

State of New Jersey
Casino Control Commission

2005 Annual Report

*The 2005 Annual Report of the
New Jersey Casino Control Commission
is submitted to the Governor and New Jersey Legislature.*



*Jon S. Corzine
Governor*

2005 COMMISSIONERS

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*Pictured left to right: Commissioner William T. Sommeling, Chair
Linda M. Kassekert, Commissioner Michael A. Fedorko,
Commissioner Michael C. Epps and Commissioner Ralph G. Frulio*

*Photographed by AC Photo, Linwood, New Jersey at the Richard Stockton College of New Jersey
Carnegie Library Center, Atlantic City, New Jersey.*

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MESSAGE FROM THE CHAIR

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The number of visitors to Atlantic City is at a record high with an increase in overnight stays and money expended. As a result, 2005, was a banner year for Atlantic City's casino industry. For the first time, the 12 casinos surpassed the \$5 billion mark in gaming profits

along with their best ever year for gross operating profits. This all translates to record taxes paid to the State of New Jersey to help support our seniors and people with disabilities.

Since I was appointed to the Commission in late 2002, casinos have completed more than \$2.5 billion of new construction or capital improvements. And as I look around Atlantic City, there is at least another \$1.5 billion of new construction underway with new hotel towers at the Borgata, Harrah's and Trump Taj Mahal. That is a phenomenal amount of investment in a very short time in a very small city. I am confident that there will be announcements in 2006 from existing casino operators and from potential new entrants about enormous new investments they want to make here as well. Clearly, Atlantic City is being transformed into a multi-faceted destination resort with visitors coming not only for gambling, but for the fine restaurants, the great shopping and entertainment for virtually every possible audience.

This unprecedented growth is occurring while Atlantic City's competition is expanding in every state that borders New Jersey. Slot machines have been installed at tracks all around New York State and should be at New York City area tracks within a year. Regulators in Pennsylvania hope to have slots at race tracks by the end of 2006. And the Delaware Legislature allowed tracks there to install

up to 1,500 additional machines each in 2006 and to remain open virtually around the clock.

With all this new and expanded competition why is Atlantic City flourishing? Because we work diligently to maintain a business-friendly environment – one in which casinos can thrive while also meeting New Jersey's strict standards for good character, honesty and integrity. We regularly review our statute, regulations and procedures to make certain that they make sense within a rapidly changing environment.

During 2005, we worked closely with the industry and the Division of Gaming Enforcement to draft legislation and made scores of regulatory changes that extended the terms of casino and employee licenses and allowed casinos to enter into revenue sharing agreements with other companies that are willing to make a significant equity investment in Atlantic City. Shortly after those changes were made, we started a new series of meetings to review scores of statutory and regulatory changes recommended by the industry. By the end of the year, we had adopted numerous regulatory changes and drafted a bill that was pending before the Legislature.

Through the efforts of our dedicated employees, the commission handled major licensing issues in 2005 dealing with mergers, acquisitions, reorganizations and other issues. Because of their dedication and professionalism, those issues were addressed efficiently and effectively and in a manner that maintained our high standards of integrity. I am proud that our agency has fulfilled its mission of assuring the public trust and confidence in the credibility and integrity of the casino industry while fostering an environment that supports growth now and into the future.

Linda M. Kassebaum

MEMBERS OF THE COMMISSION

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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 has 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 serves as the Commission's representative and member of the Casino Reinvestment Development Authority. She also holds board memberships on the American Red Cross Penn-Jersey Region and Cooper Hospital Health System. Chair Kassekert is the first woman to be appointed chair of the Commission. Her term expires in 2007.



Ralph G. Frulio
Vice Chair

Ralph G. Frulio was appointed to the New Jersey Casino Control Commission by Gov. James E. McGreevey and was sworn into office in May 2003. Commissioner Frulio served the remaining months of former Commissioner Diane M. Legreide's unexpired term. He became the first former Commission employee to rise through the ranks from an inspector in 1978 to become a commissioner in 2003. Prior to his employment with the Commission, Commissioner Frulio worked for the Federal Bureau of Investigation as part of the Anti-Racketeering Unit in New York City. He holds a masters degree in Public Administration from the University of Central Michigan and a bachelors degree in Political Science from Richard Stockton State College. Commissioner Frulio is also a veteran of the United States Air Force. In January 2004, he was sworn in as Commissioner for his own five-year term. His term expires in 2008.

"The Casino Control Commission administers the Casino Control Act and its regulations to assure the public trust and confidence in the credibility and integrity of the casino industry and casino operations. The Commission also supports the continued development of tourist and convention facilities in Atlantic City which contributes to the economic strength and viability of the tourist, convention and resort industry in the State of New Jersey."

- New Jersey Casino Control Commission Mission Statement (eff. 1/28/04)

Michael A. Fedorko was appointed to the New Jersey Casino Control Commission by Governor 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, the International Association of Chiefs of Police, Atlantic City/Mainland Chamber of Commerce, the New Jersey Committee for Employer Support of the Guard and Reserve and the Casino Reinvestment Development Authority. In May 2004, Commissioner Fedorko was re-nominated for another five year term by Gov. James E. McGreevey. His term expires in 2009.



*Michael A. Fedorko
Commissioner*

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. Commissioner Sommeling has more than 35 years of experience in law enforcement, including several positions in casino surveillance departments within the gaming 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. Commissioner Sommeling served as vice chair during 2004. In December 2005, Commissioner Sommeling was re-nominated for another five-year term by Governor Richard Codey. His term expires in 2010.



*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. Prior to 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 currently serves as commissioner on the Atlantic County Utilities Authority, is a member of the Advisory Board of the First Tee of Greater Atlantic City and serves on the Board of Directors of Atlantic City Special Improvement District and is a trustee of the Casino Law Section of the New Jersey Bar Association and is a member of Omega Psi Phi Fraternity, Inc. In January 2005, Commission members elected him vice chair. His term expires in 2006.



*Michael C. Epps
Commissioner*

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OPERATIONS OF THE COMMISSION

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Chief of Staff's Office

The Chief of Staff reports directly to the Chair. The primary responsibility of the Chief of Staff is to ensure that the Commission functions effectively. The Chief of Staff directs strategic planning, agency-wide policy development and the implementation of plans and policies. The Commission's budget process and all administrative matters for the division directors are also handled by the office.

The Public Information Officer reports directly to the Chief of Staff and is responsible for media relations for the Commission. Detailed information on the regulatory system, the casino industry and the impact of casino gaming on the City of Atlantic City and the state is provided through the Public Information Officer.

The Community and Employee Events Unit also reports to the Chief of Staff. This unit coordinates employee events, prepares publications for internal and external distribution and serves as liaison between the Commission and various community groups and non-profit organizations throughout Atlantic County.

The Chief of Staff's Office Year in Review:

- ▶ Wrote, edited and distributed the Commission's annual report information brochures and other publications;
- ▶ Distributed monthly and quarterly casino industry financial reports to approximately 100 subscribers;
- ▶ Posted monthly financial reports on the Commission's web site;
- ▶ Scanned copies of quarterly financial reports from earlier years so they could be distributed and stored electronically;
- ▶ Redesigned the Commission website to dramatically expand the amount of information available

on-line, including licensing, financial and compliance division forms and reports;

- ▶ Prepared various speeches and PowerPoint presentations for Commissioners to deliver to college classes, community groups, conferences, visiting officials and regulators from other jurisdictions and casino industry investors;

- ▶ Handled more than 2,000 inquiries from the news media, public officials, stock analysts, investment bankers, the general public and others about a wide range of topics dealing with the Commission, gaming and Atlantic City;

- ▶ Responded to requests filed pursuant to the Open Public Records Act for copies of public documents;

- ▶ Coordinated opportunities for people to sign up for the Self-Exclusion Program at off-site locations and continued distribution of information brochures about the program at casinos, conferences and treatment facilities.

- ▶ Organized two American Red Cross Blood Drives, the African-American Heritage Celebration, Family Night at the Atlantic City Surf, Employee Recognition events and Quality of Life Round-up.

The Office of the General Counsel/Legal Division is composed of three units: the Licensing Unit, the Compliance Unit and the Casino Licensing and Regulatory Affairs Unit, which includes the Administrative Practice Unit.

The Licensing Unit advises the Commission on the majority of the agency's contested cases.

The Compliance Unit is responsible for providing legal advice to the Commission and to the Operations and Inspection Units of the Compliance Division on matters relating to accounting and internal controls, gaming equipment, the rules of the games, and casino floor expansions.

