

**CASINO REINVESTMENT
DEVELOPMENT AUTHORITY**
(A Component Unit of the State of New Jersey)

REPORT OF FINANCIAL STATEMENTS
(With Supplementary Information)

FOR THE YEAR ENDED
December 31, 2009

**CASINO REINVESTMENT DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
ATLANTIC COUNTY, NEW JERSEY**

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**ALLIANCE OF
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AUDITORS, LLC**

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A JOINT VENTURE OF
SWARTZ & CO.,LLC &
TRACEY HEUN BRENNAN & CO.

Independent Auditor's Report

The Chairman and Members of the Board
Casino Reinvestment Development Authority
Atlantic City, NJ 08401

Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Casino Reinvestment Development Authority (the "CRDA" or the "Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2009, which collectively comprise the basic financial statements of the CRDA as listed in the table of contents. These basic financial statements are the responsibility of CRDA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the CRDA as of December 31, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to tests and other auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alliance of Governmental Auditors, LLC

Alliance of Governmental Auditors, LLC

February 5, 2010

Required Supplemental Information

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MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2009

This section of the Casino Reinvestment and Development Authority's annual financial report presents our discussion and analysis of the CRDA's financial performance during the fiscal year that ended on December 31, 2009. It should be read in conjunction with the CRDA's financial statements, which follow this section.

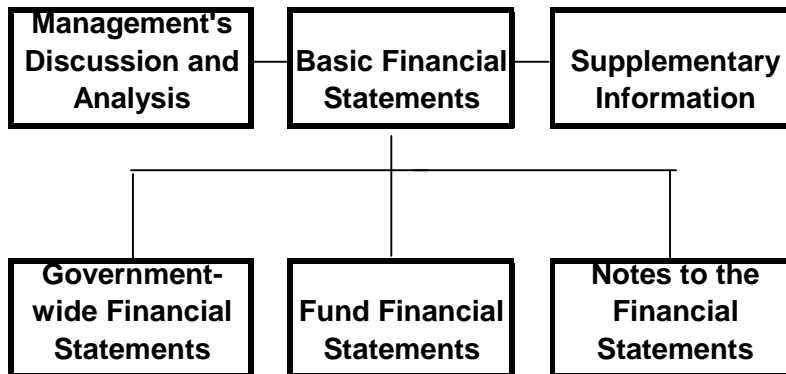
FINANCIAL HIGHLIGHTS

- The liabilities of the CRDA exceeded its assets at the close of the most recent fiscal year by approximately \$17 million, a decrease of approximately \$29 million from the prior year. The decrease is primarily the result of a \$17 million capital grant for road improvements and a reduction in community and economic development expenses.
- Cash and investments total approximately \$209.4 million, which is comparable to the prior year balance of \$210 million.
- Long-term liabilities decreased by approximately \$12 million to approximately \$469 million at year end 2009. The decrease is the result of scheduled redemptions of publicly issued debt.
- Real estate holdings increased to approximately \$89.6 million during the fiscal year, as real estate was purchased primarily for Authority road projects.
- General fund actual revenue was more than budgeted revenue for the 2009 year due to additional funding received from the South Jersey Transportation Authority for Authority road projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and a section that presents *combining statements* for non major governmental funds.

Required Components of CRDA's Annual Financial Report



The basic financial statements include two kinds of statements that present different views of the CRDA:

- *Government-wide financial statements* that provide both *long-term* and *short-term* information about the CRDA's *overall* financial status.
- *Fund financial statements* that focus on individual parts of the CRDA.

Government-wide Statements

The government-wide statements report information about the CRDA as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the CRDA's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

CRDA's government-wide financial statements have only one category, *governmental activities*. All of CRDA's operations and programs are included here, including the administration of projects and community and economic development.

Fund Financial Statements

Fund financial statements focus on the current financial information of the *individual parts* of the CRDA, reporting the CRDA's operations in *more detail* than the government-wide statements. Funds are an accounting method that CRDA uses to keep track of specific sources of revenue and spending for particular purposes.

The CRDA has two fund groupings, governmental funds and fiduciary funds.

