

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

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2012

AND

INDEPENDENT AUDITORS' REPORT



FRIEDMAN LLP
ACCOUNTANTS AND ADVISORS

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Casino Reinvestment Development Authority ("CRDA" or the "Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements which collectively comprise the CRDA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CRDA as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the CRDA's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



February 27, 2013

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Casino Reinvestment 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, 2012. It should be read in conjunction with the CRDA's financial statements, which follow this section.

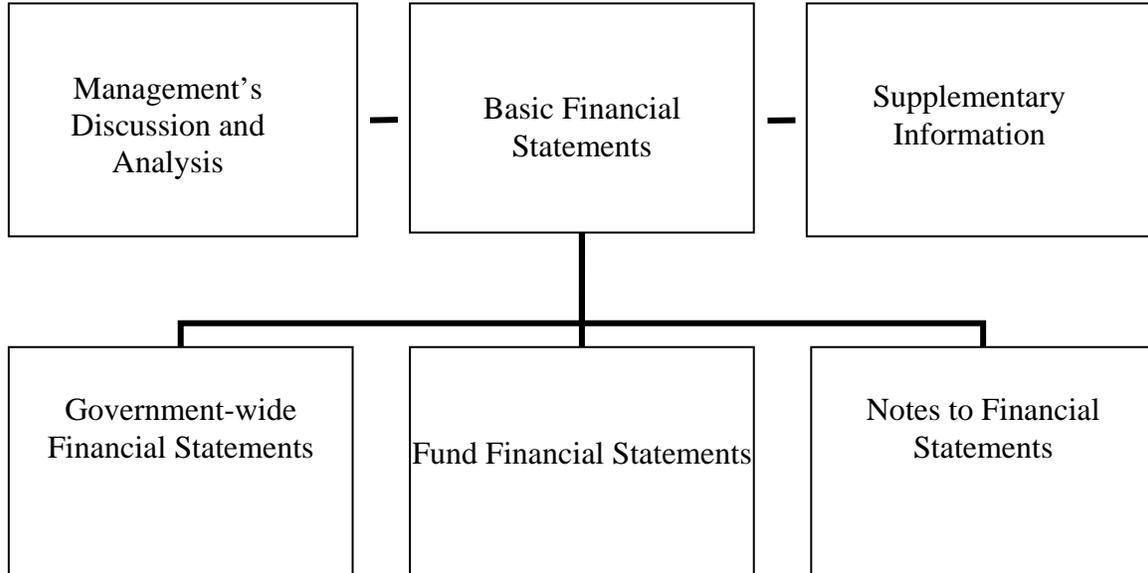
FINANCIAL HIGHLIGHTS

- The liabilities of CRDA exceeded its assets at the close of the most recent fiscal year by approximately \$26.7 million, an increase in net position of approximately \$23.3 million from the prior year. The change is primarily the result of transfers pursuant to a legislated mandate directing the consolidation of all available resources of the Authority for the Atlantic City Tourism District, and additional collections of entertainment retail district sales and luxury tax rebates.
- Cash and investments total approximately \$162.9 million, a decrease of \$12.1 million from the prior year.
- Long-term liabilities remained essentially flat. The lack of change is the result of bond issuances equating to the sum of both bond redemptions and amortization of bond premiums.
- General fund actual revenue was greater than budgeted revenue for the 2012 year due primarily to an increase in sales and luxury tax rebate revenues. General fund operational expenses increased slightly due to additional costs for community development in the Atlantic City Tourism District.
- Real estate holdings increased to approximately \$101.1 million during the fiscal year. The increase is related to the purchase of land for Authority projects.
- The fully completed and operational Corridor Parking Garage, a proprietary fund, reported a net position of \$15.7 million.
- The Special Improvement District (SID) Division, a proprietary fund, completed its first full year of operations as a division of the Authority. The SID Division is primarily funded by an assessment imposed on commercial properties where the tourism trade predominates in the Atlantic City Tourism District.

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 Financial Statements

The government-wide financial statements report information about the CRDA as a whole using accounting methods similar to those used by private-sector companies. The statement of net position 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 two categories, *governmental activities* and *business-type activities*. Governmental activities include CRDA’s operations and programs, including the administration of community and economic development projects. Business-type activities encompass the financing, construction and operation of a garage in the Corridor, as well as the operations of the Special Improvement District Division.

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 three fund groupings, governmental funds, proprietary 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 governmental funds statement that explains the relationship (or difference) between them.
- *Proprietary funds statements* are utilized to account for Authority business-type activities. Proprietary funds provide the same information as government-wide financial statements and use the accrual basis of accounting.
- *Fiduciary funds statements* address accounts in which CRDA acts solely as a *trustee or agent* for the benefit of others. The CRDA is the trustee, or *fiduciary*, for casino reinvestment obligations. It is also responsible for other assets that – because of a trust arrangement – 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 position and a statement of changes in fiduciary net position. 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 *required supplementary information* that further explains and supports the information in the financial statements.

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

Major Features of the 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 position 2)Statement of activities	1) Balance sheet 2)Statement of revenues, expenditures, and changes in fund balance	1) Statement of fiduciary net position 2) Statement of changes in fiduciary net position
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	Revenue 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

	Governmental Activities		Total Percent Change
	2012	2011	
Current and Other Assets	\$ 186,789,225	\$ 197,972,842	-6%
Notes Receivable	118,355,710	97,634,208	21%
Capital Assets	106,927,577	101,245,718	6%
Total Assets	\$ 412,072,512	\$ 396,852,768	4%
Deferred Outflows of Resources	\$ 3,559,287	\$ 4,157,489	-14%
Other Liabilities	\$ 26,680,466	\$ 27,015,000	-1%
Long-Term Liabilities	433,090,692	442,199,146	-2%
Total Liabilities	\$ 459,771,158	\$ 469,214,146	-2%
Deferred Inflows of Resources	-	-	-
Net Position:			
Net Investment in Capital Assets	\$ 5,816,141	\$ 2,046,245	184%
Restricted	33,143,234	32,923,822	1%
Unrestricted	(83,098,734)	(103,173,956)	19%
Total Net Position	\$ (44,139,359)	\$ (68,203,889)	35%

The restricted component of net position represents resources that are subject to external restrictions on how they may be used. The restricted component of net position consists of debt service in the amount of \$33 million. The remaining balance of the *unrestricted component of net position* includes approximately \$40.3 million which may be used for any Authority purpose, and a negative \$123.4 million designated for future project costs.

At the end of 2012, the CRDA maintains positive balances in two of three categories of net position. The negative unrestricted component of net position is the result of the prior expenditure of funds for approved projects. The funds were obtained through the issuance of 2004 Hotel Room Fee and 2005 Parking Revenue Fee bonds. Revenues for repayment of these bond issuances did not begin until July, 2006. As these revenues continue to be received through the terms of the two bond issues, this negative position will continue to be reduced.

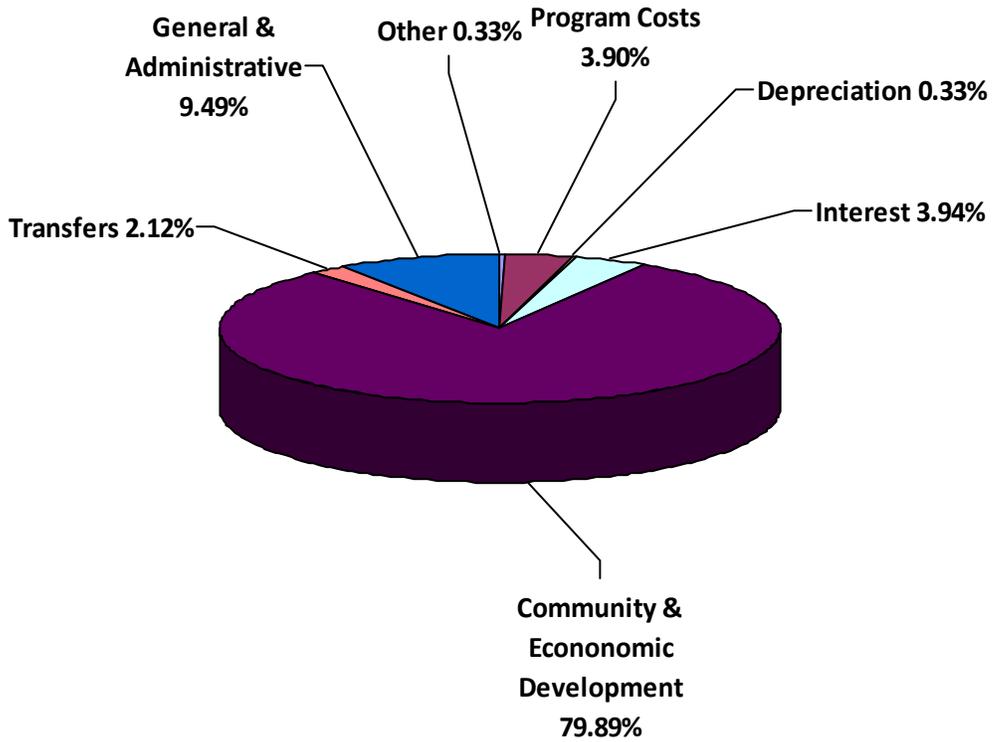
The CRDA holds \$101.1 million in real estate investments. This real estate may be transferred to other entities upon completion of a project.

