

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

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

December 31, 2017

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

TABLE OF CONTENTS

	<u>Page Number</u>	
INDEPENDENT AUDITORS' REPORT	1	
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4	
BASIC FINANCIAL STATEMENTS		
Statement of Net Position.....	12	
Statement 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	
Statement of Cash Flows – Proprietary Funds	18	
Statement of Fiduciary Net Position – Fiduciary Funds	19	
Statement of Changes in Fiduciary Net Position- Fiduciary Funds.....	20	
Notes to Financial Statements	21	
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Revenue, Expenditures and Changes in Fund Balance Budget Versus Actual	52	
Schedule of the Authority's Proportionate Share of the Net Pension Liability – Public Employees Retirement System.....	53	
Schedule of Contributions – Public Employees Retirement System.....	54	
INDEPENDENT AUDITORS' 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		55
Schedule of Current Year Findings and Recommendations	57	
Summary Schedule of Prior Year Findings	58	

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on 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, 2017, 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. 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.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 carrying value or fair value.

Management chose 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 is required, would reduce the carrying amount of fixed assets and net position. Additionally, any impairment loss would increase or decrease the beginning net position.

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

Certain qualified employees of the Authority are enrolled in various union sponsored pension plans. In accordance with Governmental Accounting Standards Board, Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, the Authority is required to disclose certain information in the notes to financial statements related to each of these union sponsored pension plans. Management has decided not to fully implement this standard due to lack of availability of required information by these union sponsored pension plans. This does not have any financial impact on the fund's net position.

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

In our opinion, except for the effects of the matter described in the 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, 2017, 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 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 business-type and NJSEA Enterprise Fund, and the aggregate remaining fund information of the Authority, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters

Comparative Financial Information

The financial statements of the Authority as of and for the year ended December 31, 2016, were audited by other auditors whose report dated November 30, 2017, expressed qualified and unmodified opinions on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of Authority's proportionate share of the net pension liability-PERS, and schedule of Authority 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 October 10, 2018, 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.

Merodien, P.C.

Certified Public Accountants

October 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2017

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 present an overview of the Authority's financial performance for the year ended December 31, 2017. 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 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.

The Required Supplementary Information presents information regarding the Authority's budget versus actual results, the Authority's proportionate share of the net pension liability and employer contributions.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2017

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 quasi-governmental instrument of the State not only for the purpose of generating revenues from these activities, but also to generate sales tax revenues and provide economic stimulus to the regions surrounding the facilities. 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 two renewal options 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 existing grandstand.

Meadowlands Arena (the Arena) - is a 20,000-seat indoor arena with 28 private suites, containing approximately 466 seats. 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. The Arena has more recently been used as a place for private rehearsals by acts preparing to go on tour. This has provided the opportunity to defray some of the costs of operating the facility.

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 then Xanadu Project, approximately 104 acres at the Meadowlands Sports Complex.

The Authority received pre-payments of ground rent through 2020 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 Project site. Expenses associated with the project that were previously deferred were expensed in 2005. For GAAP purposes revenue is being realized by amortizing the upfront payment over 18 years, starting in 2003.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2017

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 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2017

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 2017. 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 (2017)

Total operating revenues were \$51.5M in 2017, Solid Waste accounted for \$12.5M of that total with Sports & Entertainment Facilities contributing another \$13.7M. Total operating expenses (before depreciation and amortization) were \$69.1M for the year; of which \$34.8M were associated with management and administrative expenses and \$7.8 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 (UNAUDITED)
December 31, 2017

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 7,697,196	\$ 12,534,528	\$ 33,913,075	\$ 41,836,002	\$ 41,610,271	\$ 54,370,530
Investment in Facilities	24,909,004	25,468,900	288,929,896	255,022,961	313,838,900	280,491,861
Non-Current Assets	-	-	20,746,214	12,171,063	20,746,214	12,171,063
	<u>32,606,200</u>	<u>38,003,428</u>	<u>343,589,185</u>	<u>309,030,026</u>	<u>376,195,385</u>	<u>347,033,454</u>
Deferred Outflows of Resources	2,085,602	4,130,223	3,989,758	7,344,672	6,075,360	11,474,895
Current and Other Liabilities	255,553	456,258	22,363,424	33,933,354	22,618,977	43,264,930
Long-Term Liabilities	21,890,793	27,158,495	109,561,593	109,047,294	131,452,386	111,299,022
Total Liabilities	<u>22,146,346</u>	<u>27,614,753</u>	<u>131,925,017</u>	<u>142,980,648</u>	<u>154,071,363</u>	<u>154,563,952</u>
Deferred Inflows of Resources	2,331,435	1,189,934	58,200,181	7,755,063	60,531,616	8,944,997
Net Position (as restated)	<u>\$ 10,214,021</u>	<u>\$ 13,328,964</u>	<u>\$ 157,453,745</u>	<u>\$ 165,638,987</u>	<u>\$ 167,667,767</u>	<u>\$ 178,967,951</u>

Condensed Statements of Net Activities

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Operating Revenues and Expenses						
Operating Revenues	\$ 652,033	\$ 5,644,595	\$ 43,983,171	\$ 44,282,392	\$ 44,635,204	\$ 49,926,987
Operating Expenses Excluding Depreciation	(9,932,840)	(13,694,846)	(59,187,117)	(58,094,667)	(69,119,957)	(71,789,513)
Operating Revenues Net of Depreciation and Amortization	(9,280,808)	(8,050,251)	(15,203,946)	(13,812,275)	(24,484,754)	(21,862,526)
Depreciation and Amortization Expense	(604,913)	(694,295)	(9,342,920)	(9,991,044)	(9,947,833)	(10,685,339)
Operating Gain/(Loss)	(9,885,721)	(8,744,546)	(24,546,866)	(23,803,319)	(34,432,587)	(32,547,865)
Non Operating Income and Expenses:						
Luxury Tax, Marketing Fee and Tourism Tax	-	-	4,281,788	3,965,261	4,281,788	3,965,261
State Subsidy	-	-	12,000,000	15,000,000	12,000,000	15,000,000
Interest and Other Income/(Expenses)	6,770,778	7,147,029	79,836	(1,849,059)	6,850,613	5,297,970
Total Non Operating Income	<u>6,770,778</u>	<u>7,147,029</u>	<u>16,361,625</u>	<u>17,116,203</u>	<u>23,132,402</u>	<u>24,263,231</u>
Change in Net Position	<u>\$ (3,114,943)</u>	<u>\$ (1,597,517)</u>	<u>\$ (8,185,241)</u>	<u>\$ (6,687,116)</u>	<u>\$ (11,300,184)</u>	<u>\$ (8,284,633)</u>

While the Statements of Net Position show the financial position or net position, the Statements of Net Activities 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2017

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.

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 then Xanadu Project, approximately 104 acres at the Meadowlands Sports Complex. The Authority received pre-payments of ground rent through 2020 in the amount of \$160,000,000. Revenue will be realized by amortizing the upfront payment through 2020. As of December 31, 2017, the facility is still under construction.
- 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 Arena in April 2015. As the settlement was entered prior to the issuance of the December 31, 2016 financial statements of the Authority, the settlement amount of \$1,900,000 was recognized as a liability on the Authority's financial statements as of December 31, 2016 under GASB accounting standards (Codification C50.110). As such, no additional liability has been recorded on the financial statements of the Authority as of December 31, 2017.
- 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 were sold to 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.
- 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 were sold to 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2017

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 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 of Kearny has subsequently appealed the court's decision. The appeal was decided in favor of NJSEA. The Town of Kearny requested certification by the New Jersey Supreme Court. The appeal was denied. The Town of Kearny subsequently filed a petition for a Writ of Certiorari with the United States Supreme Court. The petition was denied. A trial on the valuation of the Keegan Landfill is anticipated to occur in 2018. 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.

