

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

Financial Statements
December 31, 2012

(With Independent Auditor's Report Thereon)

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)



2012 ANNUAL AUDIT REPORT
AND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2012

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Financial Statements
December 31, 2012

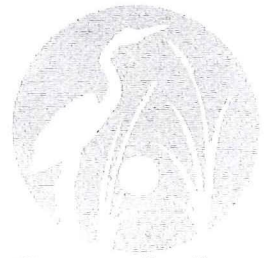
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New Jersey Meadowlands Commission

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Meadowlands Environment Center: Two DeKorte Park Plaza ☎ Phone: 201-460-8300 ☎ Fax: 201-842-0630
Lyndhurst, NJ ☎ 07071 ☎ www.njmeadowlands.gov

April 24, 2013

The Board of Commissioners
New Jersey Meadowlands Commission

RE: Letter of Transmittal

The Comprehensive Annual Financial Report of the New Jersey Meadowlands Commission ("NJMC" or "Commission") for the year ended December 31, 2012 is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the NJMC. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the NJMC's financial position, results of operations, and cash flows in accordance with generally accepted accounting principles. In accordance with the accounting principles, the NJMC is a component unit of the State of New Jersey, and as such, is included in the State of New Jersey's Annual Report. The accompanying Management Discussion and Analysis provides detailed narrative information on the financial statements provided in the Comprehensive Annual Financial Report.

Independent Audit

The certified independent public accounting firm of Ferraioli, Wielkottz, Cerullo & Cuva was retained by the Commission to perform an audit of the 2012 fiscal year in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. In June 1999, the GASB adopted their Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for state and local governments. The Commission adopted GASB Statement No. 34 in fiscal year 2001, including the Management Discussion and Analysis (MD&A). The MD&A is considered to be required supplemental data and precedes the financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The accounting firm of Ferraioli, Wielkottz, Cerullo & Cuva reports directly to the audit committee of the Board of Commissioners. An initial meeting prior to the start of the audit and a subsequent exit conference was held to discuss the results of the audit.

Profile of the New Jersey Meadowlands Commission

The NJMC, formerly known as the Hackensack Meadowlands Development Commission, was established within the Department of Community Affairs through an Act of Legislation in 1968. The name was officially changed to the New Jersey Meadowlands Commission under Chapter 232, Laws of 2001. The Commission operates with a seven-member Board of Commissioners and is given mandates on environmental protection, solid waste management and economic development over a 20-square mile region in Northern New Jersey known as the Hackensack Meadowlands District (HMD). The District is comprised of 10 towns in Bergen and 4 towns in Hudson counties. The NJMC's executive director heads a staff of professional, technical and operating personnel totaling 113 employees.

The NJMC holds monthly board meetings scheduled on the fourth Wednesday of each month. Action may be taken, and motions and resolutions adopted by the NJMC at such meetings by the affirmative vote of at least four members of the Board. All meetings held by the NJMC are in accordance with the Open Public Meetings Act, which requires that all meetings of public bodies be open to the public.

Accounting System and Budgetary Controls

The NJMC's financial statements are prepared in accordance with generally accepted accounting principles. The Commission operates and reports the following major governmental funds:

- General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.
- The NJMC's Environmental Center Fund includes revenues and expenditures associated with the operation of the Commission's Environmental Center.
- The NJMC Business Accelerator Fund includes the revenues and expenditures associated with the operation of this facility. The operation was concluded effective 10/1/2012, yet there will be peripheral expenses through early 2013.

The Commission also reports using an Enterprise Fund for its solid waste landfill operations. This fund includes revenues and expenditures associated with the operation of the Commission's landfills, as well as the closure and post-closure costs of such landfills.

In an effort to ensure compliance with the Commission's By-Laws and to safeguard its assets, an internal control structure has been developed and implemented by management.

The internal control areas include:

- authorization levels for expenditures of Commission's funds;
- specific procedures to follow when initiating purchase requisitions, processing purchase orders, receiving goods and paying for services;
- separation of the accounts payable and receivable functions;
- solid waste revenue and scale house operations;
- bank reconciliation review;
- controls over deposits; and
- production of system-generated and manual checks.

The internal control structure also includes approved organization structures and approved budgets for capital and operating expenditures.

The Commission has also set up standards for procurement, which have been codified in a Purchasing Procedures Manual. The standards include a threshold, over which the Board of Commissioners must approve all transactions. The Commission is in compliance with Executive Order No. 37 (2006) with respect to procurement and has amended its procedures to ensure 100% compliance.

The Commission adopts an annual budget for its governmental operations. The solid waste operations and tariff are regulated by the New Jersey Department of Environmental Protection. Each year during the budget process, senior management, along with the Board of Commissioners, reviews operations to identify cost savings which when implemented will provide direct budget savings. This is an important step since the Commission's operations are entirely self-funded without any appropriations from the State of New Jersey.

In calendar year 2012, the Commission continued to take steps to implement cost savings and reduce the overall cost of its operations, including continuation of several initiatives:


- In 2010, the Commission was awarded \$10 million, one of the largest federal grants it has ever received, for the implementation of a Meadowlands Adaptive Signal System for Traffic Reduction. In 2012, the Commission continues with the installation of the system;
- In cooperation with SunDurance Energy, LLC, construction of a 3- megawatt solar facility was completed on the Commission's 1A Landfill in Kearny. Funding for this grid-connect project was provided by a federal stimulus grant and the PSE&G Solar 4 All Program. The Commission now collects lease revenues from PSE&G, which are reserved for future renewable energy projects;
- The Commission's very successful shared equipment pool continues to enable towns to save tens of thousands of tax payer dollars by providing the District municipalities with a vac truck, camera van, portable light tower and portable pump systems. In addition, for the past several years the Commission has leased a pothole filling truck to support the municipalities by augmenting the amount of potholes that can be filled on a daily basis;
- The Meadowlands Environmental Research Institute made enhancements to its' early warning flood-alert system, which provides timely information 24/7 to emergency responders, through the addition of text message alerts. A tidegate monitoring system was also implemented. In addition, the Institute has provided critical data to both local and regional authorities regarding the tidal surge created by Superstorm Sandy.

- The Commission staff continued its efforts to reduce the cost of operations by consolidations of job functions, elimination of discretionary spending, where possible, and by keeping outside consulting costs at a minimum.

If you have any questions about this report or need additional financial information, contact the Director of Finance's office at 1 DeKorte Park Plaza, Lyndhurst, New Jersey.



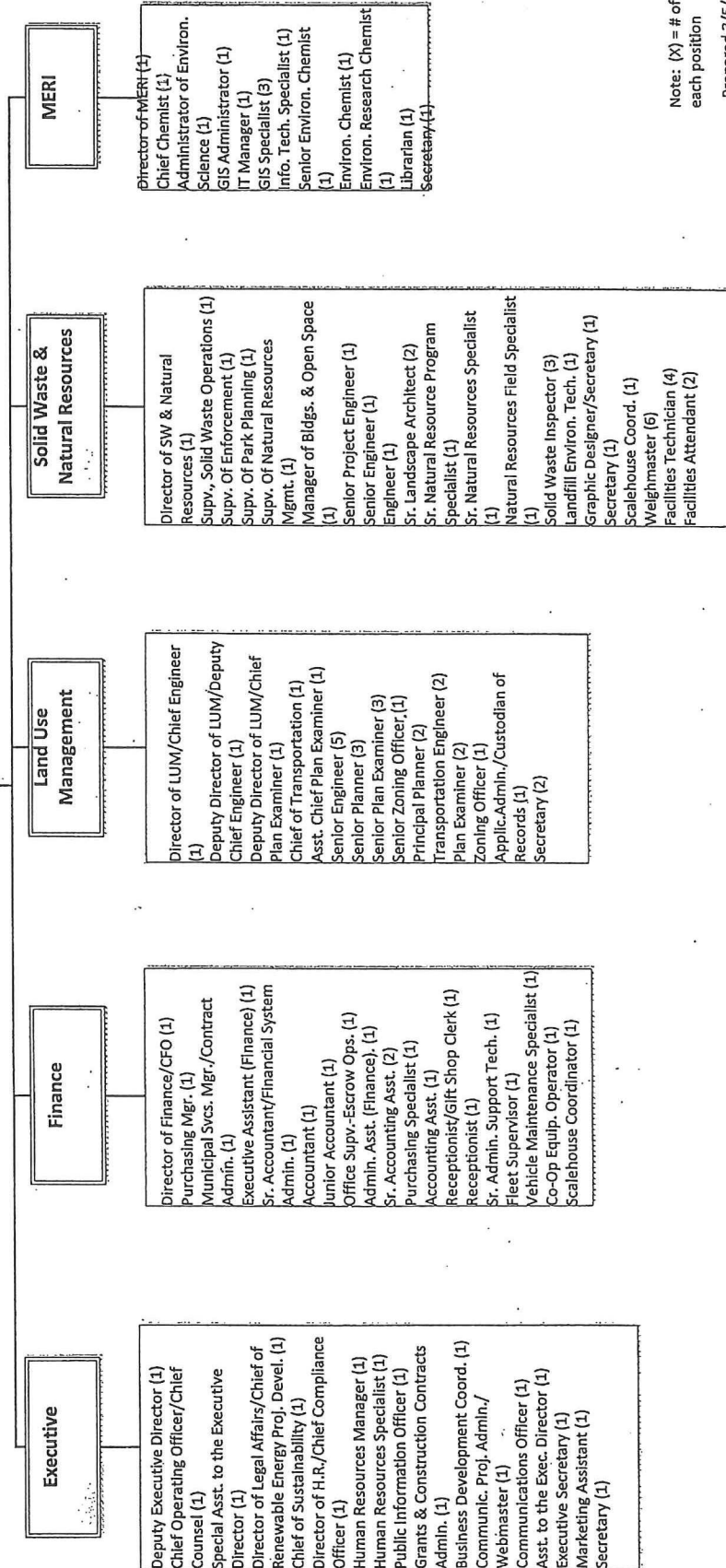
Marcia A. Karrow
Executive Director



Edward H. Bulmer
Director of Finance and Chief Fiscal Officer

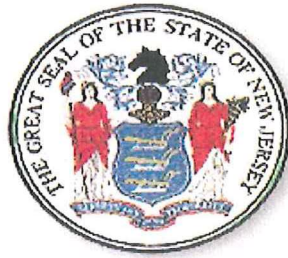
**New Jersey Meadowlands Commission
Incumbent List by Division
March 2013**

Executive Director



Note: (X) = # of Incumbents in each position

Prepared 3/5/2013



Governor
Chris Christie



Chairman
Richard E. Constable, III
Commissioner, New Jersey Department of Community Affairs

Executive Director
Marcia A. Karrow

Commissioners
James V. Bocchino
Albert E. Cameron, Jr.
Mauro DeGennaro
Robert Dowd
Jay C. Nadel
Thomas Quirico

Ferraioli, Wielkott, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkott, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
New Jersey Meadowlands Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Jersey Meadowlands Commission (the Commission), (A Component Unit of the State of New Jersey), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Jersey Meadowlands Commission's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of federal financial awards and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2013 on our consideration of the New Jersey Meadowlands Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Jersey Meadowlands Commission's internal control over financial reporting and compliance.



Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

March 19, 2013

NEW JERSEY MEADOWLANDS COMMISSION

(A Component Unit of the State of New Jersey)

Management Discussion and Analysis

December 31, 2012

This section of the New Jersey Meadowlands Commission's (NJMC) annual financial report represents our discussion and analysis of the NJMC's financial performance during the fiscal year that ended December 31, 2012. Please read it in conjunction with the NJMC's financial statements.

Financial Highlights

- The Commission's governmental net position decreased by \$2.1 million or 3% due primarily to decreased fee income and the utilization of reserves to fund the budget. In CY2011, the Commission's net position decreased by \$5.4 million or 10% due to the failure to complete the sale of properties.
- The total revenues for governmental funds decreased by 26% or \$4.1 million due to reduced grant funding. In CY2011, the total revenues for governmental funds had decreased by 47% or \$13.6 million due to the extraordinary income received in 2010. Net of the extraordinary income in 2010, total revenues in 2011 increased by \$2.7 million or 21% due to increases in fee income and other revenues.
- The total revenues for business type activities increased by \$1.6 million to \$25.7 million due to a July 1, 2012 increase in tipping fees at Keegan Landfill, increased lease revenues and a reduction in landfill liabilities. In CY2011, the total revenues for business type activities had increased by \$6.5 million to \$24.1 million due to increased volume received at the Keegan Landfill, partially due to excess tonnage from Hurricane Irene storm damages.

Overview of the Financial Statements

The annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Commission:

- The first two statements are **government wide financial statements** that provide long-term and short-term information about the Commission's overall financial status.
- The remaining statements are **fund financial statements** that focus on the individual parts of the Commission, reporting operations in more detail than the government wide statements.
- The **governmental funds statements** tell how the Commission services were financed in the short-term and what remains for future spending.
- **Proprietary funds statements** offer short and long-term financial information about the solid waste activities that are operated like a business.
- **Fiduciary funds** provide information about the financial relationships where the Commission acts as a trustee for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary financial information that sets forth comparisons of actual activity to the budgets of the General and Environmental Center Funds.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

Management Discussion and Analysis

December 31, 2012

Financial Summary

The Commission's total net position decreased by \$2.1 million in 2012, from \$66.9 million to \$64.8 million. The Commission's net position had decreased \$4.0 million in 2011, from \$70.8 million to \$66.8 million. A comparative condensed summary of the Commission's statement of net position at December 31 is shown in Figure 1.

