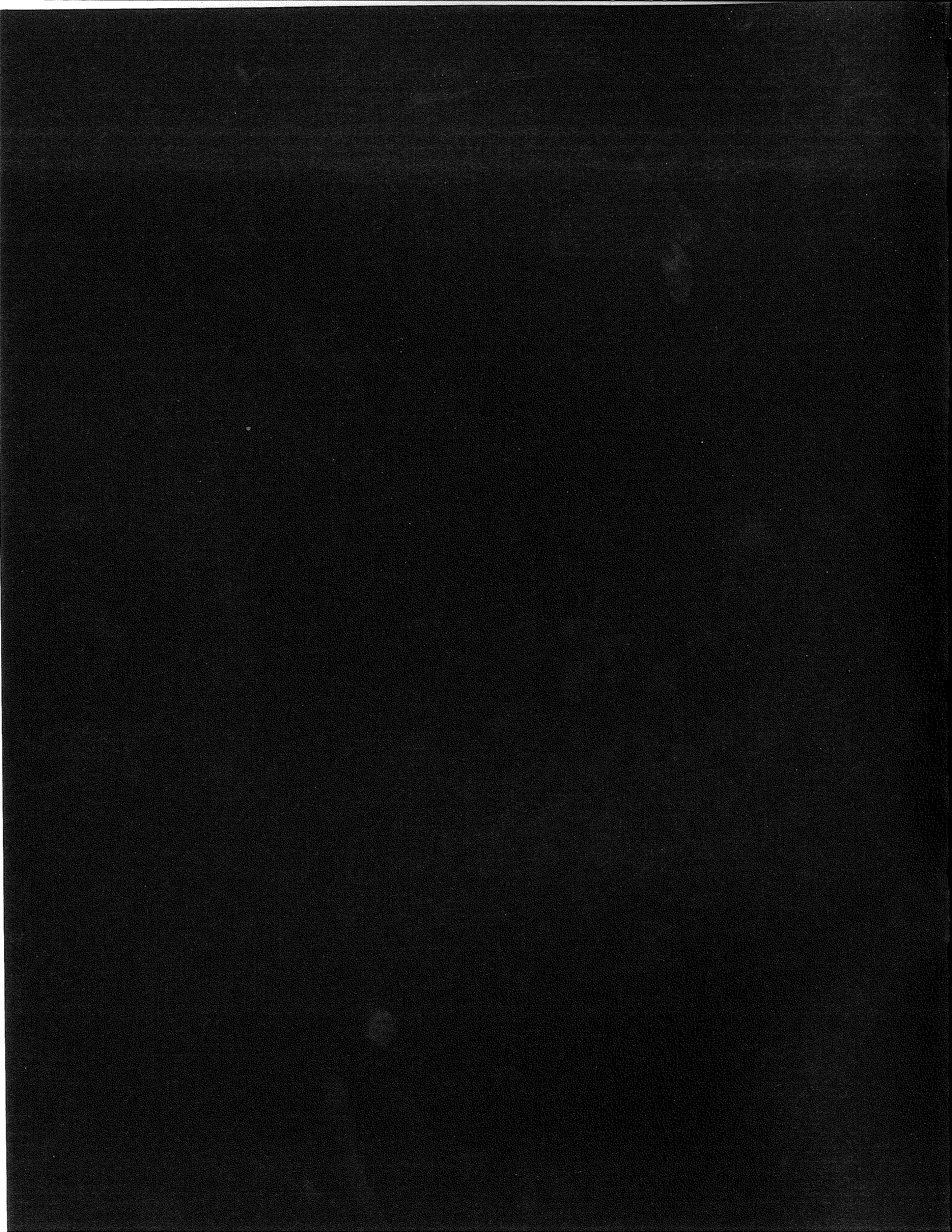


New Jersey
Casino Control Commission



NJCCC

1996 Annual Report





Gov. Christine Todd Whitman

The 1996 Annual Report of the
New Jersey
Casino Control Commission
is submitted to the
Governor and to the members of the
New Jersey Legislature.

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Casino Control Commission 1996

Seated: Chairman Bradford S. Smith

Standing from left: Commissioner Leanna Brown, Vice Chair Diane Legreide, Commissioner James R. Hurley

The Chairman's Message

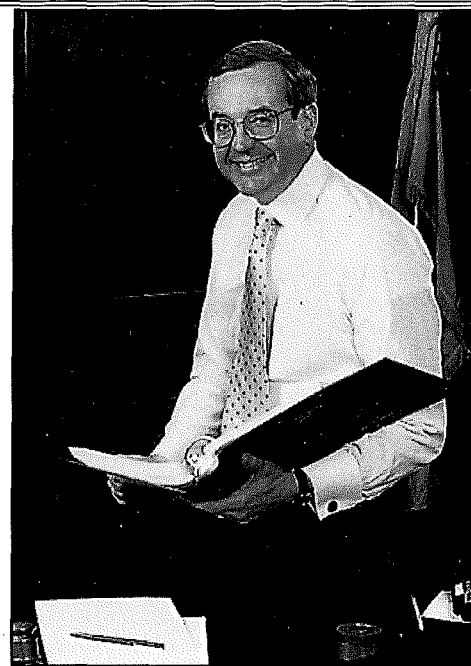
Atlantic City is on the verge of a dramatic new chapter of its history. There are billions of dollars being invested to build new casino hotels and to expand many of the existing ones. In addition, hundreds of millions of dollars are being invested by the public sector to help make Atlantic City a great destination resort.

Over the next several years, the number of hotel rooms will more than double, casino operators will invest more than \$5 billion and tens of thousands of new jobs will be created. Atlantic City will experience a rebirth as dramatic as the one that it had in the late '70s and early '80s with the first spurt of casino development. If you look around Atlantic City, you can already see it starting.

There is a new tower going up at the Atlantic City Hilton, another at Caesars and a third at Harrah's all of which should open in 1997. There is also a large Wild West-themed casino addition to Bally's Park Place that will open in 1997.

There are proposals by Mirage Resorts, Inc., Circus Circus Enterprises and Boyd Gaming to build at least three new casinos in the marina district, another is planned by MGM Grand Inc. next to Showboat utilizing urban renewal land that has been vacant since the 1960s.

ITT Sheraton and Planet



Chairman Bradford S. Smith

Hollywood are planning to build on the site of the old Traymore Hotel, although these plans could change.

On the public side, the city's new \$268 million Convention Center will open in 1997 and the new grand boulevard entering the city from the Atlantic City Expressway will be completed. Those facilities will give Atlantic City a brand new welcome mat and create a dramatic positive impact on arriving visitors.

Legislative changes over the last several years sent a clear message that New Jersey was providing much more business flexibility to the industry. The commission implemented a series of regulatory reforms and initiatives that have made Atlantic City a much more

Atlantic City is on the verge of a dramatic new chapter of its history.

attractive place for casino companies to invest.

We sowed the seeds for the growth with dramatic revisions to how we regulate the casino industry. Now, those seeds have started to grow and the state of New Jersey has started to enjoy the fruits of these changes.

We have institutionalized the process of regulatory review to make sure all of our rules make sense and to develop a faster, simpler system of regulation.

In 1996 alone, the commission adopted 84 different regulatory proposals which resulted in 235 amendments to our regulations. Many of those changes came out of our Regulation Review Committee where members of our staff meet with representatives of the industry and from the Division of Gaming Enforcement to develop common sense solutions to regulatory issues.

We have done all of this without compromising on issues dealing with integrity.

Casino license applicants still undergo an exhaustive investigation and every employee who has anything to do with the operation of the casino must be licensed.

We still require every supplier that does regular and continuing business with a casino to get a license.

