

**New Jersey Sports and Exposition Authority
(A Component Unit of the
State of New Jersey)**

Financial Statements and Supplementary Information

Year Ended December 31, 2016

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Financial Statements and Supplementary Information
Year Ended December 31, 2016

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4-11
Basic Financial Statements as of and for the Year Ended December 31, 2016:	
Statement of Net Position	12
Statements of Net Activities	13
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Statement of Net Position – Proprietary Funds	16
Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Funds	17
Statements of Cash Flows – Proprietary Funds	18
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
Notes to Financial Statements	21-45
Required Supplementary Information	
Schedule of Revenue, Expenditures and Changes in Fund Balance Budget versus Actual	46
Schedule of the Authority's Proportionate Share of the Net Pension Liability – Public Employees Retirement System	47
Schedule of Contributions – Public Employees Retirement System	48
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49



Independent Auditors' Report

**To the Chair and Members of
New Jersey Sports and Exposition Authority
Lyndhurst, New Jersey**

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 Sports and Exposition Authority ("Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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 from 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 auditors' 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.

**To the Chair and Members of
New Jersey Sports and Exposition Authority**
Page 2

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Environmental Center Fund	Unmodified
Magnet Fund	Unmodified
NJSEA Enterprise Fund	Qualified
Solid Waste Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Business-type Activities and NJSEA Enterprise Fund

In March 2015, management elected to close the operations of its 20,000 seat entertainment arena located in East Rutherford, New Jersey. This closure is considered a significant and unexpected decline in service utility which was not part of the expected normal life cycle. Under generally accepted accounting principles, this change requires the arena to be reported at the lower of the carrying value or fair value.

Management has decided not to provide a fair value measurement of the arena at this time. Therefore, the amount of an impairment loss, if any, cannot be determined. The financial impact of an impairment loss, if one was required, would reduce the carrying amount of fixed assets and net position. Additionally, any impairment loss would reduce the current year's profit or increase the current year's loss.

The carrying value of the arena has been reclassified to show it has become a non-performing asset.

Qualified Opinion on the Business-type Activities and NJSEA Enterprise Fund

In our opinion, except for the effects of the matter described in Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the business-type and NJSEA Enterprise Fund of the Authority as of December 31, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the NJSEA Enterprise Fund, and the aggregate remaining fund information of the Authority, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance 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 management's discussion and analysis, budgetary comparison information, schedule of Authority's proportionate share of the net pension liability – PERS, and the schedule of Authority's contributions – PERS as presented in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 on our consideration of the Authority'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 the 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 Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Livingston, New Jersey
November 30, 2017

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2016

Introduction to the Annual Report

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

Management's Discussion and Analysis:

- This section of the New Jersey Sports and Exposition Authority's ("Authority" or "NJSEA"), a component unit of the State of New Jersey, financial statements presents an overview of the Authority's financial performance for the year ended December 31, 2016. It provides an assessment of how the Authority's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the other financial statements described below.

The Basic Financial Statements include:

- The Statements of Net Position, which provide information about the nature and amounts of resources with present service capacity that the Authority presently controls (assets), consumption of net position by the Authority that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that the Authority has little or no discretion to avoid (liabilities), and acquisition of net position by the Authority that is applicable to a future reporting period (deferred inflow of resources) with the difference between assets/deferred outflow of resources and liabilities/deferred inflow of resources being reported as net position.
- The Statements of Net Activities which account for all of the current year's revenues and expenses measures the Authority's operations over the past year and can be used to determine how the Authority has funded its costs.
- The Statement of Cash Flows, reported for its enterprise funds which provide information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.
- The Fiduciary Funds statement provides information about the financial relationships in which the Authority acts as trustee for the benefit of parties outside of NJSEA operations.

The Notes to the Financial Statements provide:

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

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2016

The Authority's Business

The Authority is engaged in the business of owning and maintaining entertainment, convention and environmental facilities throughout the State of New Jersey (the "State"). It was created as a quasigovernmental instrument of the State not only for the purpose of generating revenues from these activities, but also to generate sales tax revenues and provide economic stimulus to the regions surrounding the facilities. The Authority's roles include providing for the proper disposal of solid waste, preserving the environment, establishing and enforcing the zoning and subdivision regulations of the Meadowlands District and the enforcement of New Jersey's Uniform Construction Code.

Below is a description of the Authority's operations:

The Meadowlands Sports Complex - East Rutherford, New Jersey

Meadowlands Racetrack - on December 19, 2011, NJSEA and New Meadowlands Racetrack, LLC ("NMR") entered into a 30-year lease agreement for full operational control of the Meadowlands Racetrack, the development of 4 Off-Track Wagering ("OTW") sites and the transfer of a 35% interest in Account Wagering. The lease has a renewal option for a further 10 year period at its conclusion. On November 23, 2013, NMR moved its operations to a newly constructed grandstand facility opposite the exiting grandstand.

Meadowlands Arena (the Arena) - is a 20,000 seat indoor arena with 28 private suites, containing approximately 466 seats, and 4,000 of its own parking spaces. Its revenues are generated from leases and license agreements with sporting events, family shows, and concerts. From April 2015 the NJSEA closed the Arena for public events.

American Dream Retail and Entertainment Project (formerly known as the Xanadu Project) - a multi-use attraction currently under construction consisting of approximately 2.9 million square feet of gross leasable space containing entertainment, restaurant and ancillary retail components. On June 30, 2005, the Authority entered into a ground lease and related project agreements for development of the Xanadu Project, approximately 104 acres at the Meadowlands Sports Complex.

The Authority received pre-payments of ground rent through 2023 in the amount of \$160,000,000. In 2005, the Authority used \$26,800,000 of the prepaid ground rent to purchase the wetland mitigation bank rights on the Empire Tract. The Authority also used \$37,190,000 to defease tax-exempt bonds attributable to the Xanadu Project site. Expenses associated with the project that were previously deferred were expensed in 2005. For GAAP purposes revenue will be realized by amortizing the upfront payment over 18 years.

American Dream's developer, Ameream, LLC, has announced that the complex will be anchored by department stores Saks Fifth Avenue and Lord & Taylor. The complex's many scheduled features include indoor amusement and water parks, a movie theater complex, an observation wheel, an indoor ski and snowboarding slope, and numerous restaurants. The developer has estimated a Spring 2019 opening.

Other - Additionally, the Sports Complex generates revenues from events such as outdoor markets held in the Complex's parking lots. Additionally, income is generated from advertising signage located at various locations around the Sports Complex.

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2016

Monmouth Park Racetrack - Oceanport, New Jersey

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

On February 29, 2012, the Authority and the New Jersey Thoroughbred Horsemen's Association, Inc. ("NJTHA") executed an up to 35-year lease to operate the Monmouth Park Racetrack. The agreement included a 35% interest in account wagering and the rights to build and operate an additional five Off-Track Wagering facilities. The NJTHA took full operational control on May 3, 2012.

New Jersey Account Wagering System (4NJBets)

The Authority is the sole licensee of the State's Account Wagering operations which began in October of 2004 as a joint venture with New Jersey Account Wagering, LLC for the purpose of implementing an account wagering system in the State. The system allows account holders to make wagers through an internet connection or an automated telephone system. In 2012, the Authority entered into a 5-year management agreement with Darby Development, LLC ("Darby"), to manage the daily activities of the account wagering operations on the Authority's behalf. The Authority remains the account wagering licensee and retains a majority position on the operating board. As part of the racetrack ground leases, the Authority's 70% financial interest in Account Wagering was transferred in equal shares to NMR (the Meadowlands operator) and to the NJTHA (the Monmouth Park operator), less 5% retained by the Authority.

The Greater Wildwoods Convention Center - Wildwood, New Jersey

The Greater Wildwoods Convention Center (the "Center") is a facility situated on the boardwalk in Wildwood, New Jersey, consisting of a 72,000 square foot exhibition floor and parking for 700 vehicles. Rental of the space for trade shows, concerts, conventions, and meetings comprise the Center's revenues.

Other -The towns of Wildwood, North Wildwood, and Wildwood Crest impose a tourism tax on retail sales. A portion of these revenues are provided to the Authority to operate, maintain and promote the center.

Solid Waste & Natural Resources

The *Solid Waste and Natural Resources* division covers several aspects of the NJSEA's mandates, including providing for the proper disposal of solid waste, preserving the environment and conducting field studies. The Solid Waste division operates the Keegan Landfill in Kearny, leases a trash-transfer station in North Arlington and also leases a vegetative waste disposal site in Kearny. In addition, 33 floodplain management structures throughout the Meadowlands District are maintained by the department.

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2016

Land Use Management

The *Land Use Management* division is organized into two groups. One group is responsible for establishing and enforcing the zoning and subdivision regulations of the Meadowlands District. The second group is responsible for enforcing New Jersey's Uniform Construction Code. Together, they preside over the primary land use regulations that govern the 30.4 square-mile Meadowlands District. Redevelopment plans and changes to properties are all reviewed by this department to conform to the Meadowlands Master Plan, its underpinning regulations, and statewide regulations to ensure orderly development.

Other

In addition to the scientific research performed by the Natural Resources Department, the NJSEA conducts critical research to better understand, manage and improve the Meadowlands District's unique ecosystem, including its wetlands, through the Meadowlands Environmental Research Institute (MERI) operated by Rutgers University-Newark. The NJSEA also provides environmental science programs to school children through a partnership with the Ramapo College Foundation.

Financial Analysis

The following sections will discuss the Authority's Financial Position for 2016. Additionally, an examination of major economic factors and industry trends that have contributed to the Authority's operations are provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented include information from the Authority's financial statements, which are prepared in accordance with generally accepted accounting principles ("GAAP").

Highlights (2016)

Total operating revenues were \$57.1M in 2016, Solid Waste accounted for \$14.4M of that total with Sports & Entertainment Facilities contributing another \$14.5M. Total operating expenses (before depreciation and amortization) were \$84.3M for the year; of which \$30.0M were associated with management and administrative expenses and \$18.0 related to solid waste operations.