The Casino Licensing and Regulatory Affairs Unit handles all casino licensing and renewals, and is the unit primarily responsible for regulatory review. The Administrative Practice Unit coordinates preparation of the public meeting agenda, notices and minutes, and access to public records.

The Office of the General Counsel/Legal Division's Year in Review:

- ▶ Participated in the drafting of legislative amendments which: extended the license terms of casino licensees, employee licensees and casino service industry enterprises; allowed casino licensees to enter limited revenue-sharing agreements with gaming-related casino service industry enterprises under certain circumstances; and permitted winners of annuity slot machine jackpots to assign or encumber their future jackpot payments upon approval by the Superior Court;

- ▶ Participated in a joint effort with the Division of Gaming Enforcement and casino licensees to identify statutory and regulatory changes that could make casino operations more efficient and effective without undermining the public's confidence in the

integrity of the regulatory process. Approximately half of the regulatory proposals suggested by casino licensees were accepted by the regulators and either have already been proposed for adoption or will be prepared for publication in the coming year. This review process also resulted in a joint legislative proposal that was pending before the Legislature at the end of 2005;

- ▶ Readopted three chapters of the Commission's regulations and supervised the adoption of 22 regulatory proposals involving 84 sections of the Commission's regulations. Some of the more significant regulatory proposals that were adopted: increased the monetary thresholds pursuant to which non-gaming casino service industry enterprises are requested to apply for licensure; created a new subchapter of rules governing the establishment and maintenance of casino computer systems; implemented recent statutory amendments by setting up a regulatory scheme for multi-casino progressive slot systems operated by a gaming-related casino service industry enterprise; and clarified and expanded the operations requirements applicable to the surveillance department of a casino licensee;

- ▶ Additional regulations drafted and adopted include regulations permitting coupons to be redeemed by gaming voucher systems; authorizing 13 new games and wagers; authorizing new gaming equipment; defining and regulating suspicious, unscanned and unverified gaming vouchers and authorizing non-cashable electronic credits, slot credits and coupons;

- ▶ Advised the Commission regarding the acquisition of Caesar's Entertainment, Inc. by Harrah's Entertainment, Inc., and assisted the Commission in the conduct of the related economic concentration hearing;

(continued on next page)

- ▶ Advised the Commission regarding the reorganization of Trump Hotel and Casino Resorts, Inc., now Trump Entertainment Resorts, Inc., and the related refinancing and qualification issues;
- ▶ Advised the Commission regarding consideration of the temporary and plenary qualification of 30 new holding company officers and directors, and over 50 requests for waiver of qualification;
- ▶ Advised the Commission during the renewal of the Borgata's casino license which was the first five-year license term;
- ▶ Assisted the Commission during proceedings regarding the issuance of an interim casino authorization to a Colony Capital affiliate that allowed it to purchase AC Hilton from Caesars Entertainment, including the affiliate's adoption of AC Hilton's Equal Employment and Business Opportunity Plan as its own;
- ▶ Reviewed and responded to 430 patron complaints, a number of which were referred to the Division of Gaming Enforcement for further investigation;
- ▶ Opened 923 new contested license and casino violations cases;
- ▶ Managed an average of 415 contested cases per month including conducting 11 hearings and closing 901 cases;
- ▶ Continued to maintain the official records of the Commission and responded to approximately 66 requests for information and/or documents under the Freedom of Information Act and the Open Public Records Act;
- ▶ Provided ethics training to Commission employees pursuant to Executive Order 41 issued by Governor Codey, which mandated that such training for employees of the state's Independent Authorities occur by the end of the year.

Division of Administration

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The Division of Administration encompasses four units: the Administrative Operations Unit, the Budget and Fiscal Office, the Human Resources Unit, and the Information Technology Unit.

The Administrative Operations Unit is the organizational hub of the Agency, and manages incoming and outgoing mail, transportation, central files, regulations processing, and all facilities operations.

The Budget and Fiscal Office oversees the Commission's annual budget, purchasing, and Agency fiscal operations services.

The Human Resources Unit is responsible for all personnel and employee services, including new hires, promotions, time and leave, and employee benefits and compensation.

The Information Technology Unit delivers Agency-wide technology services, including computer infrastructures, telecommunications, and eGovernment initiatives.

The Division Of Administration's Year in Review:

- ▶ Continued revision of agency-wide Policies and Procedures;
- ▶ Provided comprehensive Ethics and Workplace Violence training to all Agency personnel;
- ▶ Provided additional specialized education to Agency personnel, including AED/CPR, management and supervision, financial, and job-specific training;
- ▶ Continued enhancement of Agency Business Continuity Plan, including critical contact and emergency procedures;
- ▶ Completed reconciliation of the Agency's Outside Employment Database;

- ▶ Completed Agency's Job Description Compendium;
- ▶ Revised Agency Recruitment/Hire operating procedures;
- ▶ Accomplished physical plant upgrades, including interior and exterior refurbishment, HVAC enhancements, and security access control system improvements;
- ▶ Continuing efforts within the Division of Administration resulted in significant process improvements in purchasing functions and Agency-wide fiscal collaboration;
- ▶ Initiated the rollout of automated workflow processes to modernize internal Agency administrative systems;
- ▶ Supported legislative changes, industry requests and internal business process change through IT applications modifications;
- ▶ Implemented Agency spam filter, resulting in approximately 70% filtered email identified as spam;
- ▶ Upgraded communications links to critical state resources and the internet to provide redundancy and improve access speed;
- ▶ Completed installation of an internal SDS environment to enable in-house training;
- ▶ Established off-site disaster recovery capability to support mission-critical application recovery in the event of a disaster at the Atlantic City site.

The Division of Compliance consists of a Director's Office and two operating units – the Casino Operations Unit and the Inspection Unit. The Division of Compliance is the largest division in the Commission, comprising over half of the agency's work force.

The Casino Operations Unit is responsible for assuring that each casino licensee provides adequate internal controls over gaming operations and is in compliance with pertinent sections of the Casino Control Act and related regulations. The unit also reviews submissions seeking approval of new gaming equipment, new games and new rule options on existing games.

The Inspection Unit continues to be the most visible unit within the Commission; they are present in the casinos 24 hours a day, 7 days a week. The Principal Inspectors and Inspectors assigned to each casino ensure the integrity of casino operations by monitoring gaming activities and certifying all gaming revenue. In addition they assist patrons by taking their complaints and addressing any problems or concerns they may have.

The Division of Compliance's Year in Review:

- ▶ Reviewed more than 2,000 internal control submissions;
- ▶ Participated in the review and approval of internal controls for the Harrah's merger with Caesars Entertainment;
- ▶ Reviewed more than 25 submissions associated with the Resorts International acquisition of the Atlantic City Hilton;
- ▶ Reviewed new gaming equipment and internal controls associated with the opening of 3 new poker rooms and the internal controls for more than 30

poker gaming tournaments, many of them nationally televised, in conjunction with the continued popularity of this game;

- ▶ Participated in the approval of several new multi-level in-house progressive systems and the implementation of several new games and multi-casino linked progressive systems;
- ▶ Participated in the review of internal controls to permit several casinos to partition their computer systems to locate data in NJ from other jurisdictions in addition to reviewing information technology issues and problems as the industry continued to become more dependent on its computer systems;
- ▶ Participated in the industry's request for regulatory review and streamlining of several internal control processes.
- ▶ Began a review of server-based gaming in the preparation of promulgating new regulations in this area of emerging technology.

The Inspection Unit was involved in several major expansions taking place in the casinos during the year:

- ▶ The "House of Blues" opened at Showboat. This included new themed gaming space together with the House of Blues theater, the city's newest performance venue.
- ▶ Trump Marina also opened SKINZ, a new gaming venue in their marina deck area in time for the summer season.
- ▶ The Borgata is presently involved in an expansion monitored by the Inspection Unit which will increase their casino floor and add a new showroom plus additional restaurants and a new hotel tower by 2007.

(continued on next page)

- ▶ The AC Hilton also [opened expanded gaming areas including a new Asian Game pit, poker room and bar top slot area.](#)
- ▶ The Inspection Unit accepted and processed 282 complaints from gaming patrons;
- ▶ Principal Inspectors approved 1,489 gaming related submissions and petitions, including 348 certificate of operation amendments approvals; and
- ▶ Principal Inspectors, through authority delegated to the Director, authorized an additional 105 gaming tables and 47,597 sq ft of gaming space.

