

# New Jersey Sports and Exposition Authority

Financial Statements as of and for the  
Years Ended December 31, 2007 and 2006, and  
Independent Auditors' Report

# NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of New Jersey Sports and Exposition Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2007 and 2006, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. We also audited the financial information included in Schedules A, B, and C. These consolidated financial statements and schedules are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements and schedules 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2007 and 2006, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note J to the consolidated financial statements, in 2006 the Authority changed its method of accounting for postemployment benefits to conform to Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

As described in Note B to the consolidated financial statements, the Authority has prepared the accompanying Schedules A, B, and C based on a comprehensive basis of accounting in accordance with the requirements of State law and Authority bond resolutions, which differ in some respects from accounting principles that are generally accepted in the United States of America. The differences between Schedules A, B, and C and the consolidated financial statements are described in Note B.

As such, in our opinion, because of the effects of the differences between the two bases of accounting referred to in the preceding paragraph, Schedules A, B and C do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the assets, liabilities and fund balances of the Authority at December 31, 2007 and 2006, or its revenues and expenses and changes in fund balances for the years then ended.

However, in our opinion, Schedules A, B and C present fairly, in all material respects, the assets, liabilities and fund balances of the Authority at December 31, 2007 and 2006, and its revenue and expenses and changes in fund balances for the years then ended, in accordance with the requirements of State law and Authority bond resolutions as described in Note B.

The Management's Discussion and Analysis on pages 3 through 21 is not a required part of the consolidated financial statements but is supplemental information required by the GASB. Such supplemental information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management of the Authority regarding the methods of measurement and presentation of this supplemental information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements and Schedules A, B and C taken as a whole. The supplemental information presented in Schedules D, E, F, G, H, I, and J is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This supplemental information is the responsibility of the Authority's management. The Required Supplementary Information listed in the table of contents is required by GASB. This required supplementary information is also the responsibility of the Authority's management. The supplemental information presented in Schedules D, E, F, G, H, I, and J and the required supplementary information listed in the table of contents have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Deloitte Touche LLP*

November 10, 2008

# NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Introduction to the Annual Report

This annual report consists of four parts; Management's Discussion and Analysis ("MD&A"), Consolidated Financial Statements, Notes to the Consolidated Financial Statements, and Supplemental Information.

Management's Discussion and Analysis:

- This section of the Authority's financial statements, the MD&A, presents an overview of the Authority's financial performance during the years ended December 31, 2007 and 2006. It provides an assessment of how the Authority's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the other financial statements described below.

The Consolidated Financial Statements include:

- The Consolidated Statements of Financial Position, or "Combining Statements of Assets, Liabilities and Fund Balances" which provide information about the nature and amounts of investments in resources (assets) and the obligations to New Jersey Sports and Exposition Authority creditors (liabilities).
- The Consolidated Statements of Operations and Changes in Net Assets, or "Combining Statements of Revenues and Expenses," and the "Combining Statements of Changes in Fund Balance" which account for all of the current year's revenues and expenses, measure the success of the Authority's operations over the past year and can be used to determine how the Authority has funded its costs.
- The Consolidated Statements of Cash Flows which provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The Notes to the Consolidated Financial Statements provide:

- Information that is essential to understanding the basic financial statements, such as the Authority's accounting methods and policies.
- Details of contractual obligations, future commitments and contingencies of the Authority.
- Any other events or developing situations that could materially affect the Authority's financial position.

The Supplemental Information:

- Provides special presentations of the Authority's financial information in accordance with the requirements of State Law and Authority Bond Resolution requirements.

## **The Authority's Business**

The Authority is engaged in the business of owning, operating and managing sports, entertainment, wagering, and convention facilities throughout the State of New Jersey (the "State"). It was created as a quasi-governmental instrument of the State not only for the purpose of generating revenues from these activities but also to generate sales tax revenues and provide economic stimulus to the regions surrounding the facilities. Only the result of the Authority's direct activities are discussed in this annual report.

Below is a description of the Authority's separate projects:

### **The Meadowlands Sports Complex — East Rutherford, New Jersey**

*Meadowlands Racetrack* — consists of a five-level glass enclosed grandstand with seating for approximately 8,000, an outdoor ramp and trackside park for approximately 32,000 additional spectators and 2 restaurants, a one-mile track for both harness and thoroughbred racing, 16 barns and other support buildings for 1,635 horses. Its revenues are generated from commissions on live and simulcast pari-mutuel wagering, parking, admissions, program, and concessions sales.

*Account Wagering* — began operations in October of 2004 as a joint venture with New Jersey Account Wagering, LLC for the purpose of implementing an account wagering system in the State. The Authority operates and manages the system, which allows account holders to make wagers through an internet connection or an automated telephone system. Under the agreement the Authority began operating an on-line account wagering system and has contributed 70% of start-up costs for the project and account for all day-to-day operations in return for 70% of available net project revenues or losses as defined by the agreement.

*Giants Stadium* — provides approximately 80,200 seats on four levels and includes 20,000 parking spaces adjacent to the stadium. Its revenues are generated from leases and license agreements with the Giants and Jets football franchises and the Red Bulls soccer team, rental of 72 mezzanine level suites, as well as, various college football games, concerts, and other events.

*Stadium Suites Project* — 46 additional luxury suites and club seats (consisting of 6 super suites, 14 terrace suites and 26 tower suites) were constructed onto Giants Stadium in 1998. Under an agreement with the Giants and Jets, net rental revenues from these suites, after expenses and debt service payments, are distributed equally between the Authority and the two franchises.

*Arena* — is a 20,000 seat indoor arena with 28 private suites, containing approximately 466 seats, and 4,000 of its own parking spaces. Its revenues are generated from leases and license agreements with the Nets professional basketball team, the Devils professional hockey team and other sporting events, family shows, and concerts. As of October 2007, the Devils are no longer a tenant of the Arena.

*Xanadu Entertainment Facility* — a multi-use attraction currently under construction on the Arena site to consist of approximately 5 million square feet of gross space containing entertainment, conference facility, office, restaurant and ancillary retail components.

*Other* — Additionally, the Sports Complex generates revenues from events such as fairs and outdoor markets held in the Complex's parking lots.

*Off-Track Wagering Facility* – In November 2007 an Off-Track Wagering facility was placed in service in Woodbridge, NJ consisting of a restaurant operated under an agreement with a third party concessionaire and wagering facilities operated by the Authority.

### **Monmouth Park Racetrack — Oceanport, New Jersey**

*Monmouth Park Racetrack* — consists of a one-mile oval track for thoroughbred racing, grandstand, and clubhouse seating for 18,000 spectators, 68 luxury open-air boxes and parking for 14,000 vehicles. Support facilities include 40 barns for 1,550 horses and dormitories for approximately 900. Its revenues are generated from commissions on live and simulcast pari-mutuel wagering, parking admissions, program and concessions sales.

*Other* — Additionally, income is generated from advertising signage located at various locations around the facility.

### **The Atlantic City Convention Centers — Atlantic City, New Jersey**

*The Atlantic City Convention Center* — consists of a 486,000 square foot contiguous exhibition space, 114,000 square feet of meeting space, and a 648,000 square foot parking garage, which generate rental, parking, concession and other services revenues, such as providing trade show and convention-related labor, electrical, and telecommunication services.

*The Historic Boardwalk Hall* — is a recently renovated 10,000 to 14,000 seat special events center, which hosts concerts, family shows and various other public events. It is adjoined by the West Hall, which serves as a staging area for Boardwalk Hall events and provides additional parking when necessary.

*Marketing Operations* — the Atlantic City Visitors' Bureau actively markets the Convention Center and Boardwalk Hall to prospective customers and promotes tourism in the greater Atlantic City area. The operation of the facilities are funded by marketing fees imposed on the hotels in Atlantic City and luxury taxes to the extent of reimbursing marketing fees rebated under an Urban Revitalization Program.

*Other* — Luxury tax imposed by the State on hotel room rentals, cover charges, drinks, and admissions paid within Atlantic City are paid to the Authority to first make debt payments on bonds issued to construct and renovate the facilities, and then to cover any operating shortfalls.

### **The Greater Wildwoods Convention Center — Wildwood, New Jersey**

*The Wildwoods Convention Center* — consists of a recently constructed facility situated on the boardwalk in Wildwood, New Jersey, consisting of a 72,000 square foot exhibition floor and parking for 700 vehicles. Rental of the space for trade shows, concerts, conventions, and meetings comprise the center's revenues.

*Other* — Similar to Atlantic City, the towns of Wildwood, North Wildwood, and Wildwood Crest impose a tourism tax on retail sales. Ninety percent of these revenues are provided to the Authority to pay debt related to the convention centers, as well as to operate, maintain and promote the facilities.

### **NJSEA Insurance Company, Inc. — Vermont**

*NJSEA Insurance Company* — was created by the NJSEA to engage in the business of acting as a pure captive insurance company under Title 8, Chapter 141 insurance statutes of the State of Vermont. NJSEA Insurance's mission is to continue, develop, and improve the insurance and risk management needs as

required by the Authority. The Authority and the NJSEA Insurance Company are component units of the State of New Jersey and Vermont, respectively.

## **Financial Analysis**

The following sections will discuss the significant changes in the Authority's financial position for 2007 and 2006. Additionally, an examination of major economic factors and industry trends that have contributed to the Authority's operations are provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented include information from the Authority's financial statements, which are prepared in accordance with generally accepted accounting principles.

### **Highlights (2007)**

Total Operating Revenues increased from 2006 by approximately \$1,732,000, due primarily to increased Arena revenues of approximately \$4,634,000 from additional events replacing professional hockey events, revenues from account wagering and off-track wagering operations of approximately \$15,800,000 offset almost entirely by a decrease in revenues at the racetracks reflecting a declining horse racing industry. Additionally, operating revenues were lower at the Stadium and Stadium Suites by \$2,660,000 and \$276,000 lower at the Convention Centers.

Total Operating expenses (before depreciation and amortization) were higher than the previous year by \$28,240,000 due to required contractual expenses of the entertainment facility project, and generally higher salary, special event and utility and fixed overhead costs. Operating expenses at the Racetracks increased by approximately \$19,119,000 due to additional costs related to the Breeder's Cup special event and higher operating costs from account wagering and the first partial year of operations for the off-track wagering facility. The Stadium expenses decreased by approximately \$3,369,000 due to fewer events and no debt service costs for the Stadium Suites. Arena expenses increased approximately \$1,605,000 due to more family show and concert events held. The Convention Centers' operating expenses increased by approximately \$584,000 due generally to higher event related costs. Additionally, depreciation and amortization expense increased by \$12,655,000, due to the accelerated depreciation of the existing stadium and its anticipated demolition upon completion of the new Jets-Giants Stadium currently under construction.

### **Highlights (2006)**

Total Operating Revenues decreased from 2005 by approximately \$25,500,000, due primarily to reduced land lease revenues recognized of approximately \$8,900,000 million compared to \$31,200,000 in 2005, related to the Entertainment Facility Project. Additionally, at the Racetracks revenues decreased approximately \$10,400,000 reflecting a declining horse racing industry. Higher operating revenues at the Stadium, Arena and Convention Centers of \$1,620,000, \$3,700,000 and \$1,900,000 offset these revenues, respectively, and the effects of renegotiated lease terms with a Stadium tenant and an NHL lockout at the Arena. Additionally, interest and other income increased from 2005 by approximately \$17,300,000 due to sales of certain land parcels at the Monmouth Park Racetrack facility of approximately \$8,400,000, approximately \$1,000,000 higher from Account Wagering distributions and higher interest income.

Total Operating expenses (before depreciation and amortization) were lower than the previous year by \$22,400,000 due also primarily to expenses related to the Xanadu entertainment facility project of \$4,600,000 compared to \$32,100,000 in 2005. Operating expenses at the Racetracks decreased by approximately \$600,000 due to continued cost cutting efficiencies. The Stadium expenses were relatively the same as the Arena and Convention Centers' operating expenses increased by \$2,300,000 and \$3,100,000, respectively, due generally to an increase in producing "high-end" events. Additionally,

depreciation and amortization expense increased by \$15,500,000, due to the accelerated depreciation of the existing stadium and its anticipated demolition upon completion of the new Jets-Giants Stadium currently under construction.

## Financial Summaries

The following tables provide a condensed summary and basic explanation of the changes in the financial statements described above, which are also presented in full detail in this annual report.

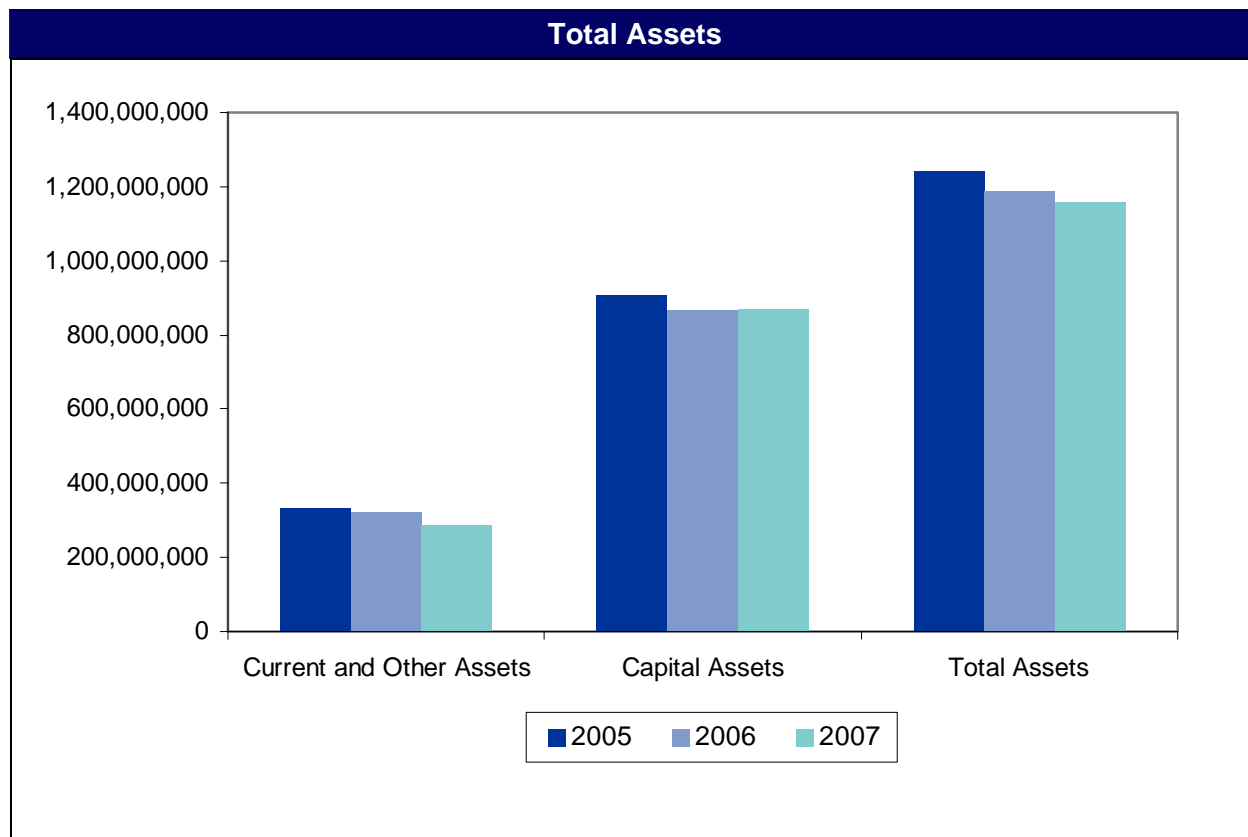
As illustrated below the Authority's assets exceeded its liabilities by \$ 34,019,000 in 2007:

### Condensed Consolidated Statements of Financial Position (Balance Sheet)

	December 31,		
	2007	2006	2005
Current and Other Assets	\$ 305,518,000	\$ 334,309,000	\$ 331,166,000
Capital Assets	<u>848,905,000</u>	<u>868,377,000</u>	<u>910,278,000</u>
Total Assets	<u>1,154,423,000</u>	<u>1,202,686,000</u>	<u>1,241,444,000</u>
Current and Other Liabilities	(343,786,000)	(334,372,000)	(333,013,000)
Long-Term Liabilities	<u>(776,618,000)</u>	<u>(788,392,000)</u>	<u>(826,100,000)</u>
Total Liabilities	<u>(1,120,404,000)</u>	<u>(1,122,764,000)</u>	<u>(1,159,113,000)</u>
Net Assets	<u>\$ 34,019,000</u>	<u>\$ 79,922,000</u>	<u>\$ 82,331,000</u>