Financial Summaries

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

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2016

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 12,534,528	\$ 11,514,614	\$ 41,836,002	\$ 41,593,838	\$ 54,370,530	\$ 53,108,452
Investment In Facilities	25,468,900	26,116,349	255,022,961	264,061,629	280,491,861	290,177,979
Non-Current Assets	-	-	12,171,063	12,258,823	12,171,063	12,258,823
	<u>38,003,428</u>	<u>37,630,963</u>	<u>309,030,026</u>	<u>317,914,290</u>	<u>347,033,454</u>	<u>355,645,254</u>
Deferred Outflows of Resources	4,130,223	1,817,285	7,344,672	3,898,678	11,474,895	5,716,963
Current and Other Liabilities	\$ 458,258	\$ 1,102,641	\$ 33,933,354	\$ 42,162,289	\$ 34,389,612	\$ 43,264,930
Long-Term Liabilities	27,158,495	22,565,447	109,047,294	103,208,149	136,205,789	111,299,022
Total Liabilities	<u>27,614,753</u>	<u>23,668,088</u>	<u>142,980,648</u>	<u>145,370,438</u>	<u>170,595,401</u>	<u>154,563,952</u>
Deferred Inflows of Resources	1,189,934	853,678	7,755,063	4,116,427	8,944,997	4,970,105
Net Position (as restated)	<u>13,328,964</u>	<u>14,926,482</u>	<u>165,638,987</u>	<u>172,326,103</u>	<u>178,967,951</u>	<u>187,252,585</u>

Condensed Statements of Net Activities

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Operating Revenues and Expenses						
Operating Revenues	\$ 5,644,595	\$ 6,441,185	\$ 44,282,392	\$ 59,060,000	\$ 49,926,987	\$ 65,501,185
Operating Expenses Excluding Depreciation	(13,694,846)	(10,002,855)	(58,094,867)	(72,142,729)	(71,789,513)	(82,145,584)
Operating Revenues Net of Depreciation and Amortization	(8,050,251)	(3,561,670)	(13,812,275)	(13,082,729)	(21,862,526)	(16,644,399)
Depreciation and Amortization Expense	(694,295)	(1,517,486)	(9,991,044)	(14,677,371)	(10,685,339)	(16,194,857)
Operating Gain/(Loss)	(8,744,546)	(5,079,156)	(23,803,319)	(27,760,100)	(32,547,865)	(32,839,256)
Non Operating Income and Expenses:						
Luxury Tax, Marketing Fee and Tourism Tax			3,965,261	4,052,238	3,965,261	4,052,238
State Subsidy			15,000,000	26,000,000	15,000,000	26,000,000
Interest and Other Income/(Expenses)	7,147,029	2,819,975	(1,849,059)	6,193,078	5,297,970	9,013,053
Total Non Operating Income	<u>7,147,029</u>	<u>2,819,975</u>	<u>17,116,203</u>	<u>36,245,316</u>	<u>24,263,231</u>	<u>39,065,291</u>
Change in Net Position	<u>\$ (1,597,517)</u>	<u>\$ (2,259,181)</u>	<u>\$ (6,687,116)</u>	<u>\$ 8,485,216</u>	<u>\$ (8,284,633)</u>	<u>\$ 6,226,035</u>

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

Increases in net position consist of:

- Operating revenues, which are the total revenues, generated at all the facilities.
- Marketing fee and tourism tax revenues are funds collected by the State for construction, development, operation, and promotion of the Wildwoods Convention Center as well as to repay the debt incurred on these projects.

Decreases in Net Position consist of:

- Operating expenses, which represent the costs associated with running facilities except for fixed asset acquisitions and capital maintenance costs that are depreciated.
- Depreciation expense which recognizes the cost of capital assets, such as buildings, equipment and improvements, over the life of the asset, usually between 2 and 60 years.
- Interest expense and other, which is the interest paid and accrued on the Authority's debt net of interest income generated on cash reserves held in cash and short-term investments.
- Other income and expenses, which are not directly related to operations, and often, may be non-recurring in nature.

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2016

Economic Conditions

The Authority has been a leader in the racing industry since opening the Meadowlands Racetrack in 1976 and purchasing the Monmouth Park Racetrack in 1986. Casino gaming, lotteries and the emergence of casinos in surrounding states has adversely effected racing which has operated at a net deficit since 2007. In response, NJSEA began the process of leasing its racing operations to private operators. The transfer of operational control was completed in May of 2012.

On June 20, 2005, the Authority entered into a ground lease and related project agreements for development of the Xanadu Project, approximately 104 acres at the Meadowlands Sports Complex. The Authority received pre-payments of ground rent through 2023 in the amount of \$160,000,000. For GAAP purposes revenue will be realized by amortizing the upfront payment over 18 years. As of December 31, 2016, the facility is still under construction.

In August and September 2016, the NJSEA authorized the issuance of Limited Obligation Grant Revenue Bonds in the aggregate principal amount not to exceed \$350,000,000 (the "ERGG Bonds"), in order to provide financing for a portion of the costs of developing the American Dream Project. The ERGG Bonds are special limited revenue obligations of the Authority payable from grants received by the Authority pursuant to a State Economic Redevelopment and Growth Incentive Grant Agreement awarded to the developer of the American Dream Project. As of December 31, 2016, the ERGG Bonds have not yet been issued.

In August and September 2016, the NJSEA authorized the issuance of Limited Obligation PILOT Revenue Bonds in the aggregate principal amount not to exceed \$800,000,000 (the "PILOT Bonds"), in order to provide financing for a portion of the costs of developing the American Dream Project. The PILOT Bonds are special limited revenue obligations of the Authority payable from PILOTs received by the Authority pursuant to a Financial Agreement between the developer of the American Dream Project, the Borough of East Rutherford and the Authority. As of December 31, 2016, the PILOT Bonds have not yet been issued.

Solid Waste

Revenues are dependent on the volume of solid waste being delivered by haulers either through independent projects or through contracts agreed to with various government entities. The loss of certain county contracts has resulted in a reduction of revenue streams for the facility.

NJSEA's lease with the Town of Kearny for the Keegan Landfill property expired in June 2016. Negotiations between the parties for an extension of the lease failed. NJSEA filed an action to condemn the Keegan Landfill property. The Superior Court of New Jersey affirmed the NJSEA's right to condemn the landfill after a challenge was made by the Town of Kearny. The Town has subsequently appealed the court's decision. The appeal remains ongoing. Simultaneously, proceedings to determine the valuation of the landfill relative to the condemnation remain ongoing. The NJSEA's expert appraisal set a value of \$1.8M for the property. Condemnation commissioners appointed by the court valued the property at \$7.8M in a non-binding process, which was appealed by the NJSEA. A trial de novo is anticipated to be held after the appeal of the right to condemn has been decided. As these legal matters proceed, operations at the landfill continue. The NJSEA received a Temporary Certificate of Authority to Operate (TCAO) for the landfill, which would permit operations up to 100 ft. The Town of Kearny has filed a request for an adjudicatory hearing on the TCAO.

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2016

Arena

From April, 2015, the NJSEA closed the Arena to public events.

The Greater Wildwoods Convention Center

The Wildwoods Convention Center depends heavily on the number and size of events it can attract, and relies on the performance of the tourism industries with which it can coexist. Details of event statistics are presented below.

Wildwoods Convention Center	2016	2015
Number of Event Days	241	233
Total Attendance	166,640	186,236
Net Event Income	\$ 608,048	\$ 645,849

Capital Assets

At the end of 2016, the Authority had a net investment in capital assets of \$287,049,175 at a total capital cost of \$672,020,724 net of accumulated depreciation of \$384,971,549 as shown below.

	December 31, 2015	Additions	Transfers and Deletions	December 31, 2016
Meadowlands Sports Complex	\$ 482,401,934	\$ 541,638		\$ 482,943,572
Monmouth Park Racetrack	62,314,429			62,314,429
Wildwoods Convention Center	57,925,329	397,635		58,322,964
Lyndhurst	40,572,946	46,846	(2,685)	40,617,107
Transportation Planning District	7,367,055	562,454		7,929,509
Solid Waste	19,880,040	13,103		19,893,143
Total Investment in Facilities	670,461,733	1,561,676	(2,685)	672,020,724
Less Accumulated Depreciation	(373,760,265)	(11,213,969)	2,685	(384,971,549)
Investment in Facilities Net of Accumulated Depreciation	\$ 296,701,468	\$ (9,652,293)	\$ -	\$ 287,049,175

Additions to capital assets during 2016 consisted of normal purchases and improvement of infrastructure, mechanical systems, as well as various safety upgrades.

Budgetary Controls

The Authority adopts entity-wide operating and capital plans that are approved by its Board of Commissioners. Budgets are a measure of the Authority's financial performance and accountability and are reviewed and revised, although not formally, throughout the year.

New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2016

Subsequent Events

On April 20, 2017, the NJSEA entered into a settlement agreement with Feld Entertainment ("Feld"). Feld alleged various breaches of contract and threatened litigation in connection with the closure of the Izod Center in April 2015. The settlement amount of \$1,900,000, is considered to be a recognized event under the GASB accounting standards (Codification 2250.112), whereby the settlement of litigation would require adjustment of the financial statements if the event that gave rise to the litigation had taken place prior to the statement of net position date. Additionally, under GASB accounting standards (Codification C50.110), a governmental entity should report an estimated loss from a claim as an expenditure and as a liability if both the information is available before the financial statements are issued indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. As the settlement agreement has been executed and the amount of the claim is known, the liability has been included in the Authority's financial statements as of December 31, 2016.

On June 29, 2017, the NJSEA authorized the issuance of Limited Obligation Grant Revenue Bonds in the aggregate principal amount of \$287,000,000 (the "ERGG Bonds"), in order to provide financing for a portion of the costs of developing the American Dream Project. The ERGG Bonds are special limited revenue obligations of the Authority payable from grants received by the Authority pursuant to a State Economic Redevelopment and Growth Incentive Grant Agreement awarded to the developer of the American Dream Project. These bonds have been issued through The Public Finance Authority, a unit of Wisconsin government and body corporate and politic separate and distinct from, and independent of, the State of Wisconsin. The Authority is reviewing whether these bonds can be treated as conduit debt.

On June 29, 2017, the NJSEA authorized the issuance of Limited Obligation PILOT Revenue Bonds in the aggregate principal amount of \$800,000,000 (the "PILOT Bonds"), in order to provide financing for a portion of the costs of developing the American Dream Project. The PILOT Bonds are special limited revenue obligations of the Authority payable from PILOTs received by the Authority pursuant to a Financial Agreement between the developer of the American Dream Project, the Borough of East Rutherford and the Authority. These bonds have been issued through The Public Finance Authority, a unit of Wisconsin government and body corporate and politic separate and distinct from, and independent of, the State of Wisconsin. The Authority is reviewing whether these bonds can be treated as conduit debt.

Conclusion

This section of the Annual Report has been provided to assist readers in getting a general overview of the Authority's business, financial position, and fiscal accountability for the funds it generates and receives. If you should have questions about any information in this report, you are requested to contact the New Jersey Sports and Exposition Authority, Finance Department, 1 DeKorte Park Plaza, Lyndhurst, NJ 07071.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Net Position
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 14,791,922	\$ 15,537,283	\$ 30,329,205
Receivables, net	506,556	7,084,151	7,590,707
Other assets		250,722	250,722
Internal balances	(3,147,757)	3,147,757	
Account receivables - Fiduciary Funds	383,807	75,893	459,700
Capital assets			
Non-depreciable	20,154,401	157,017,193	177,171,594
Depreciable, net	5,314,499	98,005,768	103,320,267
Non Current assets			
Investments		11,538,063	11,538,063
Notes Receivable		10,029,320	10,029,320
Other Assets		633,000	633,000
Restricted assets			
Cash		3,272,030	3,272,030
Investments		2,438,846	2,438,846
TOTAL ASSETS	38,003,428	309,030,026	347,033,454
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	4,130,223	7,344,672	11,474,895
LIABILITIES			
Accounts payable and Accrued liabilities	456,258	10,641,308	11,097,566
Unearned revenue		23,292,046	23,292,046
Long term liabilities			
Due within one year	7,300	3,102,295	3,109,595
Due beyond one year	27,151,195	105,944,999	133,096,194
TOTAL LIABILITIES	27,614,753	142,980,648	170,595,401
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of resources related to pension	1,189,934	7,755,063	8,944,997
NET POSITION			
Net Invested in Capital Assets	25,468,900	252,628,924	278,097,824
Restricted	1,031,237	15,702,205	16,733,442
Unrestricted (deficit)	(13,171,173)	(102,692,142)	(115,863,315)
TOTAL NET POSITION	\$ 13,328,964	\$ 165,638,987	\$ 178,967,951

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Net Activities
December 31, 2016

