2005
ANNUAL REPORT

South Jersey Port Corporation

SJPC

SOUTH JERSEY
PORT CORPORATION

CONTENTS

TO THE GOVERNOR AND LEGISLATURE

The South Jersey Port Corporation (SJPC), perhaps uniquely among agencies of the State of New Jersey, is both a public servant and a business. That's why it is gratifying to report to you that, during 2005, the SJPC served the public of New Jersey and of the South Jersey region so well with effective business management and planning, as it once again achieved a combined record level of business at the Ports of Camden and Salem.

Importantly, while the SJPC achieved record cargo tonnage levels for the third consecutive year and installed and implemented the use of important new infrastructure at the Port of Camden, the port corporation made important strides forward with planning for development of a fourth port in South Jersey at Paulsboro.

Combined cargo totals at Camden and Salem during 2005 topped 3.5 million tons, a healthy 3.5 percent increase over 2004, with leading commodity categories including cement, steel, scrap, wood products and fruit. Once again the volume of cocoa bean imports increased at the Port of Camden, making this port not only a national leader in plywood imports but also now for cocoa beans shipped to the United States from West Africa and Asia. Indeed, cocoa bean imports through the Port of Camden grew by an enormous 58 percent during 2005 to more than 132,000 tons.

At the Broadway Terminal of the Port of Camden, the SJPC received, installed and put to work a new $7.2 million lift crane and conveyor system with a 90-ton capacity that is part of the reconstruction and revitalization of Broadway's Pier 1A. This development is part of the long-range improvement of the port, a facility that sustains 2,000 jobs as it continues to be a mainstay of private sector employment and investment in the City of Camden.

At the Port of Salem, the SJPC welcomed a principal new tenant. National Docks is a sand and gravel business that brought 90,000 tons of material through the port in just six months of operation during 2005. Importantly, this new tenant brings long-term stability to the state's southernmost port. In a development to sustain the viability of the port, the Salem River channel deepening from 12 feet to 16 feet in a project was funded jointly from state and federal resources.

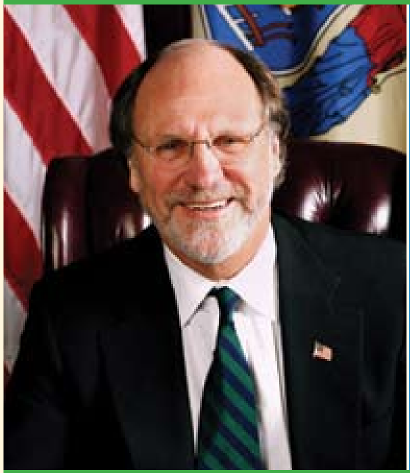
With business strong at its operating ports, the SJPC moved forward during 2005 to develop the Port of Paulsboro so that New Jersey will have the ability to meet a growing need for maritime facilities to serve South Jersey. The SJPC board approved bond financing for development of a port that will have an integrated marine terminal and industrial distribution center in a long-term plan that foresees build out to a maximum of six ship berths.

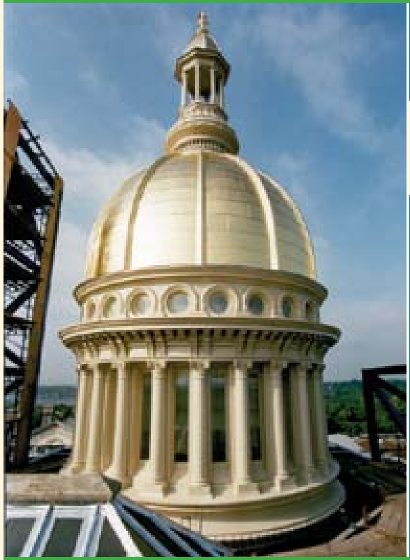
In summary, during 2005, the business of the South Jersey Port Corporation remained strong, grew and gave every indication that the agency will achieve new levels of success in the future from the investments it brought on-line and the planning for the future that moved forward during the year.

Sincerely,

Richard A. Alaimo
Chairman

GOVERNOR JON S. CORZINE





SJPC BOARD OF DIRECTORS

RICHARD A. ALAIMO
Chairman

Mr. Alaimo is founder and President of the Alaimo Group, Consulting Engineers, located in Mount Holly and Paterson; he is a Consulting Civil and Sanitary Engineer as well as a Licensed Professional Engineer in New Jersey, Pennsylvania and Delaware and Professional Planner. A graduate of the Rutgers University College of Engineering, he has been a member of the Port Corporation since 1968, representing Burlington County.

CHAD M. BRUNER
Director

Mr. Bruner is Deputy Administrator for Gloucester County and Director of the Gloucester County Department of Health & Senior Services. An adjunct professor at Rowan University, he graduated from Emory University School of Business Administration in Atlanta with a BBA and received an MBA from Rowan. A Commissioner of the Gloucester County Improvement Authority, he was appointed to the SJPC Board of Directors in December 2002, representing Gloucester County.

JONATHAN S. GERSHEN
Director

Mr. Gershen is the Vice President and General Counsel of The Gershen Group, LLC, located in Princeton. Mr. Gershen currently serves on the board of the NJ Apartment Association. A graduate of Brandeis University and Benjamin N. Cardozo School of Law, he is a member of the New Jersey Bar. Mr. Gershen was appointed to the Port Corporation Board in 2002, representing Mercer County.

JOSEPH A. MARESSA, JR.
Director

Mr. Maressa is President of Title America Agency Corp., and is a partner in Cedarbrook Properties, LLC. A graduate of the Peddie School, Rowan University and the Widener University School of Law, Maressa is a partner in the law firm of Maressa, Goldstein, Patterson, Drinkwater, Oddo and Flynn. He is also managing member of Kimberly Builders, LLC, and a managing member of Chancellor Development Group. Mr. Maressa was appointed to the SJPC Board in January 2004, representing Camden County.