- *Governmental funds statements* provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the CRDA's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statement that explains the relationship (or difference) between them.
- *Fiduciary fund statements* address accounts in which CRDA acts solely as a *trustee or agent* for the benefits of others. The CRDA is the trustee, or *fiduciary*, for casino reinvestment obligations. It is also responsible for other assets that – because of trust arrangements – can only be used for specific purposes. The CRDA is responsible for ensuring that the assets reported in these funds are only used for their intended purposes. All of the CRDA's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the CRDA's government-wide financial statements because the CRDA cannot use these assets to finance its operations.

The basic financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The financial statements and notes are followed by a section of *supplementary information* that further explains and supports the information in the financial statements.

The following chart summarizes the major features of each of CRDA's financial statements, including the scope and types of information they contain.

Major Features of CRDA's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire CRDA operation (except fiduciary funds)	The activities of the CRDA that are not fiduciary (governmental activities)	Instances in which the CRDA is the trustee or agent for other's resources, such as the casino reinvestment obligations.
Required financial statements	1) Statement of net assets 2) Statement of activities	1) Balance sheet 2) Statement of revenues, expenditures, and changes in fund balance	1) Statement of fiduciary net assets 2) Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets available to be used and liabilities that come due during the year; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Analysis

	Net Assets		Total Percentage Change
	Governmental Activities		
	<u>2009</u>	<u>2008</u>	
Current and other assets	\$ 255,950,043	257,104,213	0%
Notes receivable	126,720,575	119,431,121	6%
Capital assets	<u>89,730,464</u>	<u>83,924,660</u>	<u>7%</u>
Total assets	<u>472,401,082</u>	<u>460,459,994</u>	<u>3%</u>
Other liabilities	19,521,199	24,481,872	-20%
Long-term liabilities	<u>469,491,685</u>	<u>481,708,345</u>	<u>-3%</u>
Total Liabilities	<u>489,012,884</u>	<u>506,190,217</u>	<u>-3%</u>
Net Assets:			
Invested in capital assets, net of related debt	94,595	73,670	28%
Restricted	32,285,209	32,252,957	0%
Unrestricted	<u>(48,991,606)</u>	<u>(78,056,850)</u>	<u>-37%</u>
Total net assets	<u>\$ (16,611,802)</u>	<u>(45,730,223)</u>	<u>-64%</u>

Restricted net assets represent resources that are subject to external restrictions on how they may be used. The restricted assets consist of debt service in the amount of \$32 million. The remaining balance of *unrestricted net assets* includes approximately \$19.4 million which may be used for any Authority purpose, and a negative \$68.4 million designated for future project costs.

At the end of 2009, the CRDA maintains positive balances in two of three categories of net assets. The negative unrestricted net assets balance resulted from expenditures for approved projects from funds obtained from 2004 and 2005 bond issues. Revenues for these projects began to be received in July 2006.

The CRDA holds \$89.6 million in real estate investments. This real estate may be transferred to other entities upon completion of a project.

Changes in Net Assets

	Governmental Activities		Total Percentage Change
	<u>2009</u>	<u>2008</u>	
Revenues			
Fees:			
Administrative	\$ 195,619	290,607	-32.7%
Hotel room	10,705,339	12,226,028	-12.4%
Sales tax	7,441,114	6,023,502	23.5%
Parking	25,833,820	29,040,528	-11.0%
Operating:			
Grant	17,000,000	-	100.0%
Other	1,208,000	1,081,320	11.7%
Investment income	6,945,436	13,989,507	-50.4%
Total revenues	<u>69,329,328</u>	<u>62,651,492</u>	<u>10.7%</u>
Expenses			
General and Administrative	4,300,173	4,407,264	-2.4%
Other	196,628	291,717	-32.6%
Program Costs	1,537,299	5,421,424	-71.6%
Depreciation	25,653	26,470	-3.1%
Interest on long-term debt	2,367,749	3,090,998	-23.4%
Community & Economic Development	31,783,404	56,699,593	-43.9%
Total expenses	<u>40,210,906</u>	<u>69,937,466</u>	<u>-42.5%</u>
Increase in net assets	\$ <u>29,118,422</u>	<u>(7,285,974)</u>	<u>499.7%</u>

The CRDA's net assets increased by \$29.1 million during the current fiscal year. This increase is due the receipt of a \$17 million capital grant for road improvements and a reduction in community and economic development expenses.