Changes in Net Position

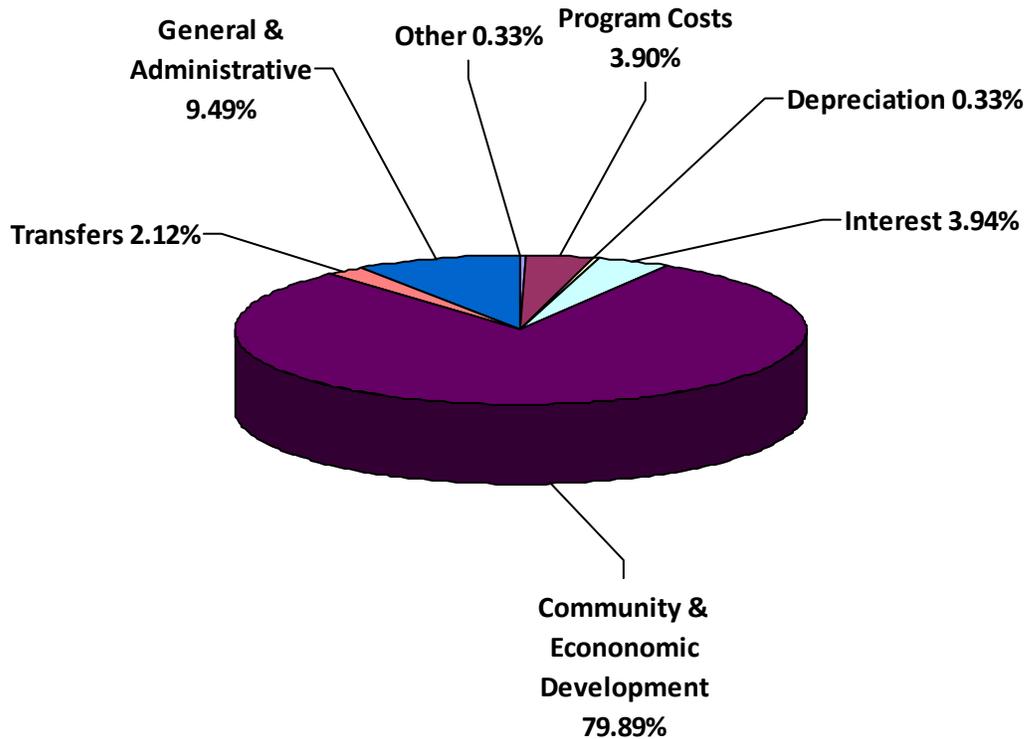
	Governmental Activities		Total Percent Change
	2012	2011	
Revenues			
Fees:			
Administrative	\$ 194,719	\$ 161,225	21%
Hotel Room	10,501,230	10,237,128	3%
Sales Tax	15,649,377	7,622,307	105%
Parking	25,362,246	23,484,141	8%
Operating:			
Grant	8,641,058	5,249,547	65%
Other	1,424,581	1,933,943	-26%
Investment Income	3,956,538	3,797,625	4%
Transfers	17,314,390	-	100%
Total Revenues	83,044,139	52,485,916	58%
Expenses			
General and Administrative	5,600,467	4,408,401	27%
Other	195,239	161,960	21%
Program Costs	2,298,174	9,692,420	-76%
Depreciation	192,418	26,260	633%
Interest on Long-Term Debt	2,322,328	2,156,230	8%
Community and Economic			
Development	47,117,983	73,275,626	-36%
Transfers	1,253,000	15,373,735	-92%
Total Expenses	58,979,609	105,094,632	-44%
Increase (Decrease) in Net Position	\$ 24,064,530	\$ (52,608,716)	146%

The CRDA's net position increased by \$24 million during the current fiscal year. The primary components in the increase in net position of governmental activities are (1) transfers pursuant to a legislated mandate directing the consolidation of all available resources of the Authority for the Atlantic City Tourism District, and (2) additional collections of the entertainment retail district rebates.

2012 Revenue – Governmental Activities



2012 Expenses – Governmental Activities



Governmental Funds Financial Analysis

Governmental activities represent a significant portion of the CRDA's funds.

As of the end of 2012, the CRDA's governmental funds reported combined ending fund balances of \$162,208,326, a decrease of \$11,451,430 for the fiscal year. Of this total amount, \$40,286,073 is *unassigned, or* available for any CRDA purpose. The remainder of fund balance, or \$121,922,253, is *reserved* to indicate that it is not available for new spending, because it has already been committed to pay debt service (\$32,594,254) and for projects (\$89,327,999).

The Governmental Funds are comprised of the General Fund, Special Revenue Fund and Other Governmental Funds.

The General Fund is the administrative and operating fund of the CRDA. The annual operating budget for the General Fund is approved by the State Treasurer. In recent years, fund balances in the General Fund have been used to additionally fund community and economic development projects.

There are two Special Revenue Funds included in Governmental Funds. The Parking Fee Revenue Fund utilizes parking fee revenue and associated issued debt to pay for projects in the Corridor region and on the Boardwalk in Atlantic City, as well as Atlantic City casino expansion projects. The Hotel Room Fee Fund utilizes hotel room fee revenue and associated issued debt to fund Atlantic City casino expansion projects, advances to the New Jersey Sports and Exhibition Authority for horse racing purse enhancements, and projects in South Jersey and North Jersey.

The last category is Other Governmental Funds, which includes a group of debt service funds. Activity in the debt service funds includes the accumulation of revenues and the payment of interest and principal on debt issued for projects.

Capital Assets and Debt Administration

The CRDA's investment in capital assets is \$38,593,686 (net of accumulated depreciation of \$1,722,139) and consists of office furnishings, computers, office equipment and a public parking garage. An investment in real estate of \$101,111,436 is also held for authorized projects.

Long-term Debt

The CRDA principally utilizes two types of debt, publicly issued bonds and project bonds which are issued solely to the Atlantic City casino licensees. In October of 2004, the CRDA publicly issued tax-exempt Hotel Room Fee Revenue Bonds, Series 2004, in the amount of \$93,000,000 to fund Atlantic City casino expansion projects, advances to the New Jersey Sports and Exhibition Authority for horse racing purse enhancements, and projects in South Jersey and North Jersey. These bonds are special and limited obligations of the CRDA, payable solely from hotel room fees.

In March of 2005, the CRDA publicly issued tax-exempt Parking Fee Revenue Bonds, Series 2005 A, in the amount of \$107,140,000 and taxable Parking Fee Revenue Bonds, Series 2005 B, in the amount of \$184,530,000. The Series 2005 A Bonds were issued for the purpose of advance refunding the Authority's tax-exempt Parking Fee Bonds, Series 1997 A, and tax-exempt Parking Fee Revenue Bonds, Series 2001. The Series 2005 B Bonds were issued for the purpose of advance refunding the Authority's Investment Alternative Tax and Subordinated Parking Fee Revenue Bonds, Series 2001, and financing boardwalk revitalization projects or programs which may include property acquisition, façade improvements, parking facilities, new retail and dining venues, improvements to casino boardwalk frontage and/or other economic development projects in Atlantic City.

The CRDA also issues project bonds to casino licensees with terms varying from 25 to 50 years at interest rates varying between 3.0% and 7.0%. Such bonds are payable solely from the revenues and other monies derived from projects financed by such bonds, or other monies which may be pledged with respect to such issues.

All bonds issued by the CRDA are special obligations of the CRDA, do not constitute obligations against the general credit of the CRDA, and are not a debt or liability of the State.

	<u>2012</u>	<u>2011</u>
Debt outstanding January 1	\$ 442,526,465	\$ 447,832,571
Additions to Debt	24,216,486	8,885,228
Reduction of Debt	<u>(22,613,063)</u>	<u>(14,191,334)</u>
Debt Outstanding December 31	444,129,888	442,526,465
Plus: Net Unamortized Premium	<u>6,316,456</u>	<u>7,482,000</u>
	<u>\$ 450,446,344</u>	<u>\$ 450,008,465</u>

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

DECEMBER 31, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 110,881,180	\$ 2,491,519	\$ 113,372,699
Marketable securities, net of allowance	49,538,597	-	49,538,597
Receivables:			
Notes receivable	118,355,710	-	118,355,710
Accrued interest receivable	15,840,962	-	15,840,962
Accrued revenue receivable	6,074,123	-	6,074,123
Other	4,454,363	736,019	5,190,382
Real estate	101,111,436	-	101,111,436
Capital assets, net of depreciation	5,816,141	32,777,545	38,593,686
Total assets	\$ 412,072,512	\$ 36,005,083	\$ 448,077,595
DEFERRED OUTFLOWS OF RESOURCES			
Debt issuance costs	\$ 3,559,287	\$ -0-	\$ 3,559,287
LIABILITIES			
Interest payable	\$ 11,210,399	\$ 90,903	\$ 11,301,302
Other payables	15,470,067	1,077,359	16,547,426
Long-term liabilities:			
Due within one year	25,090,006	13,776	25,103,782
Due beyond one year	408,000,686	17,426,416	425,427,102
Total liabilities	\$ 459,771,158	\$ 18,608,454	\$ 478,379,612
NET POSITION			
Net investment in capital assets	\$ 5,816,141	\$ 15,337,353	\$ 21,153,494
Restricted for:			
Debt service and project costs	33,143,234	1,326,245	34,469,479
Unrestricted	(83,098,734)	733,031	(82,365,703)
Total net position	\$ (44,139,359)	\$ 17,396,629	\$ (26,742,730)

See notes to financial statements.