Figure 1
Condensed Summary of Net Position (Balance Sheets)
(in millions of dollars)

| | | | | | |
|---------------------------------|----|--------------|-------------|--------------|-----------------|
| Capital assets | | 40.6 | 40.1 | 0.5 | 1.2% |
| Total assets | \$ | <u>57.5</u> | <u>58.4</u> | <u>(0.9)</u> | <u>(1.5)%</u> |
| Other liabilities | | 11.0 | 9.7 | 1.3 | 13.4% |
| Total liabilities | \$ | <u>11.0</u> | <u>9.7</u> | <u>1.3</u> | <u>13.4%</u> |
| Invested in capital assets, net | | 40.6 | 40.1 | 0.5 | 1.2% |
| Restricted | | 7.6 | 8.0 | (0.4) | (5.0)% |
| Unrestricted | | <u>(1.7)</u> | <u>0.7</u> | <u>(2.4)</u> | <u>(342.9)%</u> |
| Total net position | \$ | <u>46.5</u> | <u>48.8</u> | <u>(2.3)</u> | <u>(4.7)%</u> |
| | | | | | |
| Business type activities | | | | | |
| Current and other assets | \$ | 24.4 | 26.3 | (1.9) | (7.2)% |
| Capital assets | | <u>1.7</u> | <u>2.2</u> | <u>(0.5)</u> | <u>(22.7)%</u> |
| Total assets | \$ | <u>26.1</u> | <u>28.5</u> | <u>(2.4)</u> | <u>(8.4)%</u> |
| Other liabilities | | 7.8 | 10.4 | (2.6) | (25.0)% |
| Total liabilities | \$ | <u>7.8</u> | <u>10.4</u> | <u>(2.6)</u> | <u>(25.0)%</u> |
| Invested in capital assets, net | | 1.7 | 2.2 | (0.5) | (22.7)% |
| Restricted | | 13.7 | 11.5 | 2.2 | 19.1% |
| Unrestricted | | <u>2.9</u> | <u>4.4</u> | <u>(1.5)</u> | <u>(34.1)%</u> |
| Total net position | \$ | <u>18.3</u> | <u>18.1</u> | <u>0.2</u> | <u>1.1%</u> |

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

Management Discussion and Analysis

December 31, 2012

Revenue Highlights

While the Balance Sheet shows the change in the financial position of net position, the Statements of Revenues, Expenses and Net position indicates the nature and source of these changes. The NJMC solid waste facility averaged approximately 1,162 tons per day in CY2012 compared to 1,175 tons per day in CY2011.

Figure 2
Condensed Summary of Statement of Activities
(in millions of dollars)

| | | <u>2012</u> | <u>2011</u> | <u>Dollar change</u> | <u>Percent change</u> |
|-----------------------------------|----|-------------|-------------|--------------------------|---------------------------|
| Governmental activities | | | | | |
| Program revenue | \$ | 4.8 | 1.8 | 3.0 | 166.7% |
| General revenues and transfers | | <u>6.7</u> | <u>13.8</u> | <u>(7.1)</u> | <u>(51.4)%</u> |
| Total revenues | \$ | <u>11.5</u> | <u>15.6</u> | <u>(4.1)</u> | <u>(26.3)%</u> |
| Commission operations | \$ | 10.7 | 14.7 | (4.0) | (27.2)% |
| Environmental Center | | 1.9 | 2.6 | (0.7) | (26.9)% |
| MAGNET funds | | 0.2 | 2.9 | (2.7) | (93.1)% |
| Business Accelerator | | 0.4 | 0.8 | (0.4) | (50.0)% |
| Other Governmental Funds | | 0.6 | 0.0 | 0.6 | 0.0 |
| Miscellaneous | | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total expenses | \$ | <u>13.8</u> | <u>21.0</u> | <u>(7.2)</u> | <u>(34.3)%</u> |
| Change in net position | \$ | (2.3) | (5.4) | 3.1 | (57.4)% |
| Beginning net position | | <u>48.8</u> | <u>54.2</u> | <u>(5.4)</u> | <u>(10.0)%</u> |
| Ending net position | \$ | <u>46.5</u> | <u>48.8</u> | <u>(2.3)</u> | <u>(4.7)%</u> |
| Program revenue | \$ | 20.8 | 20.1 | 0.7 | 3.5% |
| General revenues and transfers | | <u>5.0</u> | <u>4.0</u> | <u>1.0</u> | <u>25.0%</u> |
| Total revenues | \$ | <u>25.8</u> | <u>24.1</u> | <u>1.7</u> | <u>7.1%</u> |
| Solid Waste | | 25.7 | 22.7 | 3.0 | 13.2% |
| Keegan Landfill Remediation | | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| Total expenses | \$ | <u>25.7</u> | <u>22.7</u> | <u>3.0</u> | <u>13.2%</u> |
| Change in net position | \$ | 0.1 | 1.4 | (1.3) | (92.9)% |
| Beginning net position | | <u>18.1</u> | <u>16.7</u> | <u>1.4</u> | <u>8.4%</u> |
| Ending net position | \$ | <u>18.2</u> | <u>18.1</u> | <u>0.1</u> | <u>0.6%</u> |

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

Management Discussion and Analysis

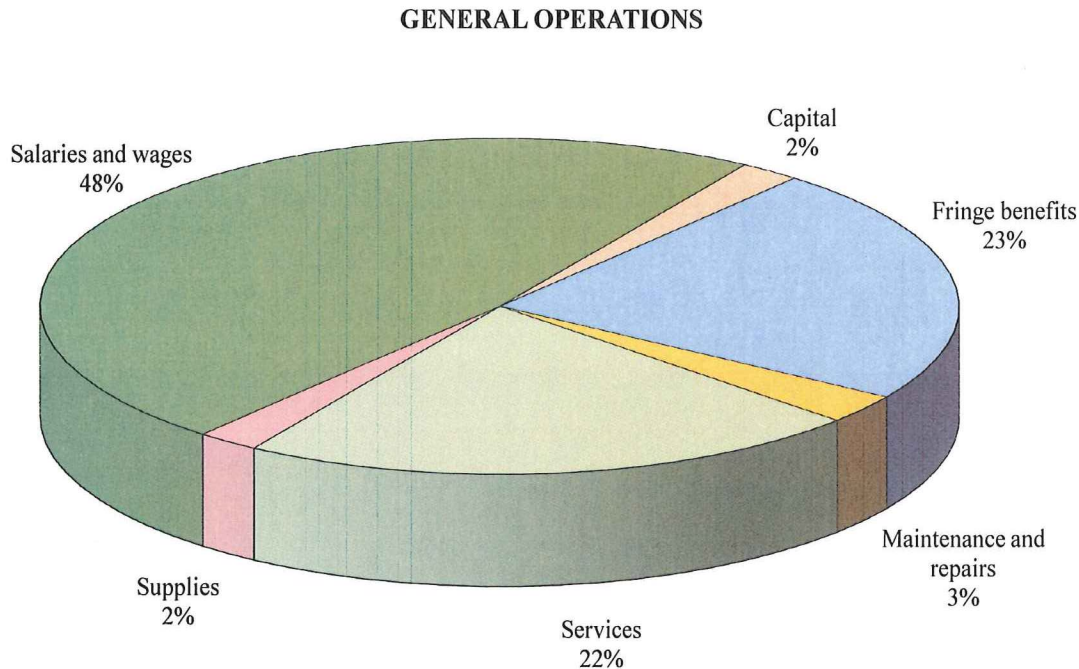
December 31, 2012

Budgetary Highlights

As required by its By Laws, the NJMC adopts an Operating and Capital Budget for its governmental operations prior to the start of its fiscal year. This budget remains in effect the entire year and can be revised by the NJMC Board of Commissioners during the fiscal year.

The NJMC solid waste operations are regulated as a utility by the Department of Environmental Protection and operate under a maximum permissible tariff inclusive of Host Community Payments and solid waste taxes. On July 1, 2012 the disposal rate was increased from \$50.00 to \$52.00 per ton inclusive of taxes and host community fees.

The following graphs show the breakdown of the NJMC governmental fund budgets.

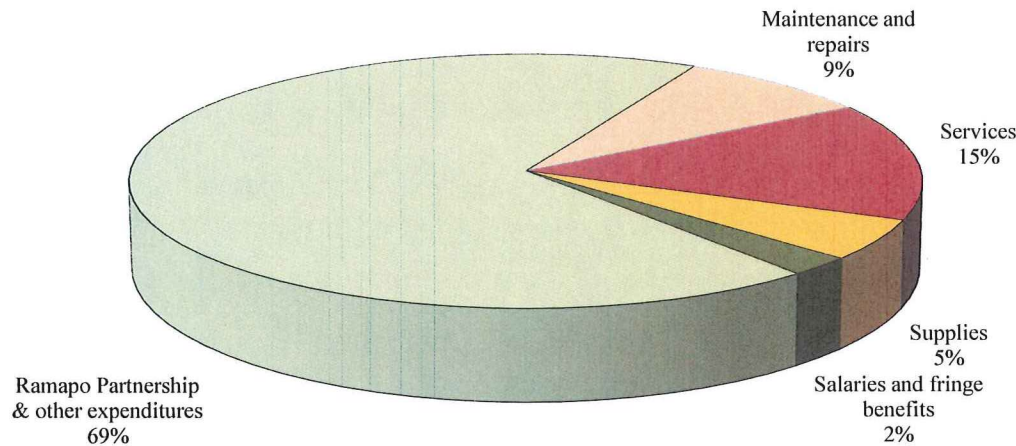


NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

Management Discussion and Analysis

December 31, 2012

ENVIRONMENT CENTER OPERATIONS



Meadowlands Area Grants for Natural and Economic Transformation (MAGNET)

In calendar year 2005, the NJMC launched the MAGNET Program. The intention of the MAGNET is to set aside funds to be used for tax relief incentives for District municipalities. A detailed budget outlining the amounts appropriated for MAP, environmental, economic development and improvement initiatives is currently in place. As of December 31, 2012, the balance in the MAGNET fund was \$2.4 million. There were commitments of \$1.79 million outstanding as of the end of the year.

Properties Sold and Available for Resale

The NJMC, in 2012, completed the sale of the former Bergen County Utilities Authority transfer station site located in North Arlington for \$4.1 million. In 2013, the NJMC intends to sell the Bethlehem Steel site located in North Arlington as per a previously advertised RFP.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

Management Discussion and Analysis

December 31, 2012

Capital Assets and Debt Administration

At the end of 2012, the Commission had invested \$71.9 million in a broad range of capital assets, including open space acquisition, land, solid waste facilities, its headquarters, and in equipment as shown in the following table:

Capital Assets
(in millions of dollars)

| | | <u>2012</u> | <u>2011</u> | <u>Dollar change</u> | <u>Percent change</u> |
|--------------------------|----|-------------|-------------|--------------------------|---------------------------|
| NJMC/Environment center | | | | | |
| Building | \$ | 16.4 | 21.4 | (5.0) | (23.4)% |
| Land | | 28.3 | 30.3 | (2.0) | (6.6)% |
| Infrastructure | | 1.1 | 1.1 | 0.0 | 0.0% |
| Construction in Progress | | 2.7 | 0.0 | 2.7 | 0.0% |
| Equipment | | 3.7 | 3.2 | 0.5 | 15.6% |
| Total | \$ | <u>52.2</u> | <u>56.0</u> | <u>(3.8)</u> | <u>(6.8)%</u> |
| Solid waste facilities | | | | | |
| Building | \$ | 11.4 | 11.4 | 0.0 | 0.0% |
| Land | | 5.9 | 5.9 | 0.0 | 0.0% |
| Equipment | | 2.4 | 2.4 | 0.0 | 0.0% |
| Total | \$ | <u>19.7</u> | <u>19.7</u> | <u>0.0</u> | <u>0.0%</u> |

Long-Term Debt

As of December 31, 2012, the NJMC did not have any outstanding debt.

Economic Factors

For calendar year 2013, the Commission does not expect a significant change in operating requirements, and the tonnage received at its solid waste facility is expected to stabilize with anticipated additional tonnage from Superstorm Sandy on-going clean up.

