2018 Annual Report

SOUTH JERSEY PORT CORPORATION

SOUTH JERSEY'S CONNECTION TO THE WORLD ECONOMY

SOUTH JERSEY PORT CORPORATION
50th
1968
2018
CELEBRATING FIFTY YEARS

WELCOME

Letter to the Governor

RICHARD A. ALAIMO
Chairman of the Board

To the Governor, Lieutenant Governor and State Legislature:

Closing on 50 years of operations, the mission of the South Jersey Port Corporation has been growing and sustaining family-supporting jobs.

On behalf of the Board of the South Jersey Port Corporation, I am proud to report that the investment of the State of New Jersey is delivering on that mission and we have hired Andrew Saporito as our new chief executive officer and executive director to lead the SJPC into the future.

Mr. Saporito is a 38-year veteran of the Port Authority of New York/New Jersey and is committed to our mission to create jobs. He is a consummate professional. Throughout his career, he has excelled in all aspects of port and marine terminal operations, terminal expansion, business development, real estate leasing, administration and management. He has a vision for the SJPC future and a plan to achieve it.

In the City of Camden, our two marine terminals are the foundation of the City's port district where 40 businesses generate 3,400 jobs and $500 million on payroll and $46 million in local, state and federal taxes.

The Paulsboro Marine Terminal (PMT), which began construction in 2012 has generated approximately 750,000 man-hours for workers and companies throughout South Jersey. PMT opened for business in 2018 generating an estimated 100 jobs of an anticipated 850 jobs.

Despite federal tariffs on imports, steel imports have excelled at PMT mitigating declines in other cargo. We have now moved forward with Phase 2 of construction, expanding the terminal to handle three berths on the Delaware and a barge berth along the Mantua Creek.

Most importantly, PMT was constructed to accommodate the very heavy loads needed to support offshore wind energy complexes. PMT will soon become the epicenter of constructing and maintaining offshore energy farms along the East Coast – a major source of clean energy jobs.

We continue to move forward with the State of New Jersey's mission to create more employment opportunities for residents.

Respectfully,

Richard A. Alaimo
Chairman of the Board

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04 HISTORY & MISSION

Our Mission

To foster economic development for the benefit of our region and port district, including the cities of Camden, Paulsboro, and Salem, New Jersey.

History

The South Jersey Port Corporation is the progeny of the Delaware Port Commission established by the New Jersey State Legislature on March 10, 1925. The commission's job was to study the maritime assets in southern New Jersey and recommend how best to harness those assets to energize the region's economy.

A year later, the State Legislature enacted the commission's recommendations. It created the South Jersey Port Commission with maritime economic development jurisdiction over the South Jersey Port District.

The commission was tasked with "the duties and power, among others, to lease, erect, construct and maintain port facilities" in the newly created South Jersey Port District comprised of the state's seven southern counties: Camden, Gloucester, Salem, Cumberland, Burlington, Cape May and Mercer.

In 1968, responding to the closing of the New York Shipbuilding Corporation in south Camden, the legislature reorganized the South Jersey Port Commission as the South Jersey Port Corporation to convert the shipyard, with its massive ship-ways and buildings, into a deep-water marine terminal. As with the its predecessor, the Port Corporation's port development mission, and bonds, are supported by the "full faith and credit of the State of New Jersey."

With support of the state, the SJPC has grown from one marine terminal in the City of Camden to four terminals throughout the district: the former shipyard as Broadway Marine Terminal; the former Camden Municipal Marine terminal, now the Balzano Marine Terminal; the Salem Marine Terminal; and our new Paulsboro Marine Terminal.

With the Camden terminals at full capacity, the port corporation began development of the Paulsboro Marine Terminal in 2007. It was the first new general cargo port to be developed along the Delaware River in 50 years and opened for business in March of 2017.

Fast Fact:

The SS Savannah was one of only four nuclear powered cargo ships ever built and it was built at the NY Ship Yard in Camden which is now the Broadway Marine Terminal

06 OUR TEAM - BOARD OF DIRECTORS

Chairman
Richard A. Alaimo
Burlington County

Director
Chad M. Bruner
Gloucester County

Director
Christopher Chianese
Treasurer's Designee

Director
Robert A. DeAngelo, Sr.
City of Paulsboro

Director
Jonathon S. Gershen
Mercer County

Director
Joseph A. Maressa, Jr.
Camden County

Director
Eric E. Martins
Mercer County

Director
Sheila F. Roberts
City of Camden

Director
Elizabeth Maher Muoio
NJ State Treasurer

Director
Rev. Carl E. Styles
Cumberland County

Board of Directors

The Board of the South Jersey Port Corporation is at full membership with three directors from the Camden/Gloucester subdistrict; three directors from the Burlington/Mercer subdistrict; two members from the Cape May/Cumberland/Salem subdistrict; one from the Borough of Paulsboro; one from the City of Camden; and the Treasurer or designee of the State of New Jersey as a permanent ex-officio member.

A Team Like No Other

Our Customer-Focused Team

Leadership is key to the success of any organization. Our management team headed by CEO Andy Saporito, a 38-year marine terminal leader, is among the best.

It's the team on the docks, in the warehouses, in the offices and in transit sheds who deliver 24/7, 365 days a year– in all sorts of weather extremes– on our commitment to our customers, tenants and partners.

It's our security force that maintains the safety and integrity of our marine terminals and it's our skilled crew who keep our fleet of forklifts, cargo-handlers, cranes, vehicles and generators humming and cargo safely flowing. They are always customer-focused.

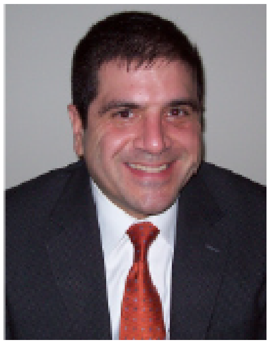
It's our accounting, financial and clerical staff who process paperwork crucial to our customers' needs. They realize that nothing moves without the proper documentation and approvals. They are focused on accuracy, compliance and are always timely in their transactions.

All of the employees at the port play a critical role in the everyday operations and our success. They are the stewards that drive customer satisfaction.

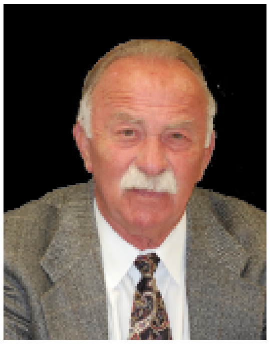
OUR PEOPLE POWER OUR PORTS TO SUCCESS

08 OUR TEAM - EMPLOYEES

Andy Saporito
Executive Director & CEO



Bruno N. Cellucci, CPA,
Treasurer/CFO



George Englehardt
Port Engineer

Chuck O'Leary
Security Manager/
Facility Security Officer

Thomas Johnson
Senior Mark. Mgr./
Operations Asst./
Safety Officer/
Foreign Trade Mgr.

Daniel F. Aaron
David Acevedo
Robert Albanese
Michael Anderson
Stephen Anderson
Kevin Armstrong
Rasheem Bailey
Robert Bak
Eddie W. Bell
Steven A. Bell
Robert F. Bessing
Michael Bosco
Anthony Boyizigies
John Bowyer
Patrick R. Boyle
Robert Britland
David Buffetta
Joseph Burleigh
Carl Burt
Manuel R. Cachu
Nicholas Capaldi
Albert Celeste
Anthony R. Colavita
Urban Cooper
Kenneth E. Cosby
Kevin Costello
Douglas Crowe
Lukasz Czajka
Wieslaw Czajka
Vincent D'Alessio Jr.

Timothy J. D'Amico
Victoria D' Amico
Ronald Daniels
John David
Michael Deliberis
Joseph P. Deluca
William R. Deluca III
Jeffrey Dick
Christopher DiFabio
Louis Ditomaso
Athina Efelis
Stephen Endres
Christopher Engel
Jeffrey Exavier
Donell Farrish
Earl Farrish
Paul Flanigan
Darius Flewellen
Christopher Forjohn
Raymond Gallagher
John Gentile
Alvin Gindhart
Oanh Glanz
Kevin Greenjack
Robert Guff
Chevy Hague
Patrick J. Haley
Jesse Hamrick
Karol R. Hoffman
Rose Hope

Timothy Ingram
Angela Jack
Robert J. Jack
Thomas Johnson
Pawel Kasprzak
Joseph Knecht
William Kelley
Leonard Korte
George A. Kuesel III
Herbert Lambert
Michael E. Lang
Walter Laurer
David Lenhart
Edward Loatman
Edward Luedtke
Panteleimon Mastalos
Rosemarie McBride
Christopher McCormick
Roy McCormick IV
David McGoldrick
Sylvester McKenzie
William H. Means
Douglas L. Miller
David Mitchell
Shaun Mojica
Shaun Monk
Clifton Moragne
George (Greg) Mortimer
Francesco Nestore
Frank Nestore

Jesse Newcomb
Shawn Norman
Lien Nguyen
Joseph O'Leary
Juan A. Pena
Antonio Pimpinella
Joseph Puglia
Robert W. Purcell
Kevin Redd
David Rivera
Luis Rivera
Thomas Robinson
Thomas Rogers
Kenneth Rossi
Ricky Santiago
Gary Schreyer
Stephen Scott
Richard Sewekow
Carl Siegfried
Edward Smith
Russel Sockwell
Mark Stang
John R. Striewski
Harry Trump
Robert Van Fossen
Michael L. Vindick
Brett Walker
Brian Wiegand
Robert A. Weyand Jr.
Andrew Wojcik
Noe Yax-Santos

Teamwork

"We have a culture of hard work and going the extra mile for our customers and fellow team members. It's very rewarding to be a part of such a great team of individuals "

ANDY SAPORITO, EXECUTIVE DIRECTOR & CEO-SJPC

PAULSBORO MARINE TERMINAL

LOCATION:	DELAWARE RIVER, PAULSBORO, NEW JERSEY
AREA:	200 ACRES
BERTHS:	ONE AT 850 LF (259 M)
DEPTH AT MLW:	40 FT. (12.2 M)
CARGOES:	STEEL SLABS
TRUCK GATES:	MULTIPLE
HIGHWAY ACCESS:	DIRECT ONE-MILE, LIMITED ACCESS ROADWAY TO INTERSTATE-295
RAIL:	CSX, NS AND CP RAIL SYSTEMS WITH INTEGRATED ON-DOCK RAIL INFRASTRUCTURE
CRANES:	TWO MOBILE HARBOR CRANES
OPERATOR:	PAULSBORO ASSOCIATES, LLC (HOLT)