Arena

- From April 2015, the NJSEA closed the Arena to public events. The Arena has, more recently, been used as a place for private rehearsals by acts preparing to go on tour. This has provided the opportunity to defray some of the costs of operating the facility.

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	2017	2016
Number of Event Days	211	241
Total Attendance	176,409	166,640
Net Event Income	\$ 726,288	\$ 608,048

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2017

Capital Assets

At the end of 2017, the Authority had a net investment in capital assets of \$319,867,580 at a total capital cost of \$715,770,036 net of accumulated depreciation of \$395,447,516 as shown below.

	December 31, 2016	Reclass	Additions	Transfers and Deletions	December 31, 2017
Meadowlands Sports Complex	\$ 482,943,572	\$ 42,521,447	\$ 489,088	\$ -	\$ 525,954,107
Monmouth Park Racetrack	62,314,429	-	-	-	62,314,429
Wildwoods Convention Center	58,322,964	-	152,892	-	58,475,856
Lyndhurst	40,617,107	-	45,018	-	40,662,125
Transportation Planning District	7,929,508	-	-	-	7,929,508
Solid Waste	19,893,143	-	85,928	-	19,979,071
Total Investment in Facilities	672,020,724	42,521,447	772,926	-	715,315,096
Less Accumulated Depreciation	(384,971,549)	-	(10,475,967)	-	(395,447,516)
Investment in Facilities Net of Accumulated Depreciation	\$ 287,049,175	\$ 42,521,447	\$ (9,703,041)	\$ -	\$ 319,867,580

Additions to capital assets during 2017 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.

Subsequent Events

The Authority has evaluated subsequent events through the date which the financial statements were available to be issued and no additional items were noted for disclosure.

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.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 14,860,215	\$ 9,792,349	\$ 24,652,564
Receivables, Net	511,418	4,568,812	5,080,230
Other Assets	-	193,117	193,117
Internal Balances	(9,013,235)	9,013,235	-
Account Receivables - Fiduciary Funds	118,863	294,015	412,878
Capital Assets			
Non Depreciable	20,154,401	117,149,000	137,303,401
Depreciable	4,754,604	171,780,896	176,535,500
Non Current Assets			
Investments	-	7,953,457	7,953,457
Notes Receivable	-	12,159,756	12,159,756
Other Assets	-	633,000	633,000
Restricted Assets			
Cash	-	3,300,219	3,300,219
Investments	1,219,936	6,751,328	7,971,264
TOTAL ASSETS	32,606,200	343,589,185	376,195,385
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	2,085,602	3,989,758	6,075,359
LIABILITIES			
Accounts Payable and Accrued Liabilities	255,553	7,736,339	7,991,892
Unearned Revenue	-	14,627,084	14,627,084
Long Term Liabilities	21,890,793	109,561,593	131,452,386
TOTAL LIABILITIES	22,146,346	131,925,017	154,071,362
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of resources related to pension	2,331,435	15,678,734	18,010,169
Deferred Inflows of resources related to other activities	-	42,521,447	42,521,447
NET POSITION (DEFICIT)			
Net Investment in Capital Assets	24,909,004	286,589,328	311,498,332
Restricted for Statutory Requirements	1,219,936	10,051,547	11,271,482
Unrestricted	(15,914,918)	(139,187,129)	(155,102,047)
TOTAL NET POSITION	\$ 10,214,021	\$ 157,453,746	\$ 167,667,767

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

STATEMENT OF NET ACTIVITIES
Year Ended December 31, 2017

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	
Governmental activities:					
Commission operations	\$ (9,781,440)	\$ 644,033	\$ (9,137,407)	\$ -	\$ (9,137,407)
Environmental center	(750,687)	-	(750,687)	-	(750,687)
MAGNET program	(2,532)	-	(2,532)	-	(2,532)
Other governmental programs	(3,094)	8,000	4,906	-	4,906
Total governmental activities	(10,537,754)	652,033	(9,885,721)	-	(9,885,721)
Business-type activities:					
NJSEA	(59,630,683)	31,433,581	-	(28,197,102)	(28,197,102)
Solid waste	(8,899,354)	12,549,591	-	3,650,237	3,650,237
Total business-type activities	(68,530,036)	43,983,171	-	(24,546,865)	(24,546,865)
Total primary government	\$ (79,067,790)	\$ 44,635,204	\$ (9,885,721)	\$ (24,546,865)	\$ (34,432,585)
General and program revenues:					
Investment earnings			\$ 76,387	\$ 79,836	\$ 156,222
Super Storm Sandy reimbursement			17,442	-	17,442
Lease revenue			912,138	-	912,138
Rental income solar			192,222	-	192,222
Composting revenues			193,215	-	193,215
Other			329,374	-	329,374
Expense reimbursement			5,050,000	-	5,050,000
State subsidy			-	12,000,000	12,000,000
Tourism tax			-	4,281,788	4,281,788
Total general revenues			6,770,778	16,361,624	23,132,402
Changes in Net Position			(3,114,943)	(8,185,241)	(11,300,184)
Net Position - beginning			13,328,964	165,638,987	178,967,951
Net Position - ending			\$ 10,214,021	\$ 157,453,745	\$ 167,667,767

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

**BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2017**

	General Fund	Environmental Center Fund	MAGNET Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 6,624,238	\$ 12,876	\$ 2,306,109	\$ 104,963	\$ 9,048,186
Investments	6,991,847	-	29,125	10,993	7,031,964
Accounts receivable, net	511,418	-	-	-	511,418
Due from other funds	152,248	557,427	688	-	710,363
Total Assets	<u>14,279,751</u>	<u>570,303</u>	<u>2,335,921</u>	<u>115,956</u>	<u>17,301,931</u>
Liabilities and Fund Balances					
Accounts payable	106,154	13,833	-	-	119,987
Accrued expenses	134,038	1,528	-	-	135,566
Due to other funds	8,765,170	744,069	2,481	93,015	9,604,735
Total Liabilities	<u>9,005,362</u>	<u>759,430</u>	<u>2,481</u>	<u>93,015</u>	<u>9,860,288</u>
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	-	-	2,000	57,924
Renewable Energy	1,010,337	-	-	-	1,010,337
Committed to:					
Project Commitments	-	-	75,000	-	75,000
Assigned	-	(189,127)	2,258,440	20,941	2,090,254
Unassigned	4,056,454	-	-	-	4,056,454
Total Fund Balances	<u>5,274,389</u>	<u>(189,127)</u>	<u>2,333,440</u>	<u>22,941</u>	<u>7,441,643</u>
Total Liabilities & Fund Balances	<u>\$ 14,279,751</u>	<u>\$ 570,303</u>	<u>\$ 2,335,921</u>	<u>\$ 115,956</u>	<u>\$ 17,301,931</u>
Amounts reported for governmental funds in the statement of net position are different because of:					\$ 7,441,643
Capital Assets Used in governmental activities are not financial resources and therefore are not reported in the funds					24,909,004
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds					(22,136,626)
					<u>\$ 10,214,021</u>

