

SOUTH JERSEY PORT CORPORATION
AUDIT REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

SOUTH JERSEY PORT CORPORATION

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SOUTH JERSEY PORT CORPORATION

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SOUTH JERSEY PORT CORPORATION

BOARD OF DIRECTORS

AT DECEMBER 31, 2017

Richard A. Alaimo, Chairman
Subdistrict 1 (Burlington)

Chad Bruner
Subdistrict 2 (Gloucester)

Robert DeAngelo
Subdistrict 2 (Gloucester/Borough of Paulsboro)

Jonathan S. Gershen
Subdistrict 1 (Mercer)

Joseph Maressa, Jr.
Subdistrict 2 (Camden)

Eric Martins
Subdistrict 1 (Mercer)

Vacancy
Subdistrict 2 (Camden)

Sheila Roberts
Subdistrict 2 (Camden/City of Camden)

Carl E. Styles
Subdistrict 3 (Salem)

Vacancy
Subdistrict 3 (Salem, Cape May or Cumberland)

Christopher Chianese
State Treasurer Designees

SOUTH JERSEY PORT CORPORATION
(A Component Unit of the State of New Jersey)

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017



BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

INDEPENDENT AUDITOR'S REPORT

Board of Directors of the
South Jersey Port Corporation
County of Camden
101 Joseph A. Balzano Boulevard
Camden, New Jersey 08103

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the South Jersey Port Corporation, a component unit of the State of New Jersey, in the County of Camden, State of New Jersey, as of and for the fiscal years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Corporation'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the South Jersey Port Corporation as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information, as listed on 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Jersey Port Corporation's basic financial statements. The Introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and

other additional procedures in accordance with auditing standard generally accepted in the United States of America. In my opinion the combining and individual non-major financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated April 30, 2018 on my consideration of the South Jersey Port Corporation's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Respectfully submitted,

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Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
April 30, 2018

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BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLAINT AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors of the
South Jersey Port Corporation
County of Camden
Camden, New Jersey 08103

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the South Jersey Port Corporation, in the County of Camden, State of New Jersey as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise South Jersey Port Corporation's basic financial statements, and have issued my report thereon dated April 30, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the South Jersey Port Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Jersey Port Corporation's internal control. Accordingly, I do not express an opinion on the effectiveness of the South Jersey Port Corporation'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*, 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.

My 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 may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I considered to be material weaknesses. However,

material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Jersey Port Corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brent W. Lee", is positioned above the printed name.

Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
April 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

Pursuant to the requirements of Governmental Accounting Standards Board (GASB) 34, the management of the South Jersey Port Corporation (the Port) offers the readers of the Port's financial statements a narrative overview and analysis of the activities of the Port for the fiscal period ending December 31, 2017.

General Port Overview

The South Jersey Port Corporation was created by NJ State Chapter 11A Statutes 12:11A-1 to 12:11A-23 to operate marine shipping terminals in the South Jersey district consisting of the counties of Mercer, Burlington, Camden, Gloucester, Salem, Cumberland and Cape May.

The Port Corporation operates the Joseph A. Balzano Marine Terminal and Broadway Terminal facilities in the City of Camden and the Port of Salem in the City of Salem. The Port Corporation reports to the State of New Jersey through the Department of the Treasury.

The South Jersey Port Corporation is the choice destination for shippers world-wide, as a leader in handling break-bulk and bulk cargoes, and as a model agency in developing public/private enterprise relationships.

The South Jersey Port Corporation has completed Phase I of the development of a new marine terminal in Gloucester County, New Jersey. In conjunction with the Gloucester County Improvement Authority (GCIA), the Port is redeveloping the former 130-acre British Petroleum (BP) Oil Terminal and an adjacent 60-acre former Essex Industrial Chemicals, Inc. (Essex) into a new, deep-water marine terminal with associated processing, distribution, assembly and intermodal operations that will be known as the Paulsboro Marine Terminal project. This project is being funded by SJPC marine terminal revenue bonds. Direct vehicular and truck access from Interstate 295 to the terminal will be provided via a new two-lane, public access road and bridge structure constructed over Mantua Creek. The access road and bridge project is being funded by a grant agreement between the NJ Department of Transportation, Gloucester County and the GCIA.

The Port of Paulsboro site is located along the Delaware River at River Mile (RM) 90 in the Borough of Paulsboro, New Jersey, which is directly across the river from the Philadelphia International Airport.

The terminal site is bordered by the Delaware River to the north; Mantua Creek to the east; residential neighborhoods to the west; and a combination of developed and non-developed land to the south. Access to the Delaware River's main channel is direct and without obstacle. Phase I project elements include a single berth pile supported wharf, site development and improvements including dredging and fill material placement, as well as the creation of an approximately 20-acre tidal wetlands mitigation site at a former dredged material management facility known as the Delaware River Equestrian, Agricultural and Marine Park, (i.e. DREAM Park), which is operated by the GCIA.

The Corporation has funded Phase I of the Paulsboro Marine Terminal Project with proceeds of the Series 2009 P Bonds, as well as a portion of the proceeds of the Series 2007 N Bonds and the Series 2008 O Bonds. The aggregate amount of Bonds issued for the Paulsboro Marine Terminal Project is \$176,737,986.

The Corporation has negotiated a lease agreement with Holt Logistics Corporation (Paulsboro Waterfront Development, LLC) to serve as the terminal operator for the Paulsboro Marine Terminal that shall house private operations, which in turn is expected to generate revenues for the Corporation.

This public-private partnership is already paying dividends as Paulsboro has become the prime port of call for NLMK USA. A 50-acre dockside parcel at Paulsboro Marine Terminal has been dedicated to the import of steel slabs for NLMK USA, one of the leading suppliers of steel products in the US. NLMK USA will use the Paulsboro Marine Terminal as a prime port to import steel slabs for rail shipment for distribution throughout North America.

The first ships were received at the Paulsboro Marine Terminal in March 2017.

The opening of the Paulsboro Marine Terminal marks the completion of Phase I and the beginning of a continued expansion to grow water-borne cargo business. Phase II will extend the wharf to 2,200 feet to accommodate up to four ships, a 500-foot barge berth and upland improvements to accommodate future cargo customer needs.

Approximately 4.32 million tons of cargo passed through the Port Corporation's facilities in 2017. Promoting economic development, enhancing intermodal facilities, and partnering with private businesses are the roles the Port Corporation firmly embodies, as is its mission of job growth and port development.

The corporation board consists of 11 members: the State Treasurer, ex-officio, or the Treasurer's designated representative, who shall be a voting member of the corporation, and ten (10) public members, each of whom shall be a resident of the port district. The Port District is comprised of seven counties: Mercer, Burlington, Camden, Gloucester, Salem, Cape May and Cumberland. There are three sub-districts. Sub-district 1 Mercer and Burlington Counties shall be represented by three (3) public members with at least one (1) of whom shall be appointed from each county within this sub-district. Sub-district 2 is Camden and Gloucester Counties they shall be represented by five (5) public members with at least three (3) public members shall be appointed from Camden County of which one (1) of the appointed Camden County members shall be appointed from the City of Camden. At least one (1) of the public members of the sub-district shall be appointed from the Borough of Paulsboro. Sub-district 3 is Salem, Cape May and Cumberland Counties and shall be represented by two (2) public members. The requisite qualification is that each member must reside within the port district and they are appointed to represent for at least three (3) years preceding their appointment. Public members serve a term of five (5) years and shall serve until their successor is appointed and qualified. Each member of the corporation before entering upon their duties shall take and subscribe an oath to perform the duties of their office faithfully, impartially and justly to the best of their ability. A record of such oath shall be filed in the office of the Secretary of State. Any vacancies in the appointed membership of the corporation occurring other than by expiration of term shall be filled in the same manner as the original appointment, but for the unexpired term only.

Financial Highlights

On December 1, 2002 the Port restructured its long term debt by refunding its Marine Terminal Revenue Bonds. It issued two new Series of Bonds totaling \$121,325,000. On October 16, 2003 the Port issued an additional \$ 11,305,000 in Marine Terminal Revenue Bonds. The net proceeds of \$11,218,000 were utilized for specific capital projects that have been completed. On November 20, 2007 the Port issued \$11,235,000 in Marine Terminal Bonds, Series N for the purpose of implementing certain capital projects of the Corporation. A majority of these funds were raised to initiate the planning and design of a new marine terminal to be located in Paulsboro, Gloucester County, New Jersey. In addition, cathodic protection and warehouse replacement were part of that issue. The net proceeds from the sale of the Series N Bonds were \$11,122,650.

On January 22, 2009, the Port issued its \$25,885,000 Marine Terminal Revenue Bonds, 2009 Series O Bonds. The majority of these funds funded site work for the Paulsboro Marine Terminal. The Corporation used the balance of the funds for other capital improvements benefitting the Port as well as land acquisition. The net proceeds from the sale of the Series O Bonds were \$23,423,461.

On December 30, 2009, the Port issued \$157,880,000 in Marine Terminal Revenue Bonds, Series P. This series funded the construction of Phase I of the Paulsboro Marine Terminal and related costs. More than \$134.4 million dollars of the Series P Bond proceeds were available for the Paulsboro terminal; which was to include construction of two deep water berths and integrated infrastructure. The balance of the Bond proceeds were used to fund the required Debt Service Reserve, and capitalized interest through January 1, 2011.

On September 27, 2012 the South Jersey Port Corporation issued two Series of refunding bonds; its Series 2012 Q Bonds and 2012 Series R Bonds. The 2012 Series Q Bonds refinanced the Series K Bonds, and the 2012 Series R Bonds refinanced the Series L Bonds. The purpose of these issuances was to realize debt service savings through the refinancing of the callable portion of the Corporation's outstanding bonds. In total \$77,305,000 in principal was refunded with these issuances. Total debt service savings was \$14,824,511, with debt service savings realized in every year of the life of the refunded bonds; although approximately half of the total savings were realized the first two years as per the direction of the State of New Jersey Treasury Department.

On September 29, 2016, the South Jersey Port Corporation issued Marine Terminal Revenue and Revenue Refunding Bonds, Series 2016 S in the aggregate principal amount of \$40,320,000 (the "Series 2016 S Bonds"), consisting of \$33,035,000 Marine Terminal Revenue and Revenue Refunding Bonds, Series 2016 S-1 and \$7,285,000 Marine Terminal Revenue Refunding Bonds, Series 2012 S-2 (AMT). The purpose of the issue was to realize additional capital investment by refinancing the Corporation's the \$7,785,000 outstanding principal amount of its \$11,305,000 Marine Terminal Revenue Bonds, Series 2003 M and the \$9,365,000 outstanding amount of its \$11,235,000 Marine Terminal Revenue Bonds, Series 2007 N and the \$19,770,000 outstanding principal amount of its \$19,770,000 Marine Terminal Revenue Bonds, 2009 Series O Bonds. In total, the Port received \$43,882,071.59 from the sale of the bonds and used \$40,659,432.72 to defease the prior bonds, \$ 237,446.98 for cost of issuance and related expenses and \$2,985,697.09 was made available to undertake additional capital projects at the Port's Camden facilities.

On August 29, 2017, the Corporation finally adopted a new subordinated bond resolution. This resolution precludes the issuance of additional bonds under its existing resolution, with the exception of refunding bonds which may be issued to refund the outstanding bonds summarized above. The Subordinated bond resolution revised and simplified the process for issuing future bond issues by the Corporation and authorized an initial series of bonds with a not to exceed amount of \$255,000,000. On December 5, 2017, the Corporation issued its \$255,000,000 Subordinated Marine Terminal Revenue Bonds, Series 2017, consisting of \$23,860,000 Subordinated Marine Terminal Revenue Bonds, Series 2017A (Tax Exempt) and \$231,140,000 Subordinated Marine Terminal Revenue Bonds, Series 2017B (AMT). The purpose of the issue was to fund completion of the Paulsboro Marine Terminal and undertake needed repairs at facilities within the Camden facilities. In total, the Corporation realized \$271,099,472.62 from the sale of the Series 2017 Bonds, representing the \$255,000,000 principal amount of the Series 2017 Bonds, plus an original issue premium of \$17,229,246.35 and less a Purchaser's discount of \$1,129,773.73. From these amounts, the Corporation allocated these proceeds as follows:

(a) \$22,168,441.96 was deposited to fund the undertaking of the Tax Exempt Projects. "Tax Exempt Projects" mean the following: (i) maintenance dredging at Balzano and Broadway terminals, (ii) reconstruction of connecting bridge over Newton Creek, (iii) environmental remediation and capping of

Corporation property within terminal sites, and (iv) replace underground fire system and utilities within terminal sites;

(b) \$212,815,132.33 was deposited to fund the undertaking of the AMT Projects. "AMT Projects" mean the following; (i) deepening to 45'+2' from Paulsboro Berth to channel, including the removal of approximately 500,000CY of material to be dredged, CDF Disposal; (ii) construction of 600 foot upriver deepwater wharf; (iii) construction/completion of Mantua Creek Berth Connection, approximately 500 foot including bollards, fenders, and dredging to restore to 20 ft depth; (iv) construction/completion of downriver deepwater wharf of approximately 950 linear feet and including remaining Deep Draft Berth, All Infill, Plus Trestles 1 and 3; (v) upland improvements to Paulsboro terminal facility, including installation of pavement subbase, asphalt paving of 57 acres+/-, plus striping, installation of 10,000 feet of terminal fencing, construction of maintenance and repair facility with locker room, construction of Gate Complex (Security, truck and rail interchange), upgrade to sewage pump station and sanitary force main to GCUA, installation of fire hydrants and laterals, construction and installation of high-mast lights and duct banks and completion of terminal rail connections (approximately 2000 feet, plus 4 turnouts) and (iv) upland improvements to Balzano and Broadway terminals, including construct/renovate 100,000 sf warehouse at Broadway Terminal, pier pile repairs, refrigeration system replacement to existing warehouses (195,120 sf) at Pier 5 to extend useful life of system through end of lease and replace fire suppression system with existing warehouses;

(c) \$22,000,000.00 was deposited to satisfy the Debt Reserve Requirement under the Subordinated General Bond Resolution;

(d) \$445,065.00 was deposited to pay the Costs of Issuance for the Series 2017 Bonds;

(e) \$13,670,833.33 was deposited into the Debt Service Fund to pay a portion of the interest due on the Series 2017 Bonds on July 1, 2018 and January 1, 2019; and

(f) \$50,000 was retained until the Corporation receives notice from the State that the Purchaser has satisfied its obligation thereto.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Port's basic financial statements. The Port's basic financial statements comprise four components: 1) Statement of Net Position, 2) Statement of Revenue and Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements.

The statement of Net Position presents information on all of the Port's assets, liabilities and deferred inflows and outflows, with the difference among them reported as Net Position. Over time, increases or decreases in Net Position, whether read in conjunction with other data, may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

The statement of revenues and expenses and changes in Net Position presents information showing how the Port's operations generated revenues and incurred expenses, regardless of the timing of related cash flows.

The statement of cash flows presents information showing the Port's cash receipts and payments during the fiscal period, classified by principal sources and uses, segregated into key elements.

The Notes to the financial statements provide additional information that is essential to have a full understanding of the data provided in the financial statements.

Financial Analysis

Port Assets and Deferred Outflows of Resources exceeded Port Liabilities and Deferred Inflows of Resources by \$53,684,292 at December 31, 2017.

