

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Financial Statements

For The Years Ended December 31, 1996 and 1995

(With Independent Auditor's Report thereon)

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INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the Board
Casino Reinvestment Development Authority:

We have audited the accompanying balance sheets of the Casino Reinvestment Development Authority as of December 31, 1996 and 1995 and the related statements of revenues, expenses and changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of the Casino Reinvestment Development Authority's 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. Those standards require that we plan and perform our audits to obtain reasonable assurance that 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Casino Reinvestment Development Authority at December 31, 1996 and 1995 and the results of its cash flows for the years then ended in conformity with generally accepted accounting principles.

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February 4, 1997
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CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Balance Sheet

December 31, 1996

ASSETS

	Operating Fund	Reinvestment Fund	Development Fund
Cash and cash equivalents	\$ 6,106,957	200,002,991	24,620,419
Receivables:			
Current obligations	-	10,356,446	-
Prior obligations	-	11,531,558	-
Notes	2,123,971	-	45,977,828
Parking fees	-	-	2,409,576
Deregulation	-	-	733,719
Interest	896,551	-	587,010
Other	1,170,454	47,649	35,669,348
Investments	16,739,795	-	7,093,935
Real estate	5,156,150	-	71,464,442
Fixed assets (net)	246,311	-	-
Total assets	<u>\$ 32,440,189</u>	<u>221,938,644</u>	<u>188,556,277</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable and accrued liabilities	1,340,107		
Interest payable	-	2,148,597	1,609,822
Obligation and donated deposits	-	157,967,921	-
Accrued investment obligations	-	10,356,446	-
Deferred investment obligations	-	11,531,558	-
Bonds payable (net)	-	-	43,395,427
Note payable	-	-	40,059,833
Other liabilities	-	39,934,122	3,563,176
Total liabilities	<u>1,340,107</u>	<u>221,938,644</u>	<u>88,628,258</u>

Fund equity - unrestricted:

Reserved	12,501,732	-	25,974,441
Unreserved retained earnings	18,598,350	-	73,953,578
Total fund equity	<u>31,100,082</u>	<u>-</u>	<u>99,928,019</u>
Total liabilities and fund equity	<u>\$ 32,440,189</u>	<u>221,938,644</u>	<u>188,556,277</u>

See accompanying notes to financial statements.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Balance Sheet

December 31, 1995

ASSETS

	Operating Fund	Reinvestment Fund	Development Fund
Cash and cash equivalents	\$ 21,233,920	142,807,972	10,817,317
Receivables:			
Current obligations	-	10,789,566	-
Prior obligations	-	11,831,558	-
Notes	2,123,971	-	38,121,882
Parking fees	-	-	5,012,845
Deregulation	-	-	1,547,000
Interest	938,583	-	218,200
Other	853,342	535	391,731
Investments	-	-	2,759,936
Real estate	4,367,216	-	58,692,190
Fixed assets (net)	208,791	-	-
Total assets	<u>\$ 29,725,823</u>	<u>165,429,631</u>	<u>117,561,101</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable and accrued liabilities	622,399	-	-
Interest payable	-	2,013,982	476,990
Obligation and donated deposits	-	139,107,390	-
Accrued investment obligations	-	10,789,566	-
Deferred investment obligations	-	11,831,558	-
Bonds payable (net)	-	-	37,677,064
Other liabilities	-	1,687,135	1,906,236
Total liabilities	<u>622,399</u>	<u>165,429,631</u>	<u>40,060,290</u>
Fund equity - unrestricted:			
Reserved	10,381,481	-	21,113,094
Unreserved retained earnings	18,721,943	-	56,387,717
Total fund equity	<u>29,103,424</u>	<u>-</u>	<u>77,500,811</u>
Total liabilities and fund equity	<u>\$ 29,725,823</u>	<u>165,429,631</u>	<u>117,561,101</u>

See accompanying notes to financial statements.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Statements of Revenues, Expenses, and Changes in Fund Equity