JOSEPH A. BALZANO MARINE TERMINAL

LOCATION:	JOSEPH A. BALZANO BOULEVARD, CAMDEN, NEW JERSEY
SPECIALIZED CARGOES:	WOOD PRODUCTS, STEEL PRODUCTS, COCOA BEANS, SALT, CONTAINERS AND RECYCLED METALS
OTHER CARGOES:	PROJECT AND DRY BULK CARGOES
AREA:	122 ACRES
BERTHS:	4 BERTHS, TOTALING 2,655 LF (701 METERS)
DEPTH:	35 FT. (10.7 M.) TO 40 FT. (12.2 M.) 21 DRY WAREHOUSES COMPRISING 1,168,441 SF (108,591 SQ. M.)
HEAVY LIFT CRANES:	ONE MULTI-PURPOSE BULK/ CONTAINER CRANE, 95 TONS (86.2 METRIC TONS); ONE GENERAL PURPOSE CARGO/ CONTAINER CRANE, 35 TONS (31.8 METRIC TONS)
DIRECT TRANSFER:	DIRECT TO AND FROM TRUCK/ RAIL/ VESSEL
TRUCK GATES:	BALZANO BOULEVARD MAIN GATE AND 6 STORAGE AREA GATES
HIGHWAY ACCESS:	DIRECT TO I-676, I-76, US RT.130 AND I-295
RAIL ACCESS:	CSX, NS AND CP RAIL SYSTEMS WITH INTEGRATED ON-DOCK RAIL INFRASTRUCTURE
OTHER FEATURES:	FOOD GRADE WAREHOUSING; INNOVATIVE DIRECT DISCHARGE FOR BULK CARGOES; CUSTOM CARGO CARRIERS FOR DIRECT DISCHARGE TO STORAGE, ALL-WEATHER LOADING; TEMPERATURE CONTROLLED WAREHOUSING

BROADWAY MARINE TERMINAL

LOCATION:	BROADWAY AT MORGAN BOULEVARD, CAMDEN, NEW JERSEY
AREA:	106 ACRES
BERTHS:	2: 1,700 LF (518.16 M.)
DEPTH AT MLW:	PIER 1 — 35 FT. (10.7 M.), PIER 2 — 40 FT. (12.2 M.)
CARGOES:	FURNACE SLAG, SALT, OTHER DRY BULKS, STEEL PRODUCTS, WOOD PRODUCTS, MINERALS AND COCOA BEANS
STORAGE:	36 DRY WAREHOUSES PROVIDING 1.128 MILLION SF (102,600 SQ. M.)
TRUCK GATES:	1
HIGHWAY ACCESS:	DIRECT TO I-676, I-76, US RT.130 AND I-295
RAIL:	CSX, NS AND CP RAIL SYSTEMS
CRANES:	MULTI-PURPOSE ELECTRIC — 95 TONS (86.2 METRIC TONS)
OTHER FEATURES:	BULK CARGO STORAGE AREA; MARINE-RELATED INDUSTRIAL PARK SERVICES

BROADWAY PIER 5

LOCATION:	BROADWAY AT MORGAN BOULEVARD, CAMDEN, NEW JERSEY
AREA:	28 ACRES
BERTHS:	1 BERTH: 1,135 LF (346 M.)
DEPTH AT MLW:	35 FT. (10.7 M.)
SPECIAL CARGOES:	PERISHABLES
STORAGE:	3 TEMPERATURE-CONTROLLED WAREHOUSES: 60,000 SF (5,574 SQ. M.), 75,000 SF (6,968 SQ. M) AND 53,400 (SF,4,961 SQ. M); 1 DRY—25,000 SF (2,322.6 SQ. M.)
TRUCK GATES:	2
LOADING DOCKS:	40
DIRECT TRANSFER:	DIRECT TO TRUCK/ RAIL, LCL AND FCL HANDLING
OTHER FEATURES:	2,000 FT. OF RAIL SIDING FOR INTER-MODAL COFC TRANSFER

SALEM MARINE TERMINAL

LOCATION:	SALEM, NEW JERSEY
TERMINAL AREA:	28 ACRES
LESSEE:	NATIONAL DOCKS, LLC
BERTHS:	1,350 LF (106.7 M.), 130 FT. SHEATHED
DEPTH AT MLW:	35 FT. (10.7 M.)
STORAGE:	60,000 SF OF SHED AND WAREHOUSE SPACE (5,574 SQ. M.)
HIGHWAY ACCESS:	DIRECT TO RT. 49, RT. 45 WITH ACCESS TO US 130, I-295 AND NJ TURNPIKE
OPERATOR:	U.S. CONCRETE CORPORATION

SJPC - AT A GLANCE

Highlights

290
Ship Calls in 2018

4.36 M
Tons of Cargo passed through SJPC in 2018

Facilities

4 TERMINALS

3 MUNICIPALITIES

40+ TENANTS

Economic Impact

$14.8 B Port Supported Regional Economy

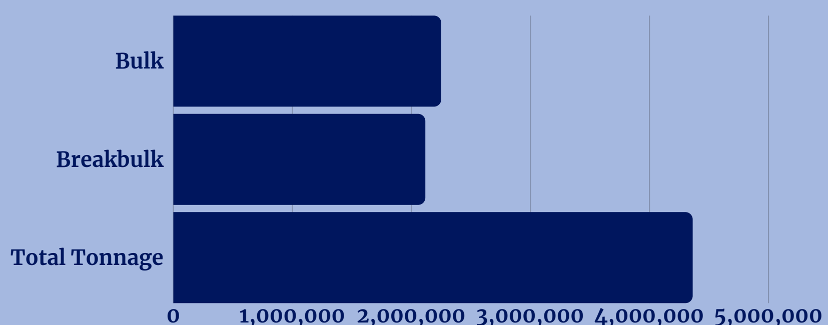
$362 M SJPC Investment in Capital Assets

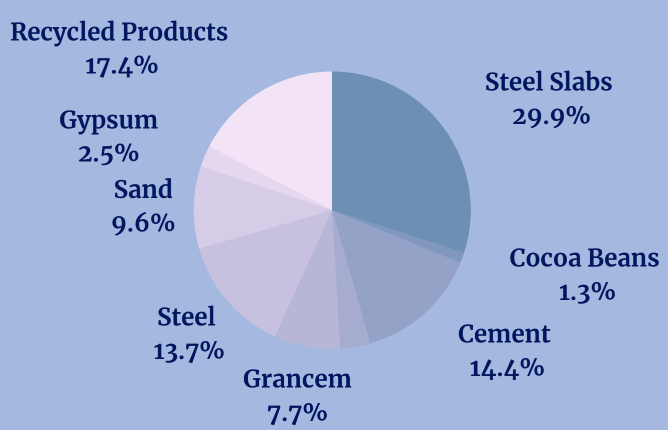
Job Creation

SJPC Supports 192,000 Jobs

Directly Employs 124

Cargo Tonnage





Extraordinary Access

Our terminals offer easy access to the entire eastern seaboard of the United States. Easy connections to the New Jersey Turnpike and I-295 link our facilities to every major city in the northeast and mid-Atlantic states, including Philadelphia, New York City, Wilmington, Baltimore and Washington, DC. Our rail freight network, particularly the four-rail line system at the Broadway and Balzano Marine Terminals in Camden, gives port customers the surface transportation they need to move their products and goods efficiently and economically. And now, the SJPC is in the process of expanding by building a major omniport on nearly 200 acres in Paulsboro, New Jersey, with wharf-side rail, heavy-lift cranes, immediate access to interstate highways, state of the art facilities and equipment to meet the custom needs of its customers.

Our Tenants

The SJPC offers one of the most viable, cost-effective options in the southern New Jersey and Delaware River Valley regions for businesses that trade, ship, process or distribute maritime-dependent cargoes and products. Tenants of the South Jersey Port Corporation make the Port of Camden a vital and vibrant center of diverse commerce, manufacturing, trade and transport.

APL-60
AP Construction
Belinda Downer-Davis
Camden Plant Holdings
Camden County Dept. of Corrections
Camden International Commodities Terminal
Camden Iron & Metal
Camden Yards Steel
Central Metals
Commerce Construction
D & M Transportation Services
Delaware River Stevedores
Delaware Ship Supply Co., Inc.
Camden Waterfront Development
Federal Warehousing & Distribution, Inc.
Fulline Trailer –Champion
Harry Wilson Welding
Essroc – Italcementi Group
Industrial Commercial
Joseph Oat Corporation
Mid-Atlantic Salt
Mid-Atlantic Shipping (Salem)
National Docks (Salem)
Nutsco
Seamen's Church Institute
State Metals
Tri-State Bulk Handling, Inc.
United Promise

Fast Fact

That's a lot of Chocolate!

SJPC handled 120,000+ pounds of cocoa beans in 2018. That is enough to supply all of the residents of New Jersey with chocolate for one year. If you're wondering how much chocolate the average person eats each year - it's 11 pounds!

A Message from our Executive Director & CEO

A half-century of success is in our rear-view mirror, and we are looking ahead to our next chapter.

The State of New Jersey created the South Jersey Port Corporation to spur economic development and create and sustain jobs by developing the deep-water port assets of southern New Jersey into international seaport marine terminals.

We started out with an antiquated municipal pier and an obsolete shipyard. Today, we have four terminals: two in Camden, another in Salem, and the fourth, Paulsboro Marine Terminal, which opened for business in 2017.

We are proud that we have created and supported tens of thousands of quality jobs throughout the region, but success is fleeting. It's what you do today and tomorrow that dictates future success.

We do it by being customer-focused, by adapting to the always-changing ebbs and flows of international trade, and by making infrastructure improvements compatible with always evolving transportation routes and technology.

It's evolutionary, not revolutionary.

Our core business priority is quality service to our existing customers and focusing on our customer's needs and goals. Happy customers attract new customers.

