



We Bring The World To New Jersey.

**ANNUAL**  
**REPORT**  
**2001**

To The Honorable  
James E. McGreevey  
Governor of the State of New Jersey  
And the Members of the State Legislature



**James E. McGreevey**  
Governor of New Jersey

**2**001 marked the end of the 30th anniversary year of the establishment of the New Jersey Sports and Exposition Authority, the 25th anniversary of Giants Stadium and Meadowlands Racetrack, and the 20th anniversary of Continental Airlines Arena. The performance of the three signature venues of the Meadowlands Sports Complex and the Authority's other properties around the state was, in itself, worthy of celebration.

Meadowlands Racetrack remains one of America's most profitable pari-mutuel facilities and it took in a record handle of \$600 million while distributing record purses in 2001. The Meadowlands is the world's leading harness racing facility and a top nighttime thoroughbred racetrack as well. A worldwide audience watched another spectacular Hambletonian, harness racing's signature event from East Rutherford, while a record handle of \$8 million was wagered on Hambletonian Day.

Giants Stadium hosted 55 events, including the NFC Championship game as the Giants crushed the Minnesota Vikings, 41-0. For the third straight year, the stadium was ranked the No. 1 grossing stadium in North America for non-franchise events by *Amusement Business*.

Continental Airlines Arena hosted 205 events and once again played host to the Stanley Cup finals, courtesy of the New Jersey Devils. The arena ranked No. 5 in North America in gross revenue from concerts and family shows and record grosses were recorded by a number of events, including the Harlem Globetrotters.

The Meadowlands Sports Complex is synonymous with major sports and entertainment. The Giants, Jets, Devils, Nets, MetroStars, Gladiators, Storm Lacrosse, Seton Hall Basketball, the Jimmy V Classic, the Kickoff Classic, U2, Britney Spears, Andrea Bocelli, Aerosmith, \*NSync, Dave Matthews, Bon Jovi, and hundreds of other events provided world-class shows in 2001 and nearly \$2 billion dollars of economic impact to North Jersey.

Adding to its legion of industry-voted awards, Continental Airlines Arena was named a 2001 Prime Site Award winner by *Facilities & Event Management* magazine for the fourth time.

Giants Stadium's capacity increased to 80,242 as the Giants and Jets ranked at the top of the National Football League in attendance.

Advertising revenue topped \$17 million in a tough economic climate, an outstanding performance.

The horrific attack on the World Trade Center on September 11, in full view of the Meadowlands Sports Complex, again saw the NJSEA and its personnel come to the cause of community relations. On September 11, our parking lot facilities became a staging area for emergency vehicles on

their way in to New York and a way station for stranded commuters being shuttled back to New Jersey. The following weekend, NJSEA employee volunteers managed the collection of thousands of tons of needed supplies for the relief effort. It was a shining moment during a very dark time.

2001 was a strong year for the NJSEA statewide facilities. Monmouth Park Racetrack attracted a record crowd of over 47,000 for the Haskell Invitational, contributing to an impressive 11 percent increase in attendance for the year. Record purses, strong attendance, and a surge in total handle made the Monmouth meet one of America's most impressive in 2001.

A total of nearly three million patrons attended races at Sports Authority tracks generating \$810 million in on-site handle, which has grown 14 percent since 1996.

In Atlantic City, the historic Boardwalk Hall renovation was completed on time and on budget and opened to spectacular reviews for Miss America 2001. The grande dame of the Boardwalk got a world-class makeover, placing it in the forefront of special events centers in the Northeast. The new mission for the Boardwalk Hall was made possible by the opening of the new Atlantic City Convention Center in 1997, which the NJSEA built and oversees. The Convention Center continues to deliver on the promise of bringing positive economic impact and new visitors to Atlantic City.

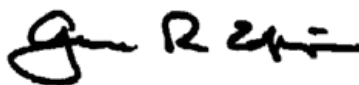
The close of 2001 also brought the virtual completion of the new Wildwoods Convention Center. A gala grand opening will take place in May 2002.

2001 saw much debate about the future of the core businesses of the Sports and Exposition Authority and its venues. We look forward to working with the new Administration and Legislature on the challenges of implementing off-track wagering and account wagering for racing, and the resolution of arena, stadium, and site development issues at the Sports Complex to prepare the sports and entertainment industry in New Jersey for the 21st century.

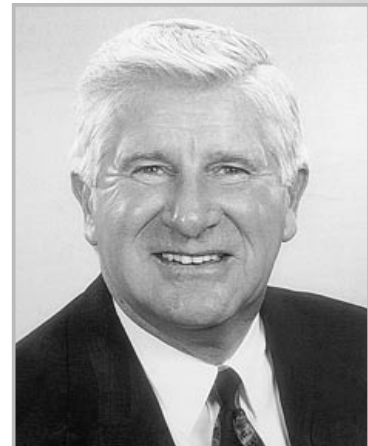
Sincerely,



Joseph Buckelew  
Chairman of the Board



George R. Zoffinger  
President and  
Chief Executive Officer



**Joseph Buckelew**  
Chairman of the Board



**George R. Zoffinger**  
President and  
Chief Executive Officer

# GIANTS STADIUM



STEVE SMITH

MetroStars midfielder Daniel Hernandez

**G**iants Stadium hosted 55 events in 2001. The stadium received the "No. 1 Stadium Award" for the third straight year from *Amusement Business*, an entertainment industry publication. This honor is bestowed upon the stadium with the highest box office gross for all non-franchise events.

The 25th Anniversary year of Giants Stadium was a history-maker as it became the only stadium in the country to house four professional sports teams. The Giants, Jets and MetroStars were joined by the NY/NJ Hitmen of the XFL. 2001 also marked the first year in history that Giants Stadium was fully operational from January through December.

The Jets finished the regular season 10-6 and advanced to the playoffs for the second time in four years. They lost to the Raiders, 38-24, in the wild-card game. The Giants compiled a 7-9 record and finished in third-place in the NFC East.

The MetroStars finished the 2001 season with an appearance against the Los Angeles Galaxy in the quarterfinals of the MLS playoffs. They also hosted the Unity Games, a benefit double-header with the proceeds going to the victims of the September 11 tragedy.

The inaugural season of the XFL kicked off in early February as the NY/NJ Hitmen played the first of five home games at Giants Stadium. Unfortunately, the league was not as successful as anticipated and folded upon the conclusion of the 2001 season.



Jets and Giants square off during pre-season game.

In college football, Georgia Tech defeated Syracuse 13-7 in Kickoff Classic XIX, while Hampton rolled to a 55-14 victory over Virginia State in the New York Urban League Classic.

Giants Stadium hosted its strongest summer concert season in seven years. New Jersey favorites Bon Jovi rocked the stadium with two shows to close out their tour and The Dave Matthews Band and pop group \*NSync packed the stadium with three performances each.

Many improvements were made to the stadium itself, the most impressive being state-of-the-art video boards that provide crisp, movie-like quality. The NFL capacity of the stadium was increased to 80,242 with the addition of two front-rows of seating, making Giants Stadium the third-largest NFL stadium in the country.



new jersey sports and exposition authority

# CONTINENTAL AIRLINES ARENA

Continental Airlines Arena hosted 205 events in 2001. The arena received the "Prime Site Award" by *Facilities & Event Management* magazine for the fourth time (1994, 1995, 2000, 2001) and *Amusement Business* ranked the Arena No. 5 for Top Arenas Worldwide (based on total ticket sales in 2001 for family shows, concerts and special events).

Continental Airlines Arena plays host to the NHL's New Jersey Devils, NBA's New Jersey Nets, Big East Basketball's Seton Hall Pirates, Arena Football League's Gladiators, and the newest addition, Pro Indoor Lacrosse's New Jersey Storm.

The Devils made it to the Stanley Cup Finals for the second consecutive year but just missed in their quest to bring the Cup back to New Jersey when they lost to the Colorado Avalanche in seven games.

The Nets finished their first full-season under Byron Scott and made some great off-season moves, including acquiring NBA assist-leader and All-Star Jason Kidd from Phoenix. The new-look Nets jumped out to their best start in franchise history and entered the second half of the season as the No. 1 team in the East.

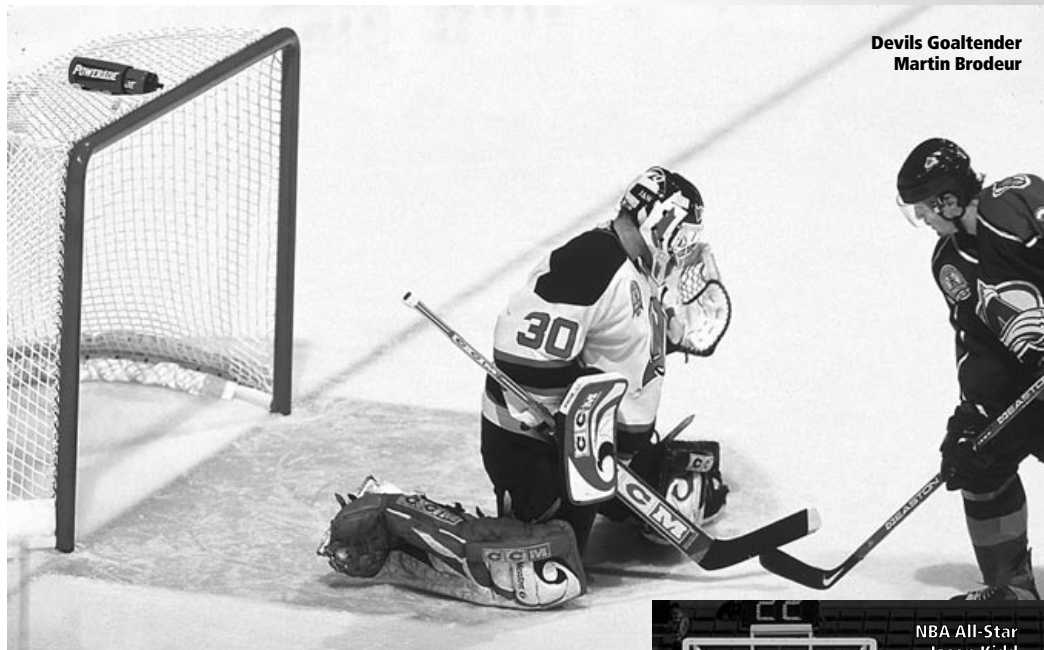
Louis Orr was named head coach of the Seton Hall Pirates in April 2001, becoming the 17th head coach in Pirate history. With 10 years of collegiate coaching experience, Orr looks forward to returning Seton Hall to prominence in the BIG EAST Conference.

