

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

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

December 31, 2018

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

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**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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of 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, 2018, 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, 2018, 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)

### Emphasis of Matter

As discussed in Note O to the financial statements, in 2018 the Authority adopted new accounting guidance Governmental Accounting Standards Board Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

### Other Matters

#### *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, schedule of Authority contributions-OPEB 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 December 13, 2019, 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 solely 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 effectiveness of 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.

*Mercedien, P.C.*

*Certified Public Accountants*

December 13, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2018

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**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, 2018. 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-PERS, and schedule of Authority contributions-OPEB.

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**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 an 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 also 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. From April 2015 the NJSEA closed the Arena for public events. The Arena is currently being used as a location for private rehearsals by acts preparing to go on tour and as a soundstage for television program production.

*American Dream Retail and Entertainment Complex* - is 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 original 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.

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

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.

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Monmouth Park Racetrack - Oceanport, New Jersey (Continued)

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 statutory mandates, including providing for the proper disposal of solid waste, preserving the environment and conducting field studies. The Solid Waste division oversees the Keegan Landfill in Kearny, as well as multiple other closed landfills, leases a trash-transfer station in North Arlington and also leases a vegetative waste disposal site in Kearny.

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.

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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 2018. 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 (2018)**

Total business-type operating revenues were \$54.2M in 2018, Solid Waste accounted for \$21.8M of that total with Sports & Entertainment Facilities contributing another \$32.4M. Total business-type operating expenses (before depreciation and amortization) were \$40.5M for the year; of which \$25.7M were associated with management and administrative expenses and \$9.5 related to other 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.

**Condensed Statements of Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 15,844,399	\$ 7,697,196	\$ 34,854,770	\$ 33,913,075	\$ 50,699,169	\$ 41,610,271
Investment in Facilities	24,511,874	24,909,004	280,190,263	288,929,896	304,702,137	313,838,900
Non-Current Assets	-	-	17,214,695	20,746,214	17,214,695	20,746,214
	<u>40,356,273</u>	<u>32,606,200</u>	<u>332,259,728</u>	<u>343,589,185</u>	<u>372,616,001</u>	<u>376,195,385</u>
Deferred Outflows of Resources	2,669,120	2,088,417	2,258,157	3,993,746	4,927,277	6,082,163
Current and Other Liabilities	1,069,926	255,553	16,077,702	22,363,424	17,147,628	22,618,977
Long-Term Liabilities	33,814,691	25,835,648	91,688,333	115,150,047	125,503,024	140,985,695
Total Liabilities	<u>34,884,617</u>	<u>26,091,201</u>	<u>107,766,035</u>	<u>137,513,471</u>	<u>142,650,652</u>	<u>163,604,672</u>
Deferred Inflows of Resources	25,516,629	7,585,997	54,920,683	65,644,021	80,437,312	73,230,018
Net Position (as restated)	<u>\$ (17,375,853)</u>	<u>\$ 1,017,419</u>	<u>\$ 171,831,167</u>	<u>\$ 144,425,439</u>	<u>\$ 154,455,314</u>	<u>\$ 145,442,858</u>

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**Condensed Statements of Net Activities**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Operating Revenues and Expenses						
Operating Revenues	\$ 711,103	\$ 652,033	\$ 54,207,958	\$ 43,983,171	\$ 54,919,061	\$ 44,635,204
Operating Expenses Excluding Depreciation	(21,065,551)	(9,932,840)	(40,454,210)	(59,187,117)	(61,519,761)	(69,119,957)
Operating Revenues Net of Depreciation and Amortization	(20,354,447)	(9,280,808)	13,753,748	(15,203,946)	(6,600,700)	(24,484,754)
Depreciation and Amortization Expense	(592,403)	(604,913)	(8,989,995)	(9,342,920)	(9,582,398)	(9,947,833)
Operating Gain/(Loss)	(20,946,851)	(9,885,721)	4,763,753	(24,546,866)	(16,183,098)	(34,432,587)
Non Operating Income and Expenses:						
Luxury Tax, Marketing Fee and Tourism Tax	-	-	4,398,624	4,281,788	4,398,624	4,281,788
State Subsidy	-	-	18,000,000	12,000,000	18,000,000	12,000,000
Interest and Other Income/(Expenses)	2,553,579	6,770,778	243,351	79,836	2,796,930	6,850,613
Total Non Operating Income	2,553,579	6,770,778	22,641,975	16,361,625	25,195,554	23,132,402
Prior period adjustment (see Footnote O)	-	(9,196,603)	-	(13,028,307)	-	(22,224,910)
Changes in Net Position (as restated)	\$ (18,393,272)	\$ (12,311,546)	\$ 27,405,728	\$ (21,213,548)	\$ 9,012,456	\$ (33,525,094)

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.

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.

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**Economic Conditions (Continued)**

- On June 20, 2005, the Authority entered into a ground lease and related project agreements for development of what is now the American Dream 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, 2018, the facility is still under construction.
- 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.
- On November 20, 2018, the State of New Jersey completed a refunding of NJSEA State Contract Bonds in the aggregate principal amount of \$99,415,000. 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 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.

**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.
- 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 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. The Superior Court of New Jersey heard the trial on the valuation of the Keegan Landfill in 2018. The court ruled in favor of the

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**Economic Conditions (Continued)**

valuation determined by the NJSEA of \$1,800,000. An appeal of the Superior Court of New Jersey decision is in progress.

**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 and a filming location. 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.

<b>Wildwoods Convention Center</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Number of Event Days	186	211	241
Total Attendance	144,544	176,409	166,640
Net Event Income	\$ 701,536	\$ 726,288	\$ 608,048

**Capital Assets**

At the end of 2018, the Authority had a net investment in capital assets of \$310,202,182 at a total capital cost of \$717,279,255 net of accumulated depreciation of \$407,077,073 as shown below.

	December 31, 2017 (a)	Additions	Transfers and Deletions	December 31, 2018
Meadowlands Sports Complex	\$ 526,970,030	\$ 511,230	\$ -	\$ 527,481,260
Monmouth Park Racetrack	62,314,429	-	-	62,314,429
Wildwoods Convention Center	58,475,856	229,049	-	58,704,905
Lyndhurst	40,662,125	195,272	-	40,857,397
Transportation Planning District	7,929,508	-	-	7,929,508
Solid Waste	19,979,071	12,685	-	19,991,756
<b>Total Investment in Facilities</b>	<b>716,331,019</b>	<b>948,236</b>	<b>-</b>	<b>717,279,255</b>
<b>Less Accumulated Depreciation</b>	<b>(396,463,439)</b>	<b>(10,613,634)</b>	<b>-</b>	<b>(407,077,073)</b>
<b>Investment in Facilities Net of Accumulated Depreciation</b>	<b>\$ 319,867,580</b>	<b>\$ (9,665,398)</b>	<b>\$ -</b>	<b>\$ 310,202,182</b>

(a) Certain prior year balances have been reclassified to conform with current year presentation.

Additions to capital assets during 2018 consisted of normal purchases and improvement of infrastructure, mechanical systems, as well as various safety upgrades.

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**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**

On March 11, 2019, it was announced that Barney's New York will be opening a 50,000 square-foot, two-level flagship store at American Dream. This was space previously assigned to Lord and Taylor, who pulled out of the proposed retail/entertainment complex.

On March 22, 2019, NJSEA entered into an Administrative Consent Order (ACO) with the New Jersey Department of Environmental Protection (NJDEP) regarding noncompliance with N.J.A.C. 7:27- 7.3 at the Keegan Landfill. The noncompliance was regarding emission of Hydrogen Sulfide (H<sub>2</sub>S) in a concentration greater than 30 parts per billion by volume (ppbv) over a 30 minute period. The ACO requires NJSEA to take all actions that may be necessary to maintain compliance with the Air Pollution Control Act. As a result of an ACO between NJSEA and NJDEP, the NJSEA has installed a gas collection and monitoring system to remediate the hydrogen sulfide (H<sub>2</sub>S) emissions from the landfill.

On May 24, 2019 the Hudson County Superior Court issued an injunction closing the Keegan Landfill. An appellate court reversed the injunction on May 31, 2019, allowing the landfill to reopen. On June 12, 2019, the New Jersey Supreme Court reinstated the decision of the Hudson County Superior Court, closing the landfill until a plenary hearing on July 25, 2019.

On June 14, 2019, the Authority finalized the sale of the Kingsland Redevelopment Area to Kingsland Development Urban Renewal, LLC. The developers will convert the former landfill site into a six-building industrial complex for e-commerce. The developers also assumed the role of landlord in the lease with Blackstrap Broadcasting, LLC.

On July 3, 2019, it was announced that the American Dream retail/entertainment complex will open on October 25, 2019. The opening will be a partial opening, focusing on the entertainment options of the complex; with the balance of the retail component following thereafter.