We have reshaped the regulatory system to focus on our core mission: keeping the bad guys out and keeping track of the revenue. The result is that there is now a more responsive level of regulation

that is being administered by responsible regulators.

These changes could not have been accomplished without the dedication of the commission's staff. As we grapple with the issues of regulatory reform, our staff continues to be our greatest asset.

It has shown a remarkable ability to develop innovative solutions and resolve problems in a manner that responds to the needs of the industry and protects the state's interest in preserving integrity.

Statutory and Regulatory Changes

On July 25, 1996, Governor Christine Todd Whitman signed several bills into law that would significantly impact on casino operations in Atlantic City. This synopsis gives some of the most significant changes to the Casino Control Act in 1996:

- The Casino Control Act was amended to eliminate the single room requirement. Casino operators were previously required to restrict casino gambling to a single casino room.

- The Casino Control Act was also amended to permit casino licensees to sell and redeem keno tickets at any location in the casino hotel approved by the commission for that purpose. Previously, casino operators were prohibited from selling keno tickets outside of the casino rooms.

The commission continued its ongoing review of gaming regulations during the year. Here are some of the more significant changes:

- On May 29, 1996 the commission repealed N.J.A.C 19:46-1.32, known as the "50 Percent Rule." This rule limited casino operators from purchasing more than 50 percent of their slot machine from any one manufacturer.

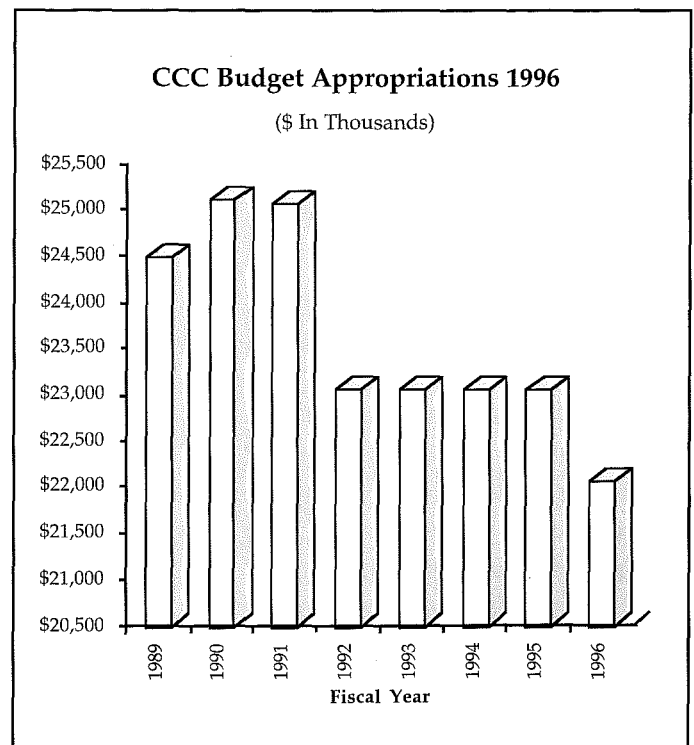
- A new game called mini-dice was introduced in Atlantic City casinos last year. On July 10, 1996 the commission approved temporary adoption of the new rules for mini-dice and also approved a 270-day experiment to determine if the game is suitable for casino use. Mini-dice is a variation of the game of craps that contains fewer permissible wagers and is played at a blackjack-style gaming table.

- On July 10, 1996 the commission also approved an experiment to determine if caribbean draw poker was suitable for casino use. Caribbean draw poker, a variation of caribbean stud poker is a game that offers high jackpot potential to players. The game will be offered on an experimental basis pending final approval.

- On August 21, 1996 the commission approved regulations that allows casino players to use their credit or debit cards at the gaming tables to obtain gaming chips. This is being monitored to determine if there are any adverse consequences.

- On December 4, 1996 the commission adopted amendments to rules regarding the regulation of gaming schools. Since the commission is no longer required to verify an applicant's job experience or review and approve a gaming school's day-to-day operations the regulations were repealed.

- On December 4, 1996 the commission also granted approval for the temporary adoption of new rules to permit keno to be conducted in approved public keno areas. The commission also authorized the use of "keno runners" to issue and redeem keno tickets themselves.



...there is now a more responsible level of regulation that is being administered by responsive regulators.

Internal Developments



Jeannine LaRue



Leanna Brown

The process of regulatory reform started paying dividends in 1996 as tens of millions of dollars of new investment flowed into Atlantic City. Several casinos broke ground for major expansion projects which helped Atlantic City.

But it was a less visible construction project last year that had the biggest impact on the Casino Control Commission. Renovation of the Arcade Building was completed in 1996. And for the first time since the commission was created in 1977, all of the commission's employees, except the inspectors, work in one building.

The consolidation of the commission's office space has brought all of the employees together and helped to make the agency more efficient and more productive.

Among the major internal developments was the resignation of Commissioner Jeannine LaRue. On March 15, 1996, five months short of the end of her five-year term she left the commission to become director of 10,000 Mentors, an educational program for youths in Newark, New Jersey.

LaRue, a Sicklerville resident was appointed to the commission in August 1991. She made her presence known very early during her tenure when she led an effort to completely revamp the commission's Equal Employment

Opportunity regulations.

The previous Equal Employment Opportunity regulations were eventually repealed and were replaced with new, more effective Equal Employment and Business Opportunity regulations that are in place today.

The four remaining members of the commission elected Leanna Brown as vice chair of the Casino Control Commission at their reorganization meeting in January 1996.

Gov. Whitman reappointed Brown to a five year term in 1994 after she completed the unexpired term previously held by former commissioner Charles Irwin.

Brown, a resident of Chatham, also maintains a home in Atlantic City's northeast inlet.

Here are some of the internal developments from each of the commission's operating units.

Antonia Cowan and her staff in the **Division of Administration** kept the operation of the commission running efficiently and effectively through the human resources, information systems and administrative operations units.

That division is responsible for developing new information systems and for operating the commission's computer and telecommunications systems, for recording pending

Making the commission more efficient and more productive is part of the ongoing process of maintaining a responsive and responsible regulatory system.

petitions and other filings, as well as the administration of payroll, personnel and benefits.

Together with the **Public Information Office**, the administration division launched the commission's World Wide Web page. People can now obtain information on the commission and the casino industry on-line and can obtain subscription forms for a number of the reports that are available from the commission.

The **General Counsel's Office**, under the leadership of John Zimmerman, continued to provide the commission with expert legal advice and representation.

The staff handled a number of complex licensing issues during the year. Those included the issuance of a license for the Trump World's Fair and rulings that permitted that facility to operate as a part of Trump Plaza. After an amendment to the Casino Control Act, the staff provided the legal work necessary to show that the new license was no longer necessary and the World's Fair could operate under Trump Plaza's license.

The General Counsel's Office assisted the commission in determining the suitability of Hilton Hotels Corp. and other issues involving Hilton's purchase of Bally Entertainment Corp. The staff also dealt with novel multi-national issues with the application of Sun International for Interim Casino Authorization.

The **Division of Financial Evaluation** under the direction of Noreen Iannuzzi provided the commission with

detailed information on the financial condition of the industry and analysis of the financial stability of several casino operators. Auditors in that division also keep track of gross revenues to insure the State of New Jersey receives the correct amount of tax revenue from casinos. The division's revenue unit also assesses and collects the taxes and any fees charged to the casinos for the operation of the commission and the Division of Gaming Enforcement.

The **Division of Compliance**, under Richard Franz, reviewed and approved several new games for casinos in 1996. Compliance also continued its regulatory review program, processing more than 50 regulatory amendments. Many of those enabled casinos to further streamline operations.