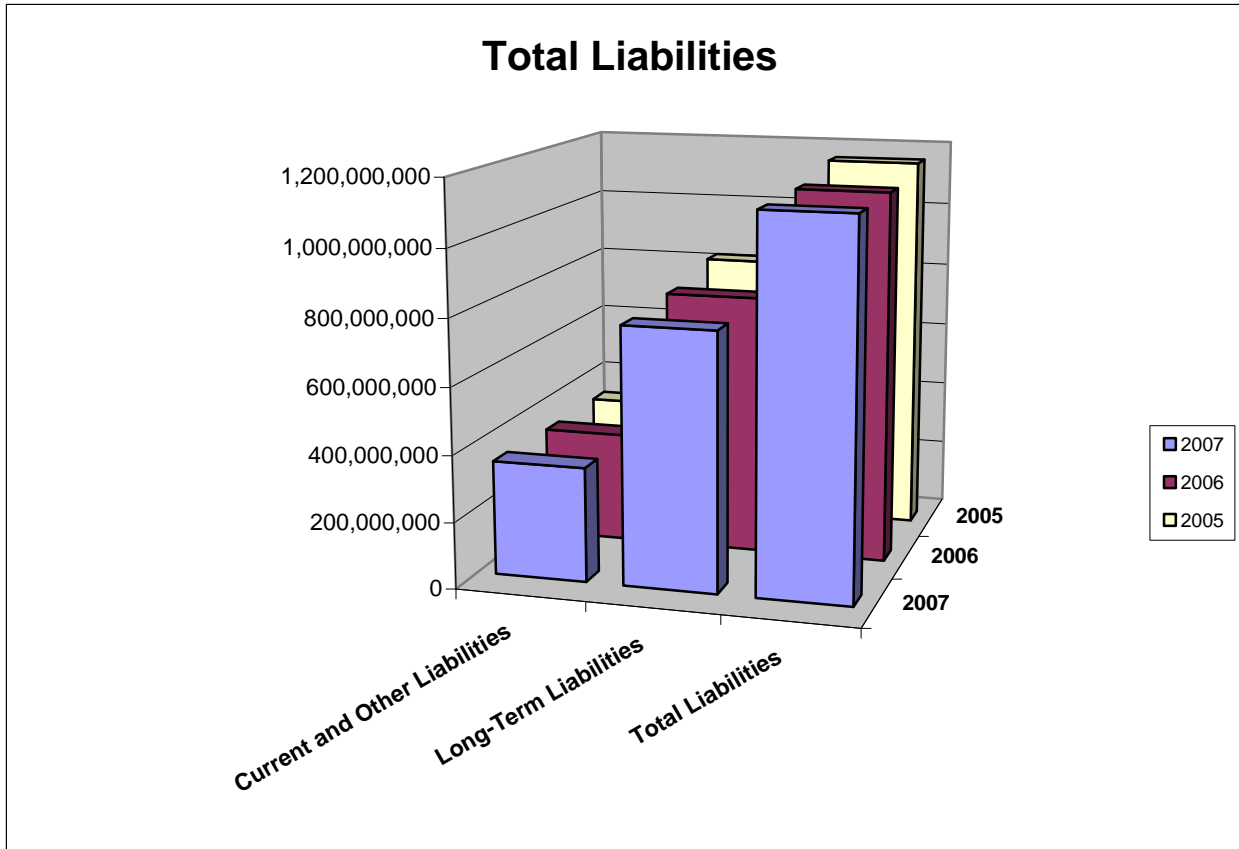
Significant changes in Assets in 2007 include:

- A decrease in Cash and Cash Equivalents of approximately \$41,378,000 due primarily to increased operating expenses, capital additions and maintenance reserve charges and principal repayment and refinancing of Debt.
- Net Investment in Facilities decreased approximately \$19,472,000 due to accelerated depreciation expenses related to the retirement of the stadium offset by capital improvement project additions.
  - An increase of approximately \$11,341,000 in Accounts Receivable due primarily to NJ Transit reimbursements receivable related to the installation of a rail line and terminal at the complex.
  - Accelerated depreciation of the existing stadium due to anticipated closure and demolition in the year 2010.



Significant changes in Assets in 2006 include:

- An increase in Cash and Cash Equivalents of approximately \$18,800,000 due primarily to Xanadu Entertainment Project land lease payments received.
- Net Investment in Facilities decreased approximately \$41,900,000 due to depreciation partially offset by normal capital replacement and improvement projects.
  - A decrease of approximately \$25,000,000 in Accounts Receivable due primarily to a decrease in Sports Complex and Monmouth Park receivables, as well as, a substantial decrease in the (Xanadu) Entertainment Facility Project receivables compared to 2005.
  - Accelerated depreciation of the existing stadium due to anticipated closure and demolition in the year 2010.



Total Liabilities decreased in 2007 by approximately \$2,359,000 due primarily to:

- Net re-financing of Debt and Principal paid on Bonds and Notes payable of approximately \$7,080,000.
- Offset by an increase in accounts payable and accrued expenses of approximately \$10,824,000 due mainly to expenditures being administered for the Rail Project.

From 2005 to 2006 total Liabilities decreased by approximately \$36,300,000 due primarily to:

- Total debt repaid or defeased during the year of approximately \$38,400,000, offset by an increase in payables, interest payable and accrued expenses of \$2,100,000.

## Condensed Consolidated Statements of Operations and Changes in Net Assets

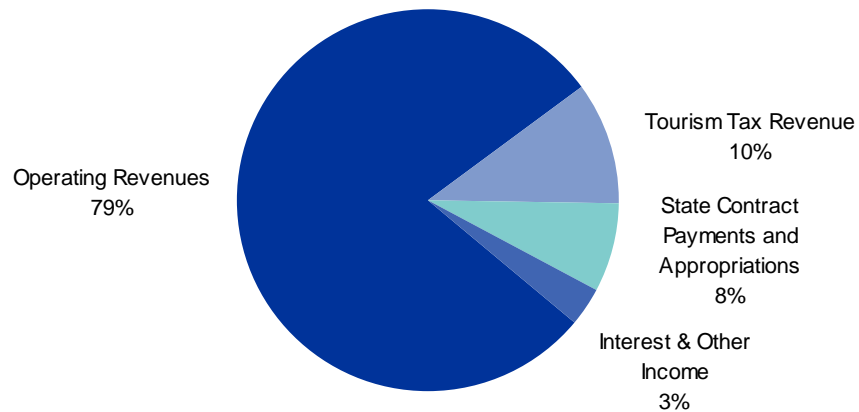
	Years Ended December 31,		
	2007	2006	2005
Operating Revenues	\$ 285,968,000	\$ 284,236,000	\$ 309,769,000
Operating Expenses Excluding Depreciation	<u>(315,244,000)</u>	<u>(287,004,000)</u>	<u>(309,391,000)</u>
Operating Revenues Net of Operating Expenses	(29,276,000)	(2,768,000)	378,000
Depreciation and Amortization Expense	<u>(76,925,000)</u>	<u>(64,270,000)</u>	<u>(48,802,000)</u>
Operating Loss	<u>(106,201,000)</u>	<u>(67,038,000)</u>	<u>(48,424,000)</u>
Non Operating Income and Expenses:			
Luxury Tax, Marketing Fee and Tourism Tax	37,823,000	38,455,000	37,451,000
State Contract Payments and Appropriations	27,315,000	30,549,000	30,174,000
Interest Income and Other	<u>(32,357,000)</u>	<u>(26,010,000)</u>	<u>(53,651,000)</u>
(Loss) before Contributed Capital	(73,420,000)	(24,044,000)	(34,450,000)
Contributed Capital	<u>27,516,000</u>	<u>21,635,000</u>	<u>20,445,000</u>
Decrease in Net Assets	<u>\$ (45,904,000)</u>	<u>\$ (2,409,000)</u>	<u>\$ (14,005,000)</u>

While the Consolidated Balance Sheets show the financial position or net assets, the Consolidated Statements of Revenues, Expenses and Changes in Net Assets provide answers as to the nature and source of these changes.

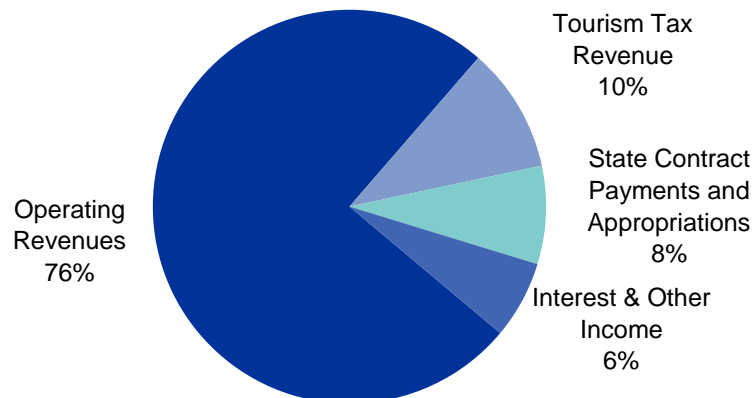
Increases in Net Assets consist of:

- Operating revenues, which are the total revenues generated at all the facilities.
- State Contract Payments, Contributed Capital and State Appropriations that are principal debt payments serviced by the State on bonds issued by the Authority for major acquisition, capital, and renovation projects.
- Luxury tax, marketing fee and tourism tax revenues are funds collected by the State for construction, development, operation, and promotion of the Atlantic City and Wildwoods Convention Centers as well as to repay the debt incurred on these projects.

## 2007 Revenues



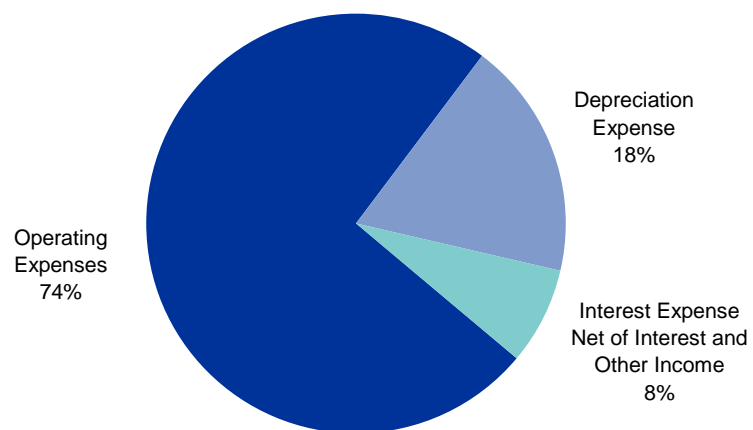
## 2006 Revenues



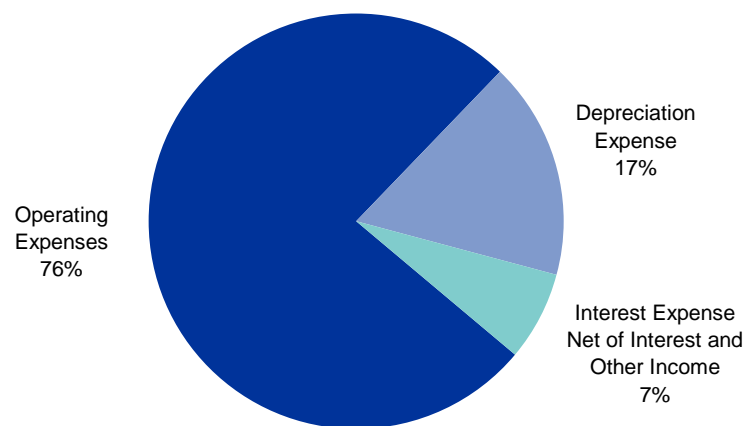
Decreases in Net Assets consist of:

- Operating expenses, which represent the costs associated with running the facilities except for fixed asset acquisitions and capital maintenance costs that are depreciated.
- Depreciation expense which recognizes the cost of capital assets, such as buildings, equipment and improvements, over the life of the asset, usually between 2 and 60 years, and an accelerated basis as with regards to the Stadium.
- Interest expense and other, which is the interest paid and accrued on the Authority's debt net of interest income generated on cash reserves held in cash and short-term investments.

### 2007 Expenses



### 2006 Expenses



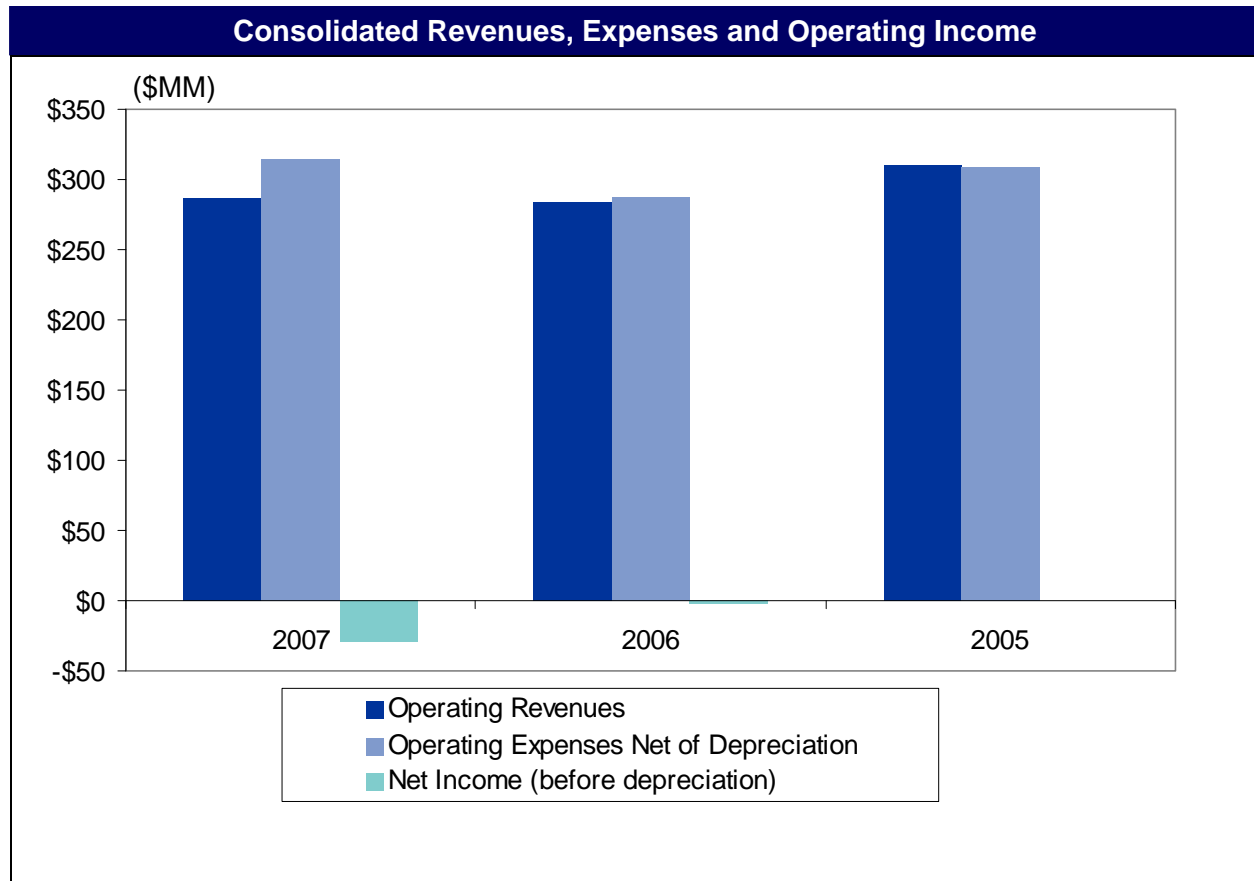
## **Operating Highlights (2007–2006)**

- Operating revenues net of operating expenses at the Meadowlands and Monmouth Park Racetracks including Account Wagering and the newly launched Woodbridge Off-Track Wagering facility were approximately \$19,084,000 lower than in 2006 due to approximately \$15,800,000 lower revenues from significantly lower live and simulcast attendance and handle at the Racetracks, and an approximate \$8,000,000 increase in expenses related largely to The Breeder's Cup special event, only partially offset by net income of approximately \$4,700,000 from Account wagering and Off-Track Wagering operations.
- Operating revenues net of operating expenses at Giants Stadium were \$23,613,000 in 2007, approximately \$709,000 higher than in 2006, which was due to higher Stadium Suite Revenues, offset by a decrease in parking revenues due to construction at the complex.
- Operating revenues net of operating expenses at the Arena were approximately \$3,030,000 higher than in 2006 due mainly to higher income from family shows and concerts that replaced NHL events.
- Operating revenues net of operating expenses at the Atlantic City and Wildwoods Convention Centers decreased in 2007 by approximately \$860,000 due primarily to lower event revenues.
- Operating revenue net of operating expenses at the Entertainment Facility was lower by approximately \$12,193,000 due to a contractually required purchase of land for the project of approximately \$15,000,000 offset by normal lease revenue recognition and interest earned.
- Due to the anticipated demolition of the existing stadium, depreciation expense is approximately \$12,655,000 higher than in 2006 and has been accelerated to reflect the complete depreciation of the Stadium facility by 2010.
- During 2007 General and Administrative expenses decreased by approximately \$2,000,000 due to the voluntary separation agreement which resulted in lower head count for 2007.