Contacting Financial Management

The financial report is designed to provide citizens, people served by the Commission, vendors, and creditors with a general overview of the NJMC's finances. If you have any questions about this report or need additional financial information, contact the Director of Finance's office at 1 DeKorte Park Plaza, Lyndhurst, New Jersey.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Statement of Net Position
December 31, 2012

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|------------------------------------|-------------------------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | 7,711,663 | 2,373,102 | 10,084,765 |
| Cash management fund | | 45,299 | 45,299 |
| Investments | 7,136,987 | 12,722,933 | 19,859,920 |
| Receivables, net: | | | |
| Accounts | | 1,068,408 | 1,068,408 |
| Other | 108,956 | | 108,956 |
| Interfund | 1,955,015 | 2,885,287 | 4,840,302 |
| Capital Assets, net | 40,559,420 | 1,646,441 | 42,205,861 |
| Restricted assets: | | | |
| Cash management fund | | 3,300,970 | 3,300,970 |
| Interest receivable | | 23,894 | 23,894 |
| Investments | | 1,992,618 | 1,992,618 |
| | <u>57,472,041</u> | <u>26,058,952</u> | <u>83,530,993</u> |
| Total Assets | | | |
| LIABILITIES | | | |
| Accounts payable | 10,540 | 468,504 | 479,044 |
| Accrued liabilities | 879,468 | 1,200,521 | 2,079,989 |
| Deferred revenue | | 1,319,980 | 1,319,980 |
| Due to other funds | 2,892,737 | 1,433,464 | 4,326,201 |
| Noncurrent liabilities: | | | |
| Due in more than one year | 7,244,302 | 3,336,234 | 10,580,536 |
| | <u>11,027,047</u> | <u>7,758,703</u> | <u>18,785,750</u> |
| Total liabilities | | | |
| NET POSITION | | | |
| Invested in capital assets | 40,559,420 | 1,646,441 | 42,205,861 |
| Restricted for: | | | |
| Closure and post-closure | | 6,793,144 | 6,793,144 |
| Open space acquisition | 46,000 | | 46,000 |
| Facilities maintenance | 2,407,997 | | 2,407,997 |
| Capital additions and replacements | 813,178 | | 813,178 |
| Insurance | 25,000 | 1,035,000 | 1,060,000 |
| Keegan landfill remediation | | 5,037,060 | 5,037,060 |
| Flood Control | 1,730,177 | | 1,730,177 |
| Student Transportation | 32,486 | | 32,486 |
| Renewable Energy | 198,655 | 883,930 | 1,082,585 |
| Project commitments | 2,366,135 | | 2,366,135 |
| Unrestricted (Deficit) | <u>(1,734,054)</u> | <u>2,904,674</u> | <u>1,170,620</u> |
| | <u>46,444,994</u> | <u>18,300,249</u> | <u>64,745,243</u> |
| Total net position | | | |

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Statement of Activities
Year Ended December 31, 2012

| Functions/Programs | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | |
|-----------------------------------|------------------|-------------------------|--|-----------------------------|
| | Expenses | Charges for Services | Governmental Activities | Business-type Activities |
| Governmental activities: | | | | |
| Commission operations | 10,729,485 | 2,305,027 | (8,424,458) | |
| Environmental center | 1,856,927 | 2,488,835 | 631,908 | |
| MAGNET fund | 175,789 | | (175,789) | |
| Business accelerator | 397,270 | | (397,270) | |
| Other Government funds | 598,963 | | (598,963) | |
| Total governmental activities | 13,758,434 | 4,793,862 | (8,964,572) | - |
| Business-type activities: | | | | |
| Solid waste | 25,664,482 | 20,830,055 | | (4,834,427) |
| Total business-type activities | 25,664,482 | 20,830,055 | - | (4,834,427) |
| Total primary government | 39,422,916 | 25,623,917 | (8,964,572) | (4,834,427) |
| General revenues: | | | | |
| Lease payments | | | | 338,210 |
| Investment earnings | | | 109,499 | 137,613 |
| Proerty Sales | | | 4,114,595 | |
| Grants | | | 1,848,483 | |
| Beneficial reuse materials | | | | 999,371 |
| Keegen Landfill remediation costs | | | | 2,354,173 |
| Business accelerator | | | 60,849 | |
| Transfer In - Reserve | | | | 1,203,979 |
| Rental of composting site | | | 100,000 | |
| Rental income - solar | | | 198,655 | |
| Miscellaneous | | | 241,559 | |
| Total general revenues | | | 6,673,640 | 5,033,346 |
| Change in Net Position | | | (2,290,932) | 198,919 |
| Net Position—beginning | | | 48,735,926 | 18,101,330 |
| Net Position—ending | | | 46,444,994 | 18,300,249 |

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Balance Sheet
Governmental Funds
December 31, 2012

| | General Fund | Environmental Center Fund | MAGNET Funds | Business Accelerator | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|-------------------|---------------------------------|------------------|-------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | 4,482,335 | 225,892 | 2,487,235 | 65,207 | 450,994 | 7,711,663 |
| Investments | 7,136,987 | | | | | 7,136,987 |
| Receivables, net: | | | | | | |
| Other | 98,358 | | 10,598 | | | 108,956 |
| Due from other funds | 947,722 | 1,274,477 | | 3,471 | | 2,225,670 |
| Total assets | <u>12,665,402</u> | <u>1,500,369</u> | <u>2,497,833</u> | <u>68,678</u> | <u>450,994</u> | <u>17,183,276</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | 6,938 | 1,661 | 1,813 | 128 | | 10,540 |
| Accrued liabilities | 393,746 | 462,605 | 19,195 | 3,922 | | 879,468 |
| Due to other funds | 2,888,758 | 267,184 | | | 7,450 | 3,163,392 |
| Total liabilities | <u>3,289,442</u> | <u>731,450</u> | <u>21,008</u> | <u>4,050</u> | <u>7,450</u> | <u>4,053,400</u> |
| Fund Balances: | | | | | | |
| Restricted for: | | | | | | |
| Maintenance | 2,389,433 | 18,564 | | | | 2,407,997 |
| Additions and replacements | 734,087 | 79,091 | | | | 813,178 |
| Student transportation | | 32,486 | | | | 32,486 |
| Open space acquisition | 46,000 | | | | | 46,000 |
| Insurance | 25,000 | | | | | 25,000 |
| Flood Control | 1,730,177 | | | | | 1,730,177 |
| Renewable Energy | 198,655 | | | | | 198,655 |
| Committed to: | | | | | | |
| Project Commitments | 571,768 | | 1,794,367 | | | 2,366,135 |
| Assigned to: | | | | | | |
| Environmental Center | | 638,778 | | | | 638,778 |
| MAGNET Funds | | | 682,458 | | | 682,458 |
| Business Accelerator | | | | 64,628 | | 64,628 |
| Other Reserves | | | | | 443,544 | 443,544 |
| Unassigned | 3,680,840 | | | | | 3,680,840 |
| Total Fund balances | <u>9,375,960</u> | <u>768,919</u> | <u>2,476,825</u> | <u>64,628</u> | <u>443,544</u> | <u>13,129,876</u> |
| Total liabilities and fund balances | <u>12,665,402</u> | <u>1,500,369</u> | <u>2,497,833</u> | <u>68,678</u> | <u>450,994</u> | |

Amounts reported for governmental activities in the statement of net assets (A-1) are different because:

| | |
|--|-------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$52,214,534 and the accumulated depreciation is \$11,655,114. | 40,559,420 |
| Postemployment Healthcare Benefits Other than Pension Obligation | (6,670,092) |
| Accrued liability for compensated absences | (574,210) |
| Net assets of governmental activities | <u>46,444,994</u> |

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2012

| | General Fund | Environmental Center Fund | MAGNET Fund | Business Accelerator Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------|---------------------------------|----------------|---------------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Fees and Charges | 791,408 | | | | | 791,408 |
| Baler overhead reimbursements | 1,513,619 | 2,387,791 | | | | 3,901,410 |
| Composting Revenues | 100,000 | | | | | 100,000 |
| Grant revenue | 1,844,410 | | | | 4,073 | 1,848,483 |
| Property sales | 4,114,595 | | | | | 4,114,595 |
| Lease revenue | 57,124 | | | 60,355 | | 117,479 |
| Mitigation Trust reimbursements | 132,587 | | | | | 132,587 |
| User Fees - NJMCEC | | 101,044 | | | | 101,044 |
| Other income | 34,953 | 16,895 | | | | 51,848 |
| Rental income - Solar | 198,655 | | | | | 198,655 |
| Interest Income | 90,853 | 2,896 | 12,857 | 494 | 2,893 | 109,993 |
| Total revenues | 8,878,204 | 2,508,626 | 12,857 | 60,849 | 6,966 | 11,467,502 |
| EXPENDITURES | | | | | | |
| Commission operations | 8,612,657 | | | | | 8,612,657 |
| Environmental center | | 605,433 | | | | 605,433 |
| MAGNET operations | | | 175,789 | | | 175,789 |
| Business accelerator operations | | | | 397,270 | | 397,270 |
| Capital expenditures | 46,524 | 2,813 | | | | 49,337 |
| Maintenance expenditures from reserve | 24,541 | 14,002 | | | | 38,543 |
| Amounts expended against prior year revenue allocations | | 4,899 | | | | 4,899 |
| Solar Array 1-A Expenses | 976,540 | | | | | 976,540 |
| Ramapo college partnership | | 1,715,061 | | | | 1,715,061 |
| Other expenditures | 24,970 | 4,354 | | | 598,963 | 628,287 |
| Total expenditures | 9,685,232 | 2,346,562 | 175,789 | 397,270 | 598,963 | 13,203,816 |
| Excess(deficiency) of revenues over expenditures | (807,028) | 162,064 | (162,932) | (336,421) | (591,997) | (1,736,314) |
| Other Financing Sources (Uses): | | | | | | |
| Transfers Out | (420,000) | | | | | (420,000) |
| Transfers In | | | | 420,000 | | 420,000 |
| Total other financing sources (uses) | (420,000) | - | - | 420,000 | - | - |
| Excess of revenues and other financing sources over expenditures and other financing uses | (1,227,028) | 162,064 | (162,932) | 83,579 | (591,997) | (1,736,314) |
| Fund balance, beginning of year | 10,602,988 | 606,855 | 2,639,757 | (18,951) | 1,035,541 | 14,866,190 |
| Fund balance, end of year | 9,375,960 | 768,919 | 2,476,825 | 64,628 | 443,544 | 13,129,876 |
| Net change in fund balance - total governmental funds | | | | | | (1,736,314) |
| Amounts reported for governmental activities in the statement of activities are different because: | | | | | | |
| Capital outlays, net of depreciation expense | | | | | | 399,390 |
| Write-off of capital assets, net | | | | | | (24,520) |
| Expenses in the statement of activities that do not require current financial resources and therefore are not reported as expenditures in the governmental funds | | | | | | 14,341 |
| Postemployment Healthcare Benefits Other than Pension Obligation | | | | | | (943,829) |
| Change in net assets of governmental activities | | | | | | (2,290,932) |

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Statement of Net Position
Proprietary Funds
December 31, 2012

| | <u>Solid Waste Enterprise Fund</u> |
|---------------------------|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | 2,373,102 |
| Due from other funds | 2,885,287 |
| Receivables, net: | |
| Accounts | <u>1,068,408</u> |
| Total current assets | <u>6,326,797</u> |
| Noncurrent assets: | |
| Investments | 12,768,232 |
| Restricted assets: | |
| Cash management fund | 3,300,970 |
| Interest receivable | 23,894 |
| Investments | 1,992,618 |
| Capital assets | <u>1,646,441</u> |
| Total noncurrent assets | <u>19,732,155</u> |
| Total assets | <u><u>26,058,952</u></u> |

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Statement of Net Position
Proprietary Funds
December 31, 2012

| | Solid Waste Enterprise Fund |
|--|--|
| | <hr/> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 468,504 |
| Accrued liabilities | 1,200,521 |
| Deferred revenue | 1,319,980 |
| Due to other funds | 1,433,464 |
| | <hr/> |
| Total current liabilities | 4,422,469 |
| | <hr/> |
| Noncurrent liabilities: | |
| Compensated absences | 448,343 |
| Accrued liability for closure and post-closure costs | 2,887,891 |
| | <hr/> |
| Total noncurrent liabilities | 3,336,234 |
| | <hr/> |
| NET POSITION | |
| Invested in capital assets | 1,646,441 |
| Restricted | 13,749,134 |
| Unrestricted | 2,904,674 |
| | <hr/> |
| Total net position | 18,300,249 |
| | <hr/> |
| Total liabilities and net position | 26,058,952 |
| | <hr/> <hr/> |

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2012

| | Solid Waste Enterprise Fund |
|---|--|
| Operating revenues: | |
| Fees for services | 20,830,055 |
| Lease revenues | 338,210 |
| Beneficial reuse materials | 999,371 |
| | <hr/> |
| Total operating revenues | 22,167,636 |
| | <hr/> |
| Operating expenses: | |
| Balefill | 5,293,003 |
| Hudson/Union County Authorities | 4,206,025 |
| General operating | 9,254,552 |
| Equipment maintenance and garage | 70,266 |
| Parks and Open Space | 1,513,453 |
| MERI/Laboratory | 2,378,233 |
| Methane Monitoring Expense | 116,941 |
| Depreciation | 557,017 |
| Closure Expenses | 2,157,504 |
| | <hr/> |
| Total Operating Expenses | 25,546,994 |
| | <hr/> |
| Operating income (loss) | (3,379,358) |
| | <hr/> |
| Nonoperating revenues (losses): | |
| Keegan landfill remediation liabilities cancelled | 2,354,173 |
| Transfer In - Reserves from Net Position | 1,203,979 |
| Net change in fair value of investments | (117,488) |
| Investment income | 137,613 |
| | <hr/> |
| Total nonoperating revenues (losses), net | 3,578,277 |
| | <hr/> |
| Change in net position | 198,919 |
| | <hr/> |
| Total net position, beginning of year | 18,101,330 |
| | <hr/> |
| Total net position, end of year | 18,300,249 |
| | <hr/> <hr/> |

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2012

| | Solid Waste Enterprise Fund |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | 18,625,050 |
| Payments to employees | (3,133,924) |
| Payments to suppliers | (19,293,565) |
| Beneficial reuse materials | 999,371 |
| Miscellaneous | <u>(121,518)</u> |
| Net cash provided by (used for) operating activities | <u>(2,924,586)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Landfill remediation and post-closure | <u>(2,865,978)</u> |
| Net cash provided by (used for) noncapital financing activities | <u>(2,865,978)</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | |
| Purchase of capital assets | <u>(37,759)</u> |
| Net cash provided by (used for) capital financing activities | <u>(37,759)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest | 294,415 |
| Proceeds from sales of investments | <u>589,350</u> |
| Net cash provided by (used for) investing activities | <u>883,765</u> |
| Net increase (decrease) in cash and cash equivalents | (4,944,558) |
| Cash and cash equivalents, beginning of year | <u>7,317,660</u> |
| Cash and cash equivalents, end of year | <u><u>2,373,102</u></u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | (3,379,358) |
| Depreciation expense | 557,017 |
| Change in assets and liabilities: | |
| Receivables, net | (248,798) |
| Prepaid costs | 25,000 |
| Accounts payable | 43,976 |
| Accrued liabilities | 244,389 |
| Deferred revenue | (577,200) |
| Due to/from other funds | <u>410,388</u> |
| Net cash provided by (used for) operating activities | <u><u>(2,924,586)</u></u> |