Port's Net Position

<u>ASSETS</u>	2017	2016
Current & Other Assets	\$352,777,500	\$82,260,184
Capital Assets (Net)	255,045,205	260,417,749
Total Assets	607,822,705	342,677,933
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Deferred Outflows	7,617,785	9,742,276
Bond Discount, Net of Accumulated Amortization	197,382	206,354
Total Deferred Outflows of Resources	7,815,167	9,948,630
<u>LIABILITIES</u>		
Current Liabilities	22,020,757	21,855,129
Long-Term Liabilities	534,279,485	277,787,037
Total Liabilities	556,300,242	299,642,166
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Service Concession Arrangements	402,989	612,020
Unrealized Rental Income	571,344	779,784
Deferred Gain on Bond Refunding	382,609	400,000
Pension Deferred Inflows	4,296,396	582,722
Total Deferred Inflows of Resources	5,653,338	2,374,526
<u>NET POSITION</u>		
Net Investment in Capital Assets	9,067,720	21,909,778
Restricted for:		
Reserve for Payment of Debt Service	37,293,188	24,923,939
Reserve for Inventory Supplies	1,276,913	1,225,454
Unrestricted:		
Unreserved	6,046,471	2,550,700
Total Net Position	\$53,684,292	\$50,609,871

A portion of the Port's Net Position reflects its net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment) less any related debt to acquire those assets that remain outstanding. Currently the amount of \$9,067,720 reflects the current Net Investment in Capital Assets. An additional portion of the Port's Net Position represents resources that are subject to external restrictions on how they may be used. They are used for capital projects, debt service payments, and city and county tax payments. Unrestricted Net Position is available for any Port related use.

Port Activities**SOUTH JERSEY PORT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

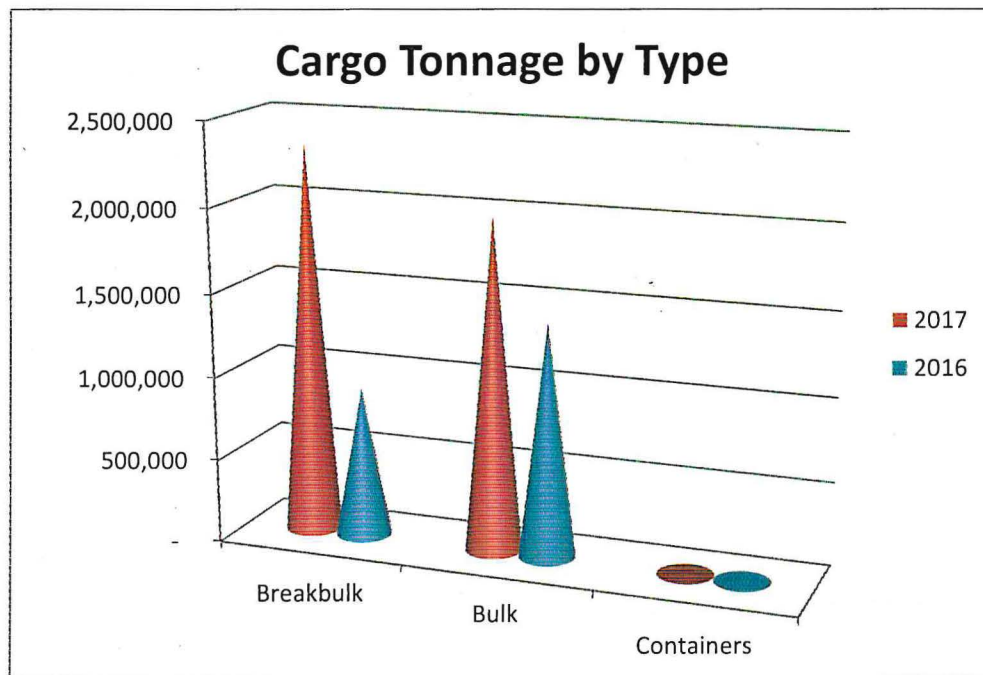
	2017	2016
Operating Revenues:		
Marine Direct	\$22,114,995	\$20,138,901
Marine Related	2,508,538	2,535,055
Other	475,113	477,298
Grant Revenue	7,683,862	12,344,512
Total Operating Revenues	32,782,508	35,495,766
Operating Expenses:		
General Operating	13,870,022	12,320,562
Repairs & Maintenance	1,225,458	1,147,830
General & Administrative	7,241,448	8,180,967
Grant Expenses	7,683,862	12,344,512
Total Operating Expenses	30,020,790	33,993,871
Operating Income Before Other Operating Expenses	2,761,718	1,501,895
Other Operating Expenses:		
Depreciation	5,812,244	4,172,848
Total Other Operating Expenses	5,812,244	4,172,848
Operating Income/(Loss) After Other Operating Expenses	(3,050,526)	(2,670,953)
Nonoperating Revenues/(Expenses):		
Interest on Investments & Deposits	338,919	86,230
Insurance Proceeds	435,016	934,280
Federal Subsidy Revenue	3,027,503	3,022,633
Gain/(Loss) on Sale of Assets	(99,039)	
Amortization Gain on Refunding of Debt	17,391	
Amortization of Bond Discount on Refunding	(8,972)	
Net Change in Developers' Escrow	(284,952)	
Unrealized Gain/(Loss) on Investment	495,592	1,025,575
Cost of Bond Issuance Expenses	(1,144,096)	(230,147)
Interest Expense	(14,810,359)	(16,932,190)
Net Nonoperating Revenue/(Expenses)	(12,032,997)	(12,093,619)
Net Income/(Loss) Before Contributions and Transfers	(15,083,523)	(14,764,572)

Operating Transfers To/ From the State of New Jersey/Other:		
Debt Service Aid	17,650,000	18,750,000
Camden City PILOT Revenues	4,000,000	4,000,000
Camden City PILOT Expenditures	(4,000,000)	(4,000,000)
Camden County PILOT Revenues	419,000	419,000
Camden County PILOT Expenditures	(419,000)	(419,000)
Salem PILOT Revenues	31,224	31,224
Salem PILOT Expenditures	(31,224)	(31,224)
Paulsboro PILOT Revenues	500,000	500,000
Paulsboro PILOT Expenditures	(500,000)	(500,000)
Gloucester County PILOT Revenues	150,000	150,000
Gloucester County PILOT Expenditures	(150,000)	(150,000)
Change in Inventory of Supplies	51,459	(156,722)
	<hr/>	
Total Operating Transfers	17,701,459	18,593,278
	<hr/>	
Net Income/(Loss) Before Contributions	2,617,936	3,828,706
Additions to Capital Contributions	456,485	
	<hr/>	
Change in Net Position	3,074,421	3,828,706
	<hr/>	
Net Position - Beginning of Year	\$50,609,871	\$46,781,165
	<hr/>	
Net Position - End of Year	\$53,684,292	\$50,609,871
	<hr/>	

Port activity for 2017 resulted in operating income before depreciation and amortization of \$2,761,718.

Cargo Tonnage

The South Jersey Port Corporation activity for 2017 totaled 4,320,185 tons. This is an increase of approximately 88.35% as compared to 2016.



Breakbulk

Breakbulk activity for 2017 increased 160% when compared to 2016 Port totals.

Bulk

Dry bulk cargoes collectively reached 1,987,188 tons in 2017, which was a 42% increase over the prior year. Export recycled scrap metals increased by 12% from 2016 while export Grancem® and import cement finished with an increase of 28% and 23% from 2016. Other bulk cargo activity resulted from Road Salt, Sand, Urea and Gypsum.

Containers

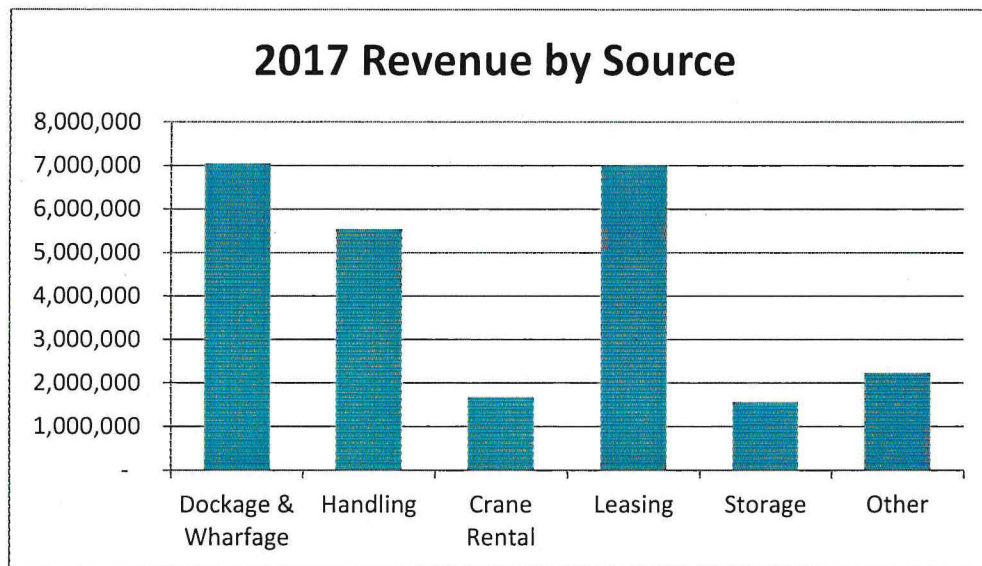
Container tonnage for the year 2017 was zero tons compared to zero tons in 2016.

Other Activity

Ship calls totaled 276 for the year ended 2017, 94 more than 2016. Ship days in 2017 totaled 723, an increase of 59% from 2016.

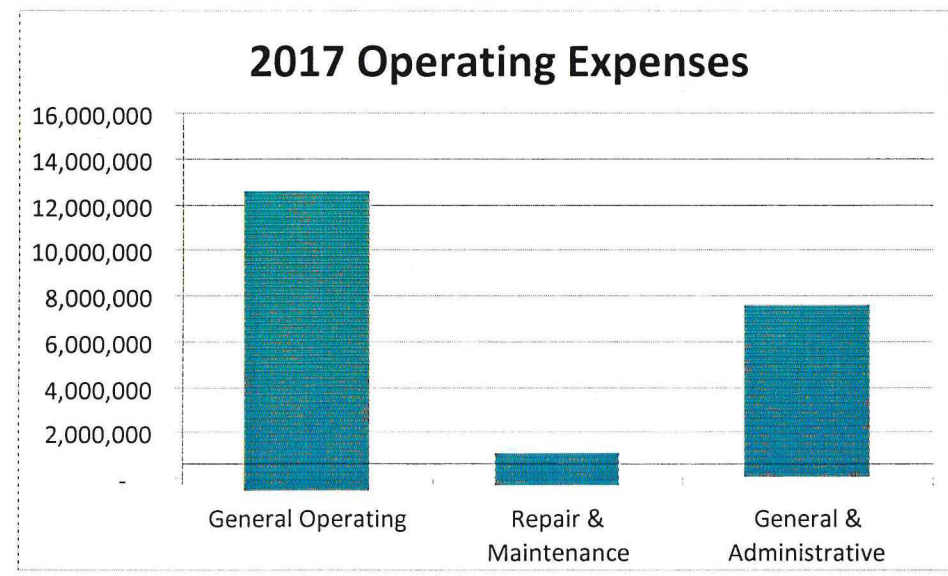
Operating Revenues

The Port Corporation generated \$32,782,508 total in operating revenues in 2017. This represents an overall decrease of \$2,713,258 over 2016 totals.



Operating Expenses

Total Corporation operating expenses were \$30,020,790 in 2017, a decrease of \$3,973,081 when compared to 2016.



Capital Assets

The Port's investment in Capital assets as of December 31, 2017 is \$255,045,205.

The investment in capital assets include land, buildings, piers and berths, and machinery and equipment. Net capital assets decreased by \$5,372,544 in 2017 over 2016. Annual depreciation and amortization reduced net property, plant and equipment.

	2017	2016
Land	\$19,177,118	\$18,235,317
Building & Improvements	55,147,566	48,926,616
Land Improvements	257,224,976	120,076,792
Equipment	25,573,353	25,311,580
Engineering & Other	7,203,729	7,203,729
Financing Costs	9,159,938	9,159,938
Subtotal	\$373,486,680	\$228,913,972
Less: Accumulated Depreciation & Amortization	120,309,443	115,383,817
Subtotal	253,177,237	113,530,155
Construction in Progress	1,867,968	146,887,594
Total	\$255,045,205	\$260,417,749

Long-Term Debt

As of December 31, 2017 the Port had accumulated long-term debt of \$525,078,507. This balance is comprised of the following:

	<u>Long-Term Debt</u>	
	2017	2016
Revenue Bonds	\$504,143,955	\$243,784,531
Capital Lease	400,000	500,000
Net Pension Payable	19,345,036	23,837,140
Early Retirement	1,189,516	1,189,792
Total	\$525,078,507	\$269,311,463

On December 1, 2002 the Port issued Series K \$79,295,000 and Series L \$42,030,000 Marine Terminal and Revenue Refunding Bonds, and on October 16, 2003 the Port issued Series M \$11,305,000 Marine Terminal Revenue Bonds and on November 21, 2007 the Port issued Series N \$11,235,000 Marine Terminal Revenue Bonds. On January 22, 2009, the Port Issued \$25,885,000 in Marine Terminal Bonds, 2012 Series O Bonds. On December 30, 2009 the Port Issued \$157,880,000 in Marine Terminal Revenue Bonds, 2009 Series P Bonds. On September 27, 2012, the Port Issued Series Q&R \$77,305,000 Revenue Refunding Bonds. On September 29, 2016, the Port issued its Marine Terminal Revenue Bonds, Series S, consisting of consisting of \$33,035,000 Marine Terminal Revenue and Revenue Refunding Bonds, Series 2016 S-1 and \$7,285,000 Marine Terminal Revenue Refunding Bonds, Series 2012 S-2. On December 5, 2017, the Corporation issued its \$255,000,000 Subordinated Marine Terminal Revenue Bonds, Series 2017, consisting of \$23,860,000 Subordinated Marine Terminal Revenue Bonds, Series 2017A (Tax Exempt) and \$231,140,000 Subordinated Marine Terminal Revenue Bonds, Series 2017B (AMT).

During 2001 the Port entered into a Capital Lease Agreement with the Delaware River Port Authority in the amount of \$2,000,000 for an electrical substation upgrade at the Broadway Terminal. The terms of the agreement call for the lease to be repaid over 20 years at 0% interest. As of December 31, 2017 the Port has not yet commenced any payments on the Capital Lease.

The Board of Directors of the South Jersey Port Corporation adopted a resolution to allow its eligible employees to participate in the early retirement incentive program in 2003. Eight employees elected to participate in the ERI. Payments for the liability will be spread over 30 years. Each consecutive years payment would increase by 4.00%. The payment schedule incorporates an annual rate of interest equaling 8.25%.

Post retirement benefits are non-pension benefits that a governmental unit has contractually or otherwise agreed to provide employees once they have retired. An actuarially calculated amount is based on demographics of potential retirees, inflation and other factors that are part of determining pension liability. This calculation was done on a 30-year amortization schedule.

