

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

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

December 31, 2020

**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, 2020, 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
Sports Complex Enterprise Fund	Qualified
Solid Waste Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

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

In our opinion, except for the effect of the matters 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 activities and Sports Complex Enterprise Fund of the Authority as of December 31, 2020, 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 activities and Sports Complex Enterprise Fund, and the aggregate remaining fund information of the Authority, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters

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, schedule of Authority contributions-PERS, and 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 April 18, 2022, 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 the Authority's 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.

Mercadieu, P.C.

Certified Public Accountants

April 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2020

Introduction to the Annual Report

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

Management's Discussion and Analysis:

- This section of the New Jersey Sports and Exposition Authority's ("Authority" or "NJSEA"), a component unit of the State of New Jersey, financial statements presents an overview of the Authority's financial performance for the year ended December 31, 2020. It provides an assessment of how the Authority's financial 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 Statement of Net Position, which provides 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 Statement of Net Activities which accounts 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 provides 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.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2020

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 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 in the amount of \$160,000,000 through 2019. 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 was realized by amortizing the upfront payment over 18 years, starting in 2003 and ending in 2019.

The first stage of the complex's opening occurred October 25, 2019, with the opening of the Nickelodeon Universe Theme Park and The Rink, an NHL regulation size ice rink. The second stage of the opening occurred on December 5, 2019, with the opening of Big Snow, the indoor ski and snowboard resort. The third stage of the opening which included DreamWorks Water Park, Sea Life Aquarium, and Retail Shops were scheduled to open in the spring of 2020, but delayed due to the coronavirus pandemic. DreamWorks Water Park and selected retail shops opened on October 1, 2020. Sea Life Aquarium, Legoland and additional retail shops opened in 2021.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2020

The Authority's Business (Continued)

Monmouth Park Racetrack - Oceanport, New Jersey (Continued)

commissions on live and simulcast pari-mutuel wagering, parking, admissions, program and concessions sales.

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

New Jersey Account Wagering System (4NJBets)

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

The Greater Wildwoods Convention Center - Wildwood, New Jersey

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

Other -The towns of Wildwood, North Wildwood and Wildwood Crest impose a tourism tax on retail sales. A portion of these revenues is 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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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2020

The Authority's Business (Continued)

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 2020. 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 (2020)

Total business-type operating revenues were \$26.7M in 2020, Solid Waste accounted for \$4.4M of that total with Sports & Entertainment Facilities contributing another \$22.3M. Total business-type operating expenses (before depreciation and amortization) were \$49.2M for the year; of which \$41.2M were associated with Sports & Entertainment Facilities, \$1.0M were associated with management and administrative expenses and \$7.0M 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	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 5,229,620	\$ 17,784,327	\$ 38,151,262	\$ 40,846,273	\$ 43,380,882	\$ 58,630,600
Investment in Facilities	23,536,557	24,099,669	265,438,151	273,845,366	288,974,708	297,945,035
Non-Current Assets	-	-	13,551,157	17,395,181	13,551,157	17,395,181
	28,766,177	41,883,996	317,140,570	332,086,820	345,906,747	373,970,816
Deferred Outflows of Resources	10,360,248	3,451,709	5,166,765	1,983,017	15,527,013	5,434,726
Current and Other Liabilities	1,164,497	672,834	8,130,095	9,533,637	9,294,592	10,206,471
Long-Term Liabilities	37,044,495	29,566,894	90,424,560	82,796,549	127,469,055	112,363,443
Total Liabilities	38,208,992	30,239,728	98,554,655	92,330,186	136,763,647	122,569,914
Deferred Inflows of Resources	21,312,496	25,158,038	51,978,762	54,326,297	73,291,258	79,484,335
Net Position	\$ (20,395,063)	\$ (10,062,061)	\$ 171,773,918	\$ 187,413,354	\$ 151,378,855	\$ 177,351,293

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2020

Condensed Statements of Net Activities

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Operating Revenues and Expenses						
Operating Revenues	\$ 1,068,196	\$ 1,083,749	\$ 26,682,525	\$ 40,947,308	\$ 27,750,721	\$ 42,031,057
Operating Expenses Excluding Depreciation	(10,952,587)	(7,112,169)	(48,794,659)	(43,107,696)	(59,747,246)	(50,219,865)
Operating Revenues Net of Depreciation and Amortization	(9,884,390)	(6,028,420)	(22,112,134)	(2,160,388)	(31,996,525)	(8,188,808)
Depreciation and Amortization Expense	(619,140)	(605,404)	(8,687,239)	(8,687,239)	(9,306,379)	(9,292,643)
Operating Gain/(Loss)	(10,503,531)	(6,633,824)	(30,799,373)	(10,847,627)	(41,302,904)	(17,481,451)
Non Operating Income and Expenses						
Luxury Tax, Marketing Fee and Tourism Tax	-	-	3,444,861	4,779,749	3,444,861	4,779,749
State Subsidy	-	-	11,500,000	15,000,000	11,500,000	15,000,000
Interest and Other Income/(Expenses)	170,529	13,947,616	215,076	6,650,065	385,605	20,597,681
Total Non Operating Income	170,529	13,947,616	15,159,937	26,429,814	15,330,466	40,377,430
Changes in Net Position	\$ (10,333,002)	\$ 7,313,792	\$ (15,639,436)	\$ 15,582,187	\$ (25,972,438)	\$ 22,895,979

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

Complex Operations

- 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 have 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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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Economic Conditions (Continued)

Complex Operations (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 2019 in the amount of \$160,000,000. Revenue was realized by amortizing the upfront payment through 2019.
- 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 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.
- 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 October 25, 2019, the initial phase of the American Dream retail/entertainment complex 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. Due to the coronavirus pandemic, the opening of DreamWorks Water Park, Sea Life Aquarium, Legoland, and the retail shops, was delayed to the fall of 2020 and spring of 2021.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Economic Conditions (Continued)

Solid Waste

- 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 valuation determined by the NJSEA of \$1,880,000. A ruling on the appeal by the Town of Kearny of the Superior Court of New Jersey decision had not been made as of December 31, 2020.
- 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 (H₂S) 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 H₂S 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 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. On December 10, 2019, the Appellate Division granted a motion for leave to appeal the permanent injunction issued by the Hudson County Superior Court.
- 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.
- On December 19, 2019, the Board of Commissioners of NJSEA approved resolution 2019-48, authorizing the President and CEO to take the necessary steps to settle the matters regarding the Keegan Landfill and the Town of Kearny. The settlement will be in the form of a Judicial Consent Order and will memorialize, among other terms, the permanent closure of the Keegan Landfill.
- On March 6, 2020, the Judicial Consent Order memorialized the closing of the Keegan Landfill, among other settlement terms.
- Pursuant to one of the terms of the Judicial Consent Order, clear cover material was imported into the site as part of capping and contouring the landfill.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Economic Conditions (Continued)

Solid Waste (Continued)

- On April 9, 2020, the appeal of the Superior Court of New Jersey decision was denied, and the ruling of the valuation of the Keegan Landfill at \$1,880,000 was upheld.
- On May 9, 2020, the Town of Kearny petitioned the New Jersey Supreme Court for Certification. On June 30, 2020, the Court denied the Town's petition.

Arena

- In 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.

Wildwoods Convention Center	2020	2019	2018
Number of Event Days	23	221	186
Total Attendance	17,163	174,548	144,544
Net Event Income	\$ 196,821	\$ 908,278	\$ 701,536

Capital Assets

At the end of 2020, the Authority had a net investment in capital assets of \$293,417,486 at a total capital cost of \$720,734,800 net of accumulated depreciation of \$427,317,314 as shown below.