The arena played host to 17 concerts including performances by U2, Madonna, Aerosmith, Andrea Bocelli, Ozzy Osbourne, The Backstreet Boys and Britney Spears. Holiday Express, an all-volunteer group of musicians, held a holiday concert and dedicated it to the New Jersey heroes of September 11. Bruce Springsteen made a surprise appearance and performed two songs for the appreciative crowd.

Family show entertainment included Disney on Ice "Beauty and the Beast" and "Toy Story 2", WWF Wrestling, Ringling Bros. and Barnum & Bailey Circus, Champions on Ice, and record-setting ticket sales for the Harlem Globetrotters. Unfortunately, family favorite Sesame Street Live was cancelled due to the tragic events of September 11.

The NJSIAA returned to the arena to host wrestling, hockey, and basketball championships for its high-school athletes.

The No. 1 ranked and defending national champion Duke Blue Devils defeated Kentucky in an overtime thriller before a sold-out crowd at the Jimmy V Classic. A check for \$50,000 was presented to The V Foundation for Cancer Research bringing the total raised by the game to nearly \$450,000.



Devils Goaltender  
Martin Brodeur



NBA All-Star  
Jason Kidd



2001 annual report

# MEADOWLANDS HARNESSEMEET

The Meadowlands continues to be the world's leading standardbred racing facility and the home of the world-famous Hambletonian. On August 4, a crowd of 26,569 poured through the turnstiles to watch renowned Swedish racing photographer Stefan Melander trade in his camera for a sulky and drive Scarlet Knight to victory in the Hambletonian. The \$8,028,480 total handle was a Meadowlands track and harness racing industry record.



Real Desire (#6) wins the \$1 million Meadowlands Pace.

Overall, it was a record year for purse distribution with a total of \$51,680,130 dispersed over the 2001 season. The daily average for overnight purses [excluding stakes] was \$213,953. Purses [including stakes] were the highest ever, with an average daily distribution of \$342,253.

The 25th anniversary of the Meadowlands Pace was a battle to the wire between a pair of divisional rivals and two Hall of Fame drivers. In the end, it was Real Desire who took home the lion's share of the \$1,009,500 jackpot, giving driver John Campbell a record sixth victory in the track's signature event. Real Desire prevailed by a neck over last year's freshman champion Bettor's Delight, driven by Mike Lachance.



Scarlet Knight paces to victory in the \$1 million Hambletonian.

A record-setting Breeders Crown Day on July 28 set the tone for the 2001 Hambletonian Festival, highlighted by the sensational performance of Italian trotter Varenne in the \$1 million Breeders Crown Trot. In one of the more memorable performances in Meadowlands history, Varenne shook off all challengers and drew away to a four and a half length victory in a track, stakes and world record of 1:51.1. The total handle of \$7,039,284 was the highest in Breeders Crown history.

The first fall harness meet at the Meadowlands since 1976 was held November 16 through December 15 and concluded with positive business and racing indicators. The highlight of the meet was the inaugural edition of the \$1.5 million Fall Final Four.

The sensational pacing colt Western Shooter equaled the world record for two-year-olds with a mile in 1:50 in the \$500,000 Governor's Cup. Total harness handle on the night was a meet high of \$4,429,904.

# MEADOWLANDS & MONMOUTH PARK THOROUGHBRED MEET

The Meadowlands Racetrack concluded its 2001 thoroughbred season with across-the-board gains and the largest daily purse distribution ever offered in the state of New Jersey.

The 44-day meet posted an average on-track handle of \$604,622, a 14 percent gain over last year and the largest since 1998. Total average handle topped out at \$2,255,622 nightly, an increase of 25 percent.

The \$371,000 average daily purse distribution, a 74 percent increase over last year, was not only the highest in Meadowlands history, but it set a new mark for the State of New Jersey. Despite the brevity of the meet, \$16.3 million was given away in purses, an all-time record that eclipsed the \$12.46 million distributed in 1998. Attendance for the meet was up one percent, averaging 4,852 patrons a night.

Racing highlights from the Meadowlands meet included a blanket finish in the \$500,000 Grade 2 Meadowlands Cup, with Gander finishing a head in front of Broken Vow and Include. The winner and the third-place horse both went on to compete in the Breeders' Cup Classic.

A record closing-day crowd of 24,357 capped the 2001 season at Monmouth Park that was the envy of the industry nationwide. The 72-day meeting saw an attendance of 783,335, the highest since 1989. Average daily attendance of 10,879 was 11.3 percent higher than in 2000, and was the highest since 1985, when the gate average was 11,478. Total handle, which includes on-track and simulcast wagers on Monmouth races, reached \$337,187,018, an increase of 25.6 percent over last year. The record average daily overnight purses were \$300,521.

The biggest crowd in Monmouth Park history turned out to watch Preakness and Belmont Stakes champion Point Given capture the \$1.5 million Haskell Invitational in a dramatic half-length victory over Touch Tone. Point Given went on to become Horse of the Year for 2001. The crowd of 47,127 easily topped the 43,591 crowd recorded in 1962. Haskell Day total handle was \$11,235,171, the second-best ever.



Gander wins the Meadowlands Cup by a head.

BOB PHOTOS, INC.



2001 Horse of the Year, Point Given, enters track on way to victory in the Haskell Invitational.

BOB PHOTOS, INC.

# AUTHORITY AROUND THE STATE

The reopening of Atlantic City's renovated historic Boardwalk Hall in October 2001 transformed the National Historic Landmark Building into a modern event arena and provided the region with a flexible venue for a variety of entertainment events. The \$90 million renovation, overseen by the New Jersey Sports and Exposition Authority over a three-year period, was much anticipated by the local community, which was supportive of the project throughout the renovation process. More than 2,000 people attended the opening weekend tours. The regional consumer media and the trade press have also given the Boardwalk Hall a great deal of attention, which continues to result in positive articles about the hall itself and about Atlantic City.

Boardwalk Hall is home to the new Boardwalk Bullies ice hockey team, a professional team affiliated with the East Coast Hockey League, which attracted an average of 1,700 people per game in November and December for its inaugural season. As the team gains popularity, attendance into 2002 is expected to increase substantially.

Boardwalk Hall has also hosted acts as diverse as World Wrestling Federation matches, the Lippizaner Stallions, sold-out concerts of Britney Spears and Andrea Bocelli, plus family entertainment including Target's Stars on Ice and Disney on Ice. These events bring audiences as large as 14,000 per night to Atlantic City's Boardwalk, generating additional positive economic impact for the city.

The Atlantic City Convention Center, which opened in May 1997, hosted 91 conventions, trade shows and public shows during 2001. They were attended by 456,466 delegates and generated \$193.8 million in economic benefits to the state.

Under the supervision of the NJSEA, construction of the new Wildwoods Convention Center is nearly complete. Grand Opening festivities are slated for May 9 to 11. The new venue will total over 260,000 square feet, including ballrooms, meeting rooms, and 75,000 square feet of unobstructed exhibit space. One of the center's distinctive features will be 6,600 square feet of oceanfront deck and a boardwalk extension to the water's edge. The new facility will extend the Wildwoods' season, create jobs and expand economic opportunity throughout the area.

Views of and from the Wildwoods Convention Center.

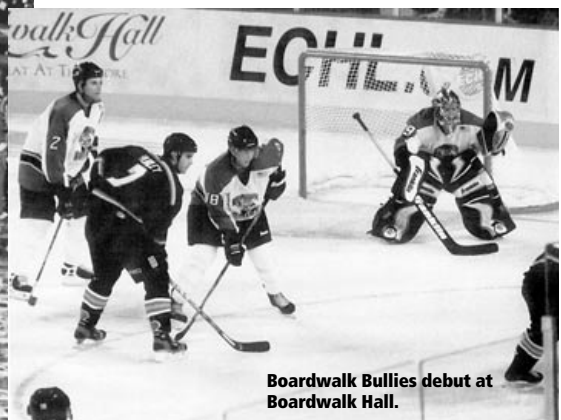


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Miss America 2002, Katie Harman, on runway of Boardwalk Hall.



Boardwalk Bullies debut at Boardwalk Hall.

new jersey sports and exposition authority

# ABOUT THE NJSEA

In May, 1971, the New Jersey Legislature created the New Jersey Sports and Exposition Authority. Eleven members on the Board of Commissioners are appointed by the Governor to four-year terms, subject to confirmation by the New Jersey Senate. Three "ex officio" members also serve on the Board, including the Authority President, state Treasurer, and a designated representative of the New Jersey Meadowlands Commission.

The Sports and Exposition Authority is the governing body that oversees the operations of Meadowlands Racetrack, Giants Stadium, Continental Airlines Arena, and Monmouth Park Racetrack. At the state's request, it constructed the State Aquarium at Camden. It built and operates the Atlantic City Convention Center, the recently renovated historic Boardwalk Hall, and the new convention facility for the Wildwoods. The Authority holds regularly scheduled meetings that are open to the public. The minutes of all Authority meetings are subject to approval by the Governor.