SJPC BOARD OF DIRECTORS

ERIC E. MARTINS
Director

Eric E. Martins, Esq. is the Managing Director of Duane Morris Government Affairs in Trenton. Mr. Martins is a member of the Board of Trustees of Junior Achievement and the Arts and Business Partnership of Southern New Jersey. The former Chairman for the Mercer County College Board of Trustees Advisory Committee, he is a graduate of the University of Pennsylvania Law School in and The College of New Jersey. Mr. Martins was appointed to the Port Corporation Board in 2004 representing Mercer County.

CRAIG F. REMINGTON
Director

Mr. Remington is a Principal of Remington & Vernick Engineers, located in Haddonfield, serving clients throughout New Jersey, Pennsylvania and Delaware and serves as Vice president and Treasurer. Mr. Remington is a licensed Professional Land Surveyor and Professional Planner and is a graduate of Drake University and Temple University. He has been a member of the Port Corporation since 2001, representing Camden County.

BARBARA TOMALINO
Director

Ms. Tomalino is owner and President of Paramount Air Service, the nation's largest and oldest aerial advertising firm, headquartered in Cape May Courthouse. Ms. Tomalino is a Commissioner of the New Jersey Commerce and Economic Growth Commission and is Chair of the Cape Women's Resource Fund as well as the Cape Education Fund.She was appointed to the Port Corporation in December 1995, representing Cape May County.

2005 OVERVIEW

In a word, 2005 was a year of ***more*** *at the South Jersey Port Corporation (SJPC) — more business, more growth, more expansion, more efficiency and more prospects to grow the ports of South Jersey. The SJPC experienced more business during 2005 than ever before in its history and installed more and better infrastructure as it realized operational returns on investment decisions made during the current decade. The corporation also advanced its management of port security, a vital element in the contemporary port industry and marked advances on its way to developing a new port in the South Jersey region.*

THE PORTS

For the third consecutive year the SJPC recorded combined record total cargo tonnage at its two operating ports, the Port of Camden and the Port of Salem, as combined cargoes for the first time surpassed 3.5 million tons. The record cargo results were spurred both by significant increases in bulk and containerized cargoes. In fact the total tonnage of containerized cargo moving through the ports more than doubled during the year in part on the strength of new activity at the Port of Salem.

Cargo totals, including both exports and imports, were 3,555,549 tons for the year, an increase of 3.5 percent from cargoes totaling 3,433,066 tons during 2004. Leading commodity categories during 2005 were cement, steel, scrap, wood products, fruit and Grancem®. Cargo categories that showed a year over year increase during 2005 included cement, scrap metal and Grancem®.

A notable increase occurred in cocoa bean import tonnage, which experienced a year-over-year 58 percent increase in 2005 to 132,284 tons as the Port of Camden continued to emerge as one of if not in fact the dominant U.S. point of entry for cocoa beans from the Ivory Coast in Africa and from Indonesia and other nations in Asia. The ports proximity to the chocolate manufacturing industry, more than 90 percent of which is based within 100 miles of Camden, has made the Port of Camden the increasingly logical choice for cocoa bean importation.

Cargoes arriving and departing the ports in containers grew from 145,205 tons in 2004 to 305,336 tons in 2005. The Port of Camden, with its expanding facilities and new efficiencies, handled 97 percent of total tonnage during 2005, including 2.281 million cargo tons at the Beckett Street Terminal and 1.184 million tons at the Broadway Terminal, while the Port of Salem handled 90,000 tons of cargo, largely on the basis of the arrival of a major new tenant.

The record tonnage was achieved

2004 VS 2005 CARGO TONNAGE

CARGO	2004	2005
Cement	740,936	788,840
Steel	555,293	442,548
Scrap metal	527,208	624,102
Wood Products	520,829	427,280
Fruit	486,337	349,579
Grancem®	231,687	298,852

2005 OVERVIEW

with 337 ship calls at the Port of Camden that generated 884 ship days in port. Import tonnage totaled 2.470 million tons while exports totaled 994,905 tons, an increase of 226,367 tons over 2004.

An indication of the increased business at the port came one day during the winter when on February 2 three ships tied up at the port of Camden on the same day, the first time the port had hosted three ships since 2001.

On that day the M.V. Marielle Bolton delivered a cargo of steel coils from Germany and then took on a return cargo of steel destined for finishing in Germany, while two ships unloaded cocoa beans, the M.V. Wedellsborg unloading a cocoa bean cargo from Indonesia while the M.V. Louis brought a similar cargo from the Ivory Coast.

NEW CRANE

During February the new heavy lift crane manufactured in Thailand for the SJPC by Kock's of Germany arrived for installation. Placement and installation of the crane at the new Pier 1A at the Broadway Terminal proceeded. The total $25 million Pier 1A project included $7.2 million to construct and install the crane and its conveyor system designed to move cargo quickly and efficiently. The crane has a 90-ton lift capacity.

With installation completed during June, the M.V. Four Etoiles became the first ship to tie up to the rebuilt Pier 1A, bearing a cargo of furnace slag, the raw material used by major port tenant St. Lawrence Cement in the manufacture of Grancem®. The inaugural use of Pier 1A marked the achievement of a major goal of the port corporation's long-term infrastructure development and improvement program. It provides ships closer access to the St. Lawrence plant for the importation of furnace slag and the export of Grancem®, with these operations shifted to the Broadway Terminal from the Beckett Street, thereby removing a vast amount of truck traffic from local streets. Prior to the utilization of the rebuilt Pier 1A and the new crane, these cargoes had to be carried by truck to and from the St. Lawrence plant and ships calling at the Beckett Street Terminal with cargoes to or from St. Lawrence.

