major fund, with all financial transactions recorded and reported by fund group.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets - Fixed assets, consisting primarily of furniture and equipment, are carried at cost less accumulated depreciation of \$102,010 and \$69,774 at December 31, 1991 and 1990, respectively. CRDA depreciates its assets using the straight-line method over their estimated useful lives, generally 7 years for office equipment, furniture and fixtures, 5 years for computer equipment, and 10 years for leasehold improvements.

Reclassifications - Certain amounts previously reported in the December 31, 1990 financial statements have been reclassified to conform with the December 31, 1991 presentation.

3. CASH AND CASH EQUIVALENTS

The "Securities Purchase Contract" between CRDA and the licensees prescribes the type of investments allowed in the Reinvestment Fund. The "Securities Purchase Contract" requires that all investments be as follows:

- o Direct obligations of or obligations unconditionally guaranteed by the United States or direct obligations of or obligations unconditionally guaranteed by any state of the United States. If the latter is chosen, the securities must be rated in any of the two highest rating categories by a nationally recognized rating service.
- o Repurchase agreements that are collateralized by direct obligations of or obligations unconditionally guaranteed by the United States. The collateral must have a market value at all times equal to the repurchase price, and must be perfected for the benefit of CRDA.
- o Units of the New Jersey Cash Management Fund, invested by the State Division of Investments, consisting of short-term obligations of the U.S. Government and certain of its agencies, commercial paper, certificates of deposit, repurchase agreements and bankers' acceptances.
- o Certificates of deposit issued by a bank, trust company, national banking association, savings and loan association or other financial institution that is fully and continuously secured by direct obligations of, or obligations unconditionally guaranteed by the United States. The securities underlying the certificates of deposit must have a market value at all times equal to the principal amount of such certificates of deposit, and must be held in such a manner as may be required to provide a perfected security interest for the benefit of CRDA.

As of December 31, 1991 and 1990 all cash and cash equivalents held in the Reinvestment Fund by CRDA were in compliance with the requirements of the "Securities Purchase Contract".

Substantially all cash and cash equivalents held at December 31, 1991 and 1990 were invested in the New Jersey Cash Management Fund.

For the purpose of the statement of cash flows, management considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**CASINO REINVESTMENT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990**

4. NOTES RECEIVABLE

Notes receivable consist of loans with terms varying from 23 to 40 years at interest rates varying between 6.0% and 8.5%.

5. INVESTMENT OBLIGATIONS

- A. Obligations collected from licensees are held in the Reinvestment Fund until projects are approved by CRDA's Board of Directors. At that time, they are used for the purpose of purchasing bonds issued by CRDA for financing approved projects, disbursing licensees' obligations for approved direct investment projects, financing approved projects with donated obligations, or purchasing bonds of the New Jersey Development Authority.
- B. Current obligations represent amounts incurred by licensees under CRDA statute and are based upon 1.25% of their gross revenues. Payments are due quarterly on April 15, July 15, October 15, and January 15, for the preceding quarter.
- C. Prior obligations represent amounts incurred by licensees operating prior to the establishment of CRDA in 1984 and are based upon 2% of their gross revenues. As of December 31, 1991, all licensees have made payments of obligations accrued prior to January 1, 1984 with the exception of Resorts International Hotel, Inc. (Resorts) and Bally's Park Place. For financial reporting purposes, amounts outstanding are recorded as deferred investment obligations.
- D. Resorts has claimed a direct investment credit for the Pinnacle and Country Place housing projects in Atlantic County completed prior to the creation of CRDA. Casino obligations during this time period are restricted to housing and housing related projects. Due to its claim, Resorts has not made full obligation payments for the years 1980 to 1983 for a total of \$10,781,558.

The Casino Control Commission, which had jurisdiction over these projects, granted project approval subject to an audit by the State Treasurer to determine the actual amount of eligible credit. The State Treasurer is in the process of finalizing that audit. At present, Resorts has not been presented with a final determination letter as to the amount of eligible credit. In the event that direct investment credit for such amount is not approved, CRDA believes that Resorts will be obligated to make payments for such amounts according to law.