**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, 2017**

	General Fund	Environmental Center Fund	MAGNET Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Composting revenues	\$ 193,215	\$ -	\$ -	\$ -	\$ 193,215
Super Storm Sandy revenue	17,442	-	-	-	17,442
Grant revenue	-	-	-	8,000	8,000
Conference revenue	10,000	-	-	-	10,000
Lease revenue	912,138	-	-	-	912,138
MCT reimbursement for services	175,000	-	-	-	175,000
Fee income	644,033	-	-	-	644,033
Expense reimbursement	5,050,000	-	-	-	5,050,000
Other income	130,202	7,721	-	-	137,923
Rental income-solar	192,222	-	-	-	192,222
Interest income	78,794	273	3,519	253	82,838
Total Revenue	7,403,046	7,994	3,519	8,253	7,422,811
Expenditures:					
Current:					
Authority operations	7,914,940	-	-	-	7,914,940
Kearny 1-A access agreement	20,000	-	-	-	20,000
Environmental Center operations	-	246,098	-	-	246,098
Ramapo College Partnership	-	504,589	-	-	504,589
MAGNET expenditures	-	-	2,532	-	2,532
Other expenditures	-	-	-	3,094	3,094
Capital Outlay	45,018	-	-	-	45,018
Total Expenditures	7,979,958	750,687	2,532	3,094	8,736,271
Changes in Fund Balances	(576,912)	(742,693)	987	5,159	(1,313,460)
Fund Balance, beginning of year	9,174,468	553,566	2,332,454	17,782	12,078,270
Fund Balance, end of year	\$ 8,597,556	\$ (189,127)	\$ 2,333,440	\$ 22,941	\$ 10,764,810

Net changes to fund balance - total government funds \$ (1,313,460)

Amounts reported for governmental activities in the statement of activities are different because of:

Capital outlays, net of depreciation expense	45,018
Depreciation expense	(604,913)
Post employment healthcare benefits, other than pension expense	(1,241,587)

Change in net position of government activities \$ (3,114,943)

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

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

December 31, 2017

	NJSEA Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
ASSETS			
Current Assets			
Cash and Investments	\$ 7,961,103	\$ 1,831,246	\$ 9,792,349
Due from State of New Jersey	193,117	-	193,117
Receivables, Net	2,371,898	2,196,914	4,568,812
Due from Other Funds	6,971,704	2,335,547	9,307,251
Total Current Assets	17,497,821	6,363,708	23,861,528
Non Current Assets			
Investments	-	7,953,457	7,953,457
Notes Receivable	12,159,756	-	12,159,756
Other Assets	633,000	-	633,000
Restricted Assets			
Cash	236,758	3,063,461	3,300,219
Investments	-	6,751,328	6,751,328
Capital Assets, Net	288,814,578	115,318	288,929,896
Total Non Current Assets	301,844,092	17,883,565	319,727,657
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to Pension	2,283,356	1,706,402	3,989,758
LIABILITIES			
Current Liabilities			
Accounts Payable	279,586	762,246	1,041,832
Accrued Liabilities	5,701,135	208,148	5,909,283
Interest Payable on Bonds and Notes	785,224	-	785,224
Total Current Liabilities	6,765,945	970,394	7,736,339
Long Term Liabilities			
Unearned Revenue	13,514,901	1,112,184	14,627,084
Other Long Term Liabilities	87,156,565	4,753,112	91,909,678
Net Pension Obligation	8,532,365	6,778,982	15,311,347
Bonds Payable	2,340,569	-	2,340,569
Total Long Term Liabilities	111,544,400	12,644,278	124,188,678
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to Pension	13,771,195	1,907,539	15,678,734
Deferred Inflows of Resources Related to Other Activities	42,521,447	-	42,521,447
NET POSITION (DEFICIT)			
Net Investment in Capital Assets	286,474,009	115,318	286,589,328
Restricted for Statutory Requirements	236,758	9,814,789	10,051,547
Unrestricted	(139,688,485)	501,356	(139,187,129)
TOTAL NET POSITION	\$ 147,022,282	\$ 10,431,464	\$ 157,453,746

See notes to financial statements.

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, 2017

	NJSEA Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
OPERATING REVENUES:			
Sports Complex	\$ 11,008,093	\$ -	\$ 11,008,093
Convention Center	2,671,896	-	2,671,896
Entertainment Facilities	8,888,888	-	8,888,888
Solid Waste Revenues	-	13,864,968	13,864,968
Other Operating Revenue	8,864,703	-	8,864,703
Total Operating Revenues	<u>31,433,581</u>	<u>13,864,968</u>	<u>45,298,549</u>
OPERATING EXPENSES:			
Sports Complex	32,453,624	-	32,453,624
Convention Center	6,053,342	-	6,053,342
Solid Waste Expenses	-	4,342,435	4,342,435
General and Administrative	-	2,357,642	2,357,642
Payment in Lieu of Taxes	11,844,051	628,885	12,472,936
Parks and Open Space	-	214,683	214,683
MERI Operations	-	219,083	219,083
Depreciation and Amortization	9,279,665	62,755	9,342,420
Closure Expenses	-	2,389,248	2,389,248
Total Operating Expenses	<u>59,630,683</u>	<u>10,214,731</u>	<u>69,845,414</u>
OPERATING INCOME/(LOSS)	<u>(28,197,102)</u>	<u>3,650,237</u>	<u>(24,546,865)</u>
NON-OPERATING INCOME AND (EXPENSES):			
State Appropriation	12,000,000	-	12,000,000
Tourism Tax Revenue	4,281,788	-	4,281,788
Interest Expense	(59,557)	139,393	79,836
Total Non-Operating Income	<u>16,222,231</u>	<u>139,393</u>	<u>16,361,624</u>
CHANGE IN NET POSITION	(11,974,871)	3,789,630	(8,185,241)
NET POSITION - Beginning of Year	<u>158,997,153</u>	<u>6,641,834</u>	<u>165,638,987</u>
NET POSITION - End of Year	<u>\$ 147,022,282</u>	<u>\$ 10,431,464</u>	<u>\$ 157,453,745</u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended December 31, 2017

	NJSEA Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 23,211,160	\$ 13,138,974	\$ 36,350,133
Payments to employees	-	(1,459,760)	(1,459,760)
Payments to suppliers	(43,727,825)	(11,319,981)	(55,047,806)
Beneficial reuse materials	-	631,140	631,140
Net cash (used for) provided by operating activities	<u>(20,516,666)</u>	<u>990,372</u>	<u>(19,526,293)</u>
Cash Flows from Noncapital Financing Activities			
Tourism tax revenues	4,281,788	-	4,281,788
Landfill remediation and post-closure	-	(2,389,188)	(2,389,188)
Net cash provided by (used for) noncapital financing activities	<u>4,281,788</u>	<u>(2,389,188)</u>	<u>1,892,600</u>
Cash Flows from Capital and Related Financing Activities			
State appropriations	12,000,000	-	12,000,000
Purchase of capital assets	(641,980)	(85,928)	(727,909)
Repayment of racetrack loans	1,185,936	-	1,185,936
Net cash provided by (used for) capital financing activities	<u>12,543,956</u>	<u>(85,928)</u>	<u>12,458,027</u>
Cash Flows from Investing Activities			
Interest	19,216	173,984	193,201
Purchase of investments	-	(762,469)	(762,469)
Net cash provided by (used for) investing activities	<u>19,216</u>	<u>(588,484)</u>	<u>(569,268)</u>
Net decrease in cash and cash equivalents	<u>(3,671,705)</u>	<u>(2,073,228)</u>	<u>(5,744,934)</u>
Cash and equivalents, beginning of year	11,632,808	3,904,475	15,537,283
Cash and equivalents, end of year	<u>\$ 7,961,103</u>	<u>\$ 1,831,246</u>	<u>\$ 9,792,349</u>
Reconciliation of operating (loss) income to net cash provided by (used) by operating activities:			
Operating (loss) income	\$ (28,197,102)	\$ 3,650,237	\$ (24,546,865)
Depreciation expense	9,279,665	62,755	9,342,420
Landfill remediation and post-closure	-	2,389,188	2,389,188
Change in assets and liabilities:			
(Increase) In Receivables, net	(404,180)	(94,855)	(499,035)
(Increase) In Other Assets	(443,087)	(25,807)	(468,894)
Decrease In Deferred Outflows	1,682,042	1,672,872	3,354,914
Increase In Deferred Inflows	5,861,609	933,956	6,795,565
Decrease in Accounts Payable & Accrued Liabilities	(2,850,990)	(310,593)	(3,161,583)
Increase/(Decrease) in Other Liabilities	6,794,775	(4,895,756)	1,899,020
(Decrease)/Increase in Deferred Revenue	(8,854,995)	190,034	(8,664,961)
Due from other funds	(3,384,403)	(2,581,659)	(5,966,062)
Net cash (used for) provided by operating activities	<u>\$ (20,516,666)</u>	<u>\$ 990,372</u>	<u>\$ (19,526,293)</u>

See notes to financial statements.