2005 OVERVIEW

The late summer brought sad news from the Port of New Orleans and other gulf ports as Hurricane Katrina heavily damaged these facilities and took them off line for a period that turned out to be several months. The disruption of the gulf ports demonstrated the inter-relationship of the maritime industry and trade throughout the nation. Historically, New Orleans is the nation's largest port for the importation of plywood, which comes principally from Asia. In the aftermath of the great storm, with the Port of New Orleans shut down, two ships bearing plywood cargoes diverted to the Port of Camden, the nation's second largest plywood port.

2005 OVERVIEW

MORE ABOUT OUR PORTS

Perhaps Hurricane Katrina is the kind of natural disaster the Army had in mind when, during October, the Port of Camden hosted visitors from the U.S. Army Logistics Command as they inspected the port for possible designation as a strategic contingency facility. The Army identifies ports around the nation for this purpose to facilitate the mobilization of port facilities in the even of a national disaster or military emergency. The Army officials spent a week at the port evaluating facilities and reviewing management.

Progress also came at the SJPC's other operating port during 2005. At the Port of Salem the SJPC welcomed a new principal tenant. National Docks is a sand and gravel business that brought 90,000 tons of material through the port in just the second half of the year after it concluded its agreement with the SJPC and began operations. Salem is also home to Mid-Atlantic Shipping and Stevedoring, Inc, shipping services with the Bermuda Line that operates next to the port on a privately owned site adjacent to the National Docks location.

The Port of Salem is on the Salem River, a Delaware River tributary. During 2004 the Salem River channel was deepened from 12 feet to 16 feet. To keep the channel at 16 feet, U.S. Representatives Frank LoBiondo, N.J. 2nd District, and Rob Andrews, N.J. 1st District, obtained $869,000 in federal funding for maintenance dredging through the 2006 Energy and Water Development Appropriations bill. The New Jersey Department of Transportation's Office of Maritime Resources agreed to provide additional funding for the vital maintenance program. The SJPC took over ownership and operation of the Port of Salem in 1991.

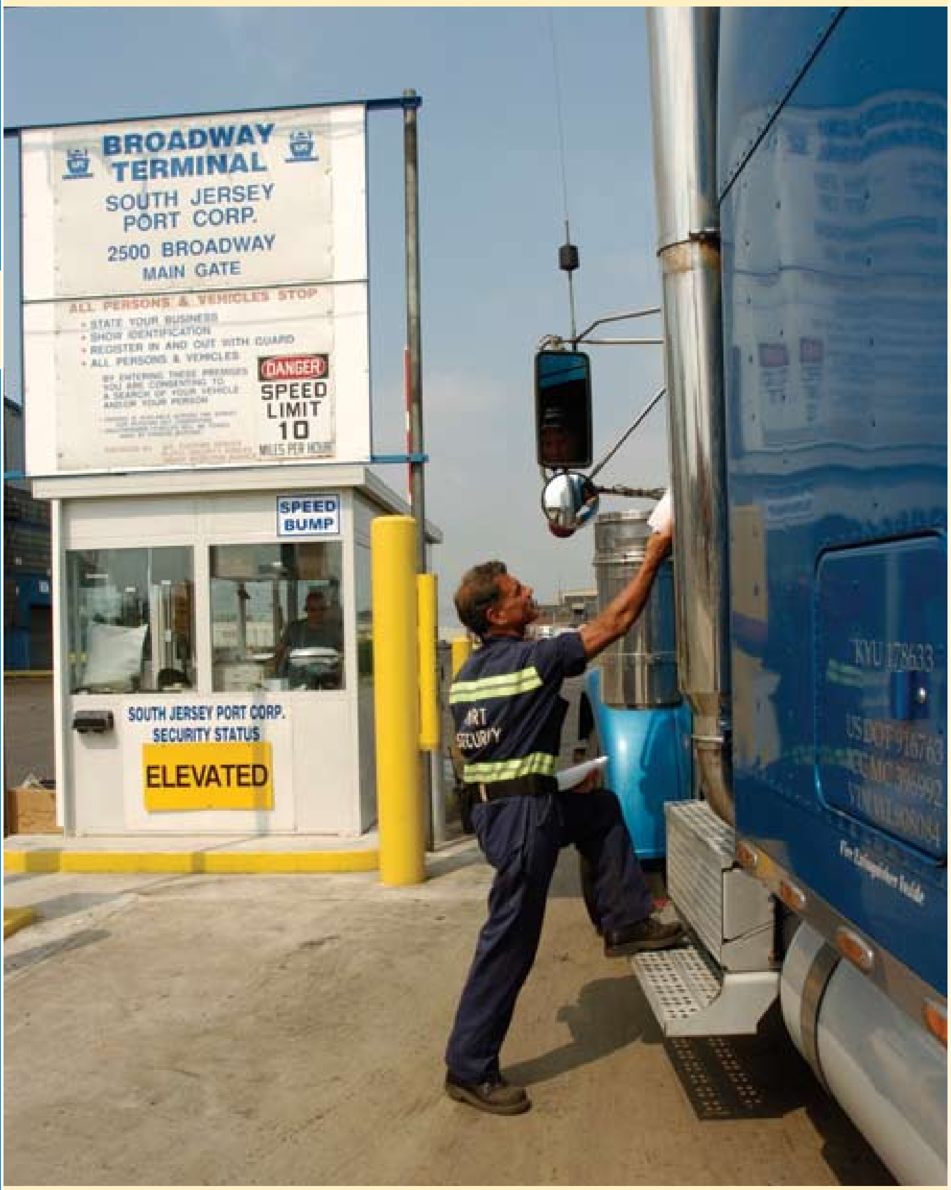
The ongoing success of the Ports of Camden and Salem and the continuing growth of the South Jersey region convinced the SJPC to examine the need for possible development of a third port in the region the agency serves. As a result, the SJPC moved ahead in 2005 with plans to develop a new SJPC port on the Delaware River at Paulsboro, Gloucester County, principally on the site of a former British Petroleum (BP) refinery. The total location comprises 190 acres of which 130 acres is the BP site.