	December 31, 2019	Additions	Transfers and Deletions	December 31, 2020
Meadowlands Sports Complex	\$ 530,015,349	\$ 654,286	\$ (322,843)	\$ 530,346,792
Monmouth Park Racetrack	62,314,429	-	-	62,314,429
Wildwoods Convention Center	59,012,837	22,313	-	59,035,150
Lyndhurst	41,050,597	56,028	-	41,106,625
Transportation Planning District	7,929,508	-	-	7,929,508
Solid Waste	20,000,120	2,175	-	20,002,295
Total Investment in Facilities	720,322,841	734,802	(322,843)	720,734,800
Less Accumulated Depreciation	(417,406,394)	(9,910,920)	-	(427,317,314)
Investment in Facilities Net of Accumulated Depreciation	\$ 302,916,447	\$ (9,176,118)	\$ (322,843)	\$ 293,417,486

Additions to capital assets during 2020 consisted of normal purchases and improvement of infrastructure, mechanical systems, as well as various safety upgrades.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2020

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

See Note Y for information on significant events occurring after December 31, 2020, through the report date.

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, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 14,042,168	\$ 10,697,306	\$ 24,739,474
Receivables, Net	143,343	5,693,385	5,836,728
Other Assets	8,595	291,666	300,261
Internal Balances	(8,979,177)	8,979,177	-
Account Receivables - Fiduciary Funds	14,691	1,268,496	1,283,187
Capital Assets			
Non Depreciable	20,154,401	117,149,000	137,303,401
Depreciable	3,382,156	148,289,151	151,671,307
Non Current Assets			
Investments	-	7,099,354	7,099,354
Notes Receivable	-	5,918,803	5,918,803
Other Assets	-	533,000	533,000
Restricted Assets			
Cash	-	2,172,082	2,172,082
Investments	-	9,049,150	9,049,150
TOTAL ASSETS	28,766,177	317,140,570	345,906,747
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	2,875,568	1,600,685	4,476,253
Related to post-employment benefits	7,484,680	3,566,080	11,050,760
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,360,248	5,166,765	15,527,013
LIABILITIES			
Accounts Payable and Accrued Liabilities	938,403	7,488,053	8,426,456
Unearned Revenue	226,094	642,042	868,136
Long-Term Liabilities	37,044,495	90,424,560	127,469,055
TOTAL LIABILITIES	38,208,992	98,554,655	136,763,647
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	6,955,878	4,141,225	11,097,103
Related to post-employment benefits	14,356,618	6,840,220	21,196,838
Related to other activities	-	40,997,317	40,997,317
TOTAL DEFERRED INFLOWS OF RESOURCES	21,312,496	51,978,762	73,291,258
NET POSITION			
Net Investment in Capital Assets	23,536,557	263,199,837	286,736,394
Restricted for Statutory Requirements	3,672,234	23,970,079	27,642,313
Unrestricted (deficit)	(47,603,854)	(115,395,998)	(162,999,852)
TOTAL NET POSITION	\$ (20,395,063)	\$ 171,773,918	\$ 151,378,855

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

STATEMENT OF NET ACTIVITIES

Year Ended December 31, 2020

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Governmental activities:					
General Fund	\$ (10,358,285)	\$ 1,052,780	\$ (9,305,505)	\$ -	\$ (9,305,505)
Environmental Center	(876,999)	-	(876,999)	-	(876,999)
MAGNET Fund	(3,843)	-	(3,843)	-	(3,843)
MERI	(332,600)	15,416	(317,184)	-	(317,184)
Total governmental activities	(11,571,727)	1,068,196	(10,503,531)	-	(10,503,531)
Business-type activities:					
Sports Complex	(49,423,942)	22,264,227	-	(27,159,715)	(27,159,715)
Solid Waste	(8,057,956)	4,418,298	-	(3,639,658)	(3,639,658)
Total business-type activities	(57,481,898)	26,682,525	-	(30,799,373)	(30,799,373)
Total primary government	\$ (69,053,625)	\$ 27,750,721	\$ (10,503,531)	\$ (30,799,373)	\$ (41,302,904)
General and program revenues:					
Investment earnings			\$ 141,009	\$ 177,169	\$ 318,178
Lease revenue			939,865	-	939,865
Rental income solar			207,002	-	207,002
Composting revenues			159,215	-	159,215
Other			72,756	37,907	110,663
State subsidy			-	11,500,000	11,500,000
Tourism Tax			-	3,444,861	3,444,861
Transfer of Renewable Energy reserved funds to Special Escrow			(1,349,318)	-	(1,349,318)
Total general revenues			170,529	15,159,937	15,330,466
Changes in Net Position			(10,333,002)	(15,639,436)	(25,972,438)
Net Position - beginning			(10,062,061)	187,413,354	177,351,293
Net Position - ending			\$ (20,395,063)	\$ 171,773,918	\$ 151,378,855

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

BALANCE SHEET – GOVERNMENTAL FUNDS

December 31, 2020

	General Fund	Environmental Center Fund	MAGNET Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 8,592,114	\$ -	\$ 2,168,895	\$ -	\$ 10,761,009
Investments	3,239,142	-	30,517	11,500	3,281,159
Accounts receivable, net	143,343	-	-	-	143,343
Prepaid expenditures	8,596	-	-	-	8,596
Due from other funds	16,236,343	295,829	67,866	12,692	16,612,730
Total Assets	28,219,538	295,829	2,267,278	24,192	30,806,837
Liabilities and Fund Balances					
Accounts payable	21,859	3,490	-	-	25,349
Accrued expenses	1,110,732	28,416	-	-	1,139,148
Due to other funds	22,967,433	2,359,079	249,307	1,399	25,577,218
Total Liabilities	24,100,024	2,390,985	249,307	1,399	26,741,715
Fund Balances					
Restricted for:					
Open Space Acquisition	46,000	-	-	-	46,000
Insurance	25,000	-	-	-	25,000
Other	55,924	-	-	1,000	56,924
Committed to:					
Project Commitments	-	-	533,317	-	533,317
Assigned	1,373,000	(2,095,156)	1,484,654	21,793	784,291
Unassigned	2,619,590	-	-	-	2,619,590
Total Fund Balances	4,119,514	(2,095,156)	2,017,971	22,793	4,065,122
Total Liabilities & Fund Balances	\$ 28,219,538	\$ 295,829	\$ 2,267,278	\$ 24,192	\$ 30,806,837

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

Total Fund Balance	\$ 4,065,122
Capital Assets in governmental activities are not financial resources and therefore are not reported in the funds	23,536,557
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds	(37,044,494)
Deferred outflows and inflows related to pension and other post-employment benefits are not reported in the funds	(10,952,248)
Total Governmental Activities Net Position	\$ (20,395,063)

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, 2020

	General Fund	Environmental Center Fund	MAGNET Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Composting revenues	\$ 159,215	\$ -	\$ -	\$ -	\$ 159,215
Lease revenue	939,865	-	-	-	939,865
MCT reimbursement for services	175,000	-	-	-	175,000
Fee income	877,780	-	-	-	877,780
MERI revenues	-	-	15,416	-	15,416
Other income	73,655	-	-	-	73,655
Rental income-solar	207,002	-	-	-	207,002
Interest income	133,122	-	6,924	61	140,107
Total Revenue	2,565,639	-	22,340	61	2,588,040
Expenditures:					
Current:					
Authority operations	12,811,044	-	-	-	12,811,044
Kearny 1-A access agreement	20,000	-	-	-	20,000
Environmental Center operations	-	277,000	-	-	277,000
Ramapo College Partnership	250	600,000	-	-	600,250
MAGNET expenditures	-	-	3,843	-	3,843
MERI expenditures	-	-	332,600	-	332,600
Transfer of Renewable Energy reserved funds to Fiduciary Funds	1,349,318	-	-	-	1,349,318
Other expenditures	175,850	-	-	-	175,850
Capital Outlay	64,506	-	-	-	64,506
Total Expenditures	14,420,968	877,000	336,443	-	15,634,411
Changes in Fund Balances	(11,855,329)	(877,000)	(314,103)	61	(13,046,371)
Fund Balance, beginning of year	15,974,843	(1,218,156)	2,332,074	22,732	17,111,493
Fund Balance, end of year	\$ 4,119,514	\$ (2,095,156)	\$ 2,017,971	\$ 22,793	\$ 4,065,122

Net changes to fund balance - total governmental funds \$ (13,046,371)

