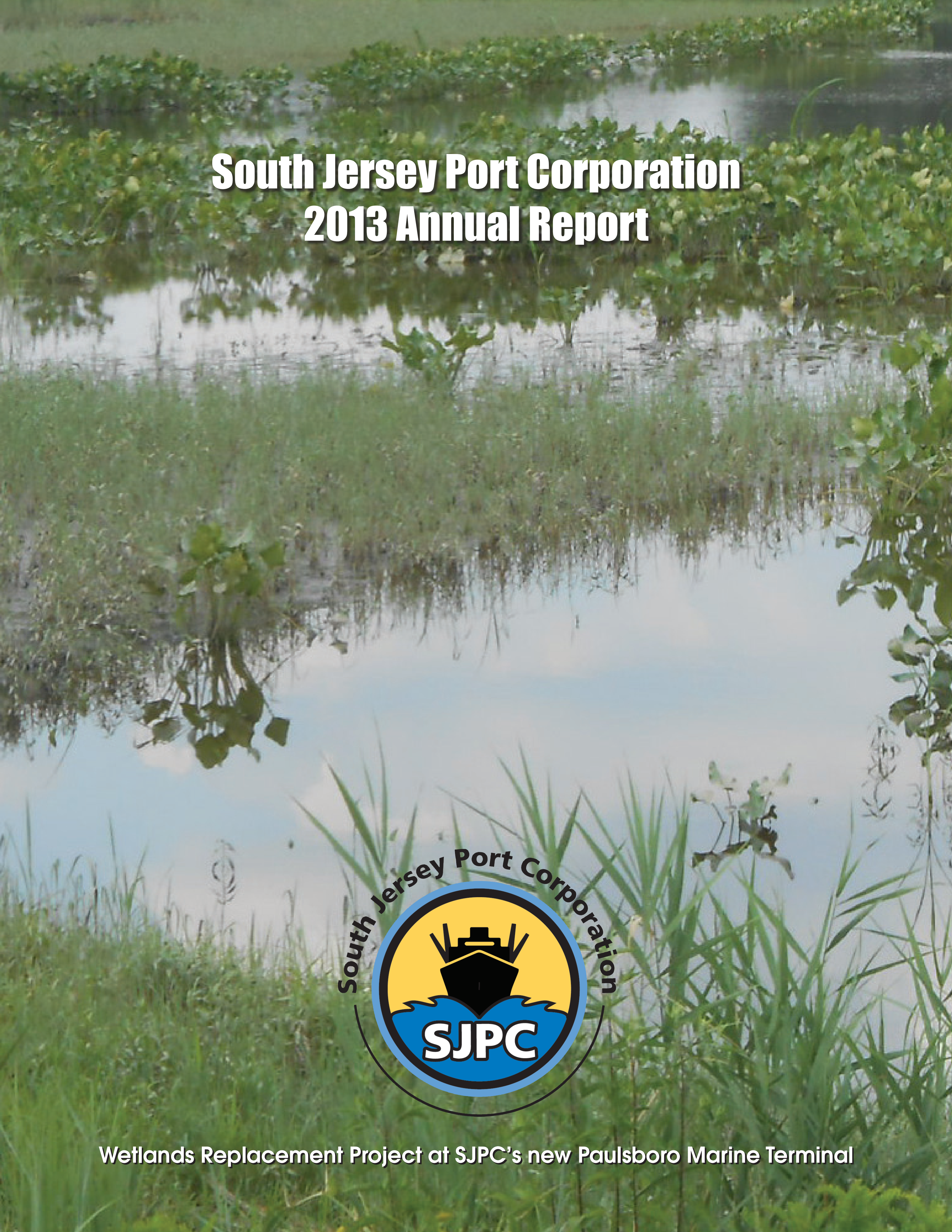
South Jersey Port Corporation
2013 Annual Report



South Jersey Port Corporation

SJPC

Wetlands Replacement Project at SJPC's new Paulsboro Marine Terminal

A quasi-state agency with the authority to build and operate marine terminals in the seven southern counties of New Jersey, the South Jersey Port Corporation currently manages and operates two deepwater marine terminals in the City of Camden on the Delaware River and a barge facility on the Salem River, in the City of Salem. SJPC is developing a new omniport, the Paulsboro Marine Terminal in Paulsboro on the Delaware River, which is anticipated to open in 2016. The South Jersey Port Corporation is also the grantee of Foreign Trade Zone #142 in Salem and Millville, New Jersey. An important part of the South Jersey Port Corporation mission is to foster economic development and create jobs in the Delaware River region. For more than 85 years, the South Jersey Port Corporation has been essential to New Jersey and the Delaware Valley regional economy and anticipates playing an increasingly important role in the economic life of the area in the coming years.

(The cover and background photo used throughout this report was taken at the wetlands replacement site at the SJPC's new marine terminal being developed in Paulsboro, New Jersey.)

The complete 2013 SJPC Annual Report, including the Financial Report, can be found in an electronic version on the USB drive attached below or on the SJPC website at www.SouthJerseyPort.com.

DICK ALAIMO
CHAIRMAN

CHRIS CHRISTIE
GOVERNOR

KIM GUADAGNO
LT. GOVERNOR

TO NEW JERSEY'S GOVERNOR CHRISTIE, LIEUTENANT GOVERNOR GUADAGNO, AND MEMBERS OF THE LEGISLATURE

On behalf of the directors and management of the South Jersey Port Corporation, I am proud to report that 2013, buoyed by a recovering economy, was a good business year for the SJPC.

Our success is the direct result of prudent, cost-cutting actions taken to maintain our fiscal health throughout the business-challenging global recession. A rebound that built slowly in 2011 and 2012 at the SJPC, continued more aggressively in 2013 with a 21 percent increase in tonnage over 2012. Revenues have grown and so have our operational profits.

Business grew in 2013 at such a sustained rate that we have ramped up our workforce from 86 to 100 employees in order to handle the increased cargo. However, we maintain a cautious eye on further right-sizing of staff adjusted by need and revenues.

Overall, the tonnage growth at our marine terminals—especially in imported steel and cement—reflect real, and hopefully sustained, growth of our nation's and region's economy.

It's a growth that the SJPC has been preparing for with the development of the new Paulsboro Marine Terminal (PMT). Site development continued during the year and the construction of an access bridge across the Mantua Creek to the terminal was essentially completed in 2013. We anticipate a pier construction contract to be awarded in late 2014 with operational opening targeted for 2016.

Maximizing access to federal grants, we continue to upgrade freight rail lines throughout Southern New Jersey for more efficient flow of cargoes from our docks to the heartland of the nation and into Canada. With grants from the U.S. Environmental Protection Agency, the SJPC is repowering the motors of its cranes and cargo handling vehicles with more environmentally friendly engines.

With a solid 2013 as a foundation, we look for sustained growth in 2014 as part of a continued growing global economy.

Sincerely,

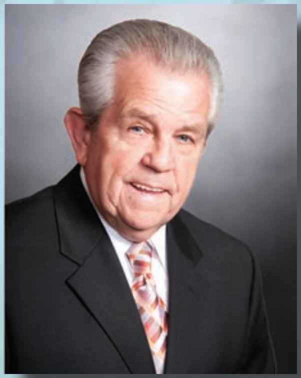
2013 BOARD OF DIRECTORS

Chairman
Richard A. Alaimo
Burlington County

Director
Chad M. Bruner
Gloucester County

Director
Joseph A. Maressa, Jr.
Camden County

Director
Eric E. Martins
Mercer County



Director
Francis X. Smith
Salem County

Director
Rev. Carl. E. Styles
Cumberland County

2013 BOARD OF DIRECTORS

Director
Robert A. DeAngelo, Sr.
City of Paulsboro

Director
Jonathan S. Gershen
Mercer County

Director
Craig F. Remington
Camden County

Director
Sheila F. Roberts
City of Camden

Director
Christopher Chianese
Treasurer's Designee

Director Andrew P.
Sidamon-Eristoff
State Treasurer

2013 WAS A PIVOTAL YEAR FOR EXPANSION AND GROWTH AT SJPC

For the South Jersey Port Corporation 2013 was a pivotal year of cargo growth, port expansion and exciting incentives designed to attract business and jobs to its terminals.

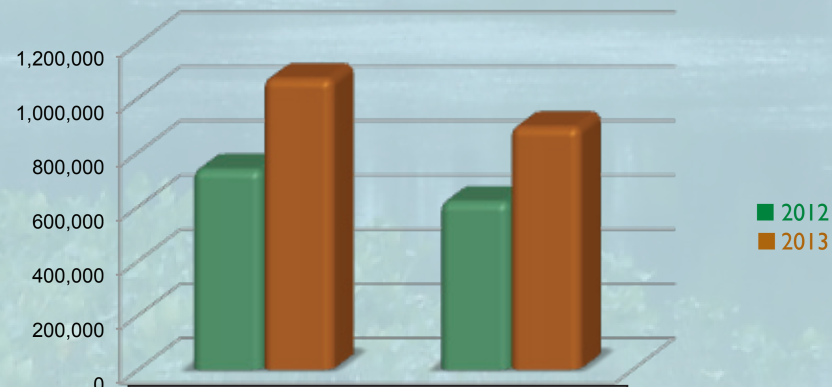
With the scourge of the economic downturn now behind it, the SJPC's marine terminals were once again humming with increased cargo tonnage, especially with high quality steel imports. These imports were destined for midwest manufacturers and industries, filling a steadily growing consumer demand for durable goods, from washing machines to cars.

The global recovery—steadily growing although at times sputtering—has taken hold and the SJPC and the State of New Jersey are determined to build on it. To fuel the New Jersey recovery the State of New Jersey is offering $600 million in incentives aimed towards the SJPC terminals and their host communities in order to attract investment, jobs and job creation.

Governor Chris Christie, who along with Senate President Stephen Sweeney and Senator Donald Norcross (who represent many of SJPC's host communities), crafted New Jersey's most ambitious job-creating incentives ever, The Economic Opportunity Act of 2013. The legislation includes a 10-year tax credit of $500 to $5,000 per job created or retained, and enhanced tax credit benefits of up to $50,000 per new employee or $25,000 per retained employee per year. Multiplied by the term of the grant, up to 10 years, these incentives result in potential awards of $150,000/$75,000 per employee These are only a few of the incentives being offered through the New Jersey Economic Development Authority, administrators of the program, to grow New Jersey's port assets.

While these incentives are already attracting wide interest from potential tenants, the SJPC has also seen a very promising trend in the growth of "winter steel."

CARGO TONNAGE BY TYPE



	Breakbulk	Bulk
2013	1,071,305	763,671
2012	893,357	618,477

"Winter steel" is a term to describe the import of high quality steel, destined for midwestern manufacturers, that is diverted to alternate ports when the Saint Lawrence Seaway freezes. In recent years, these steel importers have chosen the SJPC's marine terminals in Camden, New Jersey, as their preferred diversion port.

The SJPC's deep-water ports and highly efficient terminals with dock-side rail are within a day's truck haul of the northeast and midwestern industrial base of the United States and eastern Canada. A roll of steel, off-loaded in Camden, can arrive at plants throughout the midwest, eastern Canada and from Montreal to the Carolinas in as little as a half a day.

The SJPC's terminal personnel have developed an expertise in the safe and careful handling of these very expensive rolls of steel. It is a relationship of mutual confidence between shipper and terminal personnel. With increasingly harsher and longer winters, the SJPC is seeing an ever-growing expansion in "winter steel" tonnage. The number of "winter steel" ships that it is handling is extending past winter into spring. The SJPC expects this trend to continue and hopes to expand the "winter steel" relationship incrementally into the warmer months.

As business grows to pre-recession levels, the SJPC continues to build for the future at its planned new marine terminal at Paulsboro, down the Delaware River, south nine miles from its main docks. At the developing terminal, the access bridge has been completed; final site preparation is nearly done; and bids for the construction of the first phase of an eventual three-berth marginal wharf facility will soon be let.

SECURITY IS THE HIGHEST PRIORITY OF THE POST 9/11 PORT

In the post 9/11 world, security is the highest priority at all of SJPC's terminals and it is an integral part of our core mission.

Even before the tragedy of 9/11, security was a legacy from the days when the SJPC's marine terminals were the building site of America's mighty naval fleet that helped win World War II. The shipbuilding wharves, piers and slips needed to be protected from foreign sabotage. Those shipbuilding facilities have given way to a modern marine terminal.

Today, threats are far more sophisticated and dangerous. Where in World War II potential casualties at a port facilities could be counted in the hundreds, today's terrorists have visions of sneaking weapons of mass destruction past our borders.