The Division of Financial Evaluation provides expert advice and consultation to the Commissioners on all matters of a financial/economic nature, collects all taxes and fees required by the Casino Control Act, and through its team of auditors, ensures the sufficiency of various tax payments to the Casino Revenue Fund.

The division consists of three units; the Audit Unit, the Financial Evaluation Unit and the Revenue Unit. Working as a team, these three units provide oversight to over \$500 million in casino related revenues to the State of New Jersey.

The Division of Financial Evaluation's Year in Review:

- ▶ Collected \$388.7 million in Gross Revenue Tax used to fund programs that benefit the aged and disabled residents of the state; \$79.5 million in casino related taxes that were deposited to the Casino Revenue Fund; \$64.1 million in licensing fees paid by the industry to fund the operations of the Casino Control Commission and Division of Gaming Enforcement; and \$494,509 in Commission imposed fines that were deposited to the General Fund to provide funding for the Council on Compulsive Gambling;
- ▶ Facilitated the reporting of 416 past multi-casino annuity jackpot winners to the New Jersey Department of Human Services for the potential set-off of child support arrearages;
- ▶ Completed tax examinations to certify gross revenue, including adapting the audit program to take into account revised regulations and internal control procedures;
- ▶ Participated in the approval process for a new CSI to offer wide area progressive slot systems.

There are now three slot operators approved for such systems;

- ▶ Involved in the wish list review requested by the industry for regulatory reform, which resulted in a significant reduction to the record retention period for gaming vouchers;
- ▶ Reviewed 85 notices of document destruction and approved one petition for an off-site storage facility and one petition for an electronic record storage system;
- ▶ Completed the required agency annual internal control review resulting in a clean audit report to OMB;
- ▶ Analyzed the financial and the undue economic concentration issues surrounding Harrah's Entertainment's acquisition of Caesars Entertainment;
- ▶ Evaluated the Trump Entertainment Chapter 11 Bankruptcy restructuring and Colony Capital's acquisition of AC Hilton;
- ▶ Undertook a full financial stability review of Borgata in conjunction with the first five-year casino license ever granted under recent changes to the Casino Control Act;
- ▶ Implemented electronic filing of the Monthly Gross Revenue Tax returns.

Division of Licensing

The Division of Licensing, which consists of four operating units, manages all aspects of casino employee and business enterprise licensing and casino hotel alcoholic beverage licensing.

The Employee License Unit is responsible for the licensing and registration of casino employees.

The Enterprise License Unit oversees the licensing of gaming and non-gaming related casino service industries and junket enterprises and the registration of vendors and labor organizations.

The Support Services Unit provides application support services to Division of Licensing staff and is the main repository for all active license application files processed by the Division of Licensing.

The Director's Office administers the division's daily operations and all aspects of casino hotel alcoholic beverage licensing.

The Division of Licensing's Year in Review:

- ▶ Processed more than 8,500 applications for initial and renewed employee licenses and registrations;
- ▶ Oversaw the employment of approximately 47,000 people in Atlantic City casinos hotels;
- ▶ Authorized the service of alcoholic beverages by casino hotel alcoholic beverage licensees at 14 beach bars and Boardwalk locations as well as at 11 other special events during the summer;
- ▶ Maintained approximately 49,000 active casino employee and business enterprise license application files;
- ▶ Addressed more than 9,500 revisions to Atlantic City casino licensees' jobs compendia and tables of organization including modifications to organiza-

tional structures initiated by Harrah's Entertainment, Inc.'s acquisition of Bally's Atlantic City and Caesars Atlantic City and Resorts International Holdings, LLC's acquisition of Atlantic City Hilton;

- ▶ Implemented a legislative amendment increasing the license terms for initial and renewed casino employee and business enterprise licenses;
- ▶ Implemented a regulatory amendment revising and increasing the financial thresholds for filing non-gaming casino service industry and junket enterprise license applications;
- ▶ Participated in the bidding process to modernize the enterprise registration and licensing database through the redesign and relocation of the database to an in-house application.

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. The office provides Equal Employment orientation sessions to all new employees to make them aware of the State and Commission policies and procedures. All employees are also required to undertake sexual harassment training and pass the required test as part of their orientation.

The Affirmative Action Officer's Year in Review:

- ▶ Monitored employment and promotional activity at the Commission including the hiring and EEO/AA policy orientation of 20 new employees of whom seven (35%) were female and seven (35%) were minority and the promotions of 34 employees of whom 20 (59%) were female and 10 (29%) were minority; and
- ▶ Participated in 13 career fairs throughout New Jersey, speaking to approximately 1,375 individuals who are interested in considering careers with the Commission.

New Jersey

Casino Control Commission EMPLOYEE RECOGNITION AWARDS



*Cynthia Davis
Division of Compliance
Inspection Unit*

2005 Sandra Donahue Employee Recognition Award



*Jack Plunkett
Division of Compliance
Operations Unit
State of New Jersey
Public Service
Longevity Award*

*Bruce Band
Division of Compliance
Inspection Unit
State of New Jersey
Public Service
Longevity Award*



COMMISSION STATISTICS



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NEW JERSEY CASINO INDUSTRY EMPLOYMENT STATISTICS

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FOR THE FOUR YEARS ENDED DECEMBER 31, 2005

	2005	2004	2003	2002
AC Hilton	2,880	3,089	3,233	3,298
Bally's Atlantic City	6,127	6,866	7,166	5,672
Borgata ¹	5,937	5,548	5,076	n/a
Caesars	3,943	4,220	4,399	4,803
Claridge ²	n/a	n/a	n/a	2,220
Harrah's Marina	2,945	2,886	3,033	3,259
Resorts	2,926	2,840	2,815	3,066
Sands	1,963	2,095	2,221	2,511
Showboat	2,748	2,707	3,052	3,176
Tropicana	5,142	5,044	4,490	4,739
Trump Marina	2,395	2,550	2,742	3,016
Trump Plaza	2,850	2,920	3,073	3,512
Trump Taj Mahal	4,686	4,736	4,859	5,548
TOTALS	44,542	45,501	46,159	44,820

NEW JERSEY CASINO INDUSTRY SALARIES AND WAGES

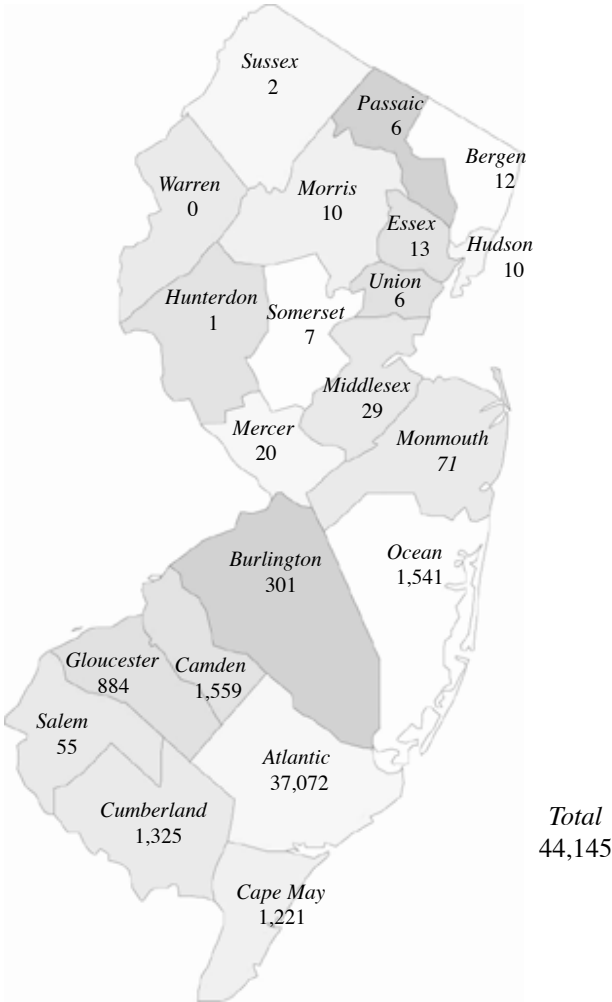
FOR THE FOUR YEARS ENDED DECEMBER 31, 2005 (\$ IN THOUSANDS)

	2005	2004	2003	2002
AC Hilton	\$ 78,007	\$ 81,847	\$ 84,243	\$ 85,252
Bally's Atlantic City	161,050	174,982	181,890	138,920
Borgata	128,292	120,929	61,627	n/a
Caesars	102,559	105,313	110,748	116,560
Claridge	n/a	n/a	n/a	54,726
Harrah's Marina	77,062	78,610	82,635	83,450
Resorts	67,226	69,742	69,171	72,943
Sands	51,074	51,696	55,102	62,094
Showboat	75,498	74,195	80,252	80,174
Tropicana	106,624	95,689	94,600	101,174
Trump Marina	66,005	69,207	73,737	77,153
Trump Plaza	76,262	78,089	82,595	86,116
Trump Taj Mahal	121,316	123,973	130,100	136,713
TOTALS	\$ 1,110,975	\$ 1,124,272	\$ 1,106,700	\$ 1,095,275

¹ Borgata opened in July of 2003.