Years ended December 31, 1996 and 1995

	Operating Fund		Development Fund	
	1996	1995	1996	1995
Revenues:				
Interest	4,558,629	5,379,726	2,121,918	1,770,333
Grant		-	5,355,833	11,584,536
Parking fees		-	15,455,326	15,623,160
Project processing and other fees	428,897	771,980	-	-
Deregulation	-	-	9,162,302	1,547,000
Other income	59,260	1,200	2,134,878	1,230,917
Total revenues	<u>5,046,786</u>	<u>6,152,906</u>	<u>34,230,257</u>	<u>31,755,946</u>
Expenses:				
Salaries and benefits	2,148,756	1,946,023	-	-
Professional and outside services	512,927	600,268	-	-
General and administrative	662,806	635,712	-	-
Interest	-	-	2,921,204	1,767,131
Program costs	-	-	8,758,643	5,943,502
Other	-	2,431	123,202	74,640
	<u>3,324,489</u>	<u>3,184,434</u>	<u>11,803,049</u>	<u>7,785,273</u>
Excess of revenues over expenses before operating fund donations	1,722,297	2,968,472	22,427,208	23,970,673
Operating fund donations	<u>274,361</u>	<u>(25,164)</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenses	1,996,658	2,943,308	22,427,208	23,970,673
Fund equity, beginning of year	<u>29,103,424</u>	<u>26,160,116</u>	<u>77,500,811</u>	<u>53,530,138</u>
Fund equity, end of year	<u>\$ 31,100,082</u>	<u>29,103,424</u>	<u>99,928,019</u>	<u>77,500,811</u>

See accompanying notes to financial statements.

Statement of Cash Flows

December 31, 1996

	Operating Fund	Reinvestment Fund	Development Fund
Cash Flows from Operating			
Activities:			
Excess of revenues over expenses	\$ 1,996,658	-	22,427,208
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	63,870	-	-
Amortization of bond premium	-	-	5,337
Land donations/dispositions	-	-	444,592
Cash provided (used) by changes in:			
Interest receivable	42,032	-	(368,811)
Parking fees receivable	-	-	2,603,270
Other receivables	(317,112)	(47,114)	(35,277,616)
Deregulation receivable	-	-	813,281
Accounts payable and accrued liabilities	717,709	38,246,987	1,416,474
Interest payable	-	-	1,132,831
Net cash provided by operating activities	2,503,157	38,199,873	(6,803,434)
Cash Flows from Investing Activities:			
Obligation deposits due	-	57,943,458	-
Less: Donations credits and returns	-	(2,136,412)	-
Net cash from received obligation deposits due	-	55,807,046	-
Collection of interest	-	7,969,314	-
Collection of notes receivable	-	-	1,798,771
Loan forgiveness	-	-	25,186
Issuance of bonds	-	(5,859,174)	5,859,174
Payment of interest	-	(7,834,699)	-
Direct investments	-	(22,189,266)	-
Donation disbursements	(788,935)	(8,898,075)	(13,216,843)
Purchase of fixed assets	(101,390)	-	-
Bond redemption	-	-	(457,076)
Purchase of investments	(16,739,795)	-	(3,782,606)
Loan disbursements	-	-	(9,679,903)
Net cash used in investing activities	(17,630,120)	18,995,146	(19,453,297)
Cash Flows from Financing Activities:			
Issuance of notes	-	-	40,059,833
Net cash used in investing activities	-	-	40,059,833
Increase (decrease) in cash	(15,126,963)	57,195,019	13,803,102
Cash, beginning of year	21,233,920	142,807,972	10,817,317
Cash, end of year	\$ 6,106,957	200,002,991	24,620,419

See accompanying notes to financial statements.

