

# NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

## **Independent Auditors' Reports**

### **Financial Statements**

Years Ended December 31, 2000 and 1999

---

#### **Table of Contents**

	<b>Page</b>
<b>Section A</b> - Financial Statements Pursuant to Sports Complex, State Contract, and Luxury Tax Revenue Bond Resolutions:	
Independent Auditors' Report	1
Statements of Revenues and Expenses	2
Statements of Assets, Liabilities and Fund Balances	4
Statements of Changes in Fund Balances	6
<b>Section B</b> - Financial Statements in Accordance with Generally Accepted Accounting Principles:	
Independent Auditors' Report	8
Consolidated Statements of Financial Position	9
Consolidated Statements of Operations and Changes in Fund Equity	10
Consolidated Statements of Cash Flows	11
Notes to Financial Statements	12

## INDEPENDENT AUDITORS' REPORT

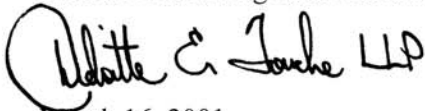
Chair and Members of  
New Jersey Sports and Exposition Authority  
East Rutherford, New Jersey

We have audited the accompanying bond resolution statements of assets, liabilities and fund balances of New Jersey Sports and Exposition Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2000 and 1999, and the related statements of revenues and expenses and changes in fund balances for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note B-1, the Authority has prepared these financial statements in accordance with the requirements of the law and the various bond resolutions. Accordingly, the bond resolution basis financial statements do not present fairly the financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Authority as of December 31, 2000 and 1999, and the revenues and expenses and changes in fund balances for the years then ended, in conformity with the basis of accounting as set forth in Note B-1 of the notes to the financial statements.



March 16, 2001



## STATEMENTS OF REVENUES AND EXPENSES YEARS ENDED DECEMBER 31, 2000 AND 1999

*(Pursuant to various Bond Resolutions)  
(In thousands)*

	Sports Complex Funds	Stadium Suites Project
<b>REVENUES FROM OPERATIONS:</b>		
Meadowlands Racetrack	\$ 82,025	\$ -
Monmouth Park Racetrack	-	-
Stadium	42,540	-
Stadium Suites Project	-	10,090
Arena	39,892	-
Atlantic City Convention Center	-	-
Wildwood Convention Center	-	-
	164,457	10,090
<b>EXPENSES FROM OPERATIONS:</b>		
Meadowlands Racetrack	62,603	-
Monmouth Racetrack	-	-
Stadium	27,804	-
Stadium Suites Project	-	758
Arena	42,946	-
Atlantic City Convention Center	-	-
Wildwood Convention Center	-	-
	133,353	758
<b>EXCESS (DEFICIT) FROM OPERATIONS</b>	31,104	9,332
<b>OTHER INCOME, EXPENSES AND TRANSFERS:</b>		
General and administrative expenses	(10,389)	-
Interest income and other	10,331	660
State appropriation	15,000	-
Other expense	(2,125)	-
Luxury tax, marketing fee and tourism tax revenues	-	-
State contract payments	-	-
Payments in aid of construction	-	-
Stadium Suites Distribution	1,511	-
Distribution to Atlantic City Convention Center	-	-
	-	-
<b>EXCESS OF REVENUES OVER EXPENSES</b> (Exhibit A-3 and Note B)	45,432	9,992
OPERATING FUND BALANCE, BEGINNING OF YEAR	-	-
<b>Total Revenue Available For Distribution</b>	\$ 45,432	\$ 9,992
<b>DISTRIBUTION TO (FROM) AS FOLLOWS (Note B-7):</b>		
Operating fund balances, end of year	\$ -	\$ -
Debt service funds	3,782	5,231
Maintenance reserve funds	16,998	229
Payment in lieu of tax funds (Note B-5)	3,441	-
Guaranteed Bond Fund 1992 Series	18,524	-
Construction funds	-	-
Excess cash flow fund	-	-
Partners distribution	-	4,532
State Contract Bonds Debt Service	2,687	-
<b>Total Revenues Distributed</b>	\$ 45,432	\$ 9,992

*See notes to financial statements.*

	December 31, 2000						December 31, 1999
	Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwood Convention Center Funds	Total Funds	Total Funds
-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,025	\$ 79,366
-	29,837	-	-	-	-	29,837	28,222
-	-	-	-	-	-	42,540	39,859
90	-	-	-	-	-	10,090	9,584
-	-	-	-	-	-	39,892	42,180
-	-	9,898	-	-	-	9,898	12,475
-	-	-	-	-	596	596	629
90	<u>29,837</u>	<u>9,898</u>	<u>-</u>	<u>-</u>	<u>596</u>	<u>214,878</u>	<u>212,315</u>
-	-	-	-	-	-	62,603	62,725
-	25,412	-	-	-	-	25,412	25,140
-	-	-	-	-	-	27,804	26,555
58	-	-	-	-	-	758	788
-	-	-	-	-	-	42,946	43,247
-	-	21,476	-	-	-	21,476	21,549
-	-	-	-	-	756	756	936
58	<u>25,412</u>	<u>21,476</u>	<u>-</u>	<u>-</u>	<u>756</u>	<u>181,755</u>	<u>180,940</u>
32	4,425	(11,578)	-	-	(160)	33,123	31,375
-	(400)	(4,390)	-	-	(1,187)	(16,366)	(14,747)
60	1,055	242	1,720	1,264	382	15,654	18,941
-	-	-	-	-	-	15,000	11,000
-	-	-	-	-	-	(2,125)	-
-	-	8,303	17,679	-	2,909	28,891	29,086
-	-	-	-	40,740	1,677	42,417	43,913
-	-	-	2,317	-	-	2,317	34,150
-	-	-	-	-	-	1,511	546
-	-	7,483	(7,483)	-	-	-	-
92	5,080	60	14,233	42,004	3,621	120,422	154,264
-	400	2,225	-	-	3,100	5,725	2,989
92	<u>\$ 5,480</u>	<u>\$ 2,285</u>	<u>\$ 14,233</u>	<u>\$ 42,004</u>	<u>\$ 6,721</u>	<u>\$ 126,147</u>	<u>\$ 157,253</u>
-	\$ 400	\$ 2,285	\$ -	\$ -	\$ 6,517	\$ 9,202	\$ 5,725
31	2,782	-	11,802	42,004	174	65,775	59,654
29	1,109	-	114	-	-	18,450	31,901
-	1,189	-	-	-	30	4,660	4,650
-	-	-	-	-	-	18,524	18,522
-	-	-	2,317	-	-	2,317	32,870
-	-	-	-	-	-	-	2,293
32	-	-	-	-	-	4,532	1,638
-	-	-	-	-	-	2,687	-
92	<u>\$ 5,480</u>	<u>\$ 2,285</u>	<u>\$ 14,233</u>	<u>\$ 42,004</u>	<u>\$ 6,721</u>	<u>\$ 126,147</u>	<u>\$ 157,253</u>



## STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

(Pursuant to various Bond Resolutions)  
(In thousands)

	Sports Complex Funds	Stadium Suites Project
<b>ASSETS</b>		
Cash and cash equivalents (Notes B-8 and D)	\$ 77,981	\$ -
Restricted cash and cash equivalents (Notes B-8 and D)	20,193	7,443
Restricted investments (Note D)	11,870	-
Accrued interest receivable	333	-
Luxury tax, marketing fee and tourism tax receivable (Notes A and C)	-	-
Receivables	9,841	-
Interfund receivables	9,208	1,015
Investment in facilities	516,371	44,018
Other assets (Note B-9)	4,910	755
	<u>\$ 650,707</u>	<u>\$ 53,231</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts payable and accrued expenses	\$ 36,718	\$ 4,545
Interfund payables	1,015	-
Interest payable on bonds and notes	7,351	-
Deferred revenue	8,992	-
Other liabilities	8,471	-
Notes payable (Note G)	3,750	26,409
Bonds payable (Note F)	229,660	-
Unamortized original issue discount	(2,644)	-
Fund balance (deficit)	357,394	22,277
	<u>\$ 650,707</u>	<u>\$ 53,231</u>

See notes to financial statements.