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

ASSETS

| | |
|---------------------------|-----------------------|
| Cash and cash equivalents | 7,341,456 |
| Accounts Receivable | 3,106,422 |
| Due from other funds | <u>166,437</u> |
| Total assets | <u>10,614,315</u> |

LIABILITIES

| | |
|--|----------------------|
| Accounts payable and accrued liabilities | 1,319,902 |
| Kingsland environmental remediation | 1,988,577 |
| Construction deposits | 352,792 |
| Rutherford post closure security | 156,584 |
| Security Deposit - ELS/SAJO | 63,351 |
| Contract retainage | 559,964 |
| Due to other funds | <u>680,539</u> |
| Total liabilities | <u>5,121,709</u> |

NET POSITION

| | |
|----------------------------|-----------------------------|
| Net position held in trust | <u>5,492,606</u> |
| Total net position | <u><u>5,492,606</u></u> |

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2012

ADDITIONS

| | |
|---|------------------|
| Transportation Planning District Fees | 766,469 |
| Other | 99,600 |
| Interest | 27,812 |
| Grant Revenues | 3,355,218 |
| Operating Transfer In | 2,070 |
| Blackstrap Escrow | 2,097 |
| Appropriated from Restricted Net Position | <u>425,665</u> |
| Total additions | <u>4,678,931</u> |

DEDUCTIONS

| | |
|--|-------------------------|
| Mitigation Expenses | 230,516 |
| Transportation Planning District Fund Expenditures | 3,820,343 |
| Operating Transfers Out | <u>2,070</u> |
| | <u>4,052,929</u> |
| Change in net position | <u>626,002</u> |
| Net position, beginning of the year | <u>4,866,604</u> |
| Net position, end of the year | <u><u>5,492,606</u></u> |

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the New Jersey Meadowlands Commission, formerly known as Hackensack Meadowlands Development Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant policies:

A. Reporting Entity

New Jersey Meadowlands Commission (the Commission), which is considered a component unit of the State of New Jersey, was established in 1968. The Commission operates with a board of commissioners and provides oversight of the solid waste removal, environmental protection, and development in the Hackensack Meadowlands district.

The basic financial statements include all funds of the Commission over which the Commission exercises oversight responsibility. The decision to include a potential component unit in the Commission's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Commission has no component units. Furthermore, the Commission is includable in the State of New Jersey reporting entity on the basis of such criteria.

B. Basis of Presentation - Fund Accounting

Government-wide Statements

The statement of net position and the statement of activities display information which include the overall financial activities of the Commission. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's business-type activity and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Fund Financial Statements

The fund financial statements provide information about the Commission's funds. Separate statements for each fund category applicable to the Commission -governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as fees for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment income, result from nonexchange transactions or ancillary activities.

The Commission reports the following major governmental funds:

- General fund. This is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.
- New Jersey Meadowlands Commission Environmental Center fund. This fund accounts for the proceeds of revenues generated by the Commission's Environmental Center.
- The New Jersey Meadowlands Commission Business Accelerator Fund includes the revenues and expenditures associated with the operation of this facility.

The Commission reports the following major enterprise fund:

- Solid Waste Enterprise fund. This fund accounts for the activities of the landfills operated by the Commission, as well as the closure and post-closure costs of such landfills.

Fiduciary Fund

This fund accounts for the proceeds of deposits held in trust for others. Mitigation, tax sharing and environmental activities are reported in this fund.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

The accounts of the Commission are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary.

C. Basis of Accounting

Effective for the year ended December 31, 2001, the Commission adopted three pronouncements of the Governmental Accounting Standards Board (GASB). GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*.

As a result of its adoption, the financial statements herein present a section for Management's Discussion and Analysis and present a statement of cash flows using the direct method as specified in GASB Statement No. 9.

Government-wide Statements

On January 1, 2012, the New Jersey Meadowlands Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Government-wide Statements, (continued)

- *Invested in capital assets, net of related debt* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net assets used through external constraints imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and other contributions. Revenue from such nonexchange transactions is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to pay liabilities of the current period. The Commission recognizes revenues that are expected to be collected within 90 days of year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest of general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in government funds. Proceeds of long-term debt are reported as other financing sources.

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funds*, provides proprietary activities with a choice of authoritative guidance after November 30, 1989. The Commission has elected to follow GASB pronouncements exclusively after that date for all business-type activities and enterprise funds. The following is a summary of other significant accounting policies of the Commission.

D. Investments

Investments are stated in the financial statements at fair value based upon quoted market prices.

E. Accumulated Unpaid Vacation and Sick Pay

The Commission employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to the actual days accrued. Reimbursement for accumulated sick leave is only made to employees at retirement, based upon a formula contained in the Commission personnel manual. Accumulated unpaid vacation and sick pay is accrued when incurred in the government-wide and proprietary funds. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

F. Deferred Revenues

Revenues from the sale of solid waste disposal tickets are deferred until such time as the tickets are turned in by haulers at the Commission landfill facility. In calendar year 2004, the NJMC discontinued the use of the prepaid ticketing system and replaced it with a prepaid hauler escrow account system.

G. Capital Assets

Capital assets are stated at cost or estimated historical cost. Contributed fixed assets are recorded at their estimated fair market value at the time received. Depreciation is provided using the straight-line method over estimated useful lives ranging from five to ten years for all assets. There is no capitalized interest included in capital assets.

H. Accrued Liability for Closure and Post-closure Costs

The accrued liability for closure and post-closure costs represents funds collected as part of the solid waste tariff, which are required to be established to pay for the cost of closure and post-closure of landfills.

I. Payable from Restricted Assets - Landfill Closure

The payable from restricted assets - landfill closure, represents funds collected as part of the solid waste surcharge, which is determined by the Department of Environmental Protection, which are required to be established to pay for the cost of closure and post-closure of landfills. These amounts are based upon engineering studies which are evaluated on a yearly basis.

J. Cash and Cash Equivalents

Cash and cash equivalents are stated at cost. Cash and cash equivalents include cash in banks and certificates of deposit with original maturities of less than three months from date of purchase.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

K. Fund Balances

- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Commission's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- **Assigned** fund balance comprises amounts *intended* to be used by the Commission for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

L. 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, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

NEW JERSEY MEADOWLANDS COMMISSION
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NOTES TO FINANCIAL STATEMENTS
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(continued)

NOTE 2: CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The year-end amount on deposit with banks was \$43,348,585. The Commission's deposits at year-end were partially insured by Federal Depository insurance in the amount of \$500,000. The Commission's primary depository has provided to a third-party trustee collateral in the name of the Commission to cover the remaining interest bearing account balance of the Commission.

The Commission's investment policy permits the investing of funds in the following types of investments:

- (a) Any direct and general obligation of the United States of America;
- (b) Any bond, debenture, note, or participation certificate issued by any of the following Federal agencies: Bank for Cooperatives, Federal Intermediate Credit Bank, Federal Home Loan Bank Systems, Federal Land Banks, Export-Import Bank, Tennessee Valley Authority, Federal National Mortgage Association, Government National Mortgage Association, or Farmers Home Administration;
- (c) Negotiable or nonnegotiable certificates of deposit issued by any bank, savings and loan association, or national banking association, if qualified to serve as a depository for public funds under the provisions of the Governmental Unit Deposit Protection Act, N.J.S.A. 17:9-41, et seq.;
- (d) Negotiable or nonnegotiable certificates of deposit issued by any bank, savings and loan association, trust company, or national banking association having capital and surplus of more than \$25,000,000, and which certificates of deposit are continuously secured by direct obligations of the United States of America that shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Commission or a designated custodian;

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 2: CASH AND INVESTMENTS, (continued)

- (e) Deposits in the State of New Jersey Cash Management Fund; and
- (f) Deposits in interest-bearing accounts in any bank, savings and loan association, trust company, or national banking association, if qualified to serve as a depository for public funds under the provisions of the Governmental Unit Deposit Protection Act, N.J.S.A. 17:9-41, et seq., or if having capital and surplus of more than \$25,000,000.

The Commission's investments are summarized below as category 1 which include investments that are insured or registered or for which the securities are held by the Commission or its agent in the Commissions's name.

The following is a summary of investments at December 31, 2012:

| | <u>Fair Value</u> | <u>Category</u> |
|--|---------------------|-----------------|
| Categorized: | | |
| United States Agency Notes | \$851,178 | 1 |
| United States Treasury Notes | 12,478,770 | 1 |
| Treasury Inflation Protected Securities | 258,687 | |
| Money Market Funds: | | |
| United States Government | <u>8,261,383</u> | 1 |
| | 21,850,018 | |
| Noncategorized: | | |
| State of New Jersey Cash Management Fund - pooled investments | <u>3,346,269</u> | |
| | <u>\$25,196,287</u> | |

NEW JERSEY MEADOWLANDS COMMISSION
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 3: CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended December 31, 2012:

| | Balance Dec. 31, 2011 | Additions | Deletions | Balance Dec. 31, 2012 |
|--|--------------------------|--------------------|----------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets that are not being depreciated: | | | | |
| Land | \$30,349,101 | \$ | (\$2,000,000) | \$28,349,101 |
| Infrastructure | 1,090,300 | | | 1,090,300 |
| Construction in Progress | | 2,681,165 | | 2,681,165 |
| Total capital assets not being depreciated | <u>31,439,401</u> | <u>2,681,165</u> | <u>(2,000,000)</u> | <u>32,120,566</u> |
| Building and building improvements | 21,437,468 | | (5,000,000) | 16,437,468 |
| Machinery and equipment | 3,215,827 | 465,193 | (24,520) | 3,656,500 |
| Totals at historical cost | <u>24,653,295</u> | <u>465,193</u> | <u>(5,024,520)</u> | <u>20,093,968</u> |
| Less accumulated depreciation for: | | | | |
| Building, improvements and equipment | (12,934,125) | (552,362) | 5,000,000 | (8,486,487) |
| Machinery and equipment | <u>(2,974,021)</u> | <u>(219,126)</u> | <u>24,520</u> | <u>(3,168,627)</u> |
| Total accumulated depreciation | <u>(15,908,146)</u> | <u>(771,488)</u> | <u>5,024,520</u> | <u>(11,655,114)</u> |
| Total capital assets being depreciated, net of accumulation depreciation | <u>8,745,149</u> | <u>(306,295)</u> | | <u>8,438,854</u> |
| Government activities capital assets, net | <u>\$40,184,550</u> | <u>\$2,374,870</u> | <u>(\$2,000,000)</u> | <u>\$40,559,420</u> |
| Business-type activities: | | | | |
| Land and landfills | 5,902,134 | | | 5,902,134 |
| Total historical cost | <u>5,902,134</u> | | | <u>5,902,134</u> |
| Less accumulated amortization for: | | | | |
| Landfills | (3,870,006) | (508,033) | | (4,378,039) |
| Total accumulated depreciation | <u>(3,870,006)</u> | <u>(508,033)</u> | | <u>(4,378,039)</u> |
| Total landfill life being amortized, net of accumulated amortization | <u>2,032,128</u> | <u>(508,033)</u> | | <u>1,524,095</u> |
| Building and building improvements | 11,375,083 | | | 11,375,083 |
| Machinery and equipment | 2,382,898 | 37,759 | (1,950) | 2,418,707 |
| Total historical cost | <u>13,757,981</u> | <u>37,759</u> | <u>(1,950)</u> | <u>13,793,790</u> |
| Less accumulated depreciation for: | | | | |
| Building, improvements and equipment | (11,375,083) | | | (11,375,083) |
| Machinery and equipment | <u>(2,247,376)</u> | <u>(50,935)</u> | <u>1,950</u> | <u>(2,296,361)</u> |
| Total accumulated depreciation | <u>(13,622,459)</u> | <u>(50,935)</u> | <u>1,950</u> | <u>(13,671,444)</u> |
| Total building, improvements and Equipment assets being depreciated, net of accumulated depreciation | <u>135,522</u> | <u>(13,176)</u> | | <u>122,346</u> |
| Business-type activities capital assets, net | <u>\$2,167,650</u> | <u>(\$521,209)</u> | <u>\$</u> | <u>\$1,646,441</u> |

Depreciation for buildings and furniture, fixtures and equipment for the year was \$771,488 allocated as follows: Commission operations - \$586,331 and Environmental Center - \$185,157.

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(continued)

NOTE 4: OPERATING LEASES

The Commission has commitments to lease certain buildings and office equipment under operating leases that expire in 2031. Total operating lease payments made during the year ended December 31, 2012 were \$430,317. Future minimum lease payments are as follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>Amount</u> |
|---|--------------------|
| 2013 | \$255,369 |
| 2014 | 249,748 |
| 2015 | 216,845 |
| 2016 | 194,969 |
| 2017 | 194,969 |
| 2018-2022 | 974,843 |
| 2023-2027 | 974,843 |
| 2028-2032 | <u>731,130</u> |
| | <u>\$3,792,716</u> |

NOTE 5: RETIREMENT SYSTEMS

Substantially all of the Commission's employees participate in the Public Employees' Retirement System (PERS) contributory defined benefit retirement system (retirement system) which has been established by State statute and is sponsored and administered by the State of New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the system will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625.

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are

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NOTES TO FINANCIAL STATEMENTS
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(continued)

NOTE 5: RETIREMENT SYSTEMS, (continued)

eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

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NOTES TO FINANCIAL STATEMENTS
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(continued)

NOTE 5: RETIREMENT SYSTEMS, (continued)

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19(S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8¼ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012.