Statement of Cash Flows

December 31, 1995

	Operating Fund	Reinvestment Fund	Development Fund
Cash Flows from Operating			
Activities:			
Excess of revenues over expenses	\$ 2,943,308	-	23,970,673
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	95,485		-
Land donations/dispostions	166,487		3,124,844
Cash provided (used) by changes in:			
Interest receivable	139,356		206,280
Parking fees receivable	-		9,791,583
Other receivables	(51,903)	(536)	(355,951)
Deregulation receivable	-	-	(1,547,000)
Accounts payable and accrued liabilities	103,775	1,686,834	219,816
Accounts payable valuation	-	-	(280,863)
Escrow collections	75,206	-	-
Interest payable	-	-	(207,291)
Net cash provided by operating activities	3,471,714	1,686,298	34,922,091
Cash Flows from Investing Activities:			
Obligation deposits due	-	46,291,277	-
Less: Donation credits and returns	-	(4,669,010)	-
Net cash received from obligation deposits due	-	41,622,267	-
Collection of interest	-	8,150,593	-
Collection of notes receivable	-	-	1,814,135
Issuance of bonds	-	(3,347,613)	3,347,613
Payment of interest	-	(8,007,520)	-
Direct investments	-	(15,101,477)	-
Donation disbursements	(626,869)	(27,495,660)	(26,602,073)
Purchase of fixed assets	(38,999)	-	-
Bond redemption	-	-	(1,086,727)
Purchase of tax bonds	(874,947)	-	-
Loan disbursements	-	-	(6,269,667)
Proceeds from calling of investments	-	-	334,025
Net cash used in investing activities	(1,540,815)	(4,179,410)	(28,462,694)
Increase (decrease) in cash	1,930,899	(2,493,112)	6,459,397
Cash, beginning of year	19,303,021	145,301,084	4,357,920
Cash, end of year	\$ 21,233,920	142,807,972	10,817,317

See accompanying notes to financial statements.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements

For the years ended December 31, 1996 and 1995

1. Organization

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

On July 1, 1993 Chapter 159 of P.L. 1993 became effective and imposed a daily parking fee, in Atlantic City, on motor vehicles which are parked, garaged or stored in parking facilities owned or operated by a casino licensee. The daily parking fee is currently \$2.00; of that amount \$1.50 is available exclusively for use by CRDA for eligible projects in the "corridor region of Atlantic City" as defined by CRDA. In addition, P.L. 1993 also empowered CRDA to issue public debt for projects in the "corridor region of Atlantic City" to be repaid from the parking fee revenues.

Assembly Bill No. 61 of 1994 established the Atlantic City Fund in the Casino Reinvestment Development Authority. The fund is used for economic development projects of a revenue-producing nature which foster the redevelopment of Atlantic City. The bill provides two sources of revenue for the Atlantic City Fund: 1) savings from the elimination or streamlining of regulatory process and 2) an extension and reallocation of the investment alternative tax.

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

Nine members, including two members of the casino hotel industry, appointed by the Governor with the advise and consent of the State Senate.

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

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

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

The Mayor of Atlantic City.

The State Treasurer.

The State Attorney General.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

1. Organization (continued)

CRDA as created pursuant to law is empowered to:

- Maintain public confidence in the casino gaming industry serving as a unique tool of urban redevelopment for the City of Atlantic City and directly facilitate the redevelopment of blighted areas throughout the State by providing eligible projects in which licensees may invest.
- Provide loans and other financial assistance for the planning, acquisition, construction and rehabilitation of housing, recreation, transportation, education and community service facilities that provide decent, safe and sanitary living conditions for persons of low, moderate, median and middle incomes.
- Assist in financing buildings, infrastructure and other property that lead to increased opportunities in manufacturing, industrial, commercial, entertainment, and service enterprises that induce and accelerate opportunity for employment in those enterprises.
- Promote the tourist industry in the State, especially in Atlantic County.
- Encourage investment in, or financing of, projects which are made as part of a comprehensive plan to improve blighted areas in the State or areas that are targeted to benefit low to middle income state residents.

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

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

2. Summary of Significant Accounting Policies

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

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

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

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

Real Estate - Real estate consists of land, land improvements and related acquisition costs and is recorded at cost. Real estate is held by CRDA for future development, sale or donation. Real estate costs are expensed upon the disposition of the property.

Fixed Assets - Fixed assets, consisting primarily of furniture and equipment, are carried at cost less accumulated depreciation of \$200,177 and \$349,306 at December 31, 1996 and 1995, respectively. CRDA depreciates its assets using the straight-line method over their estimated useful lives, generally seven years for office equipment and furniture and fixtures and five years for computer equipment.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Bond Program - The Authority issues tax-exempt private activity bonds and taxable bonds. The proceeds from these bond issues are used to provide long-term, low-interest, loans to businesses, certain 501(c)(3) non-profit activities, and other projects.

Reclassifications - Certain reclassifications have been made to the 1995 financial statements to conform with the current year's presentation.

3. Cash and Cash Equivalents

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

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

As of December 31, 1996 and 1995, all cash and cash equivalents held in the Reinvestment Fund by CRDA were in compliance with the requirements of the "Securities Purchase Contract".