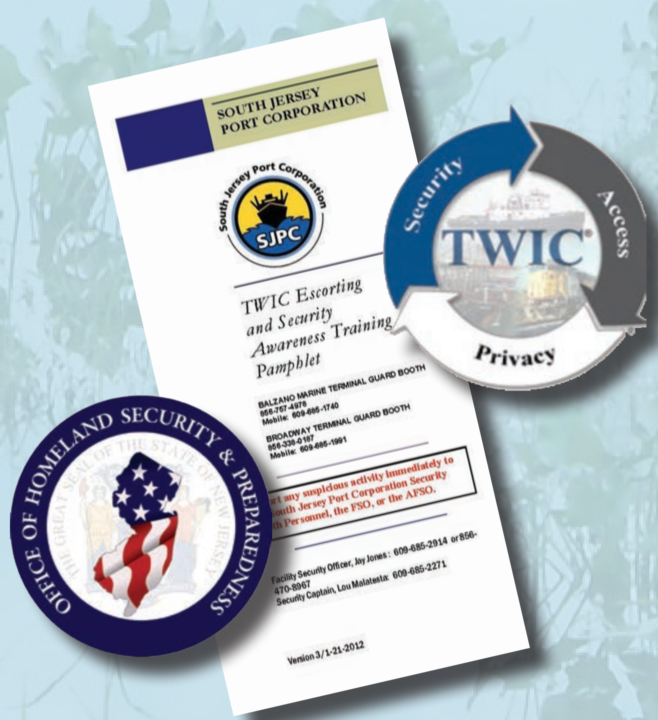
The SJPC takes very seriously its obligations in this security matrix and assigned Deputy Executive Director Jay Jones as its Facilities Security Officer.

Our organization collaborates actively with a number of federal and state agencies to employ effective training and equipment in the on-going efforts to avoid security breaches and potential high risk activities on the port's property.

During 2013, FSO Jones participated in PATRIOT training (the Proactive Terrorist Recognition And Interdiction Operations And Tactics Training System), provided through the New York/New Jersey Port Authority and the New Jersey Office of Homeland Security and Preparedness. The training gives front line workers and managers tools to prevent, rather than respond, potential criminal behaviors.

As a result of this original training effort, SJPC arranged through the New Jersey Office of Homeland Security and Preparedness to offer a similar training program entitled, Security Awareness And Vigilance For Everyone (SAVE). The one-day training session provided security personnel with a behavior assessment technique to counter threats and to enhance security measures in a layered defense concept. The training enhances the abilities of security personnel responsible for protecting specific areas by providing behavior assessment screening training.

SJPC also partnered with the state OHSP for three FEMA technical assistance program grants. SJPC sought and received technical assistance to enhance planning and documentation for emergency operations; continuity of operations and evacuation.



A STATE-WIDE ECONOMIC STIMULUS PROGRAM EMPHASIZES GROWTH AT THE SJPC TERMINALS

Signing the Act—New Jersey Governor Chris Christie signs the New Jersey Economic Opportunity Act into law in the presence of the co-sponsors of the legislative act.

New Jersey, the home of the electric light bulb, the transistor, flat screen television and one of the world's most skilled workforces, is serious about attracting job creation . . . $600 million serious. That's the lure of New Jersey Economic Opportunity Act of 2013, a state-wide economic stimulus program with very generous incentives to attract businesses to New Jersey, with a strong emphasis on the terminals of the South Jersey Port Corporation.

The Economic Opportunity Act incentivizes job creation, makes our state more competitive and lets private sector employers know that New Jersey is the place where they should open their doors, according to New Jersey Governor Chris Christie. The new law also builds on the State's commitment to reclaiming New Jersey's cities. It places extra emphasis on spurring development and private sector job growth in "Garden State Growth Zones," identified in the legislation which includes Camden, a host city of two of SJPC's marine terminals. The Act further identifies under the GROWNJ Program, port districts as additional qualified incentive areas which encompass SJPC's port facilities.

Gov. Christie, along with Senate President Stephen Sweeney and Senator Donald Norcross who represent SJPC host communities, have created what may be New Jersey's most ambitious job-creating incentives with consideration for New Jersey's ports as key areas for significant economic growth, according to SJPC Chairman Richard Alaimo. "They tailored the Act with strong incentives for businesses creating jobs in the eight counties of southern New Jersey, especially in Camden City, Gloucester City and Paulsboro, where ports have long been major contributors to the regional economy."

The new law provides for $600 million in tax credits and folds five incentive programs into two: "GROW NJ" and "ERGG" (Economic Redevelopment Growth Grant program).

A WORKFORCE WITH SKILLS FOR TODAY IS THE FOUNDATION OF A SUCCESSFUL PORT

"You can have the world's best deep-water port, with the best facilities possible, and instant access to highways and rail that, within hours, penetrate the richest markets in the world, but if you don't have the trained, skilled workforce to make it work, your terminal will underperform," Kevin Castagnola, executive director of the SJPC, observed.

"We're not going to allow that to happen at our terminals. Our workforce infrastructure makes the concrete and steel, and all of the machinery and the choreography of a port work successfully. The degree of success depends on how well trained that workforce is. . . and we're making sure we have the best.

"What separates SJPC's terminals from others is the quality, skills and adaptability of our work force. It's an edge that we've honed over the decades through on-the-job training. In today's business environment that's not enough, so the SJPC has formed a consortium to pre-train potential employees with needed skills and also to upgrade the skills of our present workforce."

The South Jersey Port has become a partner in the "South Jersey Port Workers Consortium." It's a job training partnership with Holt Logistics; Delaware River Stevedores; Camden Iron and Metal; Camden County College; New Jersey Collegiate Consortium; and the Camden County Workforce Investment Board.

"These are just the charter members," says Mr. Castagnola. "It's a good start and we expect it to grow with other port-district employers joining." Ports are a very competitive business and are the foundation of local economies. This effort is not just about the jobs at terminals but is also about the jobs in other businesses and industries that are supported by the port.

The consortium will fund its job training through a series of federal and state grants mirroring similar efforts in the manufacturing sector.

HIGHLIGHTS OF 2013

PAULSBORO MARINE TERMINAL

During 2013, the Paulsboro Marine Terminal (PMT), the first general cargo port to be constructed on the Delaware River in more than 50 years, continued to evolve from a derelict tank farm on the Delaware River into a modern omniport targeted for operation in early 2016. With the old piers, storage tanks and other useless structures removed, the landscaped sculpted, storm drainage installed and environmental mitigation proceeding on schedule, the construction of an access road and bridge across the Mantua Creek moved forward, as planned.

The access road and bridge, funded by a grant from the State of New Jersey, will connect the new terminal to the interstate highway network within minutes. It will also protect the tranquility of the homes and businesses of the town and enhance the port operations. The limited access road and bridge add an additional layer of security to the port and give shippers a direct link to the nation's industrial heartland. Future cargoes from PMT can reach 100 million consumers throughout the Northeast, Midwest and Canada within 24 hours. Increase that to 48 hours and the range includes half of all heavy industry in the USA and three quarters of the populations of both the United States and Canada.

RAIL DEVELOPMENT

In tandem with developing instant highway access for its customers, the SJPC is replicating at the PMT the dockside intermodal, rail access it has at its other marine terminals. This allows loading and offloading of cargoes directly between ship and train. Once loaded, the trains will access a continuingly upgraded Class I track network to get to the heartland.

To maximize rail connectivity and efficiency, the SJPC is collaborating with local partners and Conrail who together are working on major rail upgrades throughout southern New Jersey. Funded largely by a federal TIGER III grant, it's a multi-year plan, to improve the rail access to the nation's heartland. It's a modern two-prong strategy that was first noted in Benjamin Franklin's colonial day observation that New Jersey is a keg tapped on both ends—by New York and Philadelphia commerce.

The initial prong of the SJPC's rail strategy targets rail improvements to tracks throughout the South Jersey region and to the Delair Bridge that connects the southern New Jersey peninsula to the national rail mainline at northeast Philadelphia. In the second prong of the strategy, the SJPC is working with the New Jersey Department of Transportation to reconfigure and rebuild a South Jersey rail network to the northern New Jersey/New York rail network. Combined, these projects will give our customers direct and efficient access to the industrial heartland of North America.

GREEN PORT ACTIVITY

Modern ports are Green Ports that have an unflinching commitment to operate in the most environmentally friendly manner possible and to be good citizens in our host communities. Being "green" continues to be a core principle of the SJPC. Our marine terminals thrive in urban centers where the SJPC is a major employer. The SJPC is committed to providing family-sustaining jobs for our community and being a good neighbor in the process. Our Green Port initiatives are indispensable to both. It's a commitment to port operations that are both efficient and environmentally sound. Neither is exclusive of the other, but rather mutually essential. Maximizing grants from the U.S. Environmental Protection Agency, the SJPC continues to repower its fleet of cargo movers, cranes and vehicles with engines that get better mileage and minimize pollutants. Engines for forklifts and cargo movers have been replaced with cleaner and more energy-efficient engines. In the process, the SJPC has reduced its carbon footprint, reduced its energy costs, and greatly extended the life cycle of its equipment. Our newest crane, located at Broadway Terminal, is fully electric powered, which produces no emissions unlike its diesel-powered predecessors. Our greening also has extended to port beautification and being a good neighbor through the SJPC's "Green Tree" initiative. At first blush, the tree program would appear to be a program to soften the industrial image of our Camden marine terminals. And it is. But is also a passive air cleansing system and sound dampner. Trees are nature's air filters. They filter out pollutants and discharge fresh oxygen. They absorb sound and screen and soften the optics. These trees, like an earlier berm planted with grass, trees and bushes between the port and its neighbors, help make the Port a good neighbor.

Opening Soon . . .

PAULSBORO MARINE TERMINAL

Location:	A new omniport on the Delaware River, Paulsboro, New Jersey
Terminal area:	200 acres (80.9 ha.)
Berths:	Phase I: 850 LF marginal berth (244 m.) Phase II: additional 950 LF (290 m.) 500-Linear-Foot barge berth (152 m.)
Depth at MLW:	Deep draft berthing of 40 ft. (13.7 m.)
Truck gates:	One
Highway Access:	Dedicated one-mile access roadway to Interstate 295
Rail connections:	CSX, NS, and CP rail systems with integrated on-dock rail infrastructure

JOSEPH A. BALZANO MARINE TERMINAL

Location:	Joseph A. Balzano Boulevard, Camden, New Jersey
Specialized cargoes:	Wood products, steel products, cocoa beans, furnace slag, salt, containers, and recycled metals
Other cargoes:	Project and dry bulk cargoes
Terminal area:	122 acres (49.4 ha.)
Berths:	4: 2,655 LF (701 meters)
Depth at MLW:	35 ft. (10.7 m.) to 40 ft. (12.2 m.)
Storage capacity:	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 & 6 storage area gates
Highway access:	Direct to I-676, I-76, US Rt.130 and I-295
Rail connections:	CSX, NS, and CP rail systems with integrated on-dock rail infrastructure
Other features:	Food grade warehousing; all warehouses and sheds served by rail; innovative direct discharge for bulk cargoes; custom cargo carriers for direct discharge to storage; all-weather loading; temperature control warehouse

BROADWAY TERMINAL

Location:	Broadway at Morgan Boulevard, Camden, New Jersey
Cargoes:	Petroleum coke, furnace slag, dolomite, other dry bulks, steel products, wood products, minerals, cocoa beans and perishables
Terminal area:	106 acres (42.8 ha.)
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.)
Storage capacity:	36 dry warehouses providing 1.128 million SF (102,600 sq. m.)
Cranes:	Multi-purpose electric — 95 tons (86.2 metric tons)
Direct transfer:	Direct to and from truck/rail/vessel
Truck gates:	3
Highway access:	Direct to I-676, I-76, US Rt.130 & I-295
Rail connections:	CSX, NS, and CP rail systems
Other features:	Full-service facility for all breakbulk and bulk cargoes; bulk cargo storage area with direct rail service; marine-related industrial park services

BROADWAY TERMINAL PIER 5

Owner:	South Jersey Port Corporation
Lessee:	Camden Waterfront LLC
Location:	Port of Camden, Broadway Terminal, 2500 Broadway, Camden, New Jersey
Specialized cargoes:	Perishables
Terminal area:	28 acres (11.3 ha.)
Berths:	1 berth: 1,135 LF (346 m.)
Depth at MLW:	35 ft. (10.7 m.)
Storage capacity:	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.)
Reefer plugs:	175
Direct transfer:	Direct to truck/rail,LCL and FCL handling
Truck gates:	2
Loading docks:	40
Other features:	2,000 ft. of rail siding for intermodal COFC transfer

SALEM MARINE TERMINAL

Location:	Salem, New Jersey at Exit 1 of the New Jersey Turnpike
Lessee:	National Docks LLC
Specialized cargoes:	Sand and gravel
Other cargoes:	Various dry bulk and project cargoes, wearing apparel, and motor vehicles
Terminal area:	28 acres (11.33 ha.)
Berths:	1: 350 LF (106.7 m.), 130 ft. sheathed (40 m.)
Storage capacity:	60,000 SF of shed and warehouse space (5,574 sq. m.)
Highway access:	Direct access to Rt. 49, Rt. 45 with access to US 130, I-295 and NJ Turnpike
Special features:	The Port of Salem is designated as Foreign Trade Zone No. 142 in combination with nearby Millville (NJ) Airport)