## AUTHORITY MEMBERS

Joseph Buckelew  
*Chairman*

Carl Goldberg

George R. Zoffinger  
*President & CEO*

Candace L. Straight  
*Vice Chairman*

Joseph J. Plumeri, II

John E. McCormac  
*Treasurer  
State of New Jersey*

Raymond H. Bateman

Marvin Schmelzer

Susan Bass Levin  
*Representative New Jersey  
Meadowlands Commission*

Joetta Clark Diggs

Barbara Sobel

Peter D. Sudler

Joseph M. Forgione

## SENIOR MANAGEMENT

George R. Zoffinger  
*President and  
Chief Executive Officer*

Robert J. Castronovo  
*Senior Executive Vice President  
& Chief Operating Officer  
Arena/Stadium*

Bruce Garland  
*Senior Executive  
Vice President  
Racing*

Joseph Consolazio  
*Senior Vice President  
Finance & Chief  
Financial Officer*

Christine H. Steinberg  
*Senior Vice President  
& General Counsel*

Richard C. Wolffe, Jr.  
*Senior Vice President  
Business Operations*

Timothy D. Hassett  
*Senior Vice President  
Sports & Entertainment  
Development*

John Samerjan  
*Vice President  
Public Affairs/  
Communications*



# MISSION STATEMENT

**T**he New Jersey Sports and Exposition Authority presents the finest in sports, racing, and entertainment and is committed to promoting the multi-billion dollar industry it created in the state through its operated facilities in East Rutherford, Oceanport, Atlantic City and Wildwood.

The NJSEA maintains the world-class status of the Meadowlands Sports Complex, Monmouth Park Racetrack and the Atlantic City Convention Center through continuing facility re-investment and event development. Expanding and improving the entertainment product mix at NJSEA facilities and anticipating the demands of the marketplace in our core businesses is our continuing goal.

The NJSEA honors its continuing statewide economic development role through the Wildwoods Convention Center and the Atlantic City Historic Boardwalk Hall construction. They join the State Aquarium in Camden, Rutgers athletic facilities, and the Atlantic City Convention Center as projects of the NJSEA.

The NJSEA goal is for the state, its citizens, and our guests to reap the entertainment and economic benefits from NJSEA facilities and events for generations to come.



**We Bring The World To New Jersey.**



# NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

## **Independent Auditors' Reports Financial Statements**

Years Ended December 31, 2001 and 2000

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### **Table of Contents**

	<b>Page</b>
Management's Discussion and Analysis	1
Independent Auditors' Report	11
<b>Financial Statements Prepared Pursuant to Sports Complex, State Contract, and Luxury Tax Revenue Bond Resolutions</b>	
Statements of Revenues and Expenses	12
Statements of Assets, Liabilities and Fund Balances	14
Statements of Changes in Fund Balances	16
<b>Financial Statements in Accordance with Generally Accepted Accounting Principles</b>	
Independent Auditors' Report	18
Consolidated Statements of Financial Position	19
Consolidated Statements of Operations and Changes in Net Assets	20
Consolidated Statements of Cash Flows	21
Notes to Consolidated Financial Statements	22

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Introduction to the Annual Report

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements and Notes to the Financial Statements.

The Financial Statements include:

- The Balance Sheets or "Statements of Assets, Liabilities and Fund Balances" and "Statement of Net Assets" which provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities).
- The Income Statements "Statement of Revenues and Expenses", "Statements of Changes in Fund Balance" and the "Statement of Changes in Net Assets" 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 Statement 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 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.

Management's Discussion and Analysis:

- Finally, this section of the Authority's financial statements, the Management's Discussion and Analysis (MD&A), presents an overview of the Authority's financial performance during the years ended December 31, 2001 and 2000. 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 above.

### The Authority's Business

The New Jersey Sports and Exposition Authority is engaged in the business of owning, operating and managing sports, entertainment, wagering, and convention facilities throughout the state of New Jersey. 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. Of course, only the result of the Authority's direct activities are discussed in this annual report.



They are:

### **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 approximately 1,635 horses. Its revenues are generated from commissions on live and simulcast pari-mutuel wagering, parking, admissions, program and concessions sales.

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 Metrostars soccer team, rental of 72 mezzanine level suites, as well as, various college football games, concerts and other events.

South Side Suites – 46 additional luxury suites (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.

Continental Airlines Arena - is a 20,000 seat indoor arena with 29 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.

Other – additionally, the Sports Complex generates revenues from selling advertising signage and naming rights at and around the three facilities.

### **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 is expected to host concerts, minor league hockey, family shows and other public events such as the Miss America Pageant.

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. Its operations are funded by marketing fees imposed on hotels.

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 Wildwoods Convention Center – Wildwood, New Jersey**

The Wildwoods Convention Center – consists of an existing convention center facility, and a new facility currently under construction and expected to be completed in May of 2002. The new facility situated on the boardwalk in Wildwood, New Jersey, will offer a 72,000 square foot exhibition floor and parking for 700 vehicles. It is expected that trade shows, conventions, meetings and rental of retail space will comprise the centers' revenues.

Other – similar to Atlantic City the towns of Wildwood, North Wildwood, and Wildwood Crest impose a tourism tax on retail sales. 90 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.

## **Financial Analysis**

The following sections will discuss the significant changes in the Authority's financial position for 2001. 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 are in conformity with the Authority's financial statements in accordance with Generally Accepted Accounting Principles.

## **Highlights**

- The Authority's net assets increased by \$20,300,000 or 20 percent primarily due to a reduction in outstanding debt and the completion of major renovations at the Historic Atlantic City Boardwalk Hall, while capital contributions, state contract payments and appropriations increased only \$2,200,000 or 3.5 percent.
- During the year the total operating revenues increased \$8,500,000 or 4 percent. Luxury tax, marketing fees and tourism tax revenues decreased \$1,100,000 or 3.8 percent due to lower hotel occupancies and retail sales in 2001 than in 2000. Operating expenses, excluding depreciation, increased \$7,500,000 or 3.7 percent. Depreciation expense increased 15 percent due primarily to the capitalization of the Historic Boardwalk Hall.
- Interest expense decreased \$380,000 or 0.5 percent to \$59,800,000 for 2001.



**Financial Summaries**

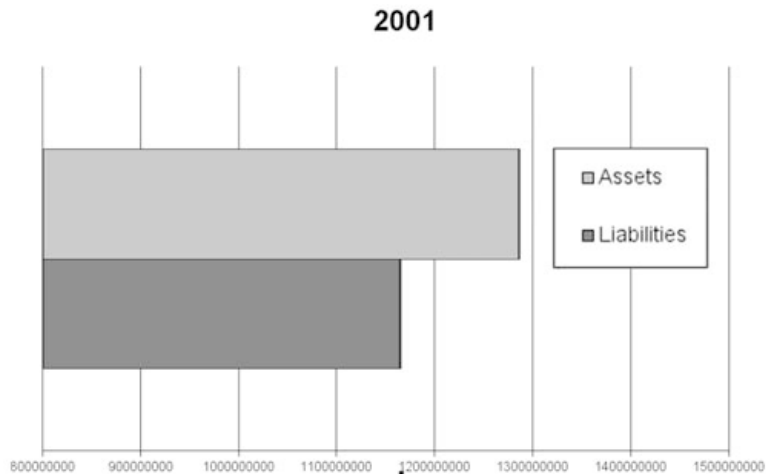
The following exhibits and tables provide a condensed summary and basic explanation of the changes in the financial statements described above, which are also presented in full detail in this annual report.

**EXHIBIT 1**

**Condensed Statements of Net Assets (Balance Sheets)**

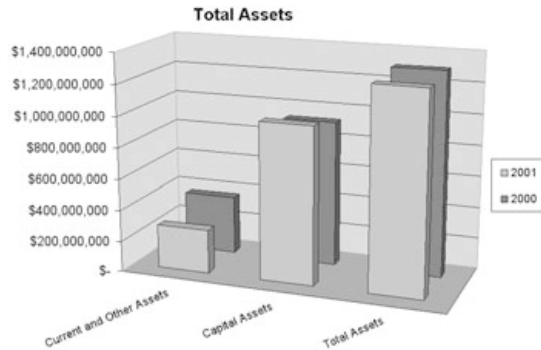
	<b>December 31,</b>	
	<b>2001</b>	<b>2000</b>
Current and Other Assets	\$ 279,824,000	\$ 374,435,000
Capital Assets	1,003,535,000	932,666,000
<b>Total Assets</b>	<b>1,283,359,000</b>	<b>1,307,101,000</b>
Current and Other Liabilities	(192,185,000)	(193,980,000)
Long-Term Liabilities	(969,913,000)	(1,012,159,000)
<b>Total Liabilities</b>	<b>(1,162,098,000)</b>	<b>(1,206,139,000)</b>
<b>Net Assets</b>	<b>\$ 121,261,000</b>	<b>\$ 100,962,000</b>

Net assets amounted to \$121,300,000 in 2001 up from \$101,000,000 in 2000. This indicates that the Authorities Assets exceed its Liabilities, as illustrated below.



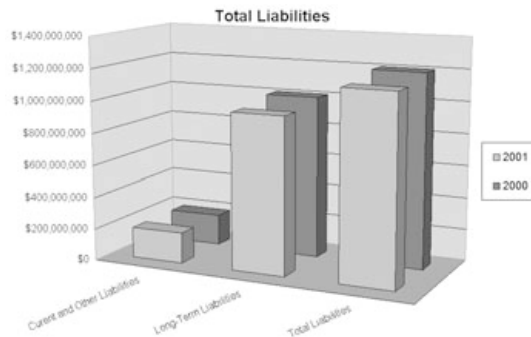
Significant changes in Assets include:

- A decrease in cash and investments of \$111,900,000 due primarily to the funding of the Historic Boardwalk Hall and Wildwoods Convention Center Construction Projects.
- An increase in accounts receivable of \$9,700,000 primarily in anticipation of bond proceeds of \$8,500,000 to fund capital improvement projects at the Sports Complex.
- Net investments in facilities increased \$70,900,000 due primarily to the capitalization of renovation and construction projects in Atlantic City and Wildwood and normal capital maintenance and improvement projects. Capital assets are presented at carrying or book value as opposed to fair market value, which could vary, and has not been determined for this report.