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

Capital outlays	(64,506)
Depreciation expense	(619,140)
Pension expense	2,374,492
Post-employment healthcare benefits	1,022,523

Change in net position of governmental activities \$ (10,333,002)

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

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

December 31, 2020

	Sports Complex Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
ASSETS			
Current Assets			
Cash and Investments	\$ 9,920,177	\$ 777,129	\$ 10,697,306
Due from State of New Jersey	291,666	-	291,666
Receivables, Net	3,790,393	1,902,992	5,693,385
Due from other funds	16,678,273	22,721,217	39,399,490
Total Current Assets	30,680,509	25,401,338	56,081,847
Non Current Assets			
Investments	-	7,099,354	7,099,354
Notes Receivable	5,918,803	-	5,918,803
Other Assets	533,000	-	533,000
Restricted Assets			
Cash	247,830	1,924,252	2,172,082
Investments	-	9,049,150	9,049,150
Capital Assets, net	265,361,180	76,971	265,438,151
Total Non Current Assets	272,060,813	18,149,727	290,210,540
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	230,436	1,370,249	1,600,685
Related to other post-employment benefits	-	3,566,080	3,566,080
TOTAL DEFERRED OUTFLOWS OF RESOURCES	230,436	4,936,329	5,166,765
LIABILITIES			
Current Liabilities			
Accounts Payable	152,902	302,173	455,075
Accrued Liabilities	5,014,781	1,069,599	6,084,380
Interest payable on bonds and notes	948,598	-	948,598
Unearned Revenue	531,869	110,173	642,042
Other Long-Term Liabilities - current portion	3,402,708	42,801	3,445,509
Bonds Payable - current portion	15,000	-	15,000
Due to other funds	15,859,780	13,292,037	29,151,817
Total Current Liabilities	25,925,638	14,816,783	40,742,421
Long-Term Liabilities			
Other Long-Term Liabilities - noncurrent portion	60,641,420	5,400,466	66,041,886
Net Pension Obligation	1,699,758	5,160,660	6,860,418
Net OPEB Liability	-	11,838,433	11,838,433
Bonds Payable - noncurrent portion	2,223,314	-	2,223,314
Total Long-Term Liabilities	64,564,492	22,399,559	86,964,051
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	826,649	3,314,576	4,141,225
Related to other post-employment benefits	-	6,840,220	6,840,220
Related to other activities	40,997,317	-	40,997,317
TOTAL DEFERRED INFLOWS OF RESOURCES	41,823,966	10,154,796	51,978,762
NET POSITION			
Net Investment in Capital Assets	263,122,866	76,971	263,199,837
Restricted for Statutory Requirements	247,830	23,722,249	23,970,079
Unrestricted	(92,713,034)	(22,682,964)	(115,395,998)
TOTAL NET POSITION	\$ 170,657,662	\$ 1,116,256	\$ 171,773,918

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, 2020

	Sports Complex Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
OPERATING REVENUES:			
Sports Complex	\$ 11,892,017	\$ -	\$ 11,892,017
Convention Center	1,116,384	-	1,116,384
Solid Waste Revenues	-	4,418,298	4,418,298
Other Operating Revenue	9,217,917	-	9,217,917
Total Operating Revenues	22,226,318	4,418,298	26,644,616
OPERATING EXPENSES:			
Sports Complex	23,862,425	-	23,862,425
Convention Center	4,869,106	-	4,869,106
Solid Waste Expenses	-	14,500	14,500
General and Administrative	-	1,011,245	1,011,245
Payment in Lieu of Taxes	12,508,706	82,362	12,591,068
Parks and Open Space	-	161,827	161,827
MERI Operations	-	2,394	2,394
Depreciation and Amortization	8,241,553	13,551	8,255,104
Closure Expenses	-	6,772,076	6,772,076
Total Operating Expenses	49,481,790	8,057,955	57,539,745
OPERATING INCOME/(LOSS)	(27,255,472)	(3,639,657)	(30,895,129)
NON-OPERATING INCOME AND (EXPENSES):			
State Appropriation	11,500,000	-	11,500,000
Tourism Tax Revenue	3,444,861	-	3,444,861
Interest Income	37,910	272,922	310,832
Total Non-Operating Income	14,982,771	272,922	15,255,693
CHANGES IN NET POSITION	(12,272,701)	(3,366,735)	(15,639,436)
NET POSITION - Beginning of Year	182,930,363	4,482,991	187,413,354
NET POSITION - End of Year	\$ 170,657,662	\$ 1,116,256	\$ 171,773,918

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, 2020

	Sports Complex Enterprise Fund	Solid Waste Enterprise Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 20,867,375	\$ 117,696	\$ 20,985,071
Payments to employees	(9,357,671)	(1,313,764)	(10,671,435)
Payments to suppliers	(29,109,663)	(1,388,103)	(30,497,766)
Receipts from quasi-external operating transactions	2,644,691	2,417,186	5,061,877
Beneficial reuse materials	-	4,299,214	4,299,214
Net cash from operating activities	(14,955,268)	4,132,229	(10,823,039)
Cash Flows from Noncapital Financing Activities			
Tourism tax revenues	3,444,861	-	3,444,861
Landfill remediation and post-closure	-	(6,772,076)	(6,772,076)
Net cash from noncapital financing activities	3,444,861	(6,772,076)	(3,327,215)
Cash Flows from Capital and Related Financing Activities			
State appropriations	11,500,000	-	11,500,000
Purchase of capital assets	(353,756)	(2,175)	(355,931)
Repayment of racetrack loans	2,667,490	-	2,667,490
Net cash from capital financing activities	13,813,734	(2,175)	13,811,559
Cash Flows from Investing Activities			
Interest	-	267,831	267,831
Sales of investments	-	2,272,068	2,272,068
Net cash from investing activities	-	2,539,899	2,539,899
Net change in cash and cash equivalents	2,303,327	(102,123)	2,201,204
Cash and equivalents, beginning of year	7,616,850	879,252	8,496,102
Cash and equivalents, end of year	\$ 9,920,177	\$ 777,129	\$ 10,697,306
Reconciliation of operating (loss) income to net cash provided by (used) by operating activities:			
Operating (loss) income	\$ (27,255,472)	\$ (3,639,657)	\$ (30,895,129)
Depreciation expense	8,749,596	13,551	8,763,147
Landfill remediation and post-closure	-	6,772,076	6,772,076
Change in assets and liabilities:			
(Increase)/Decrease In Receivables, net	(1,396,851)	38,450	(1,358,401)
(Increase)/Decrease In Other Assets	-	-	-
(Increase)/Decrease In Deferred Outflows	107,869	(3,291,617)	(3,183,748)
(Decrease)/Increase In Deferred Inflows	(515,210)	(1,832,321)	(2,347,531)
(Decrease)/Increase in Accounts Payable & Accrued Liabilities	(1,327,639)	212,570	(1,115,069)
(Decrease)/Increase in Other Liabilities	4,237,945	3,664,491	7,902,436
(Decrease)/Increase in Deferred Revenue	(180,493)	(222,500)	(402,993)
Due to(from) other funds	2,644,691	2,417,186	5,061,877
Other	(19,704)	-	(19,704)
Net cash from operating activities	\$ (14,955,268)	\$ 4,132,229	\$ (10,823,039)

See notes to financial statements.