SJPC EMPLOYEES IN 2013

EXECUTIVE DIRECTOR & CEO KEVIN CASTAGNOLA

DEPUTY EXECUTIVE DIRECTOR JAY JONES

TREASURER & CFO PATRICK ABUSI

PORT ENGINEER HENRY D'ANDREA

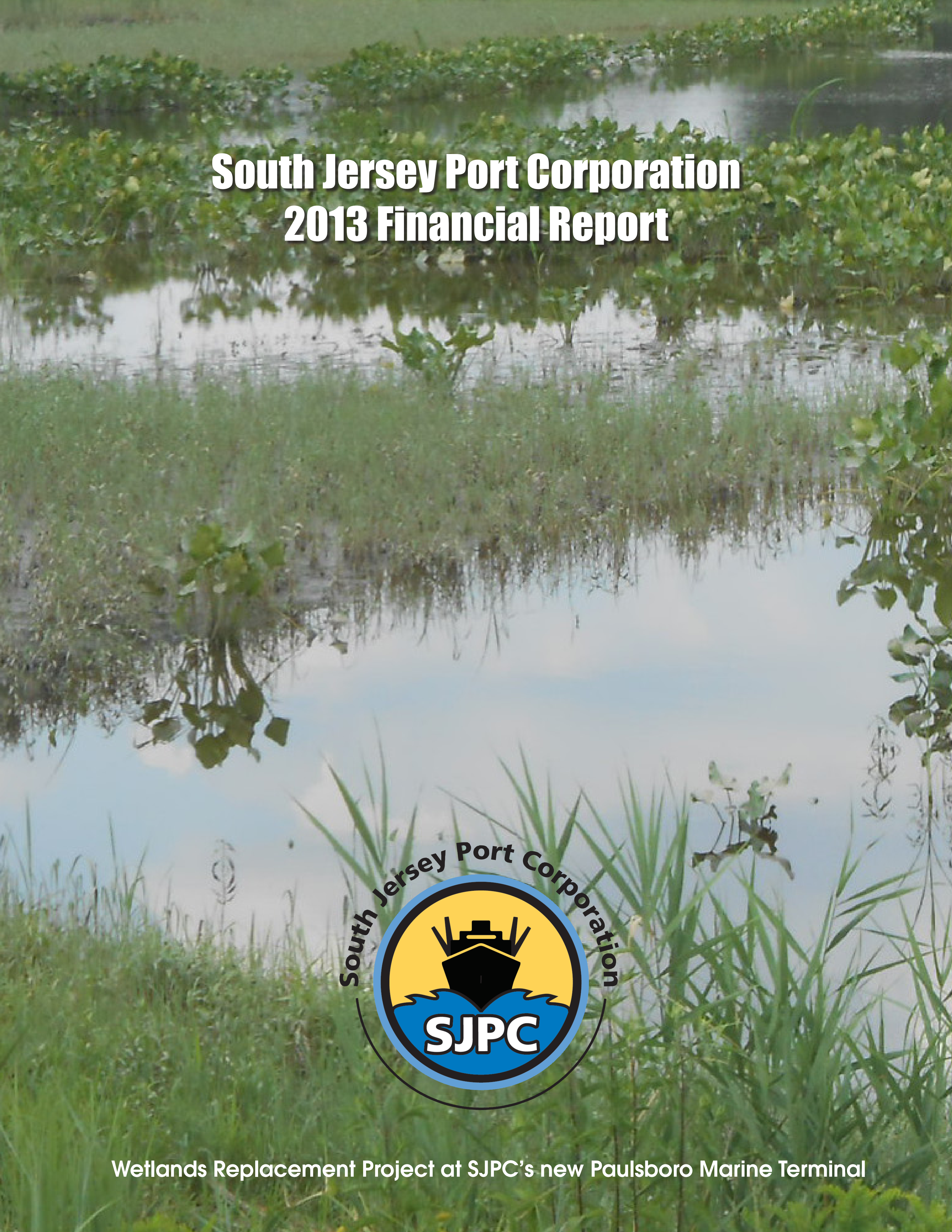
Daniel F. Aaron
George R. Aaron
David Acevedo
Robert Albanese
Michael Anderson
Stephen Anderson
Robert Bak
Eddie W. Bell
Steven A. Bell
Robert F. Bessing
Patrick R. Boyle
Robert Britland
David Buffetta
Joseph Burleigh
Manuel R. Cachu
Nicholas Capaldi
Lawrence Casanova
Albert Celeste
Anthony R. Colavita
Michelono Colavita
Urban Cooper
Kenneth E. Cosby
Kevin Costello
Wieslaw Czajka

Vincent D'Alessio
Timothy J. D'Amico
Ronald Daniels
George Decker Sr.
Michael B. Dehoff
Michael Deliberis
Joseph P. Deluca
William R. Deluca III
Harry Demiani
Louis Ditomaso
Athina Efelis
Stephen Endres
Bobby Farrish
Donell Farrish
Earl Farrish
Edward T. Froman
Raymond Gallagher
Alvin Gindhart
Oanh Glanz
Kevin Greenjack
Patrick J. Haley
Jesse Hamrick
Karol R. Hoffman
Robert J. Jack

Thomas Johnson
Pawel Kasprzak
Thomas Kavano Jr.
Roland Kates
Joseph Knecht
William Kelley
Leonard Korte
George A. Kuesel III
Herbert Lambert
Michael E. Lang
Edward Loatman
David Lenhart
Louis Malatesta
Armando Maldonado
Panteleimon Mastalos
Rosemarie McBride
Timothy McCarthy
Roy McCormick IV
David McGoldrick
Bernadette Meads
William H. Means
Douglas L. Miller
David Mitchell
George Mortimer

Joseph M. Monturano
Frank Nestore
Shawn Norman
Lien Nguyen
Joseph O'Leary
Juan A. Pena
Antonio Pimpinella
Joseph Puglia
Robert W. Purcell
Kenneth Rossi
Ricky Santiago
Shane M. Schooley
Richard Sewekow
William Smith
Kevin Stewart
John R. Striewski
Joseph Thomas
Robert J. VanFossen
Michael L. Vindick
Thomas Vondale
Robert A. Weyand Jr.
Linda White
Andrew Wojcik
Noe Yax-Santos

South Jersey Port Corporation
2013 Financial Report



Wetlands Replacement Project at SJPC's new Paulsboro Marine Terminal

EXECUTIVE ORDER #37 (2006)

Certification of Annual Audit for Year Ending 2013

WE ARE PLEASED TO PRESENT this report containing a record of the significant actions taken by the Port Corporation in 2013; those 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 2013. 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, 2013.

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.

Kevin Castagnola, CEO and Executive Director
Bruno N. Cellucci, CPA, Treasurer / CFO

PLEASE NOTE: This financial report has been reformatted for this publication. Please refer to the original document if you need to rely on any of the financial information contained herein.

INDEPENDENT AUDITOR'S REPORT

BRENT W. LEE & CO., L. L. C.
Certified Public Accounting Firm

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

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities 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 year ended December 31, 2013, 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 general accepted in the United State 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.

(Continued on page 4)

INDEPENDENT AUDITOR'S REPORT, continued

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the South Jersey Port Corporation as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of American require that the Management Discussion and Analysis and Budgetary Comparison Information 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 general 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 and 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 supplementary schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

Such informations 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 financial statements stated above are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* I have also issued a report date March 14, 2014 on my consideration of the South Jersey Port Corporation's internal control structure over financial reporting and 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 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
March 14, 2014

BRENT W. LEE & CO., L. L. C.
Certified Public Accounting Firm

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

I have audited 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the South Jersey Port Corporation, County of Camden, State of New Jersey, as of and for the fiscal year ended December 31, 2013, and related notes to the financial statements, which collectively comprise the South Jersey Port Corporation's basic financial statements, and have issued my report thereon dated March 14, 2014.

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 correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the combination of deficienes 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a deficiency in internal controls, described in the governance letter to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Jersey Port Corporation 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 provision 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* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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
March 14, 2014

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, 2013.

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 is presently undertaking the development of a new marine terminal in Gloucester County, New Jersey. This project consists of the establishment, acquisition, construction, rehabilitation, improvement, ownership, operation and maintenance of a Marine Terminal to be located in the Borough of Paulsboro.

Approximately 1.85 million tons of cargo passed through the Port Corporation's facilities in 2013. 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.

MANAGEMENT'S DICUSSION AND ANAYSIS

Financial Highlights

The assets of the Port exceeded its liabilities at December 31, 2013 by $44,409,598. Included in this amount are $3,748,742 net investments in capital assets. Also included are $24,759,830 reserved for debt service payment, reserve for supply of inventories on hand of $1,418,585, and unreserved retained earnings of $14,482,811.

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 for the purpose of implementing certain capital projects of the Corporation. A majority of these funds would be funding the Paulsboro Marine Terminal. Cathodic Protection and Warehouse Replacement were also part of that issue. The net proceeds from the sale of the 2007 Series N Bonds were $11,122,650. On January 22, 2009, The Port Issued $25,885,000 in Marine Terminal Revenue Bonds, 2009 Series O Bonds. The majority of these funds would be for funding the site work for the Paulsboro Marine Terminal. The balance of the funds the Corporation would be doing other capital improvements for the Port and as well as land acquisition. The net proceeds from the sale of the 2009 Series O Bonds issue were $23,423,461. On December 30, 2009, the Port issued $157,880,000 in Marine Terminal Revenue Bonds in the Series P Bond issue. The funding for this project is for the construction of Phase I of the Paulsboro Marine Terminal. More than $134.4 million dollars of the Series P Bond proceeds is available for the marine terminal project; which provides sufficient funding for the construction of two deep water berths and integrated infrastructure. The balance of the Bond proceeds will be used to fund the required Debt Service Reserve, and capitalized interest through January 1, 2011. On September 27, 2012 the South Jersey Port Corporation received bids on two Bond Series of refunding bonds, Series 2012 Q Bonds and 2012 Series R Bonds. The purpose of these issuances was to realize debt service savings through the refinancing of the callable portion of the Corporation's outstanding Series 2002 K and Series L Bonds. The 2012 Series Q Bonds refinance the Series K Bonds, and the 2012 Series R Bonds refinance the Series L Bonds. In total $77,305,000 in principal were refunded with these issuances. Total debt service savings was $14,824,511. There will be debt service savings in every year of the life of the bonds. Approximately, half of the total savings will be realized the first two years as per the direction of the State of New Jersey Treasury Department.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 asets exceeded Port liabilities by $44, 409.598 at December 31, 2013.

Port's Net Position

ASSETS	**2013**
Current & Other Assets	$ 129,284,067
Capital Assets (Net)	208,265,658
Total Assets	337,549,725
LIABILITIES	
Current Liabilities	18,262,122
Long-Term Liabilities	269,564,783
Total Liabilities	287,826,905
DEFFERRED INFLOWS OF RESOURCES	
Service Concession Arrangements	818,615
UnamortizedBond Premium	4,494,607
Total Deferred inflows of Resources	5,313,222
NET POSITION	
Net Investment in Capital Assets	3,748,372
Restrcited for:	
Reserve for Payment of Debt Service	24,759,830
Reserve for Inventory Supplies	1,418,585
Unrestricted:	
Unreserved	14,482,811
Total Net Position	$44,409,598

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 $3,748,372 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.

MANAGEMENT'S DICUSSION AND ANAYSIS

PORT ACTIVITIES

Port activity for 2013 resulted in operating income before depreciation and amortization of $3,654,091.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2013
Operating Revenues:	
Marine Direct	$18,220,505
Marine Related	1,978,539
Other	583,134
Total Operating Revenues	20,782,178
Operating Expenses:	
General Operating	10,354,306
Repairs & Maintenance	868,979
General & Administrative	5,904,802
Total Operating Expenses	17,128,087
Operating Income Before Other Operating Expenses	3,654,091
Other Operating Expenses:	
Depreciation	3,180,509
Total Other Operating Expenses	3,180,509
Operating Income/(Loss) After Other Operating Expenses	473,582
Nonoperating Revenues/(Expenses):	
Interest on Investments & Deposits	522,569
Insurance Proceeds	42,955
Federal Subsidy Revenue	2,988,543
Unrealized Gain/(Loss) on Investment	341,994
Interest Expense	(15,267,037)
Net Nonoperating Revenue/(Expenses)	(11,370,976)
Net Income/(Loss) Before Contributions and Transfers	(10,897,394)

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

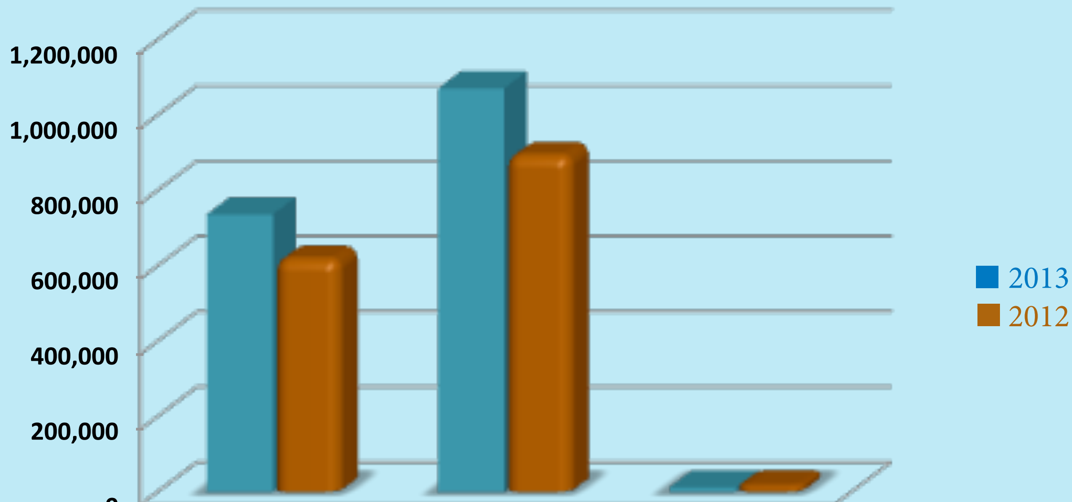
	2013
Operating Transfers To/ From the State of New Jersey/Other:	
Debt Service Aid	14,756,323
Camden City PILOT Revenues	4,000,000
Camden City PILOT Expenditures	(4,000,000)
Camden County PILOT Revenues	419,000
Camden County PILOT Expenditures	(419,000)
Salem PILOT Revenues	31,224
Salem PILOT Expenditures	(31,224)
Paulsboro PILOT Revenues	500,000
Paulsboro PILOT Expenditures	(500,000)
Gloucester County PILOT Revenues	150,000
Gloucester County PILOT Expenditures	(150,000)
Change in Inventory of Supplies	(106)
Total Operating Transfers	14,756,217
Change in Net Position	3,858,823
Net Position - January 1	48,923,657
Prior Period Adjustment	(8,372,882)
Net Position - January 1, as Restated	40,550,775
Net Position - December 31	$44,409,598

MANAGEMENT'S DICUSSION AND ANAYSIS

CARGO TONNAGE

The South Jersey Port Corporation activity for 2013 totaled 1,846,588 tons. This is an increase of 21% as compared to 2012. The total tonnage increase is due primarily to an increase in Steel products and Cement.