	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position		Total
			Governmental Activities	Business-type Activities	
Governmental activities:					
Commission operations	\$ (13,217,798)	\$ 4,535,841	\$ (8,681,958)	\$	\$ (8,681,958)
Environmental center	(1,033,635)	1,034,150	515		515
MAGNET program	(45,688)		(45,688)		(45,688)
Other governmental programs	(92,020)	74,604	(17,415)		(17,415)
Total governmental activities	(14,389,141)	5,644,595	(8,744,546)		(8,744,546)
Business-type activities:					
NJSEA	(51,994,582)	29,922,713		(22,071,869)	(22,071,869)
Solid waste	(17,991,128)	14,359,679		(3,631,449)	(3,631,449)
Total business-type activities	(69,985,710)	44,282,392		(25,703,318)	(25,703,318)
Total primary government	\$ (84,374,851)	\$ 49,926,987	\$ (8,744,546)	\$ (25,703,318)	\$ (34,447,864)
General and program revenues:					
Investment earnings			\$ 63,354	\$ 50,941	\$ 114,295
Super Storm Sandy reimbursement			257,287		257,287
Lease revenue			880,568		880,568
Rental income solar			190,234		190,234
Composting revenues			192,265		192,265
Other			563,321		563,321
Expense reimbursement			5,000,000		5,000,000
State subsidy				15,000,000	15,000,000
Tourism tax				3,965,261	3,965,261
Total general revenues			7,147,029	19,016,202	26,163,231
Change in Net Position			(1,597,517)	(6,687,116)	(8,284,633)
Net Position - beginning (as restated)			14,926,482	172,326,103	187,252,585
Net Position - ending			\$ 13,328,964	\$ 165,638,987	\$ 178,967,951

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	Environmental Center Fund	MAGNET Funds	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 5,138,411	\$ 406,243	\$ 2,163,245	\$ 80,761	\$ 7,788,660
Investments	6,963,462		28,908	10,893	7,003,263
Accounts receivables, net	477,612			28,944	506,556
Due from other funds	653,053	295,829	140,301		1,089,183
Total Assets	\$ 13,232,538	\$ 702,072	\$ 2,332,454	\$ 120,598	\$ 16,387,662
Liabilities and Fund Balances					
Accounts payable	\$ 90,510	\$ 1,900		\$ 95	\$ 92,505
Accrued liabilities	357,498	5,057		1,200	363,755
Due to other funds	3,610,062	141,549		101,521	3,853,132
Total Liabilities	4,058,070	148,506		102,816	4,309,392
Fund Balances:					
Restricted for:					
Open space acquisition	46,000				46,000
Insurance	25,000				25,000
Super Storm Sandy repairs	80,675				80,675
Other	55,924			5,523	61,447
Renewable energy	818,114				818,114
Committed to:					
Project commitments			1,466,497		1,466,497
Assigned		553,566	865,957	12,259	1,431,782
Unassigned	8,148,755				8,148,755
Total Fund Balances	9,174,468	553,566	2,332,454	17,782	12,078,270
Total Liabilities and Fund Balances	\$ 13,232,538	\$ 702,072	\$ 2,332,454	\$ 120,598	\$ 16,387,662
Amounts reported for governmental funds in the statement of net assets are different because:					\$ 12,078,270
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$40,617,107 and the accumulated depreciation is \$15,148,207					25,468,900
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.					(24,218,206)
					\$ 13,328,964

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2016

	General Fund	Environmental Center Fund	MAGNET Funds	Other Governmental Funds	Total Governmental Funds
Revenues:					
Solid waste overhead reimbursement	\$ 3,653,636	\$ 1,034,150	\$	\$	\$ 4,687,786
Composting revenues	192,265				192,265
Super Storm Sandy revenue	257,287				257,287
Grant revenue				74,604	74,604
Conference revenue	10,000				10,000
Lease revenue	880,568				880,568
MCT reimbursement for service	325,000				325,000
Fee Income	882,205				882,205
Expense reimbursement	5,000,000				5,000,000
Other Income	215,928	12,392			228,320
Rental income-solar	190,233				190,233
Interest Income	62,087	99	1,043	125	63,354
Total Revenue	11,669,209	1,046,641	1,043	74,729	12,791,622
Expenditures:					
Current:					
Authority operations	9,609,977				9,609,977
Kearny 1-A access agreement	20,000				20,000
Environmental Center operations		518,587			518,587
Ramapo College partnership		508,930			508,930
MAGNET expenditures			10,688		10,688
Super Storm Sandy expense	50,700				50,700
Other expenditures	448,584	6,118	35,000	92,020	581,722
Capital outlay:	46,846				46,846
Total Expenditures	10,176,107	1,033,635	45,688	92,020	11,347,450
Changes in Fund Balances	1,493,102	13,006	(44,645)	(17,291)	1,444,172
Fund Balance, beginning of year	7,681,366	540,560	2,377,099	35,073	10,634,098
Fund Balance, end of year	<u>\$ 9,174,468</u>	<u>\$ 553,566</u>	<u>\$ 2,332,454</u>	<u>\$ 17,782</u>	<u>\$ 12,078,270</u>
Net changes to fund balance - total governmental funds					\$ 1,444,173
Amounts report for governmental activities in the statement of activities are different because:					
Capital outlays, net of depreciation expense					46,846
Depreciation expense					(694,295)
Pension expense					(1,237,576)
Post employment healthcare benefits, other than pension expense					<u>(1,156,665)</u>
Change in net position of government activities					<u>\$ (1,597,517)</u>

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Net Position
Proprietary Funds
December 31, 2016

	NJSEA Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
ASSETS			
Current Assets			
Cash and Investments	\$ 11,632,808	\$ 3,904,475	\$ 15,537,283
Due from State of New Jersey	117,539		117,539
Prepaid expenses	15,644		15,644
Receivables, net	4,982,091	2,102,060	7,084,151
Due from other funds	3,469,761	198,580	3,668,341
Total Current Assets	<u>20,217,843</u>	<u>6,205,115</u>	<u>26,422,958</u>
Non Current Assets			
Investments		11,538,063	11,538,063
Notes receivable	10,029,320		10,029,320
Other assets	750,539		750,539
Restricted Assets			
Cash	234,376	3,037,654	3,272,030
Investments		2,438,846	2,438,846
Capital Assets, net	254,930,816	92,145	255,022,961
Total Non Current Assets	<u>265,945,051</u>	<u>17,106,708</u>	<u>283,051,759</u>
TOTAL ASSETS	<u>286,162,894</u>	<u>23,311,823</u>	<u>309,474,717</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	<u>3,965,398</u>	<u>3,379,274</u>	<u>7,344,672</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8,886,166	1,024,374	9,910,540
Interest payable on bonds and notes	730,767		730,767
Due to other funds		444,692	444,692
Unearned revenue	22,369,896	922,150	23,292,046
Total Current Liabilities	<u>31,986,829</u>	<u>2,391,216</u>	<u>34,378,045</u>
Long Term Liabilities			
Other long term liabilities	75,922,722	4,309,216	80,231,938
Net pension obligation	13,827,162	12,117,639	25,944,801
Bonds payable	2,394,037		2,394,037
Compensated absences	218,909	257,609	476,518
Total Long Term Liabilities	<u>92,362,830</u>	<u>16,684,464</u>	<u>109,047,294</u>
TOTAL LIABILITIES	<u>124,349,659</u>	<u>19,075,680</u>	<u>143,425,339</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	<u>6,781,480</u>	<u>973,583</u>	<u>7,755,063</u>
NET POSITION			
Net investment in capital assets	252,536,779	92,145	252,628,924
Restricted	234,376	15,467,829	15,702,205
Unrestricted	(93,774,002)	(8,918,140)	(102,692,142)
TOTAL NET POSITION	<u>\$ 158,997,153</u>	<u>\$ 6,641,834</u>	<u>\$ 165,638,987</u>

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2016

	NJSEA Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
OPERATING REVENUES:			
Sports Complex	\$ 10,528,997	\$	\$ 10,528,997
Convention Center	2,603,123		2,603,123
Entertainment Facilities	8,888,888		8,888,888
Solid Waste Revenues		14,359,679	14,359,679
Other Operating Revenue	7,901,705		7,901,705
Total Operating Revenues	29,922,713	14,359,679	44,282,392
OPERATING EXPENSES:			
Sports Complex	24,686,323		24,686,323
Convention Center	6,157,317		6,157,317
Solid Waste expenses		7,976,290	7,976,290
General and administrative		5,361,643	5,361,643
Payment in lieu of taxes (PILOT)	11,380,715	509,435	11,890,150
Parks and open space		691,249	691,249
MERI Operations		942,013	942,013
Depreciation and amortization	9,770,227	220,817	9,991,044
Closure Expenses		2,289,681	2,289,681
Total Operating Expenses	51,994,582	17,991,128	69,985,710
OPERATING INCOME (LOSS)	(22,071,869)	(3,631,449)	(25,703,318)
NON-OPERATING INCOME (EXPENSES):			
State appropriation	15,000,000		15,000,000
Tourism tax	3,965,261		3,965,261
Interest income (expense)	(60,054)	110,995	50,941
Total Non-Operating Income	18,905,207	110,995	19,016,202
CHANGE IN NET POSITION	(3,166,662)	(3,520,454)	(6,687,116)
NET POSITION - Beginning of Year (as restated)	162,163,815	10,162,288	172,326,103
NET POSITION - End of Year	\$ 158,997,153	\$ 6,641,834	\$ 165,638,987

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Cash Flows
Proprietary Funds
December 31, 2016

	NJSEA Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Recelpts from customers	\$ 28,301,867	\$ 19,475,919	\$ 47,777,786
Payments to employees	(7,094,025)	(1,645,027)	(8,739,052)
Payments to suppliers	(38,740,652)	(20,049,896)	(58,790,548)
Beneficial reuse materials		636,750	636,750
	<u>(17,532,810)</u>	<u>(1,582,254)</u>	<u>(19,115,064)</u>
Cash Flows from Noncapital Financing Activities			
Tourism tax revenues	4,094,833		4,094,833
Landfill remediation and post-closure		(2,289,531)	(2,289,531)
	<u>4,094,833</u>	<u>(2,289,531)</u>	<u>1,805,302</u>
Cash Flows from Capital and Related Financing Activities			
State appropriations	15,000,000		15,000,000
Purchase of capital assets	(939,272)	(13,103)	(952,375)
Repayment of racetrack loans	1,438,614		1,438,614
	<u>15,499,342</u>	<u>(13,103)</u>	<u>15,486,239</u>
Cash Flows from Investing Activities			
Interest	(60,054)	110,995	50,941
Purchase of investments		(259,448)	(259,448)
	<u>(60,054)</u>	<u>(148,453)</u>	<u>(208,507)</u>
Net cash (used for) investing activities			
	<u>(60,054)</u>	<u>(148,453)</u>	<u>(208,507)</u>
Net increase (decrease) in cash and cash equivalents	2,001,311	(4,033,340)	(2,032,029)
Cash and equivalents, beginning of year	<u>9,631,497</u>	<u>7,937,815</u>	<u>17,569,312</u>
Cash and equivalents, end of year	<u>\$ 11,632,808</u>	<u>\$ 3,904,475</u>	<u>\$ 15,537,283</u>
Reconciliation of operating (loss) income to net cash provided by (used) by operating activities:			
Operating (loss) income	\$ (22,071,869)	\$ (3,631,449)	\$ (25,703,318)
Depreciation expense	9,770,227	220,817	9,991,044
Change in assets and liabilities:			
(Increase)/Decrease In Receivables, net	(1,431,262)	(1,053,839)	(2,485,101)
(Increase)/Decrease In Other Assets	398,269		398,269
(Increase)/Decrease In Deferred Outflows	(1,553,589)	(1,892,405)	(3,445,994)
Increase/(Decrease) In Deferred Inflows	3,363,516	275,120	3,638,636
(Decrease)/Increase In Accounts Payable & Accrued Liabilities	2,783,526	733,055	3,516,581
(Decrease) Increase in Other Liabilities	54,457	2,287,615	2,342,072
(Decrease) increase in Deferred Revenue	(8,837,529)	(450,431)	(9,287,960)
Due to/(from) other funds		1,925,598	1,925,598
Other	(8,556)	3,665	(4,891)
	<u>(8,556)</u>	<u>3,665</u>	<u>(4,891)</u>
Net cash (used for) provided by operating activities	<u>\$ (17,532,810)</u>	<u>\$ (1,582,254)</u>	<u>\$ (19,115,064)</u>