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

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

December 31, 2020

	Special Escrow	Transportation Planning	Total
ASSETS			
Cash and Investments	\$ 7,553,394	\$ 5,293,421	\$ 12,846,815
Receivables, Net	-	-	-
Interfund Receivable	-	355,533	355,533
Capital Assets - Depreciable, Net	-	4,442,778	4,442,778
TOTAL ASSETS	7,553,394	10,091,732	17,645,126
LIABILITIES			
Accounts Payable & Accrued Liabilities	182	748,625	748,807
Construction Deposits	288,223	-	288,223
Rutherford Post-Closure Security	160,395	-	160,395
Interfund Payable	1,359,724	278,996	1,638,720
Security Deposits	128,718	-	128,718
Contract Retainage Payable	573,594	-	573,594
TOTAL LIABILITIES	2,510,836	1,027,621	3,538,457
NET POSITION			
Invested in Capital Assets, Net	-	4,442,778	4,442,778
Blackstrap Broadcasting Escrow	2,258,078	-	2,258,078
Bloomberg Escrow	2,064,755	-	2,064,755
Reserve for Mitigation	262,809	-	262,809
Main Street Program	153,480	-	153,480
Renewable Energy Reserve	1,514,169	-	-
Other	(1,210,733)	4,621,333	3,410,600
TOTAL NET POSITION	\$ 5,042,558	\$ 9,064,111	\$ 14,106,669

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

Year Ended December 31, 2020

	Special Escrow	Transportation Planning	Total
Additions			
Transportation Planning District Fees	\$ -	\$ 676,828	\$ 676,828
Transfer of Renewable Energy reserved funds from Governmental Funds	-	-	-
Bloomberg Lease Revenue	134,933	-	134,933
Interest	21,902	16,212	38,114
Blackstrap Escrow	6,748	-	6,748
	<u>163,583</u>	<u>693,040</u>	<u>856,623</u>
Deductions			
Mitigation Expenses	159,699	-	159,699
MASSTR Grant Expenditures	-	1,661,000	1,661,000
MASSTR General Expenditures	-	-	-
	<u>159,699</u>	<u>1,661,000</u>	<u>1,820,699</u>
Changes in Net Position	3,884	(967,960)	(964,076)
Net Position, Beginning of Year	3,689,356	10,560,705	14,250,061
Adjustments to Net Position			
Transfer of Renewable Energy reserved funds from Governmental Funds	1,349,318	-	1,349,318
Depreciation Expense	-	(528,634)	(528,634)
	<u>1,349,318</u>	<u>(528,634)</u>	<u>820,684</u>
Net Position, End of Year	\$ 5,042,558	\$ 9,064,111	\$ 14,106,669

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

NOTES TO FINANCIAL STATEMENTS

A. ORGANIZATION

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

The Authority has no stockholders or equity holders, and all bond proceeds, revenues, or other cash received must be applied for specific purposes in accordance with the provisions of the Act, and related bond resolutions, for the security of the bondholders. The Authority's Board consists of the President of the Authority, the State Treasurer, and a member of the Hackensack Meadowlands Municipal Committee ("HMMC") 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
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Reporting Entity (Continued)

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

(b) Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("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's governmental and proprietary funds 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

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).

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

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

(d) Net Position

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

- *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 is 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.

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NOTES TO FINANCIAL STATEMENTS

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; sales of property; 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.

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NOTES TO FINANCIAL STATEMENTS

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, 2020. 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) *Payment in Lieu of Taxes (PILOT)*

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

(n) *Cash and Investments*

Cash and investments include short-term investments that are carried at cost, which approximates market. The Authority considers all highly liquid investments with a maturity of ninety days or less when purchased to be cash equivalents. Restricted cash investments include

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NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Cash and Investments (Continued)

short-term investments that are required for a specific purpose related to restrictions that may be contained in bond resolutions.

(o) 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.

(p) Other Assets

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

(q) Deferred Outflows and Deferred Inflows of Resources

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

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

Deferred outflows are related to pension and other post-employment benefits. Deferred inflows are related to pension, other post-employment benefits, and other financing activity.

(r) Income Taxes

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

(s) Recent Accounting Standards

The Authority has evaluated the following pronouncements and their impact on the financial statements. The adoption of these statements had no effect on previously reported amounts.

- GASB Statement 84 – *Fiduciary Activities*, 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, 2019.
- GASB Statement 90 – *Majority Equity Interest – an Amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2019.

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NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Pending Accounting Standards

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

- GASB Statement 87 – *Leases*, effective for periods beginning after June 15, 2021.
- GASB Statement 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for periods beginning after December 15, 2020.
- GASB Statement 91 – *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.
- GASB Statement 92 – *Omnibus 2020*. This statement clarifies the effective date of GASB Statement 87 and addresses other topics that are required to be adopted by the Commission for the year ended December 31, 2022.
- GASB Statement 93 – *Replacement of Interbank Offered Rates*, effective for periods beginning after June 15, 2021.
- GASB Statement 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for periods beginning after June 15, 2022.
- GASB Statement 95 - Postponement of the Effective Dates of Certain Authoritative Guidance. This statement postpones the effective dates of applicable pending Statements described above. The effective dates mentioned above are the applicable postponed dates as prescribed by GASB Statement 95.
- GASB Statement 96 - Subscription-Based Information Technology Arrangements, effective for periods beginning after June 15, 2022.
- GASB Statement 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB No. 32, effective for periods beginning after June 15, 2021.
- GASB Statement 98, The Annual Comprehensive Financial Report, effective for periods beginning after December 15, 2021.

C. CASH AND INVESTMENTS

The components of cash and investments are as follows:

	Balance December 31, 2020	Fiduciary Fund Balance December 31, 2020
Cash and Investments:		
Unrestricted:		
Cash on Hand	\$ 13,935,678	\$ 12,846,815
Investments	10,338,496	-
NJ Cash Management Fund	7,564,654	-
Unrestricted Cash and Investments	<u>31,838,828</u>	<u>12,846,815</u>
Restricted:		
Investments	9,049,150	-
NJ Cash Management Fund	2,172,082	-
Restricted Cash and Investments	<u>11,221,232</u>	
Total Cash and Investments	<u>\$ 43,060,060</u>	<u>\$ 12,846,815</u>

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NOTES TO FINANCIAL STATEMENTS

C. CASH AND INVESTMENTS (CONTINUED)

For 2020, restricted cash and investments includes \$247,830 on the Camden Aquarium project which is part of the operations of the Wildwoods Convention Center.

All demand deposits and certificates of deposit, except deposits held by the trustee, of any depository must be fully secured by lodging collateral security of obligations secured by the United States with the trustee or bank designated by the Trustee. At December 31, 2020, 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 permits 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.

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NOTES TO FINANCIAL STATEMENTS

D. INVESTMENT IN FACILITIES (CONTINUED)

	December 31, 2019	Additions	Transfers and Deletions	December 31, 2020
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 20,154,401	\$ -	\$ -	\$ 20,154,401
Construction in progress	-	11,130	-	11,130
Total capital assets not being depreciated	20,154,401	11,130	-	20,165,531
Capital assets that are being depreciated:				
Building and building improvements	17,020,224	-	-	17,020,224
Machinery and equipment	3,875,971	44,898	-	3,920,869
Total at historical costs	20,896,195	44,898	-	20,941,093
Less accumulated depreciation for:				
Building and building improvements	(11,877,624)	(577,768)	-	(12,455,392)
Machinery and equipment	(5,073,303)	(41,372)	-	(5,114,675)
Total accumulated depreciation	(16,950,927)	(619,140)	-	(17,570,067)
Total capital assets being depreciated net of accumulated depreciation	3,945,268	(574,242)	-	3,371,026
Governmental activities capital assets, net	\$ 24,099,669	\$ (563,112)	\$ -	\$ 23,536,557
Business-Type Activities:				
Capital assets that are not being depreciated:				
Land	\$ 117,149,000	\$ -	\$ -	\$ 117,149,000
Building and building improvements (1)	39,868,193	-	-	39,868,193
Construction in progress	322,843	-	(322,843)	-
Total capital assets not being depreciated	157,340,036	-	(322,843)	157,017,193
Capital assets that are being depreciated:				
Building and building improvements	347,683,855	380,907	-	348,064,762
Machinery and equipment	87,169,252	297,867	-	87,467,119
Total at historical costs	434,853,107	678,774	-	435,531,881
Less accumulated depreciation for:				
Building and building improvements	(238,209,860)	(7,775,751)	-	(245,985,611)
Machinery and equipment	(80,137,917)	(987,395)	-	(81,125,312)
Total accumulated depreciation	(318,347,777)	(8,763,146)	-	(327,110,923)
Total capital assets being depreciated net of accumulated depreciation	116,505,330	(8,084,372)	-	108,420,958
Capital assets that are being amortized:				
Landfills	5,902,136	-	-	5,902,136
Total at historical costs	5,902,136	-	-	5,902,136
Less accumulated amortization for:				
Landfills	(5,902,136)	-	-	(5,902,136)
Total accumulated amortization	(5,902,136)	-	-	(5,902,136)
Total landfill life being amortized net of accumulated amortization	-	-	-	-
Business-Type activities capital assets, net	\$ 273,845,366	\$ (8,084,372)	\$ (322,843)	\$ 265,438,151
Fiduciary Activities:				
Capital assets that are being depreciated:				
Infrastructure	\$ 7,929,508	\$ -	\$ -	\$ 7,929,508
Total at historical costs	7,929,508	-	-	7,929,508
Less accumulated depreciation for:				
Infrastructure	(2,958,096)	(528,634)	-	(3,486,730)
Total accumulated depreciation	(2,958,096)	(528,634)	-	(3,486,730)
Total fiduciary assets being depreciated net of accumulated depreciation	\$ 4,971,412	\$ (528,634)	\$ -	\$ 4,442,778

(1) Building and Building Improvements not being depreciated represent the net book value of the Arena, a non performing asset, as of December 31, 2020.