CARGO TONNAGE BY TYPE



	Breakbulk	Bulk	Containers
2013	763,671	1,071,305	11,612
2012	618,477	893,357	18,608

BREAK-BULK

Break-bulk activity for 2013 finished 23% or 145,194 tons higher when compared to 2012 Port Totals. Steel increased by 31% along with Cocoa Beans which increase by 26% over prior year. Wood Products decreased slightly by 4%.

BULK

Overall Bulk activity increased by 20% or 177,948 tons in 2013 when compared to 2012 totals. For the year 2013, Cement increased by 145,714 tons. Grancem® tonnage increased by 50% in 2013. There were 67,573 tons of Salt imports during the year. The 499,428 tons of exported scrap metals in 2013 was a 15% decrease when compared to prior year. Scrap metal activity represents a significant percentage of the Port's annual revenues and corresponding operating net income. Revenue is generated by port fees on cargo and ship activity such as dockage, wharfage, crane rental, in addition to lease rental. There are minimal port expenses such as labor associated with scrap metal and other bulk commodities.

CONTAINERS

Container tonnage for the year 2013 reached 11,567 tons which is a 38% decrease from 2012 totals.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE PORT OF SALEM

Included in the total tonnage figure is 2,700 tons of wood products handled at the Port of Salem.

Other Activity

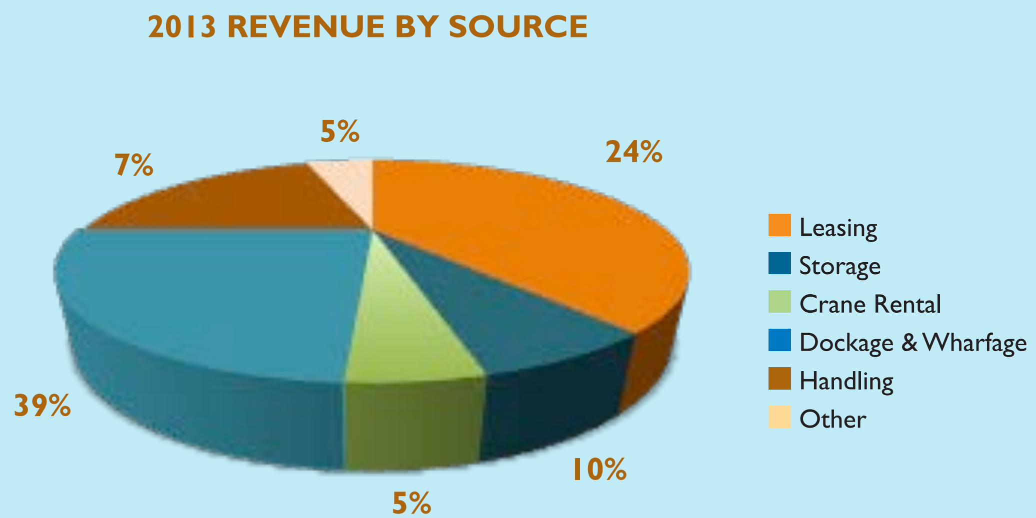
Ship calls totaled 146 for the year ended 2013, one less than 2012. Ship days in 2013 totaled 390, an increase of 51 days from 2012.

Operating Revenues

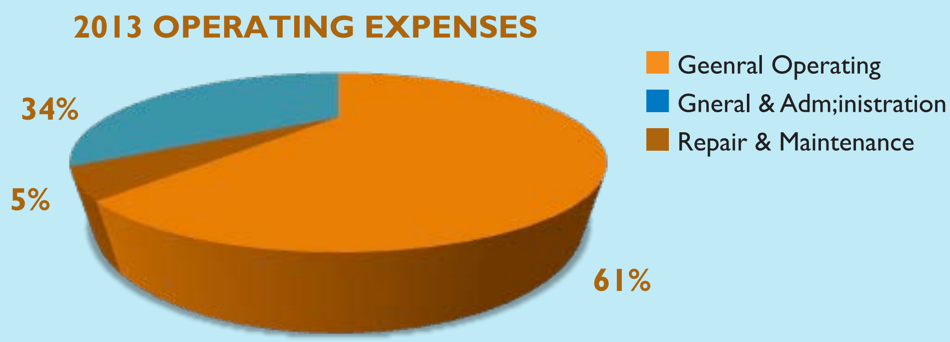
The Port Corporation generated $20,782,178 total in operating revenues in 2013. This represents an overall increase of $1,743,710 or 14% over 2012 totals.

In 2013, lease revenues increased by $20,799, less than a 1% increase from 2012 totals. Dockage and Wharfage revenue increased by $1,018,838 in 2013 compared to 2012. Handling revenue increased in 2013 by $336,279 or 9%. Storage revenue increased by $334,268 or 30% in 2013 compared to 2012. Crane rental revenue increased by $110,687 in 2013.

Revenues by Source



Operating Expenses



MANAGEMENT'S DICUSSION AND ANAYSIS

Total Corporation operating expenses were $17,128,087 in 2013, an increase of $1,415,694 when compared to 2012.

Total Port Operation expense increased by $909,623 or 10% from 2012. Operating labor increased by $19,979 while Operational Employee Benefits expense increased by $416,607 when compared to 2012 totals. Gas and oil expense for crane rental decreased in 2013 by $5,793. Handling expense increased by $330,795 or 19% from 2012. Security expenses decreased in 2013 by $1,044 or 4% when compared to 2012. The Port of Salem expenses increased by $450 or 1%. Utility expense increased by $80,493 from 2012.

Total Repairs and Maintenance expenses decreased by $106,395 or 11% in 2013 over 2012. Building and grounds repair and maintenance decreased by $124,085 or 22% from 2012 totals. Crane repair and maintenance decreased by $35,100 or 20%. Mobile machinery and equipment repairs and maintenance increased by $52,790 or 23%.

Overall, General & Administrative expenses in 2013 increased by $612,466 or 12% in comparison to 2012. Pension expense decreased by $124,090. General insurance costs increased by $142,250 or 11%. Labor for office clerical increased by $40,472 from 2012. Administrative labor decreased by $12,768 or 3% when compared to 2012. Payroll taxes increased by $4,456 and Worker's Compensation stayed consistent when compared to the prior year. The Port is self insured for Health care benefits up to $50,000 per employee. After the target amount is reached, health care re-insurance is triggered. The increased cost for Hospitalization claims of $314,059 or 45% more than 2012 is due in large part to a higher amount of claims submitted. Professional fees increased by $43,496 or 6% when compared to 2012. Miscellaneous expenses were decreased by $139,561 from 2012.

Capital Assets

The Ports investment in Capital assets as of December 31, 2013 is $208,265,658.

The investment in capital assets include land, buildings, piers and berth's, and machinery and equipment. Net capital assets decreased by $10,216,934 in 2013 over 2012. Annual depreciation and amortization reduced net property, plant and equipment.

CAPITAL ASSETS

	2013
Land	$18,235,317
Building & Improvements	46,868,660
Land Improvements	118,162,942
Equipment	24,565,960
Engineering & Other	7,212,809
Financing Costs	9,159,938
Subtotal	$224,205,626
Less: Accumulated Depreciation & Amortization	102,425,902
Subtotal	121,779,724
Construction in Progress	86,485,934
Total	$208,265,658

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt

As of December 31, 2013 the Port had accumulated long-term debt of $275,949,783. This consists of revenue bonds $271,475,000, a capital lease of $2,000,000, an early retirement incentive of $1,171,086 and a post retirement benefit of $1,303,697.

LONG-TERM DEBT

	2013
Revenue Bonds	$271,475,000
Capital Lease	2,000,000
Post Retirement Benefits	1,303,697
Early Retirement	1,171,086
Total	$275,949,783

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 October 17, 2013 the Port Issued Series Q&R $77,305,000 Revenue Refunding Bonds.

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, 2012 the Port has not yet commenced any payment 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.

BASIC FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
DECEMBER 31, 2013

ASSETS	
Current Assets:	
Unrestricted Assets:	
Cash & Cash Equivalents	$8,612,249
Accounts Receivable (Net of Allowance for Doubtful Accounts - $341,243	2,962,604
Other Accounts Receivable	804,974
Prepaid Expenses	297,899
Inventory of Supplies	1,418,585
Total Unrestricted Current Assets	14,096,311
Restricted Assets:	
Cash & Cash Equivalents	91,499,981
Investments	8,931,452
Due from State of New Jersey	14,756,323
Total Restricted Current Assets	115,187,756
Property, Plant & Equipment (Note 5):	
Completed	215,045,688
Construction in Progress	86,485,934
Bond Financing Costs	9,159,938
Total Property, Plant & Equipment	310,691,560
Less: Accumulated Depreciation & Amortization	102,425,902
Net Property, Plant & Equipment	208,265,658
Total Assets	337,549,725

BASIC FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
DECEMBER 31, 2013

LIABILITIES	
Current Liabilities Payable From Unrestricted Assets:	
Accounts Payable	69,457
Accrued Expenses	1,177,503
Payroll Taxes Payable	52,139
Accrued Vacation Payable	180,230
Lease Security & Escrow Deposits	208,595
Total Current Liabilities Payable From Unrestricted Assets	1,687,924
Current Liabilities Payable From Restricted Assets:	
Accrued Interest Payable	7,521,359
Contracts Payable	2,667,839
Revenue Bonds (Short-Term Portion)	5,185,000
Capital Lease Payable	1,200,000
Total Current Liabilities Payable From Restricted Assets	16,574,198
Long-Term Liabilities:	
Long-Term Liabilities Payable From Unrestricted Assets:	
Early Retirement Payable	1,171,086
Post-Retirement Benefits Payable	1,303,697
Total Long-Term Liabilities Payable From Unrestricted Assets	2,474,783
Long-Term Liabilities Payable From Restricted Assets:	
Revenue Bonds (Long-Term Portion)	266,290,000
Capital Lease Payable	800,000
Total Long-Term Liabilities Payable From Restricted Assets	267,090,000
Total Liabilities	287,826,905
DEFERRED INFLOWS OF RESOURCES	
Service Concession Arrangements	818,615
Unamortized Bond Premium	4,494,607
Total Deferred Inflows of Resources	5,313,222
NET POSITION	
Net Investment in Capital Assets	3,748,372
Restricted:	
Reserve for Payment of Debt Service	24,759,830
Reserve for Inventory of Supplies	1,418,585
Unrestricted:	
Unreserved	14,482,811
Total Net Position	$44,409,598

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

BASIC FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

Operating Revenues:	
Marine Direct	$18,220,505
Marine Related	1,978,539
Other	583,134
Total Operating Revenues	20,782,178
Operating Expenses:	
General Operating	10,354,306
Repairs & Maintenance	868,979
General & Administrative	5,904,802
Total Operating Expenses	17,128,087
Operating Income Before Other Operating Expenses	3,654,091
Other Operating Expenses:	
Depreciation	3,180,509
Total Other Operating Expenses	3,180,509
Operating Income/(Loss) After Other Operating Expenses	473,582
Nonoperating Revenues/(Expenses):	
Interest on Investments & Deposits	522,569
Insurance Proceeds	42,955
Federal Subsidy Revenue	2,988,543
Revaluation of Other Post Employment Benefit Liability	
Unrealized Gain/(Loss) on Investment	341,994
Interest Expense	(15,267,037)
Net Nonoperating Revenue/(Expenses)	(11,370,976)
Net Income/(Loss) Before Contributions and Transfers	(10,897,394)
Transfer of Depreciation to Contributed Capital	
Net Income/(Loss) Before Contributions and Transfers	(13,467,402)

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

BASIC FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

Operating Transfers To/ From the State of New Jersey/Other:	
Debt Service Aid	14,756,323
Camden City PILOT Revenues	4,000,000
Camden City PILOT Expenditures	(4,000,000)
Camden County PILOT Revenues	419,000
Camden County PILOT Expenditures	(419,000)
Salem PILOT Revenues	31,224
Salem PILOT Expenditures	(31,224)
Paulsboro PILOT Revenues	500,000
Paulsboro PILOT Expenditures	(500,000)
Gloucester County PILOT Revenues	150,000
Gloucester County PILOT Expenditures	(150,000)
Change in Inventory of Supplies	(106)
Total Operating Transfers	14,756,217
Change in Net Position	3,858,823
Additions To Capital Contributions	
Change in Net Position	3,858,823
Net Position - January 1	48,923,657
Prior Period Adjustment	(8,372,882)
Net Position - January 1, as Restated	40,550,775
Net Position - December 31	$44,409,598