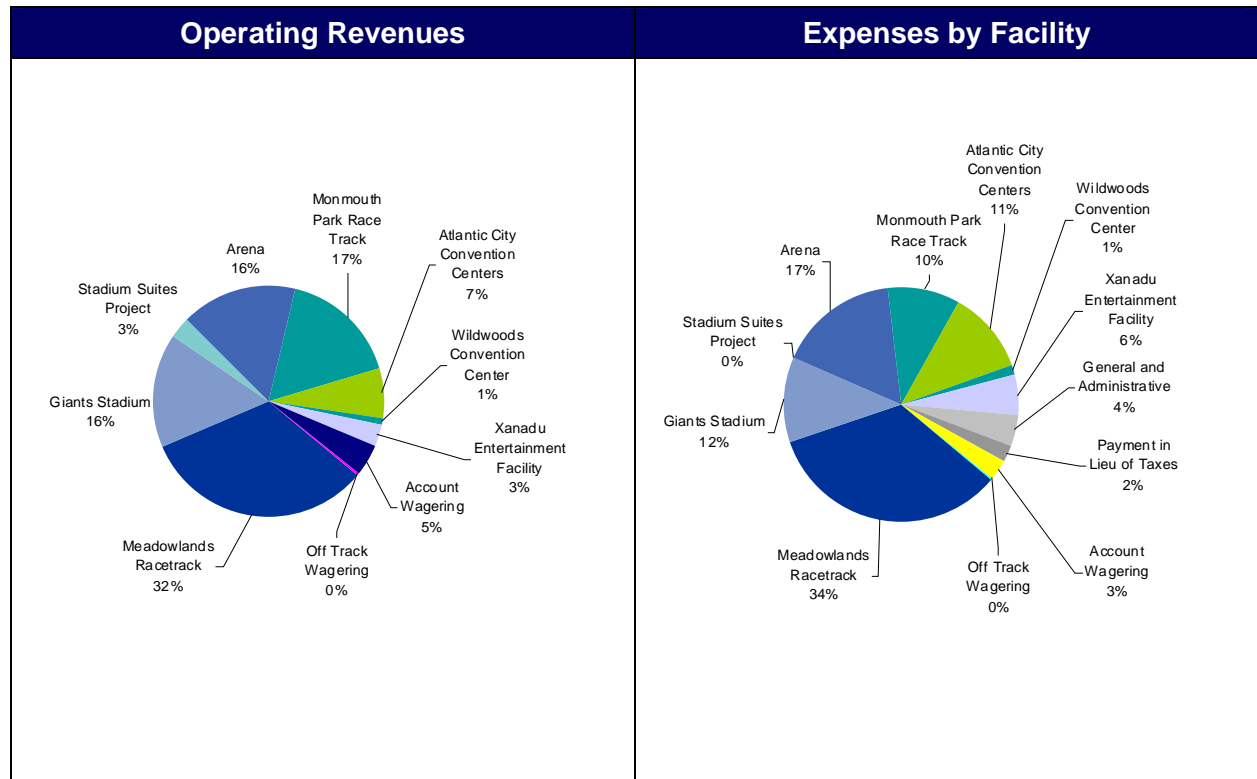
## **Operating Highlights (2006–2005)**

- Operating revenues net of operating expenses at the Meadowlands and Monmouth Park Racetracks were approximately \$9,800,000 lower than in 2005 due to lower live and simulcast attendance and handle, partially offset by lower operating costs.
- Operating revenues net of operating expenses at Giants Stadium were \$22,904,000 in 2006, approximately \$1,700,000 higher than in 2005, which was due to additional concerts and NFL games along with increased ticket prices at football games.
- Operating revenues net of operating expenses at the Arena were approximately \$1,343,000 higher than in 2005 due mainly to higher income from family shows, Nets and Devils games due to NHL Lockout being settled in the 2005-2006 season offset by fewer concerts and college basketball games in 2006.
- Operating revenues net of operating expenses at the Atlantic City and Wildwoods Convention Centers decreased in 2006 by approximately \$1,100,000 due primarily to lower event revenues.

- Operating revenue net of operating expenses at the Entertainment facility increased approximately \$5,150,000 due to a full year's land lease revenue recognized in 2006 and a one-time charge for land rights in 2005 not reoccurring. Stadium suite partnership income decreased by \$100,000 to \$1,118,000 primarily due to higher maintenance charges incurred in 2006.
- Due to the anticipated demolition of the existing stadium, depreciation expense is approximately \$15,500,000 higher than in 2005 and has been accelerated to reflect the complete depreciation of the Stadium facility by 2010.

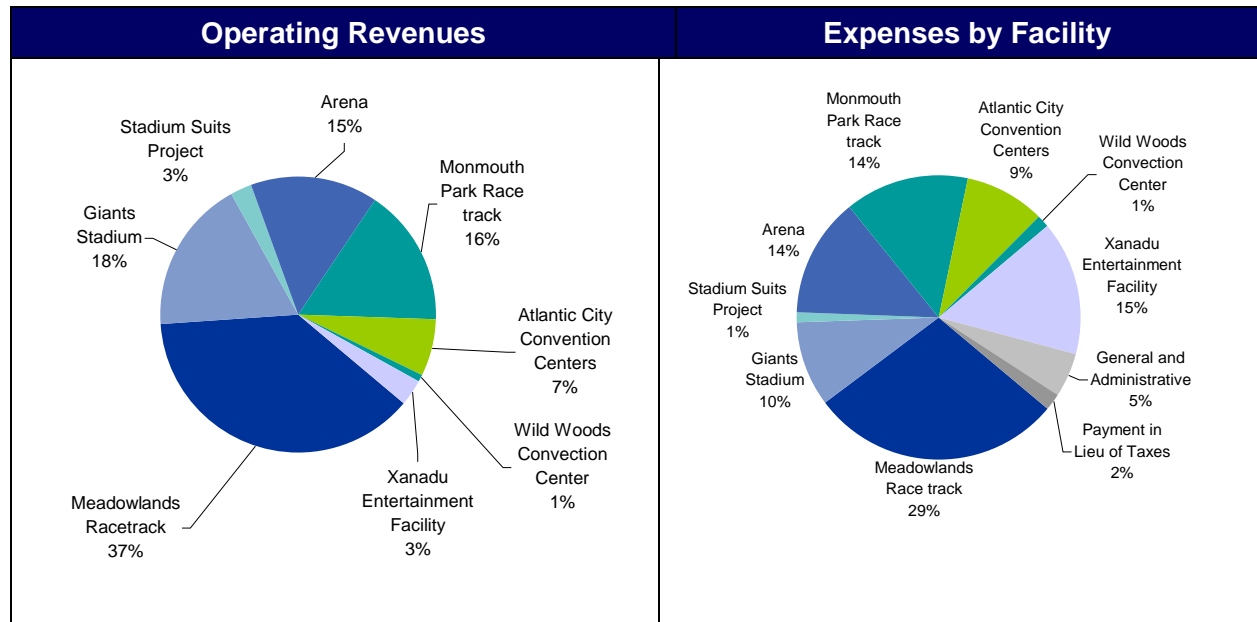


## Operating Revenues and Expenses by Facility 2007



Meadowlands Racetrack	\$92,657,700	Meadowlands Racetrack	\$94,857,000
Giants Stadium	46,997,100	Giants Stadium	31,447,000
Stadium Suites Project	9,343,000	Stadium Suites Project	1,280,600
Arena	47,281,700	Arena	47,220,000
Monmouth Park Racetrack	43,892,000	Monmouth Park Racetrack	55,674,200
Atlantic City Convention Center	18,776,000	Atlantic City Convention Center	31,477,000
Wildwoods Convention Center	2,279,000	Wildwoods Convention Center	4,013,000
Xanadu Entertainment Facility	8,889,000	Xanadu Entertainment Facility	16,849,000
Account Wagering	12,772,900	General and Administrative	14,604,200
Off Track Wagering	<u>3,080,100</u>	Payment in Lieu of Taxes	6,654,000
		Account Wagering	8,939,000
		Off Track Wagering	<u>2,228,300</u>
Total Operating Revenue	<u>\$285,968,500</u>	Total Operating Expenses Before Depreciation and amortization	<u>\$315,243,300</u>

## Operating Revenues and Expenses by Facility 2006



Meadow lands Racetrack	\$107,036,000	Meadowlands Racetrack	\$95,684,000
Giants Stadium	51,391,000	Giants Stadium	32,090,000
Stadium Suites Project	7,609,000	Stadium Suites Project	4,006,000
Arena	42,648,000	Arena	45,616,000
Monmouth Park Racetrack	45,332,000	Monmouth Park Racetrack	46,896,000
Atlantic City Convention Center	18,950,000	Atlantic City Convention Center	30,887,000
Wildwoods Convention Center	2,381,000	Wildwoods Convention Center	4,020,000
Xanadu Entertainment Facility	8,889,000	Xanadu Entertainment Facility	4,656,000
		General and Administrative	16,507,000
		Payment in Lieu of Taxes	6,642,000
<b>Total Operating Revenue</b>	<b><u><u>\$284,236,000</u></u></b>	<b>Total Operating Expenses Before Depreciation and amortization</b>	<b><u><u>\$287,004,000</u></u></b>

## Economic Conditions

The Authority's business spans several industries that are affected by many different economic forces in different ways. In order to achieve maximum efficiency and success in its operations, the Authority must identify economic trends and continually implement strategies to adapt to changing economic conditions.

## Racing

Live racing revenues depend upon the level of attendance and size of wager the Authority can attract. Both of these factors can be attributed to the quality of racehorses, which in turn is a result of the size of the purses paid to horsemen. The Authority's racetracks compete with other spectator activities and other forms of gaming such as lotteries and casinos. As can be seen below, total attendance has been declining and causing a decrease in live and simulcast wagers made at the facilities (On-Track handle). Additionally, the flattening of the simulcast transmission handle, which is generated from broadcasts of races transmitted to other tracks and gaming facilities, reflects a maximization of simulcast locations capable of receiving broadcasts throughout the United States. Account Wagering, which has over 5,000 accounts, and the development of Off-Track Wagering facilities are beginning to compensate slowly for the weakening being experienced but also contributes to a decrease of On-Track handle and related revenues.

## Racing Statistics

	Meadowlands and Monmouth Park Racetracks		
	2007	2006	2005
Live Race Days	265	277	272
Attendance	2,202,291	2,376,524	2,574,154
Live Handle	\$ 140,071,248	\$ 144,454,091	\$ 165,556,316
Reception Handle	<u>455,843,177</u>	<u>494,411,442</u>	<u>518,664,903</u>
On-Track Handle	595,914,425	638,865,533	684,221,219
Transmission Handle	689,729,239	616,994,152	662,449,749
Account Wagering Handle	76,588,900	60,978,700	45,131,000
Off-Track Wagering Facility	<u>18,123,700</u>	<u>-</u>	<u>-</u>
Total Handle	<u>\$ 1,380,356,264</u>	<u>\$ 1,316,838,385</u>	<u>\$ 1,391,801,968</u>

## Stadium and Arena

Stadium and Arena events also partly depend on the level of attendance that can be generated in terms of the amount of parking, concessions and admission revenues that can be collected, but, as can be seen on the following page, years with higher attendance and number of events were not necessarily more profitable. This is largely due to the variable nature of rental fees, participation agreements, and guaranteed payments that event-promoters and tenants negotiate for a given utilization of the facilities. These factors are often dictated by market factors such as comparable competing facilities, interest in the event, and regional economic conditions.

## Stadium and Arena Events

	2007	2006	2005
<b>Stadium and Arena</b>			
Number of Events	258	267	243
Total Attendance	3,771,500	4,112,000	3,704,100
Net Revenue from Events	\$ 21,442,700	\$ 21,125,400	\$ 17,806,100

South Side Stadium Suite revenues after operating expenses and debt service and contributions to capital improvements are shared equally under an operating agreement with the NFL franchises that play their games at the stadium. These revenues are relatively stable and have not fluctuated greatly.

## Atlantic City and Wildwood

The Atlantic City and Wildwoods Convention Centers also depend heavily on the number and size of events they can attract, but also rely on the performance of the tourism and gaming industries with which they coexist. Details of event statistics are presented below.

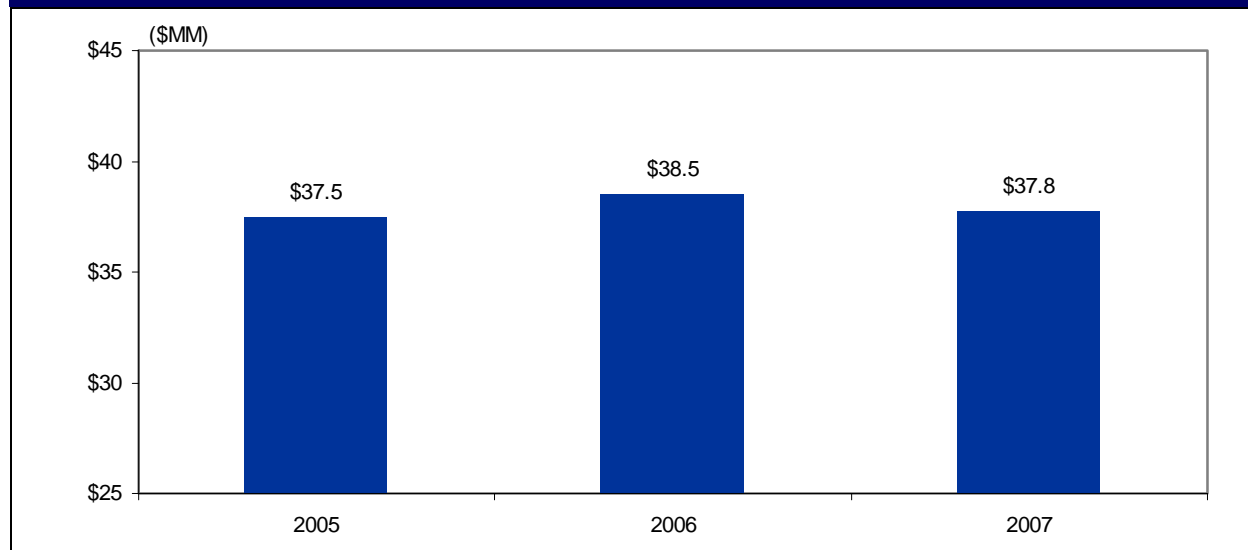
## Convention Center Events

	2007	2006	2005
<b>Atlantic City and Wildwoods Convention Centers</b>			
Number of Event Days	668	688	742
Total Attendance	899,100	988,436	943,728
Net Revenue from Events	\$ 6,489,487	\$ 7,130,500	\$ 7,383,017

There was a substantial decrease in the number of Event Days due to less scheduled events in the Convention Center and the loss of events at the Historic Boardwalk Hall. Although, there was a decrease in Event Days, profitability before fixed costs increased due to fewer smaller events held and more major events, as well as expenses lowered due to continuous efforts to control costs.

Similarly, luxury tax, marketing fee and tourism tax revenues rely heavily upon the tourism, hospitality, and gaming industries in the region. For that reason, marketing and promotion of the centers is important to continued growth.

### Luxury Tax, Marketing Fee and Tourism Tax



	<b>2007</b>	<b>2006</b>	<b>2005</b>
Luxury Tax	\$ 27,977,000	\$ 27,282,000	\$ 26,247,000
Marketing Fee	6,508,000	7,999,000	7,756,000
Tourism Tax	<u>3,338,000</u>	<u>3,174,000</u>	<u>3,448,000</u>
<b>Totals</b>	<u><u>\$ 37,823,000</u></u>	<u><u>\$ 38,455,000</u></u>	<u><u>\$ 37,451,000</u></u>

## Capital Assets

At the end of 2007, the Authority had a net investment in capital assets of \$848,905,000 at a total capital cost of \$1,557,475,000 net of accumulated depreciation of \$708,570,000 as shown in Exhibit 7.

	December 31, 2006	Additions	Transfers and Deletions	December 31, 2007
Meadowlands Sports Complex	\$ 734,070,000	\$ 25,720,000	\$ 10,996,000	\$ 770,786,000
Monmouth Park Racetrack	74,811,000	26,215,000	-	101,026,000
Historic Boardwalk Hall	196,907,000	1,649,000	-	198,556,000
Atlantic City Convention Center	335,277,000	2,383,000	-	337,660,000
Wildwoods Convention Center	77,484,000	206,000	-	77,690,000
Giant Stadium South Side Suites	46,735,000	22,000	-	46,757,000
	<u>1,465,284,000</u>	<u>56,195,000</u>	<u>10,996,000</u>	<u>1,532,475,000</u>
Leasehold Rights	<u>25,000,000</u>	-	-	<u>25,000,000</u>
Construction-in-Progress	<u>10,996,000</u>	-	<u>(10,996,000)</u>	<u>-</u>
Total Capital Assets	1,501,280,000	56,195,000		1,557,475,000
Less Accumulated Depreciation	<u>(632,903,000)</u>	<u>(75,667,000)</u>	-	<u>(708,570,000)</u>
Capital Assets Net of Accumulated Depreciation	<u>\$ 868,377,000</u>	<u>\$ (19,472,000)</u>	<u>\$ -</u>	<u>\$ 848,905,000</u>

Additions to capital assets during 2007 consisted of normal purchases and improvement of infrastructure, mechanical systems, as well as various safety system upgrades.