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

3. Cash and Cash Equivalents (continued)

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

4. Notes Receivable

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

Notes receivable within the operating fund consists of a bond anticipation note from the City of Atlantic City in connection with the Authority's demolition program. The note is non-interest bearing and matures February 1, 1997.

5. Investments

Investments consist principally of marketable securities and are recorded at the lower of cost or market. A portion of the investments at December 31, 1996 and 1995 were jointly owned with the Atlantic City Improvements Authority (ACIA) but maintained by CRDA. The ACIA's portion of the investments is recorded as part of "other liabilities".

At December 31, 1996 and 1995, investments consisted of:

1996

Operating Fund

	Cost Basis	Market Value	Valuation Allowance
US Treasury Bonds	\$15,015,772	15,068,064	(52,292)
Non-Convertible Corporate Bonds	\$ <u>1,724,023</u>	<u>1,719,439</u>	<u>4,584</u>
	<u>\$16,739,795</u>	<u>16,787,503</u>	<u>(47,708)</u>

Development Fund

	Cost Basis	Market Value	Valuation Allowance
515,000 FNMA Debentures	\$ 547,921	547,921	-
80,979 Shares of Allied Federated Department Stores	\$ 3,703,300	2,763,408	939,892

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

5. Investments (Continued)

US Treasury Bills	\$ <u>3,782,606</u>	<u>3,782,606</u>	<u>-</u>
	\$ <u>8,033,827</u>	<u>7,093,935</u>	<u>939,892</u>

1995

Development Fund

	Cost Basis	Market Value	Valuation Allowance
515,000 FNMA Debentures	\$ 553,258	553,258	-
80,979 Shares of Allied Federated Department Stores	<u>3,703,300</u>	<u>2,206,678</u>	<u>1,496,622</u>
	<u>\$4,256,558</u>	<u>2,759,936</u>	<u>1,496,622</u>

In accordance with the Authority's agreement with its bond holders, the decline in market value is shown as a reserve against the bonds payable within the corresponding project.

6. Investment Obligations

- a. Obligations collected from licensees are held in the Reinvestment Fund until projects are approved by CRDA's Board of Directors. At that time, they are used for the purpose of purchasing bonds issued by CRDA for financing approved projects, disbursing licensees' obligations for approved direct investment projects, financing approved projects with donated obligations, or purchasing bonds of the New Jersey Development Authority.
- b. Current obligations represent amounts incurred by licensees under CRDA statute and are based upon 1.25% of their gross revenues. Payments are due quarterly on April 15, July 15, October 15, and January 15, for the preceding quarter. For financial reporting purposes, amounts outstanding are also recorded as accrued investment obligations.
- c. Prior obligations represent amounts incurred by licensees operating prior to the establishment of CRDA in 1984 and are based upon 2% of their gross revenues. As of December 31, 1996, all licensees have fulfilled their obligations accrued prior to January 1, 1984 with the exception of Resorts International Hotel, Inc. (Resorts) (see "D" below) and Bally's Park Place (see "E" below). For financial reporting purposes, amounts outstanding are also recorded as deferred investment obligations.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

6. Investment Obligations (continued)

- d. Resorts has claimed a direct investment credit for the Pinnacle and Country Place housing projects in Atlantic County completed prior to the creation of CRDA. Casino obligations during this time period are restricted to housing and housing related projects. Due to its claim, Resorts has not made full obligation payments for the years 1980 to 1983 for a total of \$10,781,558.

At present, the Treasurer's office is reviewing the case and Resorts has not been presented with a final determination letter as to the amount of eligible credit. In the event that direct investment credit for such amount is not approved, CRDA believes that Resorts will be obligated to make payments for such amounts according to law.

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

1. Payments for investments or donations
to be paid over the next six years \$2,250,000

The settlement outstanding as of December 31, 1996 and 1995 amounted to \$750,000 and \$1,050,000, respectively.

2. Guaranties on primary residence mortgages in Atlantic City for employees of Bally's Park Place and The Grand, who meet certain eligibility standards.

Guaranties to be funded by:

CRDA	\$1,000,000
New Jersey Housing and Mortgage Financing Agency	\$1,000,000

The amount of guaranties remaining unused at June 30, 1997 will then expire.