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

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
		Fees	Operating Income	Governmental Activities	Business-Type Activities	Total
FUNCTIONS / PROGRAMS						
Governmental activities						
General and administrative	\$ 5,600,467	\$ 1,246,415	\$ -	\$ (4,354,052)	\$ -	\$ (4,354,052)
Other	195,239	-	142,885	(52,354)	-	(52,354)
Program costs	2,298,174	15,649,377	-	13,351,203	-	13,351,203
Depreciation	192,418	-	-	(192,418)	-	(192,418)
Interest on long-term debt	2,322,328	-	-	(2,322,328)	-	(2,322,328)
Community development	47,117,983	35,863,476	8,871,058	(2,383,449)	-	(2,383,449)
Total governmental activities	57,726,609	52,759,268	9,013,943	4,046,602	-	4,046,602
Business-type activities						
Corridor Parking Garage	1,653,966	416,290	-	-	(1,237,676)	(1,237,676)
Special Improvement District	6,301,682	5,343,167	104,355	-	(854,160)	(854,160)
Total business-type activities	7,955,648	5,759,457	104,355	-	(2,091,836)	(2,091,836)
Total primary government	\$ 65,682,257	\$ 58,518,725	\$ 9,118,298	4,046,602	(2,091,836)	1,954,766
General revenues						
				3,956,538	1,777	3,958,315
				16,061,390	1,253,000	17,314,390
				20,017,928	1,254,777	21,272,705
				24,064,530	(837,059)	23,227,471
				(68,203,889)	18,233,688	(49,970,201)
				\$ (44,139,359)	\$ 17,396,629	\$ (26,742,730)

See notes to financial statements.

FUND FINANCIAL STATEMENTS

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

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2012

	General Fund	Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
		Parking Fee	Hotel Room Fee		
ASSETS					
Cash and cash equivalents	\$ 58,426,060	\$ 36,542,589	\$ 14,178,022	\$ 1,734,509	\$ 110,881,180
Marketable securities, net of allowance	-	43,412,395	6,126,202	-	49,538,597
Receivables:					
Accrued interest receivable	31,232	-	-	149,953	181,185
Accrued revenue receivable	-	3,068,940	3,005,183	-	6,074,123
Other	3,402,572	7,048	-	834,356	4,243,976
Total assets	\$ 61,859,864	\$ 83,030,972	\$ 23,309,407	\$ 2,718,818	\$ 170,919,061
LIABILITIES					
Interest payable	\$ -	\$ 1,139,293	\$ 1,935,909	\$ 296,478	\$ 3,371,680
Other payables	3,621,580	1,435,873	244,828	36,774	5,339,055
Total liabilities	3,621,580	2,575,166	2,180,737	333,252	8,710,735
FUND BALANCES					
Restricted fund balance:					
Reserve for debt service	-	30,208,688	-	2,385,566	32,594,254
Reserve for project costs	17,952,211	50,247,118	21,128,670	-	89,327,999
Unrestricted	40,286,073	-	-	-	40,286,073
Total fund balances	58,238,284	80,455,806	21,128,670	2,385,566	162,208,326
Total liabilities and fund balances	\$ 61,859,864	\$ 83,030,972	\$ 23,309,407	\$ 2,718,818	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,432,553 and the accumulated depreciation is \$616,412.	5,816,141
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.	238,896,597
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(451,060,423)
	<u>\$ (44,139,359)</u>

See notes to financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

YEAR ENDED DECEMBER 31, 2012

	General Fund	Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
		Parking Fee	Hotel Room Fee		
REVENUES					
Administrative fees	\$ 194,719	\$ -	\$ -	\$ -	\$ 194,719
Interest and investment income	115,120	682,702	3,757	2,018,570	2,820,149
Parking fee revenue	-	25,362,247	-	-	25,362,247
Hotel room fee revenue	-	-	10,501,229	-	10,501,229
Sales and luxury tax rebate revenue	15,649,377	-	-	-	15,649,377
Processing fees	883,946	-	-	-	883,946
Grant revenue	-	8,196,578	-	444,480	8,641,058
Other	142,885	230,000	-	-	372,885
Total revenues	16,986,047	34,471,527	10,504,986	2,463,050	64,425,610
EXPENDITURES					
Current:					
Salaries and benefits	3,858,482	-	-	-	3,858,482
General and administrative	962,998	-	-	-	962,998
Professional services	778,987	-	-	-	778,987
Project costs	2,298,174	26,997,969	3,074,611	242,797	32,613,551
Other	-	-	-	195,239	195,239
Debt service:					
Interest expense	-	13,442,852	3,871,819	1,805,489	19,120,160
Principal	-	17,426,071	3,990,000	1,196,992	22,613,063
Capital outlay					
Purchase of fixed assets	559,171	2,354,282	1,048,862	-	3,962,315
Total expenditures	8,457,812	60,221,174	11,985,292	3,440,517	84,104,795
Excess (deficiency) of revenues over expenditures	8,528,235	(25,749,647)	(1,480,306)	(977,467)	(19,679,185)
OTHER FINANCING SOURCES (USES)					
Payments received on notes	240,572	-	-	1,200,928	1,441,500
Other payables	(166,402)	(465,851)	-	285,811	(346,442)
Payments on note payable	-	(640,000)	-	-	(640,000)
Capital related debt issued	-	-	-	15,283,487	15,283,487
Loan disbursements	(5,932,250)	-	-	(15,727,967)	(21,660,217)
Purchase of real estate	(1,304,466)	(607,497)	-	-	(1,911,963)
Transfer from other funds	22,528,752	-	-	-	22,528,752
Transfer to other funds	(1,253,000)	-	(4,867,889)	(346,473)	(6,467,362)
Total other financing sources and uses	14,113,206	(1,713,348)	(4,867,889)	695,786	8,227,755
Net change in fund balances	22,641,441	(27,462,995)	(6,348,195)	(281,681)	(11,451,430)
Fund balances, January 1, 2012	35,596,843	107,918,801	27,476,865	2,667,247	173,659,756
Fund balances, December 21, 2012	\$ 58,238,284	\$ 80,455,806	\$ 21,128,670	\$ 2,385,566	\$ 162,208,326

See notes to financial statements.

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

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds	\$ (11,451,430)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the current fiscal period.	5,681,860
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.	1,304,139
The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, and the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, these transactions do not affect net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	8,856,694
Disbursements on long-term notes receivable consume current financial resources of governmental funds, and principal payments received on notes receivable provide current financial resources to governmental funds. These transactions do not affect net position.	20,218,717
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(545,450)
Change in net position of governmental activities	\$ 24,064,530

See notes to financial statements.

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

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

DECEMBER 31, 2012

	Business-Type Activities - Enterprise Fund		
	Corridor Parking Garage	Special Improvement District	Total
ASSETS			
Current assets:			
Cash	\$ 1,423,453	\$ 1,068,066	\$ 2,491,519
Assessments receivable, net of allowance	-	220,467	220,467
Accrued parking revenue	7,127	-	7,127
Other	-	508,425	508,425
Noncurrent assets:			
Capital assets, net	31,807,686	969,859	32,777,545
Total assets	\$ 33,238,266	\$ 2,766,817	\$ 36,005,083
LIABILITIES			
Current liabilities:			
Interest payable	\$ 89,949	\$ 954	\$ 90,903
Accounts payable	44,641	1,032,718	1,077,359
Current portion of long-term debt	-	13,776	13,776
Noncurrent liabilities:			
Long-term debt, net of current portion	17,355,652	70,764	17,426,416
Total liabilities	17,490,242	1,118,212	18,608,454
NET POSITION			
Restricted for:			
Net investment in capital assets	14,452,034	885,319	15,337,353
Debt service and project costs	1,326,245	-	1,326,245
Unrestricted	(30,255)	763,286	733,031
Total net position	15,748,024	1,648,605	17,396,629
Total liabilities and net position	\$ 33,238,266	\$ 2,766,817	\$ 36,005,083

See notes to financial statements.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS**

YEAR ENDED DECEMBER 31, 2012

	Business-Type Activities - Enterprise Funds		
	Corridor Parking Garage	Special Improvement District	Total
Operating revenues			
Assessments	\$ -	\$ 5,343,167	\$ 5,343,167
Parking revenue	416,290	-	416,290
Other	-	104,355	104,355
Total operating revenues	416,290	5,447,522	5,863,812
Operating expenses			
Salaries and benefits	-	1,509,187	1,509,187
General and administrative	457,621	4,580,007	5,037,628
Depreciation	812,277	204,895	1,017,172
Total operating expenses	1,269,898	6,294,089	7,563,987
Operating loss	(853,608)	(846,567)	(1,700,175)
Nonoperating revenues (expenses)			
Interest income	1,016	761	1,777
Interest expense	(384,068)	(7,593)	(391,661)
Transfers from other funds	-	1,253,000	1,253,000
Total nonoperating revenues (expenses)	(383,052)	1,246,168	863,116
Change in reserves	(1,236,660)	399,601	(837,059)
Net position, January 1, 2012	16,984,684	1,249,004	18,233,688
Net position, December 31, 2012	\$ 15,748,024	\$ 1,648,605	\$ 17,396,629

See notes to financial statements.