² Bally's Skyscraper Inc., t/a Claridge Casino Hotel merged with and into Bally's Atlantic City in December of 2002.

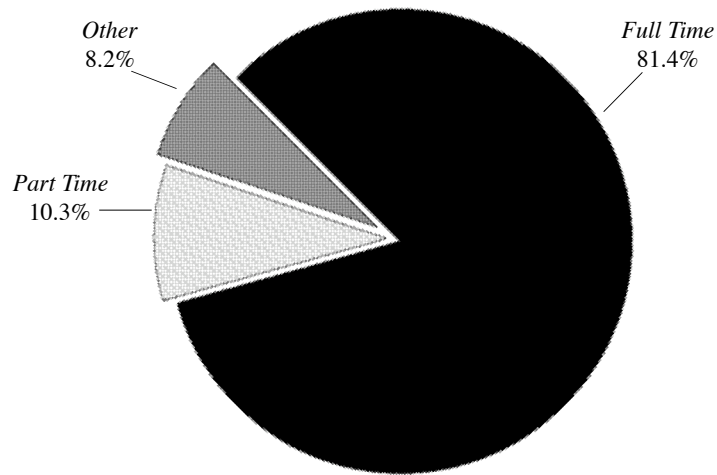
EMPLOYMENT BY ATLANTIC CITY CASINO LICENSEES BY COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2008



Approximately 397 individuals are employed in the casino industry but live outside of New Jersey.

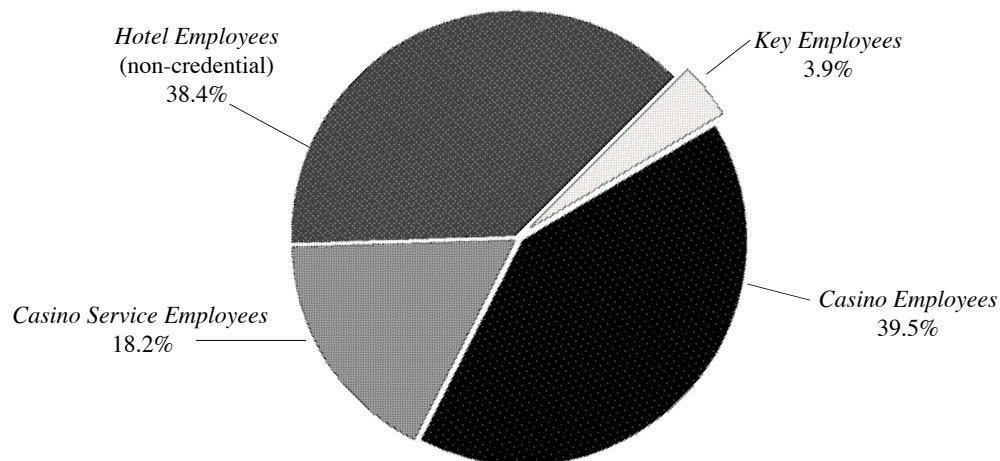
NEW JERSEY CASINO INDUSTRY BY TYPE OF EMPLOYMENT

FOR THE YEAR ENDED DECEMBER 31, 2005



NEW JERSEY CASINO INDUSTRY EMPLOYMENT BY LICENSE CATEGORY

FOR THE YEAR ENDED DECEMBER 31, 2005



The difference between the Employment by License Category total of 43,826 and the total New Jersey Casino Employment total of 44,542 found elsewhere is 716. The difference is due to incomplete or missing information from the casino industry during the transfer of employment information to the Commission. The incomplete information does not allow us to determine the license category.

EMPLOYEE LICENSE AND REGISTRATION APPLICATIONS ACCEPTED AND ISSUED
 FOR THE YEAR ENDED DECEMBER 31, 2005

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Casino Key Employees:

Applications Filed	205
Licenses Issued	172

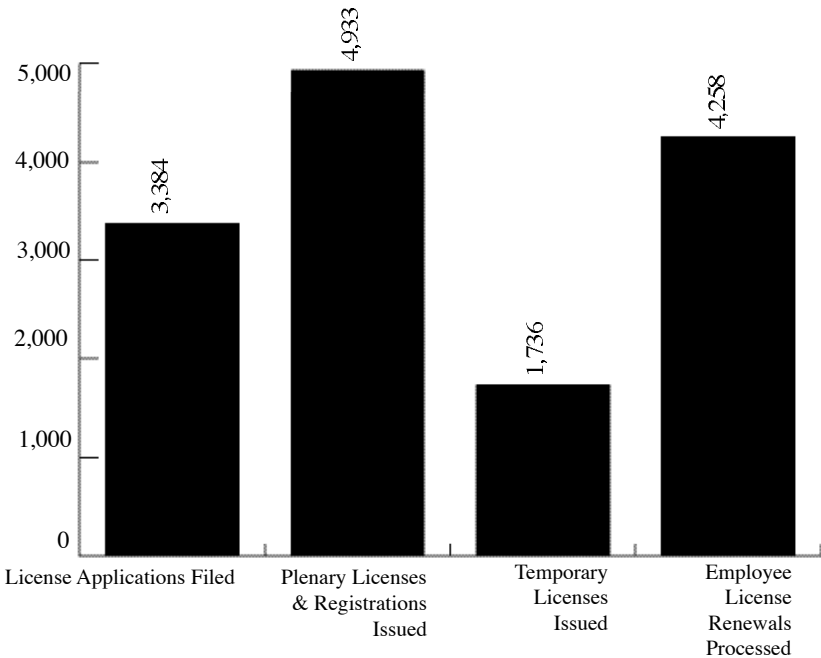
Casino Employees:

Applications Filed	3,179
Licenses Issued	3,008

Casino Service Employees:

Registrations Issued	1,753
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TOTAL EMPLOYEE LICENSE AND REGISTRATION APPLICATIONS ACCEPTED AND ISSUED
 FOR THE YEAR ENDED DECEMBER 31, 2005



NEW JERSEY CASINO INDUSTRY GROSS REVENUE STATISTICS

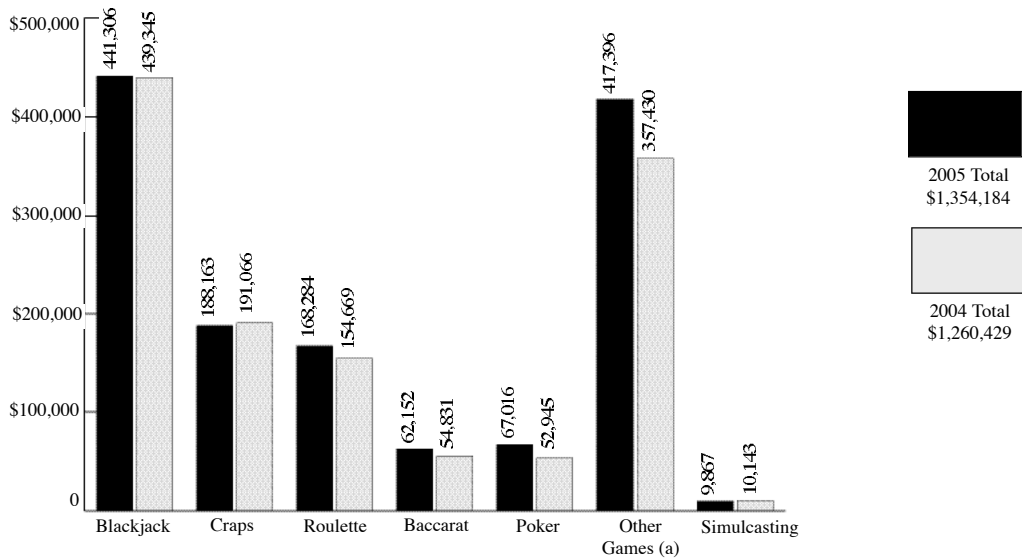
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004. You are viewing an archived copy from the New Jersey State Library.