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

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS

December 31, 2017

	Mitigation Trust	Transportation Planning	Third Party Escrow	Total
ASSETS				
Cash and Investments	\$ 5,086,412	\$ 4,480,299	\$ 139,534	\$ 9,706,245
Receivables, Net	15,400	-	-	15,400
Interfund Receivable	-	63,237	37,542	100,780
Capital Assets - Depreciable, Net	-	6,028,680	-	6,028,680
TOTAL ASSETS	5,101,812	10,572,216	177,076	15,851,104
LIABILITIES				
Accounts Payable & Accrued Liabilities	18,270	129,269	-	147,539
Construction Deposits	267,052	-	-	267,052
Rutherford Post Closure Security	158,048	-	-	158,048
Environmental Remediation	-	-	142,746	142,746
Security Deposits	126,886	-	-	126,886
Interfund Payable	475,357	3,971	34,330	513,658
Contract Retainage Payable	565,199	25,627	-	590,825
TOTAL LIABILITIES	1,610,812	158,867	177,076	1,946,754
NET POSITION				
Invested in Capital Assets, net	-	6,028,680	-	6,028,680
Restricted for:				
Blackstrap Broadcasting escrow	1,739,971	-	-	1,739,971
Bloomberg Escrow	1,636,176	-	-	1,636,176
Main Street Program	151,233	-	-	151,233
Other	(36,380)	4,384,670	-	4,348,290
TOTAL NET POSITION	\$ 3,491,001	\$ 10,413,350	\$ -	\$ 13,904,350

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS

Year Ended December 31, 2017

	Mitigation Trust	Transportation Planning	Third Party Escrow	Total
Additions				
Transportation Planning District Fees	\$ -	\$ 1,316,193	\$ -	\$ 1,316,193
Bloomberg Lease Revenue	128,805	-	-	128,805
Interest	9,357	6,844	-	16,201
Blackstrap Escrow	172,069	-	-	172,069
	<u>310,231</u>	<u>1,323,037</u>	<u>-</u>	<u>1,633,268</u>
Deductions				
Mitigation Expenses	130,664	-	-	130,664
MASSTR Grant Expenditures	-	1,281,025	-	1,281,025
	<u>130,664</u>	<u>1,281,025</u>	<u>-</u>	<u>1,411,689</u>
Change in Net Position	179,567	42,012	-	221,579
Net Position, Beginning of Year	3,311,434	10,899,972	-	14,211,406
Adjustments to Net Position				
Depreciation Expense	-	(528,634)	-	(528,634)
Net Position, End of Year	<u>\$ 3,491,001</u>	<u>\$ 10,413,350</u>	<u>\$ -</u>	<u>\$ 13,904,350</u>

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

NOTES TO FINANCIAL STATEMENTS

A. 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.

B. 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 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.

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Reporting Entity (Continued)

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.

(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 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 net 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of Presentation (Continued)

- **MAGNET** Fund. The intention of the MAGNET fund is to set aside funds to be used for tax relief incentives for District municipalities.

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 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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:

- *Net 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".

(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.

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Fund Balance Classifications (Continued)

- **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.

(j) Unearned Revenues

Unearned Revenue represents revenues collected but not earned as of December 31, 2017. This primarily consists of ground rent pre-payments and solid waste disposal tickets sold to haulers but still outstanding.

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Note D.

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

Buildings	20-60 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 in Lieu of Taxes (PILOT)

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 certain 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 ninety days 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) Accounts Receivable, Net of Allowance for Doubtful Accounts

The Authority evaluates all accounts receivable on an annual basis. An allowance for doubtful accounts is set up by charging operating expense. Amounts are charged against the allowance for doubtful accounts when management believes that collectability of certain receivables are uncertain.

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Other Assets

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

(r) 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.

Deferred outflows are related to pension. Deferred inflows are related to pension and other financing activity.

(s) 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.

(t) Recent Accounting Standards

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

- GASB Statement 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, 2016 – except for those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016. The Authority has concluded that adoption of GASB Statement 73 had no impact on the financial position, results of operations and cash flows.
- GASB Statement 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for periods beginning after June 15, 2016. The Authority has concluded that adoption of GASB Statement 74 had no impact on the financial position, results of operations and cash flows.
- GASB Statement 80 - *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, effective for periods beginning after June 15, 2016. The Authority has concluded that adoption of GASB Statement 80 had no impact on the financial position, results of operations and cash flows.

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- GASB Statement 81 - *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016. The Authority has concluded that adoption of GASB Statement 81 had no impact on the financial position, results of operations and cash flows.
- GASB Statement 82 - *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for periods beginning after June 15, 2016.

(u) Pending Accounting Standards

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

- GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017.
- GASB Statement 83 – *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB Statement 84 – *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB Statement 85 – *Omnibus 2017*, effective for periods beginning after June 15, 2018.
- GASB Statement 86 – *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.
- GASB Statement 87 – *Leases*, effective for periods beginning after December 15, 2019.
- GASB Statement 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018.

C. CASH AND INVESTMENTS

The components of cash and investments are as follows:

	Balance Dec 31, 2017	Fiduciary Fund Balance Dec 31, 2017
Cash and Investments:		
Unrestricted:		
Cash on Hand	\$ 12,635,222	\$ 9,706,245
Investments	13,725,369	-
NJ Cash Management Fund	6,245,431	-
Unrestricted Cash & Investments	<u>32,606,021</u>	<u>9,706,245</u>
Restricted:		
Cash on Hand	3,300,219	-
Investments	7,971,264	-
Restricted Cash & Investments	<u>11,271,482</u>	<u>-</u>
Total Cash and Investments	<u>\$ 43,877,504</u>	<u>\$ 9,706,245</u>

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

NOTES TO FINANCIAL STATEMENTS

C. CASH AND INVESTMENTS (CONTINUED)

For 2017, restricted cash and investments include \$236,758 on the Camden Aquarium 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, 2017, 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.