	December 31, 2000						December 31, 1999
	Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwood Convention Center Funds	Total Funds	Total Funds
-	\$ 9,291	\$ 3,834	\$ 25,102	\$ -	\$ 7,943	\$ 124,151	\$ 106,677
13	9,420	-	41,471	249	-	78,776	123,618
-	-	-	-	53,872	45,148	110,890	40,294
-	-	-	95	1,198	1,100	2,726	1,784
-	-	1,240	2,381	-	188	3,809	3,995
-	1,366	1,059	-	-	6	12,272	39,523
5	-	845	-	-	-	11,068	9,838
8	37,006	828	224,282	280,846	25,363	1,128,714	994,812
55	1,327	507	2,300	2,939	146	12,884	11,097
31	<u>\$ 58,410</u>	<u>\$ 8,313</u>	<u>\$ 295,631</u>	<u>\$ 339,104</u>	<u>\$ 79,894</u>	<u>\$1,485,290</u>	<u>\$1,331,638</u>
15	\$ 5,274	\$ 3,191	\$ 9,767	\$ 157	\$ 3,020	\$ 62,672	\$ 51,678
-	-	-	10,053	-	-	11,068	9,838
-	927	-	5,978	-	14	14,270	13,920
-	-	1,308	-	-	19	10,319	10,903
-	1,785	-	-	-	-	10,256	10,482
9	-	-	8,600	-	-	38,759	42,157
-	67,565	-	205,445	490,370	58,731	1,051,771	933,453
-	(225)	-	(1,656)	(8,149)	(169)	(12,843)	(12,103)
7	<u>(16,916)</u>	<u>3,814</u>	<u>57,444</u>	<u>(143,274)</u>	<u>18,279</u>	<u>299,018</u>	<u>271,310</u>
31	<u>\$ 58,410</u>	<u>\$ 8,313</u>	<u>\$ 295,631</u>	<u>\$ 339,104</u>	<u>\$ 79,894</u>	<u>\$1,485,290</u>	<u>\$1,331,638</u>



## STATEMENTS OF CHANGES IN FUND BALANCES

(Pursuant to various Bond Resolutions)  
(In thousands)

	Sports Complex Funds	Stadium Suites Project
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	\$ 352,322	\$ 18,959
Excess of revenues over expenses	45,432	9,992
Interest income (loss) on restricted debt service funds	439	-
Interest on bonds and notes	(13,541)	(2,015)
Maintenance charges	(23,661)	(127)
Payment in lieu of taxes (Note B-5)	(3,441)	-
Write-off and amortization of bond discount and issuance costs	(156)	-
Amortization of costs on the Rutgers and Higher Education Projects	-	-
Partners distribution	-	(4,532)
Loss on bond refunding	-	-
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<u>\$ 357,394</u>	<u>\$ 22,277</u>

See notes to financial statements.

	December 31, 2000					December 31, 1999	
	Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwood Convention Center Funds	Total Funds	Total Funds
99	\$ (15,733)	\$ 3,834	\$ 52,261	\$ (156,823)	\$ 16,490	\$ 271,310	\$ 202,829
02	5,080	60	14,233	42,004	3,621	120,422	154,264
-	20	-	2,559	1,520	-	4,538	(2,343)
5)	(2,782)	-	(8,439)	(28,884)	(1,722)	(57,383)	(54,312)
7)	(2,275)	(80)	(2,954)	-	(65)	(29,162)	(10,516)
-	(1,189)	-	-	-	(30)	(4,660)	(4,650)
-	(37)	-	(216)	(439)	(15)	(863)	(730)
-	-	-	-	(652)	-	(652)	(566)
2)	-	-	-	-	-	(4,532)	(1,638)
-	-	-	-	-	-	-	(11,028)
7	<u>\$ (16,916)</u>	<u>\$ 3,814</u>	<u>\$ 57,444</u>	<u>\$ (143,274)</u>	<u>\$ 18,279</u>	<u>\$ 299,018</u>	<u>\$ 271,310</u>

## INDEPENDENT AUDITORS' REPORT

Chair and Members of the  
New Jersey Sports and Exposition Authority  
East Rutherford, New Jersey

We have audited the accompanying consolidated statements of financial position of the New Jersey Sports and Exposition Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2000 and 1999, and the related statements of operations and changes in fund equity, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Authority as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



March 16, 2001

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2000 AND 1999

(In thousands)

<b>ASSETS</b>	<b>2000</b>	<b>1999</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Notes B-8 and D)	\$ 124,151	\$ 106,677
Restricted cash and cash equivalents (Notes B-8 and D)	78,776	123,618
Restricted investments (Note D)	27,570	2,716
Accrued interest receivable	2,726	1,784
Due from State of New Jersey (Notes A and B-6)	3,809	14,126
Receivables (net of allowance for doubtful accounts of \$1,724 in 2000 and \$1,868 in 1999)	10,761	10,769
Total Current Assets	247,793	259,690
<b>LONG - TERM ASSETS:</b>		
Restricted long - term investments (Note D)	83,320	37,578
Investment in facilities (Notes B-4 and E)	932,666	817,870
Other assets (Note B-9)	43,322	42,187
<b>TOTAL ASSETS</b>	<b>\$ 1,307,101</b>	<b>\$ 1,157,325</b>
 <b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 67,204	\$ 53,316
Interest payable on bonds and notes	25,186	23,570
Deferred revenue	25,745	25,980
Advanced ticket sales	2,353	3,384
Other current liabilities	36,547	36,229
Current portion of Notes payable (Note G)	3,437	3,190
Current portion of Bonds payable (Note F)	33,508	29,945
Total current liabilities	193,980	175,614
<b>LONG-TERM LIABILITIES:</b>		
Long-term portion of notes payable (Note G)	34,832	38,259
Long-term portion of bonds payable (Note F)	977,327	862,072
<b>TOTAL LIABILITIES</b>	<b>1,206,139</b>	<b>1,075,945</b>
<b>FUND EQUITY:</b>		
Net investment in facilities	11,432	6,615
Contributed capital (Note B-6)	89,530	74,765
Total fund equity	100,962	81,380
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,307,101</b>	<b>\$ 1,157,325</b>

See notes to consolidated financial statements.



## CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN FUND EQUITY YEARS ENDED DECEMBER 31, 2000 AND 1999

*(In thousands)*

	2000	1999
OPERATING REVENUES:		
Racetracks	\$ 111,862	\$ 107,588
Stadium	52,299	48,902
Arena	39,892	42,180
Convention Centers	10,494	13,104
	214,547	211,774
OPERATING EXPENSES:		
Racetracks	88,015	87,865
Stadium	33,094	28,981
Arena	42,946	43,247
Convention Centers	22,028	22,485
General and administrative	15,730	13,907
Depreciation and amortization (Notes B-4 and E)	36,266	31,022
Payment in lieu of taxes (Note B-5)	4,660	4,650
	242,739	232,157
OPERATING LOSS	(28,192)	(20,383)
NON-OPERATING INCOME AND EXPENSES:		
Interest income and other	17,605	6,863
Luxury tax, marketing fund and tourism tax revenues (Notes A and C)	28,891	29,086
State contract payments and appropriations (Note A)	46,688	44,657
Interest expense (Note F-8)	(60,175)	(56,858)
NET INCOME	4,817	3,365
FUND EQUITY, BEGINNING OF YEAR	81,380	38,635
Contributed Capital (Note B-6)	14,765	39,380
FUND EQUITY, END OF YEAR	\$ 100,962	\$ 81,380

*See notes to consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2000 AND 1999