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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, 2020, of \$5,918,803 is comprised of the NJTHA's balance. The notes carry an annual interest rate of 3%.

The Notes Receivable schedule is as follows:

Year	New Jersey Thoroughbred Horsemen's Association
2021	\$ 1,799,281
2022	1,224,100
2023	2,159,062
2024	736,360
	<u>\$ 5,918,803</u>

F. LONG-TERM LIABILITIES

During 2020, the following changes in components of long-term liabilities were:

	Balance December 31, 2019	Issued	Retired	Balance December 31, 2020	Due Within One Year
Governmental Activities:					
PERS Pension Liability	\$ 10,894,769	\$ -	\$ (64,749)	\$ 10,830,020	\$ -
Chapter 19, P.L. 2009 Liability	323,211	-	(23,212)	299,999	-
Compensated Absences	874,218	193,122	-	1,067,340	193,122
Other Post-Employment Benefits	17,474,696	7,372,440	-	24,847,136	-
	<u>\$ 29,566,894</u>	<u>\$ 7,565,562</u>	<u>\$ (87,961)</u>	<u>\$ 37,044,495</u>	<u>\$ 193,122</u>
Business-Type Activities:					
NJSEA Enterprise					
Bonds and Notes Payable	\$ 2,253,314	\$ -	\$ (15,000)	\$ 2,238,314	\$ 15,000
PERS Pension Liability	1,880,788	-	(181,030)	1,699,758	-
Chapter 19, P.L. 2009 Liability	-	-	-	-	-
Workmans' Comp Claims	6,711,631	1,126,846	(1,137,220)	6,701,257	1,137,220
Compensated Absences	67,053	498,683	(473,636)	92,100	498,683
Union Pension Liabilities	50,127,891	4,580,479	(409,296)	54,299,074	1,635,687
Environmental Remediation	2,320,000	130,000	-	2,450,000	130,000
Other Liabilities	500,578	1,119	-	501,697	1,118
Solid Waste Enterprise					
Closure Liabilities	5,001,252	-	-	5,001,252	-
PERS Pension Liability	5,191,514	-	(30,854)	5,160,660	-
Chapter 19, P.L. 2009 Liability	253,199	-	(17,485)	235,714	-
Other Post-Employment Benefits	8,325,829	3,512,604	-	11,838,433	-
Compensated Absences	163,500	42,801	-	206,301	42,801
	<u>\$ 82,796,549</u>	<u>\$ 9,892,532</u>	<u>\$ (2,264,521)</u>	<u>\$ 90,424,560</u>	<u>\$ 3,460,509</u>

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

G. BONDS AND NOTES PAYABLE

Bonds and notes payable consist of the following:

	NJDEP	Wildwood		
	Trust Loan	Bonds	Interest	Total
		Payable		
2021	\$ 15,000	\$ 1,541,404	\$ 23,223	\$ 1,579,627
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>\$ 60,000</u>	<u>\$ 2,178,314</u>	<u>\$ 58,928</u>	<u>\$ 2,297,242</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 ("GWTIDA") 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 GWTIDA 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 2020, 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 2020 were \$54,457.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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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, 2020</u>
Loan from the NJDEP Infrastructure Trust Loan through August 1, 2024, at various rates between 3% and 5%	3/1/2010	\$180,000	<u>\$60,000</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 NJDEP Infrastructure Fund Loan was paid off in 2019. The interest on the NJDEP Infrastructure Trust Loan was calculated between 3.00% and 5.00% and is for a term of 24 years. Interest cost for 2020 on the NJDEP Infrastructure Trust Loan was \$3,387.

H. OPERATING LEASES

The Authority has commitments to lease certain buildings and office equipment under operating leases that expire through 2035. Total operating lease payments made during the year ended December 31, 2020, were \$259,453. Future minimum lease payments are as follows:

<u>Years Ended December 31,</u>	<u>Amount</u>
2021	\$ 268,695
2022	250,690
2023	228,719
2024	229,729
2025	232,738
2026-2030	1,189,177
2031-2035	158,557
	<u>\$ 2,558,305</u>

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

I. CONDUIT DEBT

State Contract Bonds

The 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, 2020, was \$153,880,000. 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. The principal amount outstanding on the State Contract Bonds at December 31, 2020, was \$287,000,000. 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. The principal amount outstanding on the State Contract Bonds at December 31, 2020, was \$800,000,000. 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 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).

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

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 three 10-year renewal terms. NJTHA is currently in the first of three 10-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 two 10-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 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 additional renewal terms of 174 months each.

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NOTES TO FINANCIAL STATEMENTS

K. GROUND LEASES (CONTINUED)

Jets Training Facility

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

The initial term of the Jets Training Facility Lease is for 17 years with sixteen additional renewal terms of 5 years each and a final renewal term of 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"). The first stage of the complex's opening occurred October 25, 2019, with the opening of the Nickelodeon Universe Theme Park and The Rink, an NHL regulation size ice rink. The second stage of the opening occurred on December 5, 2019, with the opening of Big Snow, the indoor ski and snowboard resort. Future stages will include the DreamWorks Water Park, Sea Life Aquarium attraction, as well as the retail segments within the complex. 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.

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NOTES TO FINANCIAL STATEMENTS

K. GROUND LEASES (CONTINUED)

American Dream Project (Continued)

Office A-B Component

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

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

Office C-D Component

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

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

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. K2 Towers, LLC 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, 2033, with two renewal terms of 10 years each.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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K. GROUND LEASES (CONTINUED)

Sports Complex Cell Tower Leases (Continued)

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. K2 Towers, LLC 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 renewal terms of 10 years each.

AT&T Wireless Lease

On January 10, 2001, the Authority entered into a Lease Agreement with AT&T Wireless Services to lease certain space for the purpose of installing wireless communication equipment on the Meadowlands Arena. The lease was amended 2 times, most recently on October 26, 2015; each time being to modify the number and location of the equipment. Per the terms of the agreement, the lease is split between the Authority and Monmouth Park Racetrack.

The term of the October 26, 2015, lease amendment is 5 years and ran through October 26, 2020.

T-Mobile Northeast Lease

On February 6, 2014, the Authority entered into a Lease Agreement for the placement of wireless communication equipment on the Meadowlands Arena.

The initial term of the lease was through February 6, 2019, with two 5-year extensions. T-Mobile exercised the first of two 5-year extensions in 2019.

Transfer/Materials Recovery Facility

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

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

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

K. GROUND LEASES (CONTINUED)

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 lease expired in March 2021.

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 ran through July 2019. An extension of the contract was executed and runs through May 2024.

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.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

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 initial term of the lease was for 54 months through December 31, 2019. An addendum to the lease extended the term of the lease through 2021 with a 1-year option to extend through 2022, which was exercised.

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 in North Arlington, NJ for use as a storage and distribution site for road salt.

The lease expired in December 2021.

Kingsland Development Urban Renewal, LLC

On June 14, 2019, the Authority entered into a Lease Agreement with Kingsland Development Urban to lease the land adjacent to the Kingsland Redevelopment Area in North Arlington, NJ for the purpose of maintaining the gas flare that is serving the property.