The Commission opted for this deferral in the amount of \$258,746.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 5: RETIREMENT SYSTEMS, (continued)

The Commission's contribution to the public employee's retirement system, equal to the required contributions for each year, were as follows:

| <u>Year Ended</u> <u>December 31,</u> | <u>Amount</u> |
|--|---------------|
| 2012 | \$1,016,343 |
| 2011 | 983,434 |
| 2010 | 750,310 |

NOTE 6: CLOSURE AND POST-CLOSURE REQUIREMENTS

The Commission has set aside funds for closure and post-closure for its landfills. In the event the monies in the statutory accounts are not sufficient, the State of New Jersey will address any future liabilities for closure and post-closure for its landfills. The assumption of this liability by the State occurred in CY2003, when the Commission transferred \$50 million from its closure and post-closure accounts to the State's General Fund to meet its statutory obligations under the New Jersey State 2003-2004 budget.

NOTE 7: REMEDIATION OF KEEGAN LANDFILL

On June 14, 2005, the NJMC entered into a lease agreement with the Town of Kearny for the remediation of Keegan Landfill through future reopening of the facility for construction and demolition waste. It is expected that sufficient revenues will be generated through the tipping fees at Keegan Landfill to reimburse the Commission for all costs associated with this lease. At the completion of operations and closure of the Keegan Landfill, the NJMC will assist the Town of Kearny with the construction of recreational facilities at the site. The Commission has made payments to the Town of Kearny totaling \$9,750,151 since the agreement's inception.

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NOTES TO FINANCIAL STATEMENTS
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(continued)

NOTE 8: MEADOWLANDS AREA GRANTS FOR NATURAL AND ECONOMIC TRANSFORMATION (MAGNET)

In calendar year 2005, the NJMC launched the MAGNET Program. The intention of the MAGNET is to enhance the NJMC's existing Municipal Aid Program (MAP), by ensuring that monies are set aside for tax relief incentives for District municipalities. A detailed budget outlining the amounts appropriated for MAP, environmental, economic development and capital improvements initiatives is currently in place. As of December 31, 2012, the balance in the MAGNET fund was \$2,476,825. There were commitments of \$1,794,367 outstanding as of the end of the year.

NOTE 9: DEFERRED COMPENSATION PLANS

The Commission participates in two deferred compensation plans as follows:

- (a) New Jersey State Employees Deferred Compensation Plan - This Plan is an IRC Section 457 deferred compensation plan administered by the State of New Jersey and, accordingly, is included in the financial statements of the State. The Plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Plan is funded solely from voluntary employee contributions. Employee contributions and investment earnings thereon are a part of the State Plan. Employees may defer a maximum 50% of their salary or \$16,500, whichever is less. Investments are on an individual participant basis and the total investment for all the Commission employees is unknown.
- (b) AIG Retirement - This 457(b) plan, which commenced operations on December 31, 1985, is funded solely from voluntary employee contributions. The Plan is administered by AIG Retirement. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the participating employees, and are not included the accompanying financial statements. Employee contributions in 2012 were \$79,500.

NOTE 10: PROPRIETARY FUND - RESTRICTED ASSETS

Assets are restricted for closure and post-closure expenses in the Solid Waste Enterprise Fund based upon management's estimate.

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NOTES TO FINANCIAL STATEMENTS
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(continued)

NOTE 11: INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2012 consist of the following:

| <u>Dollar Amount</u> | <u>Description</u> |
|--------------------------|--|
| \$2,885,287 | Due to the Solid Waste Fund from the General Fund. |
| 3,471 | Due to the Business Accelerator from the General Fund. |
| 639,840 | Due to the General Fund from the Transportation Planning District. |
| 267,183 | Due to the General Fund from the Environment Center. |
| 40,699 | Due to the General Fund from the Mitigation Trust Fund. |
| 7,450 | Due to the Study Fund from the Mitigation Trust Fund |
| 1,274,477 | Due to the Environment Center from the Solid Waste Fund. |
| <u>158,987</u> | Due to the Mitigation Trust Fund from the Solid Waste Fund. |
| <u>\$5,277,394</u> | |

It is anticipated that all interfunds will be liquidated during the fiscal year.

NOTE 12: GOVERNMENT-WIDE NET ASSETS

Net assets are restricted in the General Fund as follows at December 31, 2012:

| | |
|----------------------------|--------------------|
| Maintenance | \$2,389,433 |
| Additions and replacements | 734,087 |
| Open space acquisition | 46,000 |
| Renewable Energy | 198,655 |
| Insurance | 25,000 |
| Flood Control | <u>1,730,177</u> |
| | <u>\$5,123,352</u> |

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NOTES TO FINANCIAL STATEMENTS
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(continued)

NOTE 13: LITIGATION

NJMC v. John P. Keegan, Block 205, Lot 28, Kearny (Superior Court). In January 2009, condemnation commissioners fixed compensation for property owned by John Keegan in the amount of \$919,500.00. The court entered final judgment in the amount of \$919,500.00 and directed that the funds be held in escrow pending NJMC's filing of a cost recovery action. This cost recovery action was filed and was concluded with a determination by the court that NJMC should be awarded \$711,635.42 and that Keegan may retain the remainder representing the value of the property. Although the court found that Keegan was not legally responsible for contamination on the parcel because he was a passive owner of the property after landfill operations had ceased, the court found that to allow Keegan to be awarded the full \$919,500.00 would result in unjust enrichment. Keegan has appealed the court's order to the Appellate Division and the NJMC has filed a cross-appeal with respect to the court's finding on liability as well as the amount of damages. Briefs have been filed in the appeal. Oral argument was held on September 12, 2012.

A remaining matter involves NJMC's action to partially condemn a small portion of Keegan's property (Lot 25) that has been used for access to the Keegan landfill. NJMC made a bona fide offer to purchase the parcel and Keegan refused to sell the parcel, making condemnation necessary. This parcel is also the subject of a trespass action filed by Keegan (the fourth action) in which Keegan argues a taking of property without compensation.

On the partial condemnation case, trial concluded and the judge awarded \$121,653 to plaintiff, taking into consideration all of the arguments. However, the judge has still not entered a judgment and NJMC has moved for reconsideration and entry of a judgment. The matter is not final until the judge enters an order. At this time, NJMC does not intend to appeal however; it is not known whether Keegan will.

Meadowlands Golf Redevelopment Project. As previously reported in 2000, EnCap agreed with the New Jersey Meadowlands Commission (NJMC) to remediate 785 acres within the Hackensack Meadowlands District in Bergen County comprising four former landfills. EnCap also agreed that upon completion of the remediation, it would develop 100 acres of the remediated land, with the remainder of the site preserved as open space. Financing for the project was secured by EnCap in the form of a loan of New Jersey Environmental Infrastructure Trust (NJEIT) bond proceeds in the approximate amount of \$107 million and a loan of Department of Environmental Protection (NJDEP) monies from the State Revolving Fund in the approximate amount of \$104 million.

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NOTES TO FINANCIAL STATEMENTS
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(continued)

NOTE 13: LITIGATION, (continued)

In 2007, EnCap defaulted under the agreement by failing to make required progress in the remediation. EnCap also defaulted under its loan agreements with the NJEIT and NJDEP, and ultimately defaulted under letters of credit issued by a bank syndicate led by Wachovia Bank. After efforts to cure the defaults and save the project failed, EnCap filed a Chapter 11 Reorganization petition in the U.S. Bankruptcy Court. However, the bankruptcy was ultimately dismissed and NJMC has since terminated the redevelopment agreement with EnCap and terminated EnCap's right, title and interest in the project site.

Immediately after dismissal of the bankruptcy, NJMC filed complaints in the Superior Court, Bergen County, to effectuate a reversion of the property from EnCap (quiet title) to the NJMC and to compel the surety to honor a \$148 million performance bond secured by EnCap, both as required under the agreement. Further, a foreclosure action previously filed by the banks under a mortgage they received from EnCap on the property in exchange for issuing the letters of credit was revived. The surety, American Home Assurance (AHA), has since agreed to perform under the performance security and a Takeover Agreement has since been executed allowing that to happen.

Virtually all related matters, involving these parties, including the banks' foreclosure action and the NJMC quiet title action, were consolidated before Judge Contillo. The parties to the matter were sent to mediation with former Chief Justice Zazzali. Through this process NJMC and AHA were able to settle the claims of the Banks and PS&S, an EnCap contractor.

Subsequent to mediation, AHA and NJMC filed joint motions for summary judgment against the remaining parties to the litigation, including Mactec, a construction company who did work for EnCap at the site and claimed damages of \$30+ million. The motions were granted in their entirety with Judge Contillo ruling that the properties reverted back to NJMC in 2008 free and clean of any mortgages or construction liens. Mactec moved for a stay of the decision which was granted.

After the issuance of the stay, Mactec reached a settlement with Lexington, an affiliate of AHA, regarding an additional policy covering the site whereby Mactec agreed to drop all of its claims in the Wachovia litigation including its appeal rights concerning the summary judgment decision in exchange for \$19.75 million out of that policy.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 13: LITIGATION, (continued)

NJMC has filed a new action which is before Judge Contillo to declare invalid and extinguish a putative judgment lien which clouds the fee simple title to the above reference real property that was vested in the NJMC *nunc pro tunc* to May 9, 2008 by virtue of a March 31, 2011 Order ("Quiet Title Order"). This new putative judgment lien arises as a result of an apparent September 20, 2010 Consent Order to Enter Judgment in the amount of \$3 million against EnCap Golf Holdings, LLC ("EnCap") ("Jersey Meadows Judgment") entered in a matter last captioned *Jersey Meadows, LLC v. EnCap Golf Holdings, LLC, et al*, Docket No. L-6113-08 ("Jersey Meadows Action"). This matter has been settled between the parties and resulted in a \$100,000.00 payment to Jersey Meadows, LLC.

Litigation has been resolved between NJMC, Lyndhurst and tax sale certificate holders regarding liens on the reverted property. In addition, the two tax assessment challenges, regarding property located in Lyndhurst and North Arlington, and the resultant Tax Court litigation to address the assessments in place on the NJMC property have been resolved.

Laino v. NJMC (On remand to NJMC). Laino appealed NJMC's 2000 Final Decision imposing a \$399,000 fine on Laino for zoning violations permitted on its property by its tenant, BULC Corp. The Appellate Division remanded to the NJMC directing NJMC to articulate its reasoning for the amount of the civil penalty assessed and for imposing it solely on Laino.

In August 2011, Laino filed an action in Bergen County Superior Court, Law Division seeking to vacate and discharge the \$399,000 fine imposed by the 2000 Final Decision's order by alleging that NJMC did not follow statutory procedures when docketing the 2000 Final Decision as a final judgment in 2000. On October 14, 2011, a motion to dismiss or, in the alternative, to transfer this new suit from Bergen County Superior Court, Law Division, to the Appellate Division was filed. The dismissal of Laino's complaint is based on lack of jurisdiction, lack of ripeness, and failure to exhaust administrative remedies. Laino filed a counter motion for summary judgment. On December 5, 2011, the court issued an order granting NJMC's motion to dismiss and denying Laino's motion for summary judgment. On January 23, 2012, Laino filed a notice of appeal challenging the court's December 5, 2011 order.

The parties resolved this matter in December 2012, with Laino agreeing to pay \$100,000.00 to NJMC in settlement of this matter.

NEW JERSEY MEADOWLANDS COMMISSION
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 13: LITIGATION, (continued)

Ditobarbi v. NJMC (Office of Administrative Law) Ditobarbi appealed, in the Office of Administrative Law, assessments issued by NJMC in the amount of \$606,150.00 related to occupancy, property maintenance, storage and illegal construction violations at the premises located at 2 Avenue A, Block 130, Lot 16, in the Borough of Carlstadt, New Jersey. The three assessments were for (1) Ditobarbi/Diamond Express Inc. CO related to a \$1,000.00 fine against Diamond Express Inc. based upon occupancy of the space at the subject premises without benefit of approvals from the NJMC, in violation of N.J.A.C. 19:4-4.8; (2) Ditobarbi/Site Improvement Violation relates \$309,750.00 assessment for violation of a February 18, 2009 zoning certificate for the installation of the concrete pad (originally installed without benefit of approval from this Office) and drainage improvements, which drainage improvements were determined by NJMC during an August 12, 2010 inspection not to have been installed by Ditobarbi in accordance with the approved plan; and (3) Ditobarbi/Property Maintenance Violation relates to a \$295,400.00 assessment for outdoor storage in violation of N.J.A.C. 19:4-6.5(b)1 on the subject property in the form of unregistered and/or inoperable vehicles. The parties are currently in settlement negotiations, although testimony has been taken in the proceedings. The NJMC is working with Ditobarbi on a plan for Ditobarbi to come into zoning compliance.

NOTE 14: POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or disability retirement. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits and the State contributed \$935.5 million on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 Chapter 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve that increases by one half 1% of the active State payroll.

The State is also responsible for the cost attributable to P.L. 1992 Chapter 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2011, the State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 15: RISK MANAGEMENT

Property and Liability Insurance

The Commission maintains commercial insurance coverage for property, liability and surety bonds that covers the risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage.

New Jersey Unemployment Compensation Insurance

The Commission has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Commission is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Commission is billed quarterly for amounts due to the State. There were no reimbursements which were required to be paid to the State for the current year.

NOTE 16: POSTEMPLOYMENT HEALTHCARE PLAN

Postemployment Benefits Other Than Pensions

The Commission sponsors a single employer postemployment benefits plan that provided benefits in accordance with State statute, through the State's Health Benefits Bureau to eligible retirees, their spouses/domestic partners and eligible dependent children and continues to be provided on behalf of the surviving spouse/domestic partner or a retiree. Employees and/or their spouses/domestic partners become eligible for these benefits upon 25 years or more of service in the Public Employees Retirement System (PERS) or those approved for disability retirement.