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	Mitigation Trust	Transportation Planning	Third Party Escrow	Total
Assets				
Cash and investments	\$ 4,680,405	\$ 4,846,915	\$ 105,817	\$ 9,633,137
Receivables, net		252,041		252,041
Interfund receivable	6,247		36,662	42,909
Capital assets - depreciable, net		6,557,314		6,557,314
Total Assets	4,686,652	11,656,270	142,479	16,485,401
Liabilities				
Accounts payable & accrued liabilities	21,729	314,878		336,607
Construction deposits	266,254			266,254
Rutherford post closure security	157,575			157,575
Environmental remediation			142,479	142,479
Security deposits	126,455			126,455
Mitigation deposits	127,140			127,140
Interfund payable	112,556	390,053		502,609
Contract retainage payable	563,509	51,367		614,876
Total Liabilities	1,375,218	756,298	142,479	2,273,995
Net Position				
Invested in capital assets, net		6,557,314		6,557,314
Blackstrap broadcasting escrow	1,451,457			1,451,457
Bloomberg escrow	1,502,823			1,502,823
Reserve for mitigation	122,145			122,145
Main street program	150,781			150,781
Transportation planning		4,342,658		4,342,658
Other	84,228			84,228
Total Net Position Held in Trust	\$ 3,311,434	\$ 10,899,972	\$ -	\$ 14,211,406

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	Mitigation Trust	Transportation Planning	Third Party Escrow	Total
Additions				
Transportation planning district fees	\$	\$ 744,877	\$	\$ 744,877
Bloomberg lease revenue	127,212			127,212
Interest	4,365	1,709		6,074
Grant revenues		785,650		785,650
Blackstrap escrow	204,065			204,065
	<u>335,642</u>	<u>1,532,236</u>		<u>1,867,878</u>
Deductions				
Mitigation expenses	136,754			136,754
MASSTR grant expenditures		1,451,232		1,451,232
	<u>136,754</u>	<u>1,451,232</u>		<u>1,587,986</u>
Change in Net Position	198,888	81,004		279,892
Net Position, Beginning of Year	3,112,545	10,785,145		13,897,690
Adjustments to Net Position				
Capital Outlays		562,453		562,453
Depreciation Expense		(528,630)		(528,630)
Net Position, End of Year	<u>\$ 3,311,434</u>	<u>\$ 10,899,972</u>	<u>\$</u>	<u>\$ 14,211,406</u>

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

1. Organization

The New Jersey Sports and Exposition Authority (the "Authority" or "NJSEA") was created by the laws of the State of New Jersey of 1971, Chapter 137, and enacted May 10, 1971, as supplemented and amended by Public Law 2015, Chapter 19, enacted on February 5, 2015 (the "Act"). It is constituted as an instrumentality of the State, exercising public and essential governmental functions. The Act empowers the Authority to own and operate various projects, located in the State of New Jersey, including stadiums and other buildings and facilities for athletic contests, horse racing, and other spectator sporting events, trade shows, and other expositions. The Authority is also charged with the solid waste management, environmental protection, and the orderly, comprehensive development and redevelopment of the Hackensack Meadowlands.

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

2. Summary of Significant Accounting Policies

(a) Reporting Entity

The Governmental Accounting Standards Board ("GASB") establishes the criteria used in determining which organizations should be included in these financial statements. The GASB's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, requires the inclusion of government organizations for which the Authority is financially accountable. Financial accountability is defined as: 1) appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or 2) fiscal dependency on the primary government.

The GASB establishes the criteria used in determining which organizations should be included in the Authority's financial statements. Accounting principles generally accepted in the United States of America require the inclusion of the transactions of government organizations for which the Authority is financially accountable.

The extent of financial accountability is based upon several criteria including: appointment of a voting majority, imposition of will, financial benefit to or burden on a primary government and financial accountability as a result of fiscal dependency.

On February 23, 1998, the Authority assumed the assets and liabilities and undertook the existing operations of the Wildwoods Convention Center. The assets and liabilities were recorded at fair value and the difference was recorded to net assets, invested in capital facilities.

On February 5, 2015, the assets, liabilities and functions of the New Jersey Meadowlands Commission ("NJMC") were assumed by the NJSEA pursuant to the Hackensack Meadowlands Agency Consolidation Act at book value.

The Authority is a component unit included in the State of New Jersey's comprehensive annual financial report. The NJSEA requires significant subsidies from and has material transactions with the State of New Jersey and depends on certain tax revenues that are economically sensitive.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

(b) Basis of Presentation

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied in governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Government - Wide Statements

The statement of net position and the statement of activities display information which includes the overall financial activities of the Authority. These statements distinguish between the governmental and business-type activities of the Authority. Governmental activities generally are financed through intergovernmental revenues and other non-exchange 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 Authority's business-type activities and for each function of the Authority'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 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.

Fund Financial Statements

The fund financial statements provide information about the Authority's funds. Separate statements for each fund category applicable to the Authority governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Both enterprise funds are considered major. All remaining governmental funds are aggregated and reported as non-major 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. Non-operating revenues, such as investment income, result from non-exchange transactions or ancillary activities.

The Authority reports the following major governmental funds:

- **General Fund.** This is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Environmental Center Fund.** The intention of the Environmental Center fund is to account for all financial resources required to operate the Environmental Center and Science Center.
- **MAGNET Fund.** The intention of the MAGNET fund is to set aside funds to be used for tax relief incentives for District municipalities.

The Authority reports the following major enterprise funds:

- **Solid-Waste-Enterprise Fund.** This fund accounts for the activities of the landfills operated by the Authority, as well as the closure and post-closure costs of such landfills.
- **NJSEA Enterprise Fund.** This fund accounts for activities of the Sports Complex operated by the Authority, which have operations that are leased. The activities of the Wildwood Convention Center are also included in this fund.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

The Fiduciary fund accounts for the proceeds of deposits held in trust for others. Mitigation, Meadowlands Adjustment Payments, Transportation Planning District and environmental activities are reported in this fund.

The accounts of the Authority 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.

(c) Basis of Accounting

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

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 Authority 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 governmental funds. Proceeds of long-term debt are reported as other financing sources.

(d) Net Position

The Authority has 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:

- *Investment in capital assets* - 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".

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

(e) Fund Balance Classifications

The Authority has established a policy of classifying fund balances in accordance with Governmental Accounting Standards Board Statement No. 54 as follows:

- **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 modified or released 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 Authority's highest level of decision-making authority. Commitments may be changed or lifted only by the Authority taking the same formal action that originally imposed the constraint.
- **Assigned** fund balance comprises amounts *intended* to be used by the Authority 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. 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.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Authority first spends committed funds, then assigned funds, and finally, unassigned funds.

(f) Accumulated Vacation Time

Salaried employees of the Authority may accumulate vacation time up to a maximum of their total vacation time for one year. This accumulated vacation time must be used within one year of the year earned. Upon termination of employment, salaried employees are entitled to receive a maximum lump sum payment of their accumulated vacation time.

(g) Valuation of Investments

State and local government securities, repurchase agreements, and certificates of deposit are investments in nonparticipating investment contracts which management concludes are not significantly affected by the impairment of the credit standing of the Authority or other factors. Credit ratings for these investments are not available. These investments are recorded at fair market value.

(h) Non-Operating Revenues and Expenses

Non-operating revenues: State payments received related to State Subsidies and Tourism taxes collected; management fees; interest revenue earned on investments and interest expense. Non-operating expenses are recognized in the accounting period in which the liability is incurred.

(i) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

(j) Unearned Revenues

Unearned Revenue represents revenues collected but not earned as of December 31, 2016. This primarily consists of ground rent pre-payments and solid waste disposal tickets sold to haulers but still outstanding.

(k) Capital Assets

Capital assets are stated at cost or estimated historical cost. Contributed capital 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. Capital fixed assets related to the Arena are considered non-performing assets and are shown separately in Footnote #4.

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

- Buildings 35-60 years
- Infrastructure 15 years
- Machinery and equipment 2-20 years
- Land improvements 10-20 years
- Leasehold rights 24 years

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

(l) 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.

(m) Payable from Restricted Assets – Landfill Closure

The payable from restricted assets - landfill closure, represents funds collected as part of the solid waste surcharge, 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 an annual basis.

(n) Payment of Lieu of Taxes

In accordance with a provision of the enabling Act, properties and income of the Authority are exempt from taxation. However, payments in lieu of taxes are made to municipalities to compensate for loss of tax revenues by reason of acquisition of real property by the Authority.

(o) Cash and Investments

Cash and investments include short-term investments that are carried at cost, which approximates market. The Authority considers all highly liquid investment with a maturity of three months or less when purchased to be cash equivalents. Restricted cash investments include short-term investments that are required for a specific purpose related to restrictions that may be contained in bond resolutions.

(p) Other Assets

Other assets include prepaid expense, prepaid insurance and loan receivables.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

(q) Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This section represents a consumption of net position that applies to a future period and so is not recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This section represents an addition of net position that applies to a future period and so is not recognized as an inflow of resources (revenue) until that time.

Both deferred inflows and outflows are pension related.

(r) Income Taxes

The Authority is exempt from federal income taxes under the Internal Revenue code Section 115 and from state income taxes under N.J.S.A. 27:25-16. Accordingly, no provision is recorded for federal and state income taxes.

(s) Recent Accounting Standards

The Authority has evaluated the following pronouncements and their impact on the financial statements:

- GASB 76 - *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, effective for periods beginning after June 15, 2015 – The Authority has concluded that adoption of GASB statement 76 had no impact of the financial position, results of operations and cash flows.
- GASB Statement 77 - *"Tax Abatement Disclosures"*, effective for periods beginning after December 15, 2015 – The Authority has concluded that adoption of GASB statement 77 had no impact of the financial position, results of operations and cash flows.
- GASB Statement 78 - *"Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans"*, effective for periods beginning after December 15, 2015 – The Authority has concluded that adoption of GASB statement 78 had no impact of the financial position, results of operations and cash flows.
- GASB Statement 79 - *"Certain External Investment Pools and Pool Participants"*, effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, those provisions are effective for reporting periods beginning after December 15, 2015 – The Authority has concluded that adoption of GASB statement 79 had no impact of the financial position, results of operations and cash flows.

(t) Pending Accounting Standards

The Authority is currently evaluating the effects of the following pronouncements on the financial statements:

- GASB 73 - *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, effective for periods beginning after June 15, 2015 – except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, effective for periods beginning after June 15, 2016.
- GASB 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, effective for periods beginning after June 15, 2017.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

- GASB Statement 80 - "Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14, effective for periods beginning after June 15, 2016.

(u) Net Position Restatement

The Authority has recorded the following restatements to net position as of January 1, 2016:

	Enterprise Fund
Net Position - December 31, 2015	\$ 186,800,677
Restatement for recording of Other Post Employment Benefits	<u>(14,474,574)</u>
Net Position - December 31, 2015 (As Restated)	<u><u>\$ 172,326,103</u></u>

3. Cash and Investments

The components of cash and investments are as follows:

	Balance Dec 31, 2016	Fiduciary Fund Balance Dec 31, 2016
Cash and Investments:		
Unrestricted:		
Cash on Hand	\$ 16,519,422	\$ 9,633,137
Investments	18,501,524	
NJ Cash Management Fund	<u>6,846,322</u>	
Unrestricted Cash & Investments	<u>41,867,268</u>	<u>9,633,137</u>
Restricted:		
Cash on Hand	3,272,030	
Investments	<u>2,438,846</u>	
Restricted Cash & Investments	<u>5,710,876</u>	
Total Cash and Investments	<u><u>\$ 47,578,144</u></u>	<u><u>\$ 9,633,137</u></u>

For 2016, restricted cash and investments include \$234,376 on the Camden project which is part of the operations of the Wildwoods Convention Center.