The term of the lease is for 15 years through June 13, 2034.

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 was for 5 years through November 25, 2008, with seven 5-year extensions. Bloomberg Communications, Inc. exercised the second of seven extensions, extending the term of the lease through November 25, 2023.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

L. DEFERRED COMPENSATION PLANS

Salaried employees of the Authority are eligible for participation in an Internal Revenue Code ("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 employees' salary up to the Internal Revenue Service 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 2020 were \$186,056.

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 \$19,000 (\$25,000 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. Employee contributions for 2020 were \$69,781.

(b) Valic Retirement – This 457(b) plan, which commenced operations on December 31, 1985, is funded solely from voluntary employee contributions. The Plan is administered by Valic Retirement. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the participating employees and are not included in the accompanying financial statements. Employee contributions in 2020 were \$16,900.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

M. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees 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:

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, 2019:

Inactive plan members or beneficiaries currently receiving benefits	182,492
Inactive plan members entitled to but not yet receiving benefits	942
Active plan members	<u>249,045</u>
Total	<u>432,479</u>

Significant Legislation

For State of New Jersey contributions to the PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven-year period beginning in the fiscal year ended June 30, 2012, and a payment in each subsequent fiscal year that increases by at least an additional 1/7th until payment of the full contribution is made in the seventh fiscal year and thereafter.

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 during 2020 was \$8,147,626. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Authority to active employees covered by the Plan.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

M. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Specific Contribution Requirements and Benefit Provisions

The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% 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 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, 2020, were \$1,186,729. Authority contributions are due and payable on April 1 in the second fiscal period subsequent to the plan year for which the contributions requirements were calculated. Authority payments to PERS for the year ending December 31, 2020, consisted of the following:

	2020
Normal Cost	\$ 135,482
Amortization of Accrued Liability	993,888
Total Pension	1,129,370
NCGI Premiums	57,366
Total Regular Billing	1,186,736
Additional Billings and Adjustments:	
ERI 2	1,626
Ch. 19, P.L. 2009	107,063
Total PERS Payment	<u>\$ 1,295,425</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

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

M. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Specific Contribution Requirements and Benefit Provisions (Continued)

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to Tier 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tier 1 and 2 members before reaching age 60, to Tier 3 and 4 members with 25 years or more of service credit 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 their respective tier.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was \$ 17,690,438 or 0.0108481144%.

For the year ended December 31, 2020, the Authority recognized PERS expense of \$(2,364,077). At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 322,114	\$ 62,561
Changes in assumptions	573,898	7,407,154
Net difference between projected and actual investment earnings on pension plan investments	604,673	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	2,382,203	3,627,387
Agency contributions subsequent to the measurement date	593,365	-
	<u>\$ 4,476,253</u>	<u>\$ 11,097,102</u>

The \$593,365 shown as deferred outflows of resources relates to the PERS contributions made by the Authority subsequent to the measurement date of June 30, 2020, and will be recognized as a reduction of net pension liability in the subsequent year. 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:

Years Ending December 31,	PERS
2021	\$ (4,615,677)
2022	(2,347,073)
2023	(1,139,318)
2024	794,863
2025	92,991
	<u>\$ (7,214,214)</u>

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

M. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2020, measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation: Price	2.75%
Inflation: Wage	3.25%
Salary Increases through 2026 (based on years of service)	2.00-6.00%
Salary Increases: Thereafter (based on years of service)	3.00-7.00%
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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 Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree Mortality Table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree Mortality Table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

Long-term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020), is determined by the State Treasurer, after consultation with the directors of the Division of Investment and Division of Pension and Benefits, the board of trustees, and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020, are summarized in the following tables:

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NOTES TO FINANCIAL STATEMENTS

M. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Long-term Rate of Return (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the pension liabilities of PERS was 7.00% as of June 30, 2020. 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 and the nonemployer contributing entity will be based on 78% and 70%, respectively, of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine 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 was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Authority proportionate share	<u>\$ 22,444,422</u>	<u>\$ 17,690,438</u>	<u>\$ 13,913,695</u>

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

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	\$ 1,383,360,202
Collective deferred inflows of resources	\$ 6,885,726,332
Collective net pension liability	\$16,307,384,832
Authority's portion	0.0108481144%

Collective pension expense for the Local Group for the measurement period ended June 30, 2020, is \$400,652,325.

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, 2020, 2019, 2018, 2017, 2016, 2015, and 2014 is 51.6, 5.21, 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 2020 was \$522,213 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 Avenue Springfield, NJ 07081	Local 472 (Parking) 905 16 th Street Washington, DC 20006	Local 1412 (Security/EMT) 905 16 th 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 Boulevard 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 \$48.8 million and is recognized in the 2020 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 \$162,556 to cover this liability. The amount of the Authority's obligation at December 31, 2020, was \$1,923,623.

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, 2020, was \$39,957.

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, 2020, was \$3,554,921.

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 213 at December 31, 2020. The Authority's contribution to the Plan for the year ended December 31, 2020, was \$2,344,932.

Please refer to the State website, 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 post-employment 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) Annual Comprehensive Financial Report (ACFR), which can be found at 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 post-retirement 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 post-retirement 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 post-retirement 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. The 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 post-retirement 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 net 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 net OPEB liability, deferred outflows of resources, deferred inflows of

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

Allocation Methodology (Continued)

resources, and OPEB expense are based on separately calculated net OPEB liabilities. The nonspecial funding situation's net 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, 2019 through June 30, 2020.

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 net OPEB liability, deferred outflows of 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 net OPEB liability that is associated with the local participating employer. The Authority is in a nonspecial funding situation, therefore, coverage under Chapter 330 does not apply.

Components of Net OPEB Liability

The components of the Authority's net OPEB liability as of June 30, 2020, is as follows:

	June 30,
	2020
Total OPEB Liability	\$ 37,022,572
Plan Fiduciary Net Position	337,003
Net OPEB Liability	<u>\$ 36,685,569</u>

Plan Fiduciary Net Position as a % of total OPEB liability	0.91%
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Actuarial Assumptions

The net OPEB liability as of June 30, 2020, was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. 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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NOTES TO FINANCIAL STATEMENTS

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

Actuarial Assumptions (Continued)

Inflation	2.50%
Salary increases*	
Through 2026	2.00 - 6.00%
Thereafter	3.00 - 7.00%

* Salary increases are based on years of service within the respective plan.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Classification Headcount-Weighted Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2020.

Actuarial assumptions used in the July 1, 2019, valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

One-hundred percent of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.50% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.50% for all future years. For prescription drug benefits, the initial trend rate is 7.00% and decreases to a 4.50% long-term trend rate after seven years.

Discount Rate

The discount rate for June 30, 2020, was 2.21%. 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.

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, 2020, 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, 2020		
At 1% Decrease (1.21%)	At Current Discount Rate (2.21%)	At 1% Increase (3.21%)
\$ 43,370,093	\$ 36,685,569	\$ 31,394,160

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

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

The following presents the net OPEB liability as of June 30, 2020, 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, 2020		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
\$ 30,357,346	\$ 36,685,569	\$ 44,972,463

Deferred Outflows of Resources and Deferred Inflows of Resources

Changes in Proportion

The following amounts do not include employer-specific deferred outflows of resources and deferred inflows 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 7.87, 8.05, 8.14, and 8.04 years for the 2020, 2019, 2018, and 2017 amounts, respectively.