7. Bonds Payable

Bonds payable consist of bonds issued by CRDA to licensees with terms varying from 42 to 50 years at interest rates varying between 4.0% and 7.0%.

As set forth in such bonds and in the various agreements and documents related to their authorization and issuance, the principal of, premium if any, and interest on all bonds issued are payable solely from the revenues and other monies derived from the sale or other disposition of the projects financed by such bonds, any other revenues from the projects or other monies which may be pledged with respect to such issues. All such bonds are special obligations of the Authority, do not constitute obligations against the general credit of the Authority, and are not in any way a debt or liability of the State.

Notes to Financial Statements (continued)

7. Bonds Payable (Continued)

Accordingly, due to a lack of revenues generated from the Vermont Plaza project, the bond holders of this project (licensees) have been limited to receiving interest payments at a discounted rate which is substantially less than the bonds original stated rate.

8. Note Payable

On June 4, 1996, the CRDA issued a Bond Anticipation note. The \$40,000,000 note plus interest of 4.50% per annum is due June 3, 1997. The balance of the note at December 31, 1996, net of accumulated amortization of the premium, is \$40,059,833.

9. Project and Direct Investment Commitments and Disbursements

- a. During 1996 and 1995, CRDA committed approximately \$69.89 and \$42.83 million in current and future CRDA obligations to finance direct investment and other projects.

As of December 31, 1996, CRDA had outstanding commitments as follows:

<u>Project</u>	<u>Commitments</u>	<u>Bonds</u>	<u>Disbursements</u>	
			<u>Direct Investment</u>	<u>Donated Obligation</u>
Northwest Inlet	\$ 3,307,100	2,413,051	-	-
Harrahs Phase I:				
Direct Investment	53,352,591	-	43,889,352	-
Jacobs Family Terrace	12,464,843	3,002,593	9,033,476	-
NE Inlet Redevelopment Plan	14,323,941	-	-	769,385
NH Widening	8,798,151	-	-	7,976,346
Dockside Packing Co.	39,848	-	-	39,848
Phase III Project	14,297,904	-	-	13,390,521
Caesars Demolition	3,000,000	-	-	-
Delaware Ave. Widening	8,000,000	-	-	6,304,861
Citywide Rehabilitation Program	3,500,000	-	-	356,140
Atlantic City Special Improvement District	3,000,000	-	-	2,949,141
CBD Supermarket/Retail Complex	8,100,000	-	-	8,077,659
Trump Plaza Hotel Expansion and Park	14,134,500	-	2,243,464	-
Caesars Convention Center HQ Hotel	29,580,000	-	19,432,117	-
Showboat Hotel Expansion	11,502,000	-	3,045,872	-

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

9. Project and Direct Investment Commitments and Disbursements (continued)

<u>Project</u>	<u>Commitments</u>	<u>Bonds</u>	<u>Disbursements</u>	
			<u>Direct Investment</u>	<u>Donated Obligation</u>
Marina Corridor				
Beautification	5,500,000	-	-	5,069,159
Ducktown Corridor	1,273,569	-	-	1,188,172
The Grand Hotel				
Expansion	12,474,000	-	7,992	-
Bally's Park Place				
Hotel Expansion	2,794,500	-	6,727	-
Tropworld Hotel				
Expansion	24,462,000	-	11,997,929	-
Neighborhood Corridor				
Beautification	2,000,000	-	145,413	-
Trump Taj Mahal Hotel				
Expansion	31,468,500	-	5,236	-
Neighborhood Corridor				
Beautification	6,500,000	-	-	5,488,609
Neighborhood Stabiliza-				
tion Program	5,000,000	-	-	3,237,356
Martin Luther King, Jr.				
Corridor	2,500,000	-	-	1,692,289
Caesars Hotel Expansion	25,110,000	-	8,149	-
Harrah's Hotel Expansion	15,894,190	-	840,840	-
1 North Boston Avenue	2,200,000	-	-	2,189,958
Pop Lloyd Stadium	297,000	-	-	-
Showboat Parking Lot	1,201,000	-	-	1,146,606
Habitat for Humanity	300,000	-	-	-
Bally's Hope Loan Program	1,000,000	-	-	-
Forest City Ratner				
Entertainment Complex	5,000,000	-	-	-
NE Inlet Phase IV	1,313,000	-	-	27,768
Massachusetts Ave Project	1,819,800	-	-	17,621
NE Inlet Rehab Program	150,000	-	-	20,335
Madison Landing	3,712,100	-	-	73,703
AC Special Improvement				
District	25,000	-	-	-
Carnegie Plaza	1,575,000	-	-	18,872
Kentucky Avenue Arts	75,000	-	-	44,881
AC Rescue Mission	866,000	-	-	866,000
Absecon Lighthouse	823,500	-	-	109,158
South Jersey Aids				
Alliance	250,000	-	-	-
Sub-total Atlantic City	<u>342,985,037</u>	<u>5,415,644</u>	<u>90,656,567</u>	<u>61,054,388</u>