All demand deposits and certificates of deposit, except deposits held by the trustee, of any depository must be fully secured by lodging collateral security of obligations secured by the United States with the trustee or bank designated by the Trustee. At December 31, 2016 all demand deposits were collateralized.

The Authority categorizes its fair value measurements within the fair hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All of the Authority's investments are measured using Level 1 inputs.

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

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

4. Investment in Facilities

Investment in facilities is stated at cost, which includes all costs during the construction period for acquisition of land, rights of way, acquisition cost of acquiring facilities, surveys, engineering costs, roads, construction costs and additions to facilities, administrative and financial expenses and interest during construction net of interest income earned on the unexpended funds, including debt service reserve funds net of accumulated depreciation. Depreciation is computed by the straight-line method based on estimated useful lives of the related assets.

	December 31, 2015	Additions	Deletions	December 31, 2016
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 20,154,401	\$	\$	20,154,401
Total capital assets not being depreciated	<u>20,154,401</u>			<u>20,154,401</u>
Capital assets that are being depreciated:				
Building and building improvements	16,804,246			16,804,246
Machinery and equipment	3,614,300	46,846	(2,685)	3,658,461
Total at historical costs	<u>20,418,546</u>	<u>46,846</u>	<u>(2,685)</u>	<u>20,462,706</u>
Less accumulated depreciation for:				
Building and building improvements	(9,591,211)	(570,701)		(10,161,912)
Machinery and equipment	(4,865,386)	(123,594)	2,685	(4,986,295)
Total accumulated depreciation	<u>(14,456,597)</u>	<u>(694,295)</u>	<u>2,685</u>	<u>(15,148,207)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 5,961,948</u>	<u>\$ (647,449)</u>	<u>\$</u>	<u>\$ 5,314,499</u>
Governmental activities capital assets, net	<u>\$ 26,116,349</u>	<u>\$ (647,449)</u>	<u>\$</u>	<u>\$ 25,468,900</u>
Business-Type Activities:				
Capital assets that are not being depreciated:				
Land	\$ 117,149,000	\$	\$	\$ 117,149,000
Building and building improvements (1)	39,868,193			39,868,193
Total capital assets not being depreciated	<u>157,017,193</u>			<u>157,017,193</u>
Capital assets that are being depreciated:				
Building and building improvements	301,951,229	211,236		302,162,465
Machinery and equipment	85,433,904	728,036	(1,160)	86,160,780
Total at historical costs	<u>387,385,133</u>	<u>939,272</u>	<u>(1,160)</u>	<u>388,323,245</u>
Less accumulated depreciation for:				
Building and building improvements	(204,496,337)	(8,581,233)		(213,077,570)
Machinery and equipment	(76,013,701)	(1,227,366)	1,160	(77,239,907)
Total accumulated depreciation	<u>(280,510,038)</u>	<u>(9,808,599)</u>	<u>1,160</u>	<u>(290,317,477)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 106,875,095</u>	<u>\$ (8,869,327)</u>	<u>\$</u>	<u>\$ 98,005,768</u>
Capital assets that are being amortized:				
Landfills	5,902,134			5,902,134
Total at historical costs	<u>5,902,134</u>			<u>5,902,134</u>
Less accumulated amortization for:				
Landfills	(5,732,792)	(169,342)		(5,902,134)
Total accumulated amortization	<u>(5,732,792)</u>	<u>(169,342)</u>		<u>(5,902,134)</u>
Total landfill life being amortized net of accumulated amortization	<u>\$ 169,342</u>	<u>\$ (169,342)</u>	<u>\$</u>	<u>\$ -</u>
Business-Type activities capital assets, net	<u>\$ 264,061,630</u>	<u>\$ (9,038,669)</u>	<u>\$</u>	<u>\$ 255,022,961</u>
Fiduciary Activities:				
Capital assets that are being depreciated:				
Infrastructure	7,367,055	562,454		7,929,509
Total at historical costs	<u>7,367,055</u>	<u>562,454</u>		<u>7,929,509</u>
Less accumulated depreciation for:				
Infrastructure	(843,565)	(528,630)		(1,372,195)
Total accumulated depreciation	<u>(843,565)</u>	<u>(528,630)</u>		<u>(1,372,195)</u>
Total fiduciary assets being depreciated net of accumulated depreciation	<u>\$ 6,523,490</u>	<u>\$ 33,824</u>	<u>\$</u>	<u>\$ 6,557,314</u>

(1) Building and Building Improvements not being depreciated represent the net book value of the Arena, a non performing asset, as of December 31, 2016

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

5. Notes Receivable

The Authority, pursuant to its Racetrack Ground Lease Agreement with the New Jersey Thoroughbred Horsemen's Association Inc. and its Racetrack Ground Lease Agreement with the New Meadowlands Racetrack, LLC is owed Minimum Lease Payments, under both Agreements. The balance due at December 31, 2016 of \$10,029,320 is comprised of the New Jersey Thoroughbred Horsemen's Association Inc. balance of \$8,384,119 and the New Meadowlands Racetrack LLC balance of \$1,645,201. The notes carry an annual interest rate of 3%.

The Notes Receivable schedule is as follows:

Year	New Jersey Thoroughbred Horsemen's Association	New Meadowlands Racetrack, LLC
2017	\$ 2,220,110	\$ 1,152,408
2018	1,764,586	492,793
2019	1,833,713	
2020	1,548,770	
Thereafter	1,016,940	
	<u>\$ 8,384,119</u>	<u>\$ 1,645,201</u>

6. Long Term Liabilities

During 2016 the following changes in components of long term liabilities were:

	Balance December 31, 2015	Issued	Retired	Balance December 31, 2016	Due within One year
Governmental Activities:					
PERS Pension Liability	\$ 12,153,737	\$ 2,656,710	\$	\$ 14,810,447	\$
Chapter 19, P.L. 2009 Liability	153,933		(7,255)	146,678	7,300
Compensated Absences		787,683		787,683	
Other Post Employment Benefits	10,257,777	1,155,910		11,413,687	
	<u>\$ 22,565,447</u>	<u>\$ 4,600,303</u>	<u>\$ (7,255)</u>	<u>\$ 27,158,495</u>	<u>\$ 7,300</u>
Business-Type Activities:					
NJSEA Enterprise					
Bonds Payable	\$ 2,442,505	\$	\$ (48,468)	\$ 2,394,037	\$ 816,000
PERS Pension Liability	16,453,849	766,717	(3,393,404)	13,827,162	
Chapter 19, P.L. 2009 Liability	451,697		(21,288)	430,409	21,000
Workmans Comp Claims	9,507,729	959,550	(1,759,295)	8,707,984	1,759,295
Other Post Employment Benefits	14,474,574	1,400,744		15,875,318	
Compensated Absences		620,884	(401,975)	218,909	
Union Pension Liabilities	41,672,494	5,949,585		47,622,079	1,200,000
Environmental Remediation	3,275,000		(270,000)	3,005,000	
Other Liabilities	536,416		(254,485)	281,931	
Solid Waste Enterprise					
Closure Liabilities	3,950,863	238,344		4,189,207	
PERS Pension Liability	9,943,966	2,173,673		12,117,639	
Chapter 19, P.L. 2009 Liability	125,945		(5,935)	120,010	6,000
Compensated Absences	373,111		(115,502)	257,609	116,000
	<u>\$ 103,208,149</u>	<u>\$ 12,109,497</u>	<u>\$ (6,221,884)</u>	<u>\$ 109,047,294</u>	<u>\$ 3,102,295</u>

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

7. Bonds and Notes Payable

Bonds and notes payable consist of the following:

	NJDEP Fund Loan	NJDEP Trust Loan	Wildwood Bonds Payable	Interest	Total
2017	\$ 38,468	\$ 15,000	\$ 762,363	\$ 59,557	\$ 875,388
2018	38,468	15,000	187,607	39,748	280,823
2019	18,787	15,000	192,297	34,308	260,392
2020		15,000	197,105	28,900	241,005
2021-2024		60,000	838,942	58,928	957,870
	<u>\$ 95,723</u>	<u>\$ 120,000</u>	<u>\$ 2,178,314</u>	<u>\$ 221,441</u>	<u>\$ 2,615,478</u>

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

On November 8, 1999, the Authority entered into The Omnibus Intergovernmental Agreement with the City of Wildwood, the Borough of Wildwood Crest, the City of North Wildwood, the Greater Wildwoods Tourism Improvement and Development Authority and the Treasurer of the State of New Jersey. This agreement restated the original terms and conditions of the Authority's assigned obligation under the bonds and replaced the previous Bond Resolution. Under the terms of the new agreement, repayment of principal and interest is to be funded by the Available Revenues of the Wildwoods Convention Center after payment of operating expenses, funding of the maintenance reserve fund and payments in lieu of taxes. Should available revenues be insufficient to provide the required debt service amount any unpaid portion accrues to the following year to be funded by that year's available revenues. If it should be deemed necessary, the Authority may request an express separate appropriation from the State Treasurer to cover any shortfall. The Authority does not pledge the revenues, rents fees, rates, charges or other income derived from operations or ownership of any of its other projects, to the repayment of these bonds. In 2016 there was not enough available revenue after the above-mentioned expenses to make full payment on debt service for these Revenue Bonds.

Interest Costs - Interest costs for the year 2016 were \$54,457.

Notes payable consist of the following:

	Date Issued	Original Amount	December 31, 2016
Loan from the NJDEP Infrastructure Loan through August 1, 2024 at 0.00%	3/1/2010	\$564,000	\$95,723
Loan from the NJDEP Infrastructure Trust Loan through August 1, 2024 at various rates between 3% and 5%	3/1/2010	180,000	<u>120,000</u>
Total Notes Payable			<u>\$215,723</u>

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

7. Bonds and Notes Payable (continued)

On March 1, 2012, the Authority entered into an agreement with the State of New Jersey acting by and through the New Jersey Department of Environmental Protection in which the Authority received the proceeds of a \$564,000 loan from the NJDEP Infrastructure Fund and a \$180,000 loan from the NJDEP Infrastructure Trust. The proceeds were used to pay for the purchase of equipment for the purpose of cleaning and maintaining storm drains. The interest was calculated at 0.00% on the NJDEP Infrastructure Fund Loan and is for a term of 24 years. The interest was calculated between 3.00% and 5.00% on the NJDEP Infrastructure Trust Loan and is for a term of 24 years. Interest cost for 2016 on the NJDFP Infrastructure Fund Loan was \$0.

8. Operating Leases

The Authority has commitments to lease certain buildings and office equipment under operating leases that expire through 2031. Total operating lease payments made during the year ended December 31, 2016 were \$230,014. Future minimum lease payments are as follows:

Year Ended December 31,	Amount
2017	\$ 251,629
2018	244,442
2019	223,867
2020	197,932
2021-2025	989,660
2026-2030	989,660
2031-2035	148,449
	<u>\$ 3,045,640</u>

9. State Contract Bonds

The New Jersey Sports and Exposition Authority issued State Contract Bonds to fund various capital improvements of the Authority on behalf of the State of New Jersey. These bonds are considered conduit debt as permitted under Interpretation No.2 of the Governmental Accounting Standards Board.