Employees there also developed controls to permit keno runners and the sale of keno tickets in restaurants and other public areas in the casino hotels.

The Inspection Unit within the Compliance Division played a key role in evaluating Trump World's Fair for its spring 1996 opening.

The **Department of Government and Community Relations**, a unit within the Commissioner's Office, continues to expand its outreach to all New Jersey residents under the direction of Valarie M. Smith. In fulfilling the commission's mission to foster the economic viability and strength of the tourist, convention, resort and casino industries, the Department was

actively involved in planning the new Convention Center opening and has expanded its participation in tourism on state and international levels.

Presentations regarding the direct and indirect impact of the casino industry on the State's economy are delivered to senior citizen and business groups throughout the state.

The commission is committed to ensuring that its personnel policies, and practices are administered in accordance with all equal employment opportunity principles and laws. Marvin Askins, head of the **Affirmative Action Office** is responsible for monitoring and analyzing these transactions.

In 1996 the agency reduced its work force from 355 to 345 employees. Of this number, 52 percent were females and 26 percent were minorities. Of the 27 promotions granted, 13 were awarded to females and 8 to minorities. Two of the five new hires last year were minorities.

Staff from the **Office of Organization Development (OD)** headed by Mark Tucci helped complete the commission's office consolidation project and much needed capital improvements to the Arcade Building.

The OD staff worked diligently with the Budget and Fiscal Office and the Division of Administration to ensure an orderly transition for employees and to enhance convenience for commission customers.

Our Staff

We know that the economic health of New Jersey's gaming industry weighs heavily on our ability to deliver a responsible level of regulation. At the same time, our ability to deliver a more responsible level of casino regulation weighs heavily on the quality of our staff. So we hire great people who consistently deliver the highest level of service to the citizens of New Jersey.

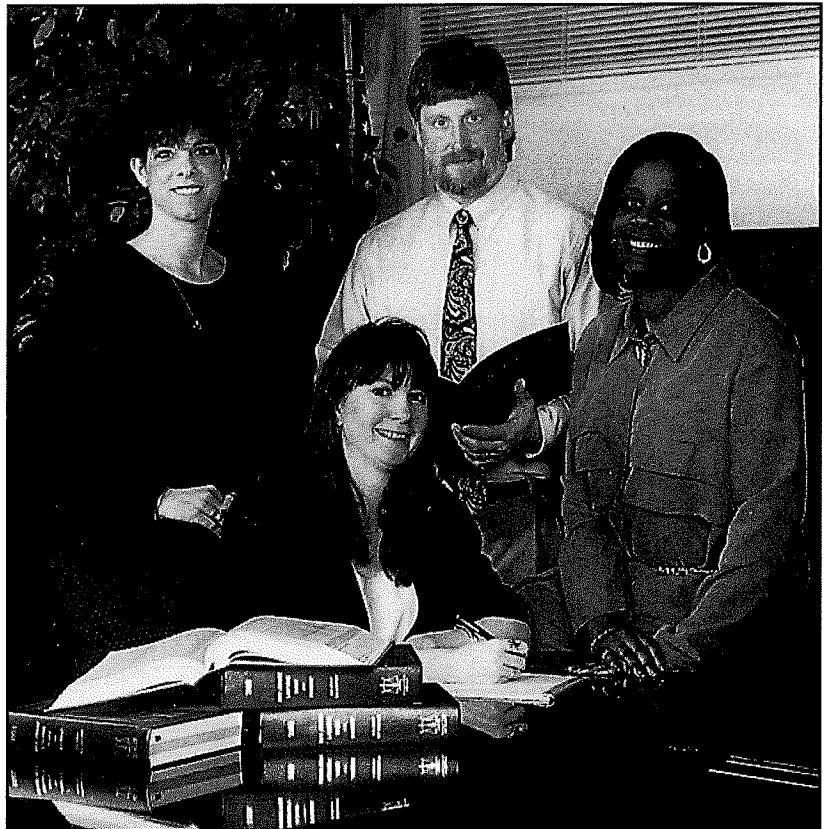
We have a diverse staff of highly experienced and dedicated people who must meet the demands of a highly challenging gaming market. They do so with a level of proficiency that is second to none.

At the top of our list of achievers in 1996 were KellyAnn Millazo, Scott O'Donnell, Joyce Miller and Lisa Spengler. These four individuals reached a new level at the Casino Control Commission last year. They were awarded the Sandra M. Donahue Employee of the Quarter Awards.

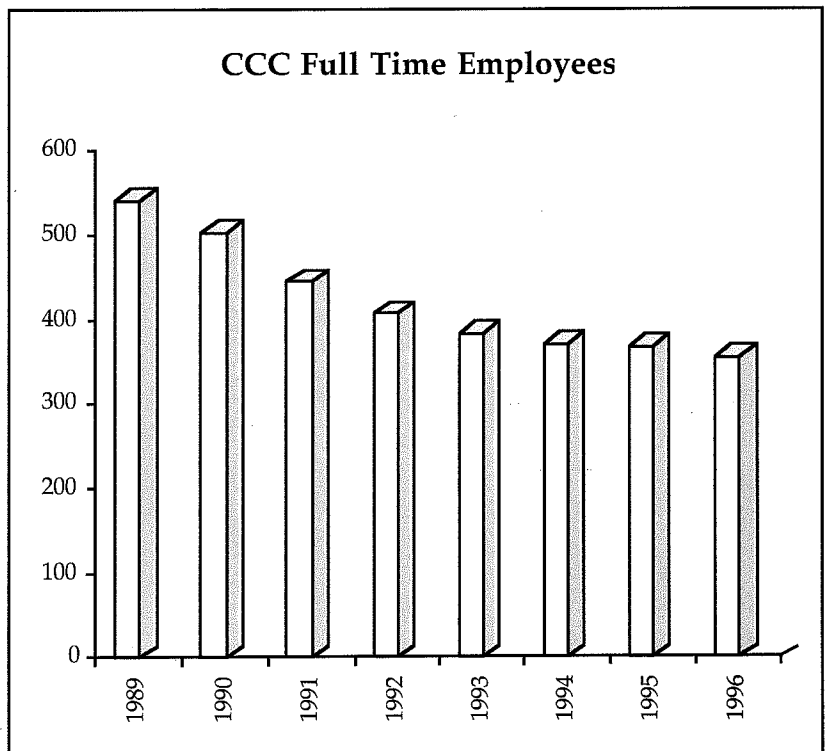
They came from three different units of the agency -- Kelly Ann from Financial Evaluation, Joyce from Compliance and Scott and Lisa from Licensing. And, each one made significant contributions that helped guide the commission through some highly complex regulatory matters in 1996. We proudly recognize their contributions.

This foursome is an example of the quality of our staff. Their attitudes and conduct are exemplary. They meet the challenges of a complex environment. They carry a broad vision.

Our staff continues to be our greatest asset.



From left: Lisa Spengler, KellyAnn Milazzo, Scott O'Donnell and Joyce Miller.



As we grapple with the issues of regulatory reform, our staff continues to be our greatest asset.