<i>Casino Hotel</i>	<i>Casino Win</i>	<i>Daily Average Casino Win</i>	<i>Recovery of Uncollectibles</i>	<i>Gross Revenue</i>	<i>Tax</i>	<i>Market Share of Casino Win</i>
AC Hilton						
2005	\$ 289,415	\$ 793	\$ -	\$ 289,415	\$ 23,153	5.8%
2004	\$ 295,433	\$ 807	\$ -	\$295,433	\$ 23,635	6.1%
Bally's Atlantic City						
2005	645,634	1,769	-	645,634	51,651	12.9%
2004	644,728	1,762	-	644,728	51,578	13.4%
Borgata						
2005	704,358	1,930	-	704,358	56,349	14.0%
2004	636,541	1,739	-	636,541	50,923	13.2%
Caesars						
2005	523,544	1,434	-	523,544	41,883	10.4%
2004	495,966	1,355	-	495,966	39,677	10.3%
Harrah's Marina						
2005	476,254	1,305	-	476,254	38,100	9.5%
2004	449,862	1,229	-	449,862	35,989	9.3%
Resorts						
2005	271,984	745	-	271,984	21,759	5.4%
2004	252,785	691	-	252,785	20,223	5.3%
Sands						
2005	176,647	484	-	176,647	14,132	3.5%
2004	190,209	520	-	190,209	15,217	4.0%
Showboat						
2005	414,380	1,135	-	414,380	33,150	8.3%
2004	392,581	1,073	-	392,580	31,406	8.2%
Tropicana						
2005	441,915	1,211	-	441,915	35,353	8.8%
2004 (a)	363,949	994	(116)	364,065	29,125	7.6%
Trump Marina						
2005	250,661	687	-	250,661	20,053	5.0%
2004 (a)	263,030	719	(55)	263,086	21,047	5.5%
Trump Plaza						
2005	303,548	832	-	303,548	24,284	6.0%
2004 (a)	318,435	870	(83)	318,518	25,482	6.6%
Trump Taj Mahal						
2005	519,932	1,424	-	519,932	41,595	10.4%
2004 (a)	503,282	1,375	(287)	503,569	40,285	10.5%
TOTALS						
2005	\$ 5,018,272	\$ 13,749	\$ -	\$ 5,018,272	\$ 401,462	100.0%
2004	\$ 4,806,801	\$ 13,133	\$ (541)	\$ 4,807,342	\$ 384,587	100.0%

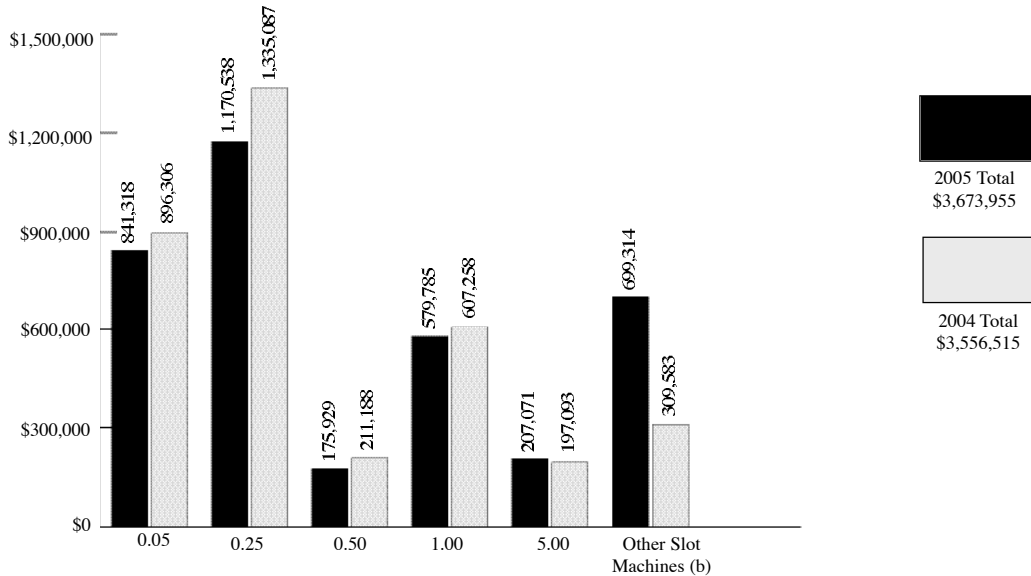
(a) 2004 amount reflects recovery of counter checks previously written off.

NEW JERSEY CASINO INDUSTRY TOTAL GAMING WIN
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (\$ IN THOUSANDS)

TABLE GAMES WIN COMPARISON



SLOT MACHINE WIN COMPARISON



(a) Other games reflect Big Six, Minibaccarat, Sic Bo, Pai Gow Poker, Pai Gow, Keno, Caribbean Stud Poker, Let It Ride, Three Card Poker, Spanish 21, Texas Hold'Em Bonus Poker, Boston 5 Stud Poker, Double Cross Poker, Four Card Poker, Double Attack Blackjack, Flop Poker, Two Card Royal and Hawaii Hi-Lo.

(b) Other slot machines include \$.01, \$.02, \$.25, \$100, multi-denominational and other denomination slot machines.

NEW JERSEY CASINO INDUSTRY TOTAL VOLUME OF VENDOR BUSINESS
 FOR THE CALENDAR YEAR 2005

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	<i>Total Companies</i>	<i>Percent of Total Companies</i>	<i>Dollar Volume of Business</i>	<i>Percent of Total Business</i>
New Jersey Enterprises	2,463	100.00%	\$1,972,810,494	100.0000%
Atlantic	1,174	47.67%	\$1,136,161,278	57.591%
Bergen	103	4.18%	\$14,728,628	0.747%
Burlington	155	6.29%	\$99,774,692	5.057%
Camden	201	8.16%	\$140,956,654	7.145%
Cape May	79	3.21%	\$8,426,364	0.427%
Cumberland	61	2.48%	\$30,920,932	1.567%
Essex	67	2.72%	\$56,110,603	2.844%
Gloucester	103	4.18%	\$89,376,768	4.530%
Hudson	33	1.34%	\$21,657,461	1.098%
Hunterdon	4	0.16%	\$1,826,441	0.093%
Mercer	64	2.60%	\$15,845,542	0.803%
Middlesex	74	3.00%	\$267,206,391	13.544%
Monmouth	84	3.41%	\$11,290,506	0.572%
Morris	46	1.87%	\$3,955,682	0.201%
Ocean	89	3.61%	\$11,815,659	0.599%
Passaic	33	1.34%	\$7,638,667	0.387%
Salem	9	0.37%	\$22,081,464	1.119%
Somerset	26	1.06%	\$23,916,808	1.212%
Sussex	5	0.20%	\$38,980	0.002%
Union	53	2.15%	\$9,080,974	0.460%
Warren	0	0.00%	\$0	0.0000%

	<i>Total Companies</i>	<i>Percent of Total Companies</i>	<i>Dollar Volume of Business*</i>	<i>Percent of Total Business</i>
Total Number of Vendors Receiving Payment	6,354	100.00%	\$3,315,206,381 **	100.00%
New Jersey Enterprises	2,463	38.76%	\$1,972,810,494	59.51%
Pennsylvania Enterprises	732	11.52%	\$222,185,154	6.70%
New York Enterprises	751	11.82%	\$100,014,433	3.02%
Delaware Enterprises	30	0.47%	\$11,698,508	0.35%
All Other States	2,285	35.96%	\$995,506,581	30.03%
Foreign Enterprises	93	1.46%	\$12,991,211	0.39%

* "Dollar Volume of Business" represents only money 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 INDUSTRY ENTERPRISE REGISTRATION AND LICENSING STATISTICS You're viewing an archived copy from the New Jersey State Library
FOR THE PERIOD OF JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

**Registration and Licensing
Processing Statistics**

Vendor Registrations Processed	2,738
Enterprises Prohibited from Conducting Business with Casino Licensees	86*
Exemptions From Licensure Granted By CCC	8

**Registration and Licensing
Status Totals**

Universe of Active Vendors	10,380
Universe of Prohibited Vendors	640 *
Labor Organizations Currently Registered	7

<i>Initial Casino Service Industry Licenses</i>	<i>Renewal Casino Service Industry Licenses</i>	<i>Licensed Casino Service Industry Enterprises</i>
---	---	---

Gaming Related:

Applications Filed	9
Licenses Issued	6
Licenses Denied	0
Withdrawals Granted	3

Gaming Related:

Applications Filed	7
Licenses Issued	2
Licenses Denied	0
Withdrawals Granted	0

Initial Licensees:

Gaming	17
Nongaming	741
Junket	19

Non-Gaming Related:

Applications Filed	238
Licenses Issued	226
Licenses Denied	8
Withdrawals Granted	28

Non-Gaming Related:

Applications Filed	166
Licenses Issued	160
Licenses Denied	0
Withdrawals Granted	7

Renewal Licensees:

Gaming	36
Nongaming	556
Junket	45

Junket Enterprises:

Applications Filed	3
Licenses Issued	4
Licenses Denied	2
Withdrawals Granted	0

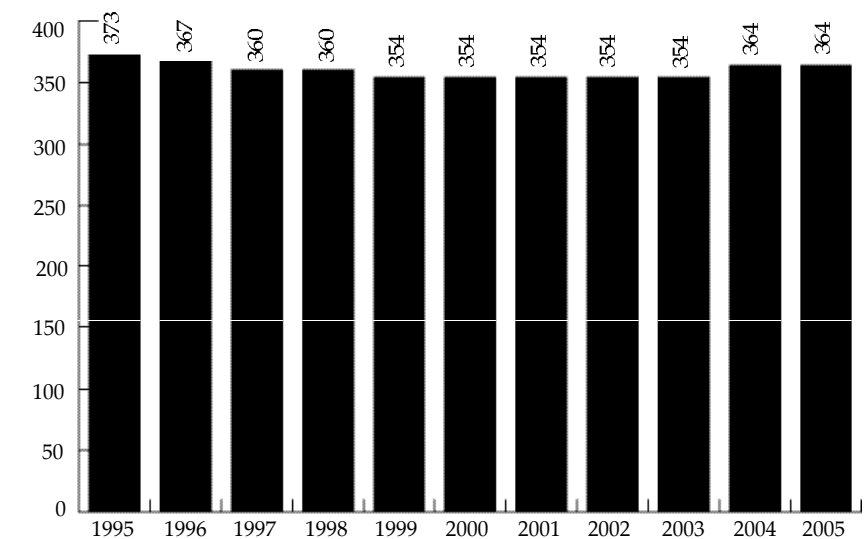
Junket Enterprises:

Applications Filed	14
Licenses Issued	5
Licenses Denied	1
Withdrawals Granted	0

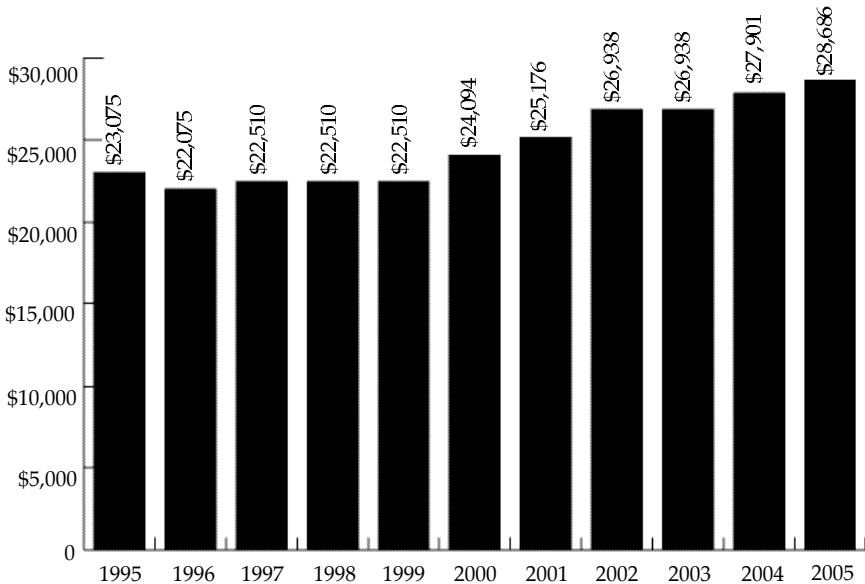
* This figure includes enterprises prohibited from doing business for the following reasons: denial of a casino service industry license, failure to file a casino service industry license application, withdrawal of a casino service industry license, and nonfiling of a required vendor registration form.

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

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**NEW JERSEY CASINO CONTROL COMMISSION BUDGET APPROPRIATIONS
FOR THE FISCAL YEARS ENDED JUNE 30**



Casino Revenue Fund Expenditures

STATE OF NEW JERSEY
CASINO REVENUE FUND
EXPENDITURES BY DEPARTMENT
FOR FISCAL YEAR 2005
(AMOUNTS EXPRESSED IN THOUSANDS)
Total FY05 Expended**

DEPARTMENT OF HEALTH & SENIOR SERVICES	\$ 353,049
DEPARTMENT OF HUMAN SERVICES	118,627
DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT	2,440
DEPARTMENT OF LAW & PUBLIC SAFETY	92
DEPARTMENT OF TRANSPORTATION	25,287
GRAND TOTAL	499,495

* Casino Revenue Fund Expenditures provided by New Jersey Department of Treasury, Office of Management and Budget.

** These amounts include funds expended and obligated in fiscal year 2005.

Helping New Jersey senior citizens and persons with disabilities

New Jersey casinos pay the state 8% tax on their gross revenues appropriated to the Casino Revenue Fund for the benefit of the aged and disabled citizens of the State of New Jersey. Gross gaming revenue is the amount casinos win from gamblers after all payouts have been made.

Funding is also generated through five casino related taxes. The responsibility for administering these taxes was transferred by the State Legislature from the Division of Taxation to the Commission. The Casino Complimentary Tax imposes a 4.25% tax upon casino licensees on the value of complimentary rooms, food, beverage, and entertainment granted to patrons. The Casino Net Income Tax imposes a 7.5% tax on the adjusted net income of casino licensees. The Multi-Casino Progressive Slot Tax assesses an 8% tax on casino service industry multi-casino progressive slot revenue. The Casino Room Fee requires casinos to remit \$3.00 per day for each hotel room occupied by a guest. Revenues for these four taxes are deposited into the Casino Revenue Fund.

The Casino Parking Fee requires casinos to remit a fee of \$3.00 per day for any parking space in use

in their facility. One-half of the parking fee revenue is deposited into the Casino Revenue Fund, with the remaining half forwarded to the Casino Reinvestment Development Authority for statutory restricted projects.

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.

Senior citizens and persons 18 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. New Jersey has a number of programs designed to assist eligible residents in receiving needed health and social services.

A few of the programs include, AIDS Drug Distribution Program (ADDP), Adult Protective Services, Adult Day Services with Programs for Persons with Alzheimer's Disease or Related Disorders, Pharmaceutical Assistance to the Aged and Disabled (PAAD), Safe Housing and Transportation, and Statewide Respite Care Program.