During June the Board of Directors of the SJPC took a major step toward the realization of the third port goal. The board approved funding for first phase development. The resolution of the board approved eventual bond financing of up to $135 million. It also authorized initial funding for environmental and engineering permitting and pre-development engineering costs. At the time of the approval, the SJPC estimated that over time and as the Paulsboro port developed, this investment would attract and spur more than $250 million in new private investment as tenants signed up and came to Paulsboro to develop businesses in and around the planned port.

The general port development plan (see drawing at left) for which the board approved funding called for an integrated marine terminal and industrial distribution center with up to 2 million square feet of covered space.

The long-term plan is for a port with six ship berths with efficient modern cargo handling infrastructure like roll-on and roll-off capabilities and lift-on/lift-off berths. Initial development would involve construction of two berths for a port that like the Port of Camden would handle both bulk and break bulk cargoes as well as containerized cargo.

Port security has been a national as well as regional and local concern since the events of September 11, 2001. Early in 2005 the U.S. Coast Guard completed a mandated inspection of security at the Port of Camden, giving the port a more than passing grade. The inspection was carried out under a requirement of the Maritime Transportation Security Act of 2002, itself an outgrowth of the reaction to 9/11.



Also, during 2005, the SJPC and its security contractor, Lockheed Martin, completed a $1.4 million security upgrade at the Port of Camden. The funding, from the federal government, paid for new guard booths, fencing and a closed circuit television surveillance system as well as development of security procedures and protocols. The SJPC also continued during 2005 to take part in a pilot project of the U.S. Transportation Security Administration to develop a Transportation Worker Identification Card (TWIC). The objective is to develop a nationally recognized credential for all workers who have regular access to the nation's air, sea and river ports.