Pursuant to GASB Statement No. 45 ("GASB 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Commission obtained an actuarially determined calculation for this obligation.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 16: POSTEMPLOYMENT HEALTHCARE PLAN, (continued)

The Commission's annual other postemployment benefits ("OPEB") costs for the Plan, which is currently funded on a pay-as-you-go basis and is a non-contributory plan with all plan payments for plan benefits being funded by the Commission, is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and interest on the net OPEB obligation and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Commission's annual OPEB cost for the year ended December 31, 2012, and the related information for the plan, are as follows:

| | |
|---|--------------------|
| January 1, 2012 - Net OPEB Obligation (Initial) (NOO) | \$5,726,263 |
| Annual OPEB Costs (AOC) | 1,305,900 |
| Contribution from Commission | <u>(362,071)</u> |
| December 31, 2012 - Net OPEB Obligation (NOO) | <u>\$6,670,092</u> |

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for FY2012 were as follows:

| <u>Fiscal</u> <u>Year</u> <u>Ended</u> | <u>Annual</u> <u>OPEB</u> <u>Cost</u> (Dollars in Thousands) | <u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u> | <u>Net</u> <u>OPEB</u> <u>Obligation</u> |
|--|---|---|--|
| 2010 | \$1,305.9 | 17% | \$4,655,094 |
| 2011 | 1,370.8 | 22% | 5,726,263 |
| 2012 | 1,305.9 | 28% | 6,670,092 |

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 16: POSTEMPLOYMENT HEALTHCARE PLAN, (continued)

| Valuation Date | Actuarial Value of Assets OPEB Cost | Actuarial accrued Liability - Projected Unit Credit | Unfunded Actuarial Accrued Liability | Funde d Ratio | Covered Payroll | Unfunded Actuarial Liability as a Percentage of Covered Payroll |
|------------------------|---|---|---|---------------------|--------------------|---|
| (Dollars in Thousands) | | | | | | |
| 01/01/10 | \$-0- | \$14,427.6 | \$14,427.6 | 0% | \$7,761.0 | 186% |

The **Present Value of all Projected Benefits** is the total present value of all expected future benefits, based on certain actuarial assumptions. The Present Value of all projected benefits is a measure of total liability or obligation. Essentially, the Present Value of all projected benefits is the value (on the valuation date) of the benefits promised to current and future retirees. The Plan's present value of all projected benefits (at January 1, 2010) is \$24,618,000 assuming no prefunding of obligations. The majority of this liability is for current active employees (future retirees).

The **Actuarial Accrued Liability** is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The Plan's Actuarial Accrued Liability (at January 1, 2010) is \$14,427,600 assuming no prefunding of obligations. The majority of this obligation is for active employees.

Normal Cost is the value of benefits expected to be earned during the current year, again based on certain actuarial methods and assumptions. The 2010 Fiscal Year Normal Cost is \$708,300 assuming no prefunding of obligations. In pension accounting, this is also known as "service cost."

Future Normal Costs represent the present value of the remaining balance of all projected benefits to be earned in future years.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 16: POSTEMPLOYMENT HEALTHCARE PLAN, (continued)

Assumptions

The results were calculated based upon plan provisions, as provided by the New Jersey Meadowlands Commission and the State of New Jersey, along with certain demographic and economic assumptions as recommended by Aon, in conjunction with the New Jersey Meadowlands Commission with guidance from the GASB statement.

Demographic Assumptions

Data was provided by the New Jersey Meadowlands Commission as of January 1, 2010. Demographic assumptions used to project the data are the same as those used to value the SHBP PERS pension liabilities. There is no assumption for future new hires.

Economic Assumptions

The GASB statement requires that the discount rate used to determine the retiree healthcare liabilities should be estimated long-term yield on the "investments that are expected to be used to finance the payments of benefits". Since the New Jersey Meadowlands Commission does not currently pre-fund the retiree healthcare liabilities, the discount rate for the "no prefunding" scenario should be based on the portfolio of the New Jersey Meadowlands Commission's "general assets" used to pay these benefits. The discount rate assumption selected by the Commission is 4.50%.

For the "with prefunding" scenario, we recommend using the same rate as used for valuing the State of New Jersey's PERS pension liabilities, which is 8.25%.

The trend assumption is used to project the growth of the expected claims over the lifetime of the healthcare recipients. The GASB statement does not require a particular source for information to determine healthcare trends, but it does recommend selecting a source that is "publicly available, objective and unbiased".

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(continued)

NOTE 16: POSTEMPLOYMENT HEALTHCARE PLAN, (continued)

Aon developed the trend assumption utilizing the short-term rates expected on the SHBP plan along with information in published papers from other industry experts (actuaries, health economists, etc.). For medical benefits, this amount initially is at 8.5% or 9.5% (depending on the medical plan) and decreases to a 5.0% long-term trend rate for all medical benefits after twelve years. For prescription drug benefits, the initial trend rate is 10.5%, decreasing to a 5.0% long-term trend rate after fourteen years. For Medicare Part B reimbursement, the trend rate is 5.0% for three years, with a long-term trend rate of 5.0% thereafter.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
Year Ended December 31, 2012

| | Original Budget | Budget Transfers/ Adjustments | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|-------------------------------------|-------------------|------------------|-----------------------------|
| REVENUES: | | | | | |
| Property Sales | | - | | 4,114,595 | 4,114,595 |
| Fees and charges | 1,400,000 | - | 1,400,000 | 791,408 | (608,592) |
| Reserve Utilization | 6,330,000 | - | 6,330,000 | | (6,330,000) |
| Solid Waste Overhead Reimbursement | 1,513,619 | - | 1,513,619 | 1,513,619 | - |
| Composting Revenues | 375,000 | - | 375,000 | 100,000 | (275,000) |
| Lease Revenue | | - | | 57,124 | 57,124 |
| Other Income | 55,000 | - | 55,000 | 34,953 | (20,047) |
| Rental Income - Solar Array | | - | | 198,655 | 198,655 |
| Grant revenues | 387,500 | - | 387,500 | 1,844,410 | 1,456,910 |
| Mitigation Trust Reimbursement | | - | | 132,587 | 132,587 |
| Interest Income | 25,000 | - | 25,000 | 90,853 | 65,853 |
| Total Revenues | 10,086,119 | - | 10,086,119 | 8,878,204 | (1,207,915) |
| EXPENDITURES: | | | | | |
| Commission operations: | | | | | |
| Salaries and wages | 4,560,774 | - | 4,560,774 | 3,753,187 | 807,587 |
| Supplies | 210,000 | - | 210,000 | 238,479 | (28,479) |
| Services | 2,105,000 | - | 2,105,000 | 1,828,193 | 276,807 |
| Maintenance and repairs | 267,000 | - | 267,000 | 305,671 | (38,671) |
| Fringe benefits | 2,194,345 | - | 2,194,345 | 2,425,587 | (231,242) |
| Other | | - | | 52,535 | (52,535) |
| New equipment | 6,000 | - | 6,000 | 3,810 | 2,190 |
| Total commission operations | 9,343,119 | - | 9,343,119 | 8,607,462 | 735,657 |
| Other Expenditures: | | | | | |
| Capital expenditures | 198,000 | - | 198,000 | 46,524 | 151,476 |
| Maintenance expenditures from reserve | | - | | 24,541 | (24,541) |
| Other | | - | | 24,970 | (24,970) |
| Solar Array 1-A Expenses | | - | | 976,540 | (976,540) |
| Total other expenditures | 198,000 | - | 198,000 | 1,072,575 | (874,575) |
| Total Expenditures | 9,541,119 | - | 9,541,119 | 9,680,037 | (138,918) |
| Excess of revenues over expenditures | 545,000 | - | 545,000 | (801,833) | (1,346,833) |
| Other Financing Sources: | | | | | |
| Other Financing Uses - Business Accelerator Fund | (545,000) | | (545,000) | (420,000) | (125,000) |
| Total other financing sources | (545,000) | - | (545,000) | (420,000) | (125,000) |
| Excess of revenues and other financing sources over expenditures and other financing uses | - | - | - | (1,221,833) | (1,221,833) |
| Fund balance, beginning of year | | | | 10,602,988 | |
| Net change in fund balance | | | | 9,381,155 | |
| Fund balance, end of year budgetary basis | | | | 9,381,155 | |
| Noncurrent liability for compensated absences | | | | (5,195) | |
| Fund balance, end of year governmental funds basis | | | | 9,375,960 | |

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
(Budgetary Basis)
Environmental Center Fund
Year Ended December 31, 2012

| | Original Budget | Budget Transfers/ Adjustments | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|-------------------------------------|-----------------|-----------|-----------------------------|
| REVENUES: | | | | | |
| Fees and charges | 2,387,791 | - | 2,387,791 | 2,387,791 | - |
| Amounts appropriated for current year | | - | | 4,438 | 4,438 |
| Other Income | | - | | 16,895 | 16,895 |
| User Fees - NJMCEC | 92,000 | - | 92,000 | 101,044 | 9,044 |
| Reserve Utilization | 16,000 | - | 16,000 | | (16,000) |
| Interest Income | 2,000 | - | 2,000 | 2,896 | 896 |
| Total Revenues | 2,497,791 | - | 2,497,791 | 2,513,064 | 15,273 |
| EXPENDITURES: | | | | | |
| Commission operations: | | | | | |
| Salaries and wages | 41,483 | - | 41,483 | 46,499 | (5,016) |
| Supplies | 125,000 | - | 125,000 | 139,999 | (14,999) |
| Services | 374,335 | - | 374,335 | 263,474 | 110,861 |
| Maintenance and repairs | 217,000 | - | 217,000 | 135,203 | 81,797 |
| Fringe benefits | 19,912 | - | 19,912 | 21,034 | (1,122) |
| New equipment | 5,000 | - | 5,000 | | 5,000 |
| Total commission operations | 782,730 | - | 782,730 | 606,209 | 176,521 |
| Other Expenditures: | | | | | |
| Capital expenditures | | - | | 2,813 | (2,813) |
| Ramapo College Partnership | 1,715,061 | - | 1,715,061 | 1,715,061 | - |
| Amounts expended against prior year revenue allocations | | - | | 4,899 | (4,899) |
| Maintenance Expenses from reserve | | - | | 14,002 | (14,002) |
| Other | | - | | 4,354 | (4,354) |
| Total other expenditures | 1,715,061 | - | 1,715,061 | 1,741,129 | (26,068) |
| Total Expenditures | 2,497,791 | - | 2,497,791 | 2,347,338 | 150,453 |
| Net change in fund balances | - | - | - | 165,726 | 165,726 |
| Fund balance, beginning of year | | | | 606,855 | |
| Net change in fund balance | | | | 772,581 | |
| Less amounts appropriated for current year | | | | (4,438) | |
| Fund balance, end of year budgetary basis | | | | 768,143 | |
| Noncurrent liability for compensated absences | | | | 776 | |
| Fund balance, end of year governmental funds basis | | | | 768,919 | |

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
(Budgetary Basis)
Business Accelerator Fund
Year Ended December 31, 2012

| | Original Budget | Budget Transfers/ Adjustments | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|-------------------------------------|-----------------|-----------|-----------------------------|
| REVENUES: | | | | | |
| Lease Revenues | 55,000 | | 55,000 | 60,355 | 5,355 |
| Interest Income | 350 | - | 350 | 494 | 144 |
| Total Revenues | 55,350 | - | 55,350 | 60,849 | 5,499 |
| EXPENDITURES: | | | | | |
| Commission operations: | | | | | |
| Salaries and wages | 92,700 | - | 92,700 | 80,723 | 11,977 |
| Supplies | 900 | - | 900 | 469 | 431 |
| Services | 234,496 | - | 234,496 | 227,704 | 6,792 |
| Maintenance and repairs | | - | | 1,040 | (1,040) |
| Fringe benefits | 47,254 | - | 47,254 | 48,583 | (1,329) |
| Other | | - | | 28,828 | (28,828) |
| Total commission operations | 375,350 | - | 375,350 | 387,347 | (11,997) |
| Total Expenditures | 375,350 | - | 375,350 | 387,347 | (11,997) |
| Excess of revenues over expenditures | (320,000) | - | (320,000) | (326,498) | 17,496 |
| Other Financing Sources: | | | | | |
| Other Financing Sources - General Fund | 320,000 | | 320,000 | 420,000 | (100,000) |
| Total other financing sources | 320,000 | - | 320,000 | 420,000 | (100,000) |
| Excess of revenues and other financing sources over expenditures and other financing uses | - | - | - | 93,502 | 117,496 |
| Fund balance, beginning of year | | | | (18,951) | |
| Net change in fund balance | | | | 93,502 | |
| Fund balance, end of year budgetary basis | | | | 74,551 | |
| Noncurrent liability for compensated absences | | | | (9,923) | |
| Fund balance, end of year governmental funds basis | | | | 64,628 | |

NEW JERSEY MEADOWLANDS COMMISSION
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balances and
Project Status-Budgetary Basis
Year Ended December 31, 2012

| | <u>2012</u> | <u>2011</u> |
|--|-----------------------|-----------------------|
| Revenues and Other Financing Sources | | |
| Interest Income | <u>1,847</u> | <u>3,238</u> |
| | <u>1,847</u> | <u>3,238</u> |
| Expenditures and Other Financing Uses | | |
| Other Expenditures | <u>460,000</u> | <u></u> |
| | <u>460,000</u> | <u></u> |
| Excess (deficiency) of revenues over (under) expenditures | (458,153) | 3,238 |
| Fund Balance - Beginning | <u>697,381</u> | <u>394,143</u> |
| Fund Balance - Ending | <u><u>239,228</u></u> | <u><u>397,381</u></u> |