Routes and markets change. So must our customers. So must we. So must our facilities, our equipment, our people, and our business model.

Pivots have to be prudent, not rash. It requires a clear-eyed understanding of market trends, our customers' needs and our sober path to success.

We specialize in project cargo, bulk and break-bulk and other cargo that requires specialized handling and that human touch.

We also have the ability to partner with customers beyond logistics and into value-added zones of manufacturing and free trade zones.

Our new Paulsboro Marine Terminal, now a portal of millions of tons of imported steel, will soon be New Jersey's epicenter for the construction and support of massive wind energy farms off the Atlantic seaboard. That opens the door for a host of exciting opportunities in the Green Energy Economy.

We're not basing our future on any one customer or business sector. Much like a prudent financial portfolio, we plan to develop a diversity of customers, partners and business opportunities.

After sober analysis and planning we will prudently adapt to emerging market trends and opportunities in support of our current and future customers while always focusing on our existing customers and business.

That's our past and future path to continued success.

Sincerely,

Andrew Saporito

ANDREW SAPORITO
Executive Director & CEO

The Future of the Port

Our business is dynamic – so is our future. That’s why we built the Paulsboro Marine Terminal and continue to invest in our three other marine terminals: Broadway and Balzano, in Camden and Salem in Salem City.

After a decade of planning, designing and construction, our Paulsboro Marine Terminal (PMT) came to life in 2017 to service our ever-expanding business. Still under construction, it is already generating revenues with millions of tons of steel cargo. It's targeted to be the epicenter to build and support the emerging offshore wind energy farms along the east coast while simultaneously having the flexibility to service a rich menu of other cargo and business. Full build-out is anticipated to be completed in 2021.

Much like Paulsboro, southern New Jersey is rich with large tracts of land along the Delaware River ideal for port-related logistics, manufacturing, commercial and value-added operations, with ideal interstate highway and rail access.

Paulsboro’s future is promising but we are far from the finish line. We will continue to focus on its success, and remain open to future opportunities – including public-private partnerships – to grow our maritime business: prudently and always supported by generated revenues.

We also will focus on constantly updating our three other terminals, especially Balzano and Broadway our greatest source of revenues.

Our customers, tenants and partners expect quality equipment and infrastructure – the bedrock of port services.

LOOKING TO THE FUTURE... THE PORT OF PAULSBORO

If you build it they will come...

- World-Class Deep-Water Port
- Building The Clean Energy Economy
- Creating Partnerships With The Local Economy
- Diversified Cargo Handling and Services

Governor
Phil Murphy

Lieutenant Governor
Sheila Y. Oliver

EXECUTIVE ORDER #37 (2006)
Certification of Annual Audit for Year Ending 2019

WE ARE PLEASED TO PRESENT this report containing a record of the significant actions taken by the Port Corporation in 2019; these actions detail the success the Port Corporation has achieved in growing its business on behalf of the State of New Jersey and its citizens during the year 2019. In addition, in accordance with Executive Order #37 (2006), we certify that, to the best of our knowledge, the information provided to the auditor in connection with this annual audit and contained in the attached report is accurate, and to the best of our knowledge, fairly represents the financial condition of the South Jersey Port Corporation for the year ending December 31, 2019.

The following senior staff members hereby certify that during the preceding year the Corporation has, to the best of our knowledge, followed all of the Corporation's standards, procedures and internal controls. Approval of this audit report has been made by the Board of Directors and an electronic version has been posted on the Corporation's website, www.SouthJerseyPort.com.

Andrew Saporito

Andrew Saporito, Executive Director & CEO

Bruno N. Cellucci, CPA, Assistant Executive Director/CFO

SOUTH JERSEY PORT CORPORATION

AUDIT REPORT

FOR THE YEARS ENDED

DECEMBER 31, 2018 AND 2017

SOUTH JERSEY PORT CORPORATION

BOARD OF DIRECTORS

AT DECEMBER 31, 2018

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 Designee

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

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

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

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, 2018 and 2017, 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, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 July 26, 2019 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,

Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
July 26, 2019

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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 COMPLAINCE 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, 2018, 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 July 26, 2019.

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,

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3008 New Albany Rd., Cinnaminson, NJ 08077

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,

Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
July 26, 2019

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, 2018.

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 4.36 million tons of cargo passed through the Port Corporation's facilities in 2018. 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 lease 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 lease 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 tehe 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 $18,004,176 at December 31, 2018.

Port's Net Position

	2018	2017
ASSETS		
Current & Other Assets	$259,897,867	$352,777,500
Capital Assets (Net)	362,638,219	255,045,205
Total Assets	622,536,086	607,822,705
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB Deferred Outflows	5,173,517	7,622,120
Bond Discount, Net of Accumulated Amortization	188,410	197,382
Total Deferred Outflows of Resources	5,361,927	7,819,502
LIABILITIES		
Current Liabilities	54,064,392	22,790,617
Long-Term Liabilities	527,501,737	558,806,421
Total Liabilities	581,566,129	581,597,038
DEFERRED INFLOWS OF RESOURCES		
Service Arrangements	410,144	402,989
Unrealized Rental Income	9,805,387	571,344
Deferred Gain on Bond Refunding	365,218	382,609
Pension and OPEB Deferred Inflows	17,746,959	9,980,909
Total Deferred Inflows of Resources	28,327,708	11,337,851
NET POSITION		
Net Investment in Capital Assets	9,509,672	9,067,720
Restricted for:		
Reserve for Payment of Debt Service	37,293,188	37,293,188
Reserve for Inventory Supplies	1,340,640	1,276,913
Unrestricted:		
Unreserved	(30,139,324)	(24,930,503)
Total Net Position	$18,004,176	$22,707,318

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 $9,509,672 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

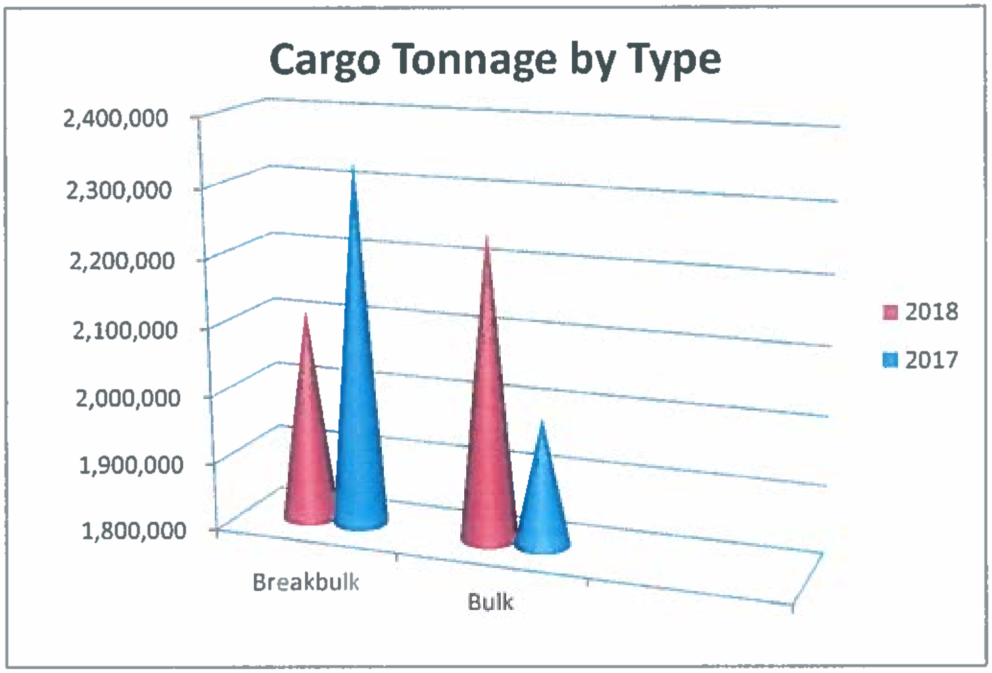
	2018	2017
Operating Revenues:		
Marine Direct	$20,848,264	$22,114,995
Marine Related	2,413,962	2,508,538
Other	291,093	475,113
Grant Revenue	3,193,957	7,683,862
Total Operating Revenues	26,747,276	32,782,508
Operating Expenses:		
General Operating	12,416,933	14,651,902
Repairs & Maintenance	1,172,998	1,225,458
General & Administrative	6,235,529	7,241,448
Grant Expenses	3,193,957	7,683,862
Total Operating Expenses	23,019,417	30,802,670
Operating Income Before Other Operating Expenses	3,727,859	1,979,838
Other Operating Expenses:		
Depreciation	8,057,304	5,812,244
Total Other Operating Expenses	8,057,304	5,812,244
Operating Income/(Loss) After Other Operating Expenses	(4,329,445)	(3,832,406)
Nonoperating Revenues/(Expenses):		
Interest on Investments & Deposits	3,461,397	338,919
Insurance Proceeds		435,016
Federal Subsidy Revenue	2,970,692	3,027,503
Gain/(Loss) on Sale of Assets		(99,039)
Amortization Gain on Refunding of Debt	17,391	17,391
Amortization of Bond Discount on Refunding	(8,972)	(8,972)
Amortization of Bond Premium	1,178,236	
Net Change in Developers' Escrow	(165,957)	(284,952)
Unrealized Gain/(Loss) on Investment	650,357	495,592
Cost of Bond Issuance Expenses	(435,096)	(1,144,096)
Interest Expense	(25,921,429)	(14,810,359)
Net Nonoperating Revenue/(Expenses)	(18,253,381)	(12,032,997)
Net Income/(Loss) Before Contributions and Transfers	(22,582,826)	(15,865,403)

	2018	2017
Operating Transfers To/ From the State of New Jersey/Other:		
Debt Service Aid	17,650,000	17,650,000
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	63,727	51,459
Total Operating Transfers	17,713,727	17,701,459
Net Income/(Loss) Before Contributions	(4,869,099)	1,836,056
Additions to Capital Contributions	165,957	456,485
Change in Net Position	(4,703,142)	2,292,541
Net Position - Beginning of Year, As Restated (Note 19)	$22,707,318	$20,414,777
Net Position - End of Year	$18,004,176	$22,707,318

Port activity for 2018 resulted in operating income before depreciation and amortization of $3,727,859.