Total Liabilities decreased by approximately \$44,000,000 and was due primarily to:

- Bonds and notes being paid down during the year. Principal repaid consisted of \$15,800,000 for the Authority's revenue supported Sports Complex Guaranteed Bonds, \$17,040,000 for State Contract Bonds, \$3,450,000 for Luxury Tax Bonds and \$3,600,000 for the Stadium Suites Loan and \$182,000 for other bonds and notes payable.



## EXHIBIT 2

### Condensed Statements of Revenues, Expenses, and Changes in Net Assets

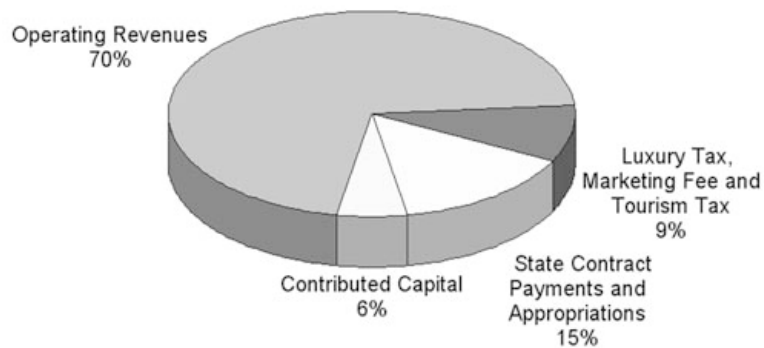
	<b>Year Ended December 31,</b>	
	<b>2001</b>	<b>2000</b>
Operating Revenues	\$ 223,081,000	\$ 214,547,000
Operating Expenses	(214,106,000)	(206,473,000)
Operating Revenues Net of Operating Expenses	8,975,000	8,074,000
Depreciation Expense	(41,766,000)	(36,266,000)
Operating Loss	(32,791,000)	(28,192,000)
Non-Operating Income and Expenses:		
Luxury Tax, Marketing Fee and Tourism Tax Revenue	27,805,000	28,891,000
State Contract Payments and Appropriations	46,055,000	46,688,000
Interest Expense Net of Interest and Other Income	(38,405,000)	(42,570,000)
Income before Contributed Capital	2,664,000	4,817,000
Contributed Capital	17,635,000	14,765,000
Increase in Net Assets	\$ 20,299,000	\$ 19,582,000



While the Balance Sheets show the change in financial position of net assets, the Statements of Revenues, Expenses, and Net Assets provides 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 which are 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 which are collected by the State to fund the construction, development, operation and promotion of the Atlantic City and Wildwoods Convention Centers as well as repay the debt incurred on these projects.

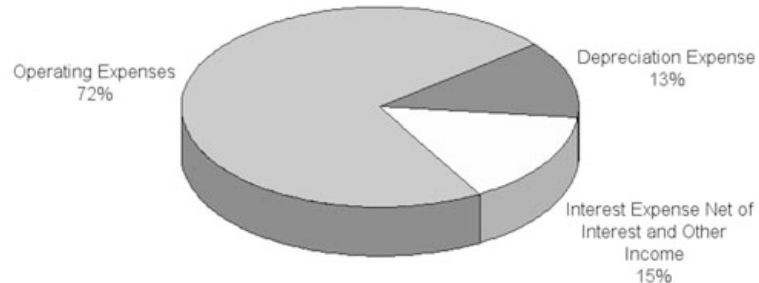
### Increases in Net Assets



Decreases in Net Assets consist of:

- Operating expenses, which are all the costs associated with running the facilities except for costs of a capital nature that are depreciated.
- Depreciation expense recognizes the cost of capital assets, such as buildings, equipment and improvements, over the life of the asset, usually between 2 and 60 years.
- Interest expense 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.

### Decreases in Net Assets

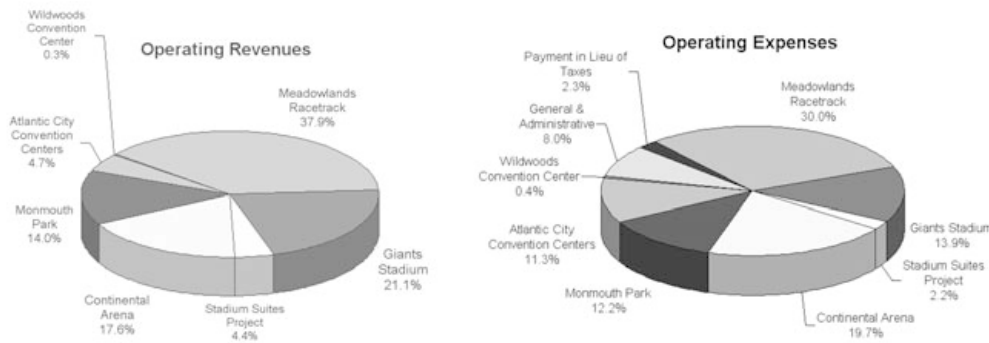


## Operating Highlights

- Operating revenues net of operating expenses at the Meadowlands and Monmouth Park Racetracks was \$1,700,000 higher in 2001 than in 2000 due to higher simulcast betting revenues and seven more race days held in 2001 as compared to 2000, offset by normal increases in labor, advertising and security costs. Purses also increased but were largely funded by a supplement to purses by the State, of approximately \$15,400,000 in 2001, to preserve the quality and popularity of New Jersey racing.
- Operating revenues net of operating expenses at Giants Stadium and the Continental Airlines Arena was up \$3,300,000 compared to 2000 due primarily to more events held, including four stadium concerts, and higher gross ticket sales and attendance at concerts and sporting events, offset by normal increases in labor costs and substantially higher security costs after September 11, 2001.
- Operating revenues net of operating expenses at the Atlantic City and Wildwoods convention centers decreased in 2001 by \$2,400,000 compared to 2000. Although operating revenues were higher due to new events held they were exceeded by increases in labor, security and utility costs.
- General administrative and other expenses were higher than the previous year by approximately \$1,300,000 or 8 percent, but did include approximately \$500,000 of one-time charges for special studies that did not occur in 2000.

### EXHIBIT 3

#### Operating Revenues and Expenses by Facility



Meadowlands Racetrack	\$	84,582,000
Giants Stadium		47,131,000
Stadium Suites Project		9,826,000
Continental Arena		39,179,000
Monmouth Park		31,144,000
Atlantic City Convention Center		10,594,000
Wildwoods Convention Center		625,000
	\$	<u>223,081,000</u>

Meadowlands Racetrack	\$	64,137,000
Giants Stadium		29,705,000
Stadium Suites Project		4,774,000
Continental Arena		42,143,000
Monmouth Park		26,096,000
Atlantic City Convention Center		24,284,000
Wildwoods Convention Center		911,000
General & Administrative		17,099,000
Payment in Lieu of Taxes		4,957,000
	\$	<u>214,106,000</u>

#### Economic Conditions

The Authority's business spans several industries which 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.



Live racing revenues, for example, depend upon the level of attendance and size of bet that 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 in Exhibit 4, total attendance has been declining but increased handles (bets) have been achieved through the racetracks accepting wagers on simulcast signals from other racetracks, which is offered nearly every day of the year.

**EXHIBIT 4**

**Racing Statistics**

**Meadowlands and Monmouth Park Racetracks**

	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Live Race Days	285	278	268	293	301
Attendance	2,947,300	2,902,600	2,939,300	3,173,300	3,126,300
Live Handle	\$ 230,980,000	\$ 222,359,000	\$ 225,210,000	\$ 256,024,000	\$ 266,794,000
Simulcast Reception Handle	579,622,000	573,499,000	561,962,000	511,358,000	475,597,000
Simulcast Transmission Handle	764,487,000	663,844,000	697,790,000	641,239,000	530,447,000
	<u>\$ 810,602,000</u>	<u>\$ 795,858,000</u>	<u>\$ 787,172,000</u>	<u>\$ 767,382,000</u>	<u>\$ 742,391,000</u>

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 below, 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. Unfortunately, these factors are often dictated by market factors such as comparable competing facilities, interest in the event, and regional economic conditions.

**EXHIBIT 5**

**Stadium and Arena Events**

**Giants Stadium and Continental Airlines Arena**

	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Number of Events	260	268	293	254	278
Total Attendance	4,293,100	4,189,200	4,580,500	4,019,900	4,269,700
Net Income From Events	\$ 17,178,100	\$ 14,991,300	\$ 16,815,300	\$ 18,661,500	\$ 17,910,200

Stadium Suite revenues are relatively stable as all suites are currently rented and are not likely to become vacant. Major costs related with the suites are mainly salaries and maintenance.

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 co-exist. Details of event statistics are presented below. It must be noted that 2001 figures are not completely comparable with previous years shown as the Historic Boardwalk Hall was under construction for most of the year.

**EXHIBIT 6**

**Convention Center Events**

**Atlantic City and Wildwoods Convention Centers**

	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Number of Event Days	577	623	606	605	531
Total Attendance	740,302	831,331	926,100	857,210	825,800
Net Income from Events	\$ 5,209,600	\$ 6,065,600	\$ 5,916,700	\$ 4,164,900	\$ 2,128,600

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



	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Luxury Tax	\$ 16,456,000	\$ 17,679,000	\$ 18,083,000	\$ 16,827,000	\$ 15,401,000
Marketing Fee	8,338,000	8,303,000	8,274,000	8,036,000	7,482,000
Tourism Tax	3,011,000	2,909,000	2,729,000	2,620,000	-
	<u>\$ 27,805,000</u>	<u>\$ 28,891,000</u>	<u>\$ 29,086,000</u>	<u>\$ 27,483,000</u>	<u>\$ 22,883,000</u>

**Capital Assets**

At the end of 2001, the Authority had invested just over \$1,000,000,000 in facilities, at a cost of \$1,400,000,000 net of accumulated depreciation of \$391,700,000 as shown in Exhibit 7.