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

9. Project and Direct Investment Commitments and Disbursements (continued)

<u>Project</u>	<u>Commitments</u>	<u>Bonds</u>	<u>Disbursements</u>	
			<u>Direct Investment</u>	<u>Donated Obligation</u>
Woodbury Child Develop- ment Center	880,000	-	-	880,000
Agricultural Loan Program	3,000,000	446,226	-	498,024
Roebling Complex/Trenton	3,293,900	2,893,439	-	-
Lumberton Living Center	1,860,067	-	-	-
Tuckerton Seaport	<u>330,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total South Jersey	<u>9,363,967</u>	<u>3,339,665</u>	<u>-</u>	<u>1,358,024</u>
Sub-total	<u>352,349,004</u>	<u>8,755,309</u>	<u>90,656,567</u>	<u>62,412,412</u>
North Oraton Homes/ East Orange	1,393,693	1,393,693	-	-
Marcal Extraction FAC/ Elmwood Park	25,500,000	5,301,830	-	-
Clifton Grove Estates	2,987,291	2,987,291	-	-
Passaic YMCA	50,000	-	-	48,779
NJ Performing Arts	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total North Jersey	<u>30,150,984</u>	<u>9,682,814</u>	<u>-</u>	<u>48,779</u>
Totals as of December 31, 1996	<u>\$382,454,988</u>	<u>18,438,123</u>	<u>90,656,567</u>	<u>62,461,191</u>

- b. Harrahs, through its Northeast Inlet Phase I direct investment project, has accumulated a prepayment and prepayment discount carryforward of approximately \$9.5 million as of December 31, 1996 to be applied to future Atlantic City CRDA obligations due. The prepayment is a result of direct investment project expenditures and discount credit advanced in excess of obligations due.
- c. Caesars, through its Convention Center Hotel direct investment project, has accumulated a prepayment carryforward of approximately \$10.6 million as of December 31, 1996 to be applied to future South Jersey CRDA obligations due. The prepayment is a result of direct investment project expenditures in excess of obligations due.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

10. Program Costs

Program costs are included as expenses within the Statement of Revenues, Expenses and Changes in Fund Equity and consisted of the following:

	1996	1995
Development fund:		
Atlantic City Corridor	\$ 7,426,715	987,015
Delaware Avenue Widening	519,126	722,848
New Hampshire Avenue Widening	738	2,987,622
Land Banking	-	137,223
Society Hill I	190,103	501,705
Chelsea Westside	11,927	65,590
Renaissance Plaza Supermarket/ Retail Complex	877	-
3-2-1 Loan Program	545,843	541,499
NE Inlet Phase III	52,219	-
Massachusetts Avenue Widening	11,095	-
	<u>\$ 8,758,643</u>	<u>5,943,502</u>

11. Operating Fund Donations

Donations from the operating fund are included as expenses within the Statement of Revenues, Expenses and Changes in Fund Equity and consisted of the following:

	1996	1995
Operating fund:		
Trump Plaza Legal	\$ 28,530	-
Atlantic City Bus Terminal	(529,083)	25,164
Atlantic Avenue CBD	118,526	-
Absecon Lighthouse	48,266	-
Second Ward Plan	13,212	-
Sixth Ward/Ventnor	650	-
Carnegie Plaza	45,538	-
	<u>\$ (274,361)</u>	<u>25,164</u>