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BASIC FINANCIAL STATEMENTS

SOUTH JERSEY PORT CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
Current Assets:		
Unrestricted Assets:		
Cash & Cash Equivalents	\$11,345,641	8,813,384
Accounts Receivable (Net of Allowance for Doubtful Accounts - \$273,505 in 2017 and \$225,505 in 2016)	2,309,256	2,435,046
Other Accounts Receivable	9,486,732	9,033,228
Prepaid Expenses	208,602	1,017,954
Inventory of Supplies	1,276,913	1,225,454
Total Unrestricted Current Assets	24,627,144	22,525,066
Restricted Assets:		
Cash & Cash Equivalents	305,172,871	36,425,106
Investments	8,628,551	9,786,394
Other Accounts Receivable	134,398	130,598
Due from State of New Jersey	14,214,536	13,393,020
Total Restricted Current Assets	328,150,356	59,735,118
Property, Plant & Equipment (Note 5):		
Completed	364,326,742	219,754,034
Construction in Progress	1,867,968	146,887,594
Bond Financing Costs	9,159,938	9,159,938
Total Property, Plant & Equipment	375,354,648	375,801,566
Less: Accumulated Depreciation & Amortization	120,309,443	115,383,817
Net Property, Plant & Equipment	255,045,205	260,417,749
Total Assets	607,822,705	342,677,933
DEFERRED OUTFLOW OF RESOURCES		
Pension Deferred Outflows	7,617,785	9,742,276
Bond Discount, Net of Accumulated Amortization	197,382	206,354
Total Deferred Outflows of Resources	7,815,167	9,948,630
Total Assets and Deferred Outflows of Resources	\$615,637,872	352,626,563

The accompanying Notes to the Financial Statements are an integral part of this Statement.

SOUTH JERSEY PORT CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2017 AND 2016

LIABILITIES	2017	2016
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	599,981	623,952
Accrued Expenses	152,301	141,239
Payroll Taxes Payable	53,005	56,318
Accrued Vacation Payable	217,043	213,310
Pension Payable	769,860	715,011
Lease Security & Escrow Deposits	304,076	218,450
Total Current Liabilities Payable From Unrestricted Assets	<u>2,096,266</u>	<u>1,968,280</u>
Current Liabilities Payable From Restricted Assets:		
Accrued Interest Payable	7,864,351	6,554,916
Contracts Payable		1,231,944
Revenue Bonds Payable (Short-Term Portion)	11,230,000	11,315,000
Capital Lease Payable	1,600,000	1,500,000
Total Current Liabilities Payable From Restricted Assets	<u>20,694,351</u>	<u>20,601,860</u>
Long-Term Liabilities:		
Long-Term Liabilities Payable From Unrestricted Assets:		
Early Retirement Payable	1,189,516	1,189,792
Unearned Lease Revenue	9,200,978	8,475,574
Net Pension Payable	18,575,176	23,122,129
Total Long-Term Liabilities Payable From Unrestricted Assets	<u>28,965,670</u>	<u>32,787,495</u>
Long-Term Liabilities Payable From Restricted Assets:		
Revenue Bonds Payable (Net of Unamortized Premium)	504,143,955	243,784,531
Capital Lease Payable	400,000	500,000
Total Long-Term Liabilities Payable From Restricted Assets	<u>504,543,955</u>	<u>244,284,531</u>
Total Liabilities	<u>556,300,242</u>	<u>299,642,166</u>
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangements	402,989	612,020
Unrealized Rental Income	571,344	779,784
Gain on Bond Refunding, Net of Accumulated Amortization	382,609	400,000
Pension Deferred Inflows	4,296,396	582,722
Total Deferred Inflows of Resources	<u>5,653,338</u>	<u>2,374,526</u>
NET POSITION		
Net Investment in Capital Assets	9,067,720	21,909,778
Restricted:		
Reserve for Payment of Debt Service	37,293,188	24,923,939
Reserve for Inventory of Supplies	1,276,913	1,225,454
Unrestricted:		
Unreserved	6,046,471	2,550,700
Total Net Position	<u>53,684,292</u>	<u>50,609,871</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>615,637,872</u>	<u>352,626,563</u>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

SOUTH JERSEY PORT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Operating Revenues:		
Marine Direct	\$22,114,995	20,138,901
Marine Related	2,508,538	2,535,055
Other	475,113	477,298
Grant Revenue	7,683,862	12,344,512
	<hr/>	<hr/>
Total Operating Revenues	32,782,508	35,495,766
	<hr/>	<hr/>
Operating Expenses:		
General Operating	13,870,022	12,320,562
Repairs & Maintenance	1,225,458	1,147,830
General & Administrative	7,241,448	8,180,967
Grant Expenses	7,683,862	12,344,512
	<hr/>	<hr/>
Total Operating Expenses	30,020,790	33,993,871
	<hr/>	<hr/>
Operating Income Before Other Operating Expenses	2,761,718	1,501,895
	<hr/>	<hr/>
Other Operating Expenses:		
Depreciation	5,812,244	4,172,848
	<hr/>	<hr/>
Total Other Operating Expenses	5,812,244	4,172,848
	<hr/>	<hr/>
Operating Income/(Loss) After Other Operating Expenses	(3,050,526)	(2,670,953)
	<hr/>	<hr/>
Nonoperating Revenues/(Expenses):		
Interest on Investments & Deposits	338,919	86,230
Insurance Proceeds	435,016	934,280
Federal Subsidy Revenue	3,027,503	3,022,633
Gain/(Loss) on Sale of Assets	(99,039)	
Amortization Gain on Refunding of Debt	17,391	
Amortization of Bond Discount on Refunding	(8,972)	
Net Change in Developers' Escrow	(284,952)	
Unrealized Gain/(Loss) on Investment	495,592	1,025,575
Cost of Bond Issuance Expenses	(1,144,096)	(230,147)
Interest Expense	(14,810,359)	(16,932,190)
	<hr/>	<hr/>
Net Nonoperating Revenue/(Expenses)	(12,032,997)	(12,093,619)
	<hr/>	<hr/>
Net Income/(Loss) Before Contributions and Transfers	(15,083,523)	(14,764,572)
	<hr/>	<hr/>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

SOUTH JERSEY PORT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Operating Transfers To/ From the State of New Jersey/Other:		
Debt Service Aid	17,650,000	18,750,000
Camden City PILOT Revenues	4,000,000	4,000,000
Camden City PILOT Expenditures	(4,000,000)	(4,000,000)
Camden County PILOT Revenues	419,000	419,000
Camden County PILOT Expenditures	(419,000)	(419,000)
Salem PILOT Revenues	31,224	31,224
Salem PILOT Expenditures	(31,224)	(31,224)
Paulsboro PILOT Revenues	500,000	500,000
Paulsboro PILOT Expenditures	(500,000)	(500,000)
Gloucester County PILOT Revenues	150,000	150,000
Gloucester County PILOT Expenditures	(150,000)	(150,000)
Change in Inventory of Supplies	51,459	(156,722)
	<hr/>	<hr/>
Total Operating Transfers	17,701,459	18,593,278
	<hr/>	<hr/>
Net Income/(Loss) Before Contributions	2,617,936	3,828,706
Additions To Capital Contributions	456,485	
	<hr/>	<hr/>
Change in Net Position	3,074,421	3,828,706
	<hr/>	<hr/>
Net Position - Beginning of Year	50,609,871	46,781,165
	<hr/>	<hr/>
Net Position - End of Year	\$53,684,292	50,609,871
	<hr/>	<hr/>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

SOUTH JERSEY PORT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Receipts from Customers	\$33,118,792	35,184,420
Interest Receipts	141,554	163,712
Payments to Employees	(5,895,004)	(6,082,951)
Payments for Employee Benefits	(5,190,578)	(4,789,254)
Payments to Suppliers	(18,525,923)	(28,501,906)
	<u>3,648,841</u>	<u>(4,025,979)</u>
Net Cash Provided/(Used) by Operating Activities		
Cash Flows From Noncapital Financing Activities:		
Developers' Escrow Refunds	(284,952)	690,546
	<u>(284,952)</u>	<u>690,546</u>
Net Cash Provided/(Used) by Noncapital Financing Activities		
Cash Flows From Capital & Related Financing Activities:		
Acquisition & Construction of Capital Assets	446,918	1,657,150
Federal Interest Subsidy	3,027,503	3,022,633
Insurance Proceeds	435,016	934,280
Net Proceeds Received from Bond Refunding		3,223,144
Net Proceeds Received from Bonding	271,149,473	
Bond Issuance Expenses	(1,144,096)	(28,180)
Interest Paid on Revenue Bonds	(13,504,519)	(16,239,022)
Principal Paid on Revenue Bonds	(11,315,000)	(10,405,000)
State Aid for Debt Service	16,828,484	24,255,909
Camden City PILOT Revenues	4,000,000	4,000,000
Camden City PILOT Payments	(4,000,000)	(4,000,000)
Camden County PILOT Revenues	419,000	419,000
Camden County PILOT Payment	(419,000)	(419,000)
Paulsboro PILOT Revenues	500,000	500,000
Paulsboro PILOT Expenditures	(500,000)	(500,000)
Gloucester County PILOT Revenues	150,000	150,000
Gloucester County PILOT Payment	(150,000)	(150,000)
Salem PILOT Revenues	31,224	31,224
Salem PILOT Payment	(31,224)	(31,224)
	<u>265,923,779</u>	<u>6,420,914</u>
Net Cash Provided/(Used) by Capital & Related Financing Activities		
Cash Flows From Investing Activities:		
Unrealized Gain/(Loss) on Investment	495,592	1,025,575
Interest & Dividends	338,919	86,230
	<u>834,511</u>	<u>1,111,805</u>
Net Cash Provided/(Used) by Investing Activities		

The accompanying Notes to the Financial Statements are an integral part of this Statement.

SOUTH JERSEY PORT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Net Increase/(Decrease) in Cash & Cash Equivalents	270,122,179	4,197,286
Balances - Beginning of Year	<u>55,024,884</u>	<u>50,827,598</u>
Balances - End of Year	<u><u>\$325,147,063</u></u>	<u><u>55,024,884</u></u>

Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	(\$3,050,526)	(\$2,670,953)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Activities:		
Depreciation & Net Amortization	5,812,244	4,172,848
(Increase)/Decrease in Accounts Receivable, Net	(331,514)	423,543
(Increase)/Decrease in Prepaid Expenses	809,352	(571,177)
Increase/(Decrease) in Accounts Payable	2,675,900	2,150,611
Increase/(Decrease) in Accrued Liabilities	3,733	18,018
Increase/(Decrease) in Contracts Payable	(1,231,944)	(7,396,169)
Increase/(Decrease) in Early Retirement Payable	(276)	3,242
Increase/(Decrease) in Concession Arrangements	(209,031)	36,211
Increase/(Decrease) in Unearned Lease Revenue	725,404	
Increase/(Decrease) in Unrealized Rental Income	<u>(208,440)</u>	<u>(192,153)</u>
Total Adjustments	<u>8,045,428</u>	<u>(1,355,026)</u>
Net Cash Provided/(Used) by Operating Activities	<u><u>\$4,994,902</u></u>	<u><u>(4,025,979)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016**

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the South Jersey Port Corporation have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The accounting and financial reporting treatment applied to the South Jersey Port Corporation is determined by its measurement focus. The transactions of the Corporation are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflow of resources and liabilities, deferred inflow of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets and deferred outflow of resources net of total liabilities and deferred inflow of resources) is segregated into net investment in capital assets; restricted for capital activity; restricted for debt service; and unrestricted components.

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements:

The following GASB Statements became effective for the year ended December 31, 2017:

Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The adoption of this statement had no impact on the Authority's financial statements.

Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement 68, Accounting and Financial Reporting for Pensions. The adoption of this statement had no impact on the Authority's financial statements.

Statement 79, *Certain External Investment Pools and Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this statement had no impact on the Authority's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following statements which will become effective in future fiscal years:

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 1. Summary of Significant Accounting Policies (continued):

Statement 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This statement replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, Statement 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement 74, *Financial Reporting for Post-employment Benefit Plan Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement 80, *Blending Requirements for Certain Component Units* – an amendment of GASB Statement 14. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of statement 14, *The Financial Reporting Entity, as amended*. This statement will be effective for the year ended June 30, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement will be effective for the year ended June 30, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 82, *Pension Issues* – an amendment of GASB Statement 67, 68 and 73. The objective of this statement is to address certain issues that have been raised with respect to Statement 67, *Financial Reporting for Pension Plans*, Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Authority's financial statements.

Statement 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this statement are effective for reporting periods beginning after June 30, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 84, *Fiduciary Activities*. The statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement 84 is effective for the reporting period beginning after

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 1. Summary of Significant Accounting Policies (continued):

December 31, 2018. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 85, *Omnibus 2017*. This statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. The guidance in Statement 85 is effective for the period beginning after June 15, 2017. Management does not expect this statement to have a material impact on the Authority's financial statements.

Statement 86, *Accounting for Certain Debt Extinguishment*. Statement 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement 86 is effective for the period beginning after June 15, 2017. Management does not expect this statement to have a material impact on the School District's financial statements. Statement 87, *Leases*. Statement 87 establishes single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing the right to use an underlying asset. Statement 87 is effective for the reporting period beginning after December 15, 2019. Management does not expect this statement to have a material impact on the Authority's financial statements.

The accompanying financial statements present the financial position of the Corporation, the results of operations of the Corporation and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2017 and 2016 for the years then ended.

Reporting Entity:

The South Jersey Port Corporation was created by the "South Jersey Port Corporation Act, *N.J.S.A. 12:11A*", as an instrumentality of the State of New Jersey. The Act conferred upon the Corporation the powers to establish, acquire, construct, rehabilitate, improve, operate and maintain marine terminals in the South Jersey Port district, which includes Mercer, Burlington, Camden, Gloucester, Salem, Cumberland and Cape May counties.

The South Jersey Port Corporation is a component unit of the State of New Jersey as described in Governmental Accounting Standards Board Statement No. 14 due to the existence of the above stated act, *N.J.S.A.12: 11A*. These financial statements would be either blended or discreetly presented as part of the State of New Jersey's financial statements if the State reported using generally accepted accounting principles applicable to governmental entities.

The operations of the Port are under the directorship of an eleven-member board. The Governor of the State appoints members for a term of five years. The day-to-day operations of the Port are under the administration of the Executive Director with approximately 122 full time employees and 6 part time employees.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued):

The primary criterion for including activities within the Corporation's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ◆ The organization is legally separate (can sue or be sued in their own name);
- ◆ The Corporation holds the corporate powers of the organization;
- ◆ The Governor appoints a voting majority of the organization's board;
- ◆ The Corporation is able to impose its will on the organization;
- ◆ The organization has the potential to impose a financial benefit/burden on the Corporation;
- ◆ There is a fiscal dependency by the organization on the Corporation.

Based on the aforementioned criteria, the Corporation has no component units.

Accounting Policies and Basis of Presentation

- a) **Basis of Accounting** - The basic financial statements of the South Jersey Port Corporation have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.
- b) **Cash Equivalents** - For purposes of the statement of cash flows, the Corporation considers all highly liquid debt instruments purchased with maturity of one year or less to be cash equivalents.
- c) **Investment in Property, Plant and Equipment** – Investment in Property, Plant and Equipment is stated at cost, which generally includes net capitalized interest expense (See Note 5) as well as professional fees incurred during the construction period.

Replacements of Property, Plant and Equipment are recorded at cost. Related costs and accumulated depreciation are removed from the accounts and any gain or loss on disposition is either credited or charged to nonoperating revenues or expenses.

Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets (See Note 5).

d) Marine Terminal Revenue Bond Resolution

The Corporation is subject to the provisions and restrictions of the Marine Terminal Revenue Bond Resolution adopted November 8, 2007, January 29, 2009, December 30, 2009, October 17, 2012, September 29, 2016 and November 16, 2017. The revenues generated by operations are to be distributed monthly based upon the following priorities:

- 1) **Operating Account** - 1/12 of the total appropriated for operating expenses in the annual budget for the current calendar year.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued):

- 2) **Debt Service Account** - such amount necessary to increase the retained earnings to equal the Aggregate Debt Service Requirement. (Interest and principal on the bonds to accrue to the next interest payment date).
- 3) **Debt Reserve Account** - such amount necessary to increase the retained earnings to equal the Debt Reserve Requirement.
- 4) **Maintenance Reserve Account** - such amount necessary to increase the retained earnings to equal the Maintenance Reserve Fund Requirement, which is the amount, budgeted for major renewals, repairs or replacement.
- 5) **Tax Reserve Account** - such amount to increase the balance in the Payment Account to equal the Property Tax Reserve and then such amount to increase the balance in the Reserve Account to equal the tax payments for the current year.
- 6) **General Reserve Account** - such amount that remains after all previously mentioned requirements.

The following is a summary of the functions and activities of each account created by the Bond Resolution:

Operating Account

Purpose - to account for all operating revenues and expenditures of the Corporation.

Section 711 of the Bond Resolution states that on or before November 15 in each year, the Corporation shall complete a review of its financial condition for the purpose of estimating whether the rates, rents, fees, charges and other income and receipts from operating the Marine Terminals including investment income will be sufficient to provide for all of the payments and to meet all of the following requirements:

- (a) Operating Expenses during the calendar year, including reserves therefore, provided for in the Annual Budget for such year;
- (b) An amount equal to the Aggregate Debt Service for such calendar year;
- (c) The amount, if any, to be paid during such calendar year into the Debt Reserve Account;
- (d) The amount to be paid during such calendar year into the Maintenance Reserve Account to the extent funds are available; and
- (e) All other charges or liens whatsoever to be paid out of revenues during such calendar year and, to the extent not otherwise provided for, all amounts payable on Subordinated Debt.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued):

Provided, however, in no event shall such rates, rents, fees and charges in any calendar year be less than those sufficient to provide Net Revenues in such year at least equal to 1.10 times the Aggregate Debt Service for such year. The Bond Resolution further states that if the Corporation determines that such revenues may not be sufficient to provide such payments plus principal and interest due or accrued on Consulting Engineers to make a study for the purpose of recommending a schedule of rates, fees and charges for the Marine Terminals which, in the opinion of the Corporation or the Consulting Engineers, will cause sufficient revenues to be collected in the following calendar year to provide funds for all such payments and will cause additional revenues to be collected in such following and later calendar years sufficient to restore the amount of such deficiency at the earliest practicable time.

Debt Service Account

Purpose - payment of principal and interest on Marine Terminal Revenue Bonds.

Debt Service payments for 2016 included \$11,315,000 for principal and \$13,377,005 for interest. 2016 included \$10,405,000 for principal and \$16,834,770 for interest. The funds to pay down the debt service were provided from debt service accounts within the Construction Fund for 2017 and 2016.

Purpose - to provide necessary funds to meet debt service obligations should revenues be insufficient.

N.J.S.A.12:11A-14 provides the following:

"In order to assure the maintenance of the maximum Debt Service Reserve in the South Jersey Port Corporation Reserve Fund, there shall be annually appropriated and paid to the Corporation for deposit in said fund, such sum, if any, as shall be certified by the Chairman of the Corporation to the Governor as necessary to restore said fund to an amount equal to the maximum Debt Service Reserve. The Chairman shall annually, on or before December 1, make and deliver to the Governor his certificate stating the sum, if any, required to restore said fund to the amount aforesaid, and the sum or sums so certified shall be appropriated and paid to the Corporation during the then current State Fiscal Year".

The Chairman certified to the Governor that the Port Corporation anticipated it would require a State appropriation in this fund in the amount of \$17,650,000.

The Reserve Fund Requirement, as established under the terms of the Marine Terminal Bond Resolution dated November 8, 2007, is the highest amount of aggregate debt service payable in any succeeding year, which amount is \$37,293,188.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued):

Maintenance Reserve Account

Purpose - to provide funds for major renewals, repairs or replacements essential to restore or prevent physical damage to, or to prevent loss of revenues from the Marine Terminals.

Section 506 of the Bond Resolution, as amended by Section 302 of the Supplemental Bond Resolution, specified that operating revenues shall be deposited to the Maintenance Reserve Account only after meeting the necessary payments to the Operating Account, Debt Service Account, Debt Reserve Account and Rebate Account.

Funds were provided from operating revenue during the years 2017 and 2016 of \$482,919 and \$138,666 respectively.

Property Reserve Account

Purpose is to accumulate proceeds from the sale of land or other property and to use such funds for projects involving the acquisition of real or personal property.

Tax Reserve Account

Purpose - for the payments of amounts due to local governments in lieu of property taxes as required by *N.J.S.12:11A-20*.

N.J.S.A.12:11A-20(b) provides the following:

"To the end that counties and municipalities may not suffer undue loss of future tax revenue by reason of the acquisition of real property therein by the Corporation, the Corporation is hereby authorized, empowered and directed to enter into agreement or agreements (herein-after called 'tax agreements') with any county or municipality..... whereby it will undertake to pay a fair and reasonable sum or sums..... to compensate the said county or municipality for any loss of such tax revenue by reason of the acquisition of any such property by the Corporation....". *N.J.S.A.12:11A-20* provides the following:

"In order to assure provision of the property tax reserve in said fund, there shall be annually appropriated and paid to the Corporation for deposit in said fund, such sums, if any, as shall be certified by the Chairman of the Corporation to the Governor as then necessary to provide in said fund an amount equal to the property tax reserve. The Chairman shall annually on or before December 1 make and deliver to the Governor his certificate stating the sum if any needed to provide in said fund the amount of the property tax reserve as of said date, and the sum or sums so certified shall be appropriated and paid to the Corporation during the then current fiscal year".

During both 2017 and 2016 the State of New Jersey paid to the Corporation \$4,000,000 for Camden City, \$419,000 for Camden County, \$500,000 for Paulsboro Township, \$150,000 for Gloucester County, \$31,224 for Salem City to provide sufficient funds for tax payments.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued):

General Reserve Account

Purpose - to accumulate excess revenues, which may subsequently be transferred to other funds to meet deficiencies or for the repayment to the State, amounts paid in discharge of its obligations under the Act, or for any other lawful purpose in connection with the Marine Terminals.

To this date, operating revenues have not been sufficient to provide funds for the General Reserve Account.

Construction Account

Purpose is to account for the cost of facilities and maintain a record of the Marine Terminal Revenue Bonds.

The South Jersey Port Corporation has issued various bonds as outlined in Note 6 for the improvement of the port facilities, debt reserve funds and capitalized interest. Series K and L were issued in December 2002 and these funds have been refunding during 2013 with Series Q and R. During 2003 Series M Bonds were issued in the amount of \$11,305,000. In 2007 Series N Bonds were issued in the amount of \$11,235,000. During 2009 Series O Bonds in the amount of \$25,885,000 and Series P Bonds in the amount of \$157,880,000 were issued and these funds are also still available for approved projects.

With certain exceptions, existing arbitrage laws require a rebate to the federal government of all earnings on the investment of the proceeds of tax-exempt obligations, issued after September 1, 1986, in excess of the yield on such obligations and any income earned on such excess. A portion of past or future interest earnings may be subject to federal rebate. An arbitrage calculation analysis has been performed through December 18, 2012 for such required tax-exempt obligations and it has been determined that no liability is due to the federal government at this time.

Note 2. Cash & Cash Equivalents

The Corporation is governed by the deposit and investment limitations of New Jersey state law. The Deposits and Investments held at December 31, 2017 and 2016 are as follows:

Type	2017 Carrying Value	2016 Carrying Value
Deposits:		
Demand Deposits	<u>\$316,518,512</u>	<u>\$ 45,238,490</u>
Total Deposits	<u>\$316,518,512</u>	<u>\$ 45,238,490</u>

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

2. Cash and Cash Equivalents (continued):

Reconciliation of Statement of Net Position:

Current:

Unrestricted Assets:

Cash & Cash Equivalents	\$ 11,345,641	\$ 8,813,384
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Restricted Assets:

Cash & Cash Equivalents	<u>305,172,871</u>	<u>36,425,106</u>
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Total	<u>\$316,518,512</u>	<u>\$ 45,238,490</u>
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Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation does not have a deposit policy for custodial credit risk. As of December 31, 2017 and 2016, the Corporation's bank balance of \$316,770,636 and \$45,967,882 respectively, was insured or collateralized as follows:

	<u>2017</u>	<u>2016</u>
Insured	\$ 1,292,998	\$ 1,250,000
Collateralized in the Corporation's Name		
Under GUDPA (See Note 3)	315,093,324	44,333,568
Collateralized not in the Corporation's Name		
(New Jersey Cash Management Fund)	<u>384,314</u>	<u>384,314</u>
Total	<u>\$316,770,636</u>	<u>\$ 45,967,882</u>

Note 3. Investments

A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Corporation, and are held by either the counterparty or the counterparty's trust department or agent but not in Corporation's name. All of the Corporation's investments are held in the name of the Corporation and are collateralized by GUDPA.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 3. Investments (continued):

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Corporation has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2017 and 2016, are provided in the above schedule.

C. Investment Credit Risk

The Corporation has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Corporation or bonds or other obligations of the local unit or units within which the Corporation is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Corporation;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities with certain limitations.
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of subsection A herein;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 3. Investments (continued):

C. Investment Credit Risk (continued):

(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41); and

(e) a master repurchase agreement providing for the custody and security of collateral.

- Any investment instruments in which the security is not physically held by the Corporation shall be covered by a third party custodial agreement which shall provide for the designation of such investments in the name of the Corporation and prevent unauthorized use of such investments;
- Purchase of investment securities shall be executed by the "delivery versus payment" method to ensure that securities are either received by the Corporation or a third party custodian prior to or upon the release of the Corporation's funds.
- Any investments not purchased and redeemed directly from the issuer, government money market mutual fund, local government investment pool, or the State of New Jersey Cash Management Fund, shall be purchased and deemed through the use of a national or State bank located within this State or through a broker-dealer which, at the time of purchase or redemption, has been registered continuously for a period of at least two years pursuant to section 9 of P.L.1967, c. 93 (C.49:3-56) and has at least \$25 million in capital stock (or equivalent capitalization if not a corporation), surplus reserves for contingencies and undivided profits, or through a securities dealer who makes primary markets in U.S. Government securities and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities.

As of December 31, 2017 and 2016, the Corporation had the following investments and maturities:

			2017
<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
Federal Home Loan Discount Notes	6/30/18	N/A	<u>8,628,551</u>
			2016
<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
Federal Home Loan Discount Notes	6/20/17	N/A	\$1,228,923
Federal Home Loan Discount Notes	6/28/17	N/A	<u>8,557,471</u>
Total			<u>\$9,786,394</u>

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 4. Governmental Unit Deposit Protection Act (GUDPA)

The Corporation deposited cash in 2017 and 2016 with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act.

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the 6 month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the 6 month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by F.D.I.C. or any other U.S. agency which insures public depository funds.

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in the aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after the default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each such governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30th and December 31st, with the Commissioner of Banking. Any public depository which refuses or neglects to give any information so requested may be excluded by the Commissioner from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 4. Governmental Unit Deposit Protection Act (GUDPA) (continued):

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The Corporation should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

Note 5. Property, Plant & Equipment

The following is a summary of property, plant and equipment at cost, less accumulated depreciation and amortization for the years ended December 31, 2017 and 2016:

	Balance December 31, 2016	Additions	Deletions	Reclass/ Adjustments	Balance December 31, 2017
Land	\$ 18,235,317			941,800	\$ 19,177,117
Buildings & Improvements	48,926,616		(990,356)	7,211,306	55,147,566
Land Improvements	120,076,792	435,267		136,712,917	257,224,976
Equipment	25,311,580	221,559	(10,302)	50,517	25,573,354
Engineering & Other	7,203,729				7,203,729
Financing Costs	9,159,938				9,159,938
Subtotal	228,913,972	656,826	(1,000,658)	144,916,540	373,486,9680
Less: Accumulated Depreciation Amortization	(115,383,817)	(5,827,245)	901,619		(120,309,443)
Subtotal	113,530,155	(5,170,419)	(99,039)	144,916,540	253,177,237
Construction in Progress	146,887,594	7,580,776	-	(152,600,402)	1,867,968
Total	\$260,417,749	\$ 2,410,357	\$ (99,039)	\$ (7,683,862)	\$255,045,205

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 5. Property, Plant & Equipment (continued):

	Balance December 31, 2015	Additions	Deletions	Reclass/ Adjustments	Balance December 31, 2016
Land	\$ 18,235,317				\$ 18,235,317
Buildings & Improvements	48,100,741	\$ 227,281		548,594	48,926,616
Land Improvements	118,162,942			1,913,850	120,076,792
Equipment	24,811,404	53,284		446,892	25,311,580
Engineering & Other	7,203,729				7,203,729
Financing Costs	9,159,938				9,159,938
Subtotal	225,674,071	280,565	-	2,909,336	228,913,972
Less: Accumulated Depreciation Amortization	(111,195,969)	(4,187,848)			(115,383,817)
Subtotal	114,478,102	(3,857,283)	-	2,909,336	113,530,155
Construction in Progress	151,313,715	9,469,359	-	(13,895,480)	146,887,594
Total	\$265,791,817	\$ 5,612,076	\$ -	\$(10,986,144)	\$260,417,749

Note 6. Pension Plan

Description of System and Vesting

All eligible authority employees participate in the contributory defined benefit public employee retirement system established by state statute. The Public Employees Retirement System (PERS) is sponsored and administered by the State of New Jersey and considered a cost-sharing multiple employer plan.