On August 6, 2019, Barney's New York filed for Chapter 11 bankruptcy protection, but has not sourced adequate debtor in possession financing. It has until October 24, 2019 to secure such financing or face Chapter 7 liquidation.

On September 30, 2019, The Hudson County Superior Court issued a ruling on the plenary hearing held on July 25, 2019. It was the opinion of the court that the temporary injunction to close the Keegan Landfill be made final and the landfill be closed permanently. A decision to appeal is currently under review.

On October 25, 2019, the American Dream retail/entertainment complex officially opened. The opening included the Nickelodeon Universe theme park and the NHL-sized skating rink. The next phase of the opening was the Snow America ski slope, which opened on December 5, 2019.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2018

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**Subsequent Events (Continued)**

On October 31, 2019, the New York bankruptcy court approved a bid by Authentic Brands/B. Riley for the assets of Barney's New York, the result of which is the closing of the majority of their existing stores and the invalidation of the lease for a 50,000 square-foot store at the American Dream Complex.

On November 1, 2019, the Authority filed a motion for leave to appeal in the Appellate Division to address the mistaken findings of fact and applications of law made by the Chancery Court in the Keegan Landfill matter regarding the landfill closing. Briefing of the issue before the Appellate Division is still in progress.

**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 have questions about any information in this report, you are requested to contact New Jersey Sports and Exposition Authority, Finance Dept., 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, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 14,489,488	\$ 15,945,102	\$ 30,434,590
Receivables, Net	388,703	7,498,433	7,887,136
Other Assets	-	327,374	327,374
Internal Balances	1,109,085	(1,109,085)	-
Account Receivables - Fiduciary Funds	(142,877)	873,135	730,258
Capital Assets			
Non Depreciable	20,154,401	117,149,000	137,303,401
Depreciable	4,357,473	163,041,263	167,398,736
Non Current Assets			
Investments	-	8,095,401	8,095,401
Notes Receivable	-	8,586,294	8,586,294
Other Assets	-	533,000	533,000
Restricted Assets			
Cash	-	3,332,878	3,332,878
Investments	-	7,986,933	7,986,933
<b>TOTAL ASSETS</b>	<b>40,356,273</b>	<b>332,259,728</b>	<b>372,616,001</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pension	2,055,452	1,965,775	4,021,227
Deferred outflows of resources related to other post-employment benefits	613,668	292,382	906,050
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,669,120</b>	<b>2,258,157</b>	<b>4,927,277</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	940,473	9,948,988	10,889,461
Unearned Revenue	129,453	6,128,714	6,258,167
Long Term Liabilities	33,814,691	91,688,333	125,503,024
<b>TOTAL LIABILITIES</b>	<b>34,884,617</b>	<b>107,766,035</b>	<b>142,650,652</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of resources related to pension	11,058,621	6,018,752	17,077,373
Deferred Inflows of resources related to other post-employment benefits	14,458,008	6,888,527	21,346,535
Deferred Inflows of resources related to other activities	-	42,013,404	42,013,404
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>25,516,629</b>	<b>54,920,683</b>	<b>80,437,312</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	24,511,873	280,190,263	304,702,136
Restricted for Statutory Requirements	-	11,319,811	11,319,811
Unrestricted	(41,887,726)	(119,678,907)	(161,566,633)
<b>TOTAL NET POSITION</b>	<b>\$ (17,375,853)</b>	<b>\$ 171,831,167</b>	<b>\$ 154,455,314</b>

See notes to financial statements.

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

STATEMENT OF NET ACTIVITIES

Year Ended December 31, 2018

	Expenses	Program	Net (Expense) Revenue and		Total
		Revenues	Changes in net position		
		Charges for	Governmental	Business-type	
		Services	Activities	Activities	
<b>Governmental activities:</b>					
General Fund	\$ (20,865,206)	\$ 711,103	\$ (20,154,103)	\$ -	\$ (20,154,103)
Environmental Center	(779,173)	-	(779,173)	-	(779,173)
MAGNET Fund	(13,575)	-	(13,575)	-	(13,575)
Total governmental activities	(21,657,954)	711,103	(20,946,851)	-	(20,946,851)
<b>Business-type activities:</b>					
Complex	(14,275,513)	32,385,915	-	18,110,402	18,110,402
Solid waste	(35,168,692)	21,822,043	-	(13,346,649)	(13,346,649)
Total business-type activities	(49,444,205)	54,207,958	-	4,763,753	4,763,753
Total primary government	\$ (71,102,159)	\$ 54,919,061	\$ (20,946,851)	\$ 4,763,753	\$ (16,183,098)
General and program revenues:					
Investment earnings			\$ 97,201	\$ 236,732	\$ 333,933
Lease revenue			975,116	-	975,116
Rental income solar			197,028	-	197,028
Composting revenues			193,215	-	193,215
Other			231,490	6,619	238,109
Expense reimbursement			859,529	-	859,529
State subsidy			-	18,000,000	18,000,000
Tourism Tax			-	4,398,624	4,398,624
Total general revenues			2,553,579	22,641,975	25,195,554
Change in Net Position			(18,393,272)	27,405,728	9,012,456
Net Position - beginning (as restated)			1,017,419	144,425,439	145,442,858
Net Position - ending			\$ (17,375,853)	\$ 171,831,167	\$ 154,455,314

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

**BALANCE SHEET – GOVERNMENTAL FUNDS**

December 31, 2018

	General Fund	Environmental Center Fund	MAGNET Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 8,047,578	\$ -	\$ 2,318,374	\$ -	\$ 10,365,952
Investments	4,082,659	-	29,690	11,187	4,123,536
Accounts receivable, net	388,703	-	-	-	388,703
Due from other funds	13,657,497	583,890	-	13,694	14,255,081
Total Assets	<u>\$ 26,176,437</u>	<u>\$ 583,890</u>	<u>\$ 2,348,064</u>	<u>\$ 24,881</u>	<u>\$ 29,133,272</u>
<b>Liabilities and Fund Balances</b>					
Accounts payable	63,180	1,789	-	-	64,969
Accrued expenses	969,448	35,507	-	-	1,004,955
Due to other funds	11,754,081	1,514,696	18,698	1,399	13,288,874
Total Liabilities	<u>12,786,709</u>	<u>1,551,992</u>	<u>18,698</u>	<u>1,399</u>	<u>14,358,798</u>
<b>Fund Balances</b>					
Restricted for:					
Open Space Acquisition	46,000	-	-	-	46,000
Insurance	25,000	-	-	-	25,000
Other	55,924	-	-	2,000	57,924
Renewable Energy	1,187,364	-	-	-	1,187,364
Committed to:					
Project Commitments	-	-	75,000	-	75,000
Assigned	-	(968,102)	2,254,366	21,482	1,307,746
Unassigned	12,075,440	-	-	-	12,075,440
Total Fund Balances	<u>13,389,728</u>	<u>(968,102)</u>	<u>2,329,366</u>	<u>23,482</u>	<u>14,774,474</u>
Total Liabilities & Fund Balances	<u>\$ 26,176,437</u>	<u>\$ 583,890</u>	<u>\$ 2,348,064</u>	<u>\$ 24,881</u>	<u>\$ 29,133,272</u>

Amounts reported for governmental funds in the statement of net assets are different because of:

Total Fund Balance	\$ 14,774,474
Capital Assets Used in governmental activities are not financial resources and therefore are not reported in the funds	24,511,874
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds	(33,814,691)
Deferred outflows and inflows related to pension and other post-employment benefits are not reported in the funds	<u>(22,847,510)</u>
Total Governmental Activities Net Position	<u>\$ (17,375,853)</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, 2018