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

ASSETS

Cash and cash equivalents
Accounts Receivable
Due from other funds

Total assets

LIABILITIES

Accounts payable and accrued liabilities
Kingsland environmental remediation
Construction deposits
Rutherford post closure security
Security deposit ELS/SAJO
Contract Retainage
Due to other funds

Total liabilities

NET POSITION

Net position held in trust

Total net position

| | TOTAL | Mitigation Trust | Transportation Planning District | Third Party Escrow |
|--|------------|---------------------|--|--------------------------|
| | 7,341,456 | 3,798,584 | 1,554,295 | 1,988,577 |
| | 3,106,422 | | 3,106,422 | |
| | 166,437 | 166,437 | | |
| | 10,614,315 | 3,965,021 | 4,660,717 | 1,988,577 |
| | 1,319,902 | 17,456 | 1,302,446 | 1,988,577 |
| | 1,988,577 | | | |
| | 352,792 | 352,792 | | |
| | 156,584 | 156,584 | | |
| | 63,351 | 63,351 | | |
| | 559,964 | 559,964 | | |
| | 680,539 | 40,699 | 639,840 | |
| | 5,121,709 | 1,190,846 | 1,942,286 | 1,988,577 |
| | 5,492,606 | 2,774,175 | 2,718,431 | - |
| | 5,492,606 | 2,774,175 | 2,718,431 | - |

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2012

| | TOTAL | Mitigation Trust | Transportation Planning District | Third Party Escrow |
|--|--------------|-----------------------------|---|-----------------------------------|
| ADDITIONS | | | | |
| Transportation Planning District Fees | 766,469 | | 766,469 | |
| Other | 99,600 | 99,000 | 600 | |
| Interest | 27,812 | 16,179 | 11,633 | |
| Grant Revenues | 3,355,218 | | 3,355,218 | |
| Operating Transfer In | 2,070 | 2,070 | | |
| Blackstrap Escrow | 2,097 | 2,097 | | |
| Appropriated from Restricted Net Position | 425,665 | 425,665 | | |
| Total additions | 4,678,931 | 545,011 | 4,133,920 | - |
| DEDUCTIONS | | | | |
| Mitigation Expenses | 230,516 | 230,516 | | 899 |
| Transportation Planning District Fund Expenditures | 3,820,343 | | 3,819,444 | 2,070 |
| Operating Transfer Out | 2,070 | | | |
| | 4,052,929 | 230,516 | 3,819,444 | 2,969 |
| Change in net position | 626,002 | 314,495 | 314,476 | (2,969) |
| Net position, beginning of the year | 4,866,604 | 2,459,680 | 2,403,955 | 2,969 |
| Net position, end of the year | 5,492,606 | 2,774,175 | 2,718,431 | - |

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

**NOTE TO SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

YEAR ENDED DECEMBER 31, 2012

Budgetary Procedures and Budgetary Accounting

The Commission's General Fund budget is established by its Board of Commissioners. In addition, a budget has been approved for the Environmental Center Fund by the Board of Commissioners. The Commission prepares its budgets on a basis consistent with accounting principles generally accepted in the United States of America except for recognizing the appropriation of prior year fund balance as revenue and recognition of long-term liabilities for compensated absences and changes thereto. Appropriations unexpended at the close of the fiscal year may be carried forward to subsequent years. Expenditures cannot exceed appropriations at the total fund level for the General Fund and Environmental Center Fund, exclusive of amounts expended against prior year revenue allocations.

NEW JERSEY MEADOWLANDS COMMISSION
SCHEDULE OF NET POSITION BY COMPONENT
CALENDAR YEARS 2003 THROUGH 2012

BALANCE SHEET

Assets:

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|--------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Current | 41,325,132 | 44,853,142 | 47,112,535 | 55,375,989 | 69,741,986 | 92,882,517 | 93,453,885 | 86,848,612 | 95,992,488 | 93,993,537 |
| Non-current | 42,205,861 | 42,352,201 | 41,041,535 | 29,890,227 | 31,173,330 | 28,871,789 | 22,991,348 | 20,294,175 | 15,001,944 | 16,689,281 |
| Total assets | 83,530,993 | 87,205,343 | 88,154,170 | 85,266,216 | 100,915,316 | 121,754,306 | 116,445,233 | 107,142,787 | 110,994,432 | 110,682,818 |

Liabilities:

| | | | | | | | | | | |
|-------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Current | 8,205,214 | 7,990,480 | 5,717,524 | 5,778,487 | 11,087,476 | 7,890,723 | 7,157,696 | 5,494,656 | 12,974,118 | 10,742,314 |
| Non-current | 10,580,536 | 15,463,334 | 12,964,005 | 13,200,328 | 13,286,317 | 17,431,391 | 13,957,074 | 16,993,365 | 46,637,759 | 52,378,495 |
| Total Liabilities | 18,785,750 | 23,453,814 | 18,681,529 | 18,978,815 | 24,373,793 | 25,322,114 | 21,114,770 | 22,488,021 | 59,611,877 | 63,120,809 |

Net Assets:

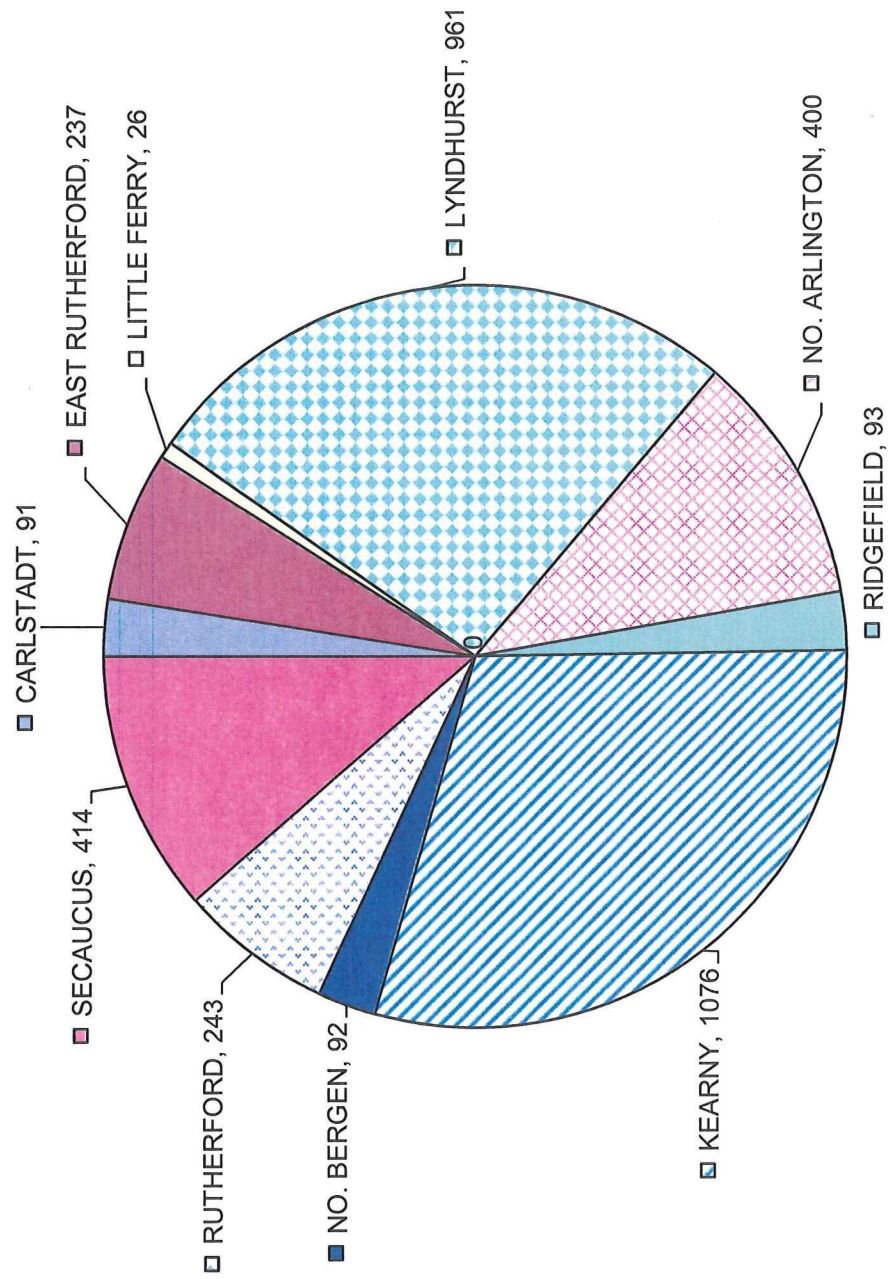
| | | | | | | | | | | |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Invested in capital assets | | | | | | | | | | |
| net of related debt | 42,205,861 | 42,352,201 | 41,041,635 | 29,890,227 | 31,173,330 | 28,871,789 | 22,991,348 | 20,294,175 | 15,001,944 | 16,689,281 |
| Restricted | 19,574,395 | 17,092,453 | 21,164,124 | 28,107,188 | 36,704,159 | 57,021,102 | 43,413,939 | 57,872,127 | 5,254,429 | 5,365,969 |
| Unrestricted | 2,964,987 | 4,306,875 | 7,266,882 | 8,289,986 | 8,664,034 | 10,539,301 | 28,925,176 | 6,488,464 | 31,126,182 | 25,506,759 |
| Total net assets | 64,745,243 | 63,751,529 | 69,472,641 | 66,287,401 | 76,541,523 | 96,432,192 | 95,330,463 | 84,654,766 | 51,382,555 | 47,562,009 |

**NEW JERSEY MEADOWLANDS COMMISSION
SCHEDULE OF CHANGES IN NET POSITION
CALENDAR YEARS 2003 THROUGH 2012**

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|-------------|-------------|-------------|--------------|--------------|-------------|-------------|-------------|------------|-------------|
| GOVERNMENTAL FUNDS | | | | | | | | | | |
| Statement of Revenues and Expenditures | | | | | | | | | | |
| Revenues | 11,467,502 | 15,644,407 | 12,962,533 | 13,508,676 | 13,913,294 | 18,073,173 | 26,365,558 | 45,048,536 | 18,878,721 | 22,705,646 |
| Expenditures | 13,203,816 | 21,756,850 | 19,073,638 | 18,940,674 | 35,623,976 | 26,329,648 | 18,373,502 | 19,343,481 | 16,003,251 | 10,065,487 |
| Excess of revenues over expend. | (1,736,314) | (6,112,443) | (6,111,105) | (5,431,998) | (21,710,682) | (8,256,475) | 7,992,056 | 25,705,055 | 2,875,470 | 12,640,159 |
| Fund balance - beginning of year | 14,866,190 | 20,978,633 | 27,089,738 | 32,521,735 | 54,223,349 | 62,191,124 | 54,207,665 | 28,502,610 | 25,627,140 | 12,886,981 |
| Fund balance - end of year | 13,129,876 | 14,866,190 | 20,978,633 | 27,089,737 | 32,512,667 | 53,934,649 | 62,199,721 | 54,207,665 | 28,502,610 | 25,627,140 |
| SOLID WASTE OPERATIONS | | | | | | | | | | |
| Operating Revenues | 22,167,636 | 21,249,194 | 15,934,558 | 13,949,190 | 23,537,804 | 27,644,989 | 19,612,317 | 21,971,092 | 23,719,295 | 25,633,217 |
| Operating Expense | 25,546,994 | 22,732,677 | 17,977,675 | 16,260,024 | 25,478,206 | 24,577,979 | 20,714,558 | 24,619,968 | 23,826,551 | 26,730,187 |
| Income from Operations | (3,379,358) | (1,483,483) | (2,043,117) | (2,310,834) | (1,940,402) | 3,067,010 | (1,102,241) | (2,648,876) | (107,256) | (1,096,970) |
| Non-operating revenue | 3,578,277 | 2,917,590 | 1,643,096 | 137,416 | 1,371,096 | 1,544,917 | 4,756,789 | 10,044,051 | 347,428 | 685,522 |
| Non-operating expense | - | 0 | 0 | 497,920 | (963,974) | 0 | 3,646,683 | 2,997,177 | 0 | 2,562,980 |
| Change in net assets | 198,919 | 1,434,107 | (400,021) | (2,671,338) | 394,668 | 4,611,927 | 7,865 | 4,397,998 | 240,172 | (2,974,428) |
| Net Assets - beginning of year | 18,101,340 | 16,667,233 | 15,703,535 | 18,374,873 | 17,980,205 | 13,368,278 | 13,360,413 | 8,962,415 | 8,722,243 | 11,696,671 |
| Net Assets - end of year | 18,300,259 | 18,101,340 | 15,303,514 | 15,703,535 | 18,374,873 | 17,980,205 | 13,368,278 | 13,360,413 | 8,962,415 | 8,722,243 |
| STATEMENT OF ACTIVITIES (GOV'T) | | | | | | | | | | |
| Revenues | 11,467,502 | 15,644,407 | 29,247,533 | 13,463,010 | 13,913,293 | 18,073,173 | 18,515,557 | 41,048,536 | 17,816,575 | 22,705,646 |
| Expenses | 13,758,434 | 21,077,607 | 25,662,273 | 21,054,863 | 34,487,330 | 21,574,773 | 16,886,683 | 12,174,323 | 14,236,201 | 8,671,995 |
| Change in net assets | (2,290,932) | (5,433,200) | 3,585,260 | (7,591,853) | (20,574,037) | (3,501,600) | 1,628,874 | 28,874,213 | 3,580,374 | 14,033,651 |
| Net assets - beginning of year | 48,735,926 | 54,169,126 | 50,583,866 | 58,175,716 | 78,740,687 | 81,953,587 | 80,333,311 | 42,420,140 | 38,839,766 | 24,806,115 |
| Net assets - end of year | 46,444,994 | 48,735,926 | 54,169,126 | 50,583,863 | 58,166,650 | 78,451,987 | 81,962,185 | 71,294,353 | 42,420,140 | 38,839,766 |
| ALL OPERATIONS | | | | | | | | | | |
| Revenues | 37,213,415 | 39,811,191 | 46,835,286 | 27,549,615 | 47,290,843 | 47,263,079 | 39,237,980 | 70,066,502 | 41,883,298 | 46,461,405 |
| Expenses | 39,305,428 | 43,810,284 | 43,650,046 | 37,812,806 | 67,470,212 | 46,152,753 | 37,601,241 | 36,794,291 | 38,062,752 | 35,402,182 |
| Change in net assets | (2,092,013) | (3,999,093) | 3,185,240 | (10,263,191) | (20,179,369) | 1,110,326 | 1,636,739 | 33,272,211 | 3,820,546 | 11,059,223 |
| Net assets - beginning of year | 66,837,256 | 70,836,349 | 66,287,401 | 76,550,588 | 96,720,892 | 95,321,866 | 93,693,724 | 51,382,555 | 47,562,009 | 36,502,786 |
| Net assets - end of year | 64,745,243 | 66,837,256 | 69,472,641 | 66,287,397 | 76,541,523 | 96,432,192 | 95,330,463 | 84,654,766 | 51,382,555 | 47,562,009 |