NEW JERSEY CASINO INDUSTRY FACILITY STATISTICS AT DECEMBER 31, 2005 AND 2004

	AC HILTON		BALLY'S AC		BORGATA		CAESARS		HARRAH'S		RESORTS		SANDS		SHOWBOAT		TROPICANA		TRUMP MARINA		TRUMP PLAZA		TRUMPTAJ MAHAL		INDUSTRY	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
TABLE GAMES:																										
Blackjack	41	37	73	70	54	63	41	56	35	27	37	39	36	35	32	27	82	71	30	32	34	39	55	54	550	550
Craps	8	8	13	13	12	12	13	13	6	6	6	7	4	4	6	4	9	9	7	7	6	6	11	11	101	100
Roulette	9	8	24	24	17	17	12	13	10	8	10	8	9	6	8	6	16	14	7	7	8	9	13	14	143	134
Big Six	1	-	2	2	1	1	1	1	1	-	1	1	2	1	1	1	1	1	1	-	1	1	1	1	14	10
Baccarat	1	1	2	2	3	2	1	1	-	-	4	3	2	2	1	2	2	2	3	2	2	3	4	4	25	24
Minibaccarat	10	7	11	11	5	5	8	2	1	1	4	3	4	4	3	3	5	6	2	3	8	8	6	5	67	58
Sic Bo	-	-	1	1	-	-	1	1	-	-	-	-	-	-	-	-	-	1	-	-	1	1	1	1	4	5
Pai Gow Poker	4	4	10	10	5	5	3	3	1	1	1	1	2	2	2	2	2	6	2	3	5	5	7	7	44	49
Pai Gow	3	3	3	3	2	2	3	1	-	-	1	2	2	2	2	2	6	6	1	1	3	4	4	4	30	30
Poker	21	-	30	20	34	34	24	-	24	16	6	-	14	14	25	-	48	42	-	-	-	-	76	78	302	204
Caribbean Stud Poker	2	3	6	7	3	4	3	4	3	3	1	2	1	2	1	2	3	3	2	2	2	2	2	3	29	37
Let it Ride Poker	3	3	7	7	4	4	3	4	4	4	2	3	3	3	3	2	3	3	3	3	3	3	3	3	41	42
Spanish 21	1	-	10	10	4	4	6	6	1	1	2	2	2	2	2	1	2	2	3	3	2	3	4	5	39	39
Three Card Poker	8	9	15	15	12	12	9	8	12	9	7	6	8	6	8	6	12	12	7	7	7	5	9	9	114	104
Boston 5 Stud Poker	-	-	-	-	-	-	-	1	-	-	-	1	-	-	-	-	2	2	-	1	-	1	-	1	2	7
Double Cross Poker	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	0	1
Four Card Poker (a)	2	3	7	7	5	4	4	4	3	2	2	1	-	-	1	1	2	-	2	4	1	-	4	3	33	29
Double Attack Blackjack (b)	-	-	-	-	-	-	1	1	-	-	1	-	-	-	1	-	-	-	1	-	1	1	1	2	6	4
Texas Hold'Em Bonus Poker (c)	2	-	8	-	6	-	3	-	4	-	2	-	4	-	2	-	3	-	4	-	3	-	4	-	45	-
Flop Poker (d)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1	-
Total Table Games	116	86	222	202	167	169	136	119	105	78	87	79	93	83	98	59	198	180	76	76	87	91	205	205	1,590	1,427
KENO WINDOWS	-	-	4	4	-	-	6	6	4	4	-	-	-	-	-	-	-	-	-	-	-	-	2	2	16	16
SLOT MACHINES:																										
\$.01 and .02 Slot Machines	312	-	749	-	206	-	411	-	254	-	210	-	122	-	398	-	410	-	167	-	250	-	244	-	3,733	-
\$.05 Slot Machines	474	451	1,047	1,286	1,221	1,021	553	631	567	783	515	594	412	482	643	831	771	1,034	703	662	597	656	742	934	8,245	9,365
\$.25 Slot Machines	843	906	2,597	2,795	1,117	1,331	1,388	1,421	1,655	1,642	1,072	1,179	1,000	1,038	1,738	2,098	1,462	1,799	815	1,213	950	1,388	1,975	2,164	16,612	18,974
\$.50 Slot Machines	154	146	352	444	176	208	228	245	226	254	117	195	62	133	137	166	159	318	80	86	169	218	325	325	2,185	2,738
\$1 Slot Machines	295	319	602	661	404	420	386	419	569	694	240	284	225	329	418	449	518	693	342	351	317	330	678	687	4,994	5,636
\$5 Slot Machines	91	91	144	157	83	100	104	110	109	107	76	93	56	69	63	65	95	123	75	72	68	72	137	136	1,101	1,195
\$25 Slot Machines	12	12	21	24	16	16	14	14	16	13	9	7	12	8	6	4	16	17	11	11	12	13	13	13	158	152
\$100 Slot Machines	12	12	12	12	12	12	18	18	10	9	8	7	6	4	4	4	12	12	6	6	6	6	14	13	120	115
Multi-Denominational Slot Machines	-	-	-	-	280	217	462	113	449	30	590	420	230	68	435	154	802	-	124	16	72	26	86	5	3,530	1,049
Other Slot Machines	29	106	56	483	57	216	74	255	65	162	21	146	28	74	16	202	73	334	33	128	46	133	55	142	553	2,381
Total Slot Machines	2,222	2,043	5,580	5,862	3,572	3,541	3,638	3,226	3,920	3,694	2,858	2,925	2,153	2,205	3,858	3,973	4,318	4,330	2,356	2,545	2,487	2,842	4,269	4,419	41,231	41,605
Casino Square Footage	67,494	59,800	177,819	179,108	116,302	116,302	109,685	118,424	142,089	131,780	83,170	83,759	56,994	57,154	122,210	101,299	142,301	139,737	65,489	65,057	95,708	91,366	119,429	120,549	1,298,690	1,264,335
Simulcast Square Footage	-	-	47,937	46,232	7,951	7,951	23,981	4,312	-	-	16,959	15,134	22,808	20,933	16,299	14,109	8,380	8,380	14,601	14,601	-	-	39,157	38,537	198,073	170,189
Number of Hotel Rooms	805	804	1,745	1,745	1,982	2,000	1,141	1,140	1,630	1,630	879	879	620	620	1,309	1,309	2,129	2,125	728	728	906	904	1,250	1,250	15,124	15,134
Number of Parking Spaces	1,971	1,825	4,086	4,086	4,741	4,749	5,403	2,898	3,732	3,822	1,337	1,337	1,684	1,684	3,499	3,752	5,477	5,365	2,986	2,986	2,658	2,658	7,180	7,180	44,754	42,342
Property & Equipment																										
Gross (\$Millions)	\$ 393.9	\$ 570.3	\$ 681.4	\$ 1,288.3	\$ 1,149.3	\$1,041.0	\$ 660.3	\$ 922.1	\$ 865.2	\$ 836.4	\$ 310.0	\$ 292.4	\$ 222.8	\$218.2	\$ 729.3	\$ 670.7	\$ 1,116.6	\$ 1,078.9	\$ 340.5	\$ 590.1	\$ 368.5	\$ 679.1	\$ 786.0	\$ 1,159.2	\$ 7,623.8	\$ 9,346.7
Number of Employees	2,880	3,089	6,127	6,866	5,937	5,548	3,943	4,220	2,945	2,886	2,926	2,840	1,963	2,095	2,748	2,707	5,142	5,044	2,395	2,550	2,850	2,920	4,686	4,736	44,542	45,501

(a) Four Card Poker commenced operations in May 2004.
(b) Double Attack Blackjack commenced operations in January 2004.
(c) Texas Hold'Em Bonus Poker commenced operations in March 2005
(d) Flop Poker commenced operations in September 2005.

INDEPENDENT AUDITOR'S REPORT

LEGISLATIVE SERVICES COMMISSION

ASSEMBLYMAN
JOSEPH J. ROBERTS, JR.
Chairman

SENATOR
BERNARD F. KENNY, JR.
Vice-Chairman

SENATE

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RICHARD J. CODEY
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LEONARD LANCE
ROBERT E. LITTELL
ROBERT W. SINGER

GENERAL ASSEMBLY

CHRISTOPHER "KIP" BATEMAN
FRANCIS J. BLJE
JOHN J. BURZICHELLI
ALEX DECKOCE
GUY R. GREGG
JOSEPH J. ROBERTS, JR.



New Jersey State Legislature

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The Honorable Jon S. Corzine
Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

The Honorable Joseph J. Roberts, Jr.
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, 2005 and 2004. 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 do not purport to, and do not, present fairly the financial position of the State of New Jersey as of June 30, 2005 and 2004, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2005 and 2004 and the changes in financial position thereof 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 April 28, 2006 on our consideration of the Casino Control Fund management's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



Richard L. Fair
State Auditor
April 28, 2006

**CASINO CONTROL FUND
 BALANCE SHEET
 JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash	\$ 51,000	\$ 51,000
Accounts Receivable	2,029,574	8,100,935
Less: Allowance for Doubtful Accounts	<u>92,347</u>	<u>64,471</u>
Net Accounts Receivable	1,937,227	8,036,464
Due from General Fund	<u>14,113,152</u>	<u>15,331,498</u>
Total Assets	<u>\$ 16,101,379</u>	<u>\$ 23,418,962</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts Payable	\$ 5,945,930	\$ 5,148,992
Deferred Revenue	<u>6,102,839</u>	<u>10,249,000</u>
Total Liabilities	<u>12,048,769</u>	<u>15,397,992</u>
Fund Balances		
Reserved for:		
Encumbrances	1,890,601	2,186,893
Unreserved:		
Designated for Continuing Appropriation	872,961	946,516
Undesignated	<u>1,289,048</u>	<u>4,887,561</u>
Total Fund Balances	<u>4,052,610</u>	<u>8,020,970</u>
Total Liabilities and Fund Balances	<u>\$ 16,101,379</u>	<u>\$ 23,418,962</u>