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

12. Allocation of Obligation and Donation Deposits

CRDA is required by a formula in the Statute to allocate obligations received to Atlantic City, South Jersey, North Jersey and the Atlantic City Fund. CRDA is also required to set aside \$1,200,000 annually for the purpose of investing in obligations of the New Jersey Development Authority for Small Business, Minorities and Women Enterprises (NJSBMWE). As of December 31, 1996 and 1995, CRDA has allocated obligation and donation deposits as follows:

	1996	1995
Obligation deposits by area:		
Atlantic City	\$104,841,124	85,961,361
South Jersey	17,602,722	13,652,615
North Jersey	4,636,133	5,283,621
NJSBMWE	6,719,079	5,579,768
Donation deposits by area:		
Atlantic City	22,640,661	27,158,021
North Jersey	176,221	28,560
South Jersey	<u>1,351,981</u>	<u>1,443,444</u>
Total	<u>\$157,967,921</u>	<u>139,107,390</u>

13. Fund Equity

a. Operating fund	<u>1996</u>	<u>1995</u>
Reserve for indemnification	\$ 1,250,000	1,250,000
Reserve for land banking	3,413,588	4,201,336
Reserve for loan default	250,000	250,000
Reserve for demolition program	876,029	876,029
Reserve for ACMC trauma center	-	13,664
Reserve for bus terminal	-	3,790,452
Reserve for Atlantic Avenue	4,181,474	-
Reserve for Absecon Lighthouse	6,334	-
Reserve for Second Ward Plan	157,910	-
Reserve for Trump Plaza Legal	101,570	-
Reserve for Sixth Ward	34,350	-
Reserve for Boardwalk Planters	13,000	-
Reserve for Carnegie Plaza	77,962	-
Reserve for City Wide Acquisition	1,998,815	-
Reserve for Vision 2000	20,700	-
Reserve for Route 40 Corridor	65,000	-
Reserve for Sixth Ward/Ventnor	35,000	-
Reserve for NJ Historic Trust	<u>20,000</u>	<u>-</u>
Total reserved fund equity	<u>12,501,732</u>	<u>10,381,481</u>

Notes to Financial Statements (continued)

13. Fund Equity (Continued)

a. Operating fund	<u>1996</u>	<u>1995</u>
Unreserved retained earnings	<u>18,598,350</u>	<u>18,721,943</u>
Total fund equity	<u>\$ 31,100,082</u>	<u>29,103,424</u>
b. Development fund	<u>1996</u>	<u>1995</u>
Reserve for development projects	<u>\$ 25,974,441</u>	<u>21,113,094</u>
Unreserved retained earnings	<u>73,953,578</u>	<u>56,387,717</u>
Total fund equity	<u>\$ 99,928,019</u>	<u>77,500,811</u>

14. Pensions

a. Plan Description

The Authority, on behalf of all its employees, participates in the Public Employees' Retirement System (PERS) of New Jersey, which is part of the Division of Pensions in the Department of the Treasury, State of New Jersey. The State administered pension funds were established by an Act of the State Legislature and benefits, contributions, means of funding, and manner of administration are determined by the State.

For the years ended December 31, 1996 and 1995, the Authority's total base payroll (excluding back vacation pay) for all employees and Authority members which approximates the Authority's covered payroll amounted to approximately \$1,750,000 and \$1,600,000, respectively. Covered payroll refers to all compensation paid by the Authority to active employees covered by the PERS on which contributions to the pension are based. The cost of the plan for the employer's portion for each of the years ended December 31, 1996 and 1995 was approximately \$34,862 and \$34,000, respectively.

All full-time employees and compensated Board members of CRDA are required to participate in the New Jersey Public Employees Retirement System (PERS), a cost-sharing, multiple employer, defined benefit plan. The Division of Pension charges governmental units their respective contribution on an annual basis. State law requires that funds be subject to actual valuation every year and actuarial investigation every three years.