	General Fund	Environmental Center Fund	MAGNET Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Composting revenues	\$ 193,215	\$ -	\$ -	\$ -	\$ 193,215
Conference revenue	20,000	-	-	-	20,000
Lease revenue	975,116	-	-	-	975,116
MCT reimbursement for services	175,000	-	-	-	175,000
Fee income	711,103	-	-	-	711,103
Expense reimbursement	859,529	-	-	-	859,529
Other income	42,013	-	-	-	42,013
Rental income-solar	197,028	-	-	-	197,028
Interest income	81,440	197	9,501	541	91,679
<b>Total Revenue</b>	<b>3,254,444</b>	<b>197</b>	<b>9,501</b>	<b>541</b>	<b>3,264,683</b>
<b>Expenditures:</b>					
Current:					
Authority operations	11,980,149	-	-	-	11,980,149
Kearny 1-A access agreement	20,000	-	-	-	20,000
Environmental Center operations	-	278,940	-	-	278,940
Ramapo College Partnership	-	500,233	-	-	500,233
MAGNET expenditures	-	-	13,575	-	13,575
Other expenditures	1,000	-	-	-	1,000
Capital Outlay	317,626	-	-	-	317,626
<b>Total Expenditures</b>	<b>12,318,775</b>	<b>779,173</b>	<b>13,575</b>	<b>-</b>	<b>13,111,523</b>
Changes in Fund Balances	(9,064,331)	(778,976)	(4,074)	541	(9,846,840)
Fund Balance, beginning of year	5,274,389	(189,127)	2,333,440	22,941	7,441,643
Fund Balance, end of year	\$ (3,789,942)	\$ (968,103)	\$ 2,329,366	\$ 23,482	\$ (2,405,197)
Net changes to fund balance - total government funds					\$ (9,846,840)
Amounts report for governmental activities in the statement of activities are different because of:					
Capital outlays, net of depreciation expense					317,626
Depreciation expense					(592,403)
Pension expense					5,424,896
Post employment healthcare benefits, other than pension expense					(13,696,551)
Change in net position of government activities					<u>\$ (18,393,272)</u>

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

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2018

	Sports Complex Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 12,436,281	\$ 3,508,821	\$ 15,945,102
Due from State of New Jersey	312,541	-	312,541
Prepaid Expenses	14,833	-	14,833
Receivables, Net	5,101,336	2,397,097	7,498,433
Due from other funds	-	6,257,865	6,257,865
<b>Total Current Assets</b>	<b>17,864,991</b>	<b>12,163,783</b>	<b>30,028,774</b>
<b>Non Current Assets</b>			
Investments	-	8,095,401	8,095,401
Notes Receivable	8,586,294	-	8,586,294
Other Assets	533,000	-	533,000
<b>Restricted Assets</b>			
Cash	241,108	3,091,770	3,332,878
Investments	-	7,986,933	7,986,933
Capital Assets, net	280,089,301	100,962	280,190,263
<b>Total Non Current Assets</b>	<b>289,449,703</b>	<b>19,275,066</b>	<b>308,724,769</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pension	986,323	979,452	1,965,775
Deferred outflows of resources related to other post-employment benefits	-	292,382	292,382
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>986,323</b>	<b>1,271,834</b>	<b>2,258,157</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	1,134,915	376,401	1,511,316
Accrued Liabilities	6,620,297	977,694	7,597,991
Interest payable on bonds and notes	839,681	-	839,681
Due to other funds	6,493,815	-	6,493,815
Unearned Revenue	4,972,347	1,156,367	6,128,714
Other Long Term Liabilities - current portion	2,999,695	365,623	3,365,318
Bonds Payable - current portion	1,176,055	-	1,176,055
<b>Total Current Liabilities</b>	<b>24,236,805</b>	<b>2,876,085</b>	<b>27,112,890</b>
<b>Long Term Liabilities</b>			
Other Long Term Liabilities - noncurrent portion	63,541,319	14,962,156	78,503,475
Net Pension Obligation	2,205,089	5,327,350	7,532,439
Bonds Payable - noncurrent portion	1,111,046	-	1,111,046
<b>Total Long Term Liabilities</b>	<b>66,857,454</b>	<b>20,289,506</b>	<b>87,146,960</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pension	749,161	5,269,591	6,018,752
Deferred inflows of resources related to other post-employment benefits	-	6,888,527	6,888,527
Deferred inflows of resources related to other activities	42,013,404	-	42,013,404
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>42,762,565</b>	<b>12,158,118</b>	<b>54,920,683</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	280,089,301	100,962	280,190,263
Restricted for Statutory Requirements	241,108	11,078,703	11,319,811
Unrestricted	(105,886,216)	(13,792,691)	(119,678,907)
<b>TOTAL NET POSITION</b>	<b>\$ 174,444,193</b>	<b>\$ (2,613,026)</b>	<b>\$ 171,831,167</b>

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, 2018

	Sports Complex Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Sports Complex	\$ 12,440,290	\$ -	\$ 12,440,290
Convention Center	2,589,756	-	2,589,756
Entertainment Facilities	8,888,888	-	8,888,888
Solid Waste Revenues	-	21,822,046	21,822,046
Other Operating Revenue	8,466,982	-	8,466,982
<b>Total Operating Revenues</b>	<b>32,385,916</b>	<b>21,822,046</b>	<b>54,207,962</b>
<b>OPERATING EXPENSES:</b>			
Sports Complex	(12,822,992)	-	(12,822,992)
Convention Center	6,567,532	-	6,567,532
Solid Waste Expenses	-	6,223,844	6,223,844
General and Administrative	-	25,671,835	25,671,835
Payment in Lieu of Taxes	11,568,822	564,724	12,133,546
Parks and Open Space	-	203,209	203,209
MERI Operations	-	5,335	5,335
Depreciation and Amortization	8,962,153	27,842	8,989,995
Closure Expenses	-	2,471,904	2,471,904
<b>Total Operating Expenses</b>	<b>14,275,515</b>	<b>35,168,693</b>	<b>49,444,208</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>18,110,401</b>	<b>(13,346,647)</b>	<b>4,763,754</b>
<b>NON-OPERATING INCOME AND (EXPENSES):</b>			
State Appropriation	18,000,000	-	18,000,000
Other Income	-	6,619	6,619
Tourism Tax Revenue	4,398,624	-	4,398,624
Interest Expense	(58,807)	295,538	236,731
<b>Total Non-Operating Income</b>	<b>22,339,817</b>	<b>302,157</b>	<b>22,641,974</b>
<b>CHANGES IN NET POSITION</b>	<b>40,450,218</b>	<b>(13,044,490)</b>	<b>27,405,728</b>
<b>NET POSITION - Beginning of Year (as restated)</b>	<b>133,993,975</b>	<b>10,431,464</b>	<b>144,425,439</b>
<b>NET POSITION - End of Year</b>	<b>174,444,193</b>	<b>(2,613,026)</b>	<b>171,831,167</b>

**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, 2018

	Sports Complex Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 24,249,535	\$ 20,767,333	\$ 45,016,868
Payments to employees	-	(1,306,672)	(1,306,672)
Payments to suppliers	(42,100,991)	(15,077,583)	(57,178,574)
Beneficial reuse materials	-	861,145	861,145
Net cash (used for) operating activities	<u>(17,851,456)</u>	<u>5,244,223</u>	<u>(12,607,233)</u>
Cash Flows from Noncapital Financing Activities			
Tourism tax revenues	4,398,624	-	4,398,624
Landfill remediation and post-closure	-	(2,471,952)	(2,471,952)
Net cash provided by (used for) noncapital financing activities	<u>4,398,624</u>	<u>(2,471,952)</u>	<u>1,926,672</u>
Cash Flows from Capital and Related Financing Activities			
State appropriations	18,000,000	-	18,000,000
Purchase of capital assets	(664,043)	(12,685)	(676,728)
Repayment of racetrack loans	492,785	-	492,785
Net cash provided by (used for) capital financing activities	<u>17,828,742</u>	<u>(12,685)</u>	<u>17,816,057</u>
Cash Flows from Investing Activities			
Interest	99,268	285,455	384,723
Purchase of investments	-	(1,367,466)	(1,367,466)
Net cash (used for) investing activities	<u>99,268</u>	<u>(1,082,011)</u>	<u>(982,743)</u>
Net increase (decrease) in cash and cash equivalents	4,475,178	1,677,575	6,152,753
Cash and equivalents, beginning of year	<u>7,961,103</u>	<u>1,831,246</u>	<u>9,792,349</u>
Cash and equivalents, end of year	<u>\$ 12,436,281</u>	<u>\$ 3,508,821</u>	<u>\$ 15,945,102</u>
Reconciliation of operating (loss) income to net cash provided by (used) by operating activities:			
Operating (loss) income	\$ 18,110,401	\$ (13,346,647)	\$ 4,763,754
Depreciation expense	8,962,154	29,715	8,991,869
Landfill remediation and post-closure	-	2,471,954	2,471,954
Change in assets and liabilities:			
(Increase)/Decrease In Receivables, net	(231,815)	(200,183)	(431,998)
(Increase)/Decrease In Other Assets	(512,610)	(27,704)	(540,314)
(Increase)/Decrease In Deferred Outflows	1,769,688	434,567	2,204,255
(Decrease)/Increase In Deferred Inflows	(25,232,235)	10,250,579	(14,981,656)
(Decrease)/Increase in Accounts Payable & Accrued Liabilities	1,356,292	601,199	1,957,491
(Decrease)/Increase in Other Liabilities	(26,996,296)	8,966,130	(18,030,166)
(Decrease)/Increase in Deferred Revenue	(8,542,553)	44,183	(8,498,370)
Due to(from) other funds	13,465,518	(3,922,317)	9,543,201
Other	-	(57,253)	(57,253)
Net cash (used for) provided by operating activities	<u>\$ (17,851,456)</u>	<u>\$ 5,244,223</u>	<u>\$ (12,607,233)</u>