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013

Cash Flows From Operating Activities:	
Receipts from Customers	$22,034,455
Interest Receipts	436,710
Payments to Employees	(4,868,699)
Payments for Employee Benefits	(4,468,562)
Payments to Suppliers	(6,932,993)
Net Cash Provided/(Used) by Operating Activities	6,200,911
Cash Flows From Noncapital Financing Activities:	
Developers' Escrow Refunds	(27,896)
Net Cash Provided/(Used) by Noncapital Financing Activities	(27,896)
Cash Flows From Capital & Related Financing Activities:	
Acquisition & Construction of Capital Assets	(6,510,739)
Federal Interest Subsidy	2,988,543
Insurance Proceeds	42,955
Bond Proceeds	84,469,827
Interest Paid on Revenue Bonds	(16,774,858)
Principal Paid on Revenue Bonds	(91,565,000)
State Aid for Debt Service	12,831,031
Camden City PILOT Revenues	4,000,000
Camden City PILOT Payments	(4,000,000)
Camden County PILOT Revenues	419,000
Camden County PILOT Payment	(419,000)
Paulsboro PILOT Revenues	500,000
Paulsboro PILOT Expenditures	(500,000)
Gloucester County PILOT Revenues	150,000
Gloucester County PILOT Payment	(150,000)
Salem PILOT Revenues	31,224
Salem PILOT Payment	(31,224)
Net Cash Provided/(Used) by Capital & Related Financing Activities	(14,518,241)
Cash Flows From Investing Activities:	
Unrealized Gain/(Loss) on Investment	341,994
Purchase of Repurchase Agreement/Discount Notes	
Interest & Dividends	522,569
Net Cash Provided/(Used) by Investing Activities	864,563
Net Increase/(Decrease) in Cash & Cash Equivalents	(7,480,663)
Balances - Beginning of Year	116,524,345
Balances - End of Year	$109,043,682

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013

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

Operating Income/(Loss)	$473,582
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:	
Operating Activities:	
Depreciation & Net Amortization	3,180,509
(Increase)/Decrease in Accounts Receivable, Net	1,808,326
(Increase)/Decrease in Prepaid Expenses	(119,339)
Increase/(Decrease) in Accounts Payable	591,375
Increase/(Decrease) in Accrued Liabilities	28,645
Increase/(Decrease) in Early Retirement Payable	11,523
Increase/(Decrease) in Concession Arrangements	226,290
Total Adjustments	5,727,329
Net Cash Provided/(Used) by Operating Activities	$6,200,911

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, 2013

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). In June 1999 the GASB issued Statement 34 Basic *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This statement established new financial reporting requirements for state and local governmental entities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The Corporation has implemented these standards for the fiscal year-ending December 31, 2002 and future periods. With the implementation of GASB Statement 34, the Corporation has prepared required supplementary information titled *Management's Discussion and Analysis*, which precedes the basic financial statements.

Other GASB Statements are required to be implemented in conjunction with GASB Statement 34. Therefore, the Corporation has implemented the following GASB Statements in the current fiscal year: Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*; Statement 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues;* Statement 37 - Basic *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus;* Statement 38 – *Certain Financial Statement Note Disclosures;* Statement 40 – *Deposit and Investment Risk Disclosures* and Statement 43 & 45 – *Accounting and Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans.*

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets was renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Whereas the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, the Corporation has implemented this Statement for the year ended December 31, 2012.

In March 2012, The GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The effect of this implementation resulted in a prior period adjustment described in Note 19.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Summary of Significant Accounting Policies (continued):

The accompanying financial statements present the financial position of the Corporation, the results of operations of the Corporation and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2013 for the year then ended.

Reporting Entity:

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

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

The operations of the Port are under the directorship of an eleven-member board. The Governor of the State appoints members for a term of five years. The day-to-day operations of the Port are under the administration of the Executive Director with approximately 89 full time employees and 3 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:

- 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Summary of Significant Accounting Policies (continued):

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).

Debt issuance costs and bond discount arising from the issue of revenue bonds are amortized by the straight-line method over the bond life.

d) **Marine Terminal Revenue Bond Resolution**
The Corporation is subject to the provisions and restrictions of the Marine Terminal Revenue Bond Resolution adopted June 5, 1985 as supplemented March 12, 1987, January 31, 1989, October 31, 1989, March 4, 1993, December 5, 2002, September 30, 2003, June 8, 2005, October 31, 2006, August 28, 2007, October 28, 2008, July 28, 2009 and October 17, 2012. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Summary of Significant Accounting Policies (continued):

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.

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 subordinated debt and meet such other requirements, it shall forthwith conduct a study or cause the 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.

1. Summary of Significant Accounting Policies (continued):

Debt Service Account

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

Debt Service payments for 2013 included $9,120,000 for principal and $16,413,957 for interest. Funds were provided as follows:

Debt Service Reserve Fund	$15,745,640
Construction Fund	9,788,317
Total	$25,533,957

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 $14,756,323.

The Reserve Fund Requirement, as established under the terms of the Marine Terminal Bond Resolution dated June 5, 1985, is the highest amount of aggregate debt service payable in any succeeding year, which amount is $24,759,830.

Maintenance Reserve Account

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

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

During the year no funds were provided from operating revenue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Summary of Significant Accounting Policies (continued):

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 2013 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Summary of Significant Accounting Policies (continued):

Construction Account

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

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

With certain exceptions, existing 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 October 31, 2008 for such required tax-exempt obligations and it has been determined that no liability is due to the federal government at this time.

Subsequent Events

The South Jersey Port Corporation has evaluated subsequent events occurring after December 31, 2013 through the date of March 19, 2014, which is the date the financial statements were available to be issued.

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, 2013, and reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand Deposits	$100,112,230
Total Deposits	$100,112,230

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. Cash and Cash Equivalents (continued):

Reconciliation of Statement of Net Position:

Current:	
Unrestricted Assets:	
Cash & Cash Equivalents	$ 8,612,249
Restricted Assets:	
Cash & Cash Equivalents	91,499,981
Total	$100,112,230

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, 2013, the Corporation's bank balance of $100,233,380 was insured or collateralized as follows:

Insured	$ 895,746
Collaterized in the Corporation's Name	
Under GUDPA (See Note 3)	8,276,865
Collaterized not in the Corporation's Name	
(New Jersey Cash Management Fund)	91,060,769
Total	$100,233,380

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.

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, 2013, are provided in the above schedule.

Note 3. Investments (continued):

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.

As of December 31, 2013, the Corporation had the following investments and maturities:

Investment	Maturities	Rating	Fair Value
US Government Taxable Bonds	N/A	N/A	$8,931,452
Total			$8,931,452

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 4. Governmental Unit Deposit Protection Act (GUDPA)

The Corporation deposited cash in 2013 with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

NOTE 5. PROPERTY, PLANT & EQUIPMENT

The following is a summary of property, plant and equipment at cost, less accumulated depreciation and amortization:

	Balance December 31, 2012	Additions	Deletions	Reclass/ Adjustments	Balance December 31, 2013
Land	$ 18,235,317				$ 18,235,317
Buildings & Improvements	43,943,179			2,925,481	46,868,660
Land Improvements	105,813,967			12,348,975	118,162,942
Equipment	24,286,815	$ 341,782		(62,637)	24,565,960
Engineering & Other	7,135,677	63,044	(9,080)	23,169	7,212,809
Financing Costs	9,159,938				9,159,938
Subtotal	208,574,892	404,826	(9,080)	15,234,988	224,205,626
Less: Accumulated Depreciation Amortization	(102,102,619)	(4,863,156)	454	4,539,419	(102,425,902)
Subtotal	106,472,273	(4,458,330)	(8,626)	19,774,407	121,779,724
Construction in Progress	95,087,898	2,791,575		(11,393,539)	86,485,934
Cost of Issuance	16,922,421			(16,922,421)	
Total	$218,482,592	$(1,667,755)	$ (8,626)	$(8,541,553)	$208,265,658

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 6. PENSION PLAN

A. Plan Description

The South Jersey Port Corporation's contributes to a cost-sharing multiple-employer defined benefit pension plan, Public Employees' Retirement System (P.E.R.S.), administered by the State of New Jersey, Division of Pensions and Benefits. It provides retirement, disability, medical and death benefits to plan members and beneficiaries. The State of New Jersey P.E.R.S. program was established as of January 1, 1955. The program was established under the provisions of *N.J.S.A.43:15A*, which assigns authority to establish and amend, benefit provisions to the plan's board of trustees. P.E.R.S. issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625, or calling (609) 292-7524.

B. Vesting and Benefit Provisions

The vesting and benefit provisions of P.E.R.S. are set by N.J.S.A.43:15A and 43.3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 78, P.L. 2011 changed this for employees enrolled after June 28, 2011. See Note 6C below.

C. Significant Legislation

During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 6. Pension Plan (continued):

the District's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for PERS were reduced.

New Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides that all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

Effective June 28, 2011, Chapter 78, P.L. 2011 reformed various pension and health benefits provisions. Employees hired after June 28, 2011 and enrolled in PERS will be enrolled in a new tier, Tier 5. Full retirement for Tier 5 PERS members will be age 65 and 30 years of service.

All cost of living adjustments are frozen until the pension fund reaches a "target funded ratio".

Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

D. 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 6.64%, effective July 1, 2012 and increases to 6.78%, effective July 1 , 1013 of employees' annual compensation as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. The South Jersey Port Corporation's contributions to P.E.R.S. for the years ending December 31, 2013, 2012 and 2011 were $445,119, $582,069 and $608,757, respectively, equal to the required contributions for each year.

E. 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 6. Pension Plan (continued):

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 $1,171,086 as of December 31, 2013.

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 2013 for $87,522, 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
2014	$ (9,106)	96,615	87,509
2015	(6,358)	97,366	91,008
2016	(3,242)	97,890	94,648
2017	276	98,158	98,434
2018	4,236	98,135	102,371
2019	8,680	97,786	106,466
2020	13,656	97,069	110,725
2021	19,211	95,943	115,154
2022	25,402	94,358	119,760
2023	32,288	92,262	124,550
2024	39,933	89,599	129,532
2025	48,409	86,304	134,713
2026	57,792	82,310	140,102
2027	68,164	77,542	145,706
2028	79,615	71,919	151,534
2029	92,244	65,351	157,595
2030	106,158	57,741	163,899
2031	121,472	48,983	170,455
2032	138,312	38,961	177,273
2033	156,814	27,550	184,364
2034	177,130	14,613	191,743
Total	$1,171,086	$1,626,455	$2,797,541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt at December 31, 2013:

Issue	Initial Date of Issue	Date of Final Maturity	Interest Rates	Original Issue Amount	Principal Balance Outstanding
Series 2003 M Marine Terminal Revenue Bonds	10/15/03	01/01/30	5.000%	11,305,000	8,885,000
Series 2007 N Marine Terminal Revenue Bonds	11/08/07	01/01/38	4.500% 5.250%	11,235,000	10,310,000
Series 2009 O Marine Terminal Revenue Bonds	01/29/09	01/01/39	4.000% 5.875%	25,885,000	24,100,000
Series 2009 P Marine Terminal Revenue Bonds	12/30/09	01/01/40	2.995% 7.365%	157,880,000	152,070,000
Series 2012 Q Marine Terminal Refunding Bonds	10/17/12	01/01/33	3.000% 3.250%	60,060,000	60,060,000
Series 2012 R Marine Terminal Refunding Bonds	10/17/12	01/01/24	4.000%	16,050,000	16,050,000
Total					271,475,000
Less: Current Maturities Included in Current Liabilities					5,185,000
Balance					$266,290,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

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

Year	Principal	Interest	Total
2014	$ 5,185,000	$ 14,953,105	$ 20,138,105
2015	10,080,000	14,679,830	24,759,830
2016	10,405,000	14,303,505	24,708,505
2017	10,815,000	13,910,567	24,725,567
2018	11,165,000	13,469,503	24,634,503
2019-2023	54,380,000	59,955,392	114,335,392
2024-2028	44,785,000	47,829,797	92,614,797
2029-2033	53,940,000	33,373,623	87,313,623
2034-2038	50,230,000	16,578,626	66,808,626
2039-2040	20,490,000	1,451,795	21,941,795
Total	$271,475,000	$230,505,743	$501,980,743

a) On December 1, 2002, the South Jersey Port Corporation performed current refunding of Marine Terminal Revenue Bonds Series E, F, G, H and J. The Corporation issued Series K ($79,295,000) and L Series ($42,030,000) Marine Terminal Revenue and Revenue Refunding Bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Corporation's outstanding obligations. This current refunding was undertaken to increase total debt service payments over the next 20 years by $433,564 and to obtain an economic gain (difference between the present value of the debt service payments of the Refunded and Refunding Bonds) of $1,822,182.