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

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	Business-Type Activities - Enterprise Fund		
	Corridor Parking Garage	Special Improvement District	Total
Cash flows from operating activities			
Assessments	\$ -	\$ 5,349,900	\$ 5,349,900
Parking revenue	409,163	-	409,163
Other revenue	-	104,355	104,355
Payments to suppliers	(412,980)	(4,201,150)	(4,614,130)
Payments to employees	-	(1,394,721)	(1,394,721)
Net cash used in operating activities	(3,817)	(141,616)	(145,433)
Cash flows from noncapital financing activities			
Transfers to other funds	-	(473,265)	(473,265)
Transfers from other funds	-	760,000	760,000
Net cash provided by noncapital financing activities	-	286,735	286,735
Cash flows from capital and related financing activities			
Interest expense	(411,071)	(6,639)	(417,710)
Construction in progress	(8,932,999)	-	(8,932,999)
Issuance of long-term debt	8,932,999	-	8,932,999
Payments on notes payable	-	(27,799)	(27,799)
Purchase of capital assets	-	(658,476)	(658,476)
Net cash used in capital and related financing activities	(411,071)	(692,914)	(1,103,985)
Cash Flows from investing activities			
Interest	1,016	761	1,777
Net cash provided by investing activities	1,016	761	1,777
Net decrease in cash and cash equivalents	(413,872)	(547,034)	(960,906)
Cash balance, January 1, 2012	1,837,325	1,615,100	3,452,425
Cash balance, December 31, 2012	\$ 1,423,453	\$ 1,068,066	\$ 2,491,519
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (853,608)	\$ (846,567)	\$ (1,700,175)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	812,277	204,895	1,017,172
(Increase)/decrease in:			
Prepaid expenses	-	10,805	10,805
Accrued assessments	-	6,732	6,732
Parking fee receivable	(7,127)	-	(7,127)
Increase/(decrease) in:			
Accrued salaries and benefits	-	114,467	114,467
Accounts payable	44,641	368,052	412,693
Net cash used in operating activities	\$ (3,817)	\$ (141,616)	\$ (145,433)

See notes to financial statements.

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

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

DECEMBER 31, 2012

	Reinvestment Funds	Other	Total
ASSETS			
Cash and cash equivalents	\$ 278,567,388	\$ 6,846,283	\$ 285,413,671
Receivables:			
Notes receivable	-	1,709,490	1,709,490
Obligations receivable	7,590,385	-	7,590,385
Accrued interest receivable	-	4,013	4,013
Other	1,757,094	5,578,523	7,335,617
Capital assets:			
Real estate	-	14,437,533	14,437,533
Total assets	\$ 287,914,867	\$ 28,575,842	\$ 316,490,709
LIABILITIES			
Interest payable	\$ 61,167	\$ -	\$ 61,167
Other payables	3,994,162	6,441,558	10,435,720
RESERVES			
Obligations payable	236,638,187	-	236,638,187
Direct investment deposits	685,099	-	685,099
Donation deposits	46,536,252	-	46,536,252
Project costs	-	22,134,284	22,134,284
Total liabilities and reserves	287,914,867	28,575,842	316,490,709
NET POSITION			
Total liabilities, reserves and net position	\$ 287,914,867	\$ 28,575,842	\$ 316,490,709

See notes to financial statements.

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

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	Reinvestment Funds	Other	Total
ADDITIONS			
Transfer from reinvestment funds and other governmental funds	\$ -	\$ 12,937,875	\$ 12,937,875
Obligation deposits	39,939,710	-	39,939,710
Retail and luxury tax remittance	-	31,577,111	31,577,111
Interest on notes	-	52,434	52,434
Other income	-	3,986	3,986
Total additions	39,939,710	44,571,406	84,511,116
DEDUCTIONS			
Direct investments	2,001,875	-	2,001,875
Direct donations:			
Transfers to other funds	2,358,546	-	2,358,546
Other	11,023,809	-	11,023,809
Accrued obligations	1,826,150	-	1,826,150
Bonds issued	24,216,486	-	24,216,486
Credits	6,531,947	-	6,531,947
Bond Trustee Escrow	10,646,824	-	10,646,824
Transfer to General Fund	16,582,216	-	16,582,216
Grants and donations	-	13,671,475	13,671,475
Retail and luxury tax distributions	-	31,577,111	31,577,111
Total deductions	75,187,853	45,248,586	120,436,439
Change in reserves	(35,248,143)	(677,180)	(35,925,323)
Net position, January 1, 2012	-	-	-
Net position, December 31, 2012	\$ -0-	\$ -0-	\$ -0-

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

1 - NATURE OF ORGANIZATION

The Casino Reinvestment Development Authority (“CRDA” or the “Authority”) was established under Article 12 of the New Jersey Statutes Annotated to provide capital investment funds for economic development and community projects in Atlantic City and the State of New Jersey. It encourages business development and permanent job creation, and promotes opportunities for business expansion.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CRDA have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the CRDA follows the pronouncements of the GASB. The more significant accounting policies established in GAAP and used by the CRDA are discussed below.

Reporting Entity

The financial statements of the CRDA include the accounts of all CRDA’s operations. The CRDA, as a component unit of the State of New Jersey, is financially accountable to the State. As set forth in GASB Statement 14, financial accountability is defined as appointment of a voting majority of the component unit’s board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The CRDA, as a component unit, issues separate financial statements from the State of New Jersey.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the CRDA during 2012. Governmental activities are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to casinos or applicants who use or directly benefit from services or privileges provided by a given function or segment and interest earned on investments and obligation deposits that are used to fund operation of the governmental fund. Other items not included within program revenues are reported instead as general revenues and interfund transfers.

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

Government-wide financial statements measure and report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, gains, and losses using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Similar to the government-wide financial statements, the proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the CRDA considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Parking fees, hotel room fees, Special Improvement District assessments, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the CRDA.

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Operating expenses for proprietary funds and internal service funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The emphasis of fund financial statements is on major governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds in a single column, regardless of their fund type. Major funds are those that have assets, liabilities, revenue or expenditures equal to ten percent of their fund-type total. The General Fund is always a major fund.

The CRDA reports the following major governmental funds:

The General Fund is the CRDA's primary operating fund. It accounts for all financial resources of the CRDA, except those required to be accounted for in another fund.

The special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The parking fee fund is used to account for the collection of parking fees as a source of funds to pay for Atlantic City projects on the boardwalk and in the corridor region, for the casino hotel expansion projects, and for debt service on a long-term obligation.

The hotel room fee fund is used to account for the collection of hotel room fee revenue as a source of funds to pay for Atlantic City casino hotel expansion projects, advances to the New Jersey Sports and Exhibition Authority for horse racing purse enhancements, projects in South Jersey and North Jersey, and debt service on a long-term obligation.

Additionally, the CRDA reports the following proprietary and fiduciary fund types:

Proprietary Funds:

The *Corridor Garage District Fund* is utilized to account for the finances and operation of a garage in the Corridor. The *Special Improvement District Fund* is utilized to account for the Authority's designated Special Improvement District (SID). The SID's purpose is to serve Atlantic City, the business community and community at large, and to promote an appealing, safe environment that facilitates growth, revitalization and development within the City.

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Fiduciary Funds:

The *Reinvestment Fund* is used to account for the receipt of the obligation deposits and donated obligations from licensees, which are available to commit to projects. Obligation deposits 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 obligation deposits held in this fund are due to the licensees and one-third is due to the General Fund. All interest earned on the donated obligations is also due to the General Fund.

The *Other Fiduciary Funds* account for projects administered by the Authority and assets held in the Authority's name on behalf of others. Cash, cash equivalents and investments held in these funds are considered restricted in accordance with the terms of the individual contract agreements.

Program costs shown in the Fiduciary Funds reflect costs associated primarily with the donation of real estate upon completion of a project.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets and Budgetary Accounting

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 5:12-143. The operating budget adopted annually covers the general fund activity only. The annual operating budget is required to be submitted by the last day of October of each year to the State Treasurer for approval.

Risk of Loss

The authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers' compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductible associated with the policies and an event that may exceed policy coverage limits.

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The CRDA pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. For purposes of the statement of cash flows, CRDA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Interfund Transfers

Interfund transactions are reflected as loans, reimbursements, or transfers. Interfund loans are reported as either “due from” or “due to other funds.” Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its cost as a reimbursement. All other interfund transactions are treated as transfers. All interfund activity is eliminated in the government-wide financial statements.