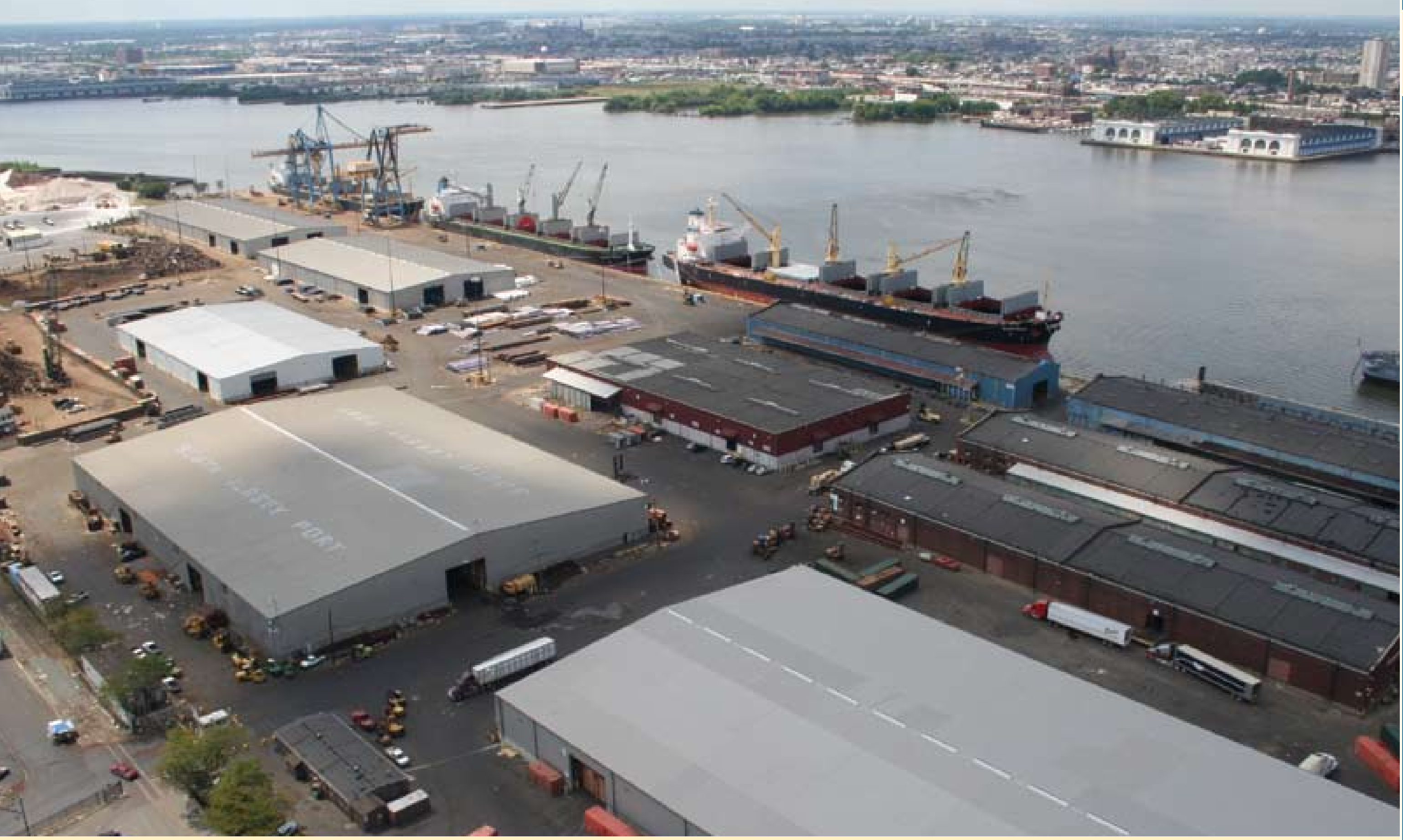
OTHER ACTIVITIES

During 2005, the SJPC initiated discussions with the Camden School District about developing a field visit program for Camden elementary school children which resulted in a visit by about 40 Camden school principals and administrators who were impressed by the potential to make it a valuable learning experience. The SJPC began planning a prototype field trip to assess long-term feasibility for a program geared to the 1,100 4th grade students in the Camden schools in any given year.

During the summer of 2005 all employees of the SJPC received mandatory training in public ethics requirements. The training, in accord with Executive Order 41 issued by Gov. Richard J. Codey, requires all state agencies to conduct the training for all employees. Staff of the New Jersey Executive Commission on Ethical Standards provided the training.

BECKETT STREET TERMINAL

- Location: Beckett and Second Streets, Camden, NJ
- Cargoes: coca beans, wood, scrap steel and steel products wood products, iron ore, pyrite, scrap metal and salt
- Area: 125 acres
- Berths: Four, total 2,655 linear feet (701 meters)
- Depth at MLW: 40 feet (12.2 meters)
- Storage capacity: 19 dry warehouses comprising 1,110,000 square feet (103,160 square meters)
- Heavy lift cranes: One multi-purpose bulk/crane, 95 tons (86.21 metric tons); one general purpose cargo-container crane, 35 tons (31.8 metric tons)
- Equipment: Variously sized forklifts, top picks, earthmoving equipment, lo-boy trucks, special cargo handling trucks
- Direct transfer: Direct to truck, rail and vessel
- Truck gates: Beckett Street main gate and six storage area gates
- Highway access: Direct to I-676, I-76, US Rte.130 and I-295
- Rail connections: CSX, NS, and CP rail systems.
- Other features: All-weather loading, temperature-controlled and food-grade warehousing, rail service for all storage warehouses and sheds, and custom cargo



BROADWAY TERMINAL

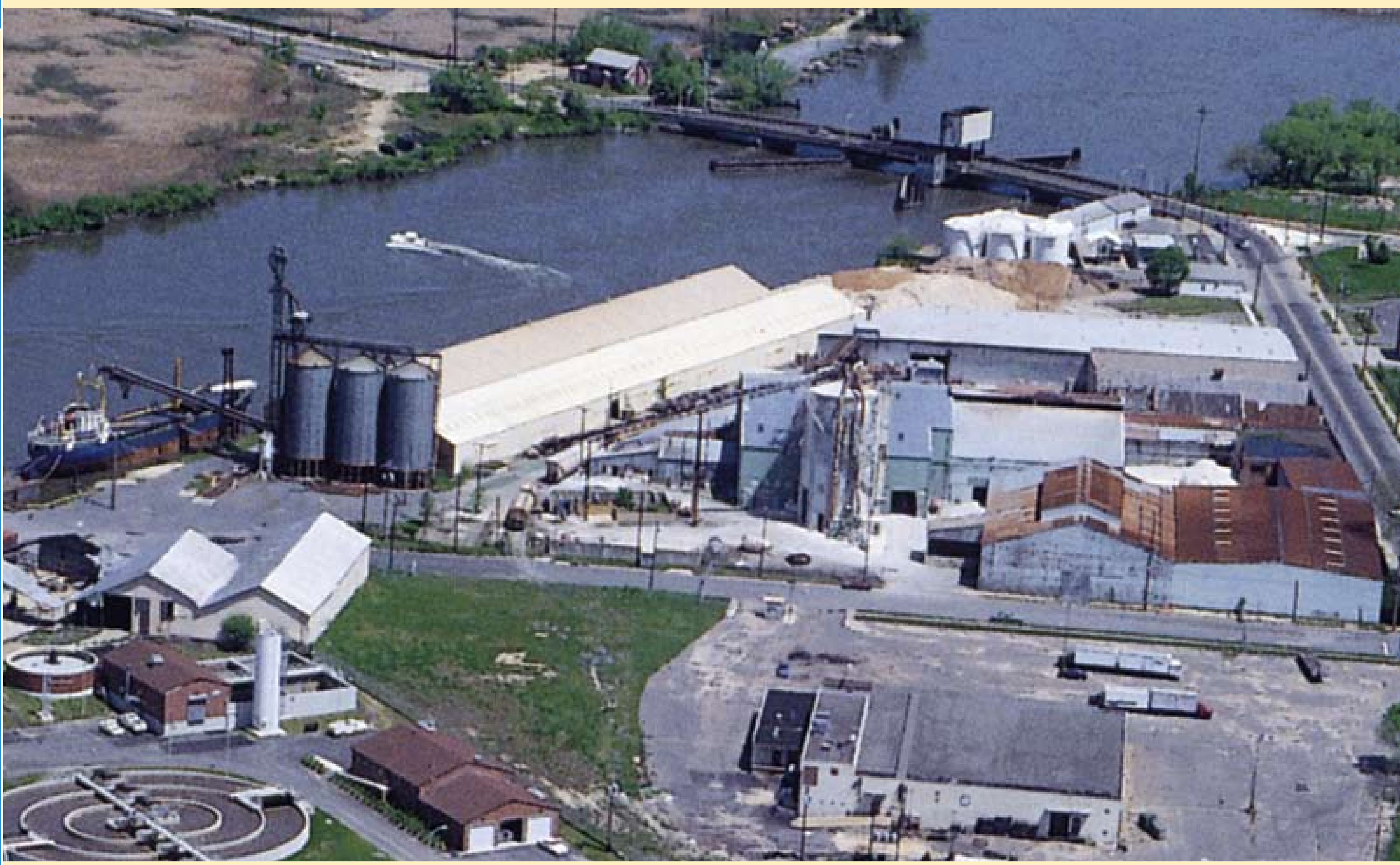
- Location: Broadway at Morgan Boulevard, Camden, NJ
- Cargoes: Furnace slag, cement, steel products, wood products, dolomite, salt, cocoa beans and perishables
- Area: 180 acres
- Berths: Two, 2,000 linear feet (606 meters)
- Depth at MLW: Pier 1 — 35 feet (10.7 meters), Pier 2 — 40 feet (12.2 meters)
- Storage capacity: 29 dry warehouses providing 1.1 million square feet (102,600 square meters)
- Cranes: Multi-purpose electric — 75 tons (968 metric tons)
- Equipment: Shared with Beckett Street
- Direct transfer: Direct to truck, rail and vessel
- Truck gates: Three
- Highway access: Direct to I-676, I-76, US Rte. 130 and I-295
- Rail connections: CSX, NS, and CP rail systems.
- Other features: Full service for all break-bulk and bulk cargoes, 30-acre open laydown space, bulk cargo storage with direct rail service