A new back paddock building at the Meadowlands Racetrack and an extensive renovation of the facilities and track at Monmouth Park was completed in 2007 at a cost of approximately \$40,000,000.

The Leasehold Rights refer to the Authority's right to rent the Club Box level suites during events at Giants Stadium.

Due to the anticipated demolition of the existing stadium, the depreciation was accelerated in order to completely depreciate by 2010.

## Capital Assets (continued)

	December 31, 2005	Additions	Transfers and Deletions	December 31, 2006
Meadowlands Sports Complex	\$ 726,898,000	\$ 7,172,000	\$ -	734,070,000
Monmouth Park Racetrack	74,938,000	-	(127,000)	74,811,000
Historic Boardwalk Hall	195,424,000	1,483,000	-	196,907,000
Atlantic City Convention Center	334,117,000	1,160,000	-	335,277,000
Wildwoods Convention Center	77,298,000	186,000	-	77,484,000
Giant Stadium South Side Suites	<u>46,458,000</u>	<u>277,000</u>	<u>-</u>	<u>46,735,000</u>
	1,455,133,000	10,278,000	(127,000)	1,465,284,000
Leasehold Rights	25,000,000	-	-	25,000,000
Construction-in-Progress	<u>-</u>	<u>10,996,000</u>	<u>-</u>	<u>10,996,000</u>
Total Capital Assets	1,480,133,000	21,274,000	(127,000)	1,501,280,000
Less Accumulated Depreciation	(569,855,000)	(63,048,000)	-	(632,903,000)
Capital Assets Net of Accumulated Depreciation	<u>\$ 910,278,000</u>	<u>\$ (41,774,000)</u>	<u>\$ (127,000)</u>	<u>\$ 868,377,000</u>

Additions to capital assets during 2006 consisted of normal maintenance and repair of infrastructure, mechanical systems, as well as various safety system upgrades.

Construction-in-progress consisted of a new back paddock building at the Meadowlands Racetrack and an extensive renovation of the facilities and track at Monmouth Park. These projects are expected to be completed by October 2007 and are budgeted to cost \$40,000,000.

At Monmouth Park Racetrack, certain parcels of land were sold during the year ended December 31, 2006. The deletion recognizes the cost value of land sold at Monmouth Park in 2006.

The Leasehold Rights refer to the Authority's right to rent the Club Box level suites during events at Giants Stadium.

Due to the anticipated demolition of the existing stadium, the depreciation was accelerated to be completely depreciated by 2010.

## Budgetary Controls

The Authority adopts Operating and Capital Plans that are approved by its Board of Directors prior to the start of each new year. Budgets are a measure of the Authority's financial performance and accountability and are reviewed and revised, although not formally, on a monthly basis throughout the year.

## Conclusion

This section of the Annual Report has been provided to assist readers in getting a general overview of the Authority's business, financial position and fiscal accountability for the funds it generates and receives. If you should still have questions about any information in this report you are requested to contact the Finance Department of the New Jersey Sports and Exposition Authority.

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# NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2007 and 2006

(In Thousands)

	2007	2006
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Notes B and D)	\$ 149,360	\$ 125,044
Restricted cash and cash equivalents (Notes B and D)	22,366	88,060
Restricted investments (Note D)	4,740	4,518
Accrued interest receivable	521	521
Due from State of New Jersey (Notes A and B)	19,014	17,110
Receivables (net of allowance for doubtful accounts of \$896 in 2007 and \$896 in 2006)	-	-
	<u>36,872</u>	<u>25,532</u>
Total Current Assets	232,873	260,785
<b>LONG-TERM ASSETS:</b>		
Restricted long - term investments (Note D)	20,999	20,999
Investment in facilities (Notes B and E)	848,905	868,377
Other assets (Note B)	51,646	52,525
<b>TOTAL ASSETS</b>	<u>\$ 1,154,423</u>	<u>\$ 1,202,686</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 61,753	\$ 50,929
Interest payable on bonds and notes	18,405	20,761
Deferred revenue	140,107	143,617
Advanced ticket sales	14,031	9,816
Accrued employment benefits	11,547	8,135
Unclaimed tickets	4,027	3,957
Other current liabilities	55,302	63,238
Current portion of bonds payable (Note F)	38,614	33,919
Total Current Liabilities	<u>343,786</u>	<u>334,372</u>
<b>LONG-TERM LIABILITIES:</b>		
Long - term portion of notes payable (Note G)	8,600	8,600
Long - term portion of bonds payable (Note F)	768,018	779,792
Total Liabilities	<u>1,120,404</u>	<u>1,122,764</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	42,274	85,381
Restricted for debt service	32,431	21,994
Unrestricted (deficit)	(40,686)	(27,453)
Total Net Assets	<u>34,019</u>	<u>79,922</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,154,423</u>	<u>\$ 1,202,686</u>

See notes to consolidated financial statements.

# NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

## CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands)

	2007	2006
OPERATING REVENUES:		
Racetracks	\$ 152,403	\$ 152,368
Stadium	56,340	59,000
Arena	47,282	42,648
Convention Centers	21,055	21,331
Entertainment Facilities	8,889	8,889
Total Revenues	<u>285,969</u>	<u>284,236</u>
OPERATING EXPENSES:		
Racetracks	161,699	142,580
Stadium	32,727	36,096
Arena	47,220	45,616
Convention Centers	35,491	34,907
Entertainment Facilities	16,849	4,656
General and administrative	14,604	16,507
Depreciation and amortization (Notes B and E)	76,925	64,270
Payment in lieu of taxes (Note B)	6,654	6,642
Total Operating Expenses	<u>392,169</u>	<u>351,274</u>
Operating Loss	(106,200)	(67,038)
NONOPERATING INCOME AND (EXPENSES):		
Interest income and other	11,851	23,986
Luxury tax, marketing fund and tourism tax revenues (Notes A and C)	37,823	38,455
State contract payments and appropriations (Note A)	27,315	30,549
Interest expense (Note F) and other	(44,208)	(49,995)
Total Non-Operating Income and Expenses	<u>32,781</u>	<u>42,995</u>
LOSS BEFORE CONTRIBUTIONS	(73,419)	(24,044)
CAPITAL CONTRIBUTIONS (Note B)	<u>27,516</u>	<u>21,635</u>
CHANGE IN NET ASSETS	(45,903)	(2,409)
NET ASSETS, BEGINNING OF YEAR	<u>79,922</u>	<u>82,331</u>
NET ASSETS, END OF YEAR	<u>\$ 34,019</u>	<u>\$ 79,922</u>

See notes to consolidated financial statements.

# NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 828,268	\$ 810,001
Payments to horsemen, bettors and franchises	(641,799)	(590,624)
Payments to suppliers	(144,751)	(128,994)
Payments to employees	(76,513)	(66,961)
Net cash (used in) provided by operating activities	<u>(34,795)</u>	<u>23,422</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Luxury tax, marketing fee and tourism tax revenues	<u>24,770</u>	<u>23,143</u>
Net cash provided by non-capital financing activities	<u>24,770</u>	<u>23,143</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments of bonds and notes	(220,769)	(38,744)
Issuance of bonds and notes	213,689	-
Additions to investment in facilities	(56,185)	(21,274)
Net proceeds from sale of land	-	8,329
Interest paid on bonds and notes	(43,706)	(46,615)
State Contract receipts for payment of principal and interest on bonds	52,968	50,931
Luxury tax revenues	12,348	12,347
Net cash used in capital and related financing activities	<u>(41,655)</u>	<u>(35,027)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(222)	(335)
Interest on investments	10,524	7,562
Net cash provided by investing activities	<u>10,302</u>	<u>7,227</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(41,378)</b>	<b>18,765</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>213,104</b>	<b>194,339</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 171,726</u></b>	<b><u>\$ 213,104</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (106,200)	\$ (67,038)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	76,925	64,270
Change in allowance for doubtful accounts	-	59
Decrease (increase) in assets:		
Receivables and other assets	(12,595)	24,579
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	10,824	(2,662)
Advanced ticket sales and other liabilities	(240)	12,504
Deferred revenues	(3,509)	(8,290)
Net cash (used in) provided by operating activities	<u>\$ (34,795)</u>	<u>\$ 23,422</u>

See notes to consolidated financial statements.

# NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2007 AND 2006

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### 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, and a member of the New Jersey Meadowlands Commission, appointed by the Governor, who are members ex officio, and eleven 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, which approved the issuance of bonds, State Contract 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, “State Contract Bonds”). 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 Wildwoods Convention Center project.

### 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”) Wildwoods Convention Center and the NJSEA Insurance Company.
2. **Reconciliation of the Consolidated Financial Statements Prepared in Accordance with Accounting Principles Generally Accepted in the United States of America to Schedules Prepared Pursuant to Sports Complex, State Contract and Luxury Tax Bond Resolutions** — The Authority also prepares financial statements, included in Schedules A, B, and C, which follow the notes to the Consolidated Financial Statements, 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, 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 of Revenues Over Expenses to the Change in Net Assets on the Consolidated Statements of Operations, and Changes in Net Assets:

	<b>Years Ended December 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(In thousands)</b>	
Excess of revenues over expenses	\$ 74,265	\$ 141,317
Interest expense	(44,208)	(49,996)
Depreciation and amortization	(76,925)	(64,270)
Payment in lieu of tax	(6,654)	(6,642)
State Contract payments	102	2,887
Stadium Suites license revenue	(3,284)	(4,911)
Interest income and other	1,911	2,151
Xanadu receipts / (payments)	<u>8,889</u>	<u>(22,945)</u>
 Change in net assets	 <u>\$ (45,904)</u>	 <u>\$ (2,409)</u>

Amounts recorded in accordance with the Bond Resolution financial statements vary from financial statements prepared in accordance with accounting principles generally accepted in the United States of America as disclosed in the reconciliation above.

3. **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 for restricted-purpose from the State are recognized when awarded and recorded in a purpose-specific fund.

4. **Reporting Entity** — The GASB establishes the criteria used in determining which organizations should be included in the Authority's financial statements. Accounting principles generally accepted in the United States of America 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 operating agreement with the Convention Center Authority and the above criteria, the Convention Center Authority's financial statements are included in the Authority's annual report.

On February 23, 1998, the Authority assumed the assets and liabilities and undertook the existing operations of the Wildwoods Convention Center. As a result, the Authority includes the financial

statements of the Wildwoods Convention Center in its annual report. The assets and liabilities were recorded at fair value and the difference was recorded to net assets, invested in capital facilities.

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

5. **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.
6. **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.
7. **Capital Contributions** — Capital contributions represent 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 nonoperating revenue.
8. **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 transferred to the Maintenance Reserve Fund to 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.

9. **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 maturity of three months or less when purchased to be cash equivalents.
10. **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 Project are also included in other assets and will be amortized as principal payments are made on the related State Contract Bonds.
11. **Accumulated Vacation Time** — Salaried employees of the Authority, the Convention Center Authority and the Wildwoods 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.
12. **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. (See Footnote F.)

13. **Valuation of Investments** — Guaranteed investment contracts, state and local government securities, repurchase agreements, and certificates of deposit are investments in nonparticipating 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*.
14. **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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
15. **Recent Accounting Pronouncements** —The Authority has completed the process of evaluating the impact that will result from adopting GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and has disclosed the required information as per this statement in Note J. The Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Statement was effective for financial statement periods beginning after December 15, 2006.

The Authority has completed the process of evaluating the impact that will result from adopting GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* - an amendment of GASB Statement No. 34. The Authority has concluded that GASB Statement No. 46 had no impact on its financial position, results from operations, and cash flows based upon the Authority's current reporting of its net assets. The Statement clarifies the definition of a "legally enforceable" enabling legislation restriction on a government's net assets. The statement is effective for fiscal periods beginning after June 15, 2005.

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 47, *Accounting for Termination Benefits*. The Authority has concluded that the impact of adopting GASB Statement No. 47 did not have an impact on its financial position, results of operations, and cash flows. The Statement establishes the accounting standards for voluntary termination benefits (for example, early-retirement incentives) and involuntary benefits (for example, severance benefits). The Statement was effective for fiscal periods beginning after June 15, 2005.

The Authority has completed the process of evaluating the impact that will result from adopting GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of assets and Future Revenues*. The Authority has concluded that GASB Statement No. 48 had no impact on its financial position, results from operations, and cash flows. The Statement establishes criteria that governments will use to ascertain whether proceeds received should be reported as revenues or as a liability. The Statement is effective for fiscal periods beginning after December 15, 2006.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The Authority is therefore unable to disclose the impact GASB Statement No. 49 will have on its financial position, results of operations, and cash flows when such statement is adopted. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations. The Statement is effective for fiscal periods beginning after December 15, 2007.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The Authority is therefore unable to disclose the impact GASB Statement No. 51 will have on its financial position, results of operations, and cash flows when such statement is adopted. This statement amends GASB Statement 34, paragraphs 19-21, and GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, paragraphs 9e, 16, and 18 and relates to the recognition and recording of intangible assets as capital assets in the statement of net assets. The requirements of this Statement are for financial statements for periods beginning after June 15, 2009.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. The Authority is therefore unable to disclose the impact GASB Statement No. 53 will have on its financial position results of operations, and cash flows when such statement is adopted. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments, and addresses hedge accounting requirements. This statement is effective for financial statements for periods beginning after June 15, 2009.

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

1. **Luxury Tax** — Pursuant to NJSA. 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% tax on the sale of alcoholic beverages by the drink in the restaurants, bars, hotels, and other similar establishments and a 9% 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 and certain marketing operations as of 2006.

2. **Marketing Fees** — The New Jersey legislature adopted a bill that authorized the Convention Center Authority to impose marketing fees of \$3.00 per occupied room 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. In 2006, through the legislation of an Urban Revitalization Program, part of this fee is redirected to hotel properties meeting the identified criteria.
3. **Tourism Tax** — Upon transfer of the Wildwoods 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% of the proceeds of a 2% tourism related retail receipts tax pursuant to NJSA 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. The remaining 10% 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 AND CASH EQUIVALENTS AND INVESTMENTS

The components of cash, cash equivalents and investments are as follows:

	December 31,			
	2007		2006	
	(In thousands)		(In thousands)	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Cash and cash equivalents:				
Cash on hand	\$ 3,596	\$ -	\$ 4,684	\$ -
Demand deposits	1,630	9,723	(519)	7,753
N.J. Cash Management Fund	152,390	152,390	134,088	134,088
Repurchase Agreement	11,662	11,662	8,189	8,189
Certificates of deposits	<u>2,448</u>	<u>2,448</u>	<u>66,662</u>	<u>66,662</u>
Total cash and cash equivalents	<u>\$ 171,726</u>	<u>\$ 176,223</u>	<u>\$ 213,104</u>	<u>\$ 216,692</u>
			December 31,	
			2007	2006
			(In thousands)	
			Cost	
Investments: (Note B-13)				
Guaranteed investment contracts			\$ 20,999	\$ 20,999
Treasury Bills			<u>4,740</u>	<u>4,518</u>
Total investments			<u>\$ 25,739</u>	<u>\$ 25,517</u>

At December 31, 2007 and 2006, \$22,366,000 and \$88,060,000 of cash and cash equivalents, respectively, and \$25,739,000 and \$25,517,000 of investments, respectively, were restricted for a designated use. Included in the cash, cash equivalents and investments is \$38,200,000 and \$37,877,000, respectively, of funds held by Trustees in Debt Service and Debt Service Reserve Funds. These funds are restricted only for payment of principal and interest on bonds.

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 and certificates of deposit, 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, 2007 and 2006, all demand deposits were collateralized.

The guaranteed investment contract is an investment agreement with a bank that provides the Authority with a fixed rate of return credited to a specific Debt Service Reserve Accounts. At December 31, 2007 and 2006, \$20,999,000 and \$20,999,000, respectively, was collateralized with U.S. government obligations that have, as a minimum, an aggregate value of 103% of the investment contract that is held in escrow by a third-party bank in the name of the Authority. Treasury bills of \$4,740,000 and \$4,518,000 for the years ended December 31, 2007 and 2006, respectively, represent investments held on behalf of the Historic Boardwalk Hall.