CASINO INDUSTRY WORK FORCE COMPOSITION AS OF DECEMBER 31, 1996

EEO CATEGORY	TOTAL	FEMALES	MINORITIES	WHITE MALES
Officials & Managers	7,438	40.5%	27.2%	45.5%
Professionals	5,087	44.3%	42.8%	33.6%
Technicians	961	17.1%	21.1%	66.9%
Sales Workers	4,284	65.5%	61.0%	13.1%
Office & Clerical	3,183	80.3%	43.7%	10.6%
Craftsperson	986	6.9%	16.8%	78.3%
Operatives	1,430	24.4%	49.9%	39.0%
Laborers	1,154	21.7%	73.7%	22.1%
Service Workers	16,820	45.1%	58.7%	22.1%

CASINO INDUSTRY WORK FORCE COMPOSITION AS OF DECEMBER 31, 1995

EEO CATEGORY	TOTAL	FEMALES	MINORITIES	WHITE MALES
Officials & Managers	7,585	40.1%	25.8%	46.5%
Professionals	5,087	44.8%	40.1%	34.9%
Technicians	988	16.3%	20.1%	68.0%
Sales Workers	4,267	64.8%	59.3%	14.0%
Office & Clerical	3,268	80.6%	40.2%	10.8%
Craftsperson	1,045	6.3%	16.8%	78.6%
Operatives	1,394	23.2%	49.4%	39.7%
Laborers	1,095	21.6%	72.6%	23.4%
Service Workers	16,034	44.3%	56.5%	23.5%

Minority Goal

Craftspersons 14%
All other categories 25%

Female Goal

Craftspersons 5%
Operatives 30%
Laborers 14%
All other categories 46%

Casino Revenue Fund

Twenty years ago New Jersey voters approved casino gaming and directed that the 8 percent tax on casino gross revenues go exclusively to benefit senior citizens and disabled persons. Today, hundreds of thousands of senior citizens and disabled persons receive assistance from programs funded by casino revenues.

Pharmaceutical Assistance to the aged and disabled (PAAD) and utility assistance (Lifeline Program) are two of the most popular programs.

Approximately, 185, 100 senior citizens and 25, 800 disabled persons received PAAD assistance last year and 240,500 New Jersey households benefited from Lifeline energy payments.

From May 1978 through June 1996 \$3.46 billion was deposited into the Casino Revenue Fund.

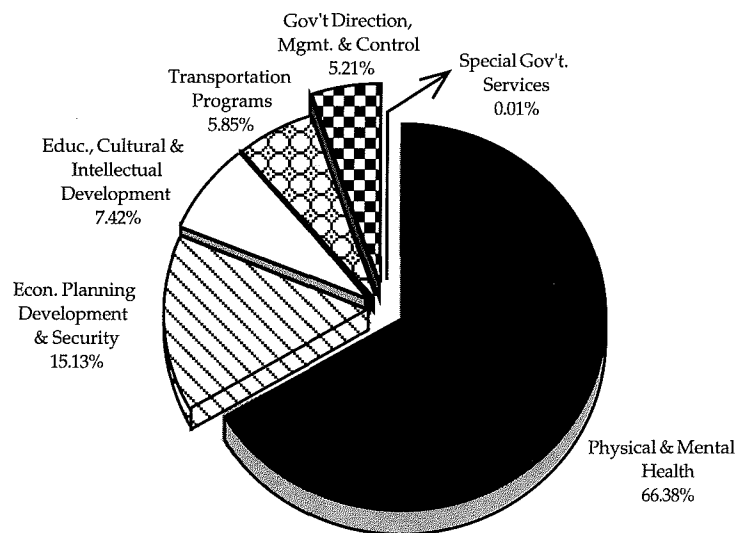
REVENUES

Beginning Balance, July 1, 1995	\$ 39,365,989
Total Revenues	\$ 340,286,449
Transfer from other funds	\$ 1,500,000
Total Resources	<u>\$ 381,152,438</u>

EXPENDITURES

Physical & Mental Health	
Pharmaceutical	\$ 173,317,119
Community Care Programs	30,534,072
General Medical Services	9,091,798
Respite Care for the Elderly	4,588,000
Epidemiology & Disease Control	1,494,156
Total	<u>\$ 219,025,145</u>
Educational, Cultural & Intellectual Development	
Purchased Residential Care	\$ 17,095,763
Adult Activities	7,392,358
Total	<u>\$ 24,488,121</u>
Economic Planning, Development & Security	
Lifeline Credit	\$ 37,349,900
Congregate Housing Support	7,253,064
Personal Attendant Program	3,590,138
Other Miscellaneous	1,740,000
Total	<u>\$ 49,933,102</u>
Transportation Programs	\$ 19,296,117
Gov't Direction, Mgmt. & Control;	
Tax Reimb. Exempt.	17,180,000
Special Government Services	41,807
Total Expenditures	<u>\$ 329,964,292</u>
End Balance	<u>51,188,146</u>

Casino Revenue Fund Disbursements



Fiscal Year 1996

THE NEW JERSEY CASINO INDUSTRY
GROSS REVENUE AND RELATED TAX
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

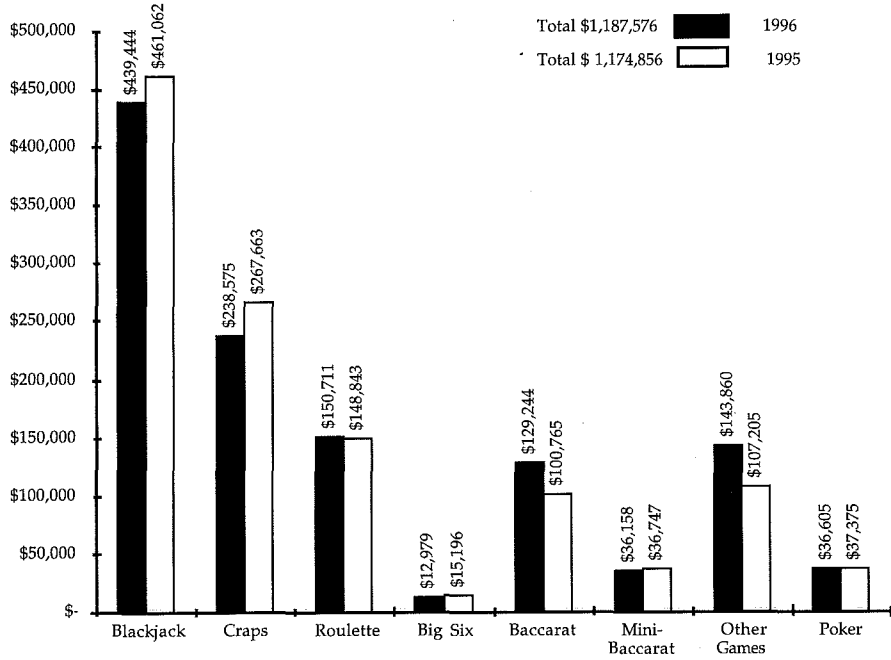
(\$ IN THOUSANDS)

Casino Hotel	Casino Win	Daily Average Casino Win	Adjustment for Uncollectibles	Gross Revenue	Tax
Atlantic City Hilton*					
1996	250,804	685	1,014	249,790	19,983
1995	256,348	702	1,108	255,240	20,419
Bally's Park Place					
1996	351,747	961	1,113	350,634	28,051
1995	357,525	979	1,338	356,187	28,495
Caesars					
1996	391,006	1,069	1,083	389,923	31,194
1995	371,088	1,017	3,525	367,563	29,405
Claridge					
1996	162,727	445	211	162,516	13,001
1995	169,405	464	(200)	169,605	13,568
Harrah's					
1996	316,254	864	1,252	315,002	25,200
1995	319,445	875	1,231	318,214	25,457
Resorts					
1996	259,217	708	1,318	257,899	20,632
1995	268,580	736	903	267,677	21,414
Sands					
1996	243,833	666	2,100	241,733	19,339
1995	264,977	726	2,909	262,068	20,966
Showboat					
1996	343,724	939	1,314	342,410	27,393
1995	340,891	934	1,223	339,668	27,174
Tropicana**					
1996	350,702	958	2,154	348,548	27,884
1995	313,742	860	502	313,240	25,059
Trump Castle					
1996	250,652	685	1,416	249,236	19,939
1995	278,784	764	3,191	275,593	22,047
Trump Plaza					
1996	373,301	1,020	1,369	371,932	29,754
1995	300,748	824	941	299,807	23,985
Trump Taj Mahal					
1996	519,631	1,420	10,402	509,229	40,738
1995	506,043	1,386	4,324	501,719	40,138
TOTALS					
1996	3,813,598	10,420	24,746	3,788,852	303,108
1995	3,747,576	10,267	20,995	3,726,581	298,127