	Year of Deferral	Amortization Period	Beginning of the Year Balance	Additions	Deductions	End of the Year Balance
Deferred Outflows of Resources:						
Differences between projected and actual investment earnings on OPEB plan investments	2017	5 years	\$ 3,576	\$ -	\$ 1,788	\$ 1,788
	2018	5 years	8,670	-	2,890	5,780
	2019	5 years	10,563	-	2,641	7,922
	2020	5 years	-	9,759	1,952	7,807
Deferred Outflows of Resources			\$ 22,809	\$ 9,759	\$ 9,271	\$ 23,297
Deferred Inflows of Resources:						
Differences between expected and actual experience	2018	8.14 years	\$ 5,591,528	\$ -	\$ 910,672	\$ 4,680,856
	2019	8.05 years	2,506,166	-	355,484	2,150,682
			8,097,694	-	1,266,156	6,831,538
Changes of assumptions	2017	8.04 years	3,316,092	-	657,955	\$ 2,658,137
	2018	8.14 years	3,568,332	-	581,162	2,987,170
	2019	8.05 years	2,928,368	-	415,371	2,512,997
Deferred Inflows of Resources			\$ 9,812,791	\$ -	\$ 1,654,488	\$ 8,158,304

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

Years Ending December 31,	OPEB
2021	\$ (3,567,998)
2022	(860,399)
2023	(863,239)
2024	(865,152)
2025	(1,878,640)
Thereafter	(477,841)
	<u>\$ (8,513,269)</u>

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NOTES TO FINANCIAL STATEMENTS

P. POLLUTION REMEDIATION COSTS

Effective 2008, pollution remediation costs were recognized as a liability on the statement of financial position and an operating expense provision was made in the statement of revenues, expenses and changes in net position in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for 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 racetracks. The Authority estimates the cost to be \$8,926,000. 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 \$2,450,000 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 2020. The Authority is currently pursuing remediation recovery methods and assumptions used including 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.

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 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 NJSEA of \$1,880,000.

On March 22, 2019, NJSEA entered into an Administrative Consent Order (ACO) with the NJDEP regarding noncompliance with N.J.A.C. 7:27-7.3 at the Keegan Landfill. The noncompliance was regarding emission of Hydrogen Sulfide (H₂S) 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, NJSEA has installed a gas collection and monitoring system to remediate the H₂S emissions from the landfill.

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NOTES TO FINANCIAL STATEMENTS

R. KEEGAN LANDFILL (CONTINUED)

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 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. On December 10, 2019, the Appellate Division granted a motion for leave to appeal the permanent injunction issued by the Hudson County Superior Court.

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.

On December 19, 2019, the Board of Commissioners of NJSEA approved resolution 2019-48, authorizing the President and CEO to take the necessary steps to settle the matters regarding the Keegan Landfill and the Town of Kearny. The settlement will be in the form of a Judicial Consent Order and will memorialize the permanent closure of the Keegan Landfill.

On March 6, 2020, the Judicial Consent Order memorialized the closing of the Keegan Landfill, among other settlement terms.

On April 9, 2020, the Town of Kearny's appeal of the Superior Court of New Jersey decision was denied, and the ruling of the valuation of the Keegan Landfill at \$1,880,000 was upheld.

On May 9, 2020, the Town of Kearny petitioned the New Jersey Supreme Court for certification. On June 30, 2020, the Court denied the Town's petition.

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

In calendar year 2005, the MAGNET Fund 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 improvement initiatives is currently in place. As of December 31, 2020, the fund balance in the MAGNET Fund was \$2,017,971, of which \$533,317 was committed to project commitments.

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T. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2020, consist of the following:

<u>Due from</u> <u>Other Funds</u>	<u>Fund</u>	<u>Due to</u> <u>Other Funds</u>
	<u>Governmental Funds</u>	
\$ 16,236,343	General Fund	\$ 22,967,433
295,829	Environmental Center	2,359,079
67,866	MAGNET	249,307
12,692	Other Governmental	1,399
	<u>Enterprise Fund</u>	
22,721,217	Solid Waste	13,292,037
16,678,275	Sports Complex	15,859,780
	<u>Fiduciary Funds</u>	
-	Special Escrow	1,359,724
355,533	Transportation Planning District	278,996
<u>\$ 56,367,755</u>	<u>Total</u>	<u>\$ 56,367,755</u>

U. RISK MANAGEMENT

Property and Liability Insurance

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

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

New Jersey Unemployment Compensation Insurance

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

V. COMMITMENTS AND CONTINGENCIES

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

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

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V. COMMITMENTS AND CONTINGENCIES (CONTINUED)

	2020
Claims liability - January 1	\$ 6,711,631
Increase in provision	1,126,846
Claims paid	<u>(1,137,220)</u>
Claims liability - December 31	<u>6,701,257</u>
Less: current portion	<u>1,137,220</u>
Long-term portion	<u>\$ 5,564,037</u>

At year end approximately \$247,830 in current assets and liabilities was related to funds received from the State to administer the Camden Aquarium Project. The activity in the fund created for this purpose has no effect on the Authority's revenues or expenses.

On June 14, 2004, the Authority entered into a Participation agreement to license and operate an account wagering system in New Jersey pursuant to the Off-Track and Account Wagering Act (P.L. 201, c. 199) and the regulations promulgated by the New Jersey Racing Commission. Under the agreement the Authority began operating an on-line account wagering system and has contributed 70% of start-up costs for the project, appointed an Operating Board, and conducts and accounts for all day-to-day operations in return for 70% of available net project revenues or losses as defined by the agreement. The Authority's 70% financial interest was transferred to the New Meadowlands Racetrack (35%) and the NJTHA (35%) as part of a long-term lease agreement to assume the operating rights of the racetracks and off-track wagering sites.

On October 21, 2009, the Authority undertook a project consisting of construction of a new storm water basin and to purchase equipment for the project in order to alleviate storm water runoff at Monmouth Park Racetrack. The total cost for the equipment and the project is estimated at \$26,600,000, which includes capitalized interest, debt service and administrative expenses, and will be financed through loans from the New Jersey Environmental Infrastructure Trust and the NJDEP. The Borough of Oceanport applied for the project loan (not to exceed \$23,500,000), and the Authority applied for the equipment loan (not to exceed \$850,000) with the above financing authorities. The Authority pays the Borough a special assessment that is substantially similar to the Borough's loan repayment schedule and manages the project at its own cost. The project was completed in 2012. 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 \$11.5 million in state aid. This amount is used to fund the General Fund operations.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

X. IMPACT OF CORONAVIRUS PANDEMIC

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. Due to the impact of New Jersey Governor Murphy's Executive Order No. 107 dated March 21, 2020, mandating statewide stay-at-home practices and closure of all non-essential retail businesses, tourism tax revenue significantly decreased and events held at Wildwoods Convention Center and related net event income were reduced significantly. It is unknown how long these conditions will last and what the complete financial effect will be to the Authority.

Y. SUBSEQUENT EVENTS

Demolition of Former NJSEA Racing Grandstand

Given the high maintenance costs and lack of third-party tenants, the Authority has determined to demolish its former racing grandstand. A Memorandum of Understanding between the Authority and the New Jersey Department of Treasury ("NJ Treasury") has been executed under which over \$16 million has been deposited with the Authority from NJ Treasury to facilitate the demolition under an Agreement between the Authority and New Meadowlands Stadium Corporation. The Authority must relocate its information technology offices and equipment from the grandstand to its engineering/public safety building. By separate agreement, the Authority will construct, at the expense of the New Jersey State Police and NJ Treasury, a barrack facility in the engineering/public safety building. Work on the new information technology and New Jersey State Police facilities has commenced and bids for demolition were received March of 2022.

2026 World Cup

In collaboration with the City of New York, the Authority is in competition with other North American cities to host FIFA's 2026 World Cup Soccer Matches. Consulting firms have been retained to assist in the competition and to assess both the costs of securing and hosting the matches and the economic benefit to the New York Metropolitan Area in general and the State of New Jersey particularly.

Vaccine Center

In 2021, the Authority's former grandstand was utilized as a COVID-19 Mega Vaccination site. A monthly rental fee was paid by the State of New Jersey which helped offset maintenance costs. After successful operations, the site's use was terminated in June 2021.

American Dream Project

Due to the coronavirus pandemic, the American Dream project suffered an almost two-year loss/severe curtailment of operational revenue. This loss of revenue resulted in a default under the project's construction loan documents. The project has continued operations with the addition of new retail outlets and entertainment venues.