## EXHIBIT 7

### Capital Assets

	December 31, 2000	Additions	Deletions	December 31, 2001
Meadowlands Sports Complex	\$ 694,841,000	\$ 27,493,000	\$ 39,662,000	\$ 682,672,000
Monmouth Park Racetrack	52,138,000	1,798,000	-	53,936,000
Historic Boardwalk Hall	82,697,000	107,138,000	-	189,835,000
Atlantic City Convention Center	324,749,000	1,741,000	-	326,490,000
Wildwoods Convention Center	3,355,000	43,000	-	3,398,000
Giants Stadium South Side Suites	46,136,000	132,000	-	46,268,000
	<u>1,203,916,000</u>	<u>138,345,000</u>	<u>39,662,000</u>	<u>1,302,599,000</u>
Leasehold Rights	<u>25,000,000</u>	-	-	<u>25,000,000</u>
Construction-in-Progress	<u>94,068,000</u>	<u>80,712,000</u>	<u>107,138,000</u>	<u>67,642,000</u>
Total at Cost	1,322,984,000	219,057,000	146,800,000	1,395,241,000
Less Accumulated Depreciation	<u>(390,319,000)</u>	<u>(41,049,000)</u>	<u>(39,662,000)</u>	<u>(391,706,000)</u>
Capital Assets net of Accumulated Depreciation	<u>\$ 932,665,000</u>	<u>\$ 178,008,000</u>	<u>\$ 107,138,000</u>	<u>\$ 1,003,535,000</u>

Additions to capital during 2001 consisted substantially of the recently completed renovation to the Atlantic City Historic Boardwalk Hall, and the construction of a new Wildwoods Convention Center, which is still classified as Construction-in-Progress above, and is expected to be completed in May 2002. The Atlantic City Boardwalk Hall was capitalized during the year in the amount of \$107,100,000 and can be seen as both an addition on the Historic Boardwalk Hall line and a corresponding deletion from Construction-in-Progress above.

Other additions consisted of mostly capital maintenance and improvement projects at all facilities, such as electrical and HVAC upgrades at Monmouth Park and upgrades to elevators, escalators and fire safety systems at the Meadowlands Sports Complex. Other deletions represent the disposition of various fixtures, vehicles and equipment that in most cases had reached their useful lives due to obsolescence. Finally, Leasehold Rights refer to the Authority's right to rent the Club Box level suites during events at Giants Stadium.

### Budgetary Controls

The Authority adopts Operating and Capital Plans which 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.

## INDEPENDENT AUDITORS' REPORT

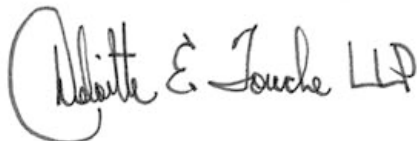
To the Chair and Members of  
the New Jersey Sports and Exposition Authority  
East Rutherford, New Jersey

We have audited the accompanying bond resolution statements of assets, liabilities and fund balances of the New Jersey Sports and Exposition Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2001 and 2000, and the related statements of revenues and expenses and changes in fund balances for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Authority as of December 31, 2001 and 2000, and the revenues and expenses and changes in fund balances for the years then ended, in conformity with the basis of accounting as set forth in Note B-1 of the notes to the financial statements.



March 15, 2002



## STATEMENTS OF REVENUES AND EXPENSES YEARS ENDED DECEMBER 31, 2001 AND 2000

*(Pursuant to Various Bond Resolutions)  
(In Thousands)*

	Sports Complex Funds	Stadium Suites Project
<b>REVENUES FROM OPERATIONS:</b>		
Meadowlands Racetrack	\$ 84,582	\$ -
Monmouth Park Racetrack	-	-
Stadium	47,131	-
Stadium Suites Project	-	8,755
Arena	39,179	-
Atlantic City Convention Center	-	-
Wildwoods Convention Center	-	-
	170,892	8,755
<b>EXPENSES FROM OPERATIONS:</b>		
Meadowlands Racetrack	64,137	-
Monmouth Racetrack	-	-
Stadium	29,705	-
Stadium Suites Project	-	653
Arena	42,143	-
Atlantic City Convention Center	-	-
Wildwoods Convention Center	-	-
	135,985	653
<b>EXCESS (DEFICIT) FROM OPERATIONS</b>	34,907	8,102
<b>OTHER INCOME, EXPENSES AND TRANSFERS:</b>		
General and administrative expenses	(11,498)	-
Interest income and other	6,149	563
State appropriation	11,000	-
Other expense	(190)	-
Luxury tax, marketing fee and tourism tax revenues	-	-
State contract payments	-	-
Payments in aid of construction	-	-
Stadium Suites distribution	1,072	-
Distribution to Atlantic City Convention Center	-	-
	(11,498)	563
<b>EXCESS OF REVENUES OVER EXPENSES (Note B)</b>	41,440	8,665
OPERATING FUND BALANCE, BEGINNING OF YEAR	-	-
<b>TOTAL REVENUE AVAILABLE FOR DISTRIBUTION</b>	\$ 41,440	\$ 8,665
<b>DISTRIBUTION TO AS FOLLOWS (Note B-8):</b>		
Operating fund balance, end of year	\$ -	\$ -
Debt service funds	3,782	5,210
Maintenance reserve funds	11,865	238
Payment in lieu of tax funds (Note B-6)	3,610	-
Guaranteed Bond Fund 1992 Series	18,542	-
Construction funds	-	-
Excess cash flow fund	-	-
Partners distribution	-	3,217
State Contract Bonds Debt Service	3,641	-
<b>TOTAL REVENUES DISTRIBUTED</b>	\$ 41,440	\$ 8,665

*See notes to financial statements.*

December 31, 2001						December 31, 2000
Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwoods Convention Center Funds	Total Funds	Total Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,582	\$ 82,025
31,144	-	-	-	-	31,444	29,837
-	-	-	-	-	47,131	42,540
-	-	-	-	-	8,755	10,090
-	-	-	-	-	39,179	39,892
-	10,594	-	-	-	10,594	9,898
-	-	-	-	625	625	596
<u>31,144</u>	<u>10,594</u>	<u>-</u>	<u>-</u>	<u>625</u>	<u>222,010</u>	<u>214,878</u>
-	-	-	-	-	64,137	62,603
26,096	-	-	-	-	26,096	25,412
-	-	-	-	-	29,705	27,804
-	-	-	-	-	653	758
-	-	-	-	-	42,143	42,946
-	24,284	-	-	-	24,284	21,272
-	-	-	-	911	911	756
<u>26,096</u>	<u>24,284</u>	<u>-</u>	<u>-</u>	<u>911</u>	<u>187,929</u>	<u>181,551</u>
5,048	(13,690)	-	-	(286)	34,081	33,327
(400)	(5,119)	-	-	(1,322)	(18,339)	(16,570)
349	155	11,335	642	334	19,527	15,654
-	-	-	-	-	11,000	15,000
-	-	-	-	-	(190)	(2,125)
-	8,338	16,456	-	3,011	27,805	28,891
-	-	-	16,920	4,605	21,525	42,417
-	-	1,562	-	-	1,562	2,317
-	-	-	-	-	1,072	1,511
-	10,074	(10,074)	-	-	-	-
4,997	(242)	19,279	17,562	6,342	98,043	120,422
400	2,285	-	-	1,500	4,185	5,725
<u>\$ 5,397</u>	<u>\$ 2,043</u>	<u>\$ 19,279</u>	<u>\$ 17,562</u>	<u>\$ 7,842</u>	<u>\$ 102,228</u>	<u>\$ 126,147</u>
\$ 400	\$ 2,043	\$ -	\$ -	\$ 1,500	\$ 3,943	\$ 9,202
-	-	13,889	17,562	4,780	45,223	65,775
467	-	3,828	-	1,532	17,930	18,450
1,317	-	-	-	30	4,957	4,660
-	-	-	-	-	18,542	18,524
-	-	1,562	-	-	1,562	2,317
-	-	-	-	-	-	-
-	-	-	-	-	3,217	4,532
<u>3,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,854</u>	<u>2,687</u>
<u>\$ 5,397</u>	<u>\$ 2,043</u>	<u>\$ 19,279</u>	<u>\$ 17,562</u>	<u>\$ 7,842</u>	<u>\$ 102,228</u>	<u>\$ 126,147</u>



## STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

(Pursuant to Various Bond Resolutions)

(In Thousands)

	Sports Complex Funds	Stadium Suites Project
<b>ASSETS</b>		
Cash and cash equivalents (Notes B-9 and D)	\$ 59,742	\$ -
Restricted cash and cash equivalents (Notes B-9 and D)	20,816	7,162
Restricted investments (Note D)	9,064	-
Accrued interest receivable	161	-
Luxury tax, marketing fee and tourism tax receivable (Notes A and C)	-	-
Receivables	18,559	-
Interfund receivables	428	-
Investment in facilities	516,371	44,018
Other assets (Note B-10)	5,700	755
	<u>\$ 630,841</u>	<u>\$ 51,935</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts payable and accrued expenses	\$ 32,261	\$ 3,158
Interfund payables	-	128
Interest payable on bonds and notes	6,738	-
Deferred revenue	9,535	-
Other liabilities	2,948	-
Notes payable (Note G)	3,700	22,797
Bonds payable (Note F)	214,455	-
Unamortized original issue discount	(2,521)	-
Fund balance (deficit)	<u>363,725</u>	<u>25,852</u>
	<u>\$ 630,841</u>	<u>\$ 51,935</u>

See notes to financial statements.