The net proceeds of the Series 2002 Bonds, together with other funds, are being used to pay the costs of a project (the "2002 Project") of the Corporation consisting generally of: (i) the current refunding of five separate series of revenue bonds previously issued by the Corporation in 1989, 1993 and 1999; (ii) financing the costs of certain capital projects of the Corporation; (iii) funding interest on a portion of the Series 2002 Bonds during the estimated construction period of the capital projects; (iv) funding a deposit to the Debt Reserve Fund and the Tax Reserve Fund established under the Bond Resolution; and (v) paying the costs of issuance of the Series 2002 Bonds.

b) On October 15, 2003 the Corporation issued $11,305,000 Marine Terminal Revenue Bonds, Series M. The Series M Bonds were issued to provide funds to (i) fund the implementation of certain capital projects; (ii) fund interest on the 2003 Bonds through the estimated construction period of the 2003 capital project; (iii) fund a deposit to the Debt Reserve Fund, and (iv) pay the cost of issuing of the Series 2003 Bonds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

c) 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.

d) 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.

e) 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.

f) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

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

	SERIES M		SERIES N	
Issue Year	Annual Principal	Interest Rate	Annual Principal	Interest Rate
2014	350,000	5.00	220,000	4.50
2015	365,000	5.00	230,000	4.50
2016	385,000	5.00	245,000	4.50
2017	400,000	5.00	250,000	4.50
2018	420,000	5.00	265,000	4.50
2019	440,000	5.00	280,000	4.50
2020	-		295,000	4.50
2021	-		-	
2022	1,445,000	5.00	-	
2023	-		960,000	4.50
2024	-		-	
2025	1,670,000	5.00	-	
2026	-			
2027	-		-	
2028			1,935,000	4.63
2029	-		440,000	4.75
2030	-		3,410,000	5.00
2031	-		-	
2032	-		-	
2033	-		-	
2034	-		-	
2035	-		-	
2036	-		-	
2037	-		-	
2038			5,190,000	5.25
Total	$ 8,885,000		$10,310,000	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

	SERIES O-1		SERIES O-2		SERIES O-3		SERIES "O"
Issue Year	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Total Principal
2014	-		-		-		-
2015	-		-		*1,030,000	4.500	1,030,000
2016	-		-		-		-
2017	-		-		-		-
2018	-		-		-		-
2019	-		-		2,385,000	5.500	2,385,000
2020	-		-		-		-
2021	-		-		-		-
2022	-		-		-		-
2023	2,525,000	4.625	-		-		2,525,000
2024	-		-		-		-
2025	-		-		-		-
2026	2,225,000	5.000	-		-		2,225,000
2027	-		-		-		-
2028	1,675,000	5.125	300,000	5.125	-		1,975,000
2029	-		-		-		-
2030	-		-		-		
2031	-		-		-		-
2032	-		-		-		-
2033	-		-		-		-
2034	6,255,000	5.750	285,000	5.750	-		6,540,000
2035	-		-		-		-
2036	-		-		-		-
2037	-		-		-		-
2038	-		-		-		-
2039	7,090,000	5.875	330,000	5.875	-		7,420,000
Total	$19,770,000		$915,000		$3,415,000		$24,100,000

*** = $505,000 paid to Sinking Fund on 1/1/2014**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

	SERIES P-2		SERIES P-3		SERIES "P"
Issue Year	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Total Principal
2014	3,040,000	3.000	-		3,040,000
2015	3,130,000	4.000	-		3,130,000
2016	3,255,000	4.000	-		3,255,000
2017	3,385,000	4.000	-		3,385,000
2018	4,115,000	5.750	3,520,000	5.912	7,635,000
2019	4,350,000	5.750	3,655,000	6.052	8,005,000
2020	1,055,000	5.750	3,800,000	6.152	4,855,000
2021	-		3,955,000	6.252	3,955,000
2022	-		-		-
2023	-		-		-
2024	-		-		-
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	$22,330,000		$129,740,000		$152,070,000

	SERIES Q		SERIES R		GRAND
Issue Year	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Total Principal
2014	490,000	3.00	580,000	4.00	5,185,000
2015	4,330,000	3.00	1,500,000	4.00	10,080,000
2016	4,420,000	3.00	1,550,000	4.00	10,405,000
2017	4,600,000	3.00	1,600,000	4.00	10,815,000
2018	4,700,000	3.00	1,650,000	4.00	11,165,000
2019	4,850,000	3.00	1,700,000	4.00	11,570,000
2020	5,000,000	3.00	1,750,000	4.00	11,920,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

Issue Year	SERIES Q Annual Principal	SERIES Q Interest Rate	SERIES R Annual Principal	SERIES R Interest Rate	GRAND Total Principal
2021	2,950,000	3.00	1,550,000	4.00	9,885,000
2022	3,050,000	3.00	1,600,00	4.00	10,265,000
2023	3,150,000	3.00	1,670,000	4.00	10,740,000
2024	950,000	3.00	900,000	4.00	8,095,000
2025	2,050,000	3.00	-		8,605,000
2026	2,100,000	3.00	-		8,960,000
2027	2,175,000	3.00	-		9,355,000
2028	2,245,000	3.00	-		9,770,000
2029	2,355,000	3.00	-		10,225,000
2030	2,475,000	3.00	-		10,745,000
2031	2,600,000	3.13	-		10,470,000
2032	2,715,000	3.13	-		10,975,000
2033	2,855,000	3.25	-		11,525,000
2034	-		-		9,105,000
2035	-		-		9,550,000
2036	-		-		10,020,000
2037	-		-		10,520,000
2038	-		-		11,035,000
2039	-		-		10,855,000
2040	-		-		9,635,000
Total	$60,060,000		$16,050,000		$271,475,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 M	SERIES N
2019	$ -	
2020	460,000	
2021	480,000	$ 305,000
2022	505,000	320,000
2023	530,000	335,000
2024	555,000	350,000
2025	585,000	370,000
2026	615,000	385,000
2027	645,000	405,000
2028	680,000	425,000
2029	715,000	440,000
2030	755,000	475,000
2031	-	490,000
2032	-	515,000
2033	-	545,000
2034	-	575,000
2035	-	600,000
2036	-	630,000
2037	-	665,000
2038	-	695,000
Total	$6,525,000	$8,525,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

ISSUE YEAR	SERIES O-1	SERIES O-2	SERIES O-3	SERIES P-3	GRAND TOTAL
2014	$ -	$ -	505,000	$ -	$505,000
2015	-	-	525,000	-	525,000
2016	-	-	550,000	-	550,000
2017	-	-	580,000	-	580,000
2018	-	-	610,000	-	610,000
2019	-	-	645,000	-	645,000
2020	590,000	25,000	-	-	1,075,000
2021	615,000	30,000	-	-	1,430,000
2022	645,000	30,000	-	-	1,500,000
2023	675,000	30,000	-	-	1,570,000
2024	705,000	35,000	-	3,545,000	5,190,000
2025	40,000	35,000	-	4,825,000	6,555,000
2026	780,000	35,000	-	5,045,000	6,860,000
2027	815,000	40,000	-	5,275,000	7,180,000
2028	860,000	40,000	-	5,520,000	7,525,000
2029	900,000	40,000	-	5,775,000	7,870,000
2030	955,000	45,000	-	6,040,000	8,270,000
2031	1,010,000	45,000	-	6,325,000	7,870,000
2032	1,065,000	50,000	-	6,630,000	8,260,000
2033	1,130,000	50,000	-	6,945,000	8,670,000
2034	1,195,000	55,000	-	7,280,000	9,105,000
2035	1,260,000	60,000	-	7,630,000	9,550,000
2036	1,335,000	60,000	-	7,995,000	10,020,000
2037	1,415,000	65,000	-	8,375,000	10,520,000
2038	1,495,000	70,000	-	8,775,000	11,035,000
2039	1,585,000	75,000	-	9,195,000	10,855,000
2040	-	-	-	9,635,000	9,635,000

Total	$19,770,000	$ 915,000	$3,415,000	$114,810,000	$153,960,000

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 principle amounts set forth below at a redemption price of 100% of the principle amount plus accrued interest to the date of redemption:

Series M - Bonds Maturing January 1, 2022

Year	Principal Amount
2020	$ 460,000
2021	480,000
2022	505,000
Total	$1,445,000

Series M - Bonds Maturing January 1, 2025

Year	Principal Amount
2023	$530,000
2024	555,000
2025	585,000
Total	$1,670,000

Series M - Bonds Maturing January 1, 2030

Year	Principal Amount
2026	$ 615,000
2027	645,000
2028	680,000
2029	715,000
2030	755,000
Total	$3,410,000

Series N-Bonds Maturing January 1, 2038

Year	Principal Amount
2030	$ 475,000
2031	490,000
2032	515,000
2033	545,000
2034	575,000
2035	600,000
2036	630,000
2037	665,000
2038	695,000
Total	$5,190,000

Series N - Bonds Maturing January 1, 2023

Year	Principal Amount
2021	$305,000
2022	320,000
2023	335,000
Total	$960,000

Series N - Bonds Maturing January 1, 2028

Year	Principal Amount
2024	$ 350,000
2025	370,000
2026	385,000
2027	405,000
2028	425,000
Total	$1,935,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

Series N-Bonds Maturing January 1, 2029

Year	Principal Amount
2029	$440,000

Series O-1-Bonds Maturing January 1, 2023

Year	Principal Amount
2020	$590,000
2021	615,000
2022	645,000
2023	675,000
Total	$2.525,000

Series O-1 - Bonds Maturing January 1, 2026

Year	Principal Amount
2024	$ 705,000
2025	740,000
2026	780,000
Total	$2,225,00

Series O-1 – Bonds Maturing January 1, 2028

Year	Principal Amount
2027	$ 815,000
2028	860,000
Total	$1,675,000

Series O-1 - Bonds Maturing January 1, 2034

Year	Principal Amount
2029	$ 900,000
2030	955,000
2031	1,010,000
2032	1,065,000
2033	1,130,000
2034	1,195,000
Total	$6,225,000

Series O-1 – Bonds Maturing January 1, 2039

Year	Principal Amount
2035	$1,260,000
2036	1,335,000
2037	1,415,000
2038	1,495,000
2039	1,585,000
Total	$7,090,000

Series O-2 Bonds Maturing January 1, 2028

Year	Principal Amount
2020	$25,000
2021	30,000
2022	30,000
2023	30,000
2024	35,000
2025	35,000

Series O-2 – Bonds Maturing January 1, 2028

Year	Principal Amount
2026	$ 35,000
2027	40,000
2028	40,000
Total	$300,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

Series O-2 - Bonds Maturing January 1, 2034

Year	Principal Amount
2029	$ 40,000
2030	45,000
2031	45,000
2032	50,000
2033	50,000
2034	55,000
Total	$ 285,000

Series O-2 – Bonds Maturing January 1, 2039

Year	Principal Amount
2035	$ 60,000
2036	60,000
2037	65,000
2038	70,000
2039	75,000
Total	$330,000

Series O-3 – Bonds Maturing January 1, 2015

Year	Principal Amount
2013	$ 480,000
2014	505,000
2015	525,000
Total	$ 1,510,000

Series O-3 - Bonds Maturing January 1, 2019

Year	Principal Amount
2016	$ 550,000
2017	580,000
2018	610,000
2019	645,000
Total	$2,385,000

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

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

Series P-3 - Bonds Maturing January 1, 2040

Year	Principal Amount
2036	$ 7,995,000
2037	8,375,000
2038	8,775,000
2039	9,195,000
2040	9,635,000
Total	$84,825,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

The Series 2002 Bonds maturing before January 1, 2014 are not subject to optional redemption prior to their stated maturities. The Series 2002 Bonds maturing on or after January 1, 2014 are subject to redemption prior to maturity, at the option of the Corporation, as a whole or in part at anytime on or after January 1, 2013. Any such redemption shall be made at a redemption price of 100% of the principle amount plus accrued interest.

The Series 2003 Bonds maturing before January 1, 2015 are not subject to optional redemption prior to their stated maturities. The Series 2003 Bonds maturing on or after January 1, 2015 are subject to redemption prior to maturity, at the option of the Corporation, as a whole or in part at any time on or after January 1, 2014. Any such redemption shall be made at a redemption price of 100% of the principle amount plus accrued interest.

The Series 2007 Bonds maturing before January 1, 2018 are not subject to optional redemption prior to their stated maturities. The Series 2007 Bonds maturing on or after January 1, 2018 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, 2017. The Series 2007 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 2007 Bonds called for redemption, without premium, plus accrued interest to the date of redemption.

The Series 2009 O-1 Bonds and Series 2009 O-2 Bonds maturing on or after January 1, 2020 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, 2019. The Series 2009 O-1 Bonds and the Series 2009 O-2 Bonds or portions thereof to be redeemed shall be selected by the Trustee in any order of maturity and by either 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 Bonds called for redemption, without premium, plus accrued interest to the date of redemption. 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

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 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
2014	$ 3,246,651
2015	3,246,652
2016	3,246,651
2017	3,246,652
2018	3,210,234
2019-2023	15,017,953
2024-2028	13,252,322
2029-2033	9,705,870
2034-2038	5,104,525
2039-2040	491,061
Total	$59,768,571

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 7. Long-Term Debt (continued):

The following is a summary of all long-term debt of the Corporation as of December 31, 2013:

	Balance December 31, 2012	Issued	Retired/ Refunded	Balance December 31, 2013	Due Within One Year
Bonds Payable	$280,595,000		(9,120,000)	271,475,000	5,185,000
Capital Lease	2,000,000			2,000,000	1,200,000
Post Retirement Benefits	972,089	628,284	(296,676)	1,303,697	
Early Retirement	1,159,563	11,523		1,171,086	
Total	$284,726,652	639,807	(9,416,676)	$275,949,783	6,385,000

Note 8. Self-Insurance Fund

The Port Corporation is self insured for health care benefits under third party "administrative services only" plan arrangement. Claims are paid on a claims basis. The Port Corporation assumes liability for health claims up to $50,000 for each individual and up to $2,161,196 annually for all enrollees on an aggregate basis. For amounts in excess of individual and aggregate coverage, a commercial insurance policy has been obtained.