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

STATEMENT OF FIDUCIARY NET POSTION - FIDUCIARY FUNDS

December 31, 2018

	Special Escrow	Transportation Planning	Total
<b>ASSETS</b>			
Cash and Investments	\$ 5,494,281	\$ 4,116,016	\$ 9,610,297
Interfund Receivable	-	11,333	11,333
Capital Assets - Depreciable, Net	-	5,500,045	5,500,045
<b>TOTAL ASSETS</b>	<b>5,494,281</b>	<b>9,627,394</b>	<b>15,121,675</b>
<b>LIABILITIES</b>			
Accounts Payable & Accrued Liabilities	18,149	77,736	95,885
Construction Deposits	268,588	-	268,588
Rutherford Post Closure Security	158,960	-	158,960
Interfund Payable	741,590	-	741,590
Security Deposits	127,566	-	127,566
Contract Retainage Payable/(Receivable)	568,460	(3)	568,457
<b>TOTAL LIABILITIES</b>	<b>1,883,313</b>	<b>77,733</b>	<b>1,961,046</b>
<b>NET POSITION</b>			
Invested in Capital Assets, net	-	5,500,046	5,500,046
Blackstrap Broadcasting escrow	2,024,385	-	2,024,385
Bloomberg Escrow	1,775,058	-	1,775,058
Reserve For Mitigation	260,459	-	260,459
Main Street Program	152,106	-	152,106
Other	(601,040)	4,049,615	3,448,575
<b>TOTAL NET POSITION</b>	<b>\$ 3,610,968</b>	<b>\$ 9,549,661</b>	<b>\$ 13,160,629</b>

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY**  
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STATEMENT OF CHANGES IN FIDUCIARY NET POSTION - FIDUCIARY FUNDS

Year Ended December 31, 2018

	Special Escrow	Transportation Planning	Total
<b>Additions</b>			
Transportation Planning District Fees	\$ -	\$ 1,104,615	\$ 1,104,615
Bloomberg Lease Revenue	129,075	\$ -	\$ 129,075
Interest	20,030	17,810	37,840
Blackstrap Escrow	198,062	-	198,062
	<u>347,167</u>	<u>1,122,425</u>	<u>1,469,592</u>
<b>Deductions</b>			
Mitigation Expenses	227,200	-	227,200
MASSTR Grant Expenditures	-	1,125,331	1,125,331
MASSTR General Expenditures	-	332,149	332,149
	<u>227,200</u>	<u>1,457,480</u>	<u>1,684,680</u>
Change in Net Position	119,967	(335,055)	(215,088)
Net Position, Beginning of Year	3,491,001	10,413,350	13,904,351
<b>Adjustments to Net Position</b>			
Depreciation Expense	-	(528,634)	(528,634)
Net Position, End of Year	<u>\$ 3,610,968</u>	<u>\$ 9,549,661</u>	<u>\$ 13,160,629</u>

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**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") established by the "Hackensack Meadowlands Redevelopment Act", P.L. 1968, c.404 (C.13:17-1 et seq.), appointed by the Governor, who are members ex officio, eleven members appointed by the Governor with the advice and consent of the State Senate, one member appointed by the President of the Senate and one member appointed by the Speaker of the General Assembly.

**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  
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NOTES TO FINANCIAL STATEMENTS

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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Reporting Entity**

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 purpose of the Environmental Center Fund is to account for all financial resources required to operate the Meadowlands Environmental Center and Science Center.
- **MAGNET Fund.** The purpose of the MAGNET Fund is to foster continued revitalization in the Meadowlands and ensure continued growth and improvement in the region both environmentally and economically.

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***(b) Basis of Presentation (Continued)***

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.
- **Sports Complex 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 reported in this fund.

Fiduciary Funds account for the proceeds of deposits held in trust for others. The Authority reports the following Fiduciary Funds:

- **Special Escrows.** This includes funds escrowed for Mitigation, Wetlands, and disbursement of the Meadowlands Adjustment Payments.
- **Transportation Planning District.** This fund is responsible for the continuing operation and maintenance of the Meadowlands Adaptive Signal System for Traffic Reduction (MASSTR).
- **Third Party Escrows.** This fund is responsible for the maintenance and administration of properties under the EnCap Project. The fund has fulfilled its responsibilities and is dormant as of December 31, 2018.

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.

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Basis of Accounting (Continued)**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to pay liabilities of the current period. The 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 government funds. Proceeds of long-term debt are reported as other financing sources.

**(d) Net Position**

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

- *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.

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Fund Balance Classifications (Continued)**

- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Authority's highest level of decision-making authority. Commitments may be changed or lifted only by the Authority taking the same formal action that originally imposed the constraint.
- **Assigned** fund balance comprises amounts *intended* to be used by the Authority for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

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

**(f) Accumulated Vacation Time**

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

**(g) Valuation of Investments**

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

**(h) Non-Operating Revenues and Expenses**

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

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***(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, 2018. This primarily consists of ground rent pre-payments and solid waste disposal tickets sold to haulers but still outstanding.

***(k) Capital Assets***

Capital assets are stated at cost or estimated historical cost. Contributed capital fixed assets are recorded at their estimated fair market value at the time received. Depreciation is provided using the straight-line method over estimated useful lives ranging from five to ten years for all assets. Capital fixed assets related to the Arena are considered non-performing assets and are shown separately in 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

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Payment in Lieu of Taxes (PILOT) (Continued)**

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.

**(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 85 – *Omnibus 2017*, effective for periods beginning after June 15, 2017. The Authority has concluded that adoption of GASB Statement 73 had no impact on the financial position, results of operations and statement of cash flows.

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(t) Recent Accounting Standards (Continued)**

- GASB Statement 86 – *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017. The Authority has concluded that adoption of GASB Statement 86 had no impact on the financial position, results of operations and statement of cash flows.

**(u) Pending Accounting Standards**

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

- 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 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.
- GASB Statement 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB Statement 90 – *Majority equity Interest – an amendment of GASB Statements No. 14 and No. 61*, Effective for periods beginning after December 15, 2018.

**C. CASH AND INVESTMENTS**

The components of cash and investments are as follows:

	Balance Dec 31, 2018	Fiduciary Fund Balance Dec 31, 2018
Cash and Investments:		
Unrestricted:		
Cash on Hand	\$ 18,879,959	\$ 9,610,297
Investments	12,178,060	-
NJ Cash Management Fund	7,471,972	-
Unrestricted Cash & Investments	<u>38,529,991</u>	<u>9,610,297</u>
Restricted:		
Cash on Hand	3,332,878	-
Investments	7,986,933	-
Restricted Cash & Investments	<u>11,319,811</u>	<u>-</u>
Total Cash and Investments	<u>\$ 49,849,802</u>	<u>\$ 9,610,297</u>

For 2018, restricted cash and investments include \$241,108 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

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**C. CASH AND INVESTMENTS (CONTINUED)**

States with the trustee or bank designated by the Trustee. At December 31, 2018, 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  
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NOTES TO FINANCIAL STATEMENTS