(In thousands)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Loss	\$ (28,192)	\$ (20,383)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	36,266	31,022
Change in allowance for doubtful accounts	(144)	566
(Increase) decrease in assets:		
Receivables	152	(4,004)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	13,888	11,391
Advanced ticket sales and other liabilities	(713)	(3,589)
Deferred revenues	(235)	853
Net cash provided by operating activities	<u>21,022</u>	<u>15,856</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(154,748)	(115,467)
Maturities of investments	84,152	126,451
Interest on investments	16,927	6,620
Net cash (used in) provided by investing activities	<u>(53,669)</u>	<u>17,604</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments of bonds and notes	(31,609)	(152,973)
Issuance of bonds and notes	146,955	179,734
Additions to investment in facilities	(150,603)	(57,244)
Disposals of investment in facilities	194	191
Interest paid on bonds and notes	(60,319)	(65,541)
State Contract receipts for payment of principal and interest on bonds	71,584	84,037
Luxury tax revenues	11,420	8,193
Net cash used in capital and related financing activities	<u>(12,378)</u>	<u>(3,603)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Luxury tax, marketing fee and tourism tax revenues	17,657	20,462
Net cash provided by noncapital financing activities	<u>17,657</u>	<u>20,462</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(27,368)	50,319
CASH, RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>230,295</u>	<u>179,976</u>
CASH, RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 202,927</u>	<u>\$ 230,295</u>

See notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

---

### A. AUTHORIZING LEGISLATION

The New Jersey Sports and Exposition Authority (the "Authority") was created by the laws of the State of New Jersey of 1971, Chapter 137, enacted May 10, 1971, as supplemented and amended (the "Act"). It is constituted as an instrumentality of the State, exercising public and essential governmental functions. The Act empowers the Authority to own and operate various projects, located in the State of New Jersey, including stadiums and other buildings and facilities for athletic contests, horse racing, and other spectator sporting events, trade shows and other expositions.

The Authority has no stockholders or equity holders, and all bond proceeds, revenues or other cash received must be applied for specific purposes in accordance with the provisions of the Act, and related bond resolutions, for the security of the bondholders. The Authority's Board consists of the President of the Authority, the State Treasurer, the Attorney General and a member of the Hackensack Meadowlands Development Commission, appointed by the Governor, who are members ex officio, and nine members appointed by the Governor with the advice and consent of the State Senate.

On January 13, 1992, the New Jersey legislature adopted Chapter 375 of P.L. 1991 (the "Bill"), which approved the issuance of bonds, by the Authority, pursuant to a contract between the Authority and the State Treasurer. The contract requires the Treasurer to provide funds from the General Fund of the State necessary to pay the debt service on the bonds, subject to and dependent upon annual appropriations by the State legislature (see Note F-6). On November 24, 1998, the contract was restated and amended to expand the scope of projects eligible for the issuance of bonds to include the Wildwood Convention Center project.

On December 24, 1997, amendments to the Act authorized the Authority to undertake and finance a project in the City of Wildwood consisting of the acquisition of property, operation of an existing convention center facility and the development of a new convention center facility. The Authority assumed title to the assets, funds, properties and obligations of the existing facility from the Greater Wildwood Tourism Improvement and Development Authority ("GWTIDA") and began operating the facility on February 23, 1998.

### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **General** - In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). In addition, the Authority follows the pronouncements of all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The financial statements include the accounts of the Authority including Monmouth Park Racetrack, the Atlantic City Convention Center Authority (the "Convention Center Authority") and the Wildwood Convention Center.

The Authority also prepares financial statements, included in Section A, in accordance with the provisions of the Sports Complex, State Contract, and Luxury Tax Bond Resolutions which differ from the financial statements prepared in accordance with generally accepted accounting principles included in Section B, as follows: (1) depreciation and amortization is not provided, (2) capital expenditures funded from the Operating Fund or Maintenance Reserve Fund are not capitalized, (3) certain expenses are accounted for as a distribution of revenue, (4) certain receipts deposited in or transferred to the Revenue Fund are recognized as revenue in the year received rather than when earned, (5) contributions from the State for principal payments on State Contract Bonds are recognized as revenue when received, and (6) interest expense on bonds is recognized when transferred to the debt service funds in accordance with the Bond Resolutions.

Reconciliation of Bond Resolution Excess from Operations to Statement of Operations Net Income :

	<b>Years Ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
	<b>Balance</b>	<b>Balance</b>
	<i>(in thousands)</i>	
Excess of revenues over expenses	\$ 120,422	\$ 154,264
Interest expense	(60,175)	(56,858)
Depreciation and amortization	(36,266)	(31,022)
Payment in lieu of tax	(4,660)	(4,650)
State Contract payments	1,719	(5,026)
Stadium Suites license revenue	(6,374)	(2,725)
Interest income and other	5,110	4,413
Debt service restructuring	-	(15,460)
Cost of land sold	(194)	(191)
Contributed Capital	(14,765)	(39,380)
Net income	<u>\$ 4,817</u>	<u>\$ 3,365</u>

Amounts recorded in accordance with the Bond Resolution financial statements vary from financial statements prepared in accordance with generally accepted accounting principles as disclosed in the reconciliation above. In 1999 the Authority deferred debt refinancing costs in connection with the advance refunding of certain bonds (Note F-6 and Note F-7).

2. **Revenues** - The revenues of the Authority are deposited into the Revenue Funds and transferred to the Operating Funds, Debt Service Funds and other funds on a monthly basis as required by the Bond Resolutions. All interfund accounts have been eliminated.

The Authority promotes certain events held at the Arena and Stadium. The gross revenues and expenses of these events are reflected in the financial statements.

Revenues from restricted-purpose State and/or other State agency grants are recognized when awarded and recorded in a purpose-specific fund.

3. **Reporting Entity** - The GASB establishes the criteria used in determining which organizations should be included in the Authority's financial statements. Generally accepted accounting principles require the inclusion of the transactions of government organizations for which the Authority is financially accountable.

The extent of financial accountability is based upon several criteria including: appointment of a voting majority, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency. As a result of the Authority's contract with the Convention Center Authority and the above criteria, the Convention Center Authority's financial statements are included in the Authority's annual report.

At the request of the State of New Jersey, the Authority assumed the assets and liabilities and undertook the existing operations of the Wildwood Convention Center on February 23, 1998. As a result the Authority includes the financial statements of the Wildwood Convention Center in its annual report. The assets and liabilities were recorded at fair value and the difference was recorded to fund balance as contributed capital.

The Authority is a component unit included in the State of New Jersey's comprehensive annual financial report.

4. **Investment in Facilities** - Investment in facilities is stated at cost, which includes all costs during the construction period for acquisition of land, rights of way, acquisition cost of acquiring facilities,



surveys, engineering costs, roads, construction costs and additions to facilities, administrative and financial expenses and interest during construction net of interest income earned on the unexpended funds, including debt service reserve funds. Depreciation is computed by the straight-line method based on estimated useful lives of the related assets.

5. **Payment in Lieu of Taxes** - In accordance with a provision of the enabling Act, properties and income of the Authority are exempt from taxation. However, payments in lieu of taxes are made to municipalities to compensate for loss of tax revenues by reason of acquisition of real property by the Authority.
6. **Contributed Capital** - Contributed capital represents funds received from the State to pay principal on the State Contract Bonds and funds received from other authorities. Amounts received to pay interest on State Contract Bonds and direct appropriations are treated as non-operating revenue.
7. **Distributions** - Each month, after appropriate transfers to the designated funds as specified by the Bond Resolutions, any excess balance remains in the Revenue Fund. At year end the excess, if any, will be held up to May 1 of the succeeding year, at which time transfers are made to meet debt service requirements for the Authority's 1992 Guaranteed Refunding Bonds, Guaranteed by the State of New Jersey. Any remaining excess would be used for other projects of the Authority.

In accordance with the Act, to the extent not required for any such projects, and not required to repay any obligations incurred by the Authority to the State, any balance remaining is to be deposited in the General Fund of the State of New Jersey.