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 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

	Balance December 31, 2006	Additions	Transfers/ Deletions	Balance December 31, 2007
(In thousands)				
Land	\$ 171,770	\$ 20,471	\$ -	\$ 192,241
Buildings	1,055,307	-	10,770	1,066,077
Machinery and equipment	190,905	34,625	226	225,756
Land improvements	47,302	1,099	-	48,401
Leasehold rights	25,000	-	-	25,000
Construction-in-progress	10,996	-	(10,996)	-
	<u>1,501,280</u>	<u>56,195</u>	<u>-</u>	<u>1,557,475</u>
Less accumulated depreciation	<u>(632,903)</u>	<u>(75,667)</u>	<u>-</u>	<u>(708,570)</u>
	<u>\$ 868,377</u>	<u>\$ (19,472)</u>	<u>\$ -</u>	<u>\$ 848,905</u>

	Balance December 31, 2005	Additions	Transfers/ Deletions	Balance December 31, 2006
	(In thousands)			
Land	\$ 171,897	\$ -	\$ (127)	\$ 171,770
Buildings	1,054,579	728	-	1,055,307
Machinery and equipment	181,497	9,408	-	190,905
Land improvements	47,160	142	-	47,302
Leasehold rights	25,000	-	-	25,000
Construction-in-progress	-	10,996	-	10,996
	1,480,133	21,274	(127)	1,501,280
Less accumulated depreciation	(569,855)	(63,048)	-	(632,903)
	<u>\$ 910,278</u>	<u>\$ (41,774)</u>	<u>\$ (127)</u>	<u>\$ 868,377</u>

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

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

The Authority considers any asset acquired or improvement made to any building or facility, with a value over \$1,000 and an estimated useful life over one year, a depreciable capital asset.

The asset life of assets related to the Stadium facility have been accelerated to be fully depreciated in the year ending December 31, 2010, in anticipation of that facility's demolition as a result of a new stadium to be constructed on the complex. Assets related to the current Stadium Facility includes the cost of constructing the original building and south side suites as well as furniture, fixtures and certain equipment in the building.

Total amortization and depreciation for the years ended December 31, 2007 and 2006 were \$76,925 and \$64,270, respectively.

## F. BONDS PAYABLE

Bonds payable consists of the following:

	Date Issued	Original Amount	Balance December 31,	
			2007	2006
<b>Revenue Bonds</b>				
Sports Complex Refunding Revenue Bonds, 1993 Series A \$30,350,000 Serial Bonds 5.00% – 5.125% due 2007 through 2016; \$14,990,000 Term Bonds , 5.20%, due 2017- 2020; \$18,425,000 Term Bonds, 5.2%, due 2021-2024	12/1/1993	\$ 63,765	\$ 44,720	\$ 57,455
Sports Complex Subordinated Refunding Revenue Bonds, 1993 Series A (Federally Taxable) Term Bonds 6.875%, due 2007-2017	12/1/1993	32,875	27,610	29,480
Wildwood Revenue Bonds, series 1996A 2.5% due 2007 through 2016	9/6/1996	3,400	2,178	2,278
<b>State Contract Bonds</b>				
State Contract Bonds, 1992 Series A, \$46,955,000 Serial Bonds, 5.50% – 6.50% ; \$177,045,000 Term Bonds, 6.00% – 6.50%, due 2013 to 2021	3/2/1992	224,000	7,135	45,220
State Contract Bonds, 1992 Series C, \$209,990,000 Variable rates due 2007 through 2024	11/19/1992	209,990	167,370	172,090
State Contract Bonds, 1998 Series A \$57,810,000, Serial Bonds 4.00% – 5.50% due 2007 through 2019; \$28,855,000 Term Bonds 4.50% due 2024	12/15/1998	86,665	59,485	80,660
State Contract Bonds, 1998 Series B \$13,665,000 Serial Bonds 4.96% – 5.77% due through 2008 (Federally Taxable)	12/15/1998	13,665	405	2,210
State Contract Bonds, 1999 Series A \$49,915,000 Serial Bonds 6.00% – 7.00% due 2007 through 2014 (Federally Taxable)	6/15/1999	49,915	40,180	40,180
State Contract Bonds, 2000 Series A \$82,520,000 Serial Bonds 4.75% – 6.00% due 2007 through 2020	2/1/2000	82,520	47,725	71,525
State Contract Bonds, 2000 Series B \$39,380,000 Serial Bonds 7.00% – 7.375% due 2007 through 2014 (Federally Taxable)	2/1/2000	39,380	18,510	22,350

	Date Issued	Original Amount	Balance December 31,	
			2007	2006
<b>State Contracts Bonds (Continued)</b>				
State Contract Bonds, 2000 Series C \$12,325,000 Serial Bonds 4.25% – 5.00% due 2007 through 2011	12/1/2000	\$ 12,325	\$ 4,275	\$ 8,095
State Contract Bonds, 2000 Series D \$12,295,000 Serial Bonds 6.5% due 2007 through 2010 (Federally Taxable)	12/1/2000	12,295	3,775	5,195
State Contract Bonds, 2002 Series A \$15,800,000 Serial Bonds 4.00% – 4.60% due 2007 through 2012	1/1/2002	15,800	4,115	10,405
State Contract Bonds, 2002 Series B \$120,590,000 Variable Rate Bonds due 2007 through 2021	4/23/2002	120,590	12,435	93,575
State Contract Bonds, 2003 Series A \$26,570,000 Term Bonds 2.0% – 5.0% due 2007 through 2024	11/20/2003	26,570	24,115	25,195
State Contract Bonds, 2005 Series A \$40,875,000 Term Bonds 3.60% – 5.0% due 2007 through 2026	11/15/2005	40,875	29,621	40,875
State Contract Bonds, 2007 Series A \$20,460,000 Fixed Rate Bonds 4.0% - 5.0% due 2007 through 2024	10/23/2007	20,460	20,460	-
State Contract Bonds, 2007 Series B \$189,475,000 Variable Rate Bonds due 2008 through 2024	4/18/2007	189,475	189,475	-
<b>Luxury Tax Bonds</b>				
Convention Center Luxury Tax Bonds 2004, Series A, \$23,085,000 Serial Bonds 5.50%, due 2007 through 2022	4/12/2004	23,085	23,085	23,085
Convention Center Luxury Tax Refunding Bonds 1999, Series A, \$128,270,000 Serial Bonds 4.25% – 5.125%, due 2007 through 2020	2/15/1999	128,270	102,935	108,665
Total Bonds Payable			829,609	838,538
Less original issue discount and deferred loss on refunding			(22,977)	(24,827)
			<u>\$ 806,632</u>	<u>\$ 813,711</u>

**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. On July 1, 2005, the Authority defeased \$2,500,000 of Sports Complex Refunding Revenue Bonds, 1993 Series A (the “Senior Lien Bonds”) in connection with a restructuring of the Authority’s outstanding debt as a result of the Xanadu Project.

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 \$4,001,322 at December 31, 2007, 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. (See Subsequent Events Footnote L.)

**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 \$3,890,688 at December 31, 2007, 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. (See Subsequent Events Footnote L.)

**Wildwoods Revenue Bonds 1996 Series A** — The Authority assumed these bonds on February 23, 1998 as an obligation and liability of the Wildwoods 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 Wildwoods 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 Wildwoods 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.

**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 affected 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 is 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 1998 Series A and B), to an escrow agent to secure the advance refunding of \$25,235,000 of these bonds.

In April 2002, the Authority transferred funds, from proceeds of 2002 Series B and C State Contract Bonds (See 2002 Series B), to an escrow agent to secure the advance refunding of \$120,590,000 of these bonds.

Additionally, on July 1, 2005, the Authority defeased \$8,575,000 of 1992 Series A State Contract Bonds, in connection with restructuring of the Authority's outstanding debt as a result of the Xanadu Project.

On October 23, 2007, the Authority purchased \$38,085,000 of 1992 Series A State Contract Bonds with proceeds from the issuance of 2007 Series B State Contract 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% to the counter party to the swap inclusive of fees for liquidity facility and remarketing. In return, the counter party owes the Authority a variable rate. The objective of the swap agreement was to effectively fix the Authority's borrowing costs and maximize proceeds to fund construction costs (See Interest Rates and Disclosure Requirements for Derivatives).

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. (See Subsequent Events Footnote L).

*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. This debt was transferred to State Contract Bond Funds effective 2006 and all debt previously paid by Monmouth Park Revenue is now being paid by State Appropriations.

Additionally, on July 1, 2005, the Authority defeased \$2,845,000 of 1998 Series A State Contract Bonds, in connection with a restructuring of the Authority's outstanding debt as a result of the Xanadu Project.

On October 23, 2007, the Authority defeased \$17,875,000 of 1998 series A State Contract Bonds.

*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 Wildwoods 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. On October 23, 2007, the Authority defeased \$21,620,000 of 2000 Series A Bonds. (See Subsequent Events Footnote L.)

*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. On October 23, 2007, the Authority defeased \$2,865,000 of 2000 Series C 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. This debt was transferred to State Contract Bond Funds effective 2006 and all debt previously paid by Monmouth Park Revenue is now being paid by State Appropriations.

*2002 Series A* — On January 1, 2002, the Authority issued \$15,800,000 of Series A State Contract Bonds to pay: (1) for certain capital expenditures incurred in connection with 2001 Sports Complex Capital Projects; (2) for certain expenditures incurred in connection with the Rutgers Projects; and (3) pay cost of issuance of the 2002 Series A Bonds. On October 23, 2007, the Authority defeased \$4,760,000 of 2002 Series A Bonds.

*2002 Series B* — On April 23, 2002, the Authority issued \$120,590,000 of Series B State Contract Bonds. The net proceeds from the refunding will be used to pay: (1) the current refunding of \$120,590,000 of 1992 Series A State Contract Bonds; (2) a required Hedge Payment; (3) and issuance costs of the 2002 Series B Bonds.

The Bonds were issued under an Interest Rate Exchange (or swap) Agreement, in compliance with an agreement the Authority entered into on April 5, 1999, under the International Swap and Derivatives Association (“ISDA”) Master Agreement where the Authority pays predetermined fixed rates in exchange for variable rates of interest with the counter party. (See Interest Rates and Disclosure Requirements for Derivatives.)

In an effort to lower the Authority’s borrowing costs and protect against rising interest rates, effective January 29th 2002, the Authority entered into two Swap Agreements with respect to the 2002 Refunding Series Bonds.

Additionally, on July 1, 2005, the Authority defeased \$19,265,000 of 2002 Series B-1 and B-2 State Contract Bonds, in connection with a restructuring of the Authority’s outstanding debt as a result of the Xanadu Project.

On October 23, 2007 the Authority redeemed \$75,400,000 of 2002 Series B-1 and B-2 State Contract Bonds with the proceeds of the 2007 B issuance. (See Subsequent Events Footnote L.)

*2003 Series A* — On November 20, 2003, the Authority issued \$26,570,000 of Series A State Contract Bonds to (1) refund the Authority's 1993 Series A State Contract Bonds; and (2) pay certain costs of issuance of the 2003 Series A Bonds. Although the Authority recognizes an economic loss on debt refinancing of approximately \$1,232,000, which will be amortized over the life of the bond issue, a present value savings of future debt service payments of approximately \$2,112,000 was realized.

*2005 Series A* — On November 16, 2005, the Authority issued \$40,875,000 of Series A State Contract Bonds to fund all costs of (1) the capital program for the Monmouth Racetrack Project and (2) the Sports Complex Project and (3) to pay for certain costs of issuance of the 2005 Series A Bonds.

*2007 Series A* – On April 18, 2007, the Authority issued \$20,460,000 Series A State Contract Bonds to fund (1) the acquisition of a practice, training and operations facility site for the New York Jets and (2) pay certain costs of issuance of the 2007 Series A Bonds.

*2007 Series B* – On October 23, 2007, the Authority issued \$189,475,000 Series B State Contract Bonds to (1) refund a portion of 1992 Series A, 1998 Series A, 2000 Series A, 2000 Series C, and 2005 Series A State Contract Bonds (2) redeem 2002 Series B-1 and B-2 Bonds (3) defease a portion of the Authority's Senior Lien Refunding Revenue Bonds (4) pay related premium and transaction costs of refunding, redemption and defeasance and (5) pay costs of issuance of the 2007 Series B Bonds. The Authority recognized an economic loss on debt refinancing of approximately \$15,158,000, which will be amortized over the life of the bond issue, a present value loss of future debt service payments of approximately \$9,586,000 was realized. (See Subsequent Events Footnote L.)

**Convention Center Luxury Tax 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 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.

*2004 Series* — On April 12, 2004, the Authority issued \$23,085,000 of Convention Center Luxury Tax Refunding Bonds, Series 2004, to (1) refund on a current basis the Authority's presently outstanding Convention Center Luxury Tax Bonds, 1992 Series A; and (2) pay certain costs incurred in connection with the issuance of the 2004 Luxury Tax Bonds.

The 2004 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, New Jersey, and paid to the Authority and from other pledged property under the resolution.

The payment, when due (other than by reason of acceleration or optional redemption) of principal and interest on these bonds is secured by a guaranty policy issued by MBIA.

**Interest Rates and Disclosure Requirements for Derivatives** — The Authority has entered into two Interest Rate Exchange (or Swap) Agreements in 1992 and 2002, with the issuance of the 1992

Series C, and the 2002 Series B-1 and B-2 Bonds, respectively. Subsequent to year end the Authority terminated all of its swap agreements. (See Subsequent Events Footnote L).

Under these swap agreements; the Authority pays a fixed payment for each individual bond series. Those rates, depending on the individual bond series, range from 4.50% to 6.01%. Depending on the associated swap agreement, the Authority receives a variable payment computed as either the floating rate on bonds, the lesser of the BMA index, or 70% of one- month USD-LIBOR, or 100% of one-month USD-LIBOR. The swap provider calculates the rate as well as, the dollar amount that is owed by the swap counter party. The remarketing agent determines the variable rate that is applied to the bonds. The following risk is generally associated with swap agreements:

- *Credit Risk* — The counter party becomes insolvent or is otherwise not able to perform its financial obligations. In the event of deterioration in the credit ratings of the counter party or the Authority, the swap agreement may require the collateral be posted to secure the party's obligations under the swap agreement. The Authority deemed no collateral posting was required.
- *Basis Risk* — The variable interest rate paid by the counter party under the swap agreement and the interest rate paid by the Authority on the associated bonds are not the same. If the counter party's payment is lower than the bond interest rate, then the counter party's payment under the swap agreement does not fully reimburse the Authority for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counter party's rate on the swap, there is a net benefit to the Authority. During 2007 and 2006, this risk was immaterial.
- *Termination Risk* — The swap agreement will be terminated and the Authority will be required to make a large termination payment to the counter party. It is estimated that costs will be approximately \$9,436,000 and \$40,421,000 for 2002, Series B-1, B-2, and 1992 Series C, respectively, should the Authority seek to voluntarily terminate these agreement as of December 31, 2007. It is estimated that costs will be approximately \$7,500,000 and \$38,000,000 for 2002, Series B-1, B-2, and 1992 Series C, respectively, should the Authority seek to voluntarily terminate these agreement as of December 31, 2006.

The following table summarizes these transactions for 2007.

Issuer Series	Notional Amounts (000's)	Effective Date	Synthetic		Counter Party	Credit Rating	Variable Rate Received	Swap Termination Date
			Fixed Rate	Fair Values (000's)				
1992 C	\$ 167,370	11/12/92	5.86 %	\$ 40,421	AIG	AAA	Floating Rate on bonds	9/1/2024
2002 B-1, 2	120,590	1/29/02	4.50	9,436	Merrill Lynch	AAA	The lesser of the weighted average of the BMA Index or 70% of the 1-Month USD-LIBOR	3/1/2021

The following table summarizes these transactions for 2006.

Issuer Series	Notional Amounts (000's)	Effective Date	Synthetic		Counter Party	Credit Rating	Variable Rate Received	Swap Termination Date
			Fixed Rate	Fair Values (000's)				
1992 C	\$ 172,090	11/12/92	5.86 %	\$ 38,000	AIG	AAA	Floating Rate on bonds	9/1/2024
2002 B-1, 2	93,575	1/29/02	4.50	7,500	Merrill Lynch	AAA	The lesser of the weighted average of the BMA Index or 70% of the 1-Month USD-LIBOR	3/1/2021

**Interest Costs** — Interest costs for the years 2007 and 2006 were \$44,208,000 and \$49,996,000, respectively.

## G. NOTES PAYABLE

Notes payable consist of the following:

	Date Issued	Original Amount	Balance December 31,	
			2007	2006
(In thousands)				
Loan from the Casino Reinvestment Development Authority, 4.06% interest through June 2, 1997 then 5.773% thereafter, due February 10, 2007	2/10/1997	8,600	<u>8,600</u>	<u>8,600</u>
Total notes payable			<u>\$ 8,600</u>	<u>\$ 8,600</u>

On February 10, 1997, the Authority received the proceeds of an \$8,600,000 loan from the Casino Reinvestment Development Authority (CRDA). These funds constitute subordinated debt payable from the Luxury Tax Revenues. 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% per annum through June 2, 1997. The rate was adjusted to 5.773% 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 10 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.