None of the Authority's revenues, rents, fees, rates, charges or other income and receipts derived by the Authority from its operation or ownership of any of its projects are pledged or assigned to the payment of the principal or redemption price of and interest on such bonds. The State Contract Bonds are paid solely by the State of New Jersey.

The principal amount outstanding on the State Contract Bonds at December 31, 2016 was \$349,175,000. This amount is excluded from the financial statements of the Authority.

10. Tourism Tax

Upon transfer of the Wildwoods Convention Center from the Greater Wildwood Tourism Improvement and Development Authority ("GWTIDA") on February 23, 1998 (see Footnote 2(a)), the Authority assumed the right to receive 90% of the proceeds of a 2% tourism related retail receipts tax pursuant to NJSA 40:54D-1 et. Seq. (the "Tourism Improvement and Development District Law") for the construction and promotion of a new convention center facility. The remaining 10% of the funds generated by the tax is allocated to GWTIDA for its continuing promotion of tourism in the area. The tax is imposed and collected by ordinance and with the cooperation of the municipalities in the Greater Wildwoods (i.e., North Wildwood, Wildwood and Wildwood Crest).

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

11. Racetrack Ground Leases

Monmouth Park Racetrack

On February 29, 2012, the Authority entered into the Racetrack Ground Lease Agreement ("Agreement") with the New Jersey Thoroughbred Horsemen's Association, Inc. ("Tenant") whereby the Authority leases real property located in the Borough of Oceanport, County of Monmouth, on which the Authority has constructed a thoroughbred racetrack. The NJTHA took full operational control on May 3, 2012.

The initial term of the Agreement runs through December 31, 2016, with 3 ten year renewal terms. As of December 31, 2016, Tenant has given timely notice of exercising the first of 3 ten year renewals.

Tenant agreed to pay Ground Rent, between 2012 through 2015, in the annual amount of \$1; in the first 10 year renewal the Tenant agrees to pay ground rent of the lesser of \$250,000 or 5% of the Tenant's annual net operating profit; in any renewal period after the first 10 year renewal period the Tenant agreed to pay Ground Rent of the lesser of \$500,000 or 5% of the Tenant's annual net operating profit.

In addition to Ground Rent, the Tenant is responsible for Minimum Lease Payments. To the extent that, from the Closing Date through December 31, 2012, operating and maintenance expenses exceed revenues, the Authority agreed to cover such excess expenses up to an aggregate amount not to exceed \$9,000,000 herein referred to as the "2012 Minimum Lease Payment." The Tenant is not obligated to repay the Authority for the first \$4,000,000 of 2012 Excess Expenses. To the extent that, from January 1, 2013 through December 31, 2013, operating and maintenance expenses exceed revenues the Authority, agreed to cover such excess expenses up to an aggregate amount not to exceed \$2,000,000. To the extent that, from January 1, 2014 through December 31, 2014, operating and maintenance expenses exceed revenues the Authority, agreed to cover such excess expenses up to an aggregate amount not to exceed \$2,000,000.

As of December 31, 2014, the total Minimum Lease Payments due from the Tenant to the Authority is \$9,000,000. Minimum Lease Payments, generated by year, are payable to the Authority in monthly installments over a 60 month period for each 2012, 2013 and 2014 year at an annual interest rate of 3%. As of December 31, 2016, the balance due from the Tenant was \$8,384,127.

In addition to Ground Rent, Tenant also pays any real estate taxes and/or Payments In-Lieu-Of Taxes ("PILOT") associated with the racetrack.

In addition to Ground Rent commencing January 1, 2013, Tenant shall also pay to the Authority as Additional Rent, an amount equal to five percent (5%) of the Available Net Project Revenues as defined in the Account Wagering Participation and Project Operating Agreement due to Tenant pursuant to the Account Wagering Participation and Project Operating Agreement.

Meadowlands Racetrack

On December 19, 2011 the Authority entered into the Racetrack Ground Lease Agreement ("Agreement") with New Meadowlands Racetrack, L.L.C. ("Tenant") whereby the Authority leases real property located in the Borough of East Rutherford, County of Bergen, on which the Authority has constructed a thoroughbred racetrack. Tenant has full operational control of the racetrack.

The initial term of the Agreement runs through December 31, 2042, with 2 ten year renewal terms.

In consideration of the Authority's execution of this Agreement and Tenant's rights to lease and utilize the premises and the leased equipment for the purposes set forth in the Agreement the Tenant agrees to pay Ground Rent, for the first 5 years, the annual amount of \$1; from the 5th anniversary to the remainder of the term the lesser of \$500,000 or 10% of the Tenant's annual net operating profit.

In addition to Ground Rent, the Tenant shall be responsible for Minimum Lease Payments. To the extent that, from the Closing Date through December 31, 2012, operating and maintenance expenses exceed revenues, the Authority agrees to cover such excess expenses up to an aggregate amount not to exceed \$5,500,000 herein referred to as the "2012 Minimum Lease Payment".

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

11. Racetrack Ground Leases (continued)

The 2012 Minimum Lease Payments are payable to the Authority in monthly installments over a 60 month period commencing January 1, 2013 at an annual interest rate of 3%. As of December 31, 2016, the balance due from the Tenant was \$1,645,201.

In addition to Ground Rent, Tenant also pays Tenant's PILOT Payments.

In addition to the Ground Rent and commencing January 1, 2013, Tenant also pays as Additional Rent an amount equal to 10% of the Net Available Net Projects Revenue as defined in the Account Wagering Participation and Project Operating Agreement. With effect from July 1, 2016, the amount due was reduced to 5%.

12. Pension, Retirement, and Deferred Compensation Plans

Plan Description and Employer and Employee Contributions - Salaried employees of the Authority and Wildwood's Convention Center are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"), a cost-sharing multiple-employer defined benefit public employee retirement system. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing PERS at the following address: Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625. Establishment of or amendments to PERS pension plans are done through New Jersey legislation.

All Authority salaried employees are required as a condition of employment to be members of PERS. A member may retire on a service retirement allowance as early as age 60; no minimum service requirement must be established. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 60, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of creditable membership service preceding retirement or the highest three fiscal years of membership service, whichever provides the larger benefit. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits; unless the employee has obtained 25 years of service prior to retirement, which permits full benefit payments. The System also provides death and disability benefits. Benefits are established by State statute.

Effective May 21, 2010, the New Jersey legislature enacted changes in the PERS and other State employee pension plans (Chapter 1, P.L. 2010). The law makes changes to the rule governing eligibility, the retirement formula, compensation definition and positions eligible. Employees that are subject to a fixed number of hours fewer than thirty-five per week are not eligible to join PERS. Also, the current multiplier of 1/55 will change to 1/60. Section 38 of the law will require the Authority to make the full annual employer's contribution once the calculation is computed by its actuary.

Covered Authority employees are required by PERS to contribute 7.02% of defined salary. The Authority is required by State Statute to contribute the remaining amounts necessary to pay benefits when due. The PERS on the recommendation of an actuary, who makes an annual actuarial valuation, certifies the amount of the Authority's contribution each year. The valuation is a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary, and interest.

The employee contributions required for the years ended December 31, 2016 were \$887,111 (7.02%). Employer contributions for 2016 were \$1,367,135, equal to the required contributions for the year.

Other Benefits - Salaried employees of the Authority are eligible for participation in a section 401(k) deferred compensation plan, the New Jersey Sports and Exposition Authority Savings and Investment Plan. Until July 31, 2011 the Authority contributed a maximum of 4% of the employee's salary up to the IRS maximum less the portion attributable to the State pension plan ("PERS"), effective August 1, 2011 the Authority discontinued its employer contribution. Annual employee contributions for 2016 were \$239,607.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

12. Pension, Retirement, and Deferred Compensation Plans (continued)

The Authority also 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 \$17,500, whichever is less. Investments are on an individual participant basis and the total investment for all the Authority 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 in the accompanying financial statements. Employee contributions in 2016 were \$24,950.

Additionally, some Authority employees are participants in certain pension plans administered by local unions and contributions are made in accordance with terms of the union agreements of those employees. There are about 13 active unions participating in their own pension plans in accordance with each specific union agreement and based on each of the applicable union job trades. The total combined employer contribution for all participating unions in 2016 was \$1,794,873 and equal to the required contribution for the year.

Union plan financial statements may be obtained by writing to the relevant address below:

Local 137 (Box Office)
1012 Haddonfield Rd Suite 106
Cherry Hill, NJ 08002

Local 472 (Parking)
905 16th Street
Washington, DC 20006

Local 711 (Painters)
27 Roland Ave, Suite 200
Mt Laurel, NJ 08054

Local 825 (Operating Engineers)
65 Springfield Ave
Springfield, NJ 07081

Local 164 (Electricians)
425 Eagle Rock Avenue Suite
105
Roseland, NJ 07068

Local 1412 (Security/EMT)
905 16th Street
Washington, DC 20006

Local 68 (HVAC)
PO Box 534
West Caldwell, NJ 07006

Local 24 (Plumbers)
PO Box 1028
Trenton, NJ 08628

Local 472 (Laborers)
700 Raymond Blvd
Newark, NJ 07105

Local 632 (Stagehands
I.A.T.S.E)
PO Box 11944
Newark., NJ 07101-4944

Local 560 (Teamsters)
PO Box 8037
Summit Avenue Station
Union City, NJ 07087

Mass Withdrawal Liability and Annual Payments Related to Local 137 – During 2007, the Authority withdrew from the pension plan of Local 137 (Mutuels) causing a mass withdrawal termination for that plan. Based upon this termination, the Authority is obligated to make annual payments to satisfy the employer's contribution.

The amount of the Authority's obligation, based on actuarial estimates, is approximately \$44.8 million and is recognized in the 2016 financial statements. The Authority will make annual cash payments of \$1.2 million to cover this liability.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

12. Pension, Retirement, and Deferred Compensation Plans (continued)

Mass Withdrawal Liability and Annual Payments Related other Unions - In May 2012, the Authority leased the Monmouth Park operations to a private operator effectively ending its participation in the racing industry. As a result in 2013, two unions issued employer withdrawal demand notices to the Authority which were recognized in the 2013 financial statements: the amount of the Authority's obligations based on the demand letters are approximately Teamsters Local 469 - \$3.1 million and Plumbers Local 9 \$350,000. The Authority will make annual cash payments of \$222,225 to cover this liability. In June 2015 withdrawal demand notices were recognized for Local 1430, the amount of the obligation is \$188,000 with annual payments of \$25,708.

13. Public Employee Retirement System

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	166,637
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>259,161</u>
Total	<u>426,501</u>

Significant Legislation – For State of New Jersey contributions to the PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2014, the State was required to make a minimum contribution representing 3/7th of the actuarially determined contribution amount based on the July 1, 2012 actuarial valuation.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of the PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of the PERS.

For the year ended December 31, 2016 the Authority's total payroll for all employees was \$7,862,409. Total PERS covered payroll was \$6,246,636. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Authority to active employees covered by the Plan.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

13. Public Employee Retirement System (continued)

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016 and increased to 7.2% for State fiscal year 2017, commencing July 1, 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Authority's cash basis contributions to the Plan for the years ended December 31, 2016 were \$1,474,211. Authority contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Authority payments to PERS for the years ending December 31, 2016 consisted of the following:

Normal Cost	\$ 249,578
Amortization of Accrued Liability	<u>1,149,713</u>
Total Pension	1,399,291
NCGI Premiums	<u>74,920</u>
Total Regular Billing	1,474,211
Additional Billings and Adjustments:	102,876
ERI 2	1,438
ERI 3	-
Ch. 19, P.L. 2009	<u>-</u>
Total PERS Payment	<u>\$ 1,578,525</u>

Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. As discussed above, the law set a fifteen year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net position of the plan on deferred principal balances.