8. **Cash and Cash Equivalents** - Cash and cash equivalents include short-term investments that are carried at cost, which approximates market. The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
9. **Other Assets** - Other assets include deferred issuance costs incurred to issue debt, including but not limited to, legal and accounting costs. These costs have been deferred and are being amortized over the life of the issuance on a straight-line basis. Costs incurred for the Rutgers and Higher Education Projects are also included in other assets and will be amortized as principal payments are made on the related State Contract Bonds.
10. **Accumulated Vacation Time** - Salaried employees of the Authority, the Convention Center Authority and the Wildwood Convention Center may accumulate vacation time up to a maximum of their total vacation time for one year. This accumulated vacation time must be used within one year of the year earned. Upon termination of employment, salaried employees are entitled to receive a maximum lump-sum payment of their accumulated vacation time.
11. **Interest Rate Swap Agreements** - The Authority entered into interest rate swap agreements to modify interest rates on certain outstanding debt. Premiums received from options to exercise an interest rate swap in the future and net interest expenditures resulting from these agreements are recorded in the financial statements. The interest differential to be received or paid under these interest rate swap agreements is accrued annually over the life of the agreement as an adjustment to the interest expense of the related bonds.
12. **Valuation of Investments** - Guaranteed investment contracts, state and local government securities, repurchase agreements and certificates of deposit are investments in non-participating investment contracts which management concludes are not significantly affected by the impairment of the credit standing of the Authority or other factors. These investments are recorded at amortized cost in accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and External Investment Pools."
13. **Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the re-

---

---

---

---

---

---

ported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. **Reclassifications** - The 1999 financial statements contain certain reclassifications which have been made to conform to the classifications used in 2000.

### C. LUXURY TAX, MARKETING FEES AND TOURISM TAX

1. **Luxury Tax** - Pursuant to N.J.S.A. 40:48-8.15 et seq. (the "Luxury Tax Act"), the City of Atlantic City has, by Ordinance No. 18 of 1982, imposed a 3 percent tax on the sale of alcoholic beverages by the drink in the restaurants, bars, hotels and other similar establishments and a 9 percent tax on cover charges or other similar charges made to any patron of such an establishment, the hiring of hotel rooms and the sale of tickets for admission to theaters, exhibitions and other places of amusement.

On January 13, 1992, amendments to the Act were adopted which authorized the Authority to undertake the Convention Center Project (see Note A) and authorized the State to transfer the proceeds of the Luxury Tax to the Authority. Luxury Tax proceeds are deposited into the Revenue Fund and transferred to other funds to pay debt service on the Luxury Tax Bonds and fund the operating deficit and capital expenditures for the Convention Center Project.

2. **Marketing Fees** - The New Jersey legislature adopted a bill which authorized the Convention Center Authority to impose marketing fees on hotels in Atlantic City. The proceeds from the fees collected pursuant to this legislation are paid into a special fund established and held by the Convention Center Authority.
3. **Tourism Tax** - Upon transfer of the Wildwood Convention Center from the Greater Wildwood Tourism Improvement and Development Authority (GWTIDA) on February 23, 1998 (see Note A), the Authority assumed the right to receive 90 percent of the proceeds of a 2 percent tourism related retail receipts tax pursuant to N.J.S.A. 40:54D-1 et. seq. (the "Tourism Improvement and Development District Law") for the construction and promotion of a new convention center facility and the operation maintenance and promotion of the existing center within Wildwood. The remaining 10 percent of the funds generated by the tax is allocated to GWTIDA for its continuing promotion of tourism in the area. The tax is imposed and collected by ordinance and with the cooperation of the municipalities in the Greater Wildwoods (i.e. North Wildwood, Wildwood and Wildwood Crest).



**D. CASH, CASH EQUIVALENTS AND INVESTMENTS**

1. The components of cash, cash equivalents and investments are:

	<b>December 31, 2000</b>		<b>December 31, 1999</b>	
	<b>Book</b>	<b>Bank</b>	<b>Book</b>	<b>Bank</b>
	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Cash and cash equivalents:				
Cash on hand	\$ 3,587	\$ -	\$ 2,917	\$ -
Demand deposits	670	2,345	2,875	2,977
N.J. Cash Management Fund	139,680	139,680	165,356	165,356
Repurchase Agreements	3,905	3,905	3,681	3,681
Certificates of Deposit	55,085	55,085	55,466	55,466
Total cash and cash equivalents	<u>\$ 202,927</u>	<u>\$ 201,015</u>	<u>\$ 230,295</u>	<u>\$ 227,480</u>

	<b>December 31, 2000</b>	<b>December 31, 1999</b>
	<b>Cost</b>	<b>Cost</b>
	<i>(in thousands)</i>	
Investments (see Note B-12):		
Guaranteed investment contract	\$ 20,999	\$ 20,999
Certificates of Deposit	<u>69,912</u>	<u>-</u>
	90,911	20,999
State and local unit government securities (SLUGS)	<u>19,979</u>	<u>19,295</u>
Total investments	<u>\$ 110,890</u>	<u>\$ 40,294</u>

2. At December 31, 2000 and 1999, approximately \$92,698,000 and \$96,392,000, respectively, were held by Trustees in Debt Service and Debt Service Reserve Funds and are restricted only for payment of principal and interest on bonds.
3. The various Bond Resolutions of the Authority specify the institutions and types of investments that can be made with the money available for investment. A general description of those investments is the following: (a) direct obligations of or obligations guaranteed by the United States, (b) bonds or obligations of any state of the United States or of any agency, instrumentality or local governmental unit of any such state, (c) bonds, debentures or other evidence of indebtedness issued or guaranteed by any agency or corporation created pursuant to an Act of Congress, (d) new housing authority bonds, (e) certificates of deposit, (f) commercial paper, (g) repurchase agreements, (h) State of New Jersey Cash Management Fund and (i) guaranteed investment contracts.

All demand deposits, except deposits held by the Trustee, of any depository must be fully secured by lodging collateral security of obligations secured by the United States with the Trustee or bank designated by the Trustee. At December 31, 2000, all demand deposits were collateralized.

Commercial paper is held by the Trustee in the name of the Authority.

The guaranteed investment contract is an investment agreement with a bank that provides the Authority with a fixed rate of return credited to specific Debt Service Reserve Account. At December 31, 2000, \$20,999,000 is collateralized with U.S. government obligations that have, as a minimum, an aggregate value of 105 percent of the investment contract which is held by a third-party bank in the name of the Authority.

Repurchase agreements represent investments whereby the Authority transfers cash to a financial institution in exchange for securities. The financial institution agrees to repurchase the same securities at

an agreed upon price at a future date. These investments are collateralized at a premium and held by the financial institution in the name of the Authority.

The State and Local Unit Government Securities (SLUGS) are special non-marketable securities issued by the U.S. Treasury, held by the Trustee and have interest rates between 3.30 percent and 3.75 percent which mature semi-annually commencing on January 1, 2001 through January 1, 2005.

The N.J. Cash Management Fund is a money market fund managed by the State of New Jersey Division of Investments. P.L. 1950, c. 270 and subsequent legislation permit the Division to invest in a variety of securities, including, in the case of short-term investments, obligations of the U.S. Government and certain of its agencies, commercial paper, certificates of deposit, repurchase agreements, bankers' acceptances and loan participation notes. All such investments must fall within the guidelines set forth by the regulations of the State of New Jersey, State Investment Council. Securities in the N. J. Cash Management Fund are insured or registered, or securities held by the Division or its agent in the N. J. Cash Management Fund's name.