## 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 as follows:

	Sports Complex	State Contract	Principal Luxury Tax	Wildwood	Total	Interest	Total
2008	\$ 3,695	\$ 28,750	\$ 5,990	\$ 179	\$ 38,614	\$ 41,873	\$ 80,487
2009	3,915	31,070	6,260	183	41,428	41,491	82,919
2010	4,155	48,510	6,540	188	59,393	38,701	98,094
2011	4,405	48,930	6,880	192	60,407	35,306	95,713
2012	4,680	36,370	7,225	197	48,472	32,444	80,916
2013–2017	28,945	171,060	42,060	1,239	243,304	123,559	366,863
2018–2022	16,665	190,545	51,065	-	258,275	55,312	313,587
2023–2027	5,870	73,845	8,600	-	88,315	6,923	95,238
	<u>\$ 72,330</u>	<u>\$ 629,080</u>	<u>\$ 134,620</u>	<u>\$ 2,178</u>	<u>\$ 838,208</u>	<u>\$ 375,609</u>	<u>\$ 1,213,817</u>

## I. REFUNDED BONDS

At December 31, 2007 and 2006, the Authority had \$68,130,000 and \$14,469,295, respectively, of bonds outstanding which are secured by investments held by various escrow agents. The escrow accounts meet the criteria under accounting principles generally accepted in the United States of America 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 Wildwoods 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, 2007 and 2006, was \$12,218,611 and \$17,624,001, respectively. The Authority's total payroll for the years ended 2007 and 2006, was \$76,512,468 and \$66,691,224, 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 55, 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; unless the employee has obtained 25 years of service prior to retirement which permits full benefit payments. 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 PERS on the recommendation of an actuary who makes an annual actuarial valuation certify the amount of the Authority's contribution each year. 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, 2007 and 2006, were \$653,927 (5.35%) and \$918,872 (5.0%), respectively. Employer contributions for 2007 and 2006 were \$594,478 and \$256,703, respectively. These increases are based upon State of New Jersey law, Chapter 108, P.L. 2003, which calls for the return of employer pension contributions on a phase in basis with 20% of the actuarially calculated amount for 2005 being due and payable, increasing to 40% for 2006, 60% for 2007, 80% for 2008, and until 100% of the actuarially calculated amount is due in 2009.

**Other Benefits** — The Authority has established a separate defined benefit pension plan for selected seasonal racing personnel. Annual pension expense was approximately \$69,202 and \$69,230 for 2007 and 2006, respectively. In addition, salaried employees of the Authority are eligible for participation in a section 401(k) deferred compensation plan, the New Jersey Sports & Exposition Authority Savings and Investment Plan. The Authority contributed a maximum of 4% of the employee's salary up to the IRS maximum less the portion attributable to the State pension plan (PERS). Annual expense for this plan was \$436,991 and \$475,274 for 2007 and 2006, respectively. Annual employee contributions were \$1,041,616 and \$1,091,783 for 2007 and 2006, respectively.

Additionally, some Sports Authority employees are participants in certain pension plans administered by local unions and contributions are made in accordance with terms of the union agreements of those employees. There are about 39 active unions participating in their own pension plans in accordance with each specific union agreement and based on each of the applicable union job trades. The total combined contributions for all participating unions in 2007 were \$3,842,997 and 2006 were \$3,483,882. During 2007, one of the local unions withdrew from their retirement fund causing a mass withdrawal termination for that plan. Based upon this termination, the Authority is obligated to make annual payments to satisfy the employer's contribution on an annual basis. In addition, the Authority has opted to create a 401k plan for that bargaining group whereby the Authority will contribute a 2% match.

**Post-employment Retirement Benefits** — In June 2004 the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, which establishes new accounting standards for recording Postretirement Benefits Other Than Pensions (OPEB). The requirement applies to any state or local government employer that provides OPEB. The OPEB provided by the Authority is health benefits. Although the Authority would be required to implement GASB Statement No. 45 for the year ended December 31, 2007, early implementation as of December 31, 2006 was elected by the Authority. Prior to the implementation of GASB Statement No. 45, the Authority's postretirement benefits were accounted for on a pay as-you-go basis.

The New Jersey Sports and Exposition Authority's Postretirement Healthcare Plan (the "Plan") is a single employer plan which provides certain group medical and prescription drug benefits for retirees ( and for eligible dependents and, for a limited period of time, surviving spouses). Contributions towards part of the costs of these benefits are required of the retirees. Retiree contributions towards the cost of the benefit are a flat dollar amount that varies depending on Medicare eligibility and dependant coverage. The Authority, based upon Board approval, may elect at any time to amend the plan and funding provisions. An actuarial valuation of these benefits was performed by a specialist to determine the annual cost applicable to the retiree medical benefits for retired employees and their eligible dependents. The Authority does not issue stand alone financial statements for this OPEB Plan.

The Authority has elected to amortize over 30 years the Unfunded Actuarial Accrued Liability (UAAL) as a level dollar amount over an open 30-year period and not to fund the UAAL in advance of when benefits are due. The UAAL relating to OPEB benefits is approximately \$22.2 million as of December 31, 2007. The Authority is not required by law or contractual agreement to provide funding for post-employment retirement benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. During the year ended December 31, 2007, the Authority paid \$681,000 on behalf of the Plan.

The Authority's annual OPEB cost (expense) for the year ended December 31, 2007 was \$1,823,000 and was calculated based on the annual required contribution (ARC) of the employer of \$1,847,000, an amount that was actuarially determined by using the Projected Unit Credit Method, which is one of the accepted actuarial cost methods in accordance with the parameters of GASB Statement No. 45.

The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Under this method, nonasset related actuarial gains/losses, as they occur, reduce/increase future Normal Costs and UAAL amortization payments. The following table shows the elements of the Authority's annual OPEB cost for the year, the amount actually paid, and changes in the Authority's net OPEB obligation to the plan for the year ended December 31, 2007.

	<b>(In thousands)</b>
Annual Required Contribution (ARC)	\$ 1,847
Interest on the net OPEB obligation	80
Adjustment to ARC	<u>(104)</u>
Annual OPEB cost	1,823
Payments made	<u>(681)</u>
Increase in net OPEB obligation	1,142
Net OPEB obligation — Beginning of year	<u>1,598</u>
Net OPEB obligation — End of year	<u><u>\$ 2,740</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended December 31, 2007 and 2006, were as follows (dollars in thousands):

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
December 31, 2007	\$ 1,823	37 %	\$ 1,142
December 31, 2006	\$ 2,096	24 %	\$ 1,598

The Authority's funded status of the Plan is as follows (dollars in thousands):

Year Ended	Valuation Date	Actuarial Value of Assets {a}	Actuarial Accrued Liability (AAL) {b}	Unfunded Actuarial Accrued Liability (UAAL) {c}={b}-{a}	Funded Ratio {a}/{c}	Covered Payroll {d}	Ratio of UAAL to Covered Payroll {c}/{d}
12/31/2007	12/31/2007	\$ -	\$ 22,183	\$ 22,183	-	\$ 12,218	182%

Actuarial Methods and Assumptions Used in Valuations: The OPEB-specific actuarial assumptions used in the December 31, 2007, OPEB actuarial valuations are as follows:

Valuation Date . . . . .	December 31, 2007
Actuarial Cost Method . . . . .	Projected Unit Credit Method
Discount Rate . . . . .	5%
Per-Capita Retiree Contributions . . . . .	Retiree contributions are not assumed to increase

Medical and prescription drug benefits are provided through fully-insured contracts with Horizon Blue Cross Blue Shield of New Jersey. This does not include a reimbursement of Medicare Part B premium. Benefits vest after twenty-five years of service or, for employees hired prior to January 1, 1993, after attainment of age 60 with ten years of service or attainment of age 55 and age plus years of service equal or exceed 75.

The following premiums are used for all non-Medicare and Medicare eligible retirees and dependents with basic medical coverage.

Monthly Rates used for the years ended 2007 and 2006:

For 2008	Medical		Prescription Drug*	
	Retiree	Dependent	Retiree	Dependent
Age				
55	\$340.94	\$378.44	\$65.83	\$73.07
60	409.24	454.26	79.01	87.70
65	263.49	292.47	130.07	144.38
70	305.48	339.08	150.80	167.39
75	345.61	383.63	170.61	189.38
80	377.82	419.38	186.51	207.03
85	395.14	438.61	195.06	216.52

For 2007	Medical		Prescription Drug*	
	Retiree	Dependent	Retiree	Dependent
Age				
<65	\$341.51	\$537.88	\$97.58	\$133.07
65-69	248.65	391.54	118.46	161.55
70-74	285.39	449.38	135.97	185.42
75-79	319.68	503.37	152.30	207.70
80-84	342.57	539.42	163.21	222.57
85+	364.64	574.19	173.72	236.92

\*The Authority has elected to apply for the retiree drug subsidy under Medicare Part D; consistent with GASB No. 45 the above prescription drug claims are not reduced nor do the liabilities reflect any anticipated retiree drug subsidy refund.

Health Care Cost Trend Rates (HCCTR): Covered medical and prescription drug expenses are assumed to increase by the following percentages based upon the most recent actuarial valuation which contained the following:

Years Ending	Annual Rates of Increase
2009	11.0 %
2010	10.0
2011	9.0
2012	8.0
2013	7.0
2014	6.0
2015 and later	5.0

Mortality: Mortality rates are based on the sex-distinct RP-2000 Combined Healthy Mortality Table (without projection and collar adjustment). Sample rates are as follows:

Age	Male	Female
20	0.0345 %	0.0191 %
30	0.0444	0.0264
40	0.1079	0.0706
50	0.2138	0.1676
60	0.6747	0.5055
70	2.2206	1.6742
80	6.4368	4.5879
90	18.3408	13.1668

Sports Authority salaried employees hired before January 1, 1993, who retire on or after age 60, with a minimum of 10 years of full-time salaried service or have a combined number of full time service and age totaling 75, 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 \$681,000 (for 87 retirees) and \$497,550 (for 71 retirees) in 2007 and 2006, respectively.

## K. COMMITMENTS AND CONTINGENCIES

A portion of the Authority's operating revenues is 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 \$20,805,000 and \$21,740,000 for the years ended December 31, 2007 and 2006, respectively.

The Authority has license agreements with the major sport franchises that play in the Arena and the Stadium which expire at various dates. There are options in the agreements that allow for earlier termination.

The Authority is exposed to risks of losses related to injuries to employees. The Authority has established a risk management program to account for and finance its uninsured risks of loss related to workmen's compensation. The Authority paid claims in the amount of \$2,064,967 and \$2,193,044 in 2007 and 2006, 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, 2007 and 2006, the reserve for these liabilities was approximately \$11,547,108 and \$9,417,000, respectively.

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 capital contributions. Of the contributed capital already received \$1,173,000 is being held in escrow and can only be used to restore or repair the organ at the

Historic Boardwalk Hall. Subject to a notice issued by a governmental agency, an expense has been recorded in the 2004 financial statements.

On March 1, 2001, the New Jersey Sports and Exposition Authority entered into an agreement leasing the convention center for a term of 99 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 35 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 26 years without having to provide any additional funds. Repurchase options are also available after 10 and 20 years. The Sports Authority's payment obligations are additionally secured by contingent State Contract Bonds (\$100,000,000) and legally available luxury tax and convention center revenues, as defined. Upon entering this transaction the Sports Authority received a cash payment of approximately \$7,945,000.

On June 30, 2005, the Authority entered into a ground lease and related project agreements for development of Meadowlands Xanadu, an approximately 5.0 million square mixed-use project on approximately 104 acres at the Meadowlands Sports Complex. Through March 2006, the Authority received pre-payments of ground rent in the amount of \$160,000,000. In 2005, the Authority used \$26,800,000 of the prepaid ground rent to purchase the wetland mitigation bank rights on the Empire Tract. The Authority also used \$37,190,000 to defease tax-exempt bonds attributable to the Meadowlands Xanadu Project site. Expenses associated with the project that were previously deferred were expensed in 2005. For GAAP purposes revenue will be realized by amortizing the upfront payment over 18 years. The redeveloper for the project is an affiliate of Colony Capital, LLC

Pursuant to the Stadium Project Ground Lease and Development Agreement, dated December 21, 2006, between New Meadowlands Stadium Company, LLC (NMSCO) and the Authority a new stadium and ancillary development will be jointly owned and operated by the Giants and Jets. Both teams will pay for the cost of construction of the stadium and share in all operating revenues. The Authority has entered into a long-term lease with the NMSCO prior to commencing the construction of the stadium and related development. Upon completion of the new stadium the existing Giants stadium will be demolished.

At year-end approximately \$1,955,453 in current assets and liabilities was related to funds received from the State to administer the Camden Aquarium Project. The activity in the fund created for this purpose has no effect on the Authority's revenues or expenses.

In May 2004, the Authority entered into a Grant and Donation Agreement (the "agreement") with the Casino Reinvestment Development Authority (CRDA) and the 12 casinos operating in Atlantic City whereby the casinos will pay the Authority \$34,000,000 through year-end 2007 for purse enhancement at the Meadowlands, Monmouth Park and Freehold racetracks. In addition, the casinos authorized CRDA to approve donations in the amount of \$62,000,000 from the casinos' North Jersey obligations fund to further support this purse enhancement. In turn, the Authority has guaranteed certain purse payments through year-end 2007 to the various horsemen associations. To the extent that revenue and these purse supplements do not meet the guarantee, the Authority has paid such amounts.

In 2004, the Authority organized the NJSEA Insurance Company as a captive insurance company in Vermont for the purpose of insuring and reinsuring various types of risk, including but not limited to those required by the Federal Terrorism Insurance Act. The Company is a wholly owned subsidiary of the Authority and insures the Authority for a maximum of \$300,000,000.

The Authority has entered into a Management and Funding Agreement with New Jersey Transit (NJT) and the New Jersey Department of Transportation (NJDOT) for the design and construction of a railroad and roadway improvement project at the Sports Complex. The proposed project is 2.3 miles of heavy rail link from NJT's Passaic Valley line through the Sports Complex terminating at a passenger rail station centrally located between the Meadowlands Racetrack, Giants Stadium, the Meadowlands Xanadu Project, and the Arena. New Jersey Transit initially received \$150,000,000 from the Port Authority of New York and New Jersey to support the project. Contracts awarded through December 31, 2007, amount to approximately \$150,000,000.

On June 14, 2004, the Authority entered into a Participation agreement to license and operate an account wagering system in New Jersey pursuant to the Off-Track and Account Wagering Act (P.L. 201, c.199) and the regulations promulgated by the New Jersey Racing Commission. Under the agreement the Authority began operating an on-line account wagering system and has contributed 70% of start-up costs for the project, appointed an Operating Board and conducts and account for all day-to-day operations in return for 70% of available net project revenues or losses as defined by the agreement. These operations are included in the Sports Complex Funds. In October 2007, the Authority commenced operations of an off-track wagering facility in Woodbridge, NJ. The Authority, under State Legislation, has the right to build a total of nine off-track wagering facilities.

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

In April 2008, the Authority issued \$279,390,000 in State Contract Bonds to (1) re-market \$182,475,000 of the 2007 Series B State Contract Bonds from variable rate to fixed rate bonds, (2) refund the Sports Complex Senior Lien and Junior Lien Revenue Bonds (3) terminate a swaption agreement related to the 2002 Series B-1, B-2 State Contract Bonds and (4) pay all related costs of issuance, refunding and termination. Interest on the re-marketed 2007 Series B and 2008 Series A State Contract Bonds will be paid initially on September 1, 2008 at rates of 5.976% and 6.076%, respectively, with various principal maturities through 2024.

In September 2008, the Authority issued \$208,025,000 of 2008 Series B and Series C State Contract Bonds to (1) refund remaining outstanding 1992 Series C State Contract Bonds (2) refund a portion of the 2000 Series A State Contract Bonds (3) pay costs of terminating a swaption agreement related to the bonds being refunded and (4) pay the costs of issuance of the 2008 Series B and C State contract Bonds.