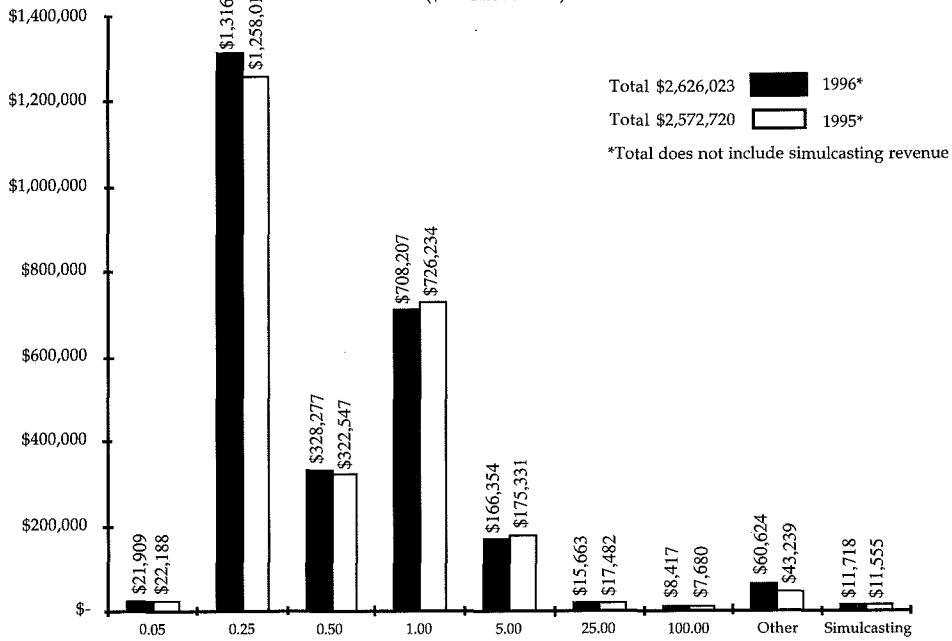
* Formerly known as The Grand

** Formerly known as TropWorld

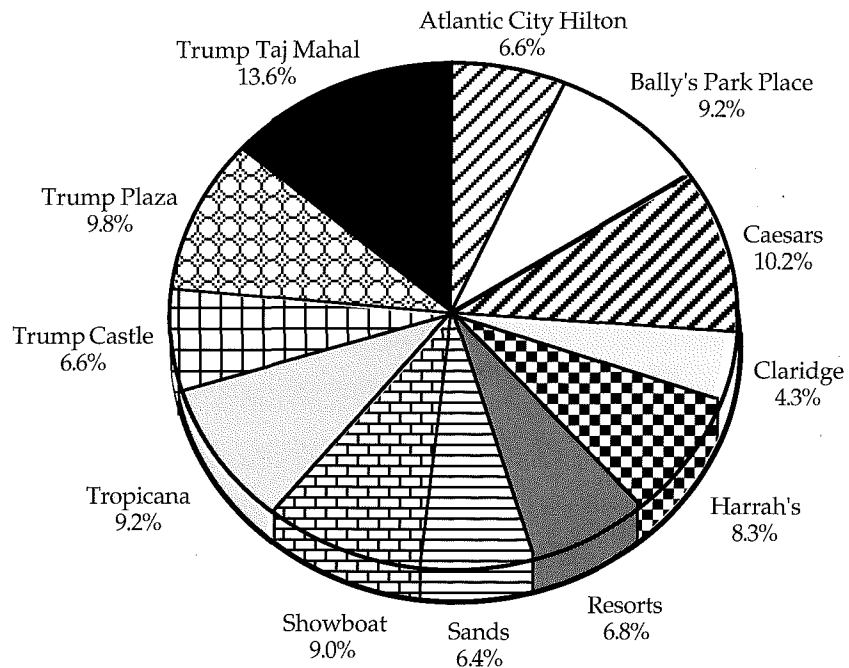
Table Games Win Analysis
1996 and 1995
(\$ In Thousands)



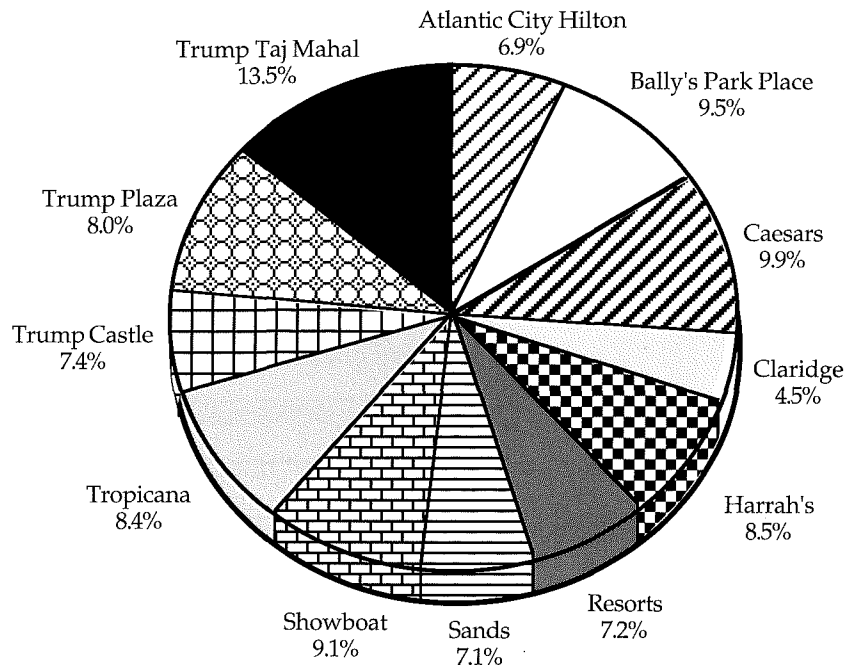
Slot Machine Win Analysis
1996 and 1995
(\$ In Thousands)



**MARKET SHARE OF CASINO WIN
1996**



**MARKET SHARE OF CASINO WIN
1995**



Employee License Bureau

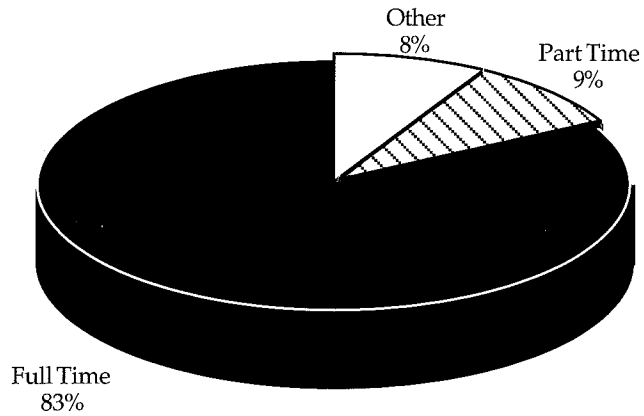
APPLICATIONS ACCEPTED AND LICENSES/CASINO SERVICE EMPLOYEE REGISTRATIONS ISSUED

	1/1/96 12/31/96	Inception to 12/31/96 ¹
Casino Key Employees:		
Applications filed	294	6,765
Licenses issued	228	6,230
Casino Employees:		
Applications filed	4,191	109,572
Licenses issued	4,123	104,559
Casino Service Employees:		
Licenses & registrations issued	3,773	145,176
Gaming School and Junket Employees:²		
Applications filed		1,724
Licenses issued		1,567
Total Employees:		
Applications filed	4,485	118,061
Plenary licenses registrations issued	8,124	257,532
Temporary licenses issued	1,989	17,906
Employee license renewals processed	10,695	163,755