**D. INVESTMENT IN FACILITIES (CONTINUED)**

	December 31, 2017	Additions	Deletions	December 31, 2018
<b>Governmental Activities:</b>				
Capital assets that are not being depreciated:				
Land	\$ 20,154,401	\$ -	\$ -	\$ 20,154,401
Construction in progress	-	117,995	-	117,995
Total capital assets not being depreciated	<u>20,154,401</u>	<u>117,995</u>	<u>-</u>	<u>20,272,396</u>
Capital assets that are being depreciated:				
Building and building improvements	16,805,495	-	-	16,805,495
Machinery and equipment	3,702,229	77,277	-	3,779,506
Total at historical costs	<u>20,507,724</u>	<u>77,277</u>	<u>-</u>	<u>20,585,001</u>
Less accumulated depreciation for:				
Building and building improvements	(10,732,642)	(570,732)	-	(11,303,374)
Machinery and equipment	(5,020,479)	(21,670)	-	(5,042,149)
Total accumulated depreciation	<u>(15,753,121)</u>	<u>(592,402)</u>	<u>-</u>	<u>(16,345,523)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>4,754,603</u>	<u>(515,125)</u>	<u>-</u>	<u>4,239,478</u>
Governmental activities capital assets, net	<u>\$ 24,909,004</u>	<u>\$ (397,130)</u>	<u>\$ -</u>	<u>\$ 24,511,874</u>
<b>Business-Type Activities:</b>				
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>157,017,193</u>
Capital assets that are being depreciated:				
Building and building improvements	345,169,346	276,197	-	345,445,543
Machinery and equipment	86,403,255	476,767	-	86,880,022
Total at historical costs	<u>431,572,601</u>	<u>752,964</u>	<u>-</u>	<u>432,325,565</u>
Less accumulated depreciation for:				
Building and building improvements	(221,560,605)	(8,411,074)	-	(229,971,679)
Machinery and equipment	(78,099,293)	(1,081,523)	-	(79,180,816)
Total accumulated depreciation	<u>(299,659,898)</u>	<u>(9,492,597)</u>	<u>-</u>	<u>(309,152,495)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 131,912,703</u>	<u>\$ (8,739,633)</u>	<u>\$ -</u>	<u>\$ 123,173,070</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>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>(5,902,136)</u>
Total landfill life being amortized net of accumulated amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type activities capital assets, net	<u>\$ 288,929,896</u>	<u>\$ (8,739,633)</u>	<u>\$ -</u>	<u>\$ 280,190,263</u>
<b>Fiduciary Activities:</b>				
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>7,929,508</u>
Less accumulated depreciation for:				
Infrastructure	(1,900,829)	(528,634)	-	(2,429,463)
Total accumulated depreciation	<u>(1,900,829)</u>	<u>(528,634)</u>	<u>-</u>	<u>(2,429,463)</u>
Total fiduciary assets being depreciated net of accumulated depreciation	<u>\$ 6,028,679</u>	<u>\$ (528,634)</u>	<u>\$ -</u>	<u>\$ 5,500,045</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, 2018

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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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") is owed Minimum Lease Payments, under the Agreement. The balance due at December 31, 2018, of \$11,666,971 is comprised of the New Jersey Thoroughbred Horsemen's Association Inc. balance. The notes carry an annual interest rate of 3%.

The Notes Receivable schedule is as follows:

Year	New Jersey Thoroughbred Horsemen's Association
2019	\$ 3,080,677
2020	2,667,490
2021	1,799,281
2022	1,224,100
Thereafter	2,895,423
	<u>\$ 11,666,971</u>

**F. LONG TERM LIABILITIES**

During 2018, the following changes in components of long term liabilities were:

	Balance December 31, 2017	Prior Period Adjustment	Issued	Retired	Balance December 31, 2018	Due within One year
<b>Governmental Activities:</b>						
PERS Pension Liability	\$ 8,285,422	\$ -	\$ 5,940,764	\$ (3,046,355)	\$ 11,179,831	\$ -
Chapter 19, P.L. 2009 Liability	139,340	-	-	(6,407)	132,933	6,407
Compensated Absences	813,025	-	-	(12,918)	800,107	12,918
Other Post Employment Benefits	12,653,006	3,944,856	5,103,958	-	21,701,820	-
	<u>\$ 21,890,793</u>	<u>\$ 3,944,856</u>	<u>\$ 11,044,722</u>	<u>\$ (3,065,680)</u>	<u>\$ 33,814,691</u>	<u>\$ 19,325</u>
<b>Business-Type Activities:</b>						
<b>NJSEA Enterprise</b>						
Bonds and Notes Payable	\$ 2,340,569	\$ -	\$ -	\$ (53,468)	\$ 2,287,101	\$ 1,176,055
PERS Pension Liability	8,532,365	-	-	(6,327,276)	2,205,089	-
Chapter 19, P.L. 2009 Liability	408,873	-	-	(18,801)	390,072	-
Workman's Comp Claims	7,988,514	-	1,248,559	(1,632,667)	7,604,405	1,309,720
Other Post Employment Benefits	17,924,798	5,588,454	-	(23,270,181)	243,072	-
Compensated Absences	78,986	-	-	(21,011)	57,975	21,011
Union Pension Liabilities	58,212,456	-	921,206	(3,704,157)	55,429,505	1,668,964
Environmental Remediation	2,055,000	-	265,000	-	2,320,000	-
Other Liabilities	487,938	-	8,047	-	495,985	-
<b>Solid Waste Enterprise</b>						
Closure Liabilities	4,382,052	-	343,719	-	4,725,771	343,719
PERS Pension Liability	6,778,982	-	-	(1,451,632)	5,327,350	-
Chapter 19, P.L. 2009 Liability	114,005	-	-	(5,242)	108,763	-
Other Post Employment Benefits	-	-	10,258,095	-	10,258,095	-
Compensated Absences	257,055	-	-	(21,904)	235,151	21,904
	<u>\$ 109,561,593</u>	<u>\$ 5,588,454</u>	<u>\$ 13,044,625</u>	<u>\$ (36,452,872)</u>	<u>\$ 91,688,333</u>	<u>\$ 4,541,373</u>

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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**G. BONDS AND NOTES PAYABLE**

Bonds and notes payable consist of the following:

	NJDEP		Wildwood		
	Fund	NJDEP	Bonds	Interest	Total
	Loan	Trust Loan	Payable		
2019	\$ 18,787	\$ 15,000	\$ 1,142,267	\$ 34,308	\$ 1,210,362
2020	-	15,000	197,105	28,900	241,005
2021	-	15,000	202,032	23,223	240,255
2022	-	15,000	207,083	17,722	239,805
2023	-	15,000	212,260	11,945	239,205
2024	-	15,000	217,567	6,038	238,605
	<u>\$ 18,787</u>	<u>\$ 90,000</u>	<u>\$ 2,178,314</u>	<u>\$ 122,136</u>	<u>\$ 2,409,237</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 2018 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 2018 were \$54,457.

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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, 2018</u>
Loan from the NJDEP Infrastructure Loan through August 1, 2024, at 0.00%	3/1/2010	\$564,000	\$ 18,787
Loan from the NJDEP Infrastructure Trust Loan through August 1, 2024, at various rates Between 3% and 5%	3/1/2010	180,000	<u>90,000</u>
Total Notes Payable			<u>\$108,787</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 2018 on the NJDEP Infrastructure Fund Loan was \$4,350.

**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, 2018, were \$244,442. Future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 243,714
2020	237,904
2021	237,904
2022	219,881
2023	197,932
2024-2028	989,660
2029-2032	593,796
	<u>\$ 2,720,791</u>

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**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 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, 2018, was \$252,875,000. 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, 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).

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**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.

The initial term of the Agreement ran through December 31, 2016, with 3 ten-year renewal terms. NJTHA is currently in 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

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**K. GROUND LEASES (CONTINUED)**

***Jets Training Facility (Continued)***

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.

***American Dream 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

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**K. GROUND LEASES (CONTINUED)**

***American Dream Project (Continued)***

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.

***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 K2 Towers, LLC 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 K2 Towers, LLC 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.

***Transfer/Materials Recovery Facility***

On August 17, 2010, the Authority entered into Lease Agreement with ESI (formerly Sajo Transport) to operate the Transfer/Materials Recovery Facility (“Baler”) located at 100 Baler Blvd, North Arlington, NJ.

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**K. GROUND LEASES (CONTINUED)**

***Transfer/Materials Recovery Facility (Continued)***

The initial term of the Baler Lease runs through August 17, 2020. An extension of the contract was executed March 29, 2018 through June 20, 2021.

***PSE&G Leases***

***1A Landfill, Kearny, NJ***

On January 28, 2012, the Authority entered into a Lease Agreement with PSE&G to lease a portion of the 1A Landfill ("1A") in Kearny, NJ for the development, construction and operation of a solar-powered electrical generating facility ("Solar Facility"). This includes all Solar Facility Equipment for the conversion of solar energy into electrical energy for interconnection of the local electric grid.

The term of the lease is for 19 years through September 1, 2031.

***Hawk Realty Property***

On June 11, 2013, the Authority entered into a Lease Agreement with PSE&G to lease a portion of lots in Secaucus, NJ for the development, construction and operation of a transmission tower on the property.

The term of the lease is for 25 years through January 1, 2039.

***Baler Boulevard Property***

On March 1, 2013, the Authority entered into a Lease Agreement with PSE&G to lease a portion of property on Baler Boulevard in North Arlington, NJ for use as a staging area for construction trailers, PSE&G personnel, and associated vehicles on the property.

The initial term of the lease has expired and is currently on a month-to-month lease. The Authority is currently in negotiations with PSE&G regarding the terms of the lease.

***Disposal Road Adjacent to Kingsland Substation***

On July 1, 2014, the Authority entered into a Lease Agreement with PSE&G to lease a portion of land on Disposal Road in North Arlington, NJ for use as a staging area for construction trailers, vehicles, and the storage of oil filled electrical equipment on the property.

The initial term of the lease has expired and is currently on a month-to-month lease.