Notes Receivable

Notes receivable includes mortgages, which are stated at unpaid principal balances. Certain mortgages have annual forgiveness provisions over the life of the mortgage. Any unpaid principal balance upon the sale of the property is payable to CRDA. The annual principal amount forgiven is recorded as program expense. Management periodically evaluates whether an allowance for uncollectible notes receivable is required based on the CRDA’s past uncollectible loss experience, known and other risks inherent in the note receivable portfolio, adverse situations that may affect each borrower’s ability to repay, estimated value of any underlying collateral and current economic conditions. As of December 31, 2012, a provision for uncollectible accounts was not required.

Capital Assets

Capital assets for governmental fund types are not capitalized in the funds used to acquire them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements.

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed utilizing the straight-line method, as follows:

	Years
Buildings	39
Leasehold improvements	7 - 15
Movable equipment	5 - 7

It is the policy of the CRDA to capitalize all land, structures and improvements, and equipment, except assets costing less than \$400.

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real Estate

Real estate consists of land, land improvements, and related acquisition costs and is recorded at cost. Real estate is held by the CRDA for future development, sale, lease or donation. Real estate that is donated is expensed as a program cost.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered, and that is not contingent on a specific event that is outside the control of the CRDA and its employees, is accrued, as the employees earn the rights to the benefits.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the Government-wide Financial Statements as a governmental activity.

Bonds Payable

The Authority issues tax-exempt private activity bonds to casino licensees. 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. Also included in bonds payable are parking fee revenue bonds (taxable and tax-exempt) and hotel room fee revenue bonds (tax-exempt) issued to the public. Parking fee revenue is applied first to the debt service on the parking fee bonds. Hotel room fee revenue is applied first to debt service on the hotel room fee bonds.

Net Position

The government-wide financial statements use a net position presentation. Net position is categorized as invested in capital assets, net of related debt; restricted; and unrestricted.

Net investment in capital assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted - This category presents external restrictions imposed by creditors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or the enabling legislation for the CRDA.

Unrestricted - This category represents the net position of the Authority not restricted for any project or other purpose.

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

In accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, CRDA has classified governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of the legal or contractual restraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned - Includes positive fund balance amounts within the General Fund which have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the Authority to generally consider restricted amounts to have been reduced first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Authority's policy that committed amounts be reduced first, followed by assigned amounts, then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

Revenue and Expense Recognition

The CRDA classifies its revenues and expenses as operating or non-operating in the Statement of Activities in the accompanying basic financial statements. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. Operating expenses are all expense transactions incurred other than those related to capital and non-capital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition (Continued)

Non-operating revenues include activities that have the characteristics of non-exchange transactions. Revenues from non-exchange transactions, as well as investment income, are considered non-operating since these are investing, capital, or non-capital financing activities.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 63—In June 2011, GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position. This statement is effective for periods beginning after December 15, 2011. The Authority has presented its financial statements to conform with the provisions of this statement.

GASB Statement No. 62—In June 2011, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The Authority has presented its financial statements to conform with the provisions of this statement.

GASB Statement No. 61—In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement is designed to improve financial reporting for governmental entities by improving financial statement guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement is effective for periods beginning after June 15, 2012. The Authority has not yet determined the effect of this statement.

Subsequent Events

These financial statements were approved by management and available for issuance on February 27, 2013. Management has evaluated subsequent events through this date.

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

NOTES TO FINANCIAL STATEMENTS

3 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits with Financial Institutions

Custodial Credit Risk, with respect to deposits, is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority believes that due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. As of December 31, 2012, \$400,551,266 of the Authority's bank balance of \$400,801,266 was uninsured and uncollateralized, therefore, exposed to custodial credit risk.

Cash and cash equivalents include various checking and money market accounts, and U.S. obligations with maturities of three months or less.

Concentration of Credit Risk - There is no limit on the amount the Authority may invest in any one issuer.

Investments

As of December 31, 2012, the Authority had the following investments:

	Maturities	Fair Value
Marketable securities	Various	\$49,538,597

Interest Rate Risk - The "Securities Purchase Contract" between the 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 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 the 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 banker's acceptances.

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

NOTES TO FINANCIAL STATEMENTS

3 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Investments (Continued)

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 deposits, and must be held in such a manner as they may be required to provide a perfected security interest for the benefit of the CRDA.

4 - NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

As of December 31, 2012, the Parking Fee Revenue Fund includes a note receivable in the amount of \$8,600,000 due from the New Jersey Sports and Exposition Authority (“NJSEA”), a component unit included in the State of New Jersey’s comprehensive annual report. This note, which bears interest at 5.773%, was due February 20, 2010 or such longer term as shall be required for the repayment of the loan and interest thereon from NJSEA’s “Available Cash Flow” as defined in the note.

Remaining notes receivable within the Parking Fee Revenue Fund and the Debt Service Fund consists of loans with terms varying from 15 to 40 years at interest rates varying between 3% and 6.7%. Repayment of notes receivable are secured by mortgages. See Note 5 for details.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

5 - NOTES RECEIVABLE

Notes receivable consist of the following as of December 31, 2012:

	Balance, December 31, 2011	Additions	Repayments	Write-offs	Balance, December 31, 2012
General Fund					
Ventnor Note Receivable	\$ 8,474	\$ -	\$ -	\$ 3,611	\$ 4,863
Steel Pier	-	6,223,073	-	-	6,223,073
Total General Fund	8,474	6,223,073	-	3,611	6,227,936
Parking Fee Fund					
NJSEA	8,600,000	-	-	-	8,600,000
Various	25,000	-	-	25,000	-
Total Parking Fee Fund	8,625,000	-	-	25,000	8,600,000
Other Governmental Funds					
Christopher Columbus Homes	2,453,504	-	73,658	-	2,379,846
Jacobs Family Terrace	54,660	-	54,660	-	-
Marcal	10,500,000	-	250,000	-	10,250,000
North Jersey Municipal Loan Program	32,178,611	15,022,321	157,082	-	47,043,850
Northwest	116,715	-	39,473	-	77,242
Sheraton Hotel	10,000,000	-	-	-	10,000,000
South Jersey Municipal Loan Program	11,341,724	-	364,888	-	10,976,836
Vermont Plaza	22,355,520	444,480	-	-	22,800,000
Total Governmental Funds	89,000,734	15,466,801	939,761	-	103,527,774
Total	\$ 97,634,208	\$ 21,689,874	\$ 939,761	\$ 28,611	\$ 118,355,710

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

NOTES TO FINANCIAL STATEMENTS

6 - CAPITAL ASSETS

Capital asset balances and activities for the year ended December 31, 2012 were as follows:

	Balance, December 31, 2011	Additions	Deletions	Balance, December 31, 2012
Governmental Funds				
General Fund				
Furniture and Equipment	\$ 510,307	\$ 3,927,445	\$ -	\$ 4,437,752
Building	1,959,930	34,869	-	1,994,799
Accumulated Depreciation	(423,992)	(192,418)	-	(616,410)
Net, Governmental Funds	2,046,245	3,769,896	-	5,816,141
Proprietary Funds				
Furniture and Equipment	604,835	658,476	-	1,263,311
Construction in Progress	23,600,753	9,019,210	-	32,619,963
Accumulated Depreciation	(88,557)	(1,017,172)	-	(1,105,729)
Net, Proprietary Funds	24,117,031	8,660,514	-	32,777,545
Entity-wide Total	\$ 26,163,276	\$ 12,430,410	\$ -	\$ 38,593,686

7 - INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables balances at December 31, 2012 were as follows:

	Interest	Administrative Fees	Miscellaneous	Total
Due to (due from) General	\$ 31,232	\$ 36,742	\$ 99,275	\$ 167,249
Due to (due from) Reinvestment	(24,808)	-	1,757,094	1,732,286
Due to (due from) AC Corridor	(4,234)	-	(1,045,497)	(1,049,731)
Due to (due from) Hotel				
Room Fee	(2,190)	-	(242,638)	(244,828)
Due to (due from) Debt				
Service Fee	-	(36,742)	-	(36,742)
Due to (due from) Agency Fund	-	-	(5,655)	(5,655)
Due to (due from) Corridor Garage	-	-	(44,641)	(44,641)
Due to (due from) SID	-	-	(517,938)	(517,938)
Net Total	\$ -0-	\$ -0-	\$ -0-	\$ -0-

CASINO REINVESTMENT DEVELOPMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

8 - OBLIGATION DEPOSITS

- a. Obligation deposits collected from the licensees are held in the Reinvestment Fund until the CRDA's Board of Directors approves projects. Subsequent to approval of a project, when disbursements for a project are to be made, obligation deposits are disbursed as either bonds payable or direct investment reimbursements. If the approved project is designated as a donation project, the funds are initially reclassified from obligation deposits to donation deposits. Donation deposits are disbursed to the Agency Funds as donations to temporarily restricted assets when disbursements for the project are required. The obligation deposits set aside for New Jersey Development Authority for Small Businesses, Minorities and Women Enterprises (NJSBMWE) can be used to purchase bonds of the New Jersey Development Authority.
- b. Current obligations represents amounts incurred by licensees under the 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 current obligations receivable with an offsetting reserve as accrued investment obligations.
- c. 2012 Obligations and Donations account activity is summarized below:

	Reinvestment Fund			Total
	Obligations Payable	Direct Investment Deposits	Donation Deposits	
Beginning balance, January 1, 2012	\$ 260,197,659	\$ 1,415,181	\$ 57,494,841	\$ 319,107,681
Obligation deposits	39,939,710	-	-	39,939,710
Direct investments	(1,752,314)	-	-	(1,752,314)
Direct donations	(4,505,932)	-	-	(4,505,932)
Transfers (to) from donations	(7,936,721)	-	7,936,721	-
Transfer to general fund	(6,082,808)	(480,521)	(10,018,887)	(16,582,216)
Transfer to bond trustee	(10,646,824)	-	-	(10,646,824)
Bond issued	(24,216,486)	-	-	(24,216,486)
Credits	(6,531,947)	-	-	(6,531,947)
Obligations receivable	(1,826,150)	-	-	(1,826,150)
Disbursements	-	(249,561)	-	(249,561)
Grants to Agency and Debt Service Funds	-	-	(8,876,423)	(8,876,423)
Ending balance, December 31, 2012	\$ 236,638,187	\$ 685,099	\$ 46,536,252	\$ 283,859,538

CASINO REINVESTMENT DEVELOPMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

9 - LONG-TERM DEBT

The CRDA has utilized two types of debt, publicly issued bonds and project bonds, which are issued solely to the Atlantic City casino licensees.

Public Issuance

On March 23, 2005, the CRDA issued \$291,670,000 in Parking Fee Revenue Bonds. Series 2005A, in the amount of \$107,140,000, were tax-exempt bonds, with interest rates varying between 5% and 5.25%, the proceeds of which were used to refund \$68,405,000 of the previously issued Parking Fee Revenue Bonds, Series 1997A, and \$43,205,000 of the previously issued Parking Fee Revenue Bonds, Series 2001A. Series 2005B, in the amount of \$184,530,000, were taxable bonds, with interest rates varying between 4.61% and 5.46%, the proceeds of which were used to refund \$68,405,000 of the previously issued Investment Alternative Tax and Subordinated Parking Fee Revenue Bonds, Series 2001B, and to fund projects on the Atlantic City Boardwalk and at the casinos. The bonds are payable from Parking Fee Revenues, certain pledged Investment Alternative Taxes and an additional contractual parking charge to be remitted by the casinos. In October of 2004, the CRDA issued \$93,000,000 of tax-exempt Hotel Room Fee Revenue Bonds (Series 2004), with interest rates varying between 5% and 5.25%. The proceeds of these bonds were used to fund projects in North and South Jersey as well as the Atlantic City casino expansion projects. These bonds are payable solely from hotel room fees.

Casino Pool Bonds

The CRDA also issues project bonds to casino licensees with terms varying from 35 to 50 years, at interest rates varying between 3.0% and 7.0%. Such bonds are payable solely from the revenues and other monies derived from projects financed by such bonds, or other monies which may be pledged with respect to such issues.

All bonds issued by the CRDA are special obligations of the CRDA, do not constitute obligations against the general credit of the CRDA, and are not a debt or liability of the State. The bond holders of the Vermont Plaza project and the Sheraton Headquarters Hotel are not currently receiving principal or interest payments.

The CRDA has a debt service reserve set up for the following bond issues:

Bond Issue	Amount
\$107 million Parking Fee Revenue Bonds	\$ 22,055,775
\$184.5 million Parking Fee Revenue Bonds	7,728,959
Atlantic City Boardwalk Convention Center Project Bonds	423,954
Balance, December 31, 2012	\$ 30,208,688

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

NOTES TO FINANCIAL STATEMENTS

9 - LONG-TERM DEBT (Continued)

The following is a summary of the CRDA's long-term debt transactions for the year ended December 31, 2012:

	Publicly Issued Bonds	Project Bonds	Total
Debt outstanding, December 31, 2011	\$ 332,095,000	\$ 110,431,465	\$ 442,526,465
Additions to debt	-	24,216,486	24,216,486
Reductions of debt	(21,220,000)	(1,393,063)	(22,613,063)
Debt outstanding, December 31, 2012	310,875,000	133,254,888	444,129,888
Net unamortized premium	6,316,456	-	6,316,456
Net debt	\$ 317,191,456	\$ 133,254,888	\$ 450,446,344

The following table reflects the scheduled debt service for the publicly issued revenue bonds:

Year	Principal	Interest	Total
2013	\$ 24,605,000	\$ 15,720,955	\$ 40,325,955
2014	25,360,000	14,452,878	39,812,878
2015	22,010,000	13,252,286	35,262,286
2016	22,975,000	12,097,823	35,072,823
2017	24,900,000	10,844,856	35,744,856
2018-2022	115,670,000	35,075,741	150,745,741
2023-2025	75,355,000	6,197,200	81,552,200
	\$ 310,875,000	\$ 107,641,739	\$ 418,516,739

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

NOTES TO FINANCIAL STATEMENTS

9 - LONG-TERM DEBT (Continued)

The following table reflects the scheduled debt service for the project bonds:

Year	Principal	Interest	Total
2013	\$ 485,006	\$ 3,669,652	\$ 4,154,658
2014	493,082	3,648,341	4,141,423
2015	1,444,823	3,627,190	5,072,013
2016	1,502,644	3,569,368	5,072,012
2017	1,562,836	3,509,176	5,072,012
2018-2022	8,807,261	16,552,802	25,360,063
2023-2027	6,905,489	14,790,458	21,695,947
2028-2032	58,905,805	13,275,007	72,180,812
2033-2037	6,738,064	9,544,026	16,282,090
2038-2042	15,018,029	8,104,353	23,122,382
2043-2047	15,670,372	3,147,596	18,817,968
2048-2052	15,721,477	2,028,099	17,749,576
	<u>\$ 133,254,888</u>	<u>\$ 85,466,068</u>	<u>\$ 218,720,956</u>

**CASINO REINVESTMENT DEVELOPMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

10 - PROJECT AND DIRECT INVESTMENT COMMITMENTS

During 2012, the CRDA commitments decreased by \$84,838,778. As of December 31, 2012, CRDA had outstanding commitments as follows:

Project	Outstanding Commitments	Project	Outstanding Commitments
Atlantic City		South Jersey	
Northeast Inlet Redevelopment	\$ 6,233,798	Shepherd's Farm Housing	\$ 225,808
Convention Center East Hall	750,000	EHT Route 40 Corridor	2,945,285
AC/Brigantine Connector Road	41,244,880	SJ Regional Fire Training Center	952,451
Virginia Avenue Improvements	3,611,949	Caesar's Hotel Expansion	14,649,241
Atlantic Avenue Façade Program	701,565	Harrah's Hotel Expansion	9,622,065
North Carolina Avenue Improvements	167,949	Resorts Hotel Expansion	5,791,804
2nd Ward Façade	625,683	AC Int'l Airport Inspection Services	311,952
Carolina Gardens	745,157	Aviation Research & Technology Park	2,778,306
Cityscape	19,440	<u>Sub-total: South Jersey</u>	<u>\$ 37,276,912</u>
AC Housing Fund	16,829,464		
Maine Avenue Project	6,499,685		
Tax Certificate Acquisitions	8,544		
AC Corridor Bond Pledge	126,689,607		
Hope VI Housing	2,058,393		
2nd Ward Housing	1,298,066		
Corridor Garage	3,044,348		
Lighthouse District Park Project	2,913,721		
Atlantic Cape Community College	5,000,000		
Community Development Grants	421,564		
AC Demolition Program	815,337		
Boardwalk Lighting	1,855,557		
SE Inlet Transportation Improvements	349,324	North Jersey	
Best of Bass Pro	12,330,000	Long Branch Project	\$ 897,668
Atlantic Avenue Facades	232,284	NJSEA Purse Enhancements	26,880,670
AC Inlet Neighborhood Strategy Area	1,998,800	Newark Teachers Village	500,000
Margaritaville	12,843,750	Liberty Science Center	2,673,594
Main Street/Atlantic Avenue	117,575	Newark Marriott	216,513
Pacific Avenue/Midtown	75,000		
Harrah's Conference Center	46,237,500	<u>Sub-total: North Jersey</u>	<u>\$ 31,168,445</u>
Issac Cole Plaza Reclamation	300,000		
<u>Sub-total: Atlantic City</u>	<u>\$296,018,940</u>	Total Commitments, December 31, 2012	<u>\$364,464,297</u>

**CASINO REINVESTMENT DEVELOPMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

11 - GENERAL FUND DONATIONS

Donations from the general fund are included as expenses within the Statement of Revenues, Expenditures, and Changes in Fund Balances and consisted of the following:

Absecon Lighthouse	\$ 11,473
Bus Terminal	817,862
Travelers Assistance Program	4,293
Community Development Grants	90,222
Capital Expenditure Assessment	10,908
Boardwalk Capital Improvement	881,720
Winter Decorations Project	48,324
Tourism Market Expansion	29,306
Bus Shelters	18,410
Total	\$ 1,912,518