#### E. INVESTMENT IN FACILITIES

	<b>December 31, 1999 Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2000 Balance</b>
		<i>(in thousands)</i>		
Land	\$ 172,091	\$ -	\$ (194)	\$ 171,897
Buildings	804,066	54,401	-	858,467
Machinery and equipment	115,584	21,782	(1,816)	135,550
Land improvements	24,144	13,858	-	38,002
Leasehold rights	25,000	-	-	25,000
Construction in progress	33,506	60,563	-	94,069
	<u>1,174,391</u>	<u>150,604</u>	<u>(2,010)</u>	<u>1,322,985</u>
Less accumulated depreciation	<u>(356,521)</u>	<u>(35,614)</u>	<u>1,816</u>	<u>(390,319)</u>
	<u>\$ 817,870</u>	<u>\$ 114,990</u>	<u>\$ (194)</u>	<u>\$ 932,666</u>

Asset lives used in the calculation of depreciation are generally as follows:

Buildings	35 to 60 years
Machinery and equipment	2 to 20 years
Land improvements	10 to 20 years
Leasehold rights	24 years



**F. BONDS PAYABLE**

1. Bonds payable consists of the following:

	<b>Date Issued</b>	<b>Original Amount</b>	<b>December 31, 2000 Balance</b>	<b>1999 Balance</b>
			<i>(in thousands)</i>	
<b>REVENUE BONDS</b>				
Sports Complex Refunding Bonds 1985/1992 Series (guaranteed by the State of New Jersey) 7.30%-8.30%, due serially through 2005	11/01/85	\$ 175,450	\$ 86,070	\$ 99,510
Sports Complex Refunding Revenue Bonds, 1993 Series A \$30,350,000 Serial Bonds 5.00%-5.125% due 2005 through 2016; \$14,990,000 Term Bonds, 5.20%, due 2017-2020; \$18,425,000 Term Bonds, 5.20%, due 2021-2024	12/01/93	63,765	63,765	63,765
Sports Complex Subordinated Refunding Revenue Bonds, 1993 Series A \$32,875,000 Term Bonds 6.875%, due 2005-2017	12/01/93	32,875	32,875	32,875
Wildwood Revenue Bonds, Series 1996A 1.50% interest through 2001 then 2.50% due serially through 2016	09/06/96	3,400	2,892	3,022
<b>STATE CONTRACT BONDS</b>				
State Contract Bonds, 1992 Series A, \$46,955,000 Serial Bonds 5.50%-6.50% due 1998 through 2007; \$177,045,000 Term Bonds, 6.00% - 6.50%, due 2013 to 2021	03/02/92	224,000	193,766	197,341
State Contract Bonds, 1992 Series C, \$209,990,000 Term Bonds 5.86%, due through 2024	11/19/92	209,990	194,960	197,975
State Contract Bonds, 1993 Series A, \$5,755,000 Serial Bonds, 4.70%-5.40%, due 2003 to 2009; \$6,930,000 Term Bonds, 5.37%, due 2015 \$13,600,000 Term Bonds 5.50%, due 2023	03/01/93	26,285	26,285	26,285
State Contract Bonds, 1993 Series B, \$5,000,000 Serial Bonds 2.50%-4.70%, due through 2002	03/01/93	5,000	1,280	1,880
State Contract Bonds, 1998 Series A, \$57,810,000 Serial Bonds 4.00%-5.50% due 2004 through 2019; \$28,855,000 Term Bonds 4.50% due 2024	12/15/98	86,665	86,665	86,665
State Contract Bonds, 1998 Series B, \$13,665,000 Serial Bonds 4.96%-5.77% due 1999 through 2008	12/15/98	13,665	11,240	12,495
State Contract Bonds, 1999 Series A, \$49,915,000 Serial Bonds 6.00%-7.00% due 2000 through 2014	06/15/99	49,915	46,995	49,915

	<b>Date Issued</b>	<b>Original Amount</b>	<b>December 31,</b>	
			<b>2000</b>	<b>1999</b>
			<b>Balance</b>	<b>Balance</b>
			<i>(in thousands)</i>	
State Contract Bonds, 2000 Series A \$82,520,000 Serial Bonds 4.75%-6.00% due 2001 through 2020	02/01/00	82,520	82,520	-
State Contract Bonds, 2000 Series B \$39,380,000 Serial Bonds 7.00%-7.375% due 2001 through 2014 (Federally Taxable)	02/01/00	39,380	39,380	-
State Contract Bonds, 2000 Series C \$12,325,000 Serial Bonds 4.25%-5.00% due 2002 through 2011	12/01/00	12,325	12,325	-
State Contract Bonds, 2000 Series D \$12,295,000 Serial Bonds 6.50% due 2001 through 2010 (Federally Taxable)	12/01/00	12,295	12,295	-

#### **LUXURY TAX BONDS**

Convention Center Luxury Tax Bonds 1992, Series A, \$53,795,000 Serial Bonds 2.90%-6.00%, due through 2007 and final payment 2013; \$114,230,000 Term Bonds, 6.58%-6.60%, due 2012-2022	11/12/92	\$ 168,025	\$ 30,180	\$ 33,455
Convention Center Luxury Tax Refunding Bonds 1999, Series A, \$128,270,000 Serial Bonds 4.25%-5.125%, due 2003 through 2020	02/15/99	128,270	<u>128,270</u>	<u>128,270</u>
Total bonds payable			1,051,763	933,453
Less original issue discount and deferred loss on refunding			<u>(40,928)</u>	<u>(41,436)</u>
			<u>\$ 1,010,835</u>	<u>\$ 892,017</u>

2. **State Guaranteed Bonds** - The State Guaranteed Bond Resolution pledges the excess revenues of the Sports Complex as security for the 1992 Guaranteed Refunding Bonds after payment for the Senior and Junior Lien Bonds, funding of the Maintenance Reserve Fund and payments in lieu of taxes. Pursuant to authorization contained in the State Guaranty Act, the punctual payment of principal and interest on the Guaranteed Refunding Bonds is unconditionally guaranteed by the State of New Jersey.

Simultaneously with the issuance of the State Contract Bonds, 1992 Series A (see Note F-6), the Authority issued the 1992 Guaranteed Refunding Bonds to the Trustee as escrow for the 1985 State Guaranteed Bonds. The 1992 Guaranteed Refunding Bonds were issued in the same amount, maturity and interest rate as the 1985 Guaranteed Refunding Bonds. The Authority will make debt service payments on the 1992 Guaranteed Refunding Bonds to the Trustee from the excess revenues of the Sports Complex available at the end of the year after meeting the requirements of the Sports Complex Bond Resolutions. The Trustee then will make debt service payments on the 1985 State Guaranteed Refunding Bonds from amounts received from the 1992 Guaranteed Refunding Bonds.

3. **Sports Complex Refunding Revenue Bonds 1993 Series A - Senior Lien** - The Authority issued \$63,765,000 of Sports Complex Refunding Revenue Bonds, 1993 Series A (the "Senior Lien Bonds"). The Senior Lien bonds were issued by the Authority for the purposes of (1) refunding \$63,790,000 aggregate principal amount of the Authority's Sports Complex Bonds, 1978 Series (the



"Refunded Bonds") and (2) paying the costs of the authorization, issuance, sale, execution and delivery of the 1993 Senior Lien Bonds.

These Senior Lien Bonds are direct and general obligations of the Authority. The Sports Complex Revenue Bond Resolution pledges the net revenues of the Sports Complex as security for the Senior Lien Bonds. In addition, a debt service reserve requirement in the amount of \$5,228,440 at December 31, 2000 is insured with a Surety Bond issued by the MBIA Insurance Corporation as additional security for the bondholders. In accordance with the Bond Resolution, principal and interest on outstanding Senior Lien Bonds are transferred from the Revenue Fund to the Debt Service Fund. The Senior Lien Bonds are not a debt or a liability of the State of New Jersey or any political subdivision of the State other than the Authority.

4. ***Sports Complex Subordinated Refunding Revenue Bonds 1993 Series A - Junior Lien***

Concurrently with the issuance of the Senior Lien Bonds, the Authority issued \$32,875,000 of Sports Complex Subordinated Refunding Revenue Bonds, 1993 Series A (the "Junior Lien Bonds"). The Junior Lien bonds were issued by the Authority for the purposes of (1) paying a promissory note of the Authority with an outstanding principal amount of \$29,345,000 at the time of payment which was originally issued to finance the acquisition of the club box suites at the football stadium, which is part of the Sports Complex (2) financing certain improvements to the club box suites and (3) paying the costs of the authorization, issuance, sale, execution and delivery of the 1993 Junior Lien Bonds.

These Junior Lien Bonds are direct and general obligations of the Authority. The Sports Complex Subordinated Bond Resolution pledges the net revenues of the Sports Complex as security for the Junior Lien bonds. However, such pledge of the net revenues is subject to, and junior in all respects to, the pledge of the Sports Complex Revenue Bond Resolution of such amounts as security for the payment of the 1993 Senior Lien Bonds.