- E. During 1991, Bally's Park Place concluded negotiations with the State Treasurer and agreed to a settlement as follows:

Payments for investments or donations to be paid over the next six years	\$2,250,000
Guaranties on primary residence mortgages in Atlantic City	\$2,000,000

The first annual installment of \$300,000 was paid by Bally's Park Place on January 10, 1992.

**CASINO REINVESTMENT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990**

6. BONDS PAYABLE

Bonds payable consist of bonds issued by CRDA to licensees with terms varying from 42 to 50 years at interest rates varying between 6.0% and 7.0%.

7. PROJECT AND DIRECT INVESTMENT COMMITMENTS AND DISBURSEMENTS

A. During 1991, CRDA committed approximately \$20.8 million in current and future CRDA obligations to finance direct investment and other projects. During 1990, CRDA committed approximately \$37.2 million.

As of December 31, 1991, CRDA had made cumulative commitments and disbursements as follows:

<u>Project</u>	<u>Commitments</u>	<u>DISBURSEMENTS</u>		
		<u>Bonds</u>	<u>Direct Investment</u>	<u>Donated Obligations</u>
Atlantic City:				
Northwest Inlet Housing	\$ 3,307,100	\$ 2,258,005		
Vermont Plaza Housing	21,000,000	21,000,000		
Caesars Regency & Victorian Court Housing	38,245,054		\$37,217,876	
Caesars Victorian Court II Housing	2,620,242		2,445,332	
Harrahs Northeast Inlet Phase I Housing & Commercial Retail	52,979,970		27,555,923	\$ 1,075,115
Bally's Park Place Jacobs Family Terrace Housing	12,464,843	3,002,593	8,974,959	
Landmark Group Housing Rehabilitation	880,000	880,000		
Northeast Inlet Redevelopment Plan Housing & Economic Development	35,664,852			
New Hampshire Avenue Widening	8,798,151			5,866,710
Caesars Atlantic City Demolition	3,000,000			
Hovnanian Society Hill I Housing	27,969,572			715,610
Dockside Clam Packing Company Economic Development	253,260			
Caesars Atlantic City Alternate Bond	2,000,000			
Martin Luther King Jr. Boulevard Widening	1,700,000			
Northeast Inlet Land Banking	3,383,998			3,383,998
Sub-Total	214,267,042	27,140,598	76,194,090	11,041,433

**CASINO REINVESTMENT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990**

7. PROJECT AND DIRECT INVESTMENT COMMITMENTS AND DISBURSEMENTS (CONTINUED)

Sub-Total from Previous Page	214,267,042	27,140,598	76,194,090	11,041,433
South Jersey:				
Burlington County Community Action Program Housing Rehabilitation/Pemberton Association of Retarded Citizens Administration & Training Facility/Lakewood	350,000	96,738		
Serendipity Supermarket/ Willingboro	516,029	516,029		
YMCA Recreational Facility/ Hamilton Square	625,000	625,000		
Day Care Center/Lakewood	700,000	565,673		
General Electric Aerospace Research Facility/Camden	525,000	275,163		
L.G. Nester Building Housing Rehabilitation/Millville	1,932,496			
Atlantic City Medical Center Trauma Center/Atlantic City	1,000,000			
Roebing Complex Supermarket/ Trenton	1,787,503			
Municipal Loan Program Bond Reserve Fund	3,293,900			
	557,161	557,161		
North Jersey:				
Legal & Communication Building Parking Garage/Newark	900,000	900,000		
Children's Day Nursery Facility/ Passaic	502,500	502,500		
Recreation Center/West New York	478,727			
Mi Bandera Specialty Market/ Union City	724,419			
Vietnam Vets Memorial/HoImdel	<u>1,000,000</u>			<u>1,000,000</u>
Total	<u>\$229,159,777</u>	<u>\$31,178,862</u>	<u>\$76,194,090</u>	<u>\$12,041,433</u>

B. Harrahs, through its Northeast Inlet Phase I direct investment project, has accumulated a prepayment and prepayment discount carryforward of approximately \$14.7 million as of December 31, 1991 to be applied to future CRDA obligations due. The prepayment is a result of direct investment project expenditures in excess of obligations due.