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.

Note 10. Deferred Compensation Plan

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 11. PILOT Payments

City of Camden PILOT Payments – The Corporation entered into a 2013 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 2013 began in July 1, 2012 and ended June 30, 2013. Pursuant to the 2013 "PILOT" agreement, the Corporation is not required to make the 2014 "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 2013 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 2013. An appropriation of $419,000 will be required from the State to make payment to the 2014 County of Camden "PILOT Tax Agreement".

City of Salem PILOT Payments – The Corporation has entered into a 2013 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 2013. An appropriation of $31,225 will be required from the State to make payment to the 2014 City of Salem "PILOT Tax Agreement".

Borough of Paulsboro PILOT Payments – The Corporation has entered into a 2013 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 2013. An appropriation of $500,000 will be required from the State to make payment to the 2014 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 2013 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 2014 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)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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: Paulsboro MarineTerminal Project for Bond Series N in the amount of $2,894,935, the Paulsboro Marine Terminal Project for Bond Series O-1 in the amount of $16,962,190, Skylight Renovations for Bonds Series O-3 in the amount of $380,408 and Paulsoboro Marine Terminal Project for Bond Series P-3 in the amount of $66,080,123. Pier 1A Extension totaling $83,500. Sprinkler System installation totaling $84,777. Total construction in progress amounted to $86,485,934.

Note 13. Port of Salem

On February 12, 2003 Salem Terminals Limited, LLC informed the Port Corporation that it was vacating on September 1, 2004, the Port leased the Salem Terminal facilities to National Docks. The term of the lease is for ten years with two 5-year options. The premises will be used, maintained and operated as an active marine shipping terminal for the handling, on and off the water, of bulk materials, such as sand, gravel and stone or any other commodity typical to water and truck borne transport. The premises shall also be used in the transport of commercial products to locations in Delaware, New Jersey, Pennsylvania and Maryland, via barge, and in the building for commercial processing and bagging operations for value added products.

The base rent for the first 5 years is $5,000 per month. This rental rate of $5,000 per month is discounted by 50% or $2,500 per month. The rent abatement for 60 months is to rebate the tenant up to $150,000 for site repairs and upgrading.

The rental rate for the second 5 years is $5,000 per month in addition to a surcharge of $.20 per ton shipped by National Docks thru the Port of Salem by water.

Note 14. Paulsboro Marine Terminal Project and Financing

The Corporation and the Borough of Paulsboro entered into that 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 Beckett Street

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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 Paulsboro Marine Terminal is located along the eastern bank of the Delaware River, across from the Philadelphia International Airport, just south of Mantua Creek in the Borough of Paulsboro, Gloucester County, New Jersey. 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 parameters of the development of the Paulsboro Marine Terminal Project were set forth in the Redevelopment Agreement, including without limitation:

A General Development Plan for the Paulsboro Marine Terminal Project approved by Paulsboro; An estimate of the cost for Phase I of the Paulsboro Marine Terminal Project, the replacement phase of the Paulsboro Marine Terminal Project, in an amount up to approximately $136 million; provided, however, that Section 4.1(1) of the Redevelopment Agreement expressly states that should the ultimate cost for Phase 1 exceed such amount, the Redevelopment Agreement shall not prohibit the Corporation from issuing Bonds in excess of such initial estimate; and The Corporation's right and obligation to issue Additional Bonds pursuant to Section 206(c) of the Bond Resolution, or subordinate bonds permitted by the Bond Resolution, to finance Phase I of the Paulsboro Marine Terminal Project.

Pursuant to the Redevelopment Agreement, the Corporation entered into a series of agreements to commence the development of the Paulsboro Marine Terminal Project.

Site access was obtained through the combination of (i) a Sublease Agreement dated January 16, 2006, as amended, with Paulsboro, as sub-lessor, and the Corporation, as sub-lessee (the original lease is with BP Oil Company, as fee owner and lessor, and Paulsboro, as lessee) for the approximately 130-acre parcel that was previously operated by BP Oil Company, and (ii) a Lease Agreement dated August 6, 2009 between Paulsboro, as owner and lessor, and the Corporation, as lessee, for approximately two-thirds of the adjacent 60-acre parcel that was operated by Essex Chemical, which is a wholly owned subsidiary of The Dow Chemical Company, and which site is now owned in fee by Paulsboro. Approximately 17-acres of the 60-acres former Essex Chemical parcel are not currently available for redevelopment by the Corporation since this portion of the parcel is currently leased by Paulsboro to BP to house an existing solar array that generates power for BP's existing Ground Water Treatment Plant. In addition, the 17-acres constitutes a NJDEP landfill, which has been closed in compliance with NJDEP regulations.

The tax payment requirements of the Act were satisfied through the execution and delivery of two payments in lieu of tax agreements on January 16, 2006, as amended, one with each of Paulsboro and Gloucester County. Both of these payments in lieu of tax agreements provide for the payment by the Corporation to such monies of a base amount, independent of Paulsboro Marine Terminal development.

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

In addition, the Paulsboro agreement provides for Paulsboro to receive from or through the Corporation a second additional payment tied to a portion of such development.

These various agreements also provide that the Corporation can develop the Paulsboro Marine Terminal Project, so long as the uses of the port fit within the General Development Plan approved by Paulsboro under the Redevelopment Agreement, and further, so long as such uses do not disturb (i) the No Further Action letter and Deed Notice forwarded from the NJDEP to Essex Chemical in 2003 regarding the Essex site, and (ii) the multi-phased remedial investigation and action, which is expected to continue for many years, for the BP site.

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. Further, in order to expedite the development of the Paulsboro Marine Terminal, this Development and Management Agreement, in combination with the Thirteenth Supplemental Bond Resolution, provide for GCIA to access the Series 2009 O Bond proceeds, the Series 2009 P Bond proceeds, along with future Additional Bond or subordinate bond proceeds for the development of the Paulsboro Marine Terminal Project, to pay necessary development costs such as planning, design and construction costs, without individual contract approval from the Corporation.

The GCIA has an account titled the Paulsboro Port Marine Terminal Account in which project funds will be deposited as needed. This account is an interest bearing account and any interest income earned on this account would be interest income to the South Jersey Port Corporation, and will be targeted for investment in the Paulsboro Port Marine Terminal.

The Corporation retains the right to discontinue this arrangement with GCIA for the development of the Paulsboro Marine Terminal should the development materially deviate from a mutually agreed upon budget and schedule for the Paulsboro Marine Terminal.

The Corporation is in the process of negotiating lease, cargo handling and operations contracts for that portion of the Paulsboro Marine Terminal that shall house private operations, which in turn is expected to generate revenues for the Corporation, in part, to repay debt service on the Series 2009 P Bonds. In particular, the Corporation continues to consider opportunities associated with import fruit and vegetables, certain renewable energy uses and other bulk and break bulk cargoes for the Paulsboro Marine Terminal, having previously negotiated a specific memorandum of understanding. At present, the Corporation is in negotiations with private operators regarding select portions of the terminal. While the Corporation remains optimistic in its pursuit of these operations, vendors, and fees, it made no representation to holders of the Series 2009 P Bonds that the Corporation shall enter

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

into a sufficient number of these agreements, in both number and dollar value, such that such agreements shall generate sufficient revenues to pay the principal of, and interest on the Series 2009 P Bonds in full and on time.

The Corporation has not yet funded, though it contemplates the possibility of funding, a third and fourth berth for the Paulsboro Marine Terminal Project. The costs for this Phase II of the Paulsboro Marine Terminal Project, and whether the Corporation would issue parity Bonds or subordinated debt to fund Phase II, has not yet been determined by the Corporation. Accordingly, the Corporation can make no representation whether Phase II shall be implemented. Further, the Corporation relied upon Section 206(c) of the Bond Resolution in authorizing the Series 2009 P Bonds, as the initial two berths at the Paulsboro Marine Terminal Project shall replace the two lost piers at the Corporation's Beckett Street Terminal. Absent a further loss to Corporation port facilities, this replacement provision of the Bond Resolution would not be available to fund Phase II, and accordingly the Corporation would need to rely on some other provision of the Bond Resolution in order to authorize parity Bonds to fund the Phase II Project.

Paulsboro Bonds

The Corporation issued $157,880,000 of its Marine Terminal Revenue Bonds, Series 2009 P, on December 30, 2009. Prior to the issuance of the Series 2009 P Bonds, the Corporation had issued a portion of the Series 2007 Bonds ($3,285,000) pursuant to the Original Ninth Supplemental Resolution, and a portion of the Series 2009 O Bonds ($15,572,986) pursuant to the Twelfth Supplemental Resolution (as defined below) (such earmarked portions, together with the Series 2009 P Bonds and any series of Additional Bonds issued for the Paulsboro Marine Terminal Project, the "Paulsboro Bonds"), for an aggregate of $18,857,986 principal amount of Bonds that have been issued for the Paulsboro Marine Terminal Project. The Series 2007 Bonds were issued pursuant to the Act and the General Bond Resolution, as further supplemented by the Corporation's Original Ninth Supplemental Resolution. The Series 2009 O Bonds were issued pursuant to the Act and the General Bond Resolution, as further supplemented by the Corporation's Twelfth Supplemental Marine Terminal Revenue Bond Resolution Authorizing Issuance of Marine Terminal Revenue Bonds; Series 2008 O adopted October 28, 2008 (the "Twelfth Supplemental Resolution").

Pursuant to the Ninth Supplemental Resolution and the Thirteenth Supplemental Resolution, the Corporation has authorized an additional $188,715,000 for the Paulsboro Marine Terminal Project, against which all the principal amount of the Series 2009 P Bonds was allocated. Accordingly, after the issuance of the Series 2009 P Bonds in the aggregate principal amount of $157,880,000, (i) the aggregate amount of Bonds issued for the Paulsboro Marine Terminal Project is $176,737,986, and (ii) the aggregate amount of Bonds authorized by the Corporation, but remaining unissued, for the Paulsboro Marine Terminal Project is $30,835,000.

Pursuant to Section 201(D) and Exhibit C of the Original Ninth Supplemental Resolution, authorized, but unissued Paulsboro Bonds (up to $132,715,000 in aggregate principal amount) could not have been issued until the Sufficiency Test defined therein had been satisfied or waived in accordance with the

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

terms thereof, this required the consent of the Corporation and the State Treasurer, but did not require Bondholder consent. The Amendment No. 2 to Ninth, and Thirteenth Supplemental Resolutions specifically waived and revoked the Sufficiency Test, with the adoption thereof providing the Corporation's consent to this waiver and revocation, and the State Treasurer's pre-adoption and post adoption approval of Amendment No. 2 to Ninth and Thirteenth Supplemental Resolutions providing the State Treasurer's consent to this waiver and revocation. Accordingly, satisfaction of the Sufficiency Test set forth in the Original Ninth Supplemental Resolution is not a condition precedent to the issuance of the Series 2009 P Bonds.

2009 P Paulsboro Marine Terminal Project

A portion of the proceeds of the Series 2009 P Bonds will be used by the Corporation to fund the creation of the waterside and landside connections that will facilitate the inter-modal handling of cargoes from ship to truck and/or rail at the two-berth Paulsboro Marine Terminal, including the following costs of the Paulsboro Marine Terminal Project (collectively, the "2009 P Paulsboro Marine Terminal Project"):

(i) Select demolition and renovation of residual structures;
(ii) Hauling and receiving of fill material for upland (e.g. on-site) use;
(iii) The placement, grading and compaction of fill material atop of the existing sub-grade to raise the proposed post-construction elevation above the 100-year flood plain;
(iv) Deep soil compaction techniques and placement of surcharge material within areas of historic fill placement along the Delaware River shoreline;
(v) Installation of the required storm water management collection, distribution and outfall system;
(vi) Installation of the primary electrical power supply (feed) and high mast lighting system and other utility infrastructure such as potable water, fire water, sanitary sewer, telecommunications, and IT;
(vii) Acquisition of additional real property to facilitate site access, complete the perimeter of the site and to enable off-site mitigation of unavoidable environmental impacts;
(viii) Construction of two deep-water berths along the integrated infrastructure to facilitate the mooring of multiple vessels along the wharf with connections to the existing shoreline;
(ix) Dredging to approximately 40-foot depths from MLW;
(x) Construction of in-terminal access roads, retaining walls and rail infrastructure;
(xi) Construction of security gate and access control provisions;
(xii) Acquisition and installation of rail mounted ship to shore cranes or mobile harbor cranes;
(xiii) Creation of a maintenance facility; and
(xiv) Funding the management functions necessary to achieve the implementation and start-up of the Paulsboro Marine Terminal.