The payment, when due (other than for reason of acceleration or optional redemption) of principal and interest on these bonds is insured with a policy issued by the Municipal Bond Investors Assurance Corporation. In addition, a debt service reserve requirement in the amount of \$3,965,063 at December 31, 2000 is insured with a Surety Bond issued by the MBIA Insurance Corporation as additional security for the bondholders. In accordance with the Bond Resolutions, principal and interest on outstanding Junior Lien Bonds are transferred from the Revenue Fund to the Debt Service Fund. The Junior Lien Bonds are not a debt or a liability of the State of New Jersey or any political subdivision of the State other than the Authority.

5. ***Wildwood Revenue Bonds 1996 Series A*** - These bonds were assumed by the Authority on February 23, 1998 as an obligation and liability of the Wildwood Convention Center. The bonds were authorized by the Greater Wildwoods Tourism Improvement and Development Authority and issued to the City of Wildwood in the amount of \$3,400,000 for the acquisition of the Wildwood Convention center in 1996.

On November 8, 1999, the Authority entered into The Omnibus Intergovernmental Agreement with the City of Wildwood, the Borough of Wildwood Crest, the City of North Wildwood, the Greater Wildwoods Tourism Improvement and Development Authority and the Treasurer of the State of New Jersey. This agreement restated the original terms and conditions of the Authority's assigned obligation under the bonds and replaced the previous Bond Resolution. Under the terms of the new agreement, repayment of principal and interest is to be funded by the Available Revenues of the Wildwood Convention Center after payment of operating expenses, funding of the maintenance reserve fund and payments in lieu of taxes. Should available revenues be insufficient to provide the required debt service amount any unpaid portion accrues to the following year to be funded by that year's available revenues. If it should be deemed necessary, the Authority may request an express separate appropriation from the State Treasurer to cover any shortfall. The Authority does not pledge the revenues, rents fees, rates, charges or other income derived from operations or ownership of any of its other projects, to the repayment of these bonds.

- 
- 
- 
- 
- 
- 
6. **State Contract Bonds** - The State Contract Bonds are special obligations of the Authority, payable solely from the State Contract (see Note A) and other pledged property. Notwithstanding the pledge effected by the Resolution, all amounts payable under the State Contract by the Treasurer of the State shall be subject to and dependent upon annual appropriations by the New Jersey State Legislature. The State Legislature has no legal obligation to make any such appropriations.

None of the Authority's revenues, rents, fees, rates, charges, or other income and receipts derived from the operations or ownership of any of its projects are pledged or assigned to the payment of or interest on the State Contract Bonds unless specifically stipulated in the bond agreements.

#### 1992 Series A

The Authority issued \$224,000,000 of State Contract Bonds, 1992 Series A, in connection with a restructuring of the Authority's outstanding debt. The bond proceeds were applied to: (1) advance refund in full the Authority's Sports Complex Subordinated Bonds - 1985 Series, (2) purchase zero interest rate SLUGS to fund certain principal and interest on the Authority's State Guaranteed Bonds, 1992 Series, (3) pay certain costs of the Capital Improvement Program for the Meadowlands Sports Complex and Monmouth Park, (4) pay a portion of the costs of the Rutgers Project and, (5) pay costs of specific feasibility studies.

In December 1998, the Authority transferred funds, from proceeds of 1998 Series A and B State Contract Bonds (see Note F-6. 1998 Series A and B), to an escrow agent (see Note I) to secure the advance refunding of \$25,235,000 of these bonds.

Effective April 5, 1999, the Authority entered into an agreement utilizing the International Swap and Derivatives Association (ISDA) Master agreement. This agreement grants an option to the counterparty which if exercised on January 29, 2002 will cause the Authority to issue approximately \$135,700,000 in variable rate bonds for the purpose of refunding the callable State Contract Bonds 1992 Series A ("1992 Series A Bonds"). This agreement also grants the counterparty the right to direct the Authority at the delivery date of January 29, 2002, to enter into interest rate swaps that will become effective at the call date of the 1992 Series A Bonds (March 2002). Under these interest rate swaps the Authority will pay fixed rates of interest on the notional amounts totaling \$135,700,000. In return the Authority will receive variable rates on the same notional amounts from the counterparty based on a predefined index. The Authority received an up-front payment upon entering the agreement of \$9,135,000 which consists of primarily the present value savings, net of expenses, from the original interest on the 1992 Series A Bonds.

#### 1992 Series C

The Authority issued \$209,990,000 of State Contract Bonds, 1992 Series C to provide funds to pay a portion of the cost of the Authority's Convention Center Project.

The State Contract Bonds 1992, Series C were issued at a variable rate of interest. Effective November 12, 1992, the Authority entered into an interest rate swap agreement for \$209,990,000 of the State Contract Bonds 1992, Series C for the term of the Bonds. Based on the swap agreement, the Authority owes a fixed overall effective rate of interest of 5.86 percent to the counterparty to the swap inclusive of fees for liquidity facility and remarketing. In return, the counterparty owes the Authority interest based on a variable rate that matches the rate required by the Bonds. Only the difference in the interest payments is actually exchanged with the counterparty to the swap. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

The Authority will be exposed to variable rates if the counterparty to the swap defaults, if the swap is terminated or if certain other conditions occur, such as a bond or issuer downgrading. Management has reviewed each of these occurrences and has concluded that they are remote. A termination of the swap agreement may also result in the Authority's making or receiving a termination payment.



The payment, when due (other than by reason of acceleration or optional redemption), of principal and interest on these bonds is secured by a debt service reserve of \$20,999,000 set aside from the proceeds of the bond sale. In addition, a guaranty policy issued by the Municipal Bond Investors Assurance Corporation provides additional security for the bondholders.

#### 1993 Series A and B

The Authority issued \$26,285,000 of State Contract Bonds, 1993 Series A and \$5,000,000 of State Contract, 1993 Series B, to provide funds to pay a portion of the cost of the Authority's Rutgers Project and to finance the cost of the Authority's Higher Education Sports Facilities Project, respectively.

#### 1998 Series A and B

On December 30, 1998, the Authority issued \$86,665,000 of State Contract Bonds, 1998 Series A and \$13,665,000 of State Contract Bonds, 1998 Series B to provide funds to (1) advance refund a portion of the Authority's outstanding State Contract Bonds, 1992 Series A; (2) advance refund all of the Authority's outstanding Monmouth Park Refunding Revenue Bonds, 1994 Series A; (3) pay or reimburse the Authority for certain capital expenditures incurred in connection with 1998 and 1999 Sports Complex capital projects costs; and (4) pay the costs of issuance of the Bonds.

Pursuant to the State Contract the debt service related to the refunding of the Monmouth Park Bonds will be funded by Monmouth Park Revenue (as defined). To the extent that sufficient amounts in the Monmouth Park Revenue Fund are available after payment of operating expenses but prior to funding the Maintenance Reserve and payments in lieu of taxes, the Authority must make a monthly transfer to the State Contract Debt Service Fund. Consequently the Authority will account for these Monmouth Park Related State Contract Bonds separately within the Monmouth Park Fund.

#### 1999 Series A

On June 1, 1999, the Authority issued \$49,915,000 of State Contract Bonds, 1999 Series A to provide funds to (1) pay or reimburse the Authority for amounts expended by the Authority to pay a portion of the cost of the East Hall Project; and (2) pay the costs of issuance of the 1999 Series A Bonds.

In accordance with a funding agreement between the Authority, the Casino Reinvestment & Development Authority (CRDA) and the Treasurer of the State of New Jersey future receipts of the CRDA will be used to pay, or reimburse the Treasurer for debt service on these bonds if and when any receipts (as defined) are received and available. Such CRDA funds, however, are not guaranteed, pledged, assigned or secured by the Authority.

#### 2000 Series A and B

On February 1, 2000, the Authority issued \$82,520,000 of Series A and \$39,380,000 of Series B State Contract Bonds to pay (1) costs of the Wildwood Convention Center Project (2) pay or reimburse the Authority for certain capital expenditures incurred in connection with 1999 Sports Complex Capital Projects (3) fund the Lease Buyout Project to exercise an equipment purchase option of HVAC and Energy Equipment installed at the Sports Complex and initially leased by the Authority in 1996 and (4) pay costs of issuance of the 2000 Series A and B Bonds.