The vesting and benefit provisions are set by N.J.S.A. 43:15. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

13. Public Employee Retirement System (continued)

members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$40,755,248 or 0.1376070074%. At June 30, 2015, the proportionate share of the State of New Jersey's the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$38,492,333 or 0.1714733587%.

For the year ended December 31, 2016, the Authority recognized PERS expense of \$1,734,331. At December 31, 2016 the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expensed and actual experience	\$ 757,925	\$
Changes in assumptions	8,442,311	
Net difference between projected and actual earnings on pension plan investments	1,554,035	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	109,383	8,944,997
Authority contributions subsequent to the measurement date	611,241	
	<u>\$11,474,895</u>	<u>\$ 8,944,997</u>

The \$611,241 shown as deferred outflows of resources related to the PERS resulting from Authority contributions subsequent to the measurement date (June 30, 2016) will be recognized as a reduction of net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the PERS should have been recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2017	\$ (487,633)
2018	388,323
2019	1,416,581
2020	595,797
2021	5,589
Total	<u>\$ 1,918,657</u>

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

13. Public Employee Retirement System (continued)

Actuarial Assumptions- The total pension liability in the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.08%
Salary Increases (2012-2026)	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.65%

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates – Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-term Rate of Return – In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) was determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits and the actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocations as of June 30, 2016 are summarized in the following table:

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

13. Public Employee Retirement System (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High yield bonds	2.00%	4.56%
Inflation-indexed bonds	1.50%	3.44%
Broad U.S. equities	26.00%	8.53%
Developed foreign equities	13.25%	6.83%
Emerging market equities	6.50%	9.95%
Private equity	9.00%	12.40%
Hedge funds/Absolute return	12.50%	4.68%
Real estate (property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	100.00%	

Discount Rate – The discount rate used to measure the pension liabilities of PERS was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u>	<u>At current discount rate</u>	<u>At 1% increase</u>
PERS	\$49,940,799	\$40,755,248	\$33,171,779

Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately issued financial report for the State of New Jersey Public Employees Retirement System.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

13. Public Employee Retirement System (continued)

Additional Information Related to the Local Group:

Collective deferred outflows of resources	\$8,685,338,380
Collective deferred inflows of resources	\$870,133,595
Collective net pension liability	\$29,617,131,759
 Authority's portion	 0.1376070074%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 is \$2,830,763,540.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at June 30, 2016, 2015 and 2014 is 5.57, 5.72 and 6.44 years, respectively.

14. Post-Employment Healthcare Plan

Plan Description: Employees who retire from the Authority may be eligible for subsidized postemployment medical and prescription drug benefits based on the number of years of service completed. Certain retirees are eligible for Medicare Part B premium reimbursement. No subsidized coverage for dental, vision or life insurance is available. Medical coverage, including prescription drugs as part of the medical plan, is offered to pre-65 and post-65 retirees on a fully insured basis through the New Jersey State Health Benefits Program for Local Government Employer Groups. Currently, individuals participate in the NJ Direct 10 plan or the NJ Direct 15 plan.

Funding Policy: Contribution rates for future retirees will be based on the State of New Jersey's contribution formula with implementation of Chapter 78. Contributions are calculated using a varying formula based on the retirees' base salary at retirement with a minimum contribution of 1.5% of base salary. Active employees hired prior to implementation of Chapter 78 (June 28, 2011) with less than twenty (20) years of service at implementation will have their contribution phased in over a four (4) year period. Employees hired on or after June 28, 2011 are seventeen (17%) of the benefit cost (the Authority pays 83% of the cost).

Annual OPEB cost and net OPEB obligation: The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the Projected Unit Credit Cost Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years, which represents the estimated remaining life of the Plan. For the fiscal year ended December 31, 2016, the Authority's annual OPEB cost (expense) of \$4,390,549 was \$2,116,903 more than the ARC due to interest on the unfunded ARC, and an adjustment to the ARC. The following table shows the components of the Authority's annual OPEB cost for the year, the amount that actually contributed to the Plan and changes in the Authority's net OPEB obligation to the Plan for the year ended December 31, 2016:

Annual Required Contribution (ARC)	\$ 2,273,646
Interest on unfunded ARC	543,470
Adjustment to the ARC	1,573,433
Annual OPEB cost	<u>4,390,549</u>
Less: contributions made/funded	1,833,895
Unfunded ARC	<u>2,556,654</u>
Net OPEB obligation - beginning of year	<u>24,732,351</u>
 Net OPEB obligation - end of year	 <u>\$ 27,289,005</u>

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

14. Post-Employment Healthcare Plan (continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost, contributions to the Plan, and the net OPEB obligation for the fiscal year ended December 31, 2016, 2015 and 2014 were as follows:

Ended December 31,	OPEB Cost	Authority Contribution	OPEB Cost Contributed	OPEB Obligation
2016	\$ 4,390,549	\$ 1,833,895	41.80%	\$ 26,013,343
2015	4,605,357	1,510,453	32.80%	24,732,351
2014	1,590,800	397,700	25.00%	8,892,115

Funded status and funding progress: As of December 31, 2016, the date of the most recent actuarial valuation, the accrued liability for benefits was \$45,349,707; the unfunded actuarial accrued liability (UAAL) was \$46,209,250. The covered payroll (annual payroll of active employees covered by the plan) was \$6,500,000 and the ratio of the UAAL to the covered payroll was 711%. The value of the assets in the fund as of December 31, 2016 is zero (based on the latest actuarial valuation) since benefit is unfunded. Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress presents multi-year trend information as it becomes available and will show whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets OPEB Cost (a)	Actuarial Accrued Liability Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Liability as a Percentage of Covered Payroll (b-a)/c
1/1/2016	-	46,209,250	46,209,250	0%	6,500,000	711%
1/1/2015	-	45,962,357	45,962,357	0%	6,624,686	694%
1/1/2013	-	17,759,000	17,759,000	0%	7,192,000	247%

Methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs paid by the employer to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in estimated accrued liabilities and the estimated value of assets, consistent with the long-term perspective of the calculations. In the December 31, 2014, 2015 and 2016 valuations, the Projected Unit Credit Cost Method were used. The service cost was determined for each active employee as the actuarial present value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between the date of hire and date of full benefit eligibility. The assumptions include a discount rate of 4.5%. Males are assumed to be three years older than females unless actual spouse date of birth information was provided. Surviving dependents of the NJMC who elect coverage receive the same subsidy as retirees. Surviving dependents of the NJSEA may elect coverage but pay 100% of the cost.

The amortization cost for the Unfunded Actuarial Accrued Liability is a level percentage of payroll for a period of thirty years. The Authority has elected an open amortization period.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

14. Post-Employment Healthcare Plan (continued)

As shown in Footnote 2(u), the Authority has restated net position related to the NJSEA Enterprise Fund's OPEB liability. In 2012, it was reported that this liability was assumed by the State of New Jersey. It was subsequently discovered that the liability had not been assumed by the State of New Jersey and that it was the liability of the Authority.

15. Pollution Remediation Costs

Effective 2008, pollution remediation costs were recognized as a liability on the Statements of Financial Position and an operating expense provision was made in the Statements of Revenues, Expenses and Changes in Net Position in accordance with GASB Statement No. 49, *Accounting and Financial Reporting/Pollution Remediation Obligations*. The remediation involves current and future activities related to testing, recovery, and cleanup of soil, subsurface water and ground level streams at various Authority sites. Contaminated sites include Meadowlands-Xanadu, the new stadium area, and the Meadowlands and Monmouth race tracks. The Authority estimates the cost to be \$5,196,000. The total payments made since 2007 were \$2,846,000, and charged to the Statements of Revenues, Expenses and Changes in Net Position in each respective year. Estimated future expense for environmental remediation is \$3,005,000, and is reflected on the Consolidated Statement of Financial Position. Estimated recovery related from remediation reduces the measurement of this liability. There is no expected remediation recovery on the above sites.

Methods and assumptions used included historical data and engineering estimates. The pollution remediation liability is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws and regulations.

16. Closure and Post Closure Requirements

The Authority 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 Authority 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.

17. Keegan Landfill

NJSEA's lease with the Town of Kearny for the Keegan Landfill property expired in June 2016. Negotiations between the parties for an extension of the lease failed. NJSEA filed an action to condemn the Keegan Landfill property. The Superior Court of New Jersey affirmed the NJSEA's right to condemn the landfill after a challenge was made by the Town of Kearny. The Town has subsequently appealed the court's decision. The appeal remains ongoing. Simultaneously, proceedings to determine the valuation of the landfill relative to the condemnation remain ongoing. The NJSEA's expert appraisal set a value of \$1.8M for the property. Condemnation commissioners appointed by the court valued the property at \$7.8M in a non-binding process, which was appealed by the NJSEA. A trial de novo is anticipated to be held after the appeal of the right to condemn has been decided. As these legal matters proceed, operations at the landfill continue. The NJSEA received a Temporary Certificate of Authority to Operate (TCAO) for the landfill, which would permit operations up to 100 ft. The Town of Kearny has filed a request for an adjudicatory hearing on the TCAO.

18. Meadowlands Area Grants for Natural and Economic Transformation (MAGNET)

In calendar year 2005, the MAGNET Program was launched. The intention of the MAGNET is to enhance the 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, 2016, the balance in the MAGNET fund was \$2,332,454, of which \$1,466,497 was committed.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

19. Interfund Balances and Activity

Balances due to/from other funds at December 31, 2016 consist of the following:

<u>Due from Other Funds</u>	<u>Fund</u>	<u>Due to Other Funds</u>
<u>Governmental Funds</u>		
\$ 653,053	General Fund	\$ 3,610,062
295,829	Environmental Center	141,549
140,301	MAGNET Study	101,521
<u>Enterprise Fund</u>		
198,580	Solid Waste	444,691
3,469,761	NJSEA Enterprise Fund	
<u>Fiduciary Funds</u>		
6,247	Mitigation Trust	112,555
36,662	Third Party Escrows	
	Transportation Planning District	390,054
<u>\$ 4,800,432</u>	<u>Total</u>	<u>\$ 4,800,432</u>

20. Risk Management

Property and Liability Insurance

The Authority 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 Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Authority 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 Authority 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.

21. Commitments and Contingencies

The Authority is exposed to risks of losses related to injuries to employees. The Authority has established a risk management program to account for and finance its uninsured risks of loss related to workmen's compensation. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Claims are based on actuarial valuation.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

21. Commitments and Contingencies (continued)

Workmen's compensation claims liability, claims incurred and claims paid are provided below.

Reconciliation of Workmen's Compensation Claims Liability

	Year Ended December 31,	
	2016	2015
Claims - January 1	\$ 9,507,729	\$ 11,364,674
(Decrease)/Increase in provision	959,550	469,212
Claims paid	(1,759,295)	(1,163,079)
Claims - December 31	8,707,984	10,670,807
Less: current portion	1,759,295	1,163,078
Long term liability	\$ 6,948,689	\$ 9,507,729

On June 30, 2005, the Authority entered into a ground lease and related project agreements for development of the Xanadu Project site, an approximately 5.0 million square mixed-use project on approximately 104 acres at the Meadowlands Sports Complex. Through March 2006, the Authority received pre-payments of ground rent in the amount of \$160,000,000. In 2005, the Authority used \$26,800,000 of the prepaid ground rent to purchase the wetland mitigation bank rights on the Empire Tract. The Authority also used \$37,190,000 to defease tax-exempt bonds attributable to the Meadowlands Xanadu Project site. Expenses associated with the project that were previously deferred were expensed in 2005. For GAAP purposes revenue will be realized by amortizing the up front payment over 18 years. American Dream's developer, Ameream, LLC, has announced that the complex will be anchored by department stores Saks Fifth Avenue and Lord & Taylor. The complex's many scheduled features include indoor amusement and water parks, a movie theater complex, an observation wheel, an indoor ski and snowboarding slope, and numerous restaurants. The developer has estimated a Spring 2019 opening.