D. 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.

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

NOTES TO FINANCIAL STATEMENTS

D. INVESTMENT IN FACILITIES (CONTINUED)

	December 31, 2016	Reclass	Additions	Deletions	December 31, 2017
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>-</u>	<u>-</u>	<u>-</u>	<u>20,154,401</u>
Capital assets that are being depreciated:					
Building and building improvements	16,804,245	-	1,250	-	16,805,495
Machinery and equipment	3,658,461	-	43,768	-	3,702,229
Total at historical costs	<u>20,462,706</u>	<u>-</u>	<u>45,018</u>	<u>-</u>	<u>20,507,723</u>
Less accumulated depreciation for:					
Building and building improvements	(10,161,912)	-	(570,730)	-	(10,732,642)
Machinery and equipment	(4,986,295)	-	(34,183)	-	(5,020,479)
Total accumulated depreciation	<u>(15,148,207)</u>	<u>-</u>	<u>(604,913)</u>	<u>-</u>	<u>(15,753,120)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>5,314,499</u>	<u>-</u>	<u>(559,895)</u>	<u>-</u>	<u>4,754,603</u>
Governmental activities capital assets, net	<u>\$ 25,468,899</u>	<u>\$ -</u>	<u>\$ (559,895)</u>	<u>\$ -</u>	<u>\$ 24,909,004</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>-</u>	<u>-</u>	<u>-</u>	<u>157,017,193</u>
Capital assets that are being depreciated:					
Building and building improvements	302,162,465	42,521,447	485,434	-	345,169,346
Machinery and equipment	86,160,780	-	242,475	-	86,403,255
Total at historical costs	<u>388,323,245</u>	<u>42,521,447</u>	<u>727,908</u>	<u>-</u>	<u>431,572,600</u>
Less accumulated depreciation for:					
Building and building improvements	(213,077,570)	-	(8,483,035)	-	(221,560,605)
Machinery and equipment	(77,239,907)	-	(859,385)	-	(78,099,292)
Total accumulated depreciation	<u>(290,317,477)</u>	<u>-</u>	<u>(9,342,420)</u>	<u>-</u>	<u>(299,659,897)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>98,005,768</u>	<u>42,521,447</u>	<u>(8,614,512)</u>	<u>-</u>	<u>131,912,703</u>
Capital assets that are being amortized:					
Landfills	5,902,136	-	-	-	5,902,136
Total at historical costs	<u>5,902,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,902,136</u>
Less accumulated amortization for:					
Landfills	(5,902,136)	-	-	-	(5,902,136)
Total accumulated amortization	<u>(5,902,136)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,902,136)</u>
Total landfill life being amortized net of accumulated amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type activities capital assets, net	<u>\$ 255,022,961</u>	<u>\$ 42,521,447</u>	<u>\$ (8,614,512)</u>	<u>\$ -</u>	<u>\$ 288,929,896</u>
Fiduciary Activities:					
Capital assets that are being depreciated:					
Infrastructure	\$ 7,929,508	\$ -	\$ -	\$ -	\$ 7,929,508
Total at historical costs	<u>7,929,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,929,508</u>
Less accumulated depreciation for:					
Infrastructure	(1,372,195)	-	(528,634)	-	(1,900,829)
Total accumulated depreciation	<u>(1,372,195)</u>	<u>-</u>	<u>(528,634)</u>	<u>-</u>	<u>(1,900,829)</u>
Total fiduciary assets being depreciated net of accumulated depreciation	<u>\$ 6,557,314</u>	<u>\$ -</u>	<u>\$ (528,634)</u>	<u>\$ -</u>	<u>\$ 6,028,680</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, 2017.

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

NOTES TO FINANCIAL STATEMENTS

E. NOTES RECEIVABLE

The Authority, pursuant to its Racetrack Ground Lease Agreement with the New Jersey Thoroughbred Horsemen's Association Inc. ("NJTHA") and its Racetrack Ground Lease Agreement ("Agreement") with the New Meadowlands Racetrack, LLC is owed Minimum Lease Payments, under both Agreements. The balance due at December 31, 2017, of \$12,159,756 is comprised of the New Jersey Thoroughbred Horsemen's Association Inc. balance of \$11,666,971 and the New Meadowlands Racetrack LLC balance of \$492,785. 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
2018	\$ -	\$ 492,785
2019	3,080,677	-
2020	2,667,490	-
2021	1,799,281	-
2022	1,749,795	-
Thereafter	2,369,728	-
	\$ 11,666,971	\$ 492,785

F. LONG TERM LIABILITIES

During 2017, the following changes in components of long term liabilities were:

	Balance December 31, 2016	Issued	Retired	Balance December 31, 2017	Due Within One Year
Governmental Activities:					
PERS Pension Liability	\$ 14,810,447	\$ -	\$ (6,525,025)	\$ 8,285,422	\$ -
Chapter 19, P.L. 2009 Liability	146,678	-	(7,338)	139,340	7,400
Compensated Absences	787,683	25,342	-	813,025	-
Other Post Employment Benefits	11,413,687	1,239,319	-	12,653,006	-
	\$ 27,158,495	\$ 1,264,661	\$ (6,532,363)	\$ 21,890,793	\$ 7,400
Business-Type Activities:					
NJSEA Enterprise					
Bonds Payable	\$ 2,394,037	\$ -	\$ (53,468)	\$ 2,340,569	\$ 1,043,816
PERS Pension Liability	13,827,162	-	(5,294,797)	8,532,365	-
Chapter 19, P.L. 2009 Liability	430,409	-	(21,536)	408,873	21,000
Workman's Comp Claims	8,707,985	577,152	(1,296,624)	7,988,514	1,296,624
Other Post Employment Benefits	15,875,318	2,049,480	-	17,924,798	-
Compensated Absences	218,909	-	(139,922)	78,987	-
Union Pension Liabilities	47,622,079	11,049,870	(459,493)	58,212,456	1,200,000
Environmental Remediation	3,005,000	-	(950,000)	2,055,000	-
Other Liabilities	281,931	206,007	-	487,938	-
Solid Waste Enterprise					
Closure Liabilities	4,189,206	192,846	-	4,382,052	-
PERS Pension Liability	12,117,639	-	(5,338,657)	6,778,982	-
Chapter 19, P.L. 2009 Liability	120,010	-	(6,005)	114,005	6,000
Compensated Absences	257,609	-	(554)	257,055	116,000
	\$ 109,047,294	\$ 14,075,355	\$ (13,561,056)	\$ 109,561,593	\$ 3,683,440

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

NOTES TO FINANCIAL STATEMENTS

G. BONDS AND NOTES PAYABLE

Bonds and notes payable consist of the following:

	NJDEP Fund Loan (Note Payable)	NJDEP Trust Loan (Note Payable)	Wildwood Bonds Payable	Interest	Total
2018	\$ 38,468	\$ 15,000	\$ 949,970	\$ 39,748	\$ 1,043,186
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>\$ 57,255</u>	<u>\$ 105,000</u>	<u>\$ 2,178,314</u>	<u>\$ 161,884</u>	<u>\$ 2,502,453</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 2017 there was not enough available revenue after the above-mentioned expenses to make any payment on debt service for these Revenue Bonds.

Interest Costs - Interest costs for the year 2017 were \$54,457.

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

NOTES TO FINANCIAL STATEMENTS

G. BONDS AND NOTES PAYABLE (CONTINUED)

Notes payable consist of the following:

	<u>Date Issued</u>	<u>Original Amount</u>	<u>December 31, 2017</u>
Loan from the NJDEP Infrastructure Loan through August 1, 2024, at 0.00%	3/1/2010	\$564,000	\$ 57,255
Loan from the NJDEP Infrastructure Trust Loan through August 1, 2024, at various rates between 3% and 5%	3/1/2010	180,000	<u>105,000</u>
Total Notes Payable			<u>\$162,255</u>

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 ("NJDEP") 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 2017 on the NJDEP Infrastructure Fund Loan was \$5,100.

H. 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, 2017, were \$244,442. Future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ 244,442
2019	223,867
2020	197,932
2021	197,932
2022	197,932
2023-2027	989,660
2028-2032	791,728
	<u>\$ 2,843,494</u>

I. CONDUIT DEBT

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 GASB.

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

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

NOTES TO FINANCIAL STATEMENTS

I. CONDUIT DEBT (CONTINUED)

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, 2017, was \$301,870,000. This amount is excluded from the financial statements of the Authority.