Cargo Tonnage

The South Jersey Port Corporation activity for 2018 totaled 4,358,546 tons. This is an increase of approximately 1% as compared to 2017.



Breakbulk

Breakbulk activity for 2018 decreased 9% when compared to 2017 Port totals.

Bulk

Dry bulk cargoes collectively reached 2,245,984 tons in 2018, which was a 13% increase over the prior year. Export recycled scrap metals decreased by 1% from 2017 while export Grancem® and import cement finished with an increase of 13% and 51% from 2017. Other bulk cargo activity resulted from Road Salt, Sand, Urea and Gypsum.

Containers

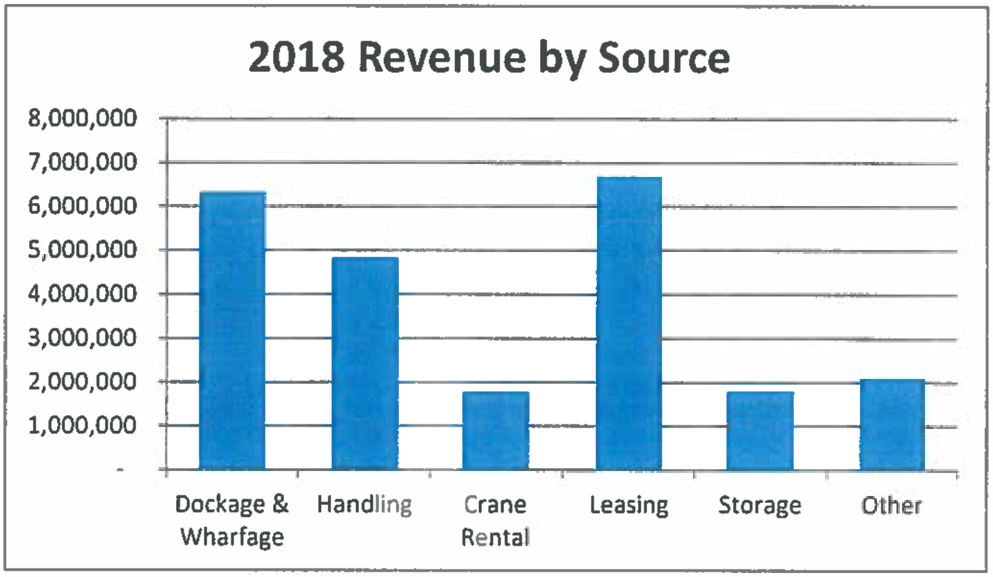
Container tonnage for the year 2018 was zero tons compared to zero tons in 2017.

Other Activity

Ship calls totaled 290 for the year ended 2018, 13 more than 2017. Ship days in 2018 totaled 767, an increase of 5.7% from 2017.

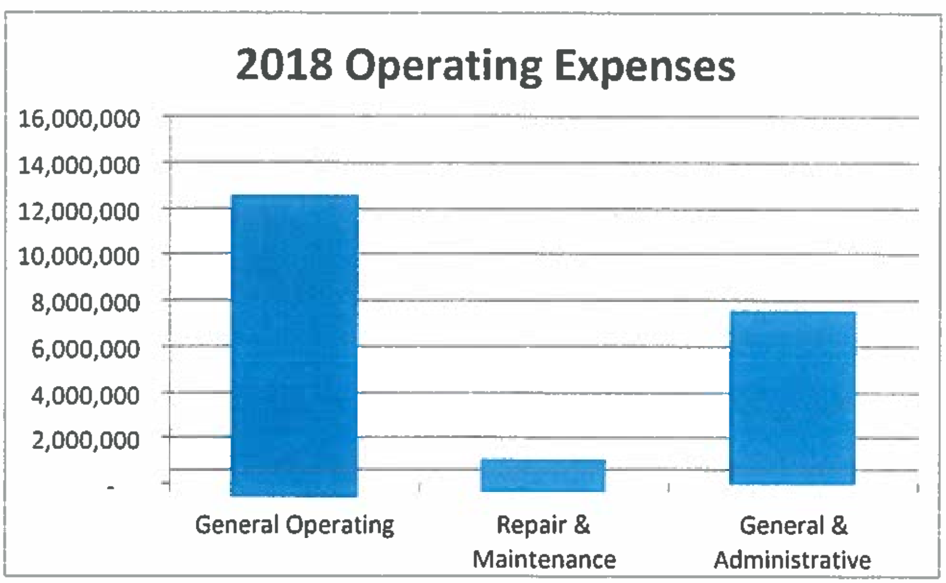
Operating Revenues

The Port Corporation generated $26,747,276 total in operating revenues in 2018. This represents an overall decrease of $6,035,232 over 2017 totals.



Operating Expenses

Total Corporation operating expenses were $23,019,417 in 2018, a decrease of $7,783,253 when compared to 2017.



Capital Assets

The Port's investment in Capital assets as of December 31, 2018 is $362,638,219.

The investment in capital assets include land, buildings, piers and berths, and machinery and equipment. Net capital assets increased by $107,593,015 in 2018 over 2017.

	2018	2017
Land	$19,177,118	$19,177,118
Building & Improvements	56,957,178	55,147,566
Land Improvements	284,403,530	257,224,976
Equipment	27,002,458	25,573,353
Engineering & Other	7,203,729	7,203,729
Financing Costs	9,159,938	9,159,938
Subtotal	$403,903,951	$373,486,680
Less: Accumulated Depreciation & Amortization	128,402,495	120,309,443
Subtotal	275,501,456	253,177,237
Construction in Progress	87,136,763	1,867,968
Total	$362,638,219	$255,045,205

Long-Term Debt

As of December 31, 2018 the Port had accumulated long-term debt of $509,394,713. This balance is comprised of the following:

Long-Term Debt

	2018	2017
Revenue Bonds	$491,325,719	$504,143,955
Capital Lease	999,775	400,000
Net Pension Payable	15,883,939	19,345,036
Early Retirement	1,185,280	1,189,516
Total	$509,394,713	$525,078,507

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, 2018 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, 2018 AND 2017

ASSETS	2018	2017
Current Assets:		
Unrestricted Assets:		
Cash & Cash Equivalents	$9,913,221	11,345,641
Accounts Receivable (Net of Allowance for Doubtful Accounts - $316,300 in 2018 and $273,505 in 2017)	1,743,792	2,309,256
Other Accounts Receivable		9,486,732
Prepaid Expenses	175,847	208,602
Inventory of Supplies	1,340,640	1,276,913
Total Unrestricted Current Assets	13,173,500	24,627,144
Restricted Assets:		
Cash & Cash Equivalents	72,937,908	305,172,871
Investments	155,979,162	8,628,551
Other Accounts Receivable	157,297	134,398
Due from State of New Jersey	17,650,000	14,214,536
Total Restricted Current Assets	246,724,367	328,150,356
Property, Plant & Equipment (Note 5):		
Completed	394,744,013	364,326,742
Construction in Progress	87,136,763	1,867,968
Bond Financing Costs	9,159,938	9,159,938
Total Property, Plant & Equipment	491,040,714	375,354,648
Less: Accumulated Depreciation & Amortization	128,402,495	120,309,443
Net Property, Plant & Equipment	362,638,219	255,045,205
Total Assets	622,536,086	607,822,705
DEFERRED OUTFLOW OF RESOURCES		
Pension and OPEB Deferred Outflows	5,173,517	7,622,120
Bond Discount, Net of Accumulated Amortization	188,410	197,382
Total Deferred Outflows of Resources	5,361,927	7,819,502
Total Assets and Deferred Outflows of Resources	$627,898,013	615,642,207

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

SOUTH JERSEY PORT CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2018 AND 2017

LIABILITIES	2018	2017
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	485,077	599,981
Accrued Expenses	254,552	152,301
Payroll Taxes Payable	54,367	53,005
Accrued Vacation Payable	168,382	217,043
Pension Payable	802,427	769,860
Lease Security & Escrow Deposits	298,959	304,076
Total Current Liabilities Payable From Unrestricted Assets	2,063,764	2,096,266
Current Liabilities Payable From Restricted Assets:		
Accrued Interest Payable	12,954,013	7,864,351
Contracts Payable	25,375,233	
Revenue Bonds Payable (Short-Term Portion)	11,640,000	11,230,000
Capital Lease Payable	2,031,382	1,600,000
Total Current Liabilities Payable From Restricted Assets	52,000,628	20,694,351
Long-Term Liabilities:		
Long-Term Liabilities Payable From Unrestricted Assets:		
Early Retirement Payable	1,185,280	1,189,516
Unearned Lease Revenue		9,200,978
Net Pension Payable	15,081,512	18,575,176
OPEB Payable	18,909,451	25,296,796
Total Long-Term Liabilities Payable From Unrestricted Assets	35,176,243	54,262,466
Long-Term Liabilities Payable From Restricted Assets:		
Revenue Bonds Payable (Net of Unamortized Premium)	491,325,719	504,143,955
Capital Lease Payable	999,775	400,000
Total Long-Term Liabilities Payable From Restricted Assets	492,325,494	504,543,955
Total Liabilities	581,566,129	581,597,038
DEFERRED INFLOWS OF RESOURCES		
Service Arrangements	410,144	402,989
Unrealized Rental Income	9,805,387	571,344
Gain on Bond Refunding, Net of Accumulted Amortization	365,218	382,609
Pension and OPEB Deferred Inflows	17,746,959	9,980,909
Total Deferred Inflows of Resources	28,327,708	11,337,851
NET POSITION		
Net Investment in Capital Assets	9,509,672	9,067,720
Restricted:		
Reserve for Payment of Debt Service	37,293,188	37,293,188
Reserve for Inventory of Supplies	1,340,640	1,276,913
Unrestricted:		
Unreserved	(30,139,324)	(24,930,503)
Total Net Position	18,004,176	22,707,318
Total Liabilities, Deferred Inflows of Resources and Net Position	627,898,013	615,642,207