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NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

SCHEDULE A

COMBINING STATEMENTS OF REVENUES AND EXPENSES  
 YEARS ENDED DECEMBER 31, 2007 AND 2006  
 (Pursuant to Various Bond Resolutions)  
 ( In Thousands )

	December 31, 2007									December 31, 2006	
	Sports Complex Funds	Xanadu Project Funds	Stadium Suites Project	Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwood Convention Center Funds	Total Funds	Total Funds	Total Funds
<b>REVENUES FROM OPERATIONS:</b>											
Meadowlands Racetrack	\$ 92,658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,658	\$ -	\$ 107,036
Monmouth Park Racetrack	-	-	-	43,892	-	-	-	-	43,892	-	45,332
Stadium	46,997	-	-	-	-	-	-	-	46,997	-	51,391
Stadium Suites Project	-	-	8,211	-	-	-	-	-	8,211	-	8,141
Arena	47,282	-	-	-	-	-	-	-	47,282	-	42,648
Account Wagering	12,773	-	-	-	-	-	-	-	12,773	-	-
Off-Track Wagering	3,080	-	-	-	-	-	-	-	3,080	-	-
Atlantic City Convention Centers	-	-	-	-	18,775	-	-	-	18,775	-	18,950
Wildwood Convention Center	-	-	-	-	-	-	-	2,279	2,279	-	2,381
Entertainment (Xanadu) Complex	-	-	-	-	-	-	-	-	-	-	31,834
	202,790	-	8,211	43,892	18,775	-	-	2,279	275,947	-	307,713
<b>EXPENSES FROM OPERATIONS:</b>											
Meadowlands Racetrack	94,858	-	-	-	-	-	-	-	94,858	-	95,684
Monmouth Racetrack	-	-	-	55,674	-	-	-	-	55,674	-	46,896
Stadium	31,447	-	-	-	-	-	-	-	31,447	-	32,090
Stadium Suites Project	-	-	656	-	-	-	-	-	656	-	744
Arena	47,220	-	-	-	-	-	-	-	47,220	-	45,616
Account Wagering	8,939	-	-	-	-	-	-	-	8,939	-	-
Off-Track Wagering	2,228	-	-	-	-	-	-	-	2,228	-	-
Atlantic City Convention Centers	-	-	-	-	31,477	-	-	-	31,477	-	30,887
Wildwood Convention Center	-	-	-	-	-	-	-	4,013	4,013	-	4,020
Entertainment (Xanadu) Complex	-	16,849	-	-	-	-	-	-	16,849	-	4,656
	184,692	16,849	656	55,674	31,477	-	-	4,013	293,361	-	260,593
<b>EXCESS (DEFICIENCY) FROM OPERATIONS</b>	18,098	(16,849)	7,555	(11,782)	(12,702)	-	-	(1,734)	(17,414)	-	47,120
<b>OTHER INCOME, EXPENSES AND TRANSFERS:</b>											
General and administrative expenses	(9,788)	-	-	-	(4,043)	-	-	(1,722)	(15,553)	-	(17,457)
Interest income and other	5,217	2,387	425	1,221	352	1,127	2,733	385	13,847	-	19,875
Other expense	(1,935)	-	-	(300)	-	409	-	-	(1,826)	-	-
Luxury tax, marketing fee and tourism tax revenues	-	-	-	-	6,508	27,977	-	3,338	37,823	-	38,455
State contract payments	-	-	-	-	-	-	50,044	4,684	54,728	-	49,297
Stadium Suites distribution	2,660	-	-	-	-	-	-	-	2,660	-	1,118
Account wagering distribution	-	-	-	-	-	-	-	-	-	-	2,909
Transfers	10,000	(25,000)	-	15,000	11,194	(11,194)	-	-	-	-	-
<b>EXCESS OF REVENUES OVER EXPENSES (Note B)</b>	24,252	(39,462)	7,980	4,139	1,309	18,319	52,777	4,951	74,265	-	141,317
<b>OPERATING FUND BALANCES, BEGINNING OF YEAR</b>	-	-	-	-	6,599	-	-	1,000	7,599	-	7,177
<b>TOTAL REVENUE AVAILABLE FOR DISTRIBUTION</b>	\$ 24,252	\$ (39,462)	\$ 7,980	\$ 4,139	\$ 7,908	\$ 18,319	\$ 52,777	\$ 5,951	\$ 81,864	\$ -	\$ 148,494
<b>DISTRIBUTION TO (FROM) AS FOLLOWS (Note B):</b>											
Operating fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ 7,908	\$ -	\$ -	\$ 1,000	\$ 8,908	\$ -	\$ 6,891
Debt service funds	8,170	-	-	-	-	12,763	52,777	4,684	78,394	-	78,576
Maintenance reserve funds	11,047	(39,462)	-	2,550	-	5,556	-	237	(20,072)	-	48,786
Payment in lieu of tax funds (Note B)	5,035	-	-	1,589	-	-	-	30	6,654	-	6,642
Partner distribution	-	-	7,980	-	-	-	-	-	7,980	-	3,353
State Contract Bonds debt service	-	-	-	-	-	-	-	-	-	-	4,246
<b>Total Revenues Distributed</b>	\$ 24,252	\$ (39,462)	\$ 7,980	\$ 4,139	\$ 7,908	\$ 18,319	\$ 52,777	\$ 5,951	\$ 81,864	\$ -	\$ 148,494

See notes to consolidated financial statements.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

SCHEDULE B

COMBINING STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES  
 DECEMBER 31, 2007 AND 2006  
 (Pursuant to the various Bond Resolutions)  
 (In Thousands)

	December 31, 2007									December 31, 2006
	Sports Complex Funds	Xanadu Project Fund	Stadium Suites Project	Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwood Convention Center Funds	Total Funds	Total Funds
<b>ASSETS</b>										
Cash and cash equivalents (Notes B and D)	\$ 53,129	\$ 34,041	\$ 2,908	\$ 13,164	\$ 8,872	\$ 17,267	\$ 11,432	\$ 8,546	\$ 149,359	\$ 125,043
Restricted cash and cash equivalents (Notes B and D)	243	20,000	-	-	-	2,123	-	-	22,366	88,060
Restricted investments (Note D)	-	-	-	-	-	4,740	20,999	-	25,739	25,517
Accrued interest receivable	-	-	-	-	-	-	521	-	521	521
Luxury tax, marketing fee and tourism tax receivable (Notes A and C)	-	-	-	-	3,436	5,329	-	350	9,115	8,549
Receivables	33,995	-	-	4,642	831	-	-	65	39,533	26,650
Interfund receivables	7,262	-	824	(466)	2,633	6,761	-	-	17,014	15,590
Investment in facilities	516,371	-	44,018	46,267	827	259,215	351,825	66,826	1,285,349	1,239,922
Other assets (Note B)	16,431	-	755	102	1,112	1,681	3,376	127	23,584	22,278
	<u>\$ 627,431</u>	<u>\$ 54,041</u>	<u>\$ 48,505</u>	<u>\$ 63,709</u>	<u>\$ 17,711</u>	<u>\$ 297,116</u>	<u>\$ 388,153</u>	<u>\$ 75,914</u>	<u>\$ 1,572,580</u>	<u>\$ 1,552,130</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Accounts payable and accrued expenses	\$ 36,039	\$ 2,051	\$ 2,643	\$ 7,738	\$ 4,090	\$ 4,740	\$ 2,959	\$ 869	\$ 61,129	\$ 47,667
Interfund payables	-	-	-	-	-	8,356	8,658	-	17,014	15,590
Interest payable on bonds and notes	2,100	-	-	-	-	8,556	312	235	11,203	11,986
Deferred revenue	37,663	-	-	-	6,076	-	-	25	43,764	23,371
Other liabilities	11,547	-	-	2,784	-	20,609	-	-	34,940	35,168
Notes payable (Note G)	-	-	-	-	-	8,600	-	-	8,600	8,600
Bonds payable (Note F)	72,330	-	-	-	-	166,200	546,246	44,833	829,609	838,538
Unamortized original issue discount	(1,323)	-	-	-	-	1,666	(2,175)	(103)	(1,935)	(1,845)
Fund balance (deficit)	<u>469,075</u>	<u>51,990</u>	<u>45,862</u>	<u>53,187</u>	<u>7,545</u>	<u>78,389</u>	<u>(167,847)</u>	<u>30,055</u>	<u>568,256</u>	<u>573,055</u>
	<u>\$ 627,431</u>	<u>\$ 54,041</u>	<u>\$ 48,505</u>	<u>\$ 63,709</u>	<u>\$ 17,711</u>	<u>\$ 297,116</u>	<u>\$ 388,153</u>	<u>\$ 75,914</u>	<u>\$ 1,572,580</u>	<u>\$ 1,552,130</u>

See notes to consolidated financial statements.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

SCHEDULE C

STATEMENTS OF CHANGES IN FUND BALANCES  
 YEARS ENDED DECEMBER 31, 2006 AND 2005  
 (Pursuant to Various Bond Resolutions)  
 (In Thousands)

	December 31, 2007									December 31, 2006
	Sports Complex Funds	Xanadu Project Fund	Stadium Suites Project	Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwood Convention Center Funds	Total Funds	Total Funds
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	\$ 412,337	\$ 91,452	\$ 45,884	\$ 50,637	\$ 6,599	\$ 70,775	\$ (132,550)	\$ 27,921	\$ 573,055	\$ 498,218
Excess of revenues over expenses	14,252	(14,462)	7,980	(10,861)	1,309	18,319	52,777	4,951	74,265	141,317
Interest income on restricted debt service funds	-	-	-	-	-	-	-	-	-	1,598
Interest on bonds and notes	(4,475)	-	-	-	-	(7,033)	(35,838)	(2,551)	(49,897)	(43,681)
Maintenance charges	(7,867)	-	(22)	-	(363)	(3,550)	-	(211)	(12,013)	(11,511)
Payment in lieu of taxes ( Note B)	(5,035)	-	-	(1,589)	-	-	-	(30)	(6,654)	(6,642)
Write-off and amortization of bond discount and issuance costs	(622)	-	-	-	-	(122)	(1,751)	(25)	(2,520)	(2,891)
Interfund transfers	60,485	(25,000)	-	15,000	-	-	(50,485)	-	-	-
Amortization of costs on the Rutgers and Higher Education Projects	-	-	-	-	-	-	-	-	-	-
Partners distribution	-	-	(7,980)	-	-	-	-	-	(7,980)	(3,353)
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	\$ 469,075	\$ 51,990	\$ 45,862	\$ 53,187	\$ 7,545	\$ 78,389	\$ (167,847)	\$ 30,055	\$ 568,256	\$ 573,055

See notes to consolidated financial statements.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

SCHEDULE D

COMBINING STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

SPORTS COMPLEX FUNDS

(pursuant to the Sports Complex Revenue Bond Resolutions)

(In Thousands)

	December 31, 2007										December 31, 2006
	Construction Funds	Revenue/Operating Fund	Operating Fund	Debt Service Fund	Subordinated Indebtedness Fund	Subordinated Loan Fund	Maintenance Reserve Fund	Payment in Lieu of Taxes Fund	Total Sports Complex Funds		Total Sports Complex Funds
<b>ASSETS</b>											
Cash and cash equivalents	\$ -	\$ 25,363	\$ -	\$ -	\$ -	\$ -	\$ 26,812	\$ 954	\$ 53,129		\$ 20,619
Restricted cash and cash equivalents	-	-	-	232	11	-	-	-	243		6,389
Receivables	-	33,995	-	-	-	-	-	-	33,995		24,852
Interfund receivables (payables)	-	6,386	-	2,614	2,938	-	(4,676)	-	7,262		14,848
Investment in facilities	516,371	-	-	-	-	-	-	-	516,371		516,371
Other assets	481	15,950	-	-	-	-	-	-	16,431		14,325
	<u>\$ 516,852</u>	<u>\$ 81,694</u>	<u>\$ -</u>	<u>\$ 2,846</u>	<u>\$ 2,949</u>	<u>\$ -</u>	<u>\$ 22,136</u>	<u>\$ 954</u>	<u>\$ 627,431</u>		<u>\$ 597,404</u>
<b>LIABILITIES AND FUND BALANCE</b>											
Accounts payable and accrued expenses	\$ -	\$ 32,484	\$ -	\$ -	\$ -	\$ -	\$ 3,555	\$ -	\$ 36,039		\$ 23,904
Interfund payables	-	-	-	-	-	-	-	-	-		-
Interest payable on bonds and notes	-	-	-	1,151	949	-	-	-	2,100		3,338
Deferred revenue	-	37,663	-	-	-	-	-	-	37,663		20,915
Other liabilities	-	11,547	-	-	-	-	-	-	11,547		12,092
Bonds payable	68,635	-	-	1,695	2,000	-	-	-	72,330		126,685
Unamortized original issue discount	(1,323)	-	-	-	-	-	-	-	(1,323)		(1,867)
Fund balance	449,540	-	-	-	-	-	18,581	954	469,075		412,337
	<u>\$ 516,852</u>	<u>\$ 81,694</u>	<u>\$ -</u>	<u>\$ 2,846</u>	<u>\$ 2,949</u>	<u>\$ -</u>	<u>\$ 22,136</u>	<u>\$ 954</u>	<u>\$ 627,431</u>		<u>\$ 597,404</u>
<b>CHANGES TO FUND BALANCE (DEFICIT)</b>											
Balance, beginning of year	\$ 395,982	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,401	\$ 954	\$ 412,337		\$ 408,518
<b>Revenues:</b>											
Racetrack	-	92,658	-	-	-	-	-	-	92,658		107,035
Stadium	-	46,997	-	-	-	-	-	-	46,997		51,391
Arena	-	47,282	-	-	-	-	-	-	47,282		42,648
Interest earned and other	-	5,217	-	-	-	-	-	-	5,217		4,696
Stadium Suites distribution	-	2,660	-	-	-	-	-	-	2,660		1,118
Account Wagering	-	12,773	-	-	-	-	-	-	12,773		2,909
Off-Track Wagering	-	3,080	-	-	-	-	-	-	3,080		-
<b>Operating Expenses:</b>											
Racetrack	-	(94,858)	-	-	-	-	-	-	(94,858)		(95,684)
Stadium	-	(31,447)	-	-	-	-	-	-	(31,447)		(32,090)
Arena	-	(47,220)	-	-	-	-	-	-	(47,220)		(45,616)
Account Wagering	-	(8,939)	-	-	-	-	-	-	(8,939)		-
Off-Track Wagering	-	(2,228)	-	-	-	-	-	-	(2,228)		-
General and administration	-	(9,788)	-	-	-	-	-	-	(9,788)		(11,499)
Other	-	(1,935)	-	-	-	-	-	-	(1,935)		-
Interfund transfers	50,485	(14,252)	-	4,272	3,898	-	11,047	5,035	60,485		-
Principal paid and accrued on bonds	3,695	-	-	(1,695)	(2,000)	-	-	-	-		-
Amortization of bond issuance costs	(622)	-	-	-	-	-	-	-	(622)		(182)
Interest paid and accrued	-	-	-	(2,577)	(1,898)	-	-	-	(4,475)		(7,536)
Maintenance charges	-	-	-	-	-	-	(7,867)	-	(7,867)		(8,405)
Payments in lieu of tax	-	-	-	-	-	-	-	(5,035)	(5,035)		(4,966)
	<u>\$ 449,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,581</u>	<u>\$ 954</u>	<u>\$ 469,075</u>		<u>\$ 412,337</u>

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY**

**SCHEDULE E**

**COMBINING STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES  
STADIUM SUITES PROJECT FUNDS  
(Pursuant to the Loan Agreement)  
(In Thousands)**

	December 31, 2007						December 31, 2006
	Construction Fund	Revenue/Operating Fund	Interest Reserve Fund	Maintenance Reserve Fund	Excess Cash Flow Fund	Total Stadium Suites Project Funds	Total Stadium Suites Project Funds
<b>ASSETS</b>							
Restricted cash and cash equivalents	\$ -	\$ 1,819	\$ -	\$ 1,089	\$ -	\$ 2,908	\$ 7,118
Interfund receivables (payable)	-	824	-	-	-	824	(2,654)
Investment in facilities	44,018	-	-	-	-	44,018	44,018
Other assets	755	-	-	-	-	755	755
	<u>\$ 44,773</u>	<u>\$ 2,643</u>	<u>\$ -</u>	<u>\$ 1,089</u>	<u>\$ -</u>	<u>\$ 48,505</u>	<u>\$ 49,237</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Accounts payable and accrued expenses	\$ -	\$ 2,643	\$ -	\$ -	\$ -	\$ 2,643	\$ 3,353
Interest payable on bonds and notes	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-
Fund balance	44,773	-	-	1,089	-	45,862	45,884
	<u>\$ 44,773</u>	<u>\$ 2,643</u>	<u>\$ -</u>	<u>\$ 1,089</u>	<u>\$ -</u>	<u>\$ 48,505</u>	<u>\$ 49,237</u>
<b>CHANGES TO FUND BALANCE</b>							
Balance, beginning of year	\$ 44,773	\$ -	\$ -	\$ 1,111	\$ -	\$ 45,884	\$ 41,746
License fees	-	8,211	-	-	-	8,211	8,141
Principal paid and accrued on notes	-	-	-	-	-	-	-
Interest earned and other	-	379	-	46	-	425	467
Interest transferred	-	46	-	(46)	-	-	-
Operating expenses	-	(656)	-	-	-	(656)	(744)
Interest paid and accrued	-	-	-	-	-	-	(96)
Interfund transfers	-	-	-	-	-	-	-
Maintenance reserve charges	-	-	-	(22)	-	(22)	(277)
Partner distribution	-	(7,980)	-	-	-	(7,980)	(3,353)
Balance, end of year	<u>\$ 44,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,089</u>	<u>\$ -</u>	<u>\$ 45,862</u>	<u>\$ 45,884</u>