Key aspects of this development include the construction, commissioning, startup and operation of the Paulsboro Marine Terminal that consists of a pile-supported wharf structure combined with pile-supported access trestles and adjacent backland infrastructure. The backland infrastructure is planned to include a combination of transit sheds, warehouses, processing facilities, paved open storage areas, truck/rail loading and unloading areas, maintenance facilities and office space. In addition to the

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Paulsboro Marine Terminal, off-site components not being financed by the Corporation include the construction of a new vehicular access road and bridge and rehabilitation of mainline rail infrastructure.

The purpose of this development is to construct and operate the Paulsboro Marine Terminal at the Port of Paulsboro, which will consist of a marine terminal and processing/distribution center within a site that has been designated by Paulsboro as an area in need of redevelopment. The Corporation anticipates that the creation of the Port of Paulsboro will enable cost effective handling of more than 3.0 million tons of deep draft, internationally sourced, bulk, break-bulk and containerized cargo.

The 2009 P Bonds were issued to finance the 2009 P Paulsboro Marine Terminal Project pursuant to the Act, Section 206(c) of the General Bond Resolution, which permits the Corporation to issue Additional Bonds for Projects consisting of the repair or the replacement of facilities (i.e., Beckett Street aka Balzano Marines Terminal) that are deemed to be essential for the production of Revenues of the Corporation or for the elimination of conditions in the Corporation's facilities that are deemed to be hazardous to persons or to property, the Ninth Supplemental Resolution and the Thirteenth Supplemental Resolution.

The balance of the proceeds of the Series 2009 P Bonds were used to fund the deposit to the Debt Reserve Fund, to capitalize interest on the Series 2009 P Bonds through January 1, 2011 and to pay the costs of issuance associated with the Series 2009 P Bonds.

The aggregate deposits to the Debt Reserve Fund from the proceeds of the Series 2009 P Bonds caused the balance in the Debt Reserve Fund to be at least equal to the Debt Reserve Requirement under the Bond Resolution.

Note 15. Port of Paulsboro Project Status

The South Jersey Port Corporation (SJPC), in conjunction with the Gloucester County Improvement Authority (GCIA), 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 two-lane, public access road and bridge structure 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.

Note 15. Port of Paulsboro Project Status (continued):

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 are a two 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.

While construction on the marine terminal commenced in early 2010, key waterfront development related environmental permits were obtained in October 2010 and January 2011. As of January 2014, the Port of Paulsboro has completed (i) site demolition; (ii) installation of nearly 3,000 feet of new perimeter retaining wall; (iii) dredging and dredged material management activities associated with approximately 350,000 cubic yards; (iv) extension of 60 monitoring and 15 recovery wells; (v) placement of nearly 500,000 cubic yards of clean fill material that has raised the terminal's grade to above the 100-year floodplain elevation; (vi) installation of roughly 2 miles of storm water management systems; (vii) renovations to the marine terminal administration office and (viii) tidal wetland. In addition, during the balance of 2014, wharf construction is scheduled to commence while the balance of clean fill material placement throughout the terminal is expected to become substantially complete. Once fill material placement is completed, the terminal infrastructure such as utilities, rail track and internal roadways will commence. Completion of the Phase I construction program is targeted for late calendar year 2015.

Note 16. 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 $1,418,585 as of December 31, 2013.

Note 17. Post-Retirement Health Benefits

The Port Corporation provides health care benefits to its eligible retired employees. In order for a retiree to be eligible to receive retirement benefits from the Corporation the following conditions must be met:

A. Retire with 25 or more years of service in the New Jersey State Retirement System regardless of age.

B. Retire at age 60 or later with 15 or more years of service.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 17. Post-Retirement Health Benefits (continued):

Eligible retirees meeting the above requirements cannot have hospitalization insurance from another source. In addition, the retired Employee, his/her spouse and dependants, as defined in the plan, will be covered until said Employee reaches age 65. Should the Employee not reach age 65, his/her spouse and dependants will nevertheless be covered during the period up to the time the Employee would have reached the age of 65. The Corporation pays 100% of the medical and prescription cost after co-pays of single and dependent coverage for retires hired prior to January 1, 1991. The Corporation pays 80% of the medical cost and 100% of the prescription cost after co-pays of single and dependent coverage for retirees hired on or after January 1, 1991. Retires hired on or after December 1, 2000 pay $25 per week toward their benefits.

The South Jersey Port Corporation's annual Other Post-Employment Benefit cost is calculated based on the Annual Required Contribution. The actuarial cost method used to determine the Plan's funding requirements is the "Unit Credit" method. Under this method, an actuarial accrued liability is determined as the present value of earned benefits which is allocated to service before the current plan year. The normal cost amount is expected to increase annually at the discount rate, currently 5%. The Plan is currently unfunded. The unfunded actuarial liability is amortized over a period not to exceed 30 years. The following table shows the changes in the Corporation's annual Other Post-Employment Benefit cost for the year, the amount actually contributed to the Plan and changes in the Corporation's net Other Post-Employment Benefit obligation to the plan:

Annual Required Contribution	$ 628,284
Interest on Net Other Post-Employment Benefit	-
Adjustment to Annual Required Contribution	628,284
Annual Other Post-Employment Benefit Contributions Made	(296,676)
Increase in Net Other Post-Employment Benefit Obligation	331,608
Net Other Post-Employment Benefit, Beginning of Year	972,089
Net Other Post-Employment Benefit, End of Year	$1,303,697

Note 17. Post-Retirement Health Benefits (continued):

The Corporation's annual Other Post-Employment Benefit cost, the percentage of annual Other Post Employment Benefit cost contributed to the Plan, and the net Other Post Employment Benefit obligation (OPEB) for the year ending December 31, 2012 is as follows:

YEAR ENDED	ANNUAL OPEB COST	PERCENTAGE CONTRIBUTED	NET OPEB OBLIGATION
12/31/13	$628,284	0%	$1,303,697

Actuarial assumptions were used to value the post-retirement medical liabilities. Actuarial assumptions were based on the actual experience of the covered group, to the extent that creditable experience data was available, with an emphasis on expected long-term future trends rather than giving undue weight to recent past experience. The reasonableness of each actuarial assumption was considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions. In accordance with Local Finance Notice 2008-15 issued by the New Jersey Department of Community Affairs, the Port Corporation used demographic and health care assumptions consistent with the assumptions used by the New Jersey Division of Pensions and Benefits and the State Health Benefits Plan as reported in their July 1, 2006 Actuarial Valuation to value the GASB obligations, except where it was appropriate to use different assumptions.

Two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that being partially funded. A discount rate of 5.0 percent was assumed, for purposes of developing the liabilities and Annual Required Contribution on the basis that the Plan would not be funded. We assumed health care costs would increase annually at a rate of 7%.

The valuation projects the cost to the South Jersey Port Corporation of providing medical, prescription drugs, dental and vision benefits to employees who remain in the medical plan after retirement (post-employment coverage). South Jersey Port Corporation self-insures the health plan. The Corporation elected to use for this valuation claims costs based on the claims costs for the South Jersey Port Corporation health claims experience and demographics. Benefit claims were based on an annual average claims cost of approximately $19,932 per covered retiree for family coverage and $7,512 for single coverage prior to age 65. The annual cost to purchase stop loss insurance is included in the total annual health care cost and the annual cost to administer the retiree claims, approximately 2%, is included in the annual health care costs. For claims cost purposes, it was assumed that married employees will remain married.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 17. Post-Retirement Health Benefits (continued):

An actuarial study was conducted for the Corporation for the first time in calendar year 2007 and has been recalculated every three years thereafter. As per GASB #45 the Corporation is not required to perform another actuarial study until 2015.

The Corporation currently has thirteen eligible retired employees receiving retirement benefits. The net Other Post-Employment Benefit obligation to the Corporation to provide benefits to the retirees for the year ended December 31, 2013, was $1,303,697. Actual cost incurred for Early Retiree Benefits for the year ended December 31, 2013 totaled $296,676.

Note 18. 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 October 29, 2013 and the Corporation is in material compliance with the arbitrage rebate requirements.

Note 19. Prior Period Adjustment

In accordance with GASB Statement No. 65 the Corporation is required to remove the unamortized issuance costs of $8,372,882 from the Statement of Net Position and record a prior period adjustment for the same amount in the Statement of Revenues, Expenses and Changes in Net Position in order to comply with the change in accounting principle.

SCHEDULE OF NET POSITION (SCHEDULE 2)
DECEMBER 31, 2013

ASSETS	UNRESTRICTED OPERATING ACCOUNTS	RESTRICTED DEBT SERVICE ACCOUNT	RESTRICTED DEBT SERVICE RESERVE ACCOUNT	RESTRICTED MAINTENANCE RESERVE ACCOUNT	RESTRICTED CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Current Assets:							
Cash & Cash Equivalents	$8,612,249		15,540,169		84,887,816	3,447	109,043,681
Accounts Receivable (Net of Allowance for Doubtful Accounts of $341,243)	2,962,604						2,962,604
Due from State			14,756,323				14,756,323
Other Accounts Receivable	804,974						804,974
Prepaid Expenses	297,899						297,899
Inventory of Supplies	1,418,585						1,418,585
Interfund Accounts Receivable	97,203,804	70,778,966	82,215,405	510,175	90,759,071		341,467,421
Total Current Assets	111,300,115	70,778,966	112,511,897	510,175	175,646,887	3,447	470,751,487
Property, Plant & Equipment (Note 5)					215,045,688		215,045,688
Construction in Progress					86,485,934		86,485,934
Bond Financing Costs					9,159,938		9,159,938
Subtotal					310,691,560		310,691,560
Accumulated Depreciation & Amortization					102,425,902		102,425,902
Total Property, Plant & Equipment & Construction in Progress					208,265,658		208,265,658
Total Assets	111,300,115	70,778,966	112,511,897	510,175	383,912,545	3,447	679,017,145

SCHEDULE OF NET POSITION (SCHEDULE 2)
DECEMBER 31, 2013

LIABILITIES	UNRESTRICTED OPERATING ACCOUNTS	RESTRICTED DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE ACCOUNT	MAINTENANCE RESERVE ACCOUNT	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Current Liabilities Payable from Assets:							
Accounts Payable	69,457						69,457
Contracts Payable					2,667,839		2,667,839
Capital Lease Payable					1,200,000		1,200,000
Accrued Expenses	1,023,528						1,023,528
Accrued Interest Payable		7,521,359					7,521,359
Accrued Vacation Payable	180,230						180,230
Accrued Payroll	153,974						153,974
Payroll Taxes Payable	52,139						52,139
Lease Security & Escrow Deposits	208,595						208,595
Revenue Bonds - Short Term					5,185,000		5,185,000
Interfund Accounts Payable	90,417,398	63,257,607	87,752,067		100,036,902	3,447	341,467,421
Total Current Liabilities	92,105,321	70,778,966	87,752,067		109,089,741	3,447	359,729,542
Revenue Bonds (Long-Term Portion)					266,290,000		266,290,000
Early Retirement Payable	1,171,086						1,171,086
Post Retirement Benefits Payable	1,303,697						1,303,697
Capital Lease Payable				800,000			800,000
Total Liabilities	94,580,104	70,778,96687,752,067			376,179,7413,447		629,294,325
DEFERRED INFLOWS OF RESOURCES							
Service Concession Arrangements	818,615						818,615
Unamortized Bond Premium					4,494,607		4,494,607
Total Deferred Inflows of Resources	818,615				4,494,607		5,313,222
NET POSITION							
Net Investment in Capital Assets				510,175	3,238,197		3,748,372
Reserve for Payment of Debt Service			24,759,830			24,759,830	
Reserve for Inventory Supplies	1,418,585						1,418,585
Unreserved	14,482,811						14,482,811
Net Position	$15,901,396	-	24,759,830	510,175	3,238,197	-	44,409,598

SCHEDULE OF CHANGES IN NET POSITION ALL ACCOUNTS (SCHEDULE 3)
DECEMBER 31, 2013

	OPERATING ACCOUNTS	DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE	MAINTENANCE RESERVE	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Net Position, January 1							
Restated	$17,506,328	(505,169)	25,408,680	510,175	(2,369,239)		40,550,775
Add:							
Excess of Revenue Over							
Expenses	3,654,091						3,654,091
State of New Jersey:							
Debt Service Aid			14,756,323				14,756,323
PILOT Payments						5,100,224	5,100,224
Federal Subsidy Revenue	2,988,543						2,988,543
Depreciation on Contributed Capital							
Insurance Proceeds					42,955		42,955
Interest on Investments					522,569		522,569
Unrealized Gain on Investment			341,994				341,994
Interfund Transfers	68,967,542	15,673,163			77,189,963		161,830,668
Total	93,116,504	15,167,994	40,506,997	510,175	75,386,248	5,100,224	229,788,142
Deduct:							
Interest Expense	99,043	15,167,994					15,267,037
Depreciation/ Amortization Expense						3,180,509	3,180,509
Transfer of Depreciation to Contributed Capital							
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
Inventory of Supplies	106						106
Interfund Transfers	77,115,959		15,747,167			68,967,542	
161,830,668							
Total	77,215,108	15,167,994	15,747,167		72,148,051	5,100,224	185,378,544
Net Postion							
December 31, 2013	$15,901,396	-	24,759,830	510,175	3,238,197	-	44,409,598

SOUTH JERSEY PORT CORPORATION
2013 ANNUAL REPORT

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