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

SOUTH JERSEY PORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 6. Pension Plan (continued):

At December 31, 2017 the Corporation reported a liability of \$19,345,036 (\$769,860 Pension Payable and \$18,575,176 Net Pension Payable) for its proportionate share of the net pension liability as measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's long – term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Corporation's proportion was .083103% which increased slightly by .08% from its proportion measured as of June 30, 2016.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended December 31, 2017 and 2016, the Corporation recognized pension expense of \$2,054,117 and \$2,727,657 respectively. At December 31, 2017 and 2016, the Corporation reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference Between Expected and Actual Experience	\$ 455,509		\$ 443,299	
Changes of Assumptions	3,897,358	3,883,070	4,937,782	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	131,727		908,932	
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	3,133,191	413,326	3,452,263	582,722
Authority Contributions Subsequent to The Measurement Date	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$7,617,785</u>	<u>\$4,296,396</u>	<u>\$9,742,276</u>	<u>\$582,722</u>

\$7,617,785 and \$9,742,276 reported as deferred outflows of resources related to pensions resulting from Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017 and 2016. Other amounts

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 6. Pension Plan (continued):

reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended November 30, 2017		Year Ended November 30, 2016	
2018	\$ 606,093	2017	\$ 1,632,518
2019	606,093	2018	1,632,518
2020	606,093	2019	1,632,518
2021	606,093	2020	1,632,518
2022	606,093	2021	1,632,516
Thereafter	<u>290,924</u>	Thereafter	<u>996,966</u>
Total	<u>\$ 3,321,389</u>	Total	<u>\$ 9,159,554</u>

Additional Information

Collective balances at November 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Collective deferred outflows of resources	\$ 6,424,455,842	\$ 8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	\$ 23,278,401,588	\$ 29,617,131,759
District's Proportion	.0831029415%	.0008048430%

Actuarial Assumptions

The total pension liability in the June 30, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

	<u>2017</u>		<u>2016</u>
Inflation Rate	2.25%	Inflation Rate	3.08%
Salary Increases: Through 2026	1.65 – 4.15% Based on Age	Salary Increases: Through 2026	1.65 – 4.15% Based on Age
Thereafter	2.65 – 5.15% Based on Age	Thereafter	2.65 – 5.15% Based on Age

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

SOUTH JERSEY PORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 6. Pension Plan (continued):

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 and 2016 are summarized in the following tables:

Asset Class	2017 Target Allocation	2017 Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Develop Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 6. Pension Plan (continued):

Long-Term Expected Rate of Return (continued):

Asset Class	2016 Target Allocation	2016 Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt Ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65% as of June 30 2017 and 2016, respectively, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contribution 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30,

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 6. Pension Plan (continued):

2017 and 2016, respectively, calculated using the discount rate as disclosed above as well as what the collective 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:

2017			
	At 1% decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
State	29,818,581,732	25,645,622,797	22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
	<u>58,697,018,759</u>	<u>48,924,024,385</u>	<u>40,792,456,582</u>
2016			
	At 1% decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
State	34,422,851,197	29,390,685,705	25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
	<u>70,715,189,252</u>	<u>49,007,817,464</u>	<u>49,352,744,647</u>

Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Contribution Requirements

The contribution policy is set by N.J.S.A.43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A.18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 7.06%, effective July 1, 2015 and increases to 7.20%, effective July 1, 2016 of employees' annual compensation as defined. The rate will increase over the next several years to 7.5%. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. The South Jersey Port Corporation's contributions to P.E.R.S. for the years ending December 31, 2017, 2016 and 2015 were \$715,011, \$541,887 and \$479,587, respectively, equal to the required contributions for each year.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 6. Pension Plan (continued):

The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information. To obtain this additional detailed information about the pension plan it is available in a separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/gasb-68-rpts.shtml>.

Early Retirement Incentive Plan

In 2003 the State of New Jersey signed into Law the State Early Retirement Incentive (ERI) program as Chapter 23, PL. 2002. The ERI has a provision that allows optional participation in the program by certain State Autonomous Authorities. Participation is optional, as these organizations will have to bear the cost of the incentives provided to their employees who retire. The Board of Directors of the South Jersey Port Corporation adopted a resolution to allow its eligible employees to participate in the ERI program. In 2002 four employees elected to participate in the ERI. In 2003 an additional four employees elected to participate in the ERI. The liability to the Corporation is \$1,189,516 as of December 31, 2017.

Payments for the liability will be spread over 30 years. Each consecutive year's payment would increase by 4.00%. All the payment schedules incorporate an annual percentage rate of interest equaling 8.25%. The Port made its payment towards the ERI Program in 2017 and 2016 for \$98,158 and \$97,890 respectively, which included principal and interest.

The following is a summary of the Early Retirement Incentive Plan required payments for interest and principal:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,236	98,135	102,371
2019	8,680	97,786	106,466
2020	13,656	97,069	110,725
2021	19,211	95,943	115,154
2022	25,402	94,358	119,760
2023	32,288	92,262	124,550
2024	39,933	89,599	129,532
2025	48,409	86,304	134,713
2026	57,792	82,310	140,102
2027	68,164	77,542	145,706
2028	79,615	71,919	151,534
2029	92,244	65,351	157,595
2030	106,158	57,741	163,899
2031	121,472	48,983	170,455
2032	138,312	38,961	177,273
2033	156,814	27,550	184,364
2034	<u>177,130</u>	<u>14,613</u>	<u>191,743</u>
Total	<u>\$1,189,516</u>	<u>\$1,236,426</u>	<u>\$2,425,942</u>

SOUTH JERSEY PORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt

The following is a summary of long-term debt at December 31, 2017:

Issue	Initial Date of Issue	Date of Final Maturity	Interest Rates	Original Issue Amount	Principal Balance Outstanding
Series 2009 O Marine Terminal Revenue Bonds	01/29/09	01/01/39	4.000% 5.875%	25,885,000	1,255,000
Series 2009 P Marine Terminal Revenue Bonds	12/30/09	01/01/40	2.995% 7.365%	157,880,000	139,260,000
Series 2012 Q Marine Terminal Refunding Bonds	10/17/12	01/01/33	3.000% 3.250%	60,060,000	46,220,000
Series 2012 R Marine Terminal Refunding Bonds	10/17/12	01/01/24	4.000%	16,050,000	10,820,000
Series 2016 S Marine Terminal Refunding Bonds	09/29/16	01/01/39	5.125% 5.875%	40,320,000	39,420,000
Series 2017 A Marine Terminal Revenue Bonds	11/16/17	01/01/49	5.00%	23,860,000	23,860,000
Series 2017 B Marine Terminal Revenue Bonds	11/16/17	01/01/48	5.00%	231,140,000	231,140,000
Total					<u>\$491,975,000</u>
Add: Unamortized Bond Premium					23,398,955
Less: Current Maturities Included in Current Liabilities					<u>11,230,000</u>
Balance					<u><u>\$504,143,955</u></u>

The following table sets forth the amount required for payment of principal and interest due on Series N, O, P, Q, R and S bonds (whether at maturity or by sinking fund redemption):

Year	Principal	Interest	Total
2018	\$ 11,230,000	\$ 20,696,935	\$ 31,926,935
2019	11,640,000	25,653,188	37,293,188
2020	11,995,000	25,135,337	37,130,337
2021	9,965,000	24,635,691	34,600,691
2022	10,350,000	24,163,377	34,513,377
2023-2027	58,740,000	112,306,081	171,046,081
2028-2032	72,190,000	94,206,959	166,396,959
2033-2037	88,595,000	71,302,162	159,897,162

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt (continued):

Year	Principal	Interest	Total
2038-2042	89,985,000	43,197,751	133,182,751
2043-2047	86,385,000	21,443,875	107,828,875
2048-2049	<u>40,900,000</u>	<u>2,070,000</u>	<u>42,970,000</u>
Total	<u>\$491,975,000</u>	<u>\$464,811,356</u>	<u>\$956,786,356</u>

a) On November 8, 2007, the Corporation issued \$11,235,000 Marine Terminal Revenue Bonds, Series N. The Series N Bonds were issued to provide funds to (i) the implementation of certain capital projects of the Corporation (the “2007 Projects”); (ii) fund a deposit to the debt reserve fund established under the Bond Resolution and (iii) pay the costs of issuance of the Series 2007 Bonds.

b) On January 29, 2009, the Corporation issued \$25,885,000 in aggregate Marine Terminal Revenue Bonds, Series O. The Series O Bonds consist of \$19,770,000 Marine Terminal Revenue Bonds, Series O-1 (the “Series 2009 O-1 Bonds”), \$915,000 Marine Terminal Revenue Bonds, Series 2009 O-2 (the “Series 2009 O-2 Bonds”), and \$5,200,000 Marine Terminal Revenue Bonds, Series O-3 (AMT) (the “Series 2009 O-3 Bonds” and, together with the Series 2009 O-1 Bonds and the Series 2009 O-2 Bonds, “Series 2009 Bonds”). The Series O Bonds were issued to provide funds to (i) fund the implementation of certain capital projects of the Corporation; (ii) fund a deposit to the Debt Reserve Fund established under the Bond Resolution; and (iii) pay the costs of issuance of the Series 2009 Bonds.

c) On December 30, 2009, the Corporation issued \$157,880,000 in aggregate Marine Terminal Revenue Bonds, Series P. The Series P Bonds consist of \$4,925,000 Marine Terminal Revenue Bonds, Series 2009 P-1 (Federally Taxable), \$23,215,000 Marine Terminal Revenue Bonds, Series 2009 P-2 (Tax-Exempt Private Activity), and \$129,740,000 Marine Terminal Revenue bonds, Series 2009 P-3 (Federally Taxable). The Series P Bonds were issued to provide funds to (i) the 2009 Paulsboro Marine Terminal Project; (ii) fund a deposit to the Debt Reserve Fund; (iii) fund capitalized interest on the Series 2009 P Bonds through January 1, 2001; and (iv) pay the costs of issuance of the Series 2009 P Bonds.

d) On October 17, 2012, the Corporation performed a partial current refunding of Marine Terminal Revenue and Revenue Refunding Bonds Series K and L. The Corporation issued Series Q (\$60,060,000) Marine Terminal Refunding Bonds (Tax-Exempt) and Series R (\$16,050,000) Marine Terminal Revenue Refunding Bonds (Taxable). The proceeds of the Series 2012 Bonds, together with other funds, are being used to (i) refund certain callable maturities of the 2002 Bonds; (ii) fund the required deposit to the Debt Reserve Fund; and (iii) pay the costs of issuance of the Series 2012 Bonds.

e) On September 29, 2016, the Corporation performed advance-refunding of Marine Terminal Revenue Bonds Series N and O. The Corporation issued Series S-1 (\$33,035,000) Marine Terminal Revenue and Revenue Refunding Bonds and Series S-2 (\$7,285,000) Marine Terminal Revenue Refunding Bonds (AMT). A portion of the proceeds of the Series 2016 S-1 Bonds will be used to: (i) advance-refund the Corporation’s Series N Bonds and (ii) advance-refund the Series 2009 O-1 and O-2 Bonds (Prior Tax-Exempt Bonds). A portion of the proceeds of the 2016 S-2 Bonds will be used to currently refund the Corporation’s Series 2003 M Bonds (Prior AMT Bonds and together with the Prior Tax-Exempt Bonds,

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt (continued):

the "Prior Bonds"). A portion of the proceeds of the Series 2016 Bonds will be deposited into the Project Fund established under the Bond Resolution for purposes of funding the 2016 Capital Plan. A portion of the proceeds of the Series 2016 Bonds, together with other available funds, will be deposited in the Debt Reserve Fund in an amount sufficient to bring the balance in the Debt Reserve Fund to the Debt Reserve Requirement. This current refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the Refunded and Refunding Bonds) of \$400,000.

f) On November 16, 2017, the Corporation issued \$255,000,000 in Subordinated Marine Terminal Revenue Bonds, Series 2017. The Series 2017 Bonds consist of \$23,860,000 Subordinated Marine Terminal Revenue Bonds, Series 2017A (Tax-Exempt), and \$231,140,000 Subordinated Marine Terminal Revenue bonds, Series 2017b (AMT). The Series 2017 Bonds were issued to provide funds to (i) pay the costs of various capital improvements and projects included in the Corporation's capital plan, (ii) make the required deposit into the Subordinated Debt Reserve Fund; (iii) fund capitalized interest on the Series 2017 Bonds through January 1, 2019; and (iv) pay the costs of issuance of the Series 2017 Bonds.

The following is a summary detailing the schedule of outstanding bonds by year, series and the annual debt principal requirements for each:

Issue Year	....SERIES O-3.....	
	Annual Principal	Interest Rate
2018	\$ 610,000	5.50
2019	645,000	5.50
2020	-	
2021	-	
2022	-	
2023	-	
2024	-	
2025	-	
2026	-	
2027	-	
2028	-	
2029	-	
2030	-	
2031	-	
2032	-	
2033	-	
2034	-	
2035	-	
2036	-	
2037	-	
2038	-	
2039	-	
Total	<u>\$1,255,000</u>	

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt (continued):

Issue Year	.....SERIES P-2.....		....SERIES P-3.....		SERIES "P" Total Principal
	Annual Principal	Interest Rate	Annual Principal	Interest Rate	
2018	-		3,520,000	5.912	7,635,000
2019	-		3,655,000	6.052	8,005,000
2020	-		3,800,000	6.152	4,855,000
2021	-		3,955,000	6.252	3,955,000
2022	4,115,000	5.750	-		-
2023	4,350,000	5.750	-		-
2024	1,055,000	5.750	-		-
2025	-		-		-
2026	-		-		-
2027	-		-		-
2028	-		-		-
2029	-		29,985,000	7.065	29,985,000
2030	-		-		-
2031	-		-		-
2032	-		-		-
2033	-		-		-
2034	-		-		-
2035	-		-		-
2036	-		-		-
2037	-		-		-
2038	-		-		-
2039	-		-		-
2040	-		84,825,000	7.365	84,825,000
Total	<u>\$ 9,520,000</u>		<u>\$129,740,000</u>		<u>\$139,260,000</u>

Issue Year	.....SERIES Q.....		.....SERIES R.....	
	Annual Principal	Interest Rate	Annual Principal	Interest Rate
2018	4,700,000	3.00	1,650,000	4.00
2019	4,850,000	3.00	1,700,000	4.00
2020	5,000,000	3.00	1,750,000	4.00
2021	2,950,000	3.00	1,550,000	4.00
2022	3,050,000	3.00	1,600,000	4.00
2023	3,150,000	3.00	1,670,000	4.00
2024	950,000	3.00	900,000	4.00

SOUTH JERSEY PORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt (continued):

Issue Year	.....SERIES Q.....		.....SERIES R.....	
	Annual Principal	Interest Rate	Annual Principal	Interest Rate
2025	2,050,000	3.00	-	
2026	2,100,000	3.00	-	
2027	2,175,000	3.00	-	
2028	2,245,000	3.00	-	
2029	2,355,000	3.00	-	
2030	2,475,000	3.00	-	
2031	2,600,000	3.13	-	
2032	2,715,000	3.13	-	
2033	2,855,000	3.25	-	
2034	-		-	
2035	-		-	
2036	-		-	
2037	-		-	
2038	-		-	
2039	-		-	
2040	-		-	
Total	<u>\$46,220,000</u>		<u>\$10,820,000</u>	

Issue Year	.....SERIES S-1.....		.....SERIES S-2.....		Series S Total Principal
	Annual Principal	Interest Rate	Annual Principal	Interest Rate	
2018	\$750,000	5.00			750,000
2019	790,000	5.00			790,000
2020	670,000	5.00	775,000	5.00	1,445,000
2021	-		1,510,000	5.00	1,510,000
2022			1,585,000	5.00	1,585,000
2023			1,665,000	5.00	1,665,000
2024			1,750,000	5.00	1,750,000
2025	1,840,000	5.00	-		1,840,000
2026	1,930,000	5.00	-		1,930,000
2027	2,030,000	5.00	-		2,030,000
2028	2,130,000	5.00	-		2,130,000
2029	2,230,000	5.00	-		2,230,000
2030	2,360,000	5.00	-		2,360,000
2031	1,670,000	5.00	-		1,670,000
2032	1,755,000	3.50	-		1,755,000
2033	1,820,000	5.00	-		1,820,000
2034	1,915,000	5.00	-		1,915,000
2035	2,005,000	5.00	-		2,005,000

SOUTH JERSEY PORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt (continued):

Issue Year	.....SERIES S-1.....		.....SERIES S-2.....		Series S
	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Total Principal
2036	2,100,000	3.75	-		2,100,000
2037	2,185,000	5.00	-		2,185,000
2038	2,285,000	5.00	-		2,285,000
2039	<u>1,670,000</u>	5.00	<u>-</u>		<u>1,670,000</u>
Total	<u>\$32,135,000</u>		<u>\$ 7,285,000</u>		<u>\$ 39,420,000</u>