**CASINO REINVESTMENT DEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990**

8. ALLOCATION OF OBLIGATION AND DONATION DEPOSITS

CRDA is required by a formula in the Statute to allocate obligations received to Atlantic City, South Jersey and North Jersey. CRDA is also required to set aside \$1,200,000 annually for the purpose of investing in obligations of the New Jersey Development Authority (NJDA). As of December 31, 1991 and 1990, CRDA has allocated obligation and donation deposits as follows:

	<u>1991</u>	<u>1990</u>
Obligation Deposits by Area:		
Atlantic City	\$ 43,673,330	\$ 35,666,445
South Jersey	6,520,539	7,989,273
North Jersey	4,496,019	4,521,404
NJDA	2,754,212	2,844,110
Donation Deposits by Area:		
Atlantic City	67,993,367	73,195,628
South Jersey	<u>3,256,999</u>	<u>--</u>
Total	<u>\$128,694,466</u>	<u>\$124,216,860</u>

**CASINO REINVESTMENT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990**

9. DONATED OBLIGATIONS

Certain licensees have petitioned to donate obligations to CRDA and NJDA in lieu of purchasing bonds. CRDA and NJDA accepted the donations in accordance with N.J.S.A. 5:12-177 and granted credit against the present or future obligation to purchase bonds. CRDA committed donations received to the implementation of the Northeast Inlet Redevelopment Plan and the Land Banking Program. Current and prior donated amounts and the amount of credit to be applied against future obligations as of December 31, 1991 as well as the amount of donation credits returned to the licensees during 1991 are as follows:

	<u>Donated Amounts</u>	<u>Future Credit</u>	<u>Donation Credits Returned</u>
Atlantic City:			
Atlantis	\$ 5,545,803		
Bally's Grand & Park Place	22,713,156	\$2,640,880	
Claridge	6,658,968	832,139	
Resorts	12,048,465		
Sands	9,643,666	520,318	
Trump Castle, Plaza & Taj Mahal	21,559,775	909,986	
South Jersey:			
Caesar's	1,324,503		
Harrah's	1,092,700	240,197	\$ 87,820
Sands	839,796	166,118	71,324
North Jersey:			
Caesar's	1,000,000	706,281	
NJDA:			
Atlantis	216,985		
Bally's Grand	854,875	375,102	
Bally's Park Place	912,594	378,951	
Caesar's	755,800	354,268	
Claridge	429,358	145,417	
Harrah's	907,667	371,794	
Sands	649,751	203,339	
Showboat	235,789		
Trump Castle	<u>524,703</u>	<u>206,261</u>	<u>24,542</u>
TOTAL	<u>\$87,914,354</u>	<u>\$8,051,051</u>	<u>\$183,686</u>

10. DIRECTORS AND OFFICERS LIABILITY INSURANCE

On August 8, 1986, CRDA approved the establishment of a \$1,000,000 Indemnification Fund. In the event any amount of the Indemnification Fund is used for purposes for which it has been established, CRDA will replenish that amount from operating revenue but not more than \$250,000 per year. At December 31, 1991 and 1990, \$1,000,000 has been reserved in the Operating Fund.