***Radio Tower Lease***

On September 7, 2006, the Authority entered into a Lease Agreement with New York AM Radio/Disney to lease a portion of land in North Bergen, NJ for the development, construction and operation of a radio tower on the property. Per the terms of the agreement, North Bergen is entitled to receive 80% of the lease payments, with the remaining 20% held by the Authority.

The term of the lease is for 25 years through August 31, 2031.

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**K. GROUND LEASES (CONTINUED)**

***NJ Transit***

On August 1, 2016, the Authority entered into a Lease Agreement with NJ Transit to lease a portion of property in Kearny, NJ as a temporary easement to construct a finger pier in connection with the Portal Bridge Capacity Enhancement Early Action Project.

The term of the lease is for 5 years through August 1, 2021; with a transition to a month-to-month lease upon lease expiration.

***Jersey Mulch/Nature's Choice***

On September 1, 2012, the Authority entered into a Lease Agreement with Jersey Mulch & Nature's Choice to lease a portion of the 1E Landfill in North Arlington, NJ as a vegetative waste transfer facility.

The term of the lease is for 54 months through December 31, 2019.

***Whiterock Material***

On July 1, 2017, the Authority entered into a Lease Agreement with Whiterock Material, LLC to lease a portion of the 1E Landfill North Arlington, NJ for use as a storage and distribution site for road salt.

The term of the lease is for 2 years through June 30, 2019 with one 3-year renewal option. Whiterock has given notice to the Authority that it will be exercising the 3-year renewal option.

***Asplundh***

On December 1, 2017, the Authority entered into a Lease Agreement with Asplundh Tree Expert, LLC to lease a portion of the 1E Landfill North Arlington, NJ for use as storage/parking of equipment, matting, materials, tooling and supplies, light equipment maintenance, and distribution to maintain an office trailer on the property.

The term of the lease is for 5 months through May 1, 2018 with month-to-month extensions. Asplundh is currently operating under a month-to-month lease.

***Bloomberg***

On November 25, 2003, the Authority entered into a Lease Agreement with Bloomberg Communications, Inc. to lease a portion of property in the Borough of Carlstadt, NJ for the purpose of operating an AM radio tower on the property.

The initial term of the lease is for 5 years through November 25, 2008 with seven 5-year extensions. Bloomberg Communications, Inc. exercised the second of seven extensions.

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**K. GROUND LEASES (CONTINUED)**

***Blackstrap***

On March 31, 2011, through a court order granting summary judgement, the Authority assumed the role of landlord to a Lease Agreement with Blackstrap Broadcasting, LLC. The agreement is to lease a portion of property in Lyndhurst which is a portion of the Kingsland Redevelopment Area for the purpose of operating radio towers on the property.

The lease is automatically renewed annually. 30 days written notice is required for lease termination.

**L. DEFERRED COMPENSATION PLANS**

Salaried employees of the Authority are eligible for participation in a IRC 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 2018 were \$202,904.

The Authority also participates in two IRC Section 457 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 of 100% of their salary (minus tax-sheltered pension or other voluntary tax-sheltered contributions) or \$18,500 (\$24,500 for individuals age 50 and older), 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 the accompanying financial statements. Employee contributions in 2018 were \$16,900.

**M. PUBLIC EMPLOYEE RETIREMENT SYSTEM**

The Public Employee Retirement System (PERS) 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:

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NOTES TO FINANCIAL STATEMENTS

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**M. PUBLIC EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

***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 July 1, 2018:

Inactive plan members or beneficiaries currently receiving benefits	178,748
Inactive plan members entitled to but not yet receiving benefits	609
Active plan members	<u>252,598</u>
Total	<u>431,955</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 1/7<sup>th</sup> until payment of the full contribution is made in the seventh fiscal year and thereafter.

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 \$7,244,806. 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 7.34% in State fiscal year 2018 and increased to 7.5% for State fiscal year 2019, commencing July 1, 2018. The July 2018 increase marks the last rate increase under

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**M. PUBLIC EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

***Specific Contribution Requirements and Benefit Provisions (Continued)***

the provisions of Chapter 78, P.L. 2011. The local employers' contribution amounts are based on an actuarially determined rate, which include 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 year ended December 31, 2018 were \$945,309. 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 year ending December 31, 2018 consisted of the following:

	2018
Normal Cost	\$ 118,130
Amortization of Accrued Liability	784,195
Total Pension	<u>902,325</u>
NCGI Premiums	42,984
Total Regular Billing	<u>945,309</u>
Additional Billings and Adjustments:	
ERI 2	1,528
Ch. 19, P.L. 2009	105,921
Total PERS Payment	<u><u>\$1,052,758</u></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

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**M. PUBLIC EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

***Specific Contribution Requirements and Benefit Provisions (Continued)***

A service retirement benefit of 1/55<sup>th</sup> 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 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tier 1 and 2 members before reaching age 60, to Tier 3 and 4 members before age 62 and Tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the 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, 2018, the Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$18,712,270 or 0.0950367800%.

For the year ended December 31, 2018, the Authority recognized PERS expense of \$2,814,730. At December 31, 2018 and 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 expected and actual experience	\$ 356,845	\$ 96,486
Changes in assumptions	3,083,472	5,983,189
Net difference between projected and actual investment earnings on pension plan investments	-	175,522
Changes in proportion and differences between Authority contributions and proportionate share of contributions	108,255	10,822,176
Agency contributions subsequent to the measurement date	472,655	-
	<u>\$ 4,021,227</u>	<u>\$ 17,077,373</u>

The \$472,655 shown as deferred outflows of resources relates to the PERS contributions made by the Authority subsequent to the measurement date (June 30, 2018) and will be recognized as a reduction of net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the PERS will be recognized in pension expense as follows:

Year ended December 31,	PERS
2019	\$ (2,951,003)
2020	(2,346,460)
2021	(3,225,765)
2022	(3,106,666)
2023	(1,898,907)
	<u>\$ (13,528,801)</u>

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**M. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

***Actuarial Assumptions***

The total pension liability in the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases (2012-2026)	1.65-4.15% Based on age
Salary Increases Thereafter	2.65-5.15% Based on age
Investment Rate of Return	7.00%

The actuarial assumptions used in the July 1, 2017 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. 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% at June 30, 2018) 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 PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

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**M. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

***Long-term Rate of Return (Continued)***

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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 asset	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%
	100.00%	

***Discount Rate***

The discount rate used to measure the pension liabilities of PERS was 5.66% as of June 30, 2018. The 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 3.87% as of June 30, 2018 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 50% 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 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 Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>At 1% Decrease</u> <u>(4.66%)</u>	<u>At current discount</u> <u>rate (5.66%)</u>	<u>At 1% increase</u> <u>(6.66%)</u>
Authority proportionate share	\$ 23,528,521	\$ 18,712,268	\$ 14,671,740

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**M. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

***Plan Fiduciary Net Position***

Detailed information about the 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	\$3,619,985,444
Collective deferred inflows of resources	\$6,581,869,368
Collective net pension liability	\$19,689,501,539
Authority's portion	0.0950367800%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 is \$1,091,490,655.

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, 2018, 2017, 2016, 2015, and 2014 is 5.63, 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 2018 was \$2,054,528 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 16<sup>th</sup> Street  
Washington, DC 20006

Local 1412 (Security/EMT)  
905 16<sup>th</sup> 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

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**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 \$49.1 million and is recognized in the 2018 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. The amount of the Authority's obligation at December 31, 2018 was \$2,248,735.

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. The amount of the Authority's obligation at December 31, 2018 was \$91,373.

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. The amount of the Authority's obligation at December 31, 2018 was \$97,373.

**O. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The Authority participates in a cost sharing multiple-employer defined post-retirement benefit plan (the "Plan"), which is administered by the State of New Jersey. The Plan provides continued health care benefits to employees retiring after twenty-five years of service. Benefits, contributions, funding and the manner of administration are determined by the State of New Jersey Legislature. The Division of Pensions and Benefits charges the Authority for its contributions. The total number of retired participants eligible for benefits was 206, 204 and 226 at December 31, 2018, 2017, and 2016, respectively. The Authority's contribution to the Plan for the years ended December 31, 2018, 2017, and 2016 was \$ 1,541,159.37, \$1,672,977.31 and \$1,711,300.93, respectively.

Please refer to the State website, [www.state.nj.us](http://www.state.nj.us) for more information regarding the Plan. The Plan's financial report may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

***General Information about the OPEB Plan***

The Authority participates in the State Health Benefit Local Government Retired Employees Plan (the Plan) which is a cost-sharing multiple-employer defined benefit other postemployment benefit

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**O. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***General Information about the OPEB Plan (Continued)***

(OPEB) plan with a special funding situation. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at [www.state.nj.us/treasury/pensions/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer.

Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire within 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. New Jersey Sports and Exposition Authority is in a nonspecial funding situation, therefore, coverage under Chapter 330 does not apply.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

***Allocation Methodology***

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's total OPEB liability, deferred outflows of resources, deferred inflows

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**O. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***Allocation Methodology (Continued)***

of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018.

***Special Funding Situation***

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no total OPEB liability, deferred outflows or resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective total OPEB liability that is associated with the local participating employer. New Jersey Sports and Exposition Authority is in a nonspecial funding situation, therefore, coverage under Chapter 330 does not apply.

***Components of Total OPEB Liability***

The components of the Authority's total OPEB liability as of June 30, 2018 is as follows:

	June 30, 2018
Total OPEB liability	\$ 31,788,332
Plan Fiduciary Net Position	625,549
Net OPEB Liability	<u>\$ 31,162,783</u>
 Plan Fiduciary Net Position as a % of total OPEB liability	  1.97%

***Actuarial Assumptions***

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

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**O. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***Allocation Methodology (Continued)***

Inflation	2.50%
Salary increases*	
Through 2026	1.65 - 8.98%
Thereafter	2.65 - 9.98%

\* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

***Mortality Rates***

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

***Health Care Trend Assumptions***

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

***Discount Rate***

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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**O. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***Sensitivity of Net OPEB Liability to Changes in the Discount Rate***

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

At June 30, 2018		
At 1% Decrease (2.87%)	At Current Discount Rate (3.87%)	At 1% Increase (4.87%)
\$ 36,562,184	\$ 31,162,783	\$ 26,849,884

***Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate***

The following presents the net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

At June 30, 2018		
At 1% Decrease	Healthcare cost trend rate	At 1% Increase
\$ 25,994,758	\$ 31,162,783	\$ 37,850,976

***Deferred Outflows of Resources and Deferred Inflows of Resources***

	Year of Deferral	Amortization Period	Beginning of the year balance	Additions	Deductions	End of the year balance
<b>Deferred Outflows of Resources:</b>						
Differences between projected and actual investment earnings on OPEB plan investments	2017	5 years	\$ 6,959	\$ -	\$ 1,739	\$ 5,220
	2018	5 years	-	14,061	2,812	11,249
Total Deferred Outflows of Resources			<u>\$ 6,959</u>	<u>\$ 14,061</u>	<u>\$ 4,551</u>	<u>\$ 16,469</u>
<b>Deferred Inflows of Resources:</b>						
Differences between expected and actual experience	2018	8.04 years	\$ -	\$ 7,213,313	\$ 886,156	\$ 6,327,157
Changes of assumptions	2017	8.04 years	4,507,304	-	640,242	3,867,062
	2018	8.14 years	-	4,603,302	565,516	4,037,786
Total Deferred Inflows of Resources			<u>\$4,507,304</u>	<u>\$11,816,615</u>	<u>\$2,091,914</u>	<u>\$14,232,005</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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**O. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

*Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

	OPEB
2019	\$ (2,085,154)
2020	(2,085,154)
2021	(2,085,155)
2022	(2,086,856)
2023	(2,089,697)
Thereafter	(3,783,520)
	<u>\$ (14,215,536)</u>

*Changes in Proportion*

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts will be recognized (amortized) by the Authority over the average remaining service lives of all plan members, which is 8.14 years and 8.04 years for the 2018 and 2017 amounts, respectively.

***Prior Period Adjustment***

Total OPEB liability as of December 31, 2017 was \$30,577,804 and was based on actuarial methods and assumptions different from current methods and assumptions used. Accordingly, the total OPEB liability as of December 31, 2017 was adjusted to \$40,111,114. Similarly, deferred outflows of resources and deferred inflows of resources related to OPEB were not recorded in previous years. The December 31, 2017 balance for deferred outflows of resources was adjusted to \$6,803 and deferred inflows of resources was adjusted to \$12,698,402.

**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 \$8,796,000. The total payments made since 2007 were \$6,476,000, and charged to the Statements of Revenues, Expenses and Changes in Net Position in each respective year. Estimated future expense for environmental remediation is \$2,320,000 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 2018. 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.

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**Q. CLOSURE AND POST CLOSURE REQUIREMENTS**

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

**R. KEEGAN LANDFILL**

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. The Superior Court of New Jersey heard the trial on the valuation of the Keegan Landfill in 2018. The court ruled in favor of the valuation determined by the NJSEA of \$1,818,000. An appeal of the Superior Court of New Jersey decision is in progress.

**S. MEADOWLANDS AREA GRANTS FOR NATURAL AND ECONOMIC TRANSFORMATION (MAGNET)**

In calendar year 2005, the MAGNET Program was launched. The purpose of the MAGNET Fund is to foster continued revitalization in the Meadowlands and ensure continued growth and improvement in the region both environmentally and economically. A detailed budget outlining the amounts appropriated for MAP, environmental, economic development and capital improvements initiatives is currently in place. As of December 31, 2018, the balance in the MAGNET fund was \$2,329,366, of which \$75,000 was committed.

**T. INTERFUND BALANCES AND ACTIVITY**

Balances due to/from other funds at December 31, 2018 consist of the following:

<u>Due from Other Funds</u>	<u>Fund</u>	<u>Due to Other Funds</u>
	<u>Governmental Funds</u>	
\$ 13,657,497	General Fund	\$ 11,754,081
583,890	Environmental Center	1,514,696
-	MAGNET	18,698
13,694	Study	1,399
	<u>Enterprise Fund</u>	
6,257,865	Solid Waste	-
-	NJSEA Enterprise Fund	6,493,815
	<u>Fiduciary Funds</u>	
-	Mitigation Trust	741,590
11,333	Transportation Planning District	-
<u>\$ 20,524,279</u>	Total	<u>\$ 20,524,279</u>

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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**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.

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

At year-end approximately \$241,108 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.

Reconciliation of Workmen's Compensation Claims Liability

	Year Ended December 31,	
	2018	2017
Claims - January 1	\$ 7,988,512	\$ 8,707,983
(Decrease)/Increase in provision	1,248,560	577,152
Claims paid	(1,632,667)	(1,296,623)
Claims - December 31	<u>7,604,405</u>	<u>7,988,512</u>
Less: current portion	<u>1,309,720</u>	<u>1,296,624</u>
Long term liability	<u>\$ 6,294,685</u>	<u>\$ 6,691,888</u>

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

NOTES TO FINANCIAL STATEMENTS

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**V. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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. Repayment of the loans began in 2010 and ends in 2029.

**W. CONCENTRATION OF RISK**

The State of New Jersey appropriated and remitted to the Authority \$18 million in state aid. This amount is used to fund the General Fund operations. This state aid offsets 98% of the Authority's 2018 operating loss related to governmental activities.

**X. SUBSEQUENT EVENTS**

On March 11, 2019, it was announced that Barney's New York will be opening a 50,000 square-foot, two-level flagship store at the American Dream retail/entertainment complex. This is a portion of space previously assigned to Lord and Taylor, who pulled out of the proposed retail/entertainment complex.

On March 22, 2019, NJSEA entered into an Administrative Consent Order (ACO) with the New Jersey Department of Environmental Protection (NJDEP) regarding noncompliance with N.J.A.C. 7:27- 7.3 at the Keegan Landfill. The noncompliance was regarding emission of hydrogen Sulfide (H<sub>2</sub>S) in a concentration greater than 30 parts per billion by volume (ppbv) over a 30 minute period. The ACO requires NJSEA to take all actions that may be necessary to maintain compliance with the Air Pollution Control Act. As a result of an ACO between NJSEA and NJDEP, the NJSEA has installed a gas collection and monitoring system to remediate the hydrogen sulfide (H<sub>2</sub>S) emissions from the landfill.

On May 24, 2019, the Hudson County Superior Court issued an injunction closing the Keegan Landfill. An appellate court reversed the injunction on May 31, 2019, allowing the landfill to reopen. On June 12, 2019, the New Jersey Supreme Court reinstated the decision of the Hudson County

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**X. SUBSEQUENT EVENTS (CONTINUED)**

Superior Court, closing the landfill until a plenary hearing on July 25, 2019. A ruling on this hearing has not been issued as of yet.

On June 14, 2019, the Authority finalized the sale of the Kingsland Redevelopment Area to Kingsland Development Urban Renewal, LLC. The developers will convert the former landfill site into a six-building industrial complex for e-commerce. The developers also assumed the role of landlord in the lease with Blackstrap Broadcasting, LLC.

On July 3, 2019, it was announced that the American Dream retail/entertainment complex will open on October 25, 2019. The opening will be a partial opening, focusing on the entertainment options of the complex; with the balance of the retail component following thereafter.

On August 6, 2019, Barney's New York filed for Chapter 11 bankruptcy protection, but has not sourced adequate debtor in possession financing. It has until October 24, 2019 to secure such financing or face Chapter 7 liquidation.