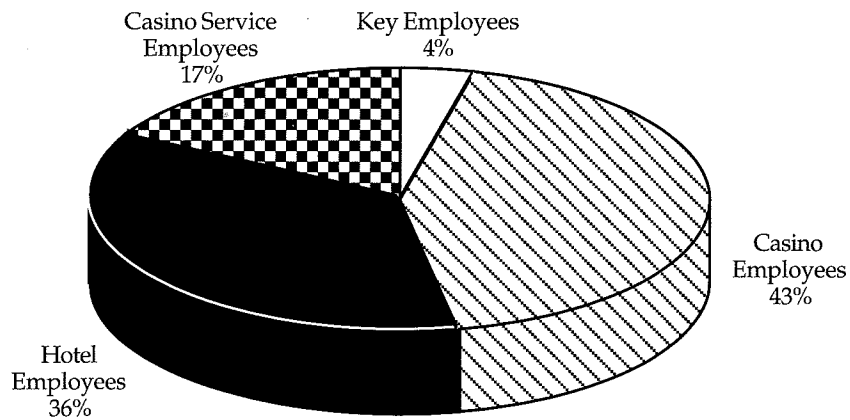
¹ Historical figures for casino key and casino employee applications filed and licenses issued have been restated.

² Gaming School and Junket employee license categories were eliminated by statutory change.

Casino Hotel Employment



Casino Hotel Employment



The New Jersey Casino Industry Salaries and Wages

(\$ In Thousands)

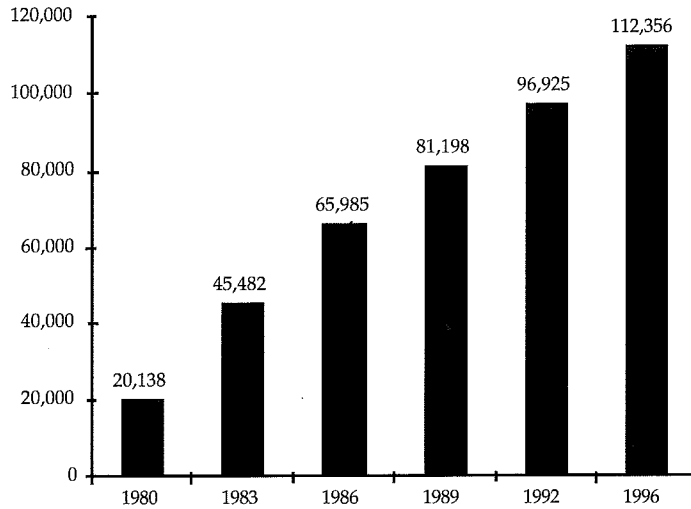
	1996	1995
Atlantic City Hilton (a)	\$ 69,632	\$ 67,672
Bally's Park Place	93,401	87,312
Caesars	95,650	89,557
Claridge	56,311	56,171
Harrah's	80,932	78,500
Resorts	82,655	82,200
Sands	74,389	73,979
Showboat	89,501	91,246
Tropicana (b)	92,211	78,784
Trump Castle	73,787	76,553
Trump Plaza	101,455	80,679
Trump Taj Mahal	133,556	138,739
Industry Totals	\$1,043,480	\$ 1,001,392

a) Formerly the Grand

b) Formerly TropWorld

Employee Initial Licenses*

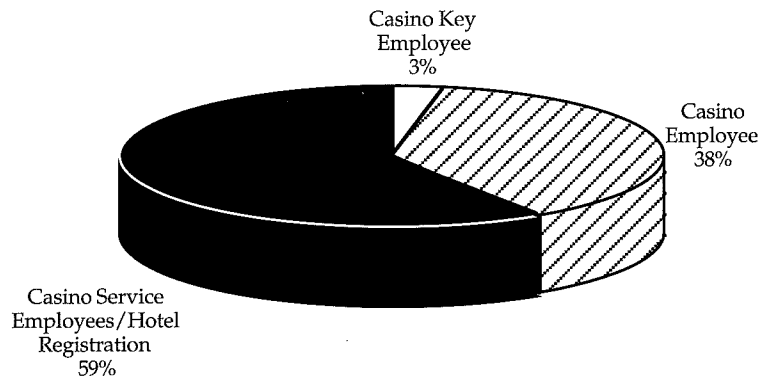
Issued 1978 through 1996



* Figures do not include Hotel License/Registrations/Casino Service Registrations

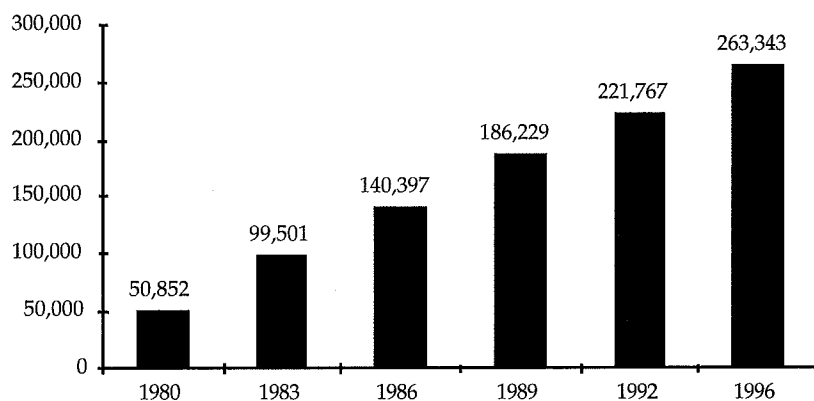
Employee License/Registration Applications

Accepted 1978 - 1996



Employee License/Registration Applications

Accepted 1978 through 1996



Casino Service Industry
Total Volume of Business – Calendar Year 1996

	Total Companies	Percent of Total Companies	Dollar Volume of Business*	Percent of Total Business
Total Number of				
Vendors Receiving Payments	8,193	100.00%	\$ 2,471,781,297.00 **	100%
New Jersey				
Enterprises	3,402	41.52%	\$ 1,544,324,764.00	62.48%
Pennsylvania				
Enterprises	1,082	13.21%	\$ 149,679,029.00	6.06%
New York				
Enterprises	1,064	12.99%	\$ 146,679,620.00	5.95%
Delaware				
Enterprises	43	0.05%	\$ 11,680,118.00	0.47
All other				
States	2,449	28.89%	\$ 606,500,927.00	24.54%
Foreign				
Enterprises	153	1.87%	\$ 12,648,840.00	0.51%

*"Dollar Volume of Business" represents only those monies paid by the casino licensees for goods and services. This figure does not include such payments as government 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).