12 - GENERAL FUND BALANCES RESERVED FOR PROJECT COSTS

Reserved:	
Reserve for Absecon Lighthouse	\$ 82,674
Reserve for AC Traffic Operations Center	21,394
Reserve for Bus Transit Planning	122,770
Reserve for Atlantic-Pacific Avenues One-Way	883,505
Reserve for Boardwalk Hall Lighting	500,000
Reserve for Travelers Assistance Program	87,707
Reserve for Capital Expenditure Assessment	2,863
Reserve for ACCVA Engineering Assessment	81,786
Reserve for Boardwalk Lighting	1,344
Reserve for Downtown Revitalization	8,695,533
Reserve for South Inlet Transportation Improvements	4,000,000
Reserve for LEAD AC Tomorrow	21,800
Reserve for AC Demolition	1,500,000
Reserve for Marketplace Project	100,000
Reserve for Citywide Traveler Signage	300,000
Reserve for Boardwalk Capital Improvement	5,280
Reserve for Winter Decorations Project	98,260
Reserve for Tourism Market Expansion	220,695
Reserve for Bus Shelters	46,600
Reserve for 2013 SID Subsidy	1,180,000
Total	\$ 17,952,211

CASINO REINVESTMENT DEVELOPMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

13 - COMMITMENTS AND CONTINGENCIES

On October 10, 1997, the CRDA entered into a Parking Fee Agreement with the South Jersey Transportation Authority (“SJTA”), which is a component unit included in the State of New Jersey’s comprehensive annual report. Pursuant to the Agreement, a portion of parking fees from marina parking facilities used in conjunction with any new licensed casino hotel construction, and located on land in the Marina District of Atlantic City, will be payable to SJTA. The maximum amount payable to SJTA under the Parking Fee Agreement is an amount sufficient to amortize \$65,000,000 of SJTA bonds issued to finance the Atlantic City Expressway Connector Project and certain costs of issuance. The maximum annual remittance to SJTA is the lesser of the Marina Parking Fees or the amount released by the Trustee of the Parking Fee Revenue Bonds after the semi-annual debt service. The CRDA’s payment obligations are subordinate to the lien on the Marina Parking Fees of the Parking Fee Revenue Bonds (see Note 9).

14 - PENSION PLANS

Public Employees’ Retirement System

All required employees of the Authority are covered by the Public Employees’ Retirement System (“PERS”) cost-sharing multiple-employer defined benefit pension plan, which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (“Division”). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the PERS. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or the reports can be accessed on the internet at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

The PERS was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state local jurisdiction.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

14 - PENSION PLANS (Continued)

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.64% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 6.64% of covered payroll. The Authority's contributions to PERS for the years ended December 31, 2012, 2011, and 2010 were \$197,833, \$231,286 and \$198,704, respectively, equal to the required contributions for each year. The Authority's total payroll for the years ended December 31, 2012, 2011 and 2010 was \$3,788,363, \$2,756,444, and \$2,090,500; covered payroll was \$3,261,199, \$2,756,444, and \$2,039,903 for PERS.

	<u>Contributions</u>	<u>Covered Payroll</u>
12/31/2012	\$ 197,833	\$ 3,261,199
12/31/2011	231,286	2,756,444
12/31/2010	198,704	2,039,903

Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. The Authority is in compliance with this legislation. These assets are not the legal property of the Authority, and are not subject to claims of the Authority's general creditors. Because the Authority has little administrative involvement and does not perform the investing function of this plan, the assets and related liabilities are not shown on the statement of net position.

15 - PENDING LITIGATION

During the course of normal operations of the Authority, various claims and lawsuits arise. Based upon the facts of the cases and the damages claimed, management does not expect potential liabilities as of December 31, 2012 to be material to the Authority's financial position.

CASINO REINVESTMENT DEVELOPMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

16 - ECONOMIC DEPENDENCE

The CRDA has a significant economic dependence upon the casino industry in Atlantic City and the casino alternative tax that is remitted to the Authority through the State of New Jersey.

17 - DEFICIT IN RESTRICTED PROJECT COSTS

There is a deficit in the unrestricted net position on the government-wide Statement of Net Position due to a deficit in the net assets restricted for project costs in the Hotel Room Fee Fund. This has occurred because the Hotel Room Fee Special Revenue Fund has expended over \$110 million to date, and revenue has only been received in this fund beginning in July 2006. It is projected that sufficient funds will eventually be generated to offset the projected expenditures.

18 - POLLUTION REMEDIATION OBLIGATIONS

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. The Authority is responsible for pollution remediation activities at several sites that have soil contaminated with petroleum, hydrocarbons, and/or metals. The State of New Jersey provides oversight of the Authority's pollution remediation obligations. The estimated obligation was \$1,143,726 at December 31, 2012, and is included as a liability on the government-wide Statement of Net Position. There were no pollution remediation outlays for the year ended December 31, 2012. Pollution remediation obligations are measured based on outlays expected to be incurred to settle all estimable remediation efforts. Pollution remediation obligations are measured at the current value of reasonable and supportable assumptions about future events that may affect the eventual settlement of the obligations. Pollution remediation obligations are measured using the expected cash flow technique, which measures the obligation as the sum of probability-weighted amounts in a range of possible cash flows. Estimates are based on all currently available information, as well as the facts and circumstances of each situation, but may change due to price changes, changes in laws or regulations, changes in remediation technologies, or as additional information become available.

REQUIRED SUPPLEMENTARY INFORMATION

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND**

YEAR ENDED DECEMBER 31, 2012

	Budget	Actual	Variance
REVENUES			
Administrative fees	\$ 164,126	\$ 194,719	\$ 30,593
Interest and investment income	85,840	115,120	29,280
Sales and luxury tax rebate revenue	6,467,375	15,649,377	9,182,002
Processing fees	293,000	883,946	590,946
Other	100,000	142,885	42,885
Total revenues	7,110,341	16,986,047	9,875,706
EXPENDITURES			
Current			
Salaries and benefits	5,019,386	3,858,482	1,160,904
General and administrative	1,035,149	962,998	72,151
Professional services	1,324,000	778,987	545,013
Project costs	-	2,298,174	(2,298,174)
Capital assets			
Fixed assets	26,500	559,171	(532,671)
Total expenditures	7,405,035	8,457,812	(1,052,777)
Excess (deficiency) of revenues over expenditures	(294,694)	8,528,235	8,822,929
OTHER FINANCIAL SOURCES (USES)			
Other receivables	-	240,572	240,572
Other payables	-	(166,402)	(166,402)
Loan disbursements	-	(5,932,250)	(5,932,250)
Purchase of real estate	-	(1,304,466)	(1,304,466)
Transfers from other funds	-	22,528,752	22,528,752
Transfers to other funds	(1,253,000)	(1,253,000)	-
Total other financing sources and uses	(1,253,000)	14,113,206	15,366,206
Net change in fund balance	(1,547,694)	22,641,441	24,189,135
Fund Balance, January 1, 2012	35,596,843	35,596,843	-
Fund Balance, December 31, 2012	\$ 34,049,149	\$ 58,238,284	\$ 24,189,135

See notes to financial statements.

OTHER SUPPLEMENTARY INFORMATION

**CASINO REINVESTMENT DEVELOPMENT AUTHORITY
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**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS -
DEBT SERVICE FUNDS**

DECEMBER 31, 2012

	Christopher Columbus Homes	Deregulation	Jacobs Family Terrace	Marcal Project	North Jersey Municipal Loan Program	Northwest Inlet	Sheraton Hotel	South Jersey Municipal Loan Program	South Jersey Agricultural Loan Program	Vermont Plaza	Total Nonmajor Governmental Funds
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 59,213	\$ 801,972	\$ 142,020	\$ -	\$ 729,950	\$ -	\$ 1,354	\$ 1,734,509
Receivables:											
Accrued interest receivable	17,702	-	-	36,909	51,893	805	-	42,644	-	-	149,953
Other	6,901	-	-	-	-	-	34,340	-	793,115	-	834,356
Total assets	\$ 24,603	\$ -0-	\$ -0-	\$ 96,122	\$ 853,865	\$ 142,825	\$ 34,340	\$ 772,594	\$ 793,115	\$ 1,354	\$ 2,718,818
LIABILITIES											
Interest payable	\$ 15,719	\$ -	\$ -	\$ 32,638	\$ 148,827	\$ 3,750	\$ -	\$ 95,544	\$ -	\$ -	\$ 296,478
Other payables	1,983	-	-	4,271	21,322	32	-	9,166	-	-	36,774
Total liabilities	17,702	-	-	36,909	170,149	3,782	-	104,710	-	-	333,252
FUND BALANCE											
Restricted for:											
Reserve for debt service	6,901	-	-	59,213	683,716	139,043	34,340	667,884	793,115	1,354	2,385,566
Reserve for project costs	-	-	-	-	-	-	-	-	-	-	-
Total fund balance	6,901	-	-	59,213	683,716	139,043	34,340	667,884	793,115	1,354	2,385,566
Total liabilities and fund balance	\$ 24,603	\$ -0-	\$ -0-	\$ 96,122	\$ 853,865	\$ 142,825	\$ 34,340	\$ 772,594	\$ 793,115	\$ 1,354	\$ 2,718,818

See notes to financial statements.