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

SCHEDULE F

COMBINING STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

MONMOUTH PARK FUNDS

(pursuant to the State Contract Bond Resolutions)

(In Thousands)

	December 31, 2007								December 31, 2006	
ASSETS	Con- struction Funds	Revenue/ Operating Fund	Operating Fund	Debt Service Fund	Main- tenance Reserve Fund	Payment In Lieu Of Tax Fund	Total Monmouth Park Funds	Total Monmouth Park Funds		
Cash and cash equivalents	\$ -	\$ 12,269	\$ -	\$ -	\$ 542	\$ 353	\$ 13,164	\$ 20,575		
Restricted cash and cash equivalents										
Restricted investments										
Accrued interest receivable										
Receivables	-	4,642	-	-	-	-	4,642	524		
Interfund receivables (payables)	-	(6,491)	-	-	6,060	(35)	(466)	(10,258)		
Investment in facilities	46,267	-	-	-	-	-	46,267	46,267		
Other assets	-	102	-	-	-	-	102	203		
	<u>\$ 46,267</u>	<u>\$ 10,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,602</u>	<u>\$ 318</u>	<u>\$ 63,709</u>	<u>\$ 57,311</u>		
LIABILITIES AND FUND BALANCE										
Accounts payable and accrued expenses	\$ -	\$ 7,738	\$ -	\$ -	\$ -	\$ -	\$ 7,738	\$ 4,207		
Other liabilities	-	2,784	-	-	-	-	2,784	2,467		
Fund balance (deficit)	46,267	-	-	-	6,602	318	53,187	50,637		
	<u>\$ 46,267</u>	<u>\$ 10,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,602</u>	<u>\$ 318</u>	<u>\$ 63,709</u>	<u>\$ 57,311</u>		
CHANGES TO FUND BALANCE (DEFICIT)										
Balance, beginning of year	\$ 46,267	\$ -	\$ -	\$ -	\$ 4,052	\$ 318	\$ 50,637	\$ (18,187)		
Revenue:										
Racetrack	-	43,892	-	-	-	-	43,892	45,333		
Interest earned	-	858	-	-	346	17	1,221	322		
Interest transferred										
Other	-	-	-	-	-	-	-	8,456		
Operating expenses:										
Racing	-	(55,674)	-	-	-	-	(55,674)	(46,896)		
General and administrative	-	(300)	-	-	-	-	(300)	(300)		
Interfund transfers	-	11,224	-	-	2,204	1,572	15,000	-		
Principal paid and accrued on bonds and notes	-	-	-	-	-	-	-	63,555		
Payment in lieu of taxes	-	-	-	-	-	(1,589)	(1,589)	(1,646)		
Balance, end of year	<u>\$ 46,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,602</u>	<u>\$ 318</u>	<u>\$ 53,187</u>	<u>\$ 50,637</u>		

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

SCHEDULE G

COMBINING STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

LUXURY TAX FUNDS

(pursuant to the Luxury Tax and State Contract Bond Resolutions)

(In Thousands)

	December 31, 2007								December 31, 2006	
ASSETS	Convention Center Project Fund	East Hall Project Fund	Luxury Tax Revenue Fund	Debt Service Funds	Operating Fund	Working Capital Maintenance Reserve Fund	Total Luxury Tax Funds	Total Luxury Tax Funds		
Cash and cash equivalents	\$ -	\$ -	\$ 13,344	\$ -	\$ -	\$ 3,923	\$ 17,267	\$ 11,260		
Investments										
Restricted cash and cash equivalents	-	-	-	782	-	1,341	2,123	5,971		
Restricted investments	-	-	-	-	-	4,740	4,740	4,518		
Accrued interest receivable										
Luxury tax and marketing fee receivable	-	-	5,329	-	-	-	5,329	6,157		
Receivables										
Interfund receivables (payables)	-	-	(13,344)	7,774	3,027	9,304	6,761	-		
Investment in facilities	160,232	98,983	-	-	-	-	259,215	259,215		
Other assets	1,448	233	-	-	-	-	1,681	1,855		
	<u>\$ 161,680</u>	<u>\$ 99,216</u>	<u>\$ 5,329</u>	<u>\$ 8,556</u>	<u>\$ 3,027</u>	<u>\$ 19,308</u>	<u>\$ 297,116</u>	<u>\$ 288,976</u>		
LIABILITIES AND FUND BALANCE										
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,740	\$ 4,740	\$ 4,518		
Interest payable on bonds and notes	-	-	-	8,556	-	-	8,556	8,148		
Interfund payables	-	-	5,329	-	3,027	-	8,356	2,678		
Other liabilities	-	-	-	-	-	20,609	20,609	20,609		
Notes Payable	8,600	-	-	-	-	-	8,600	8,600		
Bonds payable	126,020	40,180	-	-	-	-	166,200	171,930		
Unamortized original issue discount	2,006	(340)	-	-	-	-	1,666	1,718		
Fund balance (deficit)	25,054	59,376	-	-	-	(6,041)	78,389	70,775		
	<u>\$ 161,680</u>	<u>\$ 99,216</u>	<u>\$ 5,329</u>	<u>\$ 8,556</u>	<u>\$ 3,027</u>	<u>\$ 19,308</u>	<u>\$ 297,116</u>	<u>\$ 288,976</u>		
CHANGES TO FUND BALANCE (DEFICIT)										
Balance, beginning of year	\$ 19,364	\$ 59,458	\$ -	\$ -	\$ -	\$ (8,047)	\$ 70,775	\$ 60,205		
Luxury tax collections	-	-	27,977	-	-	-	27,977	27,282		
Transfer to/from funds	-	-	(28,433)	12,555	11,194	4,684	-	-		
Amortization of bond discount and issuance costs	(40)	(82)	-	-	-	-	(122)	(122)		
Capital contributions										
Interest earned	-	-	456	208	-	463	1,127	734		
Interest transferred										
Maintenance charges	-	-	-	-	-	(3,550)	(3,550)	(2,500)		
Principal paid and accrued on bonds	5,730	-	-	(5,730)	-	-	-	-		
Interest paid and accrued on bonds	-	-	-	(7,033)	-	-	(7,033)	(7,544)		
Other income (expense)										
Operating deficit	-	-	-	-	(11,194)	409	(10,785)	(7,280)		
Balance, end of year	<u>\$ 25,054</u>	<u>\$ 59,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,041)</u>	<u>\$ 78,389</u>	<u>\$ 70,775</u>		

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

SCHEDULE H

COMBINING STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

STATE CONTRACT FUNDS

(pursuant to the State Contract Bond Resolutions)

(In Thousands)

	December 31, 2007														December 31, 2006		
	Project Funds							Debt Service Funds									
ASSETS	Convention Center Project Account	Capital Improvement Programs Accounts	Rutgers Project Account	Higher Education Project Account	Feasibility Studies Project Account	State Contract Bond Refunding Account	Bond Refunding Account	2003A & 2005A & 2007B Series A	1992 Series A	1992 Series C	1998 Series A & B	2000 Series A,B,C,D	2002 Series A,B,C	Debt Service Reserve Account 92 Series C	Credit Obligation Account	Total State Contract Funds	Total State Contract Funds
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,704	\$ 4,952	\$ 4,776	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,432	\$ 31,710
Investments																	
Restricted cash and cash equivalents																	
Restricted investments	-	-	-	-	-	-	-	-	-	-	-	-	-	20,999	-	20,999	20,999
Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	521	-	521	521
Receivables																	
Interfund receivables (payables)																	
Investment in facilities	171,607	147,456	32,459	-	303	-	-	-	-	-	-	-	-	-	-	351,825	306,398
Other assets	1,335	777	273	-	4	-	987	-	-	-	-	-	-	-	-	3,376	3,841
	<u>\$ 172,942</u>	<u>\$ 148,233</u>	<u>\$ 32,732</u>	<u>\$ -</u>	<u>\$ 307</u>	<u>\$ -</u>	<u>\$ 2,691</u>	<u>\$ 4,952</u>	<u>\$ 4,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,520</u>	<u>\$ -</u>	<u>\$ 388,153</u>	<u>\$ 363,469</u>
LIABILITIES AND FUND BALANCE																	
Accounts payable and accrued expenses	\$ -	\$ 2,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,959	\$ 4,481
Interfund Payable	-	-	-	-	-	-	-	4,952	3,706	-	-	-	-	-	-	8,658	-
Interest payable	-	-	-	-	-	-	-	-	-	-	-	-	312	-	-	312	312
Bonds payable	167,370	87,786	32,940	-	237	-	257,913	-	-	-	-	-	-	-	-	546,246	492,810
Unamortized original issue discount	(204)	(625)	37	-	(3)	-	(1,380)	-	-	-	-	-	-	-	-	(2,175)	(1,584)
Fund balances (deficits)	5,776	58,113	(245)	-	73	-	(253,842)	-	1,070	-	-	-	(312)	21,520	-	(167,847)	(132,550)
	<u>\$ 172,942</u>	<u>\$ 148,233</u>	<u>\$ 32,732</u>	<u>\$ -</u>	<u>\$ 307</u>	<u>\$ -</u>	<u>\$ 2,691</u>	<u>\$ 4,952</u>	<u>\$ 4,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,520</u>	<u>\$ -</u>	<u>\$ 388,153</u>	<u>\$ 363,469</u>
CHANGES TO FUND BALANCE (DEFICIT)																	
Balance, beginning of year	\$ 1,147	\$ 40,395	\$ (805)	\$ -	\$ 72	\$ -	\$ (195,562)	\$ -	\$ 995	\$ -	\$ -	\$ -	\$ (312)	\$ 21,520	\$ -	\$ (132,550)	\$ (86,826)
Transfer to/from debt service	-	18,130	-	-	-	-	(50,485)	3,753	(69,205)	14,712	8,704	13,639	11,038	(1,510)	739	(50,485)	(63,603.00)
Contributed capital	-	-	-	-	-	-	-	-	50,044	-	-	-	-	-	-	50,044	44,610
Amortization of bond discount and issuance costs	(91)	(638)	17	-	-	-	219	-	-	-	-	-	-	-	-	(493)	(599)
Amortization of investment in facilities	-	-	(1,258)	-	-	-	-	-	-	-	-	-	-	-	-	(1,258)	(1,222)
Interest earned	-	-	-	-	-	-	-	1,074	149	-	-	-	-	1,510	-	2,733	1,634
Interest transferred	-	-	-	-	-	-	(8,014)	-	-	-	-	-	-	-	-	(8,014)	-
loss on refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal paid and accrued on bonds	4,720	226	1,801	-	1	-	-	(2,459)	21,201	(4,720)	(5,105)	(8,395)	(7,270)	-	-	-	-
Interest paid and accrued on debt	-	-	-	-	-	-	-	(2,368)	(2,114)	(9,992)	(3,599)	(5,244)	(3,768)	-	-	(27,085)	(25,841)
Credit obligation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(739)	(739)	(703)
Balance, end of year	<u>\$ 5,776</u>	<u>\$ 58,113</u>	<u>\$ (245)</u>	<u>\$ -</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ (253,842)</u>	<u>\$ -</u>	<u>\$ 1,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (312)</u>	<u>\$ 21,520</u>	<u>\$ -</u>	<u>\$ (167,847)</u>	<u>\$ (132,550)</u>

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY**

**SCHEDULE I**

**COMBINING STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE  
ATLANTIC CITY CONVENTION CENTER AUTHORITY  
(In Thousands)**

	December 31, 2007				December 31, 2006	
	Boardwalk Hall	Convention Center	Visitor's Authority	Total	Total	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,037	\$ 5,418	\$ 2,417	\$ 8,872	\$ 7,755	
Marketing fee receivable	-	-	3,436	3,436	2,070	
Receivables	445	350	36	831	715	
Interfund receivables (payables)	849	-	1,784	2,633	742	
Investment in facilities	-	-	827	827	827	
Other assets	58	838	216	1,112	1,155	
	<u>\$ 2,389</u>	<u>\$ 6,606</u>	<u>\$ 8,716</u>	<u>\$ 17,711</u>	<u>\$ 13,264</u>	
<b>LIABILITIES AND FUND BALANCE</b>						
Accounts payable and accrued expenses	\$ 840	\$ 2,167	\$ 1,083	\$ 4,090	\$ 4,225	
Deferred revenue	1,549	4,439	88	6,076	2,439	
Fund balance	-	-	7,545	7,545	6,599	
	<u>\$ 2,389</u>	<u>\$ 6,606</u>	<u>\$ 8,716</u>	<u>\$ 17,711</u>	<u>\$ 13,264</u>	
<b>CHANGES TO FUND BALANCE</b>						
Balance, beginning of year	\$ -	\$ -	\$ 6,599	\$ 6,599	\$ 7,028	
Revenues	7,324	10,784	667	18,775	18,950	
Interest earned and other	135	40	177	352	472	
Luxury tax and marketing fees	2,869	4,074	10,759	17,702	15,279	
Operating Expenses	(8,490)	(12,693)	(10,294)	(31,477)	(30,887)	
General and administration	(1,838)	(2,205)	-	(4,043)	(4,100)	
Maintenance charges	-	-	(363)	(363)	(143)	
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,545</u>	<u>\$ 7,545</u>	<u>\$ 6,599</u>	

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY**

**SCHEDULE J**

**COMBINING STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE  
WILDWOOD CONVENTION CENTER  
(In Thousands)**

	December 31, 2007				December 31, 2006	
	Project Fund	Debt Service Fund	Revenue/ Operating Fund	Total	Total	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 8,366	\$ -	\$ 180	\$ 8,546	\$ 8,703	\$ 8,703
Restricted investments	-	-	350	350	322	322
Tourism tax receivable	-	-	65	65	59	59
Accrued interest receivable	-	-	8,375	-	-	-
Receivables	(8,375)	-	3,171	66,826	66,826	66,826
Interfund receivable (payable)	63,655	-	42	127	144	144
Investment in facilities	85	-				
Other Assets						
	<u>\$ 63,731</u>	<u>\$ -</u>	<u>\$ 12,183</u>	<u>\$ 75,914</u>	<u>\$ 76,054</u>	<u>\$ 76,054</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable and accrued expenses	\$ -	\$ -	\$ 869	\$ 869	\$ 928	\$ 928
Deferred revenue	-	-	25	25	16	16
Interest payable	-	-	235	235	188	188
Bonds payable	42,655	-	2,178	44,833	47,113	47,113
Unamortized original issue discount	(103)	-	-	(103)	(112)	(112)
Fund balance	21,179	-	8,876	30,055	27,921	27,921
	<u>\$ 63,731</u>	<u>\$ -</u>	<u>\$ 12,183</u>	<u>\$ 75,914</u>	<u>\$ 76,054</u>	<u>\$ 76,054</u>
<b>CHANGES TO FUND BALANCE</b>						
Balance, beginning of year	\$ 19,024	\$ -	\$ 8,897	\$ 27,921	\$ 25,786	\$ 25,786
Operating revenues	-	-	2,279	2,279	2,381	2,381
Interest earned and other	-	-	385	385	366	366
Tourism tax	-	-	3,338	3,338	3,174	3,174
State contract payments	-	4,684	-	4,684	4,687	4,687
Operating expenses	-	-	(4,013)	(4,013)	(4,020)	(4,020)
Amortization of bond discount and issuance costs	(25)	-	-	(25)	(15)	(15)
Interest paid on debt	-	(2,504)	(47)	(2,551)	(2,664)	(2,664)
Principal paid and accrued on bonds	2,180	(2,180)	-	-	-	-
General and administration	-	-	(1,722)	(1,722)	(1,558)	(1,558)
Maintenance charges	-	-	(211)	(211)	(186)	(186)
Payment in lieu of taxes	-	-	(30)	(30)	(30)	(30)
Balance, end of year	<u>\$ 21,179</u>	<u>\$ -</u>	<u>\$ 8,876</u>	<u>\$ 30,055</u>	<u>\$ 27,921</u>	<u>\$ 27,921</u>

# NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF FUNDING PROGRESS - NSJEA POSTRETIREMENT HEALTHCARE PLAN

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets {a}	Actuarial Accrued Liability (AAL) {b}	Unfunded Actuarial Accrued Liability (UAAL) {c} = {b} - {a}	Funded Ratio {a} / {c}	Covered Payroll {d}	Ratio of UAAL to Covered Payroll {c} / {d}
12/31/2007	\$ -	\$ 22,183	\$ 22,183	-	\$ 12,218	182%
01/01/2006	\$ -	\$ 22,555	\$ 22,555	-	\$ 17,624	128%