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

Enterprise License Bureau Statistics Casino Service Industry Licenses

	Period 1-1-96 to 12-31-96	Inception to 12-31-96
Enterprises permitted to conduct business with casino licensees	3,886	48,176
Enterprises prohibited from conducting business with casino licensees	42	1,572
Initial (Gaming Related):		
Applications Filed	10	210
Licenses Issued	20	115
Licenses Denied	0	0
Withdrawals Granted	1	41
Total Licenses	33	
*Renewal (Gaming Related):		
Applications Filed	11	161*
Licenses Issued	17	66*
Licenses Denied	0	1*
Withdrawals Granted	0	0*
Total Licenses	25	
Initial (Non-Gaming Related):		
Applications Filed	286	4,542
Licenses Issued	210	3,221
Licenses Denied	3	168
Total Licenses	612	
*Renewal (Non-Gaming Related):		
Applications Filed	165	1,744*
Licenses Issued	229	1,616*
Licenses Denied	0	8*
Withdrawals Granted	0	38*
Total Licenses	561	
Exemptions Granted by CCC	13	181
Junket Enterprises		
Initial Licenses:		
Applications Filed	23	360
Licenses Issued	17	239
Licenses Denied	0	20
Withdrawals Granted	0	39
Total Licenses	52	
*Renewal Licenses:		
Applications Filed	23	134*
Licenses Issued	9	97*
Licenses Denied	0	0*
Withdrawals Granted	0	1*
Total Licenses	43	
Gaming Schools		
Applications Filed	2	19
Licenses Issued	0	10
Schools Currently Operating	5	
Labor Organizations		
Registrations	7	30
Total Registered	7	

* Cumulative figures in this area account for the time period 1-1-88 to 12-31-96.

TOTAL VOLUME OF BUSINESS - NEW JERSEY COMPANIES

	Total Companies	Percent of Total Companies	Dollar Volume of Business	Percent of Total Business
New Jersey Enterprises	3,402	100.00%	\$ 1,544,324,764	100.00%
Atlantic	1,441	42.36%	\$ 965,801,668	62.54%
Bergen	189	5.56%	\$ 26,598,391	1.72%
Burlington	200	5.88%	\$ 38,271,539	2.48%
Camden	366	10.76%	\$ 86,615,506	5.61%
Cape May	109	3.20%	\$ 14,377,828	0.93%
Cumberland	92	2.70%	\$ 17,894,580	1.16%
Essex	118	3.47%	\$ 138,524,435	8.97%
Gloucester	118	3.47%	\$ 11,490,270	0.74%
Hudson	59	1.73%	\$ 11,743,141	0.76%
Hunterdon	8	0.24%	\$ 876,411	0.06%
Mercer	88	2.59%	\$ 9,122,962	0.59%
Middlesex	106	3.12%	\$ 138,051,104	8.94%
Monmouth	109	3.20%	\$ 12,629,330	0.82%
Morris	71	2.09%	\$ 4,678,222	0.30%
Ocean	118	3.47%	\$ 7,368,575	0.48%
Passaic	68	2.00%	\$ 13,498,892	0.87%
Salem	7	0.21%	\$ 137,389	0.01%
Somerset	34	1.00%	\$ 23,573,688	1.53%
Sussex	4	0.12%	\$ 39,314	<0.01%
Union	94	2.76%	\$ 23,027,443	1.49%
Warren	3	0.09%	\$ 4,076	<0.01%

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New Jersey State Legislature

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The Honorable Christine Todd Whitman
Governor of New Jersey

The Honorable Donald T. DiFrancesco
President of the Senate

The Honorable Jack Collins
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the State of New Jersey Casino Control Fund as of and for the years ended June 30, 1996 and 1995. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *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 audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Casino Control Fund as of June 30, 1996 and 1995, and the results of its operations for the years then ended in conformity with the generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 1997 on our consideration of the Casino Control Fund internal control structure and a report dated February 28, 1997 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the Casino Control Fund financial statements taken as a whole. 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 same auditing procedures applied in the examination 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.

A handwritten signature in dark ink, appearing to read "Richard L. Fair".

Richard L. Fair
State Auditor
February 28, 1997

STATE OF NEW JERSEY
CASINO CONTROL FUND
BALANCE SHEET
JUNE 30, 1996 and 1995

STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED
JUNE 30, 1996 and 1995

EXHIBIT I
(In \$000)

EXHIBIT II
(In \$000)

	1996	1995
ASSETS		
Cash	\$ 51.0	\$ 51.0
Accounts Receivable	5,861.6	6,656.0
Less: Allowance for Doubtful Accounts	35.6	47.6
Net Accounts Receivable	5,826.0	6,608.4
Due from General Fund	10,949.3	8,230.4
Deferred Charges	-	887.8
Total Assets	<u>\$16,826.3</u>	<u>\$15,777.6</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$2,392.0	\$ 2,770.3
Deferred Revenue	8,526.9	9,354.5
Total Liabilities	<u>10,918.9</u>	<u>12,124.8</u>
Fund Balances		
Reserved for:		
Encumbrances	3,445.4	3,640.7
Other	-	887.8
Unreserved:		
Designated for Continuing Appropriation	2,281.9	1,703.5
Undesignated	180.1	(2,579.2)
Total Fund Balances	<u>5,907.4</u>	<u>3,652.8</u>
Total Liabilities and Fund Balances	<u>\$ 16,826.3</u>	<u>\$ 15,777.6</u>

	1996	1995
REVENUES		
Casinos		
Licenses - Casino	\$ 32,301.5	\$ 35,510.3
- Slot Machine	14,979.8	13,871.5
- Alcoholic Beverage	30.9	78.1
State Athletic Control Board	-	(26.1)
Assessments	-	-
	<u>47,312.2</u>	<u>49,433.8</u>
Credits - Prior Year Fund Balance	(1,963.1)	(2,477.9)
Total from Casinos	<u>\$ 45,349.1</u>	<u>\$ 46,955.9</u>
Other Sources		
Licenses - Casino Employees	5,039.4	4,381.2
- Casino Service Industry	1,475.4	1,300.1
Slot Prototype	454.8	500.3
Other Revenues	99.5	121.2
Total from Other Sources	<u>7,069.1</u>	<u>6,302.8</u>
Investment Earnings	523.2	376.6
Total Revenues	<u>52,941.4</u>	<u>53,635.3</u>
EXPENDITURES		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	28,294.1	31,951.2
Government Direction, Management and Control (Casino Control Commission)	22,392.7	21,397.0
Total Expenditures	<u>50,686.8</u>	<u>53,348.2</u>
Net Increase (Decrease) in Fund Balance for the Year	2,254.6	287.1
Fund Balance - Beginning	3,652.8	3,365.7
Fund Balance - Ending	<u>\$ 5,907.4</u>	<u>\$ 3,652.8</u>

SEE NOTES TO FINANCIAL STATEMENTS

SEE NOTES TO FINANCIAL STATEMENTS

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, 1996

EXHIBIT III-A
(In \$000)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES			
Casinos			
Licenses - Casino	\$ 30,479.9	\$ 32,301.5	\$ 1,821.6
- Slot Machine	14,000.0	14,979.8	979.8
- Alcoholic Beverage	36.9	30.9	(6.0)
State Athletic Control Board	-	-	-
Assessments	-	-	-
	<u>44,516.8</u>	<u>47,312.2</u>	<u>2,795.4</u>
Credits - Prior Year Fund Balance	-	(1,963.1)	(1,963.1)
Total from Casinos	<u>44,516.8</u>	<u>45,349.1</u>	<u>832.3</u>
Other Sources			
Licenses - Casino Employees	5,069.2	5,039.4	(29.8)
- Casino Service Industry	1,097.5	1,475.4	377.9
Slot Prototype	442.5	454.8	12.3
Other Revenues	100.0	99.5	(0.5)
Total from Other Sources	<u>6,709.2</u>	<u>7,069.1</u>	<u>359.9</u>
Investment Earnings	-	523.2	523.2
Total Revenues	<u>51,226.0</u>	<u>52,941.4</u>	<u>1,715.4</u>
EXPENDITURES			
Public Safety and Criminal Justice (Division of Gaming Enforcement)	29,151.0	28,176.3	974.7
Government Direction, Management and Control (Casino Control Commission)	23,778.5	21,496.5	2,282.0
Total Expenditures	<u>52,929.5</u>	<u>49,672.8</u>	<u>3,256.7</u>
Net Increase (Decrease) in Fund Balance for the Year	<u>\$ (1,703.5)</u>	<u>\$ 3,268.6</u>	<u>\$ 4,972.1</u>