Issue Year	.....SERIES A.....		.....SERIES B.....		Grand
	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Total Principal
2018	-		-		11,230,000
2019	-		-		11,640,000
2020	-		-		11,995,000
2021	-		-		9,965,000
2022	-		-		10,350,000
2023	-		-		10,835,000
2024	-		2,890,000	5.00	11,090,000
2025	-		3,025,000	5.00	11,740,000
2026	-		3,180,000	5.00	12,255,000
2027	-		3,340,000	5.00	12,820,000
2028	-		3,505,000	5.00	13,400,000
2029	-		3,680,000	5.00	14,040,000
2030	-		3,865,000	5.00	14,740,000
2031	-		4,055,000	5.00	14,650,000
2032	-		4,260,000	5.00	15,360,000
2033	-		4,470,000	5.00	16,090,000
2034	-		7,660,000	5.00	16,855,000
2035	-		8,045,000	5.00	17,680,000
2036	-		8,445,000	5.00	18,540,000
2037	-		8,870,000	5.00	19,430,000
2038	-		9,310,000	5.00	20,370,000
2039	-		9,780,000	5.00	20,645,000
2040	-		10,265,000	5.00	19,900,000
2041	-		14,180,000	5.00	14,180,000
2042	-		14,890,000	5.00	14,890,000
2043	-		15,635,000	5.00	15,635,000
2044	-		16,415,000	5.00	16,415,000
2045	-		17,235,000	5.00	17,235,000
2046	-		18,100,000	5.00	18,100,000
2047	-		19,000,000	5.00	19,000,000
2048	2,910,000	5.00	17,040,000	5.00	19,950,000
2049	<u>20,950,000</u>	5.00	<u>-</u>		<u>20,950,000</u>
Total	<u>\$23,860,000</u>		<u>\$231,140,000</u>		<u>\$491,975,000</u>

SOUTH JERSEY PORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt (continued):

The following is a summary detailing the schedules of annual sinking fund payment requirements by year and series:

ISSUE YEAR	SERIES A	SERIES B	SERIES O-3	SERIES P-3	SERIES S-1	GRAND TOTAL
2018	-	-	\$ 610,000	-	-	\$ 610,000
2019	-	-	645,000	-	-	645,000
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	3,545,000	-	3,545,000
2025	-	-	-	4,825,000	-	4,825,000
2026	-	-	-	5,045,000	-	5,045,000
2027	-	-	-	5,275,000	-	5,275,000
2028	-	-	-	5,520,000	-	5,520,000
2029	-	-	-	5,775,000	-	5,775,000
2030	-	-	-	6,040,000	-	6,040,000
2031	-	-	-	6,325,000	-	6,325,000
2032	-	-	-	6,630,000	-	6,630,000
2033	-	-	-	6,945,000	-	6,945,000
2034	-	-	-	7,280,000	-	7,280,000
2035	-	-	-	7,630,000	-	7,630,000
2036	-	-	-	7,995,000	-	7,995,000
2037	-	-	-	8,375,000	2,185,000	10,560,000
2038	-	9,310,000	-	8,775,000	2,285,000	20,370,000
2039	-	9,780,000	-	9,195,000	1,670,000	20,645,000
2040	-	10,265,000	-	9,635,000	-	19,900,000
2041	-	14,180,000	-	-	-	14,180,000
2042	-	14,890,000	-	-	-	14,890,000
2043	-	15,635,000	-	-	-	15,635,000
2044	-	16,415,000	-	-	-	16,415,000
2045	-	17,235,000	-	-	-	17,235,000
2046	-	18,100,000	-	-	-	18,100,000
2047	-	19,000,000	-	-	-	19,000,000
2048	2,910,000	17,040,000	-	-	-	19,950,000
2049	<u>20,950,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,950,000</u>
Total	<u>\$23,860,000</u>	<u>\$161,850,000</u>	<u>\$1,255,000</u>	<u>\$114,810,000</u>	<u>\$ 6,140,000</u>	<u>\$307,915,000</u>

SOUTH JERSEY PORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt (continued):

The following Term Bonds are subject to mandatory sinking fund redemption prior to maturity on January 1 of each of the years and in the respective principal amounts set forth below at a redemption price of 100% of the principal amount plus accrued interest to the date of redemption:

Series 2017A – Bonds Maturing January 1, 2049

<u>Year</u>	<u>Principal Amount</u>
2048	\$ 2,910,000
2049	<u>20,950,000</u>
Total	<u>\$ 23,860,000</u>

Series 2017B – Bonds Maturing January 1, 2048

<u>Year</u>	<u>Principal Amount</u>
2038	\$ 9,310,000
2039	9,780,000
2040	10,265,000
2041	14,180,000
2042	14,890,000
2043	15,635,000
2044	16,415,000
2045	17,235,000
2046	18,100,000
2047	19,000,000
2048	<u>17,040,000</u>
Total	<u>\$161,850,000</u>

Series O-3 - Bonds Maturing January 1, 2019

<u>Year</u>	<u>Principal Amount</u>
2018	\$ 610,000
2019	<u>645,000</u>
Total	<u>\$ 1,255,000</u>

Series P-3 – Bonds Maturing January 1, 2029

<u>Year</u>	<u>Principal Amount</u>
2024	\$ 3,545,000
2025	4,825,000
2026	5,045,000
2027	5,275,000
2028	5,520,000
2029	<u>5,775,000</u>
Total	<u>\$29,985,000</u>

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt (continued):

Series P-3 - Bonds Maturing January 1, 2040

<u>Year</u>	<u>Principal Amount</u>
2030	\$ 6,040,000
2031	6,325,000
2032	6,630,000
2033	6,945,000
2034	7,280,000
2035	7,630,000
2036	7,995,000
2037	8,375,000
2038	8,775,000
2039	9,195,000
2040	<u>9,635,000</u>
Total	<u>\$84,825,000</u>

The Series 2009 O-3 Bonds are not subject to optional redemption prior to their stated maturities.

The Series 2009 P-1 Taxable Bonds are not subject to redemption prior to their stated maturities. The Series 2009 P-2 Tax-Exempt Private Activity Bonds maturing on or after January 1, 2021 are subject to redemption prior to maturity, at the option of the Corporation, upon notice as described below, as a whole or in part at any time on or after January 1, 2020. The Series 2009 P-2 Tax-Exempt Private Activity Bonds or portions thereof to be redeemed shall be selected by the Trustee in any order of maturity at the written election of the Corporation signed by an Authorized Officer, as set forth in said written election, and within a maturity by lot in any other customary manner determined by the Trustee. Any such redemption shall be made at a Redemption Price of 100% of the principal amount of Series 2009 P-2 Tax-Exempt Private Activity Bonds called for redemption, without premium, plus accrued interest to the date of redemption. The Series 2009 P-3 Taxable Build America Bonds are not subject to optional redemption prior to their stated maturities.

The Series 2009 P-3 Taxable Build America Bonds are subject to redemption prior to maturity by written direction of the Corporation, in whole or in part, at any time on any business day, at the "Make-Whole Redemption Price". The Make-Whole Redemption Price is the greater of (i) 100% of the principal amount of the Series 2009 P-3 Taxable Build America Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2009 P-3 Taxable Build America Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2009 P-3 Taxable Build

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt (continued):

America Bonds are to be redeemed, discounted to the date on which the Series 2009B Taxable Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted "Treasury Rate" plus 25 basis points, plus, in each case, accrued and unpaid interest on the Series 2009 P-3 Taxable Build America Bonds to be redeemed to the redemption date.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on a date that is selected by the Corporation that is not less than two (2) business days and not more than fifty (50) days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2009 P-3 Taxable Build America Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one (1) year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one (1) year will be used.

The following table sets forth the amount of interest subsidy payments expected to be requested for the Build America Bonds:

Year	Interest Subsidy to be Received
2018	\$ 3,210,234
2019	3,135,106
2020	3,055,485
2021	2,971,302
2022	2,928,030
2023-2027	13,782,727
2028-2032	10,496,075
2033-2037	6,113,456
2038-2040	<u>1,089,550</u>
Total	<u>\$46,781,965</u>

The Series 2012 Bonds maturing on or after January 1, 2024 are subject to redemption prior to maturity, at the option of the Corporation, upon notice as described below, as a whole or in part at any time on or after January 1, 2023. The Series 2012 Bonds or portions thereof to be redeemed shall be selected by the Trustee in any order of maturity at the written election of the Corporation signed by an Authorized Officer, as set forth in said written election, and with a maturity by lot in any other customary manner determined by the Trustee. Any such redemption shall be made at a Redemption Price of 100% of the principal amount of Series 2012 Bonds called for redemption, without premium, plus accrued interest to the date of redemption.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt (continued):

The Series 2016 Bonds maturing on or after January 2027 are subject to redemption prior to maturity, at the option of the Corporation, upon notice as described below, as a whole or in part at any time on or after January 1, 2026. The Series 2016 Bonds or portions thereof to be redeemed shall be selected by the Trustee in any order of maturity at the written election of the Corporation signed by an Authorized Officer, as set forth in said written election, and with a maturity by lot in any other customary manner determined by the Trustee. Any such redemption shall be made at a Redemption Price of 100% of the principal amount of Series 2016 Bonds called for redemption, without premium, plus accrued interest to the date of redemption.

The Series 2017 Bonds maturing on or after January 1, 2029 are subject to redemption prior to maturity, at the option of the Corporation, upon notice as described in the prior schedule for mandatory sinking fund redemption, as a whole or in part at any time on or after January 1, 2028. The Series 2017 Bonds or portions thereof to be redeemed shall be selected by the Trustee in any order of maturity at the written election of the Corporation signed by an Authorized Officer of the Corporation, as set forth in said written election, and within a maturity by lot in any other customary manner determined by the Trustee. Any such redemption shall be made at a Redemption Price of 100% of the principal amount of Series 2017 Bonds called for redemption, without premium, plus accrued interest to the date of redemption.

The following is a summary of all long-term debt of the Corporation as of December 31, 2017 and 2016:

	Balance December 31, 2016	Issued	Retired	Balance December 31, 2017	Due Within One Year
<u>Restricted:</u>					
Bond Payable	\$248,290,000	255,000,000	(11,315,000)	491,975,000	11,230,000
Capital Lease	2,000,000			2,000,000	1,600,000
Total	<u>\$250,290,000</u>	<u>255,000,000</u>	<u>(11,315,000)</u>	<u>\$493,975,000</u>	<u>12,830,000</u>
				23,398,955	
				<u>12,830,000</u>	
				<u>\$504,543,955</u>	

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 7. Long-Term Debt (continued):

	Balance December 31, 2015	Issued	Retired	Balance December 31, 2016	Due Within One Year
<u>Restricted:</u>					
Bond Payable	\$256,210,000	40,320,000	(48,240,000)	248,290,000	11,315,000
Capital Lease	2,000,000			2,000,000	1,500,000
Total	<u>\$258,210,000</u>	<u>40,320,000</u>	<u>(48,240,000)</u>	<u>\$250,290,000</u>	<u>12,815,000</u>
				Add: Unamortized Bond Premium	6,809,531
				Less: Due within One Year	<u>12,815,000</u>
				Total	<u><u>\$244,284,531</u></u>

Note 8. Leases Obligations

At December 31, 2017, the Corporation had lease agreements in effect for the following:

Operating Lease:

Mailing Machine

Operating Leases – Future minimum rental payments under operating lease agreements are as follows:

Year	Amount
2018	\$ 4,800
2019	<u>1,200</u>
Total minimum Lease Payments	<u><u>\$ 6,000</u></u>

Rental payments under operating leases for the year 2017 and 2016 were \$4,800 and \$4,800 respectively.

Capital Lease:

Eleven (11) Copiers

Capital Leases – Future minimum rental payments under a capital lease agreement for eleven copiers are as follows:

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Capital Lease (continued):

Year	Amount
2018	\$ 43,548
2019	23,868
2020	<u>5,967</u>
Total Minimum Lease Payments	73,383
Less: Amount Representing Interest	<u>3,062</u>
Present Value of Net Minimum Lease Payments	<u>\$ 70,321</u>

Lease payments under Capital leases for the years 2017 and 2016 were \$45,425 and \$37,581 respectively.

Note 9. Economic Dependency

The South Jersey Port Corporation depends upon the State of New Jersey for economic assistance. Under the provisions of the South Jersey Port Corporation Act, the Board Chairman of the Corporation annually certifies to the State of New Jersey the amounts required to maintain certain reserve balances in the debt service and debt service reserve accounts and also in the tax maintenance reserve account.

Employees of the South Jersey Port Corporation may participate in the New Jersey State Employees' Deferred Compensation Plan. The Plan was established by New Jersey Public Law 1978, Chapter 39 and is subject to compliance with Section 457 of the Internal Revenue Code. The New Jersey State Employees' Deferred Compensation Board is the governing body of the Plan.

Note 11. PILOT Payments

City of Camden PILOT Payments – The Corporation entered into a 2017 payment in lieu of tax agreement with the City of Camden requiring the Corporation to make payment of four million dollars (\$4,000,000). The City's fiscal year for 2017 began in July 1, 2016 and ended June 30, 2017. Pursuant to the 2017 "PILOT" agreement, the Corporation is not required to make the 2017 "PILOT" payment until such time as the payment has been appropriated by the State of New Jersey and the payment is received by the Corporation.

County of Camden PILOT Payments - The Corporation has entered into a 2017 payment in lieu of tax agreement with the County requiring the Corporation to make payment of four hundred nineteen thousand dollars (\$419,000) in the calendar year 2017. An appropriation of \$419,000 will be required from the State to make payment to the 2018 County of Camden "PILOT Tax Agreement".

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 11. PILOT Payments (continued):

City of Salem PILOT Payments – The Corporation has entered into a 2017 payment in lieu of tax agreement with the City of Salem requiring the Corporation to make payment of thirty one thousand two hundred and twenty five dollars \$(31,225) in the calendar year 2017. An appropriation of \$31,225 will be required from the State to make payment to the 2018 City of Salem “PILOT Tax Agreement”.

Borough of Paulsboro PILOT Payments – The Corporation has entered into a 2017 payment in lieu of tax agreement with the Borough requiring the Corporation to make annual payments of five hundred thousand (\$500,000) in the calendar year 2017. An appropriation of \$500,000 will be required from the State to make payment to the 2018 County of Gloucester “PILOT Tax Agreement”.

In December 2005, the Board of Directors of the South Jersey Port Corporation entered into a lease agreement with the Borough of Paulsboro for the lease of 190 acres for the Building of a Port Facility. In the lease agreement the South Jersey Port Corporation agreed to make a Payment in Lieu of Taxes (“PILOT”) to the Borough of Paulsboro of \$500,000 (five hundred thousand dollars) plus 2 % of the value of the Buildings and 1 % of the value of the land that will be subleased to private companies. The enabling legislation of the South Jersey Port Corporation requires that the State of New Jersey will fund/replenish the Property Tax Reserve Fund of the South Jersey Port Corporation for any such monies owed on PILOT agreements such as the PILOT agreement with the Borough of Paulsboro.