BROADWAY PRODUCE TERMINAL

- Location: 2500 Broadway, Camden, NJ
- Operator: Del Monte Fresh Produce, N.A. Inc.
- Cargoes: Bananas, pineapples and other perishables
- Area: 28 acres
- Berths: One, 1,135 linear feet (345.9 meters)
- Depth at MLW: 35 feet (10.7 meters)
- Storage capacity: Three temperature-controlled warehouses of 60,000 square feet (5,574 square meters) and 75,000 square feet (6,967 square meters), and 75,600 square feet (7,052 square meters). One dry warehouse of 25,000 square feet (2,322 square meters)
- Cranes: Mobile shore cranes available
- Equipment: Provided by Del Monte
- Loading docks: 36
- Direct transfer: Direct to truck and rail; LCL and FCL landing
- Truck gates: One
- Highway access: Direct to I-676, I-76, US Rte. 130 and I-295
- Rail connections: CSX, NS, and CP rail systems.
- Other features: 2,000 feet of rail siding for intermodal COFC transfer

PORT OF SALEM

- **Location: Salem, NJ, at Exit 1 of the New Jersey Turnpike**
- **Cargoes: wearing apparel, finishing apparel, motor vehicles, food products, sand and gravel**
- **Area: 22 acres**
- **Berths: One, 350 linear feet (130 feet sheathed)**
- **Storage capacity: 80,000 square feet of shed and warehouse space**
- **Highway access: Direct access to Rt. 49, Rt. 45 with access to US 130, I-295 and NJ Turnpike**
- **The Port of Salem is designated as a Foreign Trade Zone (#142) in combination with the nearby Millville (NJ) Airport**



PORT MANAGEMENT

JOSEPH A BALZANO

EXECUTIVE DIRECTOR & CEO

KEVIN CATAGNOLA

ASSISTANT EXECUTIVE DIRECTOR/ DIRECTOR OF OPERATIONS

JAY JONES

DEPUTY EXECUTIVE DIRECTOR/ ADMINISTRATIVE SERVICES

JOHN MAIER

BOARD SECRETARY

HENRY D'ANDREA

FACILITIES ENGINEER

MARC ORSIMARSI

DIRECTOR OF FINANCE

MICHAEL ANGELINI

PORT COUNSEL

PORT STAFF

STEVEN ANDERSON, Warehouse Coordinator
RONALD BURCH, Guard
MARIE CIPOLONE, Administrative Secretary
MICHAEL COLAVITA, General Manager, Maintenance of Facilities & Mobile Equipment
EDWARD CONVERY, Assistnat Operations Supervisor
BROOKE COONEY, Warehouse Clerk
ROBERT CURLL, Assistant Warehouse Superintendent
MELVIN DENBY, Maintenance Foreman
JOSEPH DIAMOND, Terminal Superintendent
ANTHONY DOCIMO, Maintenance and Engineering Assistant
ATHINA EFELIS, Billing Assistant
MICHAEL ELLIOTT, Security Manager
RAYMOND GALLAGHER, Data Entry Clerk
OANH GLANZ, Accounts Payable/Receivable Coordinator
STEVEN GRIFFIN, Assistant Terminal Superintendent
ANNE HALL, Timekeeper/Senior Payroll Manager
THOMAS JOHNSON, Marketing Representative/ Operations Assistant
WILLIAM KELLEY, Operations Supervisor
GINA LYNN, Assistant Warehouse and Billing Manager
FRANCO MASTROGIORGIO, Maintenance Facilities Manager
ROSEMARIE MCBRIDE, Senior Purchasing Agent
TIMOTHY MCCARTHY, Broadway Terminal Superintendent
MAUREEN MCHUGH, Executive Assistant
ROBERT MANCINE, Operations Supervisor
BERNADETTE MEADS, Financial Clerk
DOUGLAS MILLER, Senior Operations Supervisor
JOHN MITCHELL, Warehouse Clerk/Supervisor
LIEN NGUYEN, Logistics Administrator
DEBBI-ANNE SILVERMAN, Billing Manager
MICHAEL SPENCER, Senior Accountant
BRIDGETTE SULLIVAN, Personnel Administrator/Administrative Assistant
MICHAEL SVIBEN, Associate Technical Assistant
JAMES WOLF, Operations Supervisor
JOHN YARNALL, Warehouse Manager

In 1968, organization and operation of the Port of Camden entered a new phase and a new era as the State Legislature authorized creation of the SJPC from the former South Jersey Port Commission.