The accompanying notes are an integral part of the financial statements

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
<u>REVENUES</u>		
Casinos		
Licenses - Casino	\$ 45,120,161	\$ 44,628,255
- Slot Machine	21,214,916	21,240,569
- Alcoholic Beverage	177,911	180,482
Assessments	---	---
	66,512,988	66,049,306
Credits - Prior Year Fund Balance	(8,020,970)	(8,255,293)
Total from Casinos	<u>58,492,018</u>	<u>57,794,013</u>
Other Sources		
Licenses - Casino Employees	2,816,598	4,005,844
- Casino Service Industry	1,196,079	1,306,570
Equipment Prototype Testing	1,405,055	1,199,525
Other Revenues	<u>141,328</u>	<u>155,127</u>
Total from Other Sources	<u>5,559,060</u>	<u>6,667,066</u>
Investment Earnings	<u>310,088</u>	<u>184,809</u>
Total Revenues	<u>64,361,166</u>	<u>64,645,888</u>
<u>EXPENDITURES</u>		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	40,345,112	36,985,181
Government Direction, Management and Control (Casino Control Commission)	<u>27,984,414</u>	<u>27,895,030</u>
Total Expenditures	<u>68,329,526</u>	<u>64,880,211</u>
Net Increase (Decrease) in Fund Balance for the Year	(3,968,360)	(234,323)
Fund Balance - Beginning	<u>8,020,970</u>	<u>8,255,293</u>
Fund Balance - Ending	<u>\$ 4,052,610</u>	<u>\$ 8,020,970</u>

The accompanying notes are an integral part of the financial statements

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 appropriation, the sum of which may not exceed estimated revenues. The annual appropriations act for fiscal year 2005 authorized \$66,555,907 which consists of an original appropriation of \$65,600,000 and other authorized appropriations of \$955,907. 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 2005, the Division of Gaming Enforcement was granted an additional appropriation of \$2,900,000.

A Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual-Budgetary Basis for the fiscal year ended June 30, 2005 is presented as required supplementary information to these statements. This statement presents a comparison of the final budget adopted for the Casino Control Fund with actual data on a budgetary basis.

The State's budgetary basis of accounting differs from that utilized to present financial statements in conformity with generally accepted accounting 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 appropriation.

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 10.

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- Capital Assets

Capital Assets acquired with fund resources are recorded as expenditures of the fund at the time of acquisition. Assets greater than \$20,000 are also recorded in the State's government-wide financial statements. Capital assets are depreciated using the straight-line method, with one half of the year's depreciation charged in the year of acquisition and in the year of disposal. The State assigned estimated useful life for machinery and equipment is 5-15 years. A summary of these capital assets and related accumulated depreciation for the year ended June 30, 2005 follows:

<u>Program</u>	<u>Asset</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Accum. Depreciation</u>	<u>Net Capital Assets</u>
Government Direction, Management and Control	Machinery & Equipment	\$359,514	---	---	\$168,261	\$191,253
Public Safety and Criminal Justice	Machinery & Equipment	\$853,592	---	---	\$541,933	\$311,659

NOTE 6 - Deferred Revenue

Deferred Revenue represents fiscal year 2006 and fiscal year 2005 slot machine license billings collected and recorded in June 2005 and 2004, respectively.

NOTE 7 - Fund Balance

The positive fund balance as of June 30, 2005 and June 30, 2004 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e) the balance at June 30, 2005 will be credited to casino licensees during fiscal year 2006 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, 2005. The balance at June 30, 2004 was credited in the same manner to casino licensees during fiscal year 2005.

NOTE 8 - Employee Benefit Costs

Fringe benefit costs which include pension, health benefits, payroll taxes, and amounts for unused sick leave are originally paid by the General Fund and are charged to the Casino Control Fund using a composite fringe benefit rate.

Cash payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on fifty percent of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from state service prior to retirement are not entitled to payments for accumulated sick leave balances. Sick leave accumulations

may also be used by an employee for a personal illness or injury as a means of continuing regular pay. The liability for accumulated employee sick leave balances as of June 30, 2005 and June 30, 2004 of approximately \$3.7 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, 2005 and June 30, 2004 of approximately \$1.3 million is reflected as a non-current liability on the State's government-wide financial statements and is not accrued in these financial statements.

NOTE 9 - Interest

The General Fund charges interest to the Casino Control Fund when disbursements exceed receipts collected and credits interest to the Casino Control Fund when receipts collected exceed disbursements made. The interest rate used during fiscal year 2005 and fiscal year 2004 was equal to the effective rate of return on investments in the General Fund and varied from 1.24% to 3.02% in fiscal year 2005 and from 1.04% to 1.30% in fiscal year 2004. The net effect of these transactions is reflected in the Investment Earnings account on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

NOTE 10 - Contingent Liability

As of the issuance date of these statements, the Casino Control Fund is not involved in any legal actions wherein there is potential for unanticipated expenditure. Should any legal actions subsequently materialize, N.J.A.C. 19:41-9.1 allows the Casino Control Fund to apportion any uncollected cost among the licensed casino facilities.

**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, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Casino				
Licenses - Casino	\$ 39,898,077	\$ 43,583,077	\$ 37,099,191	\$ (6,483,886)
- Slot Machine	21,413,500	21,413,500	21,214,916	(198,584)
- Alcoholic Beverage	180,000	180,000	177,911	(2,089)
Assessments	---	---	---	---
Total from Casinos	<u>61,491,577</u>	<u>65,176,577</u>	<u>58,492,018</u>	<u>(6,684,559)</u>
Other Sources				
Licenses - Casino Employees	2,626,080	2,626,080	2,816,598	190,518
- Casino Service Industry	1,081,950	1,081,950	1,196,079	114,129
Equipment Prototype Testing	1,216,300	1,216,300	1,405,055	188,755
Other Revenues	<u>140,000</u>	<u>140,000</u>	<u>141,328</u>	<u>1,328</u>
Total from Other Sources	<u>5,064,330</u>	<u>5,064,330</u>	<u>5,559,060</u>	<u>494,730</u>
Investment Earnings	---	<u>300,000</u>	<u>310,088</u>	<u>10,088</u>
Total Revenues	<u>66,555,907</u>	<u>70,540,907</u>	<u>64,361,166</u>	<u>(6,179,741)</u>
EXPENDITURES				
Public Safety and Criminal Justice (Division of Gaming Enforcement)	37,876,853	40,776,853	40,675,481	101,372
Government Direction, Management and Control (Casino Control Commission)	<u>28,679,054</u>	<u>28,679,054</u>	<u>27,598,736</u>	<u>1,080,318</u>
Total Expenditures	<u>66,555,907</u>	<u>69,455,907</u>	<u>68,274,217</u>	<u>1,181,690</u>
Net Change in Fund Balance	---	1,085,000	(3,913,051)	(4,998,051)
FUND BALANCE - JULY 1, 2004	---	<u>3,635,879</u>	<u>3,635,879</u>	---
FUND BALANCE - JUNE 30, 2005	\$ ---	\$ <u>4,720,879</u>	\$ <u>(277,172)</u>	\$ <u>(4,998,051)</u>

STATE OF NEW JERSEY
CASINO CONTROL FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Budgetary Basis - Net Increase in Fund Balances

\$ (3,913,051)

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.

\$ 537,407

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.

(592,716)

Total Differences - Budget to GAAP

\$ (55,309)

GAAP Basis - Net Increase in Fund Balances

\$ (3,968,360)

**STATE OF NEW JERSEY
CASINO CONTROL FUND
EXPENDITURE DETAIL
FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

	2005		2004	
	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL
EXPENDITURES:				
Salaries	\$ 26,382,772	\$ 18,967,842	\$ 24,717,007	\$ 19,148,218
Payroll Taxes and Employee Benefits	8,052,376	6,252,352	6,571,777	5,511,075
Printing and Office Supplies	160,057	206,112	170,541	185,403
Vehicular Supplies	179,502		137,591	
Travel	191,992	36,733	237,691	91,424
Telephone	308,079	192,304	317,323	181,719
Data Processing	437,966	714,773	684,939	1,044,890
Professional Services	279,545	50,795	115,402	33,492
Other Services Other Than Personal	636,217	142,521	614,256	285,064
Rent-Facilities	1,999,856	1,113,057	2,008,376	1,176,506
Rent-Automobiles and Other	88,732	126,152	91,762	109,417
Indirect Costs	957,793	55,773	597,080	37,808
Improvements			19,200	
Office Equipment	50,327	22,966	7,952	33,425
Vehicular Equipment	256,583	52,038	344,151	
Other Equipment	363,315	50,996	350,133	56,589
TOTAL EXPENDITURES	\$ 40,345,112	\$ 27,984,414	\$ 36,985,181	\$ 27,895,030