Limited Obligation Grant Revenue Bonds

On June 29, 2017, the NJSEA authorized 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 were sold to 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. These bonds are considered conduit debt as permitted under Interpretation No. 2 of the GASB.

Limited Obligation PILOT Revenue Bonds

On June 29, 2017, the NJSEA authorized 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 were sold to 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. These bonds are considered conduit debt as permitted under Interpretation No. 2 of the GASB.

J. 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).

K. GROUND LEASES

Monmouth Park Racetrack

On February 29, 2012, the Authority entered into the Agreement with the NJTHA 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.

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

NOTES TO FINANCIAL STATEMENTS

K. GROUND LEASES (CONTINUED)

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

Meadowlands Racetrack

On December 19, 2011, the Authority entered into the Agreement with New Meadowlands Racetrack, L.L.C. ("NMR") 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. NMR has full operational control of the racetrack.

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

MetLife Stadium

On December 21, 2006, the Authority entered into the Stadium Project Ground Lease and Development Agreement with New Meadowlands Stadium Company, LLC ("NMSCO") whereby the Authority leases real property within the Sports Complex located in the County of Bergen, Borough of East Rutherford, New Jersey, on which NMSCO has constructed a sports stadium known as "MetLife Stadium." NMSCO has full operational control of MetLife Stadium.

The initial term of the Stadium Project Ground Lease and Development Agreement is for 39 years from completion of the stadium construction with four (4) renewal options of 174 months each.

Giants Training Facility

On August 13, 2007, the Authority entered into a Lease and Development Agreement ("Training Facility Lease") with the Giants Training Facility, LLC ("GTF") to lease certain real property within the Sports Complex located in the County of Bergen, Borough of East Rutherford, New Jersey. GTF entered into the Training Facility Lease to construct a training and practice facility on approximately 20 acres of land located at the Sports Complex ("Training Facility"). GTF has completed the construction of the Training Facility and has full operational control of it.

The initial term of the Training Facility Lease is for 39 years with four (4) additional renewal terms of 174 months each.

Jets Training Facility

On February 9, 2007, the Authority entered into a Lease and Development Agreement ("Jets Training Facility Lease") with Florham Park Development, LLC ("FPD") to lease certain real property located in the County of Morris, Borough of Florham Park, State of New Jersey. FPD entered into the Jets Training Facility Lease to construct a training and practice facility for the New York Jets Football Team ("Training Facility"). FPD has completed the construction of the Training Facility and has full operational control of it.

The initial term of the Jets Training Facility Lease is for 17 years with sixteen (16) additional renewal terms of five (5) years each and a final renewal term of two (2) years.

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

NOTES TO FINANCIAL STATEMENTS

K. GROUND LEASES (CONTINUED)

American Dream Project (Formerly the Xanadu Project)

Entertainment and Retail Component

On June 30, 2005, the Authority entered into the ERC Ground Lease ("ERC Ground Lease") with a developer to lease certain real property within the Sports Complex located in the County of Bergen, Borough of East Rutherford, New Jersey, to construct, develop and operate an entertainment/retail complex ("ERC") and associated parking areas on a 66.04 acre plot within the Sports Complex. Ameream LLC, a member of the Triple Five Worldwide Group of companies, acquired the ERC development rights in 2013 and is currently working to complete the construction of the ERC (now called "American Dream"), which is anticipated to open in part in the Spring of 2019. Ameream has full operational control of the ERC site.

The term of the ERC Ground Lease runs through June 9, 2092.

Hotel Component

On June 30, 2005, the Authority entered into the Hotel Ground Lease ("Hotel Ground Lease") with a developer to lease certain real property within the Sports Complex located in the County of Bergen, Borough of East Rutherford, New Jersey, to construct, develop and operate a hotel on a 3.23 acre plot within the Sports Complex. Meadow Hotel, LLC, a member of the Triple Five Worldwide Group of companies, acquired the hotel development rights in 2013. Construction of the hotel has not yet started. The tenant has full operational control of the hotel site.

The term of the Hotel Ground Lease runs through June 9, 2092.

Office A-B Component

On June 30, 2005, the Authority entered into the A-B Office Ground Lease ("A-B Office Ground Lease") with a developer to lease certain real property within the Sports Complex located in the County of Bergen, Borough of East Rutherford, New Jersey, to construct, develop and operate a 440,000 square foot Class A office space ("A-B Office") on a 7.16 acre plot within the Sports Complex. Meadow A-B Office, LLC, a member of the Triple Five Worldwide Group of companies, acquired the A-B Office development rights in 2013. Construction of the A-B Office has not yet started. The tenant has full operational control of the A-B Office site.

The term of the A-B Office Ground Lease runs through June 9, 2092.

Office C-D Component

On June 30, 2005, the Authority entered into the C-D Office Ground Lease ("C-D Office Ground Lease") with a developer to lease certain real property within the Sports Complex located in the County of Bergen, Borough of East Rutherford, New Jersey, to construct, develop and operate a 440,000 square foot Class A office space ("C-D Office") on a 6.65 acre plot within the Sports Complex. Meadow C-D Office, LLC, a member of the Triple Five Worldwide Group of companies, acquired the C-D Office development rights in 2013. Construction of the C-D Office has not yet started. The tenant has full operational control of the C-D Office site.

The term of the C-D Office Ground Lease runs through June 9, 2092.

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

NOTES TO FINANCIAL STATEMENTS

K. GROUND LEASES (CONTINUED)

Baseball Stadium Component

On June 30, 2005, the Authority entered into a Baseball Stadium Ground Lease ("Baseball Stadium Ground Lease") with a developer to lease certain real property within the Sports Complex located in the County of Bergen, Borough of East Rutherford, New Jersey to construct, develop and operate a baseball stadium ("Baseball Stadium") on a 9.38 acre plot within the Sports Complex. Meadow Baseball, LLC, a member of the Triple Five Worldwide Group of companies, acquired the Baseball Stadium development rights in 2013. Construction of the Baseball Stadium has not yet started. The tenant has full operational control of the Baseball Stadium site.

The term of the Baseball Stadium Ground Lease runs through June 9, 2092.

Sports Complex Cell Tower Leases

North Site

On May 23, 2011, the Authority entered into a Wireless Telecommunications Facility Lease Agreement ("North Cell Tower Lease") with Wireless EDGE Westchester Group LLC ("Edge") to lease approximately 6,500 square feet of land at the Sports Complex located in the County of Bergen, Borough of East Rutherford, New Jersey. Edge entered into the North Cell Tower Lease to construct a tower to accommodate multiple wireless carriers as well as the Authority's public service antennas.

The initial term of the North Cell Tower Lease runs through September 13, 2023, with two (2) renewal terms of ten (10) years each.

South Site

On May 23, 2011, the Authority entered into a Wireless Telecommunications Facility Lease Agreement ("South Cell Tower Lease") with Wireless EDGE Westchester Group LLC ("Edge") to lease approximately 6,750 square feet of land at the Sports Complex located in the County of Bergen, Borough of East Rutherford, New Jersey. Edge entered into the South Cell Tower Lease to construct a tower to accommodate multiple wireless carriers as well as the Authority's public service antennas.

The initial term of the South Cell Tower Lease runs through August 18, 2022, with two (2) renewal terms of ten (10) years each.

L. DEFERRED COMPENSATION PLANS

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 2017 were \$166,055.

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

NOTES TO FINANCIAL STATEMENTS

L. 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) Valic Retirement – This 457(b) plan, which commenced operations on December 31, 1985, is funded solely from voluntary employee contributions. The Plan is administered by Valic 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 2017 were \$15,925.