INDEPENDENT AUDITOR'S REPORT

Board of Directors of the South Jersey Port Corporation
County of Camden
2nd & Beckett Streets
Camden, New Jersey 08103

We have audited the accompanying 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 year ended December 31, 2005, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our 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, County of Camden, State of New Jersey, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2006, on our consideration of the South Jersey Port Corporation's internal control over financial reporting and our 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 our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis information and budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Jersey Port Corporation basic financial statements. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary schedules listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Holman & Frenia, P.C.

HOLAMN & FRENIA, P.C.
Certified Public Accountants

Medford, New Jersey
March 1, 2006

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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
2nd & Beckett Streets
Camden, New Jersey 08101

We have audited the financial statements of the South Jersey Port Corporation, County of Camden, State of New Jersey, as of and for the fiscal year ended December 31, 2005, and have issued our report thereon dated. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether the South Jersey Port Corporation's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to the Management in a separate Management dated March 1, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Jersey Port Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of management, other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Holman & Frenia, P.C.

HOLMAN & FRENIA, P.C.
Certified Public Accountants

Medford, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 ended December 31, 2005.

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. A seven member Board of Director's governs the Port Corporation.

The Port Corporation operates the Beckett Street 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 Treasury.

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

Approximately 3.556 million tons of cargo passed through the Port Corporation's facilities in 2005. Promoting economic development, enhancing intermodal facilities, and partnering with private businesses are roles the Port Corporation firmly embodies, as is its mission of job growth and port development.

Financial Highlights

The assets of the Port exceeded its liabilities at December 31, 2005 by $42,530,053. Included in this amount are $22,641,132 invested in capital assets net of related debt. Also included are $10,436,778 reserved for debt service payment, reserve for supply of inventories on hand of $1,017,213, and unreserved retained earnings of $8,434,930.

On December 1, 2002 the Port restructured its long term debt by refunding its Marine Terminal Revenues Bonds. It issued two new series of Bonds totaling $121,325,000. Included in this amount is approximately $38,000,000 in net proceeds for Port capital projects that have been undertaken. On October 16, 2003 the Port issued an additional $11,305,000 in Marine Terminal Revenue Bonds. The net proceeds of $11,218,000 are being utilized for specific capital projects that have been completed.

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 Assets, 2) Statement of Revenue and Expenses and Changes in Net Assets, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements.

The statement of net assets presents information on all of the Port's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets, 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 assets presents information showing how the Port's operations generated revenues and required expenses, regardless of the timing of related cash flows.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Port assets exceeded Port liabilities by $42,530,053 and $40,387,905 at December 31, 2005 and 2004, respectively.

Port's Net Assets

	2005	2004
ASSETS		
Current & Other Assets	$37,578,054	51,610,466
Capital Assets (Net)	145,951,219	142,760,755
Total Assets	183,529,273	194,371,221
LIABILITIES		
Current Liabilities	17,020,642	25,925,095
Long-Term Liabilities	123,978,578	128,058,221
Total Liabilities	140,999,220	153,983,316
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	22,641,132	19,269,227
Restricted for:		
Reserve for Payment of Debt Service	10,436,778	10,436,778
Reserve for Inventory Supplies	1,017,213	
Unrestricted:		
Unreserved	8,434,930	10,681,900
Total Net Assets	$42,530,053	40,387,905

The largest portion of the Port's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment), less any related debt to acquire those assets that are still outstanding. Currently the amount of $22,641,132 reflects the current issuance of the three new bond series.

An additional portion of the Port's net assets represents resources that are subject to external restrictions on how they may be used. They are used for Capital projects, debt service payments, and county tax payments. Unrestricted net assets are available for any Port related use.

Port Activities:

Port activities for 2005 and 2004 resulted in operating income before depreciation and amortization of $3,762,849 and $3,127,773, respectively.

Port Changes in Net Assets

	2005	2004
Operating Revenues:		
Handling	$7,352,513	$7,326,658
Leasing	6,036,198	4,692,247
Dockage & Wharfage	5,803,530	5,676,673
Storage	2,741,145	2,041,424
Crane	1,824,755	1,615,688
Other	46,182	547,602
Total Operating Revenues	24,304,323	21,900,292