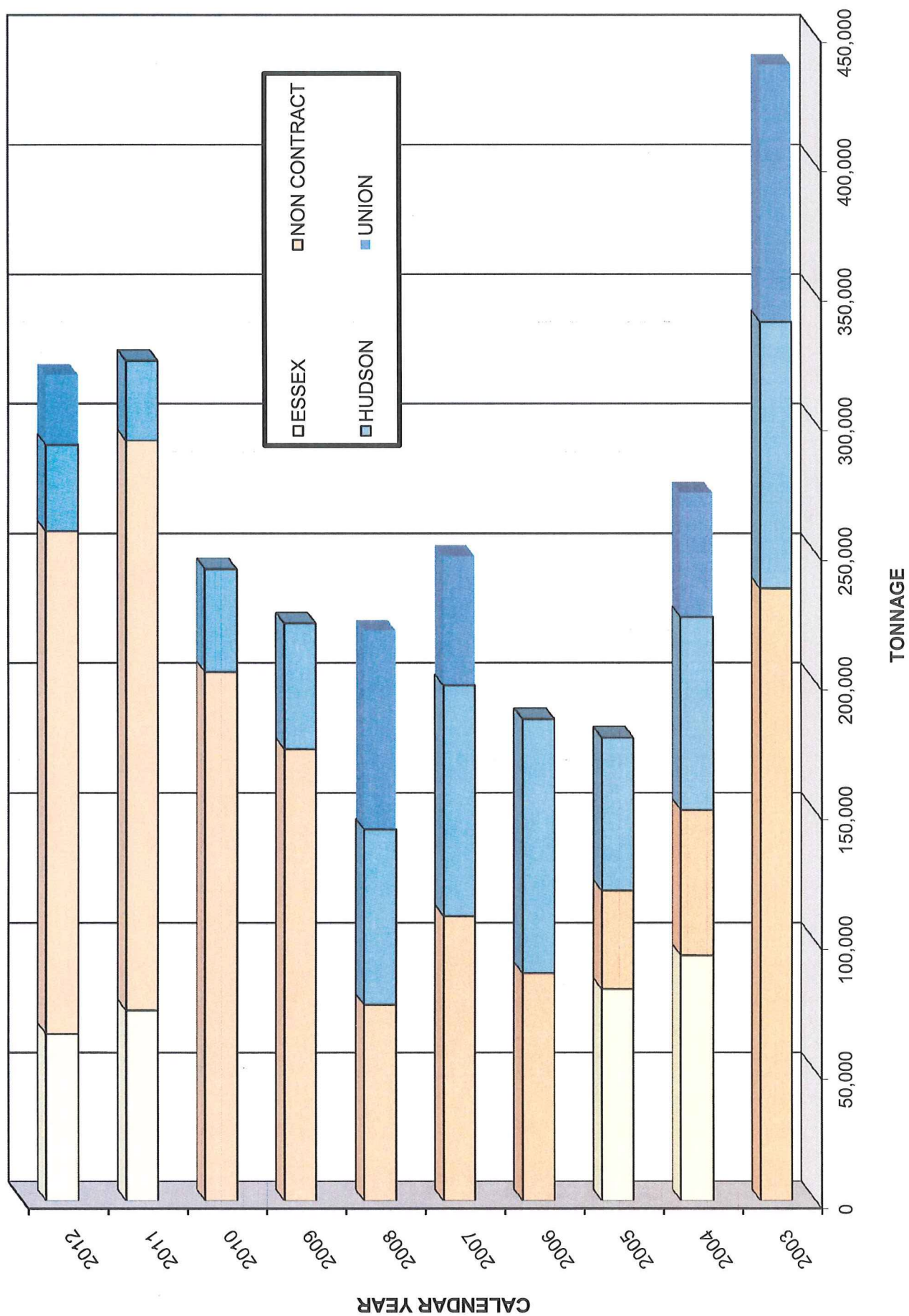
* Restated for inclusion of infrastructure assets and prior period restatements.

**NJMC PROPERTY ACQUISITION
TOTAL ACREAGE BY MUNICIPALITY**
(source: MERI - GIS)



Total Land Acreage: 3,633 acres
(as of 12/31/2012)

NJMC LANDFILL TONNAGE CY2003 - CY2012



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
New Jersey Meadowlands Commission:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Jersey Meadowlands Commission (the Commission) (A Component Unit of the State of New Jersey) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the New Jersey Meadowland's basic financial statements, and have issued our report thereon dated March 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the New Jersey Meadowlands Commission's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New Jersey Meadowlands Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the New Jersey Meadowlands Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify one immaterial deficiency in internal control that we have reported to management of the New Jersey Meadowlands Commission in the accompany other comments and recommendations section of this report.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the New Jersey Meadowlands Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted one immaterial instance of noncompliance that we have reported to the management of the New Jersey Meadowlands Commission in the accompanying other comments and recommendations section of this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the New Jersey Meadowlands Commission internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Jersey Meadowlands Commission internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.


Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CR00413


FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

March 19, 2013



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133 AND N.J. OMB CIRCULAR 04-04

The Board of Commissioners
New Jersey Meadowlands Commission:

Report on Compliance for Each Major Federal and State Program

We have audited the New Jersey Meadowlands Commission (the Commission) (A Component Unit of the State of New Jersey) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey State Office of Management and Budget's State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2012. The New Jersey Meadowlands Commission's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the New Jersey Meadowlands Commission's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*"; and the provisions of the New Jersey State Treasury Circular Letter 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Those standards and OMB Circular A-133 and N.J. OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance

about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the New Jersey Meadowlands Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the New Jersey Meadowlands Commission's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the New Jersey Meadowlands Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the New Jersey Meadowlands Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the New Jersey Meadowlands Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal and state program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance with OMB Circular A-133 and N.J. OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the New Jersey Meadowlands Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and N.J. OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.



Steven D. Wielkottz, C.P.A.
Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

March 19, 2013

NEW JERSEY MEADOWLANDS COMMISSION

Schedule of Expenditures of Federal Awards

Year ended December 31, 2012

| Federal CFDA Number | Grant Period | Award Amount | Balance at Dec. 31, 2011 | Cash Received | Budgetary Expenditures | Adjustments | (Accounts Receivable) at Dec. 31, 2012 | Deferred Revenue at Dec. 31, 2012 | MEMO Cumulative Total Expenditures |
|---|--------------------|-----------------|--------------------------------|------------------|---------------------------|-------------|---|--|---|
| National Oceanic and Atmospheric Administration | | | | | | | | | |
| Study Fund: | | | | | | | | | |
| Coastal Zone Management Administration Awards | | | | | | | | | |
| 11.419 | 10/1/02-09/30/05 | \$ 4,178,800 | (82,570) | | | 82,570 | | | * 2,211,996 |
| | | | (82,570) | | | 82,570 | | | * 2,211,996 |
| Total National Oceanic and Atmospheric Administration | | | | | | | | | |
| US Environmental Protection Agency | | | | | | | | | |
| Study Fund: | | | | | | | | | |
| 66.811 | 10/1/04-09/30/05 | 200,000 | 265 | | | (265) | | | * 199,735 |
| 66.461 | 10/1/03-9/30/04 | 124,000 | | | | | | | * 50,407 |
| 66.606 | 9/1/04-3/31/08 | 385,700 | 6,007 | | | (6,007) | | | * 379,693 |
| | 10/1/05-9/30/06 | 375,934 | 38,495 | | | (38,495) | | | * 337,439 |
| | 1/1/06-9/30/07 | 288,700 | (288,700) | | | 288,700 | | | * 577,400 |
| | | | (243,933) | | | 243,933 | | | * 1,544,674 |
| Total US Environmental Protection Agency | | | | | | | | | |
| Board of Public Utilities | | | | | | | | | |
| 81.119 | 10/28/10 - 2/28/12 | 8,500,000 | (2,457,890) | 3,894,430 | 1,436,540 | | | | * 8,500,000 |
| ARRA - Landfill Solar Project | | | | | | | | | |
| Total Board of Public Utilities | | | | | | | | | |
| | | | (2,457,890) | 3,894,430 | 1,436,540 | | | | * 8,500,000 |
| Federal Highway Administration: | | | | | | | | | |
| MASSTR Grant | | | | | | | | | |
| 20.933 | 3/2/11 - 3/29/19 | 10,008,056 | (6,303) | | 2,589,160 | | (2,595,463) | | * 2,595,463 |
| Total Federal Highway Administration | | | | | | | | | |
| | | | (6,303) | | 2,589,160 | | (2,595,463) | | * 2,595,463 |
| Total Federal Financial Assistance | | | | | | | | | |
| | | \$ | (2,790,696) | 3,894,430 | 4,025,700 | 326,503 | (2,595,463) | | * 14,852,133 |

NEW JERSEY MEADOWLANDS COMMISSION

Schedule of Expenditures of State Awards

Year ended December 31, 2012

| State and Local Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance at Dec. 31, 2011 | Cash Received | Budgetary Expenditures | Adjustment | Returned to Grantor | (Accounts Receivable) at Dec. 31, 2012 | Deferred Revenue at Dec. 31, 2012 | MEMO Cumulative Total Expenditures |
|---|-------------------------------|--------------|--------------|--------------------------|---------------|------------------------|------------|---------------------|--|-----------------------------------|------------------------------------|
| New Jersey Department of Environmental Protection: Study Fund: | | | | | | | | | | | |
| New Jersey Commission of Science & Technology: | | | | | | | | | | | |
| Business Accelerator | 08-2042-014-47 | 06/30/05 | 30,000 | 6,775 | | 6,775 | | | | | 30,000 |
| Business Incubator Support | 09-2042-014-40 | 06/30/10 | 40,000 | | | | | | | | 40,000 |
| Business Incubator Support | 10-2042-014-40 | 06/30/11 | 100,000 | 5,128 | | 1,199 | 18 | 3,947 | | | 96,071 |
| New Jersey Business Incubator Network: Incubator Enhancement Program | | 12/31/09 | 30,000 | 15,540 | | 15,540 | | | | | 30,000 |
| Total State Financial Assistance | | | | 27,443 | | 23,514 | 18 | 3,947 | | | 196,071 |
| HEP/NEIWPCC Stewardship Grants | | 2011 | 6,899 | 255 | | | (255) | | | | 2,550 |
| Total Local Financial Assistance | | | | 255 | | | (255) | | | | 2,550 |
| Total State/Local Financial Assistance | | | \$ | 27,698 | | 23,514 | (237) | 3,947 | | | 198,621 |

Note: This Schedule was not subject to an audit in accordance with N.J. OMB Circular 04-04.

**NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)**

**NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1. GENERAL

The accompanying schedules of expenditures of awards present the activity of all federal financial assistance programs of the New Jersey Meadowlands Commission. The Commission is defined in Note 1A: Summary of Significant Accounting Policies, Reporting Entity, of the Commission's financial statements. All federal financial assistance received directly from federal financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards.

NOTE 2. RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Commission's financial statements.

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

1. Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

2. Material weakness(es) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards Section

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

Type of auditors' report on compliance for major programs: unqualified

Internal Control over compliance:

1. Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

2. Material weakness(es) identified? yes X no

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, as amended? yes X no

Identification of major programs:

CFDA Number

81.119

20.933

Name of Federal Program

ARRA - Landfill Solar Project

MASSTR Grant

State Awards Section

Not Applicable

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(continued)

Section II - Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the general-purpose financial statements that are required to be reported in accordance with Chapter 5.18 of "General Auditing Standards".

NONE

NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(continued)

Section III - Federal Financial Assistance Findings and Questioned Costs

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of federal programs, as required by OMB Circular A-133, as amended.

NONE

**NEW JERSEY MEADOWLANDS COMMISSION
(A Component Unit of the State of New Jersey)**

OTHER COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

OTHER COMMENTS

It was noted that some receipts for Prepaid Dump Slips were not deposited in a timely manner.

RECOMMENDATIONS

That all receipts be validated at time of collection and deposited in a timely manner.

Acknowledgment

We received the complete cooperation of all of the officials of the Commission and we greatly appreciate the courtesies extended to all members of the audit team.

Respectfully submitted,



Steven D. Wielkotz
Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

March 19, 2013