M. 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	170,124
Inactive plan members entitled to but not yet receiving benefits	650
Active plan members	<u>254,685</u>
Total	<u>425,459</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 and a payment in each subsequent fiscal year that increases by at least an additional 1/7th until payment of the full contribution is made in the seventh fiscal year and thereafter.

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

NOTES TO FINANCIAL STATEMENTS

M. PUBLIC EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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, cost of living adjustment increases were suspended for all current and future retirees of the PERS.

Total PERS covered payroll was \$6,805,889. 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.

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. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 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 employers 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 those retirement systems 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 the assets. The Authority's cash basis contributions to the Plan for the years ended December 31, 2017, were \$939,063. Authority contributions are due and payable on April 1 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, 2017, consisted of the following:

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

NOTES TO FINANCIAL STATEMENTS

M. PUBLIC EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

	<u>2017</u>
Normal Cost	\$ 123,600
Amortization of Accrued Liability	<u>769,690</u>
Total Pension	893,290
NCGI Premiums	<u>45,773</u>
Total Regular Billing	939,063
Additional Billings and Adjustments:	-
ERI 2	1,526
ERI 3	-
Ch. 19, P.L. 2009	<u>105,332</u>
Total PERS Payment	<u>\$ 1,045,921</u>

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 2, 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 tiers 3 and 4 members with 25 years or more of service 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 age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to 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, 2017, the Authority's proportionate share of the net

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

NOTES TO FINANCIAL STATEMENTS

M. PUBLIC EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$23,596,769 or 0.1013676481%.

For the year ended December 31, 2017, the Authority recognized PERS expense of (\$3,118,899). At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expensed and actual experience	\$ 555,622	\$ -
Changes in assumptions	4,753,935	4,736,507
Net difference between projected and actual earnings on pension plan investments	160,678	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	135,593	13,273,662
Authority contributions subsequent to the measurement date	469,532	-
	<u>\$ 6,075,359</u>	<u>\$ 18,010,169</u>

The \$469,532 shown as deferred outflows of resources related to the PERS resulting from Authority contributions subsequent to the measurement date (June 30, 2017) 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:

Year ended December 31,	Amount
2018	\$ (3,388,050)
2019	(2,261,042)
2020	(2,774,104)
2021	(2,587,902)
2022	(1,393,243)
Total	<u>\$ (12,404,341)</u>

Actuarial Assumptions- The total pension liability in the June 30, 2017, measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases (through 2026)	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.00%

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

NOTES TO FINANCIAL STATEMENTS

M. PUBLIC EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

The actuarial assumptions used in the July 1, 2016, 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 (7.00% at June 30, 2017) 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 plan's target asset allocations as of June 30, 2017, 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

M. PUBLIC EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the pension liabilities of PERS was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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	\$29,273,392	\$23,596,768	\$18,867,437

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

NOTES TO FINANCIAL STATEMENTS

M. PUBLIC EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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.

Additional Information Related to the Local Group:

Collective deferred outflows of resources	\$5,396,431,901
Collective deferred inflows of resources	\$4,672,602,040
Collective net pension liability	\$23,278,401,588

Authority’s portion 0.1013676481%

Collective pension expense for the Local Group for the measurement period ended June 30, 2017, is \$1,679,010,145.

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, 2017, 2016, 2015 and 2014 is 5.48, 5.57, 5.72 and 6.44 years, respectively.

N. UNION SPONSORED PENSION PLANS

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 7 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 2017 was \$2,091,155 and equal to the required contribution for the year.

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

N. UNION SPONSORED PENSION PLANS (CONTINUED)

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 \$51.5 million and is recognized in the 2017 financial statements. The Authority will make annual cash payments of \$1.2 million to cover this liability.

Mass Withdrawal Liability and Annual Payments Related to 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 \$188,778 with annual payments of \$25,708.

In February 2017, withdrawal demand notices were recognized for Teamsters Local 560, the amount of the obligation is \$4,420,627. The Authority will make annual payments of \$221,031 which started in March 2017.

O. 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 required to contribute 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

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

NOTES TO FINANCIAL STATEMENTS

O. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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, 2017, the Authority's annual OPEB cost (expense) of \$5,136,253 was \$2,801,438 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, 2017:

Annual Required Contribution (ARC)	\$ 2,334,815
Interest on unfunded ARC	1,228,005
Adjustment to the ARC	1,573,433
Annual OPEB cost	<u>5,136,253</u>
Less: contributions made/funded	<u>1,847,455</u>
Unfunded ARC	3,288,798
Net OPEB obligation - beginning of year	<u>27,289,005</u>
Net OPEB obligation - end of year	<u><u>\$ 30,577,803</u></u>

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, 2017, 2016 and 2015 were as follows:

<u>Year Ended December 31,</u>	<u>OPEB Cost</u>	<u>Authority Contribution</u>	<u>OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
2017	\$ 5,136,253	\$ 1,847,455	35.97%	\$ 30,577,803
2016	4,390,549	1,833,895	41.80%	27,289,005
2015	4,605,357	1,510,453	32.80%	24,732,351

Funded Status and Funding Progress: As of December 31, 2017, the date of the most recent actuarial valuation, the accrued liability for benefits was \$46,209,250; the unfunded actuarial accrued liability (UAAL) was \$47,127,837. 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, 2017, 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.

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

NOTES TO FINANCIAL STATEMENTS

O. POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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
1/1/2017	\$ -	\$ 47,124,837	\$ 47,124,837	0%	\$ 6,607,271	713%
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%

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 Method was 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 plan members of the former NJMC who elect coverage receive the same subsidy as retirees. Surviving dependents of plan members of the NJSEA may elect coverage but pay 100% of the cost.

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

P. 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/or 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.

Q. CLOSURE AND POST CLOSURE REQUIREMENTS

Estimated future expense for environmental remediation is \$2,055,000 and is reflected on the Statement of Net Position. Estimated recovery related from remediation reduces the measurement of this liability. There was no remediation recovery on the above sites during 2017. The Authority is currently pursuing remediation recovery 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.

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

NOTES TO FINANCIAL STATEMENTS

Q. CLOSURE AND POST CLOSURE REQUIREMENTS (CONTINUED)

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.

R. 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 of Kearny has subsequently appealed the court's decision. The appeal was decided in favor of NJSEA. The Town of Kearny requested certification by the New Jersey Supreme Court. The appeal was denied. The Town of Kearny subsequently filed a petition for a Writ of Certiorari with the United States Supreme Court. The petition was denied. A trial on the valuation of the Keegan Landfill is anticipated to occur in 2018. As these legal matters proceed, operations at the landfill continue. The NJSEA received a 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.

**S. 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, 2017, the balance in the MAGNET fund was \$2,333,440, of which \$75,000 was committed.

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

NOTES TO FINANCIAL STATEMENTS

T. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2017 consist of the following:

Due from <u>Other Funds</u>	<u>Fund</u>	Due to <u>Other Funds</u>
	<u>Governmental Funds</u>	
\$ 152,248	General Fund	\$ 8,765,170
557,427	Environmental Center	744,069
688	MAGNET	2,481
-	Study	93,015
	<u>Enterprise Fund</u>	
5,122,934	Solid Waste	2,787,387
6,971,704	NJSEA Enterprise Fund	-
	<u>Fiduciary Funds</u>	
-	Mitigation Trust	475,357
37,542	Third Party Escrows	34,330
63,237	Transportation Planning District	3,971
<u>\$ 12,905,780</u>	Total	<u>\$ 12,905,780</u>

U. 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.

V. 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 workmens' 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

V. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Reconciliation of Workmens' Compensation Claims Liability

	Year Ended December 31,	
	2017	2016
Claims - January 1	\$ 8,707,983	\$ 9,507,729
(Decrease)/Increase in provision	577,152	959,550
Claims paid	(1,296,624)	(1,759,296)
Claims - December 31	<u>7,988,512</u>	<u>8,707,983</u>
Less: current portion	<u>1,296,624</u>	<u>1,759,295</u>
Long term liability	<u>\$ 6,691,888</u>	<u>\$ 6,948,688</u>

At year-end approximately \$236,758 in current assets and liabilities was related to funds received from the State to administer the Camden Aquarium Project. The activity in the fund created for this purpose has no effect on the Authority's revenues or expenses.