On September 30, 2019, The Hudson County Superior Court issued a ruling on the plenary hearing held on July 25, 2019. It was the opinion of the court that the temporary injunction to close the Keegan Landfill be made final and the landfill be closed permanently. A decision to appeal is currently under review.

On October 25, 2019, the American Dream retail/entertainment complex officially opened. The opening included the Nickelodeon Universe theme park and the NHL-sized skating rink. The next phase of the opening was the Snow America ski slope, which opened on December 5, 2019.

On October 31, 2019, the New York bankruptcy court approved a bid by Authentic Brands/B. Riley for the assets of Barney's New York, the result of which is the closing of the majority of their existing stores and the invalidation of the lease for a 50,000 square-foot store at the American Dream Complex.

On November 1, 2019, the Authority filed a motion for leave to appeal in the Appellate Division to address the mistaken findings of fact and applications of law made by the Chancery Court in the Keegan Landfill matter regarding the landfill closing. Briefing of the issue before the Appellate Division is still in progress.

**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, 2018**

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance
<b>Revenues</b>					
<b>East Rutherford</b>					
NMSCO Ground Lease	\$ 6,300,000	\$ -	\$ 6,300,000	\$ 6,300,000	\$ -
NMR Shared Services	6,200,000	-	6,200,000	6,256,638	56,638
Arena Revenue	1,953,575	-	1,953,575	2,040,521	86,946
Monmouth Park Reimbursables	2,743,175	-	2,743,175	2,491,655	(251,520)
Entertainment Facilities	-	-	-	8,888,888	8,888,888
(2) Convention Center	-	-	-	2,589,756	2,589,756
(2) Tourism Tax Revenue	-	-	-	4,398,624	4,398,624
Misc. Other	3,112,373	-	3,112,373	3,818,457	706,084
<b>Total - East Rutherford</b>	<b>20,309,123</b>	<b>-</b>	<b>20,309,123</b>	<b>36,784,539</b>	<b>16,475,416</b>
<b>Lyndhurst</b>					
Lease Revenues	1,440,489	-	1,440,489	1,385,359	(55,130)
Land Use Fee Income	652,685	-	652,685	713,729	61,044
Misc. Other	112,069	-	112,069	306,066	193,997
<b>Total - Lyndhurst</b>	<b>2,205,243</b>	<b>-</b>	<b>2,205,243</b>	<b>2,405,154</b>	<b>199,911</b>
<b>Solid Waste Revenue</b>	<b>18,589,014</b>	<b>-</b>	<b>18,589,014</b>	<b>20,368,871</b>	<b>1,779,857</b>
<b>Total Revenues</b>	<b>41,103,379</b>	<b>-</b>	<b>41,103,379</b>	<b>59,558,564</b>	<b>18,455,185</b>
<b>Expenditures</b>					
<b>East Rutherford</b>					
Salaries/Fringe	5,134,233	-	5,134,233	5,862,760	728,527
Utilities	2,555,326	-	2,555,326	3,040,467	485,141
New Jersey Racing Commission	2,245,791	-	2,245,791	2,245,791	-
Professional Services	3,653,981	-	3,653,981	4,554,534	900,553
Pension	1,368,019	-	1,368,019	(1,143,617)	(2,511,636)
Workers Compensation	1,200,000	-	1,200,000	921,206	(278,794)
Repairs/Maintenance - Building/Other	1,904,993	-	1,904,993	2,424,561	519,568
(2) Convention Center	-	-	-	6,448,448	6,448,448
Misc. Other	196	-	196	4,489	4,293
<b>Total East Rutherford</b>	<b>18,062,538</b>	<b>-</b>	<b>18,062,538</b>	<b>24,358,639</b>	<b>6,296,101</b>
<b>Lyndhurst</b>					
Salaries/Fringe	9,651,880	-	9,651,880	9,692,021	40,141
Services	2,039,369	-	2,039,369	2,061,773	22,404
Capital/Maintenance	980,000	-	980,000	317,626	(662,374)
Repairs/Maintenance	310,264	-	310,264	360,673	50,409
Ramapo Partnership	513,450	-	513,450	500,233	(13,217)
Misc. Other	259,669	-	259,669	179,196	(80,473)
<b>Total Lyndhurst</b>	<b>13,754,633</b>	<b>-</b>	<b>13,754,633</b>	<b>13,111,522</b>	<b>(643,111)</b>
<b>Solid Waste Operating Expenses</b>	<b>14,438,167</b>	<b>-</b>	<b>14,438,167</b>	<b>13,087,692</b>	<b>(1,350,475)</b>
<b>Total Expenditures</b>	<b>46,255,338</b>	<b>-</b>	<b>46,255,338</b>	<b>50,557,853</b>	<b>4,302,515</b>
Total Operating Gain (Loss)	(5,151,959)	-	(5,151,959)	9,000,711	14,152,670
<b>Other Revenues and Expenditures</b>					
State Appropriations	18,000,000	-	18,000,000	18,000,000	-
Expense Reimbursements	859,529	-	859,529	859,529	-
PILLOT / Property Taxes / CAFO	(12,532,570)	-	(12,532,570)	(12,133,545)	399,025
Business-type depreciation and amortization	-	-	-	(8,989,995)	(8,989,995)
Adjustments related to pension and OPEB	-	-	-	10,822,188	10,822,188
<b>Total Non-operating Revenues &amp; Expenditures</b>	<b>6,326,959</b>	<b>-</b>	<b>6,326,959</b>	<b>8,558,177</b>	<b>2,231,218</b>
<b>Excess (Deficit) of revenues over expenditures</b>	<b>\$ 1,175,000</b>	<b>-</b>	<b>\$ 1,175,000</b>	<b>\$ 17,558,888</b>	<b>\$ 16,383,888</b>
<b>Amounts reported for Governmental Activities in the statement of revenues, expenditures and changes in fund balance are different because of:</b>					
Depreciation expense				\$ (592,403)	
Pension expense				5,424,896	
Post employment healthcare benefits, other than pension obligation				(13,696,551)	
Capital outlays				317,626	
<b>Excess (Deficit) of revenues over expenditures</b>				<b>9,012,456</b>	
Fund Balance, beginning of year (as restated)				145,442,858	
Fund Balance, end of year governmental funds basis				<b>\$ 154,455,314</b>	

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

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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**SCHEDULE OF THE AUTHORITY'S, PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – PUBLIC EMPLOYEES  
RETIREMENT SYSTEM  
December 31, 2018**

	PERS - Last 10 Fiscal Years				
	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.0950367800%	0.1013676481%	0.1376070051%	0.1714730000%	0.1769954550%
Authority's proportionate share of net pension liability	\$ 18,712,270.00	\$ 23,596,769.00	\$ 40,755,248.00	\$ 38,492,333.00	\$ 33,138,370.00
Authority's covered-employee payroll	7,244,806.00	6,805,889.00	7,963,473.00	12,049,996.00	11,446,921.00
Authority's proportionate share of net pension liability as a % of payroll	258.29%	346.71%	511.78%	319.44%	289.50%
Total pension liability	40,325,601.17	45,465,789.60	68,080,650.38	73,921,290.18	69,154,727.12
Plan fiduciary net position	21,613,332.91	21,869,021.39	27,325,402.38	35,429,037.79	36,016,337.12
Plan fiduciary net position as a % of total pension liability	53.60%	48.10%	40.14%	47.93%	52.08%

(1) Data not available prior to FY 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, 2018**

	PERS - Last 10 Fiscal Years				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 945,309.00	\$ 939,063.00	\$ 1,222,481.00	\$ 1,474,211.00	\$ 1,527,382.00
Contributions in relation to the contractually required contribution	945,309.00	939,063.00	1,222,481.00	1,474,211.00	1,527,382.00
Agency's covered employee payroll	7,244,806.00	6,805,889.00	7,963,473.00	12,049,996.00	11,446,921.00
Contributions as a % of covered employee payroll	13.05%	13.80%	15.35%	12.23%	13.34%

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

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY  
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SCHEDULE OF CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFITS  
Year Ended December 31, 2018

	Last 10 Fiscal Years		
	2018	2017	2016
Proportion of the total OPEB liability	0.198912%	0.194440%	0.238124%
Proportionate share of total OPEB liability	\$ 31,788,332	\$ 40,111,114	\$ 52,072,489
Contributions	\$ 1,541,159	\$ 1,672,977	\$ 1,711,301

(1) In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Authority's Contributions and Schedule of Authority's Proportionate Share of Total OPEB Liability and Contributions, however, only three years of data are available at this time.

**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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 13, 2019. 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*

December 13, 2019

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

**SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

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None reported.

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

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

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None reported.