December 31, 2001						December 31, 2000
Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwoods Convention Center Funds	Total Funds	Total Funds
\$ 7,653	\$ 3,452	\$ 12,198	\$ -	\$ 9,077	\$ 92,122	\$ 124,151
5,882	-	12,407	1,000	19,681	66,948	78,776
-	-	3,497	30,308	-	42,869	110,890
-	-	-	608	-	769	2,726
-	1,319	2,107	-	518	3,944	3,809
400	2,617	-	-	5	21,581	12,272
-	441	-	-	-	869	11,068
42,157	828	259,215	280,131	59,916	1,202,636	1,128,714
<u>899</u>	<u>913</u>	<u>2,178</u>	<u>2,802</u>	<u>196</u>	<u>13,443</u>	<u>12,884</u>
<u>\$ 56,991</u>	<u>\$ 9,570</u>	<u>\$ 291,602</u>	<u>\$ 314,849</u>	<u>\$ 89,393</u>	<u>\$1,445,181</u>	<u>\$1,485,290</u>
\$ 4,476	\$ 4,711	\$ 10,288	\$ -	\$ 11,049	\$ 65,943	\$ 62,672
300	-	441	-	-	869	11,068
1,067	-	6,334	-	23	14,162	14,270
-	1,372	-	-	6	10,913	10,319
2,117	-	-	-	-	5,065	10,256
-	-	8,600	-	-	35,097	38,759
67,565	-	199,810	447,665	57,046	1,016,541	1,051,771
(213)	-	(1,565)	(7,840)	(153)	(12,292)	(12,843)
<u>(18,321)</u>	<u>3,487</u>	<u>67,694</u>	<u>(154,976)</u>	<u>21,422</u>	<u>308,883</u>	<u>299,018</u>
<u>\$ 56,991</u>	<u>\$ 9,570</u>	<u>\$ 291,602</u>	<u>\$ 314,849</u>	<u>\$ 89,393</u>	<u>\$1,445,181</u>	<u>\$1,485,290</u>



## STATEMENTS OF CHANGES IN FUND BALANCES

(Pursuant to Various Bond Resolutions)  
(In Thousands)

	Sports Complex Funds	Stadium Suites Project
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	\$ 357,394	\$ 22,277
Excess of revenues over expenses	41,440	8,665
Interest income (loss) on restricted debt service funds	347	-
Interest on bonds and notes	(12,688)	(1,741)
Maintenance charges	(18,992)	(132)
Payment in lieu of taxes (Note B-6)	(3,610)	-
Write-off and amortization of bond discount and issuance costs	(166)	-
Amortization of costs on the Rutgers and Higher Education Projects	-	-
Partners distribution	-	(3,217)
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<u>\$ 363,725</u>	<u>\$ 25,852</u>

See notes to financial statements.

December 31, 2001					December 31, 2000	
Monmouth Park Funds	Atlantic City Convention Center Funds	Luxury Tax Funds	State Contract Funds	Wildwoods Convention Center Funds	Total Funds	Total Funds
\$ (16,916)	\$ 3,814	\$ 57,444	\$ (143,274)	\$ 18,279	\$ 299,018	\$ 271,310
4,997	(242)	19,279	17,562	6,342	98,043	120,422
-	-	1,094	1,512	-	2,953	4,538
(3,213)	-	(8,254)	(29,614)	(3,112)	(58,622)	(57,383)
(1,800)	(85)	(1,656)	-	(43)	(22,708)	(29,162)
(1,317)	-	-	-	(30)	(4,957)	(4,660)
(72)	-	(213)	(447)	(14)	(912)	(863)
-	-	-	(715)	-	(715)	(652)
-	-	-	-	-	(3,217)	(4,532)
<u>\$ (18,321)</u>	<u>\$ 3,487</u>	<u>\$ 67,694</u>	<u>\$ (154,976)</u>	<u>\$ 21,422</u>	<u>\$ 308,883</u>	<u>\$ 299,018</u>

## INDEPENDENT AUDITORS' REPORT

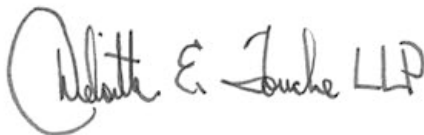
To the Chair and Members of  
the New Jersey Sports and Exposition Authority  
East Rutherford, New Jersey

We have audited the accompanying consolidated statements of financial position of the New Jersey Sports and Exposition Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2001 and 2000, and the related statements of operations and changes in fund equity, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Authority as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B-2, the Authority adopted Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.



March 15, 2002

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2001 AND 2000

(In Thousands)

<b>ASSETS</b>	<b>2001</b>	<b>2000</b>
CURRENT ASSETS:		
Cash and cash equivalents (Notes B-9 and D)	\$ 92,122	\$ 124,151
Restricted cash and cash equivalents (Notes B-9 and D)	66,948	78,776
Restricted investments (Note D)	12,209	27,570
Accrued interest receivable	769	2,726
Due from State of New Jersey (Notes A and B-7)	13,441	3,809
Receivables (net of allowance for doubtful accounts of \$1,391 in 2001 and \$1,724 in 2000)	20,509	10,761
Total current assets	205,998	247,793
LONG-TERM ASSETS:		
Restricted long-term investments (Note D)	30,660	83,320
Investment in facilities (Notes B-5 and E)	1,003,535	932,666
Other assets (Note B-10)	43,166	43,322
<b>TOTAL ASSETS</b>	<b>\$ 1,283,359</b>	<b>\$ 1,307,101</b>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 70,064	\$ 67,204
Interest payable on bonds and notes	25,119	25,186
Deferred revenue	19,609	25,745
Advanced ticket sales	4,880	2,353
Other current liabilities	30,206	36,547
Current portion of Notes payable (Note G)	6,207	3,437
Current portion of Bonds payable (Note F)	36,100	33,508
Total current liabilities	192,185	193,980
LONG-TERM LIABILITIES:		
Long-term portion of notes payable (Note G)	28,625	34,832
Long-term portion of bonds payable (Note F)	941,288	977,327
Total Liabilities	1,162,098	1,206,139
NET ASSETS:		
Invested in capital assets, net of related debt	57,036	-
Restricted for debt service	36,108	58,039
Unrestricted	28,117	42,923
Total net assets	121,261	100,962
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,283,359</b>	<b>\$ 1,307,101</b>

See notes to consolidated financial statements.



**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES  
IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2001 AND 2000**

*(In Thousands)*

	2001	2000
OPERATING REVENUES:		
Racetracks	\$ 115,726	\$ 111,862
Stadium	56,957	52,299
Arena	39,179	39,892
Convention Centers	11,219	10,494
Total revenues	<u>223,081</u>	<u>214,547</u>
OPERATING EXPENSES:		
Racetracks	90,233	88,015
Stadium	34,479	33,094
Arena	42,143	42,946
Convention Centers	25,195	22,028
General and administrative	17,099	15,730
Depreciation and amortization (Notes B-5 and E)	41,766	36,266
Payment in lieu of taxes (Note B-6)	4,957	4,660
Total operating expenses	<u>255,872</u>	<u>242,739</u>
OPERATING LOSS	(32,791)	(28,192)
NON-OPERATING INCOME AND (EXPENSES):		
Interest income and other	21,390	17,605
Luxury tax, marketing fund and tourism tax revenues (Notes A and C)	27,805	28,891
State contract payments and appropriations (Note A)	46,055	46,688
Interest expense (Note F-8)	(59,795)	(60,175)
Total nonoperating income	<u>35,455</u>	<u>33,009</u>
Income before contributions	<u>2,664</u>	<u>4,817</u>
Capital contributions (Note B-7)	<u>17,635</u>	<u>14,765</u>
CHANGE IN NET ASSETS	<u>20,299</u>	<u>19,582</u>
NET ASSETS, BEGINNING OF YEAR	100,962	81,380
NET ASSETS, END OF YEAR	<u>\$ 121,261</u>	<u>\$ 100,962</u>

*See notes to consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2001 AND 2000

(In Thousands)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 911,748	\$ 915,166
Payments to horsemen, bettors, and franchises	(736,204)	(727,019)
Payments to suppliers	(113,976)	(101,531)
Payments to employees	(69,431)	(65,594)
Net cash (used in) provided by operating activities	<u>(7,863)</u>	<u>21,022</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Luxury tax, marketing fee, and tourism tax revenues	15,870	17,657
Historical tax credits	2,734	-
Tax lease transactions	7,945	-
State appropriations	11,000	15,000
Net cash provided by operating activities	<u>37,549</u>	<u>32,657</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments of bonds and notes	(38,884)	(31,609)
Issuance of bonds and notes	-	146,955
Additions to investment in facilities	(111,918)	(150,604)
Disposals of investment in facilities	-	194
Interest paid on bonds and notes	(58,423)	(60,318)
State Contract receipts for payment of principal and interest on bonds	43,193	56,584
Luxury Tax revenues	11,800	11,420
Net cash used in capital and related financing activities	<u>(154,232)</u>	<u>(27,378)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(4,697)	(154,748)
Maturities of investments	72,718	84,152
Interest on investments	12,668	16,927
Net cash provided by (used in) investing activities	<u>80,689</u>	<u>(53,669)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,857)	(27,368)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>202,927</u>	<u>230,295</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 159,070</u>	<u>\$ 202,927</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (32,791)	\$ (28,192)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	41,766	36,266
Change in allowance for doubtful accounts	(333)	(144)
(Increase) decrease in assets:		
Receivables	(9,415)	152
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,860	13,888
Advanced ticket sales and other liabilities	(3,814)	(713)
Deferred revenues	(6,136)	(235)
Net cash (used in) provided by operating activities	<u>\$ (7,863)</u>	<u>\$ 21,022</u>

See notes to financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2001 AND 2000

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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-6). On November 24, 1998, the contract was restated and amended to expand the scope of projects eligible for the issuance of bonds to include the 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") and the Wildwoods Convention Center.

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

Reconciliation of Bond Resolution Excess of Revenues Over Expenses to the Change in Net Assets on the Consolidated Statements of Revenues, Expenses, and Changes in Net Assets:

	<b>Years Ended December 31,</b>	
	<b>2001</b>	<b>2000</b>
	<i>(in thousands)</i>	
Excess of revenues over expenses	\$ 98,043	\$ 120,422
Interest expense	(59,795)	(60,175)
Depreciation and amortization	(41,766)	(36,266)
Payment in lieu of tax	(4,957)	(4,660)
State Contract payments	29,603	1,719
Stadium Suites license revenue	(4,122)	(6,374)
Interest income and other	2,953	5,110
Other	340	(194)
Change in net assets	<u>\$ 20,299</u>	<u>\$ 19,582</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.