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 NJTHA, (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 NJDEP. The Borough of Oceanport applied for the project loan (not to exceed \$23,500,000), and the Authority applied for the equipment loan (not to exceed \$850,000) with the above financing authorities. The Authority pays the Borough a special assessment that is substantially similar to the Borough's loan repayment schedule and manages 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

W. CONCENTRATION OF RISK

The State of New Jersey appropriated and remitted to the Authority \$12 million in state aid. This amount is used to fund the General Fund operations. This state aid offsets 49% of the Authority's 2017 operating loss.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET VERSUS ACTUAL
Year Ended December 31, 2017**

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance
Revenues:					
East Rutherford					
NMSCO Ground Lease	\$ 6,300,000	\$ -	\$ 6,300,000	\$ 6,300,000	\$ -
NMFR Shared Services	5,861,000	-	5,861,000	6,005,983	144,983
Arena Revenue	400,000	-	400,000	500,000	100,000
Monmouth Park Reimbursables	2,291,000	-	2,291,000	3,143,263	852,263
Entertainment Facilities	-	-	-	8,888,888	8,888,888
(2) Convention Center	-	-	-	2,671,896	2,671,896
(2) Tourism Tax Revenue	-	-	-	4,281,788	4,281,788
Misc. Other	4,502,000	-	4,502,000	4,003,387	(498,613)
Total - East Rutherford	19,354,000	-	19,354,000	35,795,205	16,441,205
Lyndhurst					
Lease Revenues	1,330,000	-	1,330,000	1,297,575	(32,425)
Land Use Fee Income	857,000	-	857,000	644,033	(212,967)
Misc. Other	100,000	-	100,000	431,203	331,203
Total Operating Revenue - Lyndhurst	2,287,000	-	2,287,000	2,372,811	85,811
Solid Waste Revenue	12,187,000	-	12,187,000	12,549,591	362,591
Total Revenues	33,828,000	-	33,828,000	50,717,607	16,889,607
Expenditures:					
East Rutherford					
Salaries/Fringe	4,650,000	-	4,650,000	4,779,505	(129,505)
Arena Event Expenses	-	-	-	-	-
Utilities	1,344,000	-	1,344,000	2,467,269	(1,123,269)
New Jersey Racing Commission	2,580,000	-	2,580,000	2,580,465	(465)
Professional Services	3,527,000	-	3,527,000	3,274,636	252,364
Pension	1,657,000	-	1,657,000	12,269,835	(10,612,835)
Workers Compensation	1,600,000	-	1,600,000	-	1,600,000
Repairs/Maintenance - Building/Other	1,056,000	-	1,056,000	1,971,816	(915,816)
(2) Convention Center	-	-	-	7,511,667	(7,511,667)
Misc. Other	2,302,000	-	2,302,000	66,815	2,235,185
Total - East Rutherford	18,716,000	-	18,716,000	34,922,008	(16,206,008)
Lyndhurst					
Salaries/Fringe	7,408,000	-	7,408,000	6,132,817	1,275,183
Services	2,113,000	-	2,113,000	1,508,221	604,779
Capital/Maintenance	64,000	-	64,000	45,019	18,981
Repairs/Maintenance	355,000	-	355,000	355,351	(351)
Ramapo Partnership	507,000	-	507,000	507,000	-
Misc. Other	127,000	-	127,000	145,114	(18,114)
Total - Lyndhurst	10,574,000	-	10,574,000	8,693,522	1,880,478
Solid Waste Operating Expenses	11,940,000	-	11,940,000	8,899,354	3,040,646
Total Expenditures	41,230,000	-	41,230,000	52,514,884	(11,284,884)
Total Operating Gain or Loss	(7,402,000)	-	(7,402,000)	(1,797,277)	5,604,723
Other revenues and expenditures:					
State Appropriations	15,000,000	-	15,000,000	12,000,000	(3,000,000)
Expense Reimbursement	5,050,000	-	5,050,000	5,050,000	-
Reserve Fund Utilization	1,914,000	-	1,914,000	-	(1,914,000)
Feld Settlement	(1,900,000)	-	(1,900,000)	-	1,900,000
Payment in Lieu of Taxes & CAFO	(12,662,000)	-	(12,662,000)	(11,844,051)	817,949
Total non-operating revenues and expenses	7,402,000	-	7,402,000	5,205,949	(2,196,051)
Excess of revenues over expenditures	\$ -	\$ -	\$ -	3,408,672	\$ 3,408,672
Amounts reported for governmental activities in the statement of revenues, expenditures and changes in fund balance are different because of:					
Depreciation expense				(8,426,254)	
Pension Obligation				(3,057,601)	
Post employment healthcare benefits, other than pension obligation				(3,288,799)	
Capital outlays				63,798	
Excess (deficit) of revenues over expenditures				(11,300,184)	
Fund balance, beginning of year				178,967,951	
Fund balance, end of year budgetary basis				167,667,767	
Noncurrent liability for compensated absences				-	
Fund balance, end of year governmental funds basis				\$ 167,667,767	

(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
(A Component Unit of the State of New Jersey)**

**SCHEDULE OF THE AUTHORITY'S, PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY – PUBLIC EMPLOYEES RETIREMENT SYSTEM
December 31, 2017**

PERS - Last 10 Fiscal Years				
	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.101368%	0.137607%	0.171473%	0.166972%
Authority's proportionate share of net pension liability	\$ 23,596,769	\$ 40,755,248	\$ 38,492,333	\$ 33,138,370
Authority's covered-employee payroll	\$ 6,805,889	\$ 7,963,473	\$ 12,049,996	\$ 11,446,921
Authority's proportionate share of net pension liability as a % of payroll	346.71%	511.78%	319.44%	289.50%
Plan fiduciary net position as a % of total pension liability	48.10%	40.14%	47.93%	48.72%

(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
(A Component Unit of the State of New Jersey)**

**SCHEDULE OF CONTRIBUTIONS – PUBLIC EMPLOYEES RETIREMENT SYSTEM
Year Ended December 31, 2017**

Schedule of County's Contributions
PERS - Last 10 Fiscal Years

	2017	2016	2015	2014
Contractually required contribution	\$ 939,063	\$ 1,222,481	\$ 1,474,211	\$ 1,527,382
Contributions in relation to the contractually required contribution	939,063	1,222,481	1,474,211	1,527,382
Authority's covered employee payroll	6,805,889	7,963,473	12,049,996	11,446,921
Contributions as a % of covered employee payroll	13.80%	15.45%	16.43%	13.34%

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

INDEPENDENT AUDITORS' 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

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

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 10, 2018. Our report qualified our opinion on the business-type activities and the NJSEA Enterprise Fund because the Authority chose not to provide a fair value measurement regarding the closure of its entertainment arena located in East Rutherford, New Jersey, following its closure in 2015 and therefore, the amount of any impairment loss cannot be determined; and because the Authority did not fully implement Governmental Accounting Standards Board Statement No. 78.

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.

INDEPENDENT AUDITORS' 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 (CONTINUED)

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.

Mercedien, P.C.
Certified Public Accountants

October 10, 2018

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

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None reported.

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

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

None reported.