County of Gloucester PILOT Payments – The Corporation has entered into a 2017 payment in lieu of tax agreement with the County requiring the Corporation to make annual payments of one hundred fifty thousand dollars (\$150,000). An appropriation of \$150,000 will be required from the State to make payment to the 2018 County of Gloucester “PILOT Tax Agreement”.

All Pilot payments are Pursuant to *N.J.S.A.12: 11A20* the amounts are credited to the “South Jersey Port Corporation Tax Reserve Fund”. (See Schedule in Supplementary Schedules)

Note 12. Capital Projects and Funding Sources

During 2001 South Jersey Port Corporation entered into a Capital Lease with the Delaware River Port Authority (DRPA) in the amount of \$2,000,000 for electrical substation upgrades at the Broadway terminal. The lease term is twenty years at no interest rate. As of the date of this report no payments have been made on the lease. It is the opinion of the Corporation the Agreement with the DRPA for the electrical substation upgrade at the Broadway Terminal was a grant and as such no payment(s) are required. Whereas the DRPA claims that this was a loan.

The Corporation's construction in progress consists of the following: Skylight Renovations for Bonds Series O-3 in the amount of \$518,636 and Paulsboro Marine Terminal Project for Bond P-3 in the amount of \$1,187,385. Dredging in the amount of \$60,554 and other items in the amount of \$101,393. Total construction in progress amounted to \$1,867,968.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 13. Port of Salem

The Salem Municipal Port Authority (the "Salem Port") was established in 1983 to finance and build a port for the City of Salem, New Jersey. In 1996, the Corporation purchased the Salem Port facilities located in the City of Salem, New Jersey. The Corporation entered into a lease with U.S. Concrete providing for the maintenance and operation of the marine shipping terminal facilities at the Salem Port.

Note 14. Paulsboro Marine Terminal Project and Financing

The Corporation and Paulsboro entered into a certain redevelopment agreement with respect to the Development and Construction of a Marine Terminal within the Borough of Paulsboro, South Jersey Port District dated January 16, 2006 (as amended, the "Redevelopment Agreement"). Under the Redevelopment Agreement, the Corporation was granted the right and obligation to develop the Paulsboro Marine Terminal located in Paulsboro, Gloucester County, in two phases, with (i) Phase I constituting a replacement for the loss of function of two berths and other related infrastructure and equipment resulting from a pier collapse at the Corporation's Balzano Terminal and (ii) Phase II constituting an expansion of Phase I through the addition of another two piers adjacent to the two replacement berths (the "Paulsboro Marine Terminal Project").

The Corporation and the Gloucester County Improvement Authority ("GCIA") have also entered into that certain "Paulsboro Port Project Development and Management Agreement" dated as of August 1, 2009 (the "Development and Management Agreement"). Pursuant to the Development and Management Agreement, the Corporation shall set forth the overall parameters for the design and development of the Paulsboro Marine Terminal, and the GCIA shall enter into the various contracts required to implement this development. Among other things, this arrangement allows the Corporation to focus on the future leasing of the Paulsboro Marine Terminal, to maximize its revenue potential.

The Paulsboro Marine Terminal is located along the eastern bank of the Delaware River, across from the Philadelphia International Airport, just south of Mantua Creek. The site consists of primarily two parcels, both of which are controlled by Paulsboro: (1) a 130-acre parcel that was previously operated by BP Oil Company (the "BP Site") and (2) an adjacent 60-acre parcel that was operated by Essex Chemical, which is a wholly owned subsidiary of The Dow Chemical Company (the "Essex Site").

The South Jersey Port Corporation has completed Phase I of the development of a new marine terminal in Gloucester County, New Jersey. In conjunction with the Gloucester County Improvement Authority (GCIA), the Port is redeveloping the former 130-acre British Petroleum (BP) Oil Terminal and an adjacent 60-acre former Essex Industrial Chemicals, Inc. (Essex) into a new, deep-water marine terminal with associated processing, distribution, assembly and intermodal operations that will be known as the Paulsboro Marine Terminal project. This project is being funded by SJPC marine terminal revenue bonds. Direct vehicular and truck access from Interstate 295 to the terminal will be provided via a new two-lane, public access road and bridge structure constructed over Mantua Creek. The access road and bridge project are being funded by a grant agreement between the NJ Department of Transportation, Gloucester County and the GCIA.

The terminal site is bordered by the Delaware River to the north; Mantua Creek to the east; residential neighborhoods to the west; and a combination of developed and non-developed land to the south. Access

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 14. Paulsboro Marine Terminal Project and Financing (continued):

to the Delaware River's main channel is direct and without obstacle. Phase I project elements include a single berth pile supported wharf, site development and improvements including dredging and fill material placement, as well as the creation of an approximately 20-acre tidal wetlands mitigation site at a former dredged material management facility known as the Delaware River Equestrian, Agricultural and Marine Park, (i.e. DREAM Park), which is operated by the GCIA.

The Corporation has funded Phase I of the Paulsboro Marine Terminal Project with proceeds of the Series 2009 P Bonds, as well as a portion of the proceeds of the Series 2007 N Bonds and the Series 2008 O Bonds. The aggregate amount of Bonds issued for the Paulsboro Marine Terminal Project is \$176,737,986.

The Corporation has negotiated a lease agreement with Holt Logistics Corporation (Paulsboro Waterfront Development, LLC) to serve as the terminal operator for the Paulsboro Marine Terminal that shall house private operations, which in turn is expected to generate revenues for the Corporation.

This public-private partnership is already paying dividends as Paulsboro has become the prime port of call for NLMK USA. A 50-acre dockside parcel at Paulsboro Marine Terminal has been dedicated to the import of steel slabs for NLMK USA, one of the leading suppliers of steel products in the US. NLMK USA will use the Paulsboro Marine Terminal as a prime port to import steel slabs for rail shipment for distribution throughout North America.

The first ships were received at the Paulsboro Marine Terminal in March 2017.

The opening of the Paulsboro Marine Terminal marks the completion of Phase I and the beginning of a continued expansion to grow water-borne cargo business. Phase II will extend the wharf to 2,200 feet to accommodate up to four ships, a 500-foot barge berth and upland improvements to accommodate future cargo customer needs.

On August 29, 2017, the Corporation finally adopted a new subordinated bond resolution. This resolution precludes the issuance of additional bonds under its existing resolution, with the exception of refunding bonds which may be issued to refund the outstanding bonds summarized above. The Subordinated bond resolution revised and simplified the process for issuing future bond issues by the Corporation and authorized an initial series of bonds with a not to exceed amount of \$255,000,000. On December 5, 2017, the Corporation issued its \$255,000,000 Subordinated Marine Terminal Revenue Bonds, Series 2017, consisting of \$23,860,000 Subordinated Marine Terminal Revenue Bonds, Series 2017A (Tax Exempt) and \$231,140,000 Subordinated Marine Terminal Revenue Bonds, Series 2017B (AMT). The purpose of the issue was to fund completion of the Paulsboro Marine Terminal and undertake needed repairs at facilities within the Camden facilities. In total, the Corporation realized \$271,099,472.62 from the sale of the Series 2017 Bonds, representing the \$255,000,000 principal amount of the Series 2017 Bonds, plus an original issue premium of \$17,229,246.35 and less a Purchaser's discount of \$1,129,773.73. From these amounts, the Corporation allocated these proceeds as follows:

(a) \$22,168,441.96 was deposited to fund the undertaking of the Tax Exempt Projects. "Tax Exempt Projects" mean the following: (i) maintenance dredging at Balzano and Broadway terminals,

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 14. Paulsboro Marine Terminal Project and Financing (continued):

(ii) reconstruction of connecting bridge over Newton Creek, (iii) environmental remediation and capping of Corporation property within terminal sites, and (iv) replace underground fire system and utilities within terminal sites;

(b) \$212,815,132.33 was deposited to fund the undertaking of the AMT Projects. "AMT Projects" mean the following; (i) deepening to 45'+2' from Paulsboro Berth to channel, including the removal of approximately 500,000CY of material to be dredged, CDF Disposal; (ii) construction of 600 foot upriver deepwater wharf; (iii) construction/completion of Mantua Creek Berth Connection, approximately 500 foot including bollards, fenders, and dredging to restore to 20 ft depth; (iv) construction/completion of downriver deepwater wharf of approximately 950 linear feet and including remaining Deep Draft Berth, All Infill, Plus Trestles 1 and 3; (v) upland improvements to Paulsboro terminal facility, including installation of pavement subbase, asphalt paving of 57 acres+/-, plus striping, installation of 10,000 feet of terminal fencing, construction of maintenance and repair facility with locker room, construction of Gate Complex (Security, truck and rail interchange), upgrade to sewage pump station and sanitary force main to GCUA, installation of fire hydrants and laterals, construction and installation of high-mast lights and duct banks and completion of terminal rail connections (approximately 2000 feet, plus 4 turnouts) and (iv) upland improvements to Balzano and Broadway terminals, including construct/renovate 100,000 sf warehouse at Broadway Terminal, pier pile repairs, refrigeration system replacement to existing warehouses (195,120 sf) at Pier 5 to extend useful life of system through end of lease and replace fire suppression system with existing warehouses;

(c) \$22,000,000.00 was deposited to satisfy the Debt Reserve Requirement under the Subordinated General Bond Resolution;

(d) \$445,065.00 was deposited to pay the Costs of Issuance for the Series 2017 Bonds;

(e) \$13,670,833.33 was deposited into the Debt Service Fund to pay a portion of the interest due on the Series 2017 Bonds on July 1, 2018 and January 1, 2019; and

(f) \$50,000 was retained until the Corporation receives notice from the State that the Purchaser has satisfied its obligation thereto.

Note 15. Reserve for Inventory of Supplies

Inventories are valued at historical cost. The costs of inventories in Business-Type Activities are recorded as expenditures when purchased. The Corporation established their inventory of supplies in 2005, currently valued at \$1,276,913 as of December 31, 2017 and \$1,225,454 as of December 31, 2016.

Note 16. Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS, to fund post-retirement medical benefits for those State employees who retire after reaching 60 and accumulating 25 years of credited service. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS system. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees. As of June 30, 2016, there were 110,512 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 16. Post-Retirement Benefits (continued):

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

State Health Benefits Plan Description

Starting in April 2014, the South Jersey Port Corporation began contributing to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52: 14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1990, The South Jersey Port Corporation authorized participation in the SHBP's post-retirement benefit program through resolution 2014-1-0015. The Authority adopted the provision of Chapter 88, Public Laws of 1974 as amended by Chapter 436, P.L. 1981 to permit local public employers to pay the premium charges for certain eligible pensioners and their dependents and to pay Medicare charges for such retirees and their spouses covered by the New Jersey Health Benefits Program. In April 2014 Port Corporation employees began making health benefit contributions of 1.5% of their base salaries towards the health benefit costs.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-jul2011.pdf.

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to South Jersey Port Corporation on a monthly basis. As a participating employer the Authority will pay and remit to the State treasury contributions to cover the full cost of premiums for eligible pensioners on a basis comparable to the reimbursement made by the State to its eligible pensioners and their spouses in accordance with provisions of chapter 75, Public Laws of 1972.

SOUTH JERSEY PORT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 16. Post-Retirement Benefits (continued):

The South Jersey Port Corporation contributions to SHBP for the year ended December 31, 2017 and 2016 was \$386,937 and \$448,470 respectively, which equaled the required contributions for the year. There were sixteen (16) retired participants eligible at December 31, 2017 and fifteen (15) for 2016.

Note 17. Arbitrage Rebate Calculation

The arbitrage rebate requirement imposed by section 148 of the Internal Revenue Code require that certain profits or arbitrage earned from investing proceeds of tax-exempt bonds be rebated to the Federal Government. The rebate amount due to the Federal Government is equal to the excess of the amount earned on all non-purpose investments purchased with gross proceeds of the bonds over the amount that would have been earned if such non-purpose investments were invested at a yield equal to the yield of the bonds.

This Arbitrage calculation has been performed through September 15, 2017 and the Corporation is in material compliance with the arbitrage rebate requirements.

Note 18. Reclassification of Pension Liability

The Corporation adopted GASB No. 68 – Accounting and Financial Reporting for Pensions – An amendment of GASB No. 27 during 2015 fiscal year as required by the pronouncement. Comparative figures have been adjusted to conform to the current year's presentation. The items for the year ending December 31, 2016 were reclassified as follows:

	<u>Previously Reported</u>	<u>Reclassified Amount</u>	<u>After Reclassification</u>
Pension Payable		\$ 715,011	\$ 715,011
Net Pension Liability	\$23,837,140	(715,011)	23,122,129

Note 19. Subsequent Events

The South Jersey Port Corporation has evaluated subsequent events occurring after December 31, 2017 through the date of April 30, 2018, which is the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION – PART II

SOUTH JERSEY PORT CORPORATION
COMPARATIVE SCHEDULE OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Revenues:						
Marine Direct:						
Leases - Marine Direct	\$6,612,579	6,612,579	6,242,642	\$6,482,921	6,482,921	6,007,330
Crane Rental	1,029,097	1,029,097	1,690,298	1,008,919	1,008,919	1,441,348
Dockage	2,148,169	2,148,169	2,869,585	2,106,048	2,106,048	2,630,905
Handling	4,914,346	4,914,346	5,552,367	4,817,986	4,817,986	4,606,249
Storage	1,767,092	1,767,092	1,576,594	1,732,443	1,732,443	1,967,687
Wharfage	3,322,544	3,322,544	4,183,509	3,257,396	3,257,396	3,485,382
Demurrage	5,356	5,356		5,251	5,251	
Total Marine Direct	19,799,183	19,799,183	22,114,995	19,410,964	19,410,964	20,138,901
Marine Related:						
Leases - Industrial	547,004	547,004	735,713	536,278	536,278	732,117
Utilities	691,059	691,059	857,598	677,509	677,509	949,821
Port of Salem Revenue	128,544	128,544	129,774	126,024	126,024	106,200
Miscellaneous	450,349	450,349	785,453	441,518	441,518	746,917
Total Marine Related	1,816,956	1,816,956	2,508,538	1,781,329	1,781,329	2,535,055
Other Income:						
Income on Investments	137,700	137,700	141,554	135,000	135,000	163,712
Miscellaneous	154,321	154,321	333,559	151,295	151,295	313,586
Total Other Income	292,021	292,021	475,113	286,295	286,295	477,298
Grant Revenue			7,683,862			12,344,512
Total Revenues	\$21,908,160	21,908,160	32,782,508	\$21,478,588	21,478,588	35,495,766
Operating Expenses:						
Port Operations:						
Labor Expense:						
Labor Crane	278,325	278,325	306,386	272,868	272,868	239,437
Labor Handling	1,563,014	1,563,014	2,024,277	1,532,367	1,532,367	2,101,318
Labor Repairs & Maintenance	1,031,248	1,031,248	945,588	1,011,027	1,011,027	950,623
Security	713,804	713,804	726,554	699,808	699,808	784,525
Supervisors	586,026	586,026	574,986	574,535	574,535	592,229
Total Labor Expense	4,172,417	4,172,417	4,577,791	4,090,605	4,090,605	4,668,132
Payroll Taxes	463,187	463,187	461,412	454,105	454,105	484,846
Workers Compensation Insurance	439,157	439,157	744,302	430,546	430,546	680,348
Employee Benefits:						
Hospitalization	1,872,167	1,872,167	1,619,369	1,835,458	1,835,458	1,589,900
Vacation, Holiday, Sick, Pension	468,180	468,180	748,893	459,000	459,000	612,481
Miscellaneous Employer Expenses	38,403	38,403	42,215	37,650	37,650	41,710
Total Employee Benefits	3,281,094	3,281,094	3,616,191	3,216,759	3,216,759	3,409,285
Crane Rental - Gas & Oil	95,587	95,587	61,778	93,713	93,713	45,664