**2. Change in Accounting** - During the year ended December 31, 2001, the Authority adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 requires changes to the basic financial statements for state and local governmental entities. Among those requirements are certain changes applicable to special purpose governments engaged in business type activities. Those changes require a balance sheet, with net assets displayed in the categories - invested in capital assets net of related debt, restricted, and unrestricted; a statement of revenues, expenses and changes in net assets; and a statement of cash flows presented using the direct method. In addition, GASB Statement No. 34 requires a management discussion and analysis to be presented as required supplementary information.

**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 from restricted-purpose State and/or other State agency grants 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 held up to May 1 of the succeeding year, at which time transfers are made to meet debt service requirements for the Authority's 1992 Guaranteed Refunding Bonds, guaranteed by the State of New Jersey. Any remaining excess would be used for other projects of the Authority.

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

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 a 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 and Higher Education Projects are also included in other assets and will be amortized as principal payments are made on the related State Contract Bonds.
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.
13. **Valuation of Investments** - Guaranteed investment contracts, state and local government securities, repurchase agreements and certificates of deposit are investments in non-participating investment contracts which management concludes are not significantly affected by the impairment of the credit standing of the Authority or other factors. These investments are recorded at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and*

External Investment Pools.

**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. Reclassifications** - The 2000 financial statements have been reclassified to conform to classifications used in 2001.

### 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.

**2. Marketing Fees** - The New Jersey legislature adopted a bill which 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.

**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, CASH EQUIVALENTS AND INVESTMENTS

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

	<b>December 31, 2001</b>		<b>December 31, 2000</b>	
	<b>Book</b>	<b>Bank</b>	<b>Book</b>	<b>Bank</b>
	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>	<b>Balance</b>
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Cash and cash equivalents:				
Cash on hand	\$ 4,276	\$ -	\$ 3,587	\$ -
Demand deposits	(8,700)	2,964	670	2,345
N.J. Cash Management Fund	139,260	139,260	139,680	139,680
Repurchase Agreement	24,234	24,234	3,905	3,905
Certificates of Deposit	-	-	55,085	55,085
Total cash and cash equivalents	<u>\$ 159,070</u>	<u>\$ 166,458</u>	<u>\$ 202,927</u>	<u>\$ 201,015</u>



	<b>December 31, 2001</b>	<b>December 31, 2000</b>
	<b>Cost</b>	<b>Cost</b>
	<i>(in thousands)</i>	<i>(in thousands)</i>
Investments (Note B-13):		
Guaranteed investment contracts	\$ 24,496	\$ 20,999
Repurchase agreements	-	69,912
	<u>24,496</u>	<u>90,911</u>
State and local unit government securities (SLUGS)	18,373	19,979
Total investments	<u>\$ 42,869</u>	<u>\$ 110,890</u>

2. At December 31, 2001 and 2000, approximately \$70,690,000 and \$92,698,000, respectively, were held by Trustees in Debt Service and Debt Service Reserve Funds and are restricted only for payment of principal and interest on bonds.
3. The various Bond Resolutions of the Authority specify the institutions and types of investments that can be made with the money available for investment. A general description of those investments is the following: (a) direct obligations of or obligations guaranteed by the United States; (b) bonds or obligations of any state of the United States or of any agency, instrumentality or local governmental unit of any such state; (c) bonds, debentures or other evidence of indebtedness issued or guaranteed by any agency or corporation created pursuant to an Act of Congress; (d) new housing authority bonds; (e) certificates of deposit; (f) commercial paper; (g) repurchase agreements; (h) State of New Jersey Cash Management Fund; and (i) guaranteed investment contracts.

All demand deposits, except deposits held by the Trustee, of any depository must be fully secured by lodging collateral security of obligations secured by the United States with the Trustee or bank designated by the Trustee. At December 31, 2001, 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 Account. At December 31, 2001, \$24,496,000 is collateralized with U.S. government obligations that have, as a minimum, an aggregate value of 105% of the investment contract which is held by a third-party bank in the name of the Authority.

Repurchase agreements represent investments whereby the Authority transfers cash to a financial institution in exchange for securities. The financial institution agrees to repurchase the same securities at an agreed upon price at a future date. These investments are collateralized at a premium and held by the financial institution in the name of the Authority.

The State and Local Unit Government Securities ("SLUGS") are special non-marketable securities issued by the U.S. Treasury, held by the Trustee and have interest rates between 3.4% and 3.75% which mature semi-annually commencing on January 1, 2002 through January 1, 2005.

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

#### E. INVESTMENT IN FACILITIES

	<b>December 31, 2000 Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2001 Balance</b>
		<i>(in thousands)</i>		
Land	\$ 171,897	\$ -	\$ -	\$ 171,897
Buildings	858,467	115,823	(2,317)	971,973
Machinery and equipment	135,550	15,248	(28,331)	122,467
Land improvements	38,002	7,274	(9,014)	36,262
Leasehold rights	25,000	-	-	25,000
Construction in progress	94,068	80,712	(107,138)	67,642
	<u>1,322,984</u>	<u>219,057</u>	<u>(146,800)</u>	<u>1,395,241</u>
Less accumulated depreciation	(390,319)	(41,049)	39,662	(391,706)
	<u>\$ 932,665</u>	<u>\$ 178,008</u>	<u>\$ (107,138)</u>	<u>\$1,003,535</u>

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

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



**F. BONDS PAYABLE**

1. Bonds payable consists of the following:

	<b>Date Issued</b>	<b>Original Amount</b>	<b>December 31, 2001 Balance</b>	<b>December 31, 2000 Balance</b>
			<i>(in thousands)</i>	
<b>REVENUE BONDS</b>				
Sports Complex Refunding Bonds 1985/1992 Series (guaranteed by the State of New Jersey) 7.30%-8.30%, due serially through 2005	11/01/85	\$ 175,450	\$ 71,470	\$ 86,070
Sports Complex Refunding Revenue Bonds, 1993 Series A \$30,350,000 Serial Bonds 5.00%-5.125% due 2005 through 2016; \$14,990,000 Term Bonds, 5.20%, due 2017-2020; \$18,425,000 Term Bonds, 5.20%, due 2021-2024	12/01/93	63,765	63,765	63,765
Sports Complex Subordinated Refunding Revenue Bonds, 1993 Series A \$32,875,000 Term Bonds 6.875%, due 2005-2017	12/01/93	32,875	32,875	32,875
Wildwood Revenue Bonds, Series 1996A 1.50% interest through 2001 then 2.50% due serially through 2016	09/06/96	3,400	2,768	2,892
<b>STATE CONTRACT BONDS</b>				
State Contract Bonds, 1992 Series A, \$46,955,000 Serial Bonds 5.50%-6.50% due 1998 through 2007; \$177,045,000 Term Bonds, 6.00% - 6.50%, due 2013 to 2021	03/02/92	224,000	188,786	193,766
State Contract Bonds, 1992 Series C, \$209,990,000 Term Bonds 5.86%, due through 2024	11/19/92	209,990	191,755	194,960
State Contract Bonds, 1993 Series A, \$5,755,000 Serial Bonds, 4.70%-5.40%, due 2003 to 2009; \$6,930,000 Term Bonds, 5.37%, due 2015 \$13,600,000 Term Bonds 5.50%, due 2023	03/01/93	26,285	26,285	26,285
State Contract Bonds, 1993 Series B, \$5,000,000 Serial Bonds 2.50%-4.70%, due through 2002	03/01/93	5,000	655	1,280
State Contract Bonds, 1998 Series A, \$57,810,000 Serial Bonds 4.00%-5.50% due 2004 through 2019; \$28,855,000 Term Bonds 4.50% due 2024	12/15/98	86,665	86,665	86,665
State Contract Bonds, 1998 Series B, \$13,665,000 Serial Bonds 4.96%-5.77% due through 2008	12/15/98	13,665	9,920	11,240
State Contract Bonds, 1999 Series A, \$49,915,000 Serial Bonds 6.00%-7.00% due 2000 through 2014	06/15/99	49,915	44,810	46,995

	Date Issued	Original Amount	December 31,	
			2001 Balance	2000 Balance
<i>(in thousands)</i>				
State Contract Bonds, 2000 Series A \$82,520,000 Serial Bonds 4.75%-6.00% due 2001 through 2020	02/01/00	\$ 82,520	\$ 80,975	\$ 82,520
State Contract Bonds, 2000 Series B \$39,380,000 Serial Bonds 7.00%-7.375% due 2001 through 2014 (Federally Taxable)	02/01/00	39,380	37,405	39,380
State Contract Bonds, 2000 Series C \$12,325,000 Serial Bonds 4.25%-5.00% due 2002 through 2011	12/01/00	12,325	12,325	12,325
State Contract Bonds, 2000 Series D \$12,295,000 Serial Bonds 6.50% due 2001 through 2010 (Federally Taxable)	12/01/00	12,295	11,090	12,295

#### LUXURY TAX BONDS

Convention Center Luxury Tax Bonds 1992, Series A, \$53,795,000 Serial Bonds 2.90%-6.00%, due through 2007 and final payment 2013; \$114,230,000 Term Bonds, 6.58%-6.60%, due 2012 through 2022	11/12/92	168,025	26,730	30,180
Convention Center Luxury Tax Refunding Bonds 1999, Series A, \$128,270,000 Serial Bonds 4.25%-5.125%, due 2003 through 2020	02/15/99	128,270	<u>128,270</u>	<u>128,270</u>
Total bonds payable			<u>1,016,549</u>	<u>1,051,763</u>
Less original issue discount and deferred loss on refunding			<u>(39,161)</u>	<u>(40,928)</u>
			<u>\$ 977,388</u>	<u>\$ 1,010,835</u>

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

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

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



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

These Senior Lien Bonds are direct and general obligations of the Authority. The Sports Complex Revenue Bond Resolution pledges the net revenues of the Sports Complex as security for the Senior Lien Bonds. In addition, a debt service reserve requirement in the amount of \$5,228,440 at December 31, 2001 is insured with a Surety Bond issued by the MBIA Insurance Corporation as additional security for the bondholders. In accordance with the Bond Resolution, principal and interest on outstanding Senior Lien Bonds are transferred from the Revenue Fund to the Debt Service Fund. The Senior Lien Bonds are not a debt or a liability of the State of New Jersey or any political subdivision of the State other than the Authority.