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11. LAND BANKING

- A. Within the operating fund, CRDA has authorized the acquisition of land within the Northeast Inlet section of Atlantic City to facilitate the implementation of the Northeast Inlet Redevelopment Plan. CRDA has a balance of \$2,346,200 as of December 31, 1991 and \$765,026 as of December 31, 1990 of real estate held for resale to developers of future CRDA approved projects. CRDA had reserved \$9 million in 1991 and \$5 million in 1990 of its operating fund's unrestricted fund equity for such purpose. The amount available within reserved fund equity for land acquisition upon authorization by CRDA as of December 31, 1991 is \$6,538,110 and as of December 31, 1990 is \$4,119,284.
- B. As of December 31, 1991 and 1990, CRDA has escrowed funds totaling \$75,206 for the purchase of land in the Northeast Inlet section of Atlantic City. CRDA expects to complete the transactions and receive title to the land.
- C. During 1990, CRDA established the Land Banking Program and New Hampshire Avenue Widening Project in the Development Fund which are both funded by previously donated obligations. The Land Banking Program operates similarly to the program described in the Operating Fund. The New Hampshire Avenue Widening Project entails the purchase of land along New Hampshire Avenue in Atlantic City in order to widen the road as directed by the Northeast Inlet Redevelopment Plan. As of December 31, 1991, approximately \$9.2 million in land has been purchased by the Development Fund for Land Banking and the New Hampshire Avenue Widening Project.

A portion of the land acquired through the New Hampshire Avenue Widening Project will be dedicated (for a nominal sum) to the City of Atlantic City for roadway improvements. It is anticipated that this transaction will be completed in 1992 and result in a cost of land sold expense in the Development Fund. The remaining land will be retained by CRDA for future development.

12. DEMOLITION PROGRAM

During 1991, CRDA established the Atlantic City Demolition Program. A total of \$6 million is to be lent to the City of Atlantic City to demolish vacant and abandoned structures. Funding will be provided by a \$3 million interest free loan from the Operating Fund and a \$3 million loan from Caesar's CRDA obligations. The loans are to be repaid by Atlantic City from general tax revenues.

13. APMC TRAUMA CENTER

In 1991, CRDA committed a \$1,012,497 grant from its Operating Fund to the Atlantic City Medical Center for the construction of a trauma center. Sands is donating \$1,787,503 for a total of \$2.8 million.

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14. VERMONT PLAZA PROJECT

The Vermont Plaza Project consists of 165 high-rise and 36 low-rise apartment units financed by CRDA and other public entities. On April 1 and October 1, 1991, the Vermont Plaza Project was unable to make its full semi-annual interest payment on the \$21 million CRDA bonds used to finance the project. The short-fall was caused solely by investments in corporate bonds purchased with loan proceeds originally designed to assist in the debt service of the project. A portion of these corporate bonds have suspended interest payments due to a filing of corporate reorganization.

CRDA anticipates that future revenues from the project will enable the principal and accrued interest to be paid in full. Based on partial payments made by the borrower on the CRDA bond a valuation allowance of \$3,230,000 has been recorded in 1991 against the note receivable and bond payable in the Development Fund with the appropriate adjustments made to accrued loan interest income and bond interest expense in the amount of \$630,000.

15. PENSION

Effective June 1, 1990, all full-time employees and compensated board members of CRDA are required to participate in the New Jersey Public Employees' Retirement System (PERS), a cost-sharing, multiple employer, defined benefit plan administered by the State of New Jersey Division of Pensions. As of June 30, 1991, the date of the most current available information, total annual participating employee payroll covered by PERS was approximately \$6.4 billion of which CRDA's participating payroll represented approximately .01% (one hundredth of one percent).

The pension benefit obligation (a measure of the present value of pension benefits estimated to be payable in the future) for the PERS at June 30, 1991 was approximately \$13.7 billion. Assets available for benefits, at book value, were approximately \$9.2 billion leaving an unfunded pension benefit obligation of approximately \$4.5 billion. The PERS is not able to make a separate measurement of assets and pension benefit obligation for CRDA or any other participating employer.

16. FIDELITY BOND

CRDA has a \$100,000 Honesty Blanket Bond supplied by Pennsylvania National Mutual Casualty Insurance Company covering all of its employees.

17. BUDGETARY REQUIREMENTS

CRDA operates under a budget adopted by its Board. The annual operating budget is submitted by the last day of October of each year to the State Treasurer for approval.