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, 2018 AND 2017

	2018	2017
Operating Revenues:		
Marine Direct	$20,848,264	22,114,995
Marine Related	2,413,962	2,508,538
Other	291,093	475,113
Grant Revenue	3,193,957	7,683,862
Total Operating Revenues	26,747,276	32,782,508
Operating Expenses:		
General Operating	12,416,933	14,651,902
Repairs & Maintenance	1,172,998	1,225,458
General & Administrative	6,235,529	7,241,448
Grant Expenses	3,193,957	7,683,862
Total Operating Expenses	23,019,417	30,802,670
Operating Income Before Other Operating Expenses	3,727,859	1,979,838
Other Operating Expenses:		
Depreciation	8,057,304	5,812,244
Total Other Operating Expenses	8,057,304	5,812,244
Operating Income/(Loss) After Other Operating Expenses	(4,329,445)	(3,832,406)
Nonoperating Revenues/(Expenses):		
Interest on Investments & Deposits	3,461,397	338,919
Insurance Proceeds		435,016
Federal Subsidy Revenue	2,970,692	3,027,503
Gain/(Loss) on Sale of Assets		(99,039)
Amortization Gain on Refunding of Debt	17,391	17,391
Amortization of Bond Discount on Refunding	(8,972)	(8,972)
Amortization of Bond Premium	1,178,236	
Net Change in Developers' Escrow	(165,957)	(284,952)
Unrealized Gain/(Loss) on Investment	650,357	495,592
Cost of Bond Issuance Expenses	(435,096)	(1,144,096)
Interest Expense	(25,921,429)	(14,810,359)
Net Nonoperating Revenue/(Expenses)	(18,253,381)	(12,032,997)
Net Income/(Loss) Before Contributions and Transfers	(22,582,826)	(15,865,403)

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, 2018 AND 2017

	2018	2017
Operating Transfers To/ From the State of New Jersey/Other:		
Debt Service Aid	17,650,000	17,650,000
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	63,727	51,459
Total Operating Transfers	17,713,727	17,701,459
Net Income/(Loss) Before Contributions	(4,869,099)	1,836,056
Additions To Capital Contributions	165,957	456,485
Change in Net Position	(4,703,142)	2,292,541
Net Position - Beginning of Year, As Restated (Note 18)	22,707,318	20,414,777
Net Position - End of Year	$18,004,176	22,707,318

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

EXHIBIT A-3
(Page 1 of 2)

SOUTH JERSEY PORT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Receipts from Customers	$36,570,378	33,118,792
Interest Receipts	238,950	141,554
Payments to Employees	(5,608,356)	(5,895,004)
Payments for Employee Benefits	(5,277,223)	(5,190,578)
Payments to Suppliers	13,583,638	(18,525,923)
Net Cash Provided/(Used) by Operating Activities	39,507,387	3,648,841
Cash Flows From Noncapital Financing Activities:		
Developers' Escrow Refunds	(165,957)	(284,952)
Net Cash Provided/(Used) by Noncapital Financing Activities	(165,957)	(284,952)
Cash Flows From Capital & Related Financing Activities:		
Acquisition & Construction of Capital Assets	(114,593,153)	446,918
Federal Interest Subsidy	2,970,692	3,027,503
Insurance Proceeds		435,016
Net Proceeds Received from Bonding		271,149,473
Bond Issuance Expenses	(435,096)	(1,144,096)
Interest Paid on Revenue Bonds	(20,696,935)	(13,504,519)
Principal Paid on Revenue Bonds	(11,230,000)	(11,315,000)
State Aid for Debt Service	14,214,536	16,828,484
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)
Net Cash Provided/(Used) by Capital & Related Financing Activities	(129,769,956)	265,923,779
Cash Flows From Investing Activities:		
Unrealized Gain/(Loss) on Investment	650,357	495,592
Interest & Dividends	3,461,397	338,919
Net Cash Provided/(Used) by Investing Activities	4,111,754	834,511

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, 2018 AND 2017

	2018	2017
Net Increase/(Decrease) in Cash & Cash Equivalents	(86,316,772)	270,122,179
Balances - Beginning of Year	325,147,063	55,024,884
Balances - End of Year	$238,830,291	325,147,063

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

Operating Income/(Loss)	($4,329,445)	($3,832,406)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Activities:		
Depreciation & Net Amortization	8,057,304	5,812,244
(Increase)/Decrease in Accounts Receivable, Net	10,029,297	(331,514)
(Increase)/Decrease in Prepaid Expenses	32,755	809,352
Increase/(Decrease) in Accounts Payable	354,920	1,329,839
Increase/(Decrease) in Accrued Liabilities	(48,661)	3,733
Increase/(Decrease) in Contracts Payable	25,375,233	(1,231,944)
Increase/(Decrease) in Early Retirement Payable	(4,236)	(276)
Increase/(Decrease) in Service Arrangements	7,155	(209,031)
Increase/(Decrease) in Unearned Lease Revenue	(9,200,978)	725,404
Increase/(Decrease) in Unrealized Rental Income	9,234,043	(208,440)
Total Adjustments	43,836,832	6,699,367
Net Cash Provided/(Used) by Operating Activities	$39,507,387	2,866,961

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, 2018 AND 2017

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, 2018:

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. The adoption of this statement did have an impact on the Corporation'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. The adoption of this statement had no impact on the Corporation'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. The adoption of this statement had no impact on the Corporation'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 *Amendment to Certain Provisions of* GASB Statement 67 and 68. The adoption of this statement had no impact on the Corporation's financial statements.

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

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 adoption of this statement had no impact on the Corporation's financial statements.

Recently Issued Accounting Pronouncements

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

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

Statement 87, *Leases.* The statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of the financial statements among governments by requiring lessees and lessors to report leases under a single model. Also, the statement will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Management does not expect this statement to have a material impact on the Corporation's financial statements.

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

Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placement.* The statement will improve financial reporting users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this statement to have a material impact on the Corporation's financial statements.

Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* This statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the potential impact on the Corporation's financial statements.

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 101 full time employees and 12 part time employees.

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:

1. Summary of Significant Accounting Policies (continued):

- 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.

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 or 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, 2018 AND 2017

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 2018 included $11,230,000 for principal and $20,696,935 for interest. 2017 included $11,315,000 for principal and $13,377,005 for interest. The funds to pay down the debt service were provided from debt service accounts within the Construction Fund for 2018 and 2017.

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.

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

1. Summary of Significant Accounting Policies (continued):

Maintenance Reserve Account (continued):

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 2018 and 2017 of $-0- and $482,919 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 2018 and 2017 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.

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 7 for the improvement of the port facilities, debt reserve funds and capitalized interest. During 2009 Series O Bonds in the amount of $25,885,000 and Series P Bonds in the amount of $157,880,000. In 2012 Series Q Bonds in the amount of $60,060,000 and Series R in the amount of $16,050,000 were issued to refund Series Bonds K and L. In 2016 Series S bonds were issued to refund Series Bonds N and O. During 2017 Series A Bonds in the amount of $23,860,000 and Series B Bonds in the amount of $231,140,000 were issued and these funds are also still available for approved projects.

With certain exceptions, existing arbitrate 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 January 25, 2019 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, 2018 and 2017 are as follows:

Type	2018 Carrying Value	2017 Carrying Value
Deposits:		
Demand Deposits	$ 82,851,129	$316,518,512
Total Deposits	$ 82,851,129	$316,518,512

SOUTH JERSEY PORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

2. Cash and Cash Equivalents (continued):

Reconciliation of Statement of Net Position:

Current:		
Unrestricted Assets:		
Cash & Cash Equivalents	$ 9,913,221	$ 11,345,641
Restricted Assets:		
Cash & Cash Equivalents	72,937,908	305,172,871
Total	$ 82,851,129	$316,518,512

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, 2018 and 2017, the Corporation's bank balance of $82,073,749 and $$316,770,636 respectively, was insured or collateralized as follows:

	2018	2017
Insured	$ 1,095,840	$ 1,292,998
Collaterized in the Corporation's Name Under GUDPA (See Note 3)	80,586,645	315,093,324
Collaterized not in the Corporation's Name (New Jersey Cash Management Fund)	391,264	384,314
Total	$ 82,073,749	$316,770,636

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.

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, 2018 and 2017, 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;

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, 2018 and 2017, the Corporation had the following investments and maturities:

Investment	Maturities	Rating	2018 Fair Value
US Treasury Notes	1/1/19	N/A	$ 9,990,400
Federal Home Loan Medium Term Notes	4/15/19	AA+	24,906,750
US Treasury Notes	6/30/19	N/A	6,352,000
US Treasury Notes	7/31/19	N/A	24,829,000
US Treasury Notes	10/15/19	N/A	24,684,500
US Treasury Notes	12/15/19	N/A	6,323,776
Federal Home Loan Discount Notes	2/11/20	N/A	24,883,000
Tennessee Valley Authority Series A Notes	3/15/20	AA+	4,983,000

Note 3. Investments (continued):

C. Investment Credit Risk (continued):

Investment	Maturities	Rating	2018 Fair Value
US Treasury Notes	3/15/20	N/A	$ 19,918,000
US Treasury Notes	6/30/20	N/A	9,108,736
Total			$155,979,162

Investment	Maturities	Rating	2017 Fair Value
Federal Home Loan Discount Notes	6/30/18	N/A	8,628,551
Total			$ 8,628,551

Note 4. Governmental Unit Deposit Protection Act (GUDPA)

The Corporation deposited cash in 2018 and 2017 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.

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

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.

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.

SOUTH JERSEY PORT CORPORATION

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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, 2018 and 2017:

	Balance December 31, 2017	Additions	Deletions	Reclass/ Adjustments	Balance December 31, 2018
Land	$ 19,177,117				$ 19,177,117
Buildings & Improvements	55,147,566			1,809,612	56,957,178
Land Improvements	257,224,976	21,272,102		5,906,454	284,403,532
Equipment	25,573,354	1,224,499		204,604	27,002,457
Engineering & Other	7,203,729				7,203,729
Financing Costs	9,159,938				9,159,938
Subtotal	373,486,680	22,496,601	-	7,920,670	403,903,951
Less: Accumulated Depreciation Amortization	(120,309,443)	(8,093,052)			(128,402,495)
Subtotal	253,177,237	14,403,549	-	7,920,670	275,501,456
Construction in Progress	1,867,968	67,814,232	-	(7,920,670)	61,761,530
Total	$255,045,205	$ 82,217,781	-	-	$337,262,986

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

	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	373,486,680
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

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.