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Y. SUBSEQUENT EVENTS (Continued)

Hurricane Ida

On or about September 1, 2021, Hurricane Ida, then weakened to a tropical storm category, resulted in a major rainfall causing first time flooding of the Authority's Meadowlands Arena and the surrounding area, declared by both the State of New Jersey and the Federal Government as a disaster area. In addition to several feet of flooding of lower areas of the Arena, there was damage to the elevator system, other mechanical systems, and structural damage to Arena entrances. In addition to repairing damages, the Authority also effectuated improvements to reduce the impact of potential future flooding by modifying entrance elevations and slopes, together with additional and higher curbing. The Authority is seeking reimbursement for its repair and replacement costs concurrently from both its insurance carriers and disaster relief funds.

Keegan Landfill

On December 31, 2021, the Keegan Landfill ceased to accept clean cover material.

REQUIRED SUPPLEMENTARY INFORMATION

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
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SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET
VERSUS ACTUAL

Year Ended December 31, 2020

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance
Revenues					
East Rutherford					
NMSCO Ground Lease	\$ 6,300,000	\$ -	\$ 6,300,000	\$ 6,300,000	\$ -
NMR Shared Services	6,519,355	-	6,519,355	6,892,223	372,868
Arena Revenue	2,351,061	-	2,351,061	2,348,247	(2,814)
Monmouth Park Reimbursables	2,509,979	-	2,509,979	2,600,395	90,416
(2) Convention Center	-	-	-	1,146,265	1,146,265
(2) Tourism Tax Revenue	-	-	-	3,444,861	3,444,861
Misc. Other	2,810,558	-	2,810,558	2,977,097	166,539
Total - East Rutherford	20,490,953	-	20,490,953	25,709,088	5,218,135
Lyndhurst					
Lease Revenues	1,137,467	-	1,137,467	1,306,083	168,616
Land Use Fee Income	955,923	-	955,923	877,780	(78,143)
Misc. Other	437,015	-	437,015	404,178	(32,837)
Total - Lyndhurst	2,530,405	-	2,530,405	2,588,041	57,636
Solid Waste Revenue	4,652,993	-	4,652,993	4,691,217	38,224
Total Revenues	27,674,351	-	27,674,351	32,988,346	5,313,995
Expenditures					
East Rutherford					
Salaries/Fringe	6,051,051	-	6,051,051	5,414,566	(636,485)
Utilities	2,809,198	-	2,809,198	2,887,550	78,352
New Jersey Racing Commission	2,362,852	-	2,362,852	2,351,740	(11,112)
Professional Services	4,157,029	-	4,157,029	4,412,310	255,281
Pension	1,554,242	-	1,554,242	6,113,469	4,559,227
Workers Compensation	1,200,000	-	1,200,000	822,972	(377,028)
Repairs/Maintenance - Building/Other	1,466,592	-	1,466,592	1,669,855	203,263
(2) Convention Center	-	-	-	4,943,191	4,943,191
Misc. Other	2,850	-	2,850	189,961	187,111
Total East Rutherford	19,603,814	-	19,603,814	28,805,613	9,201,800
Lyndhurst					
Salaries/Fringe	9,816,427	-	9,816,427	10,526,483	710,056
Services	2,303,215	-	2,303,215	2,335,035	31,820
Capital/Maintenance	969,396	-	969,396	64,506	(904,890)
Repairs/Maintenance	412,815	-	412,815	355,268	(57,547)
Ramapo Partnership	600,000	-	600,000	600,250	250
Misc. Other	236,719	-	236,719	380,339	143,620
Total Lyndhurst	14,338,572	-	14,338,572	14,261,881	(76,691)
Solid Waste Operating Expenses	8,992,701	-	8,992,701	9,574,664	581,963
Total Expenditures	42,935,088	-	42,935,088	52,642,157	9,707,072
Total Operating Gain (Loss)	(15,260,737)	-	(15,260,737)	(19,653,811)	(4,393,077)
Other Revenues and Expenditures					
State Appropriations	11,500,000	-	11,500,000	11,500,000	-
Reserve Fund Utilization	16,744,416	-	16,744,416	-	(16,744,416)
Business-type depreciation and amortization	-	-	-	(8,255,104)	(8,255,104)
Adjustments related to pension and OPEB	-	-	-	1,663,494	1,663,494
PILOT / Property Taxes / CAFO	(12,983,679)	-	(12,983,679)	(12,591,068)	392,611
Transfer of Renewable Energy reserved funds to Fiduciary Funds	-	-	-	(1,349,318)	(1,349,318)
Total Non-operating Revenues & Expenditures	15,260,737	-	15,260,737	(9,031,996)	(14,688,311)
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ (28,685,807)	\$ (19,081,388)
Amounts reported for Governmental Activities in the statement of revenues, expenditures and changes in fund balance are different because of:					
Capital Outlay				\$ (64,506)	
Depreciation expense				(619,140)	
Pension expense				2,374,492	
Post-employment healthcare benefits				1,022,523	
Excess of revenues over expenditures				(25,972,438)	
Fund Balance, beginning of year				177,351,293	
Fund Balance, end of year, governmental funds basis				\$ 151,378,855	

(1) NJSEA policy is to prepare an entity-wide budget for its operations and does 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
(A Component Unit of the State of New Jersey)

SCHEDULE OF THE AUTHORITY'S, PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – PUBLIC EMPLOYEES RETIREMENT SYSTEM
December 31, 2020

	PERS - Last 10 Fiscal Years						
	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.1084811440%	0.0997146684%	0.0950367800%	0.1013676481%	0.1376070051%	0.1714730000%	0.1769954550%
Authority's proportionate share of net pension liability	\$ 17,690,438	\$ 17,967,071	\$ 18,712,270	\$ 23,596,769	\$ 40,755,248	\$ 38,492,333	\$ 33,138,370
Authority's covered-employee payroll	8,147,626	7,706,813	7,244,806	6,805,889	7,963,473	12,049,996	11,446,921
Authority's proportionate share of net pension liability as a % of payroll	217.12%	233.13%	258.29%	346.71%	511.78%	319.44%	289.50%
Total pension liability	42,777,145	41,373,076	40,325,601	45,465,790	68,080,650	73,921,290	69,154,727
Plan fiduciary net position	25,086,707	23,406,005	21,613,333	21,869,021	27,325,402	35,429,038	36,016,337
Plan fiduciary net position as a % of total pension liability	58.65%	56.57%	53.60%	48.10%	40.14%	47.93%	52.08%

(1) In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail, however, only seven years of data is available at this time.

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, 2020

	PERS - Last 10 Fiscal Years						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,186,729	\$ 868,398	\$ 945,309	\$ 939,063	\$ 1,222,481	\$ 1,474,211	\$ 1,527,382
Contributions in relation to the contractually required contribution	1,186,729	868,398	945,309	939,063	1,222,481	1,474,211	1,527,382
Authority's covered-employee payroll	8,147,626	7,706,813	7,244,806	6,805,889	7,963,473	12,049,996	11,446,921
Contributions as a % of covered-employee payroll	14.57%	11.27%	13.05%	13.80%	15.35%	12.23%	13.34%

(1) In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail, however, only seven years of data is available at this time.

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

SCHEDULE OF CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFITS
Year Ended December 31, 2020

	Last 10 Fiscal Years				
	2020	2019	2018	2017	2016
Proportion of the net OPEB liability	0.204415%	0.190465%	0.198912%	0.194440%	0.238124%
Proportionate share of net OPEB liability	\$ 36,685,569	\$ 25,800,524	\$ 31,162,783	\$ 39,696,460	\$ 51,714,386
Contributions	2,344,932	2,395,835	3,035,347	3,212,357	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 Net OPEB Liability and Contributions, however, only five years of data are available at this time.

* Only contributions related to retirees are reported for 2016. Data for contributions related to active employees, net of employee deductions are unavailable 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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 18, 2022. Our report qualified our opinion on the business-type activities and the Sports Complex 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) as a basis for designing 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 other matters, noncompliance with which could have a direct and material effect on the financial statements. 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.

Mercadien, P.C.
Certified Public Accountants

April 18, 2022

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

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
December 31, 2020

None reported.

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
December 31, 2020

None reported.