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

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

The payment, when due (other than for reason of acceleration or optional redemption) of principal and interest on these bonds is insured with a policy issued by the Municipal Bond Investors Assurance Corporation. In addition, a debt service reserve requirement in the amount of \$3,965,063 at December 31, 2001 is insured with a Surety Bond issued by the MBIA Insurance Corporation as additional security for the bondholders. In accordance with the Bond Resolutions, principal and interest on outstanding Junior Lien Bonds are transferred from the Revenue Fund to the Debt Service Fund. The Junior Lien Bonds are not a debt or a liability of the State of New Jersey or any political subdivision of the State other than the Authority.

5. ***Wildwoods Revenue Bonds 1996 Series A*** - These bonds were assumed by the Authority 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.

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

None of the Authority's revenues, rents, fees, rates, charges, or other income and receipts derived from the operations or ownership of any of its projects 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 Note F-6. 1998 Series A and B), to an escrow agent (see Note I) to secure the advance refunding of \$25,235,000 of these bonds.

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

As of January 29, 2002, the counterparty exercised its option as explained in Note L-1, Subsequent Events Footnote.

#### **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 counterparty to the swap inclusive of fees for liquidity facility and remarketing. In return, the counterparty owes the Authority interest based on a variable rate that matches the rate required by the Bonds. Only the difference in the interest payments is actually exchanged with the counterparty to the swap. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

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



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

#### **1993 Series A and B**

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

#### **1998 Series A and B**

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

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

#### **1999 Series A**

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

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

#### **2000 Series A and B**

On February 1, 2000, the Authority issued \$82,520,000 of Series A and \$39,380,000 of Series B State Contract Bonds to pay: (1) costs of the 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.

#### **2000 Series C and D**

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

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

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

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

**1992 Series A**

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

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

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

The payment, when due (other than by reason of acceleration or optional redemption) of principal and interest on these bonds is secured by a Surety Bond, issued by the Municipal Bond Investors Assurance (MBIA) Corporation, on the required debt service reserve amount of \$6,252,500 at December 31, 2001. Payments are additionally insured by a guaranty policy also issued by MBIA.

**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.

**8. Interest Costs** - Interest costs for the years 2001 and 2000 were as follows:

	<b>December 31, 2001 Balance</b>	<b>December 31, 2000 Balance</b>
	<i>(in thousands)</i>	
Interest expense	\$ 59,795	\$ 60,175
Capitalized interest	6,075	5,887
Total interest cost	<u>\$ 65,870</u>	<u>\$ 66,062</u>



## G. NOTES PAYABLE

1. Notes payable consist of the following:

	Date Issued	Original Amount	December 31, 2001 Balance	2000 Balance <i>(in thousands)</i>
Loan from New Jersey Department of Environmental Protection, 0% interest, semi-annual installments of \$25,000 through July 1, 2005	05/12/95	\$ 500	\$ 200	\$ 250
Loan from the State of New Jersey Board of Public Utilities, 0% interest, due December 31, 2006	12/23/96	3,500	3,500	3,500
Loan from the Casino Reinvestment Development Authority, 4.06% interest through June 2, 1997 then 5.773% thereafter, due February 10, 2007	02/10/97	8,600	8,600	8,600
Term loan from bank, 7.6% interest due August 31, 2006	08/31/98	32,360	22,797	26,409
Total notes payable			35,097	38,759
Less unamortized discount			(265)	(490)
			<u>\$ 34,832</u>	<u>\$ 38,269</u>

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

## H. MATURITIES ON BONDS AND NOTES

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

	Principal					Total	Interest	Total
	Sports Complex	State Contract	Luxury Tax	Wildwood	Stadium Suites			
2002	\$ 17,170	\$ 18,225	\$ 3,645	\$ 154	\$ 6,396	\$ 45,590	\$ 56,989	\$ 102,579
2003	18,550	18,620	3,785	158	3,647	44,760	53,991	98,751
2004	23,640	20,210	5,055	162	3,934	53,001	52,373	105,374
2005	3,770	20,530	5,270	166	4,243	33,979	50,416	84,395
2006	7,455	21,870	14,095	170	4,577	48,167	48,445	96,612
Thereafter	85,400	591,215	131,750	1,952	-	810,317	422,094	1,232,411
Total	\$ 155,985	\$ 690,670	\$ 163,600	\$ 2,762	\$ 22,797	\$ 1,035,814	\$ 684,308	\$ 1,720,122

## I. REFUNDED BONDS

The Authority has approximately \$279,205,000 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, 2001 and 2000 was \$18,796,409 and \$17,108,438, respectively. The Authority's total payroll for the years ended 2001 and 2000 was \$69,431,391 and \$65,594,286, 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. The System also provides death and disability benefits. Benefits are established by State statute.

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

The employee contributions required for the years ended December 31, 2001 and 2000 were \$595,916



(3.17%) and \$558,544 (3.27%), respectively. No employer contribution was required.

**Other Benefits** - The Authority has established a separate defined benefit pension plan for selected seasonal racing personnel. Annual pension expense was \$42,662 and \$59,102 for 2001 and 2000, respectively. In addition, salaried employees of the Authority are eligible for participation in a section 401(k) deferred compensation plan. The Authority contributes a maximum of 3% of the employee's salary. Annual expense for this plan was \$423,435 and \$379,600 for 2001 and 2000, respectively.

Sports Authority salaried employees who retire on or after age 60, with a minimum of 10 years of full-time salaried service (for employees hired after December 31, 1992, 62 years of age and 25 years of service) with the Authority are eligible to continue certain specified benefits subject to any required contributions. Medical benefits available to active employees will be available to eligible retirees who are not yet eligible for Medicare. The Authority will also, at its discretion, make available medical benefits to supplement Medicare coverage. The Authority accounts for these benefits on a pay as you go basis and paid approximately \$274,000 (for 57 retirees) and \$272,000 (for 58 retirees) in 2001 and 2000, respectively.

#### **K. COMMITMENTS AND CONTINGENCIES**

1. A portion of the Authority's operating revenues are attributable to leasing of the Sports Complex facilities for various sporting events, trade shows and other expositions. Rental income is a flat fee per event or a percentage of ticket sales. Rental income, under these leases, was approximately \$20,107,000 and \$18,283,000 for the years ended December 31, 2001 and 2000, respectively.
2. The Authority is the subject of, or a party to, various pending or threatened legal actions involving outside interests. The Authority believes that any ultimate liability arising from these actions should not have a material effect on its financial position or operations.
3. The Authority has license agreements with the major sport franchises who play in the Arena and the Stadium which expire at various dates between 2007 and 2026. There are options in the agreements that allow for earlier termination. One of the amendments to a license agreement includes guaranteed new revenue to the tenant (as defined in the agreement) of not less than \$5,311,000 for each season during the term of the agreement. To the extent that new revenue is not generated from new sources it will be supplemented by the Authority.
4. The Authority is exposed to risks of losses related to injuries to employees. 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 provides coverage up to a maximum of \$350,000 for each worker's compensation claim and purchases commercial insurance for claims in excess of \$350,000. No claim has exceeded or reached the \$350,000 excess coverage limit during 2000 and 2001. The Authority paid claims in the amount of \$ 1,119,206 and \$1,809,024 in 2001 and 2000, 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, 2001 and 2000, the reserve for these liabilities was approximately \$3,000,000.
5. On June 26, 2000, the Authority formed The Historic Boardwalk Hall, L.L.C. (the "LCC"), a limited liability company in the State of New Jersey for the purpose of financing and operating the Historic East Hall of the Atlantic City Boardwalk Convention Center (the "East Hall"). The LLC, which assumes the leasehold interest and contractual obligations of the Authority, admitted an investing member on September 14, 2000 through a capital contribution to be made over four installments expected to equal \$18,195,797. In 2001, the Authority received \$7,710,765.
6. The Authority has entered into contracts related to the construction of a new Wildwoods Convention Center. At December 31, 2001, the Authority had entered into contracts and other costs for approximately \$64,000,000, \$59,000,000 of which was expended. The total cost of the project is expected to be \$68,370,000.

7. 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.

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

1. In compliance with an agreement the Authority entered into on April 5, 1999 under the International Swap and Derivatives Association ("ISDA") Master Agreement, the counter-party to the agreement exercised its option, on January 29, 2002, to have the Authority issue variable rate bonds for the purpose of refunding the State Contract Bonds 1992 Series A ("1992 Series A Bonds") and enter into an interest rate swap transaction.

In accordance with the provisions of the agreement the Authority will (1) issue variable rate bonds in an amount not expected to exceed \$138,590,000 to refund a portion of its 1992 Series A Callable Bonds, (2) pay an initial exercise option payment to the counter party no later than May 1, 2002, (3) pay predetermined fixed rates of interest in exchange for the variable rates on the new bonds (effectively, swapping interest rates with the counter party) effective January 29, 2002 and (4) pay issuance costs.

2. On January 1, 2002, the Authority issued \$15,800,000 of State Contract Bonds, 2002 Series A to: (1) provide funds to pay or reimburse amounts expended on major capital improvement projects including fire safety and security upgrades and elevator and escalator renovations; (2) provide approximately \$7,400,000 for certain Rutgers campus construction and renovation projects; and (3) pay the issuance costs of the bonds.

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## NOTES

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## NOTES

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*Remembering the  
Victims and Heroes  
of  
September 11, 2001*