Note 6. Pension Plan (continued):

At December 31, 2018 the Corporation reported a liability of $15,883,939 for its proportionate share of the net pension liability as measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Corporation elected to record $802,427 as current pension liability from the above amount. 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, 2018, the Corporation's proportion was .080672% which decreased slightly by .002% from its proportion measured as of June 30, 2017.

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, 2018 and 2017, the Corporation recognized pension expense of $1,463,507 and $2,054,117 respectively. At December 31, 2018 and 2017, the Corporation reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	December 31, 2018		December 31, 2017	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference Between Expected and Actual Experience	$ 302,909	81,903	$ 455,509	
Changes of Assumptions	2,617,410	5,078,839	3,897,358	3,883,070
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		148,992	131,727	
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	2,243,205	694,810	3,133,191	413,326
Authority Contributions Subsequent to The Measurement Date	-	-	-	-
	$5,163,524	$6,004,544	$7,617,785	$4,296,396

$5,163,524 and $$7,617,785 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, 2018 and 2017. Other amounts

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, 2018		Year Ended November 30, 2017	
2019	$ (33,821)	2018	$ 606,093
2020	(33,821)	2019	606,093
2021	(33,821)	2020	606,093
2022	(33,821)	2021	606,093
2023	(33,821)	2022	606,093
Thereafter	(671,914)	Thereafter	290,924
Total	$ (841,020)	Total	$ 3,321,389

Additional Information

Collective balances at November 30, 2018 and 2017 as follows:

	2018	2017
Collective deferred outflows of resources	$ 4,684,852,302	$ 6,424,455,842
Collective deferred inflows of resources	5,646,736,226	5,700,625,981
Collective net pension liability	$ 19,689,501,539	$ 23,278,401,588
District's Proportion	.08067212%	.08310294%

Actuarial Assumptions

The total pension liability in the June 30, 2018 and 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

	2018		**2017**
Inflation Rate	2.25%	Inflation Rate	2.25%
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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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, 2018 and 2017 are summarized in the following tables:

Asset Class	2018 Target Allocation	2018 Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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%

Note 6. Pension Plan (continued):

Long-Term Expected Rate of Return (continued):

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%	1.81%
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%	6.06%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Assets	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%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30 2018 and 2017, respectively, and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, 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 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 6. Pension Plan (continued):

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, 2018 and 2017, 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:

2018

	At 1% Decrease (4.66%)	At Current Discount Rate (5.66%)	At 1% Increase (6.66%)	
Corporation's Proportionate Share of Net Pension Liability	$ 19,705,104		$ 15,883,939	$ 12,700,435

2017

	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
Corporation's Proportionate Share of Net Pension Liability	$ 23,998,830	$ 19,345,036	$ 15,467,849

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 7.34%, effective July 1, 2017 and increases to 7.50%, effective July 1, 2018 of employees' annual compensation as defined. 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, 2018, 2017 and 2016 were $802,427, $715,011 and $541,887, respectively, equal to the required contributions for each year.

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 $1,185,280 as of December 31, 2018.

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 2018 and 2017 for $102,371 and $98,158 respectively, which included principal and interest.

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

Year	Principal	Interest	Total
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	177,130	14,613	191,743
Total	$1,185,280	$1,138,291	$2,323,571

Note 7. Long-Term Debt

The following is a summary of long-term debt at December 31, 2018:

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	01/01/19	4.000% 5.875%	25,885,000	645,000
Series 2009 P Marine Terminal Revenue Bonds	12/30/09	01/01/40	2.995% 7.365%	157,880,000	135,740,000
Series 2012 Q Marine Terminal Refunding Bonds	10/17/12	01/01/33	3.000% 3.250%	60,060,000	41,520,000
Series 2012 R Marine Terminal Refunding Bonds	10/17/12	01/01/24	4.000%	16,050,000	9,170,000
Series 2016 S Marine Terminal Refunding Bonds	09/29/16	01/01/39	5.125% 5.875%	40,320,000	38,670,000
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					$480,745,000
Add: Unamortized Bond Premium					22,220,719
Less: Current Maturities Included in Current Liabilities					11,640,000
Balance					$491,325,719

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
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	10,835,000	23,680,358	34,515,358
2024-2028	61,305,000	109,054,589	170,359,589
2029-2033	74,880,000	90,092,617	164,972,617
2034-2038	92,875,000	65,890,982	158,765,982

Note 7. Long-Term Debt (continued):

Year	Principal	Interest	Total
2039-2043	85,250,000	38,267,782	123,517,782
2044-2048	90,700,000	17,016,750	107,716,750
2049	20,950,000	523,750	21,473,750
Total	$480,745,000	$444,114,421	$924,859,421

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,

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:

	....SERIES O-3.....	
Issue Year	Annual Principal	Interest Rate
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	$ 645,000	

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Note 7. Long-Term Debt (continued):

Issue Year	.....SERIES P-2..... Annual Principal	Interest Rate	....SERIES P-3..... Annual Principal	Interest Rate	SERIES "P" Total Principal
2019	-		3,655,000	6.052	3,655,000
2020	-		3,800,000	6.152	3,800,000
2021	-		3,955,000	6.252	3,955,000
2022	$4,115,000	5.750	-		4,115,000
2023	4,350,000	5.750	-		4,350,000
2024	1,055,000	5.750	-		1,055,000
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	$ 9,520,000		$126,220,000		$135,740,000

Issue Year	......SERIES Q...... Annual Principal	Interest Rate	......SERIES R...... Annual Principal	Interest Rate
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

Note 7. Long-Term Debt (continued):

	......SERIES Q........		.......SERIES R.......	
Issue Year	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	$41,520,000		$ 9,170,000	

	......SERIES S-1......		.....SERIES S-2.....		Series S
Issue Year	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Total Principal
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

Note 7. Long-Term Debt (continued):

Issue Year	......SERIES S-1...... Annual Principal	Interest Rate	.....SERIES S-2..... Annual Principal	Interest Rate	Series S 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	1,670,000	5.00	-		1,670,000
Total	$31,385,000		$ 7,285,000		$ 38,670,000

Issue Year	......SERIES A...... Annual Principal	Interest Rate	......SERIES B...... Annual Principal	Interest Rate	Grand Total Principal
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	20,950,000	5.00	-		20,950,000
Total	$23,860,000		$231,140,000		$480,745,000

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
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	20,950,000	-	-		-	20,950,000
Total	$23,860,000	$161,850,000	$ 645,000	$114,810,000	$ 6,140,000	$307,305,000

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 1, 2048

Year	Principal Amount
2048	$ 2,910,000
2049	20,950,000
Total	$ 23,860,000

Series 2017B – Bonds Maturing January

Year	Principal Amount
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	17,040,000
Total	$161,850,000

Series O-3 - Bonds Maturing January 1, 2019

Year	Principal Amount
2019	645,000
Total	$ 645,000

Series P-3 – Bonds Maturing January 1, 2029

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

Note 7. Long-Term Debt (continued):

Series P-3 - Bonds Maturing January 1, 2040

Year	Principal Amount
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	9,635,000
Total	$84,825,000

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, 2018 AND 2017

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
2019	$ 3,135,106
2020	3,055,485
2021	2,971,302
2022	2,928,030
2023	2,928,030
2024-2028	13,252,322
2029-2033	9,705,870
2034-2038	5,104,525
2039-2040	491,061
Total	$43,571,731

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.

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, 2018 and 2017:

	Balance December 31, 2017	Issued/ Adjustments	Retired	Balance December 31, 2018	Due Within One Year
Restricted:					
Bond Payable	$491,975,000		(11,230,000)	480,745,000	11,640,000
Capital Lease	2,000,000	1,294,822	(263,665)	3,031,157	2,031,382
Total	$493,975,000	1,294,822	(11,493,665)	$483,776,157	13,671,382

Add: Unamortized Bond Premium	22,220,719
Less: Due within One Year	13,671,382
Total	$492,325,494

Note 7. Long-Term Debt (continued):

	Balance December 31, 2016	Issued	Retired	Balance December 31, 2017	Due Within One Year
Restricted:					
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	$250,290,000	255,000,000	(11,315,000)	$493,975,000	12,830,000
Add: Unamortized Bond Premium				23,398,955	
Less: Due within One Year				12,830,000	
Total				$504,543,955	

Note 8. Leases Obligations

At December 31, 2018, 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
2019	$ 1,200
Total minimum Lease Payments	$ 1,200

Rental payments under operating leases for the year 2018 and 2017 were $4,800 and $4,800 respectively.

Capital Leases:

Eleven (11) Copiers and eight (8) Forklifts

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

Capital Leases (continued):

Year	Amount
2019	$ 370,825
2020	352,924
2021	308,492
2022	73,917
Total Minimum Lease Payments	1,106,158
Less: Amount Representing Interest	75,002
Present Value of Net Minimum Lease Payments	$1,031,156

Lease payments under Capital leases for the years 2018 and 2017 were $263,665 and $45,425 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 2018 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 2018 began in July 1, 2017 and ended June 30, 2018. Pursuant to the 2018 "PILOT" agreement, the Corporation is not required to make the 2018 "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 2018 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 2018. An appropriation of $419,000 will be required from the State to make payment to the 2019 County of Camden "PILOT Tax Agreement".

Note 11. PILOT Payments (continued):

City of Salem PILOT Payments – The Corporation has entered into a 2018 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 2018. An appropriation of $31,225 will be required from the State to make payment to the 2019 City of Salem "PILOT Tax Agreement".

Borough of Paulsboro PILOT Payments – The Corporation has entered into a 2018 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 2018. An appropriation of $500,000 will be required from the State to make payment to the 2019 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 2018 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 2019 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 Series 2017 in the amount of $86,308,358. Dredging in the amount of $204,379 and other items in the amount of $105,390. Total construction in progress amounted to $87,136,763.

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

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,

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 $1,340,640 as of December 31, 2018 and $1,276,913 as of December 31, 2017.

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. 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.

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 $238.9 million toward Chapter 126 benefits for 30,913 eligible retired members in Fiscal Year 2017.