At year-end approximately \$234,000 in current assets and liabilities was related to funds received from the State to administer the Aquarium Project. The activity in the fund created for this purpose has no effect on the Authority's revenues or expenses.

On June 14, 2004, the Authority entered into a Participation agreement to license and operate an account wagering system in New Jersey pursuant to the Off-Track and Account Wagering Act (P.L. 201, c. 199) and the regulations promulgated by the New Jersey Racing Commission. Under the agreement the Authority began operating an on-line account wagering system and has contributed 70% of start-up costs for the project, appointed an Operating Board and conducts and accounts for all day-to-day operations in return for 70% of available net project revenues or losses as defined by the agreement.

The Authority's 70% financial interest was transferred to the New Meadowlands Racetrack, (35%) and the New Jersey Thoroughbred Horsemen's Association, (35%) as part of a long term lease agreement to assume the operating rights of the racetracks and off-track wagering sites.

On October 21, 2009, the Authority undertook a project consisting of construction of a new storm water basin and to purchase equipment for the project in order to alleviate storm water runoff at Monmouth Park Racetrack. The total cost for the equipment and the project is estimated at \$26,600,000, which includes capitalized interest, debt service and administrative expenses, and will be financed through loans from the New Jersey Environmental Infrastructure Trust and the New Jersey Department of Environmental Protection. The Borough of Oceanport applied for the project loan (not to exceed \$23,500,000), and the Authority will apply for the equipment loan (not to exceed \$850,000) with the above financing authorities. The Authority will pay the Borough a special assessment that is substantially similar to the Borough's loan repayment schedule, and will manage the project at its own cost. The project was completed in 2012 and repayment on the loans began in 2010 and ends in 2029.

**New Jersey Sports and Exposition Authority
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements
December 31, 2016

22. Concentration of Risk

The State of New Jersey appropriated and remitted to the Authority \$15 million in state aid. This amount is used to fund the General Fund operations. This state aid offsets 63% of the Authority's 2016 operating loss.

23. Subsequent Events

On April 20, 2017, the NJSEA entered into a settlement agreement with Feld Entertainment ("Feld"). Feld alleged various breaches of contract and threatened litigation in connection with the closure of the Izod Center in April 2015. The settlement amount of \$1,900,000, is considered to be a recognized event under the GASB accounting standards (Codification 2250.112), whereby the settlement of litigation would require adjustment of the financial statements if the event that gave rise to the litigation had taken place prior to the statement of net position date. Additionally, under GASB accounting standards (Codification C50.110), a governmental entity should report an estimated loss from a claim as an expenditure and as a liability if both the information is available before the financial statements are issued indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. As the settlement agreement has been executed and the amount of the claim is known, the liability has been included in the Authority's financial statements as of December 31, 2016.

On June 29, 2017, the NJSEA authorized the issuance of Limited Obligation Grant Revenue Bonds in the aggregate principal amount of \$287,000,000 (the "ERGG Bonds"), in order to provide financing for a portion of the costs of developing the American Dream Project. The ERGG Bonds are special limited revenue obligations of the Authority payable from grants received by the Authority pursuant to a State Economic Redevelopment and Growth Incentive Grant Agreement awarded to the developer of the American Dream Project. These bonds have been issued through The Public Finance Authority, a unit of Wisconsin government and body corporate and politic separate and distinct from, and independent of, the State of Wisconsin. The Authority is reviewing whether these bonds can be treated as conduit debt.

On June 29, 2017, the NJSEA authorized the issuance of Limited Obligation PILOT Revenue Bonds in the aggregate principal amount of \$800,000,000 (the "PILOT Bonds"), in order to provide financing for a portion of the costs of developing the American Dream Project. The PILOT Bonds are special limited revenue obligations of the Authority payable from PILOTs received by the Authority pursuant to a Financial Agreement between the developer of the American Dream Project, the Borough of East Rutherford and the Authority. These bonds have been issued through The Public Finance Authority, a unit of Wisconsin government and body corporate and politic separate and distinct from, and independent of, the State of Wisconsin. The Authority is reviewing whether these bonds can be treated as conduit debt.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
(a Component Unit of the State of New Jersey)

Schedule of Revenues, Expenditures, and Changes In Fund Balances - Budget and Actual
Budgetary Basis (1)
December 31, 2016

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance
Operating Revenues:					
East Rutherford					
NMSCO Ground Lease	\$ 6,300,000	\$	\$ 6,300,000	\$ 6,300,000	\$
NMR Shared Services	5,196,636		5,196,636	5,349,206	152,570
Arena Revenue	307,744		307,744	359,240	51,496
Monmouth Park Reimbursables	2,348,342		2,348,342	2,340,226	(8,116)
Entertainment Facilities				8,888,888	8,888,888
(2) Convention Center				2,603,123	2,603,123
(2) Tourism Tax Revenue				3,965,261	3,965,261
Misc. Other	3,967,181		3,967,181	4,082,030	114,849
Total - East Rutherford	\$ 18,119,903	\$	\$ 18,119,903	\$ 33,887,974	\$ 15,768,071
Lyndhurst					
Lease Revenues	\$ 1,433,000	\$	\$ 1,433,000	\$ 1,263,067	\$ (169,933)
Land Use Fee Income	750,000		750,000	882,205	132,205
Overhead Reimbursement				4,687,786	4,687,786
Misc. Other	100,000		100,000	958,566	858,566
Total Operating Revenue - Lyndhurst	\$ 2,283,000	\$	\$ 2,283,000	\$ 7,791,624	\$ 5,508,624
Solid Waste Revenue	\$ 16,600,000	\$	\$ 16,600,000	\$ 14,359,679	\$ (2,240,321)
Total Revenues	\$ 37,002,903	\$	\$ 37,002,903	\$ 56,039,277	\$ 19,036,374
Expenditures:					
East Rutherford					
Salaries/Fringe	\$ 5,578,090	\$	\$ 5,578,090	\$ 4,579,793	\$ 998,297
Arena Event Expenses					
Utilities	1,283,000		1,283,000	2,571,963	(1,288,963)
New Jersey Racing Commission	1,966,630		1,966,630	1,943,924	22,706
Professional Services	2,000,000		2,000,000	2,457,596	(457,596)
Pension	1,500,000		1,500,000	1,678,723	(178,723)
Workers Compensation	1,600,000		1,600,000	1,382,503	217,497
Repairs/Maintenance - Building/Other	970,270		970,270	1,092,130	(121,860)
Convention Center				6,157,317	(6,157,317)
Misc. Other	2,841,188		2,841,188	16,909,972	(14,068,784)
Total - East Rutherford	\$ 17,739,178	\$	\$ 17,739,178	\$ 38,773,921	\$ (21,034,743)
Lyndhurst					
Salaries/Fringe	\$ 7,584,133	\$	\$ 7,584,133	\$ 7,864,592	\$ (280,459)
Services	1,226,650		1,226,650	1,198,403	28,247
Capital/Maintenance	600,000		600,000	46,846	553,154
Repairs/Maintenance	450,000		450,000	655,594	(205,594)
Ramapo Partnership	500,000		500,000	500,000	
Misc. Other	357,500		357,500	971,022	(613,522)
Total - Lyndhurst	\$ 10,718,283	\$	\$ 10,718,283	\$ 11,236,457	\$ (518,174)
Solid Waste Operating Expenses	\$ 14,517,743	\$	\$ 14,517,743	\$ 17,991,128	\$ (3,473,385)
Total Expenditures	\$ 42,975,204	\$	\$ 42,975,204	\$ 68,001,506	\$ (25,026,302)
Total Operating Gain or Loss	(5,972,301)		(5,972,301)	(11,962,229)	(5,989,928)
Other revenues and expenditures:					
State Appropriations	\$ 15,000,000	\$	\$ 15,000,000	\$ 15,000,000	\$
Expense Reimbursement	2,532,301		2,532,301	5,000,000	2,467,699
Feld Settlement				(1,900,000)	(1,900,000)
Payment In Lieu of Taxes & CAFO	(11,560,000)		(11,560,000)	(11,380,715)	179,285
Total non-operating revenues and expenses	5,972,301		5,972,301	6,719,285	746,984
Excess (deficit) of revenues over expenditures	\$	\$	\$	\$ (5,242,944)	\$ (5,242,944)
Amounts report for governmental activities in the statement of revenues, expenditures and changes in fund balance are different because:					
Depreciation expense				(694,294)	
Pension Obligation				(1,237,576)	
Post employment healthcare benefits, other than pension obligation				(1,156,665)	
Capital outlays				46,846	
Excess (deficit) of revenues over expenditures				(8,284,633)	
Fund balance, beginning of year (restated)				\$ 187,252,585	
Fund balance, end of year governmental funds basis				\$ 178,967,951	

(1) NJSEA policy is to prepare a entity-wide budget for its operations and does not prepare budgets by major funds.
(2) Wildwood Convention Center activities are not a budgeted by NJSEA. Budgets for Wildwood Convention Center are prepared by the Greater Wildwoods Tourism Improvement & Development Authority (GWTIDA)

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
 Required Supplementary Information - Schedule of the
 Authority's Proportionate Share of the Net Pension Liability
 New Jersey Public Employees' Retirement System (PERS)
 Last Ten Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset)	<u>0.1376070%</u>	<u>0.1714734%</u>	<u>0.1669715%</u>
Authority's proportionate share of the net pension liability (asset)	<u>\$ 40,755,248</u>	<u>\$ 38,492,333</u>	<u>\$ 33,138,370</u>
Authority's covered-employee payroll	<u>\$ 7,963,473</u>	<u>\$ 12,049,996</u>	<u>\$ 11,446,921</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>511.78%</u>	<u>319.44%</u>	<u>289.50%</u>
Plan fiduciary net position as a percentage of the total pension liability - local group	<u>40.14%</u>	<u>47.93%</u>	<u>48.72%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
 Required Supplementary Information - Schedule of Contributions
 New Jersey Public Employees' Retirement System (PERS)
 Last Ten Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	<u>\$ 1,222,481</u>	<u>\$ 1,474,211</u>	<u>\$ 1,527,382</u>
Contributions in relation to the contractually required contribution	<u>(1,222,481)</u>	<u>(1,474,211)</u>	<u>(1,527,382)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 6,246,636</u>	<u>\$ 7,963,473</u>	<u>\$ 12,049,996</u>
Contributions as a percentage of covered-employee payroll	<u>19.57%</u>	<u>18.51%</u>	<u>12.68%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Notes to Required Supplementary Information

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumption

The inflation and discount rates used to measure the total pension liability were as follows:

<u>Measurement Date</u>	<u>Discount Rate</u>	<u>Inflation Rate</u>
June 30, 2016	3.98%	3.08%
June 30, 2015	4.90%	3.04%
June 30, 2014	5.39%	3.01%



**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***

Independent Auditors' Report

**Board of Commissioners
New Jersey Sports and Exposition Authority**

We have audited, in accordance with the 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, business-type activities, each major fund, and the aggregate remaining fund information of the New Jersey Sports and Exposition Authority ("the Authority"), as of and for the year then ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 30, 2017. Our report qualifies our opinion on the business-type activities and the NJSEA Enterprise Fund because the Authority did not provide a fair value measurement regarding the closure of its entertainment arena located in East Rutherford, New Jersey and therefore, the amount of any impairment loss cannot be determined.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Livingston, NJ
November 30, 2017