#### 2000 Series C and D

On December 1, 2000, the Authority issued \$12,325,000 of Series C and \$12,295,000 of Series D State Contract Bonds to pay (1) costs of the 2000 Sports Complex Project related to capital improvement and maintenance, (2) costs of the Monmouth Racetrack Project related to installing a new heating and cooling system and (3) costs of issuance of the 2000 Series C and D Bonds.

Pursuant to the State Contract, debt service related to the Monmouth Racetrack Project will be funded by Monmouth Park Revenue (as defined). To the extent that sufficient amounts in the Monmouth Park Revenue Fund are available after payment of operating expenses but prior to funding the Maintenance

Reserve and payments in lieu of taxes, the Authority must make a monthly transfer to the State Contract Debt Service Fund. Consequently, the Authority will account for these Monmouth Park Related State Contract Bonds separately within the Monmouth Park Fund.

7. **Convention Center Luxury Tax Bonds -**

1992 Series A

The Authority issued \$168,025,000 of Luxury Tax Bonds. The proceeds of these bonds were used to: (1) acquire, by lease, the site of the new convention center and the old convention hall from the Atlantic County Improvements Authority and, (2) pay a portion of the cost associated with the construction of a new convention center in Atlantic City.

The 1992 Luxury Tax Bonds are special obligations of the Authority and are payable solely from the proceeds of a luxury tax levied and collected in the City of Atlantic City and paid to the Authority (see Note C) and from the other pledged property under the resolution. All luxury revenues levied and collected in Atlantic City are directed to the Authority.

None of the Authority's revenues, rents, fees, rates, charges, or other income and receipts or assets with respect to any of its projects other than the Convention Center Project is pledged or assigned to the payment of the principal of, redemption price, if any, or interest on the 1992 Luxury Tax Bonds.

The payment, when due (other than by reason of acceleration or optional redemption) of principal and interest on these bonds is secured by a Surety Bond, issued by the Municipal Bond Investors Assurance (MBIA) Corporation, on the required debt service reserve amount of \$6,252,500 at December 31, 2000. Payments are additionally insured by a guaranty policy also issued by MBIA.

In March 1999, the Authority transferred funds from proceeds of 1999 Series Luxury Tax Bonds (see Note F-7. 1999 Series), to an escrow agent (see Note I) to secure the advance refunding of \$119,745,000 of these bonds.

1999 Series

On March 16, 1999 the Authority issued \$128,270,000 of Convention Center Luxury Tax Refunding Bonds, Series 1999, to provide funds to the Authority to (1) fund an escrow, the proceeds of which are to be used for the purpose of advance refunding a portion of 1992 Luxury Tax Bonds, Series A and (2) to pay certain costs incurred in connection with the issuance of the 1999 Luxury Tax Bonds.

The effect of the refunding portion of these bonds resulted in a net deferred loss on refunding of approximately \$11,027,500 net of \$6,252,500 recognized from the replacement of debt service reserve funds with a Surety Bond. This loss is presented net of the bond payable and will be amortized over the life of the defeased bond issue. The cash flows required to service the old debt was \$228,005,580. The cash flows required to service the new debt issued to complete the refunding is \$217,558,346 which results in a present value savings of \$6,393,963. Issuance costs of approximately \$1,443,750 has been reflected in other assets.

The repayment of these bonds will be payable solely from the proceeds of a luxury tax levied and collected in the city of Atlantic City, New Jersey and other pledged property pursuant to the Convention Center Luxury Tax Bond Resolution.

8. **Interest Costs** - Interest costs for the years 2000 and 1999 were as follows:

	<b>December 31, 2000 Balance</b>	<b>December 31, 1999 Balance</b>
	<i>(in thousands)</i>	
Interest expense	\$ 60,175	\$ 56,858
Capitalized interest	5,887	1,939
Total interest cost	<u>\$ 66,062</u>	<u>\$ 58,797</u>



## G. NOTES PAYABLE

1. Notes payable consist of the following:

	Issued	Amount	2000 Balance <i>(in thousands)</i>	1999 Balance
Loan from New Jersey Department of Environmental Protection, 0% interest, semi-annual installments of \$25,000 through July 1, 2005	05/12/95	\$ 500	\$ 250	\$ 300
Loan from the State of New Jersey Board of Public Utilities, 0% interest, due December 31, 2002	12/23/96	3,500	3,500	3,500
Loan from the Casino Reinvestment Development Authority, 4.06% interest through June 2, 1997 then 5.773% thereafter, due February 10, 2007	02/10/97	8,600	8,600	8,600
Term loan from bank, 7.6% interest due August 31, 2006	08/31/98	32,360	<u>26,409</u>	<u>29,757</u>
Total notes payable			38,759	42,157
Less unamortized discount			(490)	(708)
			<u>\$ 38,269</u>	<u>\$ 41,449</u>

2. On May 12, 1995, the Authority received an energy conservation loan from the New Jersey Department of Environmental Protection. The loan bears no interest and is repayable in semi-annual installments of \$25,000 commencing January 1, 1996. For financial reporting purposes the Authority has assumed an imputed interest rate of 7 percent on this loan, the Authority's borrowing rate at the time of the loan.
3. On December 31, 1996, the Authority received an energy conservation loan from the New Jersey Board of Public Utilities. The loan bears no interest and is due on December 31, 2002 with an option to extend this date until December 31, 2006. For financial reporting purposes the Authority has assumed an imputed interest rate of 7 percent on this loan, the Authority's borrowing rate at the time of the loan.
4. On February 10, 1997, the Authority received the proceeds of a \$8,600,000 loan from the Casino Reinvestment Development Authority (CRDA). These funds constitute subordinated debt payable from the Luxury Tax Revenues (see Note F-7). The proceeds were used to pay for the costs of the Convention Center Project as provided for in the project budget. The interest was calculated at 4.06 percent per annum through June 2, 1997. The rate was adjusted to 5.773 percent per annum on June 3, 1997 due to replacement bonds being issued by CRDA to pay its Bond Anticipation Notes. The term of the loan is ten years or such longer term as shall be required for repayment of the loan and the interest thereon from Available Cash Flow as defined in the agreement.
5. The Authority in September 1996, entered into an agreement with the major football tenants of the Stadium to share the costs and revenues attributed to luxury suites and club seats (Stadium Suites Project). In October 1996, the Authority entered into a Loan and Security Agreement with a bank whereby, the bank would provide up to \$35,000,000 in construction cost financing related to the construction of new luxury suites at Giant Stadium. The loan was converted to a term loan upon the completion of the Project on August 31, 1998 and is repayable from revenues generated by the suites in eight annual principal installments. Interest, at the rate of 7.6 percent is payable quarterly.

## H. MATURITIES ON BONDS AND NOTES

Principal and interest payments to be funded to the trustees on outstanding bonds and notes (in thousands) during the next five years and thereafter are:

	Principal					Total	Interest	Total
	Sports Complex	State Contract	Luxury Tax	Wildwood	Stadium Suites			
2001	\$ 15,850	\$ 17,040	\$ 3,450	\$ 132	\$ 3,612	\$ 40,084	\$ 59,467	\$ 99,551
2002	20,670	18,225	3,645	154	6,396	49,090	56,989	106,079
2003	18,550	18,620	3,785	158	3,647	44,760	53,991	98,751
2004	23,640	20,210	5,055	161	3,934	53,000	52,373	105,373
2005	3,770	20,530	5,270	166	4,243	33,979	50,416	84,395
Thereafter	89,355	613,085	145,845	2,121	4,577	854,983	470,539	1,325,522
Total	\$ 171,835	\$ 707,710	\$ 167,050	\$ 2,892	\$ 26,409	\$ 1,075,896	\$ 743,775	\$ 1,819,671

## I. REFUNDED BONDS

The Authority has approximately \$296,920,000 of bonds outstanding which are secured by investments held by various escrow agents. The escrow accounts meet the criteria under generally accepted accounting principles for an in-substance defeasance and, accordingly, the assets and obligations are not reflected on the financial statements of the Authority.