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 a self-insured program. In 2014, through resolution 2014-1-0015, the Corporation approved to participate into the New Jersey State Health Benefit Program. The Corporation 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.

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.

Note 16. Post-Retirement Benefits (continued):

The South Jersey Port Corporation contributions to SHBP for the year ended December 31, 2018 and 2017 was $483,039 and $386,937 respectively, which equaled the required contributions for the year. There were twenty-three (23) retired participants eligible at December 31, 2018 and sixteen (16) for 2017.

General Information About the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

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

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

Allocation Methodology

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

Note 16. Post-Retirement Benefits (continued):

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

Net OPEB Liability

Components of Net OPEB Liability
The components of the collective net OPEB liability of the participating employers in the Plan as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Total OPEB Liability	$19,289,032	$25,561,037
Plan Fiduciary Net Position	379,580	261,241
Net OPEB Liability	$18,909,451	$25,296,796
Plan Fiduciary Net Position As a % of Total OPEB Liability	1.97%	1.03%

The total OPEB liability as of December 31, 2018 was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability as of December 31, 2017 was determined by an actuarial valuation as of June 30, 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% to 8.98%
Thereafter	2.65% to 9.98%

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

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

Note 16. Post-Retirement Benefits (continued):

Certain actuarial assumptions used in the July 1, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

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

Discount Rate
The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018 and 2017, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage- point higher than the current rate:

	2018		
	At 1% Decrease (2.58%)	At Current Discount Rate (3.58%)	At 1% Increase (4.58%)
Corporation's Proportionate Share of Net OPEB Liability	$ 22,185,786	$ 18,909,451	$ 16,292,402

Note 16. Post-Retirement Benefits (continued):

2017

	At 1% Decrease (1.85%)	At Current Discount Rate (2.85%)	At 1% Increase (3.85%)
Corporation's Proportionate Share of Net OPEB Liability	$ 29,838,324	$25,296,796	$ 21,693,169

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

The following presents the net OPEB liability as of June 30, 2018 and 2017, respectively, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

2018

	At 1% Decrease	Healthcare Cost Trend Rate	At % Increase
Corporation's Proportionate Share of Net OPEB Liability	$15,773,514	$18,909,451	$22,967,820

2017

	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
Corporation's Proportionate Share of Net OPEB Liability	$ 21,022,376	$25,296,796	$30,862,585

Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as a deferred outflow of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for December 31, 2018 and 2017 respectively as follows:

Note 16. Post-Retirement Benefits (continued):

Year ended December 31, 2018 :			Year ended December 31, 2017 :		
2019	$	(1,440,558)	2018	$	(706,162)
2020		(1,440,558)	2019		(706,162)
2021		(1,440,558)	2020		(706,162)
2022		(1,440,558)	2021		(706,162)
2023		(1,440,560)	2022		(706,162)
Thereafter		(4,529,631)	Thereafter		(2,149,368)
Total	$	(11,732,423)	Total	$	(5,680,178)

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 January 25, 2019 and the Corporation is in material compliance with the arbitrage rebate requirements.

Note 18: Retroactive Restatement of Net Position

The Authority adopted GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pension during the 2018 fiscal year as required by the pronouncement. The pronouncement requires the Authority to record its proportional share of the State of New Jersey's Other Postemployment Benefits (OPEB) liability on the face of its financial statements as of December 31, 2018 and to record related OPEB expense in accordance with the pronouncement. In order to correctly reflect OPEB expense in accordance with GASB No. 75, the beginning Net Position of the Authority was adjusted to reflect the beginning balance of the OPEB liability. Since the measurement date of the OPEB liability is December 31, 2016, the restatement adjustments to Net Position relate to the beginning OPEB liability measured as of January 1, 2017.

Net Position – Per Exhibit B, Beginning of Year, January 1, 2017	$ 50,609,871
Restatement of:	
OPEB Liability	(30,195,094)
Net Position - Per Exhibit B, Beginning of Year, January 1, 2017 (As Restated)	$ 20,414,777

Note 19. Subsequent Events

The South Jersey Port Corporation has evaluated subsequent events occurring after December 31, 2018 through the date of July 26, 2019, 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, 2018 AND 2017

	2018			2017		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Revenues						
Marine Direct						
Leases - Marine Direct	$6,744,831	6,744,831	6,081,416	$6,612,579	6,612,579	6,242,642
Crane Rental	1,049,679	1,049,679	1,789,938	1,029,097	1,029,097	1,690,298
Dockage	2,191,132	2,191,132	2,712,241	2,148,169	2,148,169	2,869,585
Handling	5,012,633	5,012,633	4,838,288	4,914,346	4,914,346	5,552,367
Storage	1,802,434	1,802,434	1,812,004	1,767,092	1,767,092	1,576,594
Wharfage	3,388,995	3,388,995	3,614,377	3,322,544	3,322,544	4,183,509
Demurrage	5,463	5,463		5,356	5,356	
Total Marine Direct	20,195,167	20,195,167	20,848,264	19,799,183	19,799,183	22,114,995
Marine Related						
Leases - Industrial	557,944	557,944	598,953	547,004	547,004	735,713
Utilities	704,880	704,880	876,550	691,059	691,059	857,598
Port of Salem Revenue	131,115	131,115	129,123	128,544	128,544	129,774
Miscellaneous	459,355	459,355	809,336	450,349	450,349	785,453
Total Marine Related	1,853,294	1,853,294	2,413,962	1,816,956	1,816,956	2,508,538
Other Income						
Income on Investments	140,454	140,454	238,950	137,700	137,700	141,554
Miscellaneous	157,407	157,407	52,143	154,321	154,321	333,559
Total Other Income	297,861	297,861	291,093	292,021	292,021	475,113
Grant Revenue			3,193,957			7,683,862
Total Revenues	$22,346,322	22,346,322	26,747,276	$21,908,160	21,908,160	32,782,508
Operating Expenses:						
Port Operations:						
Labor Expense:						
Labor Crane	283,892	283,892	284,686	278,325	278,325	306,386
Labor Handling	1,594,274	1,594,274	1,996,524	1,563,014	1,563,014	2,024,277
Labor Repairs & Maintenance	1,051,873	1,051,873	894,923	1,031,248	1,031,248	945,588
Security	728,080	728,080	784,858	713,804	713,804	726,554
Supervisors	597,747	597,747	548,161	586,026	586,026	574,986
Total Labor Expense	4,255,866	4,255,866	4,509,152	4,172,417	4,172,417	4,577,791
Payroll Taxes	472,451	472,451	438,530	463,187	463,187	461,412
Workers Compensation Insurance	447,940	447,940	594,340	439,157	439,157	744,302
Employee Benefits:						
Hospitalization	1,909,610	1,909,610	1,283,661	1,872,167	1,872,167	2,401,249
Vacation, Holiday, Sick, Pension	477,544	477,544	910,455	468,180	468,180	748,893
Miscellaneous Employer Expenses	39,171	39,171	48,080	38,403	38,403	42,215
Total Employee Benefits	3,346,716	3,346,716	3,275,066	3,281,094	3,281,094	4,398,071
Crane Rental - Gas & Oil	97,499	97,499	102,502	95,587	95,587	61,778

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Expenses (Continued):						
Handling:						
Gas & Oil	235,934	235,934	192,347	231,308	231,308	195,167
Miscellaneous	74,684	74,684	137,996	73,220	73,220	102,611
Trucking Expenses	55,382	55,382	4,268	54,296	54,296	119,046
Clerking & Checking	1,854,910	1,854,910	2,172,912	1,818,539	1,818,539	2,775,053
Total Handling	2,220,910	2,220,910	2,507,523	2,177,363	2,177,363	3,191,877
Rental of Equipment	33,514	33,514	321,772	32,857	32,857	619,069
Trash Removal	132,651	132,651	203,882	130,050	130,050	327,732
Security:						
Contracted Services	24,676	24,676	26,712	24,192	24,192	55,735
Other Expenses	21,778	21,778		21,351	21,351	
Total Security	46,454	46,454	26,712	45,543	45,543	55,735
Port of Salem Operations	60,344	60,344	60,344	60,743	60,743	59,552
Utilities	1,489,576	1,489,576	1,409,980	1,460,369	1,460,369	1,360,297
Total Port Operations	11,683,530	11,683,530	12,416,933	11,456,023	11,456,023	14,651,902
Repairs & Maintenance:						
Buildings & Grounds:						
Contracted	273,105	273,105	220,924	267,750	267,750	232,645
Fees & Permits	21,768	21,768	30,600	21,341	21,341	52,778
Materials	326,600	326,600	177,481	320,196	320,196	264,274
Total Buildings & Grounds	621,473	621,473	429,005	609,287	609,287	549,697
Cranes:						
Contracted	113,923	113,923	192,593	111,689	111,689	233,151
Materials	127,238	127,238	37,432	124,743	124,743	49,206
Total Cranes	241,161	241,161	230,025	236,432	236,432	282,357
Mobile Machinery & Equipment:						
Contracted	40,007	40,007	83,802	39,223	39,223	24,521
Equipment	33,740	33,740	8,319	33,078	33,078	7,451
Materials	220,559	220,559	332,918	216,234	216,234	349,055
Small Tools	20,871	20,871	88,929	20,462	20,462	12,377
Total Mobile Machinery & Equipment	315,177	315,177	513,968	308,997	308,997	393,404
Total Repairs & Maintenance	1,177,811	1,177,811	1,172,998	1,154,716	1,154,716	1,225,458