Notes to Financial Statements (continued)

14. Pensions (continued)

b. Funding Status and Progress

The PERS, which covers employees throughout the State, does not maintain reports for each supporting unit and accordingly, the actuarial data for the employees of the Authority is not available. The most recent unfunded pension benefit information available is from the June 30, 1996 audited financial statements for the state-wide PERS for local employers and is presented below (in thousands):

A. Pension Benefit Obligation

	1995	1994
1. Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits.	\$ 6,134,270	5,665,350
2. Current employees		
a. Accumulated employee contributions with interest.	3,360,910	2,990,880
b. Employer-financed-vested	4,370,530	4,321,090
c. Employer-financed-nonvested	<u>608,150</u>	<u>588,570</u>
3. Total pension benefit obligation	14,473,860	13,565,890
B. Net assets available for benefits (valuation assets)	<u>14,066,827</u>	<u>13,174,423</u>
Market value is \$14,659,914		
C. Unfunded pension benefit obligation	\$ <u>407,033</u>	<u>391,467</u>

Since the valuation of the employees' systems is prepared as of March 31 each year in order to obtain results in time to meet budgetary requirements, the above liabilities were calculated as of March 31 and projected forward to June 30, 1995 with allowances being made for increases in benefits and variations in population during the three month period. The most recent annual actuarial valuations are dated March 31, 1995 and 1994.

The actuarial present value of vested and non-vested accrued benefits is based on the same interest rate used for valuation purposes of 8 3/4%.

The accrued liability for each retiree and beneficiary is the present value of the benefits payable as of the valuation date including future cost-of-living increases.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Notes to Financial Statements (continued)

14. Pensions (continued)

For active members the benefits payable in each year in the future for each probable cause of termination (withdrawal, death, disability, service retirement) are first calculated on the basis of total service and final compensation at the date of the event. The accrued benefit is then calculated as that portion of the total benefit to the future event which the years of service rendered to the valuation date bear to the total years of service rendered to such future event. However, in the case of a benefit payable equal to the member's projected accumulated deductions, the accrued benefit is equal to the value of his accumulated deductions on the valuation date. The sum of the present values of these projected accrued benefits measures the accrued liability for each active member.

Assets are determined on the same basis as that used in the actuarial valuation, that is the five-year write-up method.

The table at Schedule 1 presents the last ten-year historical trend information required by GASB Statement No. 5.

15. Fidelity Bond

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

16. Commitments

The Authority occupies office space in Atlantic City. The facility is leased under a five year operating lease and required monthly rental payments of approximately \$19,000 in 1996.

Future minimum lease payments under this operating lease are as follows:

1997	\$228,003
1998	246,065
1999	252,030
2000	252,030
2001	-
	<u>\$978,128</u>

The Authority also leases staff parking spaces under a one year operating lease that expires April 30, 1997. Monthly lease payments under this lease amount to \$2,000.

Notes to Financial Statements (continued)

17. Subsequent Event

On February 4, 1997, the CRDA issued a Bond Anticipation note. The \$10,000,000 note plus interest of 4.50% per annum is due June 3, 1997.

As set forth in such bonds and in the various agreements and documents related to their authorization and issuance, the principal of, premium, if any, and interest on this Note is payable solely from the proceeds of any such Replacement Bonds of the Authority issued to provide for the payment of principal and interest of such Notes, the revenues pledged to the payment of such Notes, and the monies held from time to time in the Funds and Accounts under the 1997A Supplemental Indenture.

The Notes are special and limited obligations of the Authority, and shall not be in any way a debt, liability, or obligation of the State of New Jersey or of any subdivision thereof.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY

Historical Trend Information
Public Employees Retirement System
Local Employers

Schedule 5

December 31, 1996

(in millions of dollars, except percentage calculations)

Source: NJ Department of Treasury, Division of Pensions

Year	(1) Net Assets Available For Benefits	(2) Pension Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded Pension Benefit Obligation (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation As a Percentage of Covered Payroll (4)/(5)
1987	5,000.70	5,379.20	93.00%	378.50	4,097.90	9.20%
1988	5,823.50	6,094.00	95.60%	270.50	4,485.00	6.00%
1989	6,601.70	9,075.40	72.70%	2,473.70	4,936.10	50.10%
1990	7,319.40	10,248.30	71.40%	2,928.90	5,436.40	53.90%
1991	10,187.10	10,491.20	97.10%	304.10	5,907.50	5.10%
1992	11,212.50	11,512.30	97.40%	299.80	6,426.90	4.70%
1993	11,905.50	10,896.80	109.30%	(1,008.70)	6,640.30	-
1994	12,729.30	12,100.10	105.20%	(629.20)	6,888.70	-
1995	13,174.50	13,565.90	97.10%	391.40	7,197.90	5.40%
1996	14,066.80	14,473.90	97.20%	407.10	7,557.60	5.40%