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Expenses (Continued):						
Handling:						
Gas & Oil	231,308	231,308	195,167	226,773	226,773	173,548
Miscellaneous	73,220	73,220	102,611	71,784	71,784	58,896
Trucking Expenses	54,296	54,296	119,046	53,231	53,231	70,711
Clerking & Checking	1,818,539	1,818,539	2,775,053	1,782,881	1,782,881	1,742,257
Total Handling	2,177,363	2,177,363	3,191,877	2,134,669	2,134,669	2,045,412
Rental of Equipment	32,857	32,857	619,069	32,213	32,213	485,632
Trash Removal	130,050	130,050	327,732	127,500	127,500	252,629
Security:						
Contracted Services	24,192	24,192	55,735	23,718	23,718	24,541
Other Expenses	21,351	21,351		20,932	20,932	4,000
Total Security	45,543	45,543	55,735	44,650	44,650	28,541
Port of Salem Operations	60,743	60,743	59,552	59,552	59,552	59,489
Utilities	1,460,369	1,460,369	1,360,297	1,431,734	1,431,734	1,325,778
Total Port Operations	11,456,023	11,456,023	13,870,022	11,231,395	11,231,395	12,320,562
Repairs & Maintenance:						
Buildings & Grounds:						
Contracted	267,750	267,750	232,645	262,500	262,500	206,018
Fees & Permits	21,341	21,341	52,778	20,923	20,923	17,282
Materials	320,196	320,196	264,274	313,919	313,919	232,318
Total Buildings & Grounds	609,287	609,287	549,697	597,342	597,342	455,618
Cranes:						
Contracted	111,689	111,689	233,151	109,499	109,499	208,515
Materials	124,743	124,743	49,206	122,297	122,297	29,512
Total Cranes	236,432	236,432	282,357	231,796	231,796	238,027
Mobile Machinery & Equipment:						
Contracted	39,223	39,223	24,521	38,454	38,454	42,872
Equipment	33,078	33,078	7,451	32,429	32,429	7,047
Materials	216,234	216,234	349,055	211,994	211,994	389,948
Small Tools	20,462	20,462	12,377	20,061	20,061	14,318
Total Mobile Machinery & Equipment	308,997	308,997	393,404	302,938	302,938	454,185
Total Repairs & Maintenance	1,154,716	1,154,716	1,225,458	1,132,076	1,132,076	1,147,830

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Expenses (Continued):						
General & Administrative:						
Labor - Office Clerical & Related	867,185	867,185	929,271	850,181	850,181	988,508
Labor - Administrative	531,141	531,141	387,942	520,726	520,726	426,311
Payroll Taxes	150,501	150,501	132,469	147,550	147,550	141,559
Workmen's Compensation	4,407	4,407	5,760	4,321	4,321	6,110
Employee Benefits:						
Hospitalization	841,119	841,119	870,064	824,626	824,626	847,553
Pension	653,175	653,175	2,054,117	640,368	640,368	2,727,657
Insurance	1,651,939	1,651,939	1,199,321	1,619,548	1,619,548	1,273,778
Professional Fees	722,201	722,201	805,397	708,040	708,040	856,226
Miscellaneous	795,477	795,477	717,159	779,881	779,881	759,149
Telephone	48,500	48,500	61,948	47,549	47,549	64,116
Utilities	31,212	31,212	30,000	30,600	30,600	30,000
Bad Debt	60,000	60,000	48,000	60,000	60,000	60,000
Total General & Administrative	6,356,857	6,356,857	7,241,448	6,233,390	6,233,390	8,180,967
Grant Expenses			7,683,862			12,344,512
Total Operating Expenses	18,967,596	18,967,596	30,020,790	18,596,861	18,596,861	33,993,871
Operating Income Before Other Operating Expenses	<u>\$2,940,564</u>	<u>2,940,564</u>	<u>2,761,718</u>	<u>\$2,881,727</u>	<u>2,881,727</u>	<u>1,501,895</u>

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SUPPLEMENTARY SCHEDULES

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF NET POSITION
DECEMBER 31, 2017

ASSETS	UNRESTRICTED OPERATING ACCOUNTS	RESTRICTED		MAINTENANCE RESERVE ACCOUNT	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
		DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE ACCOUNT				
Current Assets:							
Cash & Cash Equivalents	\$11,345,641		25,108,012	15,630	288,672,846	4,934	325,147,063
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$273,505)	2,309,256						2,309,256
Due from State			14,214,536				14,214,536
Other Accounts Receivable	9,486,732				134,398		9,621,130
Prepaid Expenses	208,602						208,602
Inventory of Supplies	1,276,913						1,276,913
Interfund Accounts Receivable	178,583,973	77,676,877	165,942,563	494,890	139,150,437		561,848,740
Total Current Assets	203,211,117	77,676,877	205,265,111	510,520	427,957,681	4,934	914,626,240
Property, Plant & Equipment (Note 5)					364,326,742		364,326,742
Construction in Progress					1,867,968		1,867,968
Bond Financing Costs					9,159,938		9,159,938
Subtotal					375,354,648		375,354,648
Accumulated Depreciation & Amortization					120,309,443		120,309,443
Total Property, Plant & Equipment & Construction in Progress					255,045,205		255,045,205
Total Assets	203,211,117	77,676,877	205,265,111	510,520	683,002,886	4,934	1,169,671,445
DEFERRED OUTFLOW OF RESOURCES							
Pension Deferred Outflows	7,617,785						7,617,785
Bond Discount, Net of Accumulated Amortization					197,382		197,382
Total Deferred Outflows of Resources	7,617,785				197,382		7,815,167
Total Assets and Deferred Outflows of Resources	\$210,828,902	77,676,877	205,265,111	510,520	683,200,268	4,934	1,177,486,612

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF NET POSITION
DECEMBER 31, 2017

LIABILITIES	UNRESTRICTED OPERATING ACCOUNTS	RESTRICTED			CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
		DEBT SERVICE ACCOUNT	DEBT RESERVE ACCOUNT	MAINTENANCE RESERVE ACCOUNT			
Current Liabilities Payable from Assets:							
Accounts Payable	599,981						599,981
Contracts Payable							
Capital Lease Payable					1,600,000		1,600,000
Accrued Expenses	152,301						152,301
Accrued Interest Payable		7,864,351					7,864,351
Accrued Vacation Payable	217,043						217,043
Pension Payable	769,860						769,860
Payroll Taxes Payable	53,005						53,005
Lease Security & Escrow Deposits	304,076						304,076
Revenue Bonds - Short Term					11,230,000		11,230,000
Interfund Accounts Payable	167,172,853	69,812,526	167,971,923	345	156,886,159	4,934	561,848,740
Total Current Liabilities	169,269,119	77,676,877	167,971,923	345	169,716,159	4,934	584,639,357
Long Term Liabilities Payable:							
Early Retirement Payable	1,189,516						1,189,516
Unearned Lease Revenue	9,200,978						9,200,978
Net Pension Payable	18,575,176						18,575,176
Revenue Bonds (Long-Term Portion)					504,143,955		504,143,955
Capital Lease Payable					400,000		400,000
Total Long Term Liabilities	28,965,670				504,543,955		533,509,625
Total Liabilities	198,234,789	77,676,877	167,971,923	345	674,260,114	4,934	1,118,148,982
DEFERRED INFLOWS OF RESOURCES							
Service Concession Arrangements	402,989						402,989
Unrealized Rental Income	571,344						571,344
Gain on Bond Refunding					382,609		382,609
Pension Deferred Inflows	4,296,396						4,296,396
Total Deferred Inflows of Resources	5,270,729				382,609		5,653,338
NET POSITION							
Net Investment in Capital Assets				510,175	8,557,545		9,067,720
Reserve for Payment of Debt Service			37,293,188				37,293,188
Reserve for Inventory Supplies	1,276,913						1,276,913
Unreserved	6,046,471						6,046,471
Net Position	7,323,384	-	37,293,188	510,175	8,557,545	-	53,684,292
Total Liabilities, Deferred Inflows of Resources and Net Position	\$210,828,902	77,676,877	205,265,111	510,520	683,200,268	4,934	1,177,486,612

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF CHANGES IN NET POSITION ALL ACCOUNTS
DECEMBER 31, 2017

	OPERATING ACCOUNTS	DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE	MAINTENANCE RESERVE	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Net Position - Beginning Balance	\$3,776,154		24,923,939	510,175	21,399,603		50,609,871
Add:							
Excess of Revenue Over Expenses	2,761,718						2,761,718
State of New Jersey:							
Debt Service Aid			17,650,000				17,650,000
PILOT Payments						5,100,224	5,100,224
Federal Subsidy Revenue	3,027,503						3,027,503
Insurance Proceeds					435,016		435,016
Additions To Capital Contributions					456,485		456,485
Amortization Gain on Refunding of Debt	17,391						17,391
Interest on Investments					338,919		338,919
Inventory of Supplies	51,459						
Unrealized Gain on Investment			495,592				495,592
Interfund Transfers		14,686,440					14,686,440
Total	9,634,225	14,686,440	43,069,531	510,175	22,630,023	5,100,224	95,579,159
Deduct:							
Interest Expense	123,919	14,686,440					14,810,359
Depreciation/Amortization Expense					5,797,244		5,797,244
Gain/(Loss) on Sale of Assets	99,039						99,039
Amortization of Bond Discount on Refunding	8,972						8,972
Net Change in Developers' Escrow	284,952						284,952
Transfer of Depreciation to Contributed Capital					15,000		15,000
Camden City PILOT Payment						4,000,000	4,000,000
Camden County PILOT Payment						419,000	419,000
Gloucester County PILOT Payment						150,000	150,000
Paulsboro PILOT Payment						500,000	500,000
Salem PILOT Payment						31,224	31,224
Bond Issuance Expenses					1,144,096		1,144,096
Interfund Transfers	1,793,959		5,776,343		7,116,138		14,686,440
Total	2,310,841	14,686,440	5,776,343		14,072,478	5,100,224	41,946,326
Net Position December 31, 2017	\$7,323,384	-	37,293,188	510,175	8,557,545	-	53,632,833

SCHEDULE 4

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - PERS *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Corporation's Proportion of the Net Pension Liability (Asset)	0.03954%	0.05163%	0.03065%	0.02804%	0.03179%
Corporation's Proportionate Share of the Net Pension Liability (Asset)	\$19,345,036	\$23,837,140	\$14,148,921	\$10,891,967	\$12,209,327
Corporation's covered employee payroll	\$5,485,730	\$5,536,764	\$5,341,347	\$4,500,529	\$4,061,183
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	31.20%	47.93%	52.08%	48.72%

SCHEDULE 5

SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS - PERS
SCHEDULE OF CONTRIBUTIONS *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contribution	\$769,860	\$541,887	\$479,587	\$481,346	\$445,119
Contributions in relation to the Actuarially Determined Contributions	<u>769,860</u>	<u>541,887</u>	<u>479,587</u>	<u>481,346</u>	<u>445,119</u>
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered-Employee Payroll	\$5,485,730	\$5,536,764	\$5,341,347	\$4,500,529	\$4,061,183
Contributions as a Percentage of Covered-Employee Payroll	14.034%	9.787%	8.979%	10.695%	10.960%

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION – PART III

SOUTH JERSEY PORT CORPORATION

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2017 AND 2016

Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. 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.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale.

Additional detailed information about the pension plans is available in the separately issued State of New Jersey Public Employees' Retirement System – Schedules of Employer Allocations and Schedules of Pension Amounts by Employer at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>

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SINGLE AUDIT SECTION



BRENT W. LEE & CO., LLC
Certified Public Accounting Firm

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08

Board of Directors of the
South Jersey Port Corporation
County of Camden
Camden, New Jersey 08103

Report on Compliance for Each Major Federal and State Program

I have audited the South Jersey Port Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of South Jersey Port Corporation's major federal program for the year ended December 31, 2017. South Jersey Port Corporation's major federal program is identified in the *Summary of Auditor's Results Section* of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of South Jersey Port Corporation's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey Circular OMB 15-08 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the South Jersey Port Corporation's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the South Jersey Port Corporation's compliance.

609-456-8804
3008 New Albany Rd., Cinnaminson, NJ 08077

Opinion on Each of the Other Major Federal Program

In my opinion, the South Jersey Port Corporation, in the County of Camden, State of New Jersey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the South Jersey Port Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance I considered South Jersey Port Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purposes of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance and State of New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the South Jersey Port Corporation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the New Jersey OMB Circular 5-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

I have audited the financial statements of the South Jersey Port Corporation as of and for the year ended December 31, 2017, and have issued my report thereon dated April 30, 2018, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and New Jersey OMB Circular 15-08 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to

the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brent W. Lee", written in a cursive style.

Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
April 30, 2018

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**SOUTH JERSEY PORT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL PROJECT NUMBER</u>	<u>GRANT PERIOD</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>FUNDS RECEIVED</u>	<u>FUNDS EXPENDED</u>
U.S. Department of Transportation - Maritime Administration - National Infrastructure Investments Discretionary Grant Program (FY 2011 Tiger Discretionary Grant)	DTMA1G12004	9/30/12 - 9/30/18	20.933	\$18,500,000	\$7,537,306	7,537,306
			Total		<u>\$7,537,306</u>	<u>7,537,306</u>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

SOUTH JERSEY PORT CORPORATION
(COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. General

The South Jersey Port Corporation was created by the "South Jersey Port Corporation Act, *N.J.S.A. 12:11A*", as an instrumentality of the State of New Jersey. The Act conferred upon the Corporation the powers to establish, acquire, construct, rehabilitate, improve, operate and maintain marine terminals in the South Jersey Port district, which includes Mercer, Burlington, Camden, Gloucester, Salem, Cumberland and Cape May counties.

The South Jersey Port Corporation is a component unit of the State of New Jersey as described in Governmental Accounting Standards Board Statement No. 14 due to the existence of the above stated act, *N.J.S.A.12: 11A*.

2. Basis of Accounting

The accompanying schedule of expenditures of federal and state awards is presented using the basis of accounting as described in Note 1 to the Corporation's financial statements. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and *Audits of States, Local Governments, and Non-profit Organizations*.

Relationship to Basic Financial Statements

Amounts reported in the accompanying schedule agree with amounts reported in the Corporation's financial statements.

4. Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports, where required.

SOUTH JERSEY PORT CORPORATION
(COMPONENT UNIT OF THE STATE OF NEW JERSEY)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section 1— Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
1) Material weakness(es) identified?	No
2) Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to basic financial Statements noted?	No

Federal Awards

Internal Control over major programs:	
1) Material weakness(es) identified?	No
2) Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.933	National Infrastructure Investments
Dollar threshold used to distinguish between Type A Programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**SOUTH JERSEY PORT CORPORATION
(COMPONENT UNIT OF THE STATE OF NEW JERSEY)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section II — Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Uniform Guidance audit.

No financial statement findings noted that required to be reported under *Government Auditing Standards*.

Section III — Federal Awards Financial Assistance Findings & Questioned Costs

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as applicable.

Federal Awards

None

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. (.511(a)(b)) and New Jersey OMB's 15-08.

Summary of Prior Year Findings

Not Applicable