SEE NOTES TO FINANCIAL STATEMENTS

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, 1995

EXHIBIT III-B
(In \$000)

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
REVENUES			
Casinos			
Licenses-Casino	\$ 35,298.5	\$ 35,510.3	\$ 211.8
-Slot Machine	13,568.3	13,871.5	303.2
-Alcoholic Beverage	24.3	78.1	53.8
State Athletic Control Board	-	(26.1)	(26.1)
Assessments	1,921.6	-	(1,921.6)
	<u>50,812.7</u>	<u>49,433.8</u>	<u>(1,378.9)</u>
Credits - Prior Year Fund Balance	-	(2,477.9)	(2,477.9)
Total from Casinos	<u>50,812.7</u>	<u>46,955.9</u>	<u>(3,856.8)</u>
Other Sources			
Licenses-Casino Employees	4,932.6	4,381.2	(551.4)
-Casino Service Industry	1,166.5	1,300.1	133.6
Slot Prototype	359.2	500.3	141.1
Other Revenues	100.0	121.2	21.2
Total from Other Sources	<u>6,558.3</u>	<u>6,302.8</u>	<u>(255.5)</u>
Investment Earnings	-	376.6	376.6
Total Revenues	<u>57,371.0</u>	<u>53,635.3</u>	<u>(3,735.7)</u>
EXPENDITURES			
Public Safety and Criminal Justice			
(Division of Gaming Enforcement)	34,321.1	33,721.7	599.4
Government Direction, Management and Control			
(Casino Control Commission)	23,075.0	21,384.0	1,691.0
Total Expenditures	<u>57,396.1</u>	<u>55,105.7</u>	<u>2,290.4</u>
Net Increase (Decrease) in Fund Balance for the Year	<u>\$ (25.1)</u>	<u>\$ (1,470.4)</u>	<u>\$ (1,445.3)</u>

SEE NOTES TO FINANCIAL STATEMENTS

STATE OF NEW JERSEY
CASINO CONTROL FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Significant Accounting Policies

A. Basis of Presentation

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

B. Fund Accounting

The state uses funds, account groups and component units to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts which represent the fund's assets, liabilities, equity, revenues and expenditures or expenses. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is then divided into separate "Fund Types".

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, expendable 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 fund the operations of the Casino Control Commission and the Division of Gaming Enforcement.

C. Basis of Accounting

The Casino Control Fund is accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized in the accounting period in which 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 recorded on the accrual basis when the related liability is incurred. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.

D. 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 appropriation act for fiscal years 1996 and 1995 authorized \$51,661,000 and \$57,371,000, respectively. Budgetary control is maintained at the program unit level

The accompanying statements of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual -Budgetary Basis present comparisons of the legally adopted budget with actual data on a budgetary basis.

The state's budgetary basis of accounting differs from that utilized to present financial statements in conformity with generally accepted accounting principles (GAAP). The main differences between the budgetary basis and the GAAP basis are that under the budgetary basis encumbrances are recognized as expenditures, and the budgetary basis reflects transactions only for the current fiscal year.

There were no expenditures in excess of appropriations in the Casino Control Fund. The following presents a reconciliation of the budgetary basis to the GAAP basis of reporting:

Actual on Budgetary to GAAP Basis June 30, 1996 and 1995 (In Thousands)		
	1996	1995
Budgeted Funds:		
Budgetary basis - net increase (decrease) in fund balances for the fiscal year	\$ 3,268.6	\$ (1,470.4)
Various other financing sources	-	-
Prior year expenditures and other financing uses	(3,297.5)	(1,291.7)
Encumbrances	2,283.5	3,049.2
GAAP basis - net increase (decrease) in fund balances for the fiscal year	2,254.6	287.1
Non-Budgeted Funds:		
GAAP basis - net increase (decrease) in fund balances for the fiscal year	-	-
Total All Funds:		
GAAP basis - net increase (decrease) in fund balances for the fiscal year	\$ 2,254.6	\$ 287.1

E. Fixed Assets

Fixed 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 General Fixed Asset Account Group.

F. 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 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.

G. Other

Other significant accounting policies are described in Notes 2 to 11.

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 industries. Net receivables are substantially collected within three months.

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

NOTE 4 - Deferred Charges

Represents amount paid in advance from the Casino Control Commission's fiscal year 1993 appropriation to fund an anticipated consolidation of their offices.

NOTE 5 - 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 6 - Deferred Revenue

Deferred Revenue represents fiscal year 1997 and fiscal year 1996 slot machine license billings collected and recorded in June 1996 and 1995, respectively.

NOTE 7 - Fund Balance

The positive fund balance as of June 30, 1996 and June 30, 1995 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e) the balance at June 30, 1996 will be credited to casino licensees during subsequent fiscal years 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, 1996. The balance at June 30, 1995 was credited in the same manner to casino licensees during subsequent fiscal years.

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 employee sick leave balances. The liability for accumulated employee sick leave balances as of June 30, 1996 of approximately \$3.5 million is reflected in the State's Long-Term Debt Account Group 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, 1996 of approximately \$1.0 million is reflected in the State's General Long-Term Debt Account Group 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 1996 and fiscal year 1995 was equal to the effective rate of return on investments in the General Fund and varied from 5.26% to 5.81% in fiscal year 1996 and from 4.28% to 5.97% in fiscal year 1995. The net effect of these transactions is reflected in the Investment Earnings account on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

NOTE 10 - Restatements

The fund balance at the beginning of fiscal year 1995 has been restated from \$2.5 million to \$3.4 million to properly reflect the reclassification of a \$0.9 million prepayment from an expenditure to a deferred charge. (See Note 4)

The Designated for Continuing Appropriation balance as of June 30, 1995 has been restated to reflect a reappropriation increase of \$13,737 for the Commission.

NOTE 11 - Contingent Liability

The Casino Control Fund is involved in a number of legal actions wherein there is potential for unanticipated expenditure. The exact amount involved in these legal proceedings is not fully determinable. 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
EXPENDITURE DETAIL
FOR THE FISCAL YEARS ENDED
JUNE 30, 1996 AND 1995

SCHEDULE I
(IN \$000)

	1996		1995	
	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL
EXPENDITURES:				
Salaries	\$ 17,993.8	\$ 15,093.0	\$ 20,255.4	\$ 14,975.2
Payroll Taxes and Employee Benefits	3,488.2	3,179.5	5,195.8	3,602.7
Printing and Office Supplies	126.4	133.4	131.1	283.0
Vehicular Supplies	95.9	-	132.0	-
Travel	32.1	31.0	15.5	32.2
Telephone	293.1	176.0	400.7	134.6
Data Processing	1,597.7	1,413.0	1,077.3	740.9
Professional Services	322.8	89.6	334.8	45.7
Other Services Other Than Personal	492.5	217.3	422.6	192.8
Rent-Facilities	1,971.4	1,515.5	2,246.5	994.7
Rent-Automobiles and Other	133.0	119.8	224.1	156.2
Indirect Costs	1,106.1	215.1	1,052.6	97.2
Office Equipment	93.8	150.1	59.4	54.6
Vehicular Equipment	195.9	-	-	-
Other Equipment	351.4	59.4	403.4	87.2
TOTAL EXPENDITURES	<u>\$ 28,294.1</u>	<u>\$ 22,392.7</u>	<u>\$ 31,951.2</u>	<u>\$ 21,397.0</u>