## J. PENSION, RETIREMENT AND DEFERRED COMPENSATION PLANS

### *Plan Description and Employer and Employee Contributions*

Salaried employees of the Authority, the Convention Center Authority and Wildwood Convention Center are covered by the Public Employees' Retirement System of the State of New Jersey (PERS), a multiple-employer public employee retirement system. The payroll for employees covered by PERS for the years ended December 31, 2000 and 1999 was \$17,108,438 and \$16,002,636, respectively. The Authority's total payroll for the years ended 2000 and 1999 was \$65,594,286 and \$59,240,294, respectively.

All Authority salaried employees are required as a condition of employment to be members of PERS. A member may retire on a service retirement allowance as early as age 60; no minimum service requirement must be established. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 60, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of creditable membership service preceding retirement or the highest three fiscal years of membership service, whichever provides the larger benefit. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute.

Covered Authority employees are required by PERS to contribute a percentage of their salary based on their age at the time of their enrollment. The Authority is required by State Statute to contribute the remaining amounts necessary to pay benefits when due. The amount of the Authority's contribution is certified each year by the PERS on the recommendation of an actuary who makes an annual actuarial valuation. The valuation is a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest.



The employee contributions required for the years ended December 31, 2000 and 1999 were \$558,686 (3.27 percent), and \$747,380 (4.67 percent), respectively. No employer contribution was required.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the PERS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS and employers. PERS does not make separate measurements of assets and pension benefit obligation for individual employers. The pension benefit obligations were determined as part of the most recent annual actuarial valuation dated June 30, 1999. In accordance with Chapter 115, P.L. 1997, available excess actuarial valuation assets were used to offset normal contributions of the State and local participating employers. For the years ended June 30, 2000 and 1999, contributions by the State of New Jersey were limited to funding for post retirement medical benefits while local employer contributions were limited to funding for early retirement incentive benefits. Employer contributions for basic pension benefits, non-contributory death benefits and cost-of-living adjustments were funded by excess assets for both the State and local employers.

#### Plan Valuation

GASB Statement No. 27 requires employers participating in a cost sharing multiple employer public employees' retirement system to disclose certain information, which the standard requires the system itself to disclose. In accordance with GASB Statement No. 27, some of the following required information has been provided by the Audited Financial Statements of the PERS dated June 30, 2000 and 1999.

As of the June 30, 2000 actuarial valuation report prepared for the PERS pension benefit obligations are as follows; at the State of New Jersey level a net surplus over actuarial liability of \$1,056,344,267 and at the local level a net surplus over liability of \$2,008,027,773 based on a total actuarial value of assets at June 30, 1999 equal to \$8,879,809,740 at the State level and \$13,170,767,084 at the local level.

A variety of significant actuarial assumptions are used to determine the valuation of the pension benefits obligation, including (a) an assumed discount rate of 8.75 percent, which is in excess of the current prevailing market rate, (b) projected salary increases, including inflation, merit and productivity of 2.4 to 8.35 percent. Mortality, vestings, retirement age and withdrawal estimates are based upon tables supplied by the Plan actuary.

In accordance with Chapter 62, P.L. 1994, Chapter 115, P.L. 1997 and Chapter 415, P.L. 1999, the required PERS members contribution rates for the years ended December 31, 2000 and 1999 was 3 percent and 4.5 percent of base salary, respectively.

At June 30, 1999, the actuarial value of total assets was \$22,050,576,824; the actuarial accrued total liability was \$18,986,204,784; the surplus over actuarial accrued liability was \$3,064,371,040; the funded ratio was 116.1 percent; the covered payroll was \$7,583,712,051 and the actuarial surplus as a percentage of covered payroll was 40.4 percent.

#### Other Benefits

The Authority has established a separate defined benefit pension plan for selected seasonal racing personnel. Annual pension expense was approximately \$59,102 and \$55,332 for 2000 and 1999, respectively. In addition, salaried employees of the Authority are eligible for participation in a section 401(k) deferred compensation plan. The Authority contributes a maximum of 3 percent of the employee's salary. Annual expense for this plan was approximately \$379,600 and \$339,000 for 2000 and 1999, respectively.

Sports Authority salaried employees who retire on or after age 60, with a minimum of ten years of full-time salaried service (for employees hired after December 31, 1992, 62 years of age and 25 years of service) with the Authority are eligible to continue certain specified benefits subject to any required contributions.

---

---

---

---

---

Medical benefits available to active employees will be available to eligible retirees who are not yet eligible for Medicare. The Authority will also, at its discretion, make available medical benefits to supplement Medicare coverage. The Authority accounts for these benefits on a pay as you go basis and paid approximately \$272,000 (for 58 retirees) and \$188,000 (for 53 retirees) in 2000 and 1999, respectively, for such benefits for retirees.

## **K. COMMITMENTS AND CONTINGENCIES**

1. A portion of the Authority's operating revenues are attributable to leasing of the Sports Complex facilities for various sporting events, trade shows and other expositions. Rental income is a flat fee per event or a percentage of ticket sales. Rental income, under these leases, was approximately \$18,283,000 and \$17,517,000 for the years ended December 31, 2000 and 1999, respectively.
2. The Authority is the subject of, or a party to, various pending or threatened legal actions involving outside interests. The Authority believes that any ultimate liability arising from these actions should not have a material effect on its financial position or operations.
3. The Authority has license agreements with the major sport franchises who play in the Arena and the Stadium which expire at various dates between 2007 and 2026. There are options in the agreements that allow for earlier termination. One of the amendments to a license agreement includes guaranteed new revenue to the tenant (as defined in the agreement) of not less than \$3,311,000 for each season during the term of the agreement until the fifth year of the lease at which time the guaranteed revenue will be \$5,311,000 thereafter. To the extent that new revenue is not generated from new sources it will be supplemented by the Authority.
4. The Authority is exposed to risks of losses related to injuries to employees. Beginning in November 1993, the Authority established a risk management program to account for and finance its uninsured risks of loss related to workmen's compensation. The Authority provides coverage up to a maximum of \$350,000 for each worker's compensation claim and purchases commercial insurance for claims in excess of \$350,000. No claim has exceeded or reached the \$350,000 excess coverage limit during 1999 and 2000. The Authority paid claims in the amount of \$1,809,024 and \$1,204,372 in 2000 and 1999, respectively.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At December 31, 2000 and 1999 the reserve for these liabilities was approximately \$2,700,000.

5. On June 26, 2000, the Authority formed The Historic Boardwalk Hall, L.L.C. (the LLC), a limited liability company in the State of New Jersey for the purpose of financing and operating the Historic East Hall of the Atlantic City Boardwalk Convention Center (the East Hall). The LLC, which assumes the leasehold interest and contractual obligations of the Authority, admitted an investing member on September 14, 2000 through a capital contribution to be made over four installments expected to equal \$18,195,797.

At December 31, 2000, construction and other contracts related to the conversion of the East Hall totaled approximately \$85,500,000, \$64,050,000 of which was expended. The total cost of the project is expected to be \$90,600,000.

6. The Authority has entered into contracts related to the construction of a new Wildwood Convention Center. At December 31, 2000, the Authority had entered into contracts and other costs for approximately \$53,000,000, \$22,200,000 of which was expended. The total cost of the project is expected to be \$68,370,000.

A portion of the cost of the project has been provided by a grant from The New Jersey Development Authority in the amount of \$10,000,000. Under the grant agreement the Authority may use the funds solely for purposes related to the improvement of the Wildwood Convention Center and agrees to return any funds not expended.



#### **L. SUBSEQUENT EVENTS**

On March 1, 2001, the New Jersey Sports and Exposition Authority entered into an agreement leasing the convention center for a term of ninety-nine years for a single payment equal to the appraised value of the convention center, at that date, and concurrently leasing-back the property for a term of thirty-five years. The major portion of the proceeds received have been invested to sufficiently fund the Sports Authority's future lease payments and exercise its option to repurchase the initial lease in twenty-six years without having to provide any additional funds. Repurchase options are also available after ten and twenty years. The Sports Authority's payment obligations are additionally secured by contingent State Contract Bonds and legally available luxury tax and convention center revenues, as defined. Upon entering this transaction the Sports Authority received a cash payment of approximately \$7.5 million.