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Expenses (Continued)						
General & Administrative:						
Labor - Office Clerical & Related	884,528	884,528	815,574	867,185	867,185	929,271
Labor - Administrative	541,764	541,764	283,630	531,141	531,141	387,942
Payroll Taxes	153,511	153,511	108,222	150,501	150,501	132,469
Workmen's Compensation	4,495	4,495	5,400	4,407	4,407	5,760
Employee Benefits:						
Hospitalization	857,941	857,941	856,200	841,119	841,119	870,064
Pension	666,239	666,239	1,463,507	653,175	653,175	2,054,117
Insurance	1,684,978	1,684,978	1,211,945	1,651,939	1,651,939	1,199,321
Professional Fees	736,646	736,646	637,780	722,201	722,201	805,397
Miscellaneous	811,388	811,388	723,905	795,477	795,477	717,159
Telephone	49,470	49,470	51,366	48,500	48,500	61,948
Utilities	31,836	31,836	30,000	31,212	31,212	30,000
Bad Debt	61,200	61,200	48,000	60,000	60,000	48,000
Total General & Administrative	6,483,996	6,483,996	6,235,529	6,356,857	6,356,857	7,241,448
Grant Expenses			3,193,957			7,683,862
Total Operating Expenses	19,345,337	19,345,337	23,019,417	18,967,596	18,967,596	30,802,670
Operating Income Before Other Operating Expenses	$3,000,985	3,000,985	3,727,859	$2,940,564	2,940,564	1,979,838
Other Operating Expenses:						
Depreciation			8,057,304			5,812,244
Operating Income/After Other Operating Expenses			(4,329,445)			(3,832,406)

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SUPPLEMENTARY SCHEDULES

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF NET POSITION
DECEMBER 31, 2018

ASSETS	UNRESTRICTED OPERATING ACCOUNTS	RESTRICTED DEBT SERVICE ACCOUNT	RESTRICTED DEBT SERVICE RESERVE ACCOUNT	RESTRICTED MAINTENANCE RESERVE ACCOUNT	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Current Assets:							
Cash & Cash Equivalents	$9,913,221		23,104,964	15,886	205,791,206.00	5,014	238,830,291
Accounts Receivable (Net of Allowance for Doubtful Accounts of $316,299)	1,743,792						1,743,792
Due from State			17,650,000				17,650,000
Other Accounts Receivable					157,297		157,297
Prepaid Expenses	175,847						175,847
Inventory of Supplies	1,340,640						1,340,640
Interfund Accounts Receivable	215,288,762	82,766,539	188,143,220	494,890	213,418,337		700,111,748
Total Current Assets	228,462,262	82,766,539	228,898,184	510,776	419,366,840	5,014	960,009,615
Property, Plant & Equipment (Note 5)					394,744,013		394,744,013
Construction in Progress					87,136,763		87,136,763
Bond Financing Costs					9,159,938		9,159,938
Subtotal					491,040,714		491,040,714
Accumulated Depreciation & Amortization					128,402,495		128,402,495
Total Property, Plant & Equipment & Construction in Progress					362,638,219		362,638,219
Total Assets	228,462,262	82,766,539	228,898,184	510,776	782,005,059	5,014	1,322,647,834
DEFERRED OUTFLOW OF RESOURCES							
Pension Deferred Outflows	5,173,517						5,173,517
Bond Discount, Net of Accumulated Amortization					188,410		188,410
Total Deferred Outflows of Resources	5,173,517				188,410		5,361,927
Total Assets and Deferred Outflows of Resources	$233,635,779	82,766,539	228,898,184	510,776	782,193,469	5,014	1,328,009,761

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF NET POSITION
DECEMBER 31, 2018

LIABILITIES	UNRESTRICTED OPERATING ACCOUNTS	RESTRICTED DEBT SERVICE ACCOUNT	RESTRICTED DEBT SERVICE RESERVE ACCOUNT	RESTRICTED MAINTENANCE RESERVE ACCOUNT	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Current Liabilities Payable from Assets:							
Accounts Payable	485,077						485,077
Contracts Payable					25,375,233		25,375,233
Capital Lease Payable					2,031,382		2,031,382
Accrued Expenses	254,552						254,552
Accrued Interest Payable		12,954,013					12,954,013
Accrued Vacation Payable	168,382						168,382
Pension Payable	802,427						802,427
Payroll Taxes Payable	54,367						54,367
Lease Security & Escrow Deposits	298,959						298,959
Revenue Bonds - Short Term					11,640,000		11,640,000
Interfund Accounts Payable	197,231,966	69,812,526	191,604,996	601	241,456,645	5,014	700,111,748
Total Current Liabilities	199,295,730	82,766,539	191,604,996	601	280,503,260	5,014	754,176,140
Long Term Liabilities Payable:							
Early Retirement Payable	1,185,280						1,185,280
Unearned Lease Revenue							
Net Pension Payable	15,081,512						15,081,512
OPEB Payable	18,909,451						18,909,451
Revenue Bonds (Long-Term Portion)					491,325,719		491,325,719
Capital Lease Payable					999,775		999,775
Total Long Term Liabilities	35,176,243				492,325,494		527,501,737
Total Liabilities	234,471,973	82,766,539	191,604,996	601	772,828,754	5,014	1,281,677,877
DEFERRED INFLOWS OF RESOURCES							
Service Concession Arrangements	410,144						410,144
Unrealized Rental Income	9,805,387						9,805,387
Gain on Bond Refunding					365,218		365,218
Pension and OPEB Deferred Inflows	17,746,959						17,746,959
Total Deferred Inflows of Resources	27,962,490				365,218		28,327,708
NET POSITION							
Net Investment in Capital Assets				510,175	8,999,497		9,509,672
Reserve for Payment of Debt Service			37,293,188				37,293,188
Reserve for Inventory Supplies	1,340,640						1,340,640
Unreserved	(30,139,324)						(30,139,324)
Net Position	(28,798,684)	-	37,293,188	510,175	8,999,497	-	18,004,176
Total Liabilities, Deferred Inflows of Resources and Net Position	$233,635,779	82,766,539	228,898,184	510,776	782,193,469	5,014	1,328,009,761

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF CHANGES IN NET POSITION ALL ACCOUNTS
DECEMBER 31, 2018

	OPERATING ACCOUNTS	DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE	MAINTENANCE RESERVE	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Net Position - Beginning Balance	($23,653,590)		37,293,188	510,175	8,557,545		22,707,318
Add:							
Excess of Revenue Over Expenses	3,727,859						3,727,859
State of New Jersey:							
Debt Service Aid			17,650,000				17,650,000
PILOT Payments						5,100,224	5,100,224
Federal Subsidy Revenue	2,970,692						2,970,692
Additions To Capital Contributions					165,957		165,957
Amortization Gain on Refunding of Debt	17,391						17,391
Amortization of Bond Premium	1,178,236						1,178,236
Interest on Investments					3,461,397		3,461,397
Inventory of Supplies	63,727						63,727
Unrealized Gain on Investment			193,379		456,978		650,357
Interfund Transfers		25,797,510			4,850,020		30,647,530
Total	(15,695,685)	25,797,510	55,136,567	510,175	17,491,897	5,100,224	88,340,688
Deduct:							
Interest Expense	123,919	25,797,510					25,921,429
Depreciation/Amortization Expense					8,021,556		8,021,556
Gain/(Loss) on Sale of Assets							
Amortization of Bond Discount on Refunding	8,972						8,972
Net Change in Developers' Escrow	165,957						165,957
Transfer of Depreciation to Contributed Capital					35,748		35,748
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					435,096		435,096
Interfund Transfers	12,804,151		17,843,379				30,647,530
Total	13,102,999	25,797,510	17,843,379		8,492,400	5,100,224	70,336,512
Net Position December 31, 2018	($28,798,684)	-	37,293,188	510,175	8,999,497	-	18,004,176

SCHEDULE 4

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

	2018	2017	2016	2015	2014	2013
Corporation's Proportion of the Net Pension Liability (Asset)	0.03660%	0.03954%	0.05163%	0.03065%	0.02804%	0.03179%
Corporation's Proportionate Share of the Net Pension Liability (Asset)	$15,883,939	$19,345,036	$23,837,140	$14,148,921	$10,891,967	$12,209,327
Corporation's covered employee payroll	$5,340,585	$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	53.60%	48.10%	31.20%	47.93%	52.08%	48.72%

SCHEDULE 5

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

	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	$802,427	$769,860	$541,887	$479,587	$481,346	$445,119
Contributions in relation to the Actuarially Determined Contributions	802,427	769,860	541,887	479,587	481,346	445,119
	$0	$0	$0	$0	$0	$0
Covered-Employee Payroll	$5,340,585	$5,485,730	$5,536,764	$5,341,347	$4,500,529	$4,061,183
Contributions as a Percentage of Covered-Employee Payroll	15.025%	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.

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS *

Last 10 Fiscal Years*

	2018	2017	2016
Proportion of the net OPEB liability	0.120699%	0.123908%	0.139036%
Proportionate share of net OPEB liability	$ 18,909,451.43	$ 25,296,796	$ 30,195,094
Authority's covered employee payroll	$ 5,340,585	$ 5,485,730	$ 5,536,764
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	354.07%	461.14%	545.36%
Plan Fiduciary Net Position as a % of total OPEB liability	1.97%	1.03%	0.69%

Souce Documents:
All data for the measurement period was provided by the State of New Jersey Department of the Treasury.

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

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REQUIRED SUPPLEMENTARY INFORMATION – PART III

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.

Allocation Methodology. GASB Statement No. 68, Accounting and Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2017 through June 30, 2018. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer may result in immaterial differences. Contributions for employers are recognized when due, based on statutory requirements.

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State 's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries determined the unfunded liability of the System, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets.

Changes of assumptions. Preretirement Mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are setback 4 years for males and females. For local employees, mortality tables are setback 2 years for males and 7 years for females. In In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generalization approach based on the Conduent modified 2014 projection scale. Postretirement 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 203 using Projection Scale AA and using generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (setback 3 years for males and set forward 1 year for females).

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2018 AND 2017

Public Employees' Retirement System (PERS)

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-rprts-home.shtml

Special Funding Situation – State Health Benefit Local Education Retired Employee Plan

The participating employer allocations included in the supplemental schedule of employer special funding allocations and the supplemental schedule of special funding amounts by employer for each employer are provided as each employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the OPEB expense allocated to the State of New Jersey under the special funding situation and to include their proportionate share of collective net OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

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, 2018. 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, 2018.

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, 2018, and have issued my report thereon dated July 26, 2019, 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,

Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
July 26, 2019

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SCHEDULE A

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL PROJECT NUMBER	GRANT PERIOD	CFDA NUMBER	AWARD	FUNDS RECEIVED	FUNDS EXPENDED
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	$23,869,010	$3,193,957	3,193,957
			Total		$3,193,957	3,193,957

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, 2018

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 DECEMNBER 31, 2018

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, 2018

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

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