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS**

YEAR ENDED DECEMBER 31, 2011

	Christopher Columbus Homes	Deregulation	Jacobs Family Terrace	Marcal Project	North Jersey Municipal Loan Program	Northwest Inlet	Sheraton Hotel	South Jersey Municipal Loan Program	South Jersey Agricultural Loan Program	Vermont Plaza	Total Other Governmental Funds
REVENUES											
Interest and investment income	\$ 107,731	\$ 112	\$ 2,339	\$ 452,845	\$ 826,851	\$ 8,014	\$ -	\$ 620,677	\$ -	\$ 1	\$ 2,018,570
Grant revenue	-	-	-	-	-	-	-	-	-	444,480	444,480
Total revenues	107,731	112	2,339	452,845	826,851	8,014	-	620,677	-	444,481	2,463,050
EXPENDITURES											
Project costs	-	-	-	-	-	-	-	-	242,797	-	242,797
Other	12,069	-	7	52,396	94,575	520	-	35,672	-	-	195,239
Debt service:											
Interest expense	95,723	-	562	400,409	714,026	9,815	-	584,954	-	-	1,805,489
Principal	73,658	-	56,148	250,000	406,085	49,616	-	361,485	-	-	1,196,992
Total expenditures	181,450	-	56,717	702,805	1,214,686	59,951	-	982,111	242,797	-	3,440,517
Excess (deficiency) of revenues over expenditures	(73,719)	112	(54,378)	(249,960)	(387,835)	(51,937)	-	(361,434)	(242,797)	444,481	(977,467)
OTHER FINANCING SOURCES (USES)											
Payments received on notes	73,658	-	54,660	250,000	418,248	39,473	-	364,889	-	-	1,200,928
Other payables	-	-	-	-	291,760	-	-	(5,949)	-	-	285,811
Capital-related debt issued	-	-	-	-	15,283,487	-	-	-	-	-	15,283,487
Loan disbursements	-	-	-	-	(15,283,487)	-	-	-	-	(444,480)	(15,727,967)
Transfer to other funds	-	(346,473)	-	-	-	-	-	-	-	-	(346,473)
Total other financing sources and uses	73,658	(346,473)	54,660	250,000	710,008	39,473	-	358,940	-	(444,480)	695,786
Net change in fund balance	(61)	(346,361)	282	40	322,173	(12,464)	-	(2,494)	(242,797)	1	(281,681)
Fund balance, January 1, 2012	6,962	346,361	(282)	59,173	361,543	151,507	34,340	670,378	1,035,912	1,353	2,667,247
Fund balance, December 31, 2012	\$ 6,901	\$ -0-	\$ -0-	\$ 59,213	\$ 683,716	\$ 139,043	\$ 34,340	\$ 667,884	\$ 793,115	\$ 1,354	\$ 2,385,566

See notes to financial statements.

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

COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS, OTHER

DECEMBER 31, 2012

	AC Inlet NSA	A.C. Supermarket	Bally's Warehouse Project	Carolina Gardens	Chelsea Westside	Chesapeake Gardens Senior Homes	Cityscape	Donation Loans	General Development	General Donations	Land Banking	Lighthouse District Park Project
ASSETS												
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 6,838,883	\$ -	\$ -	\$ -	\$ 6,829	\$ -	\$ -	\$ -
Temporarily restricted assets												
Real estate	1,200	6,163,011	71,574	823,704	262,354	151,383	66,583	2,150,000	-	-	1,196,804	2,155,190
Notes receivable	-	1,143,284	-	35,644	26,933	-	-	-	-	-	-	-
Accrued interest receivable	-	3,108	-	-	-	-	-	-	-	-	-	-
Other receivables	-	422,242	-	7,984	-	-	-	702,195	-	-	-	-
Total assets	1,200	7,731,645	71,574	867,332	7,128,170	151,383	66,583	2,852,195	6,829	-	1,196,804	2,155,190
LIABILITIES												
Other liabilities	-	-	-	-	6,412,880	-	-	-	6,829	-	-	-
RESERVES												
Reserve for temporarily restricted assets	1,200	7,731,645	71,574	867,332	715,290	151,383	66,583	2,852,195	-	-	1,196,804	2,155,190
Total liabilities and reserves	1,200	7,731,645	71,574	867,332	7,128,170	151,383	66,583	2,852,195	6,829	-	1,196,804	2,155,190
NET POSITION												
Total net position	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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See notes to financial statements.

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

COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS, OTHER

DECEMBER 31, 2012

	NEI Consensual Acquisition	Pennsylvania Avenue	Retail Luxury Tax	2nd Ward Façade	SE Inlet Transportation Improvements	Teachers and Firefighters Home Loans	3-2-1 Police Loan	Virginia Avenue	Virginia Ave. ICON	Virginian Acquisition	Total
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ 571	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,846,283
Temporarily restricted assets											
Real estate	213,476	22,062	-	36,811	187,085	-	-	133,266	-	803,030	14,437,533
Notes receivable	-	-	-	-	-	15,000	488,629	-	-	-	1,709,490
Accrued interest receivable	-	-	-	-	-	-	905	-	-	-	4,013
Other receivables	-	-	-	-	-	-	4,446,102	-	-	-	5,578,523
Total assets	213,476	22,062	571	36,811	187,085	15,000	4,935,636	133,266	-	803,030	28,575,842
LIABILITIES											
Other liabilities	-	-	571	-	-	-	21,278	-	-	-	6,441,558
RESERVES											
Reserve for temporarily restricted assets	213,476	22,062	-	36,811	187,085	15,000	4,914,358	133,266	-	803,030	22,134,284
Total liabilities and reserves	213,476	22,062	571	36,811	187,085	15,000	4,935,636	133,266	-	803,030	28,575,842
NET POSITION											
Total net position	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

See notes to financial statements.

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

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - AGENCY FUNDS, OTHER

YEAR ENDED DECEMBER 31, 2012

	AC Inlet NSA	A.C. Supermarket	Bally's Warehouse Project	Carolina Gardens	Chelsea Westside	Chesapeake Gardens Senior Homes	Cityscape	Donation Loans	General Development	General Donations	Land Banking	Lighthouse District Park Project
ADDITIONS												
Transfer from (to) reinvestment funds and other governmental funds	\$ 1,200	\$ -	\$ -	\$ 3,061	\$ -	\$ -	\$ 4,329	\$ -	\$ -	\$ 11,023,809	\$ -	\$ 1,412,309
Retail and luxury tax remittance	-	-	-	-	-	-	-	-	-	-	-	-
Interest on notes	-	38,278	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	3,862	-	-	-	-	-	-	-
Total additions	1,200	38,278	-	3,061	3,862	-	4,329	-	-	11,023,809	-	1,412,309
DEDUCTIONS												
Grants and donations	-	-	-	3,061	30,102	-	4,329	705,361	-	11,023,809	-	1,384,033
Retail and luxury tax distributions	-	-	-	-	-	-	-	-	-	-	-	-
Total deductions	-	-	-	3,061	30,102	-	4,329	705,361	-	11,023,809	-	1,384,033
Change in Reserves	1,200	38,278	-	-	(26,240)	-	-	(705,361)	-	-	-	28,276
Net position, January 1, 2012	-	-	-	-	-	-	-	-	-	-	-	-
Net position, December 31, 2012	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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See note to financial statements.

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

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - AGENCY FUNDS, OTHER

YEAR ENDED DECEMBER 31, 2012

	NEI Consensual Acquisition	Pennsylvania Avenue	Retail Luxury Tax Rebates	2nd Ward Façade	SE Inlet Transportation Improvements	Teachers and Firefighters Home Loans	3-2-1 Police Loan	Virginia Avenue	Virginia Ave. ICON	Virginian Acquisition	Total
ADDITIONS											
Transfer from (to) reinvestment funds and other governmental funds	\$ -	\$ -	\$ -	\$ 491,205	\$ -	\$ -	\$ -	\$ -	\$ 1,962	\$ -	\$ 12,937,875
Retail and luxury tax remittance	-	-	31,577,111	-	-	-	-	-	-	-	31,577,111
Interest on notes	-	-	-	-	-	-	14,156	-	-	-	52,434
Other Income	-	-	-	-	-	-	124	-	-	-	3,986
Total additions	-	-	31,577,111	491,205	-	-	14,280	-	1,962	-	44,571,406
DEDUCTIONS											
Grants and donations	-	-	-	491,205	-	7,180	20,433	-	1,962	-	13,671,475
Retail and luxury tax distributions	-	-	31,577,111	-	-	-	-	-	-	-	31,577,111
Total deductions	-	-	31,577,111	491,205	-	7,180	20,433	-	1,962	-	45,248,586
Change in Reserves	-	-	-	-	-	(7,180)	(6,153)	-	-	-	(677,180)
Net position, January 1, 2012	-	-	-	-	-	-	-	-	-	-	22,811,464
Net position, December 31, 2012	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 22,134,284

See notes to financial statements.