MANAGEMENT'S DISCUSSION AND ANALYSIS

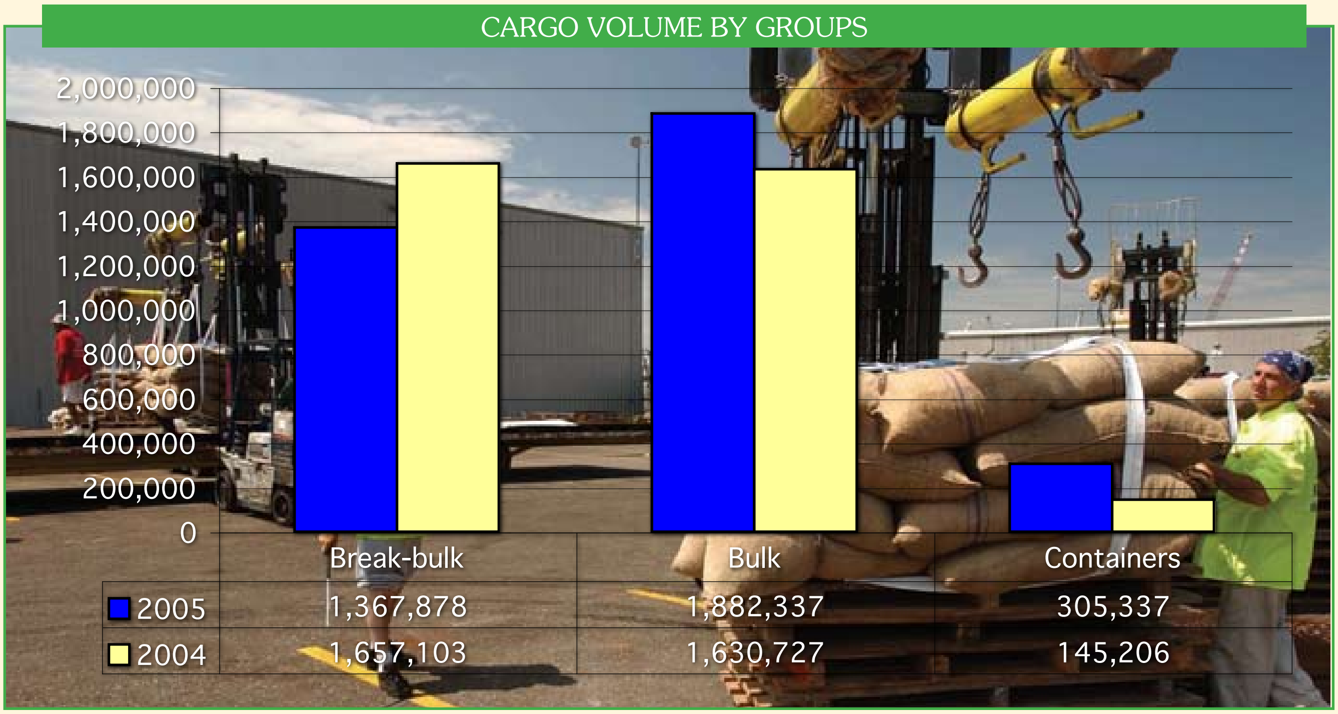
Port Changes in Net Assets (continued):

	2005	2004
Operating Expenses:		
General Operating	13,357,009	12,654,391
Repair & Maintenance	1,172,327	1,037,266
General & Administrative	6,012,138	5,080,861
Total Operating Expenses	20,541,474	18,772,518
Operating Income Before Other Operating Expenses	3,762,849	3,127,774
Other Operating Expenses:		
Depreciation	4,526,578	3,689,428
Operating Gain/(Loss)	(763,729)	(561,654)
Nonoperating Revenues/(Expenses)		
Interest on Investments	370,850	475,656
Insurance Proceeds	460,770	159,765
Security Grant Revenue	-	1,839,000
Unrealized Gain/(Loss) on Investment	85,200	272,753
Bond Interest	(5,986,778)	(6,158,402)
Net Nonoperating Expenses	5,069,958)	(3,411,228)
Net Loss Before Transfer of Depreciation to Contributed Capital	(5,833,687)	(3,972,882)
Transfer of Depreciation to Contributed Capital	71,369	94,661
Net Loss Before Operating Transfers	(5,662,318)	(3,878,221)
Operating Transfers To/ From State of New Jersey/Other:		
Debt Service Aid	6,455,167	6,962,739
On-Behalf PILOT Revenues	2,000,000	2,000,000
On-Behalf PILOT Expenditures	(2,000,000)	(2,000,000)
County PILOT Revenues	419,000	419,000
County PILOT Expenditures	(419,000)	(419,000)
Salem PILOT Revenues	23,490	22,413
Salem PILOT Expenditures	(23,490)	(22,413)
Change in Inventory of Supplies	1,017,213	
Total Operating Transfers	7,472,380	6,962,739
Net Income/(Loss)	1,810,062	3,084,518
Net Assets/(Deficit) - January 1, Previously Reported	39,560,736	37,039,439
Adjustment of Long Term Debt -See Note 15	53,068)	(563,221)
Net Assets/(Deficit) - January 1 as Restated	39,107,668	36,476,218
Net Assets/(Deficit) - December 31	40,917,730	39,560,736
Contributed Capital, January 1	827,169	906,695
Contributions	956,523	15,135
Depreciation	(171,369)	(94,661)
Contributed Capital, December 31	1,612,323	827,169
Net Assets - December 31	$42,530,053	$40,387,905

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cargo Tonnage

The South Jersey Port Corporation cargo activity for 2005 totaled 3,555,552 tons. This is an increase of 3.4% over 2004.



Break-bulk

Break-bulk activity for 2005 finished 17% lower as compared to 2004 and accounted for 38% of the Port's total cargo mix. The reduction can be directly attributed to a decline in imports for steel (19%), woods products (18%), and Del Monte fruit (28%) for 2005. However, the Port is becoming an East Coast leader in handling cocoa beans.

In 2005, the Port imported 132,284 tons of cocoa beans. This broke the standing record mark of 89,000 tons set in 2003. The Port could foster future growth, possibly doubling the 2005 level in five years, with our tenant Camden International Commodities Terminal, by developing additional warehouse facilities for this commodity.

Bulk

Bulk activity for 2005 totaled 1,882,337 tons; an increase of 15% over 2004. The new pier and crane went on line at Broadway Terminal in November 2005 to service St. Lawrence Cement, and furnace slag set a new tonnage record with 788,840 tons. Camden Iron and Metal's scrap metal activity improved to 624,102 tons in 2005, which bettered the 2004 mark by 18%.

The Port of Salem facility, with its new tenant National Docks, saw activity for the first time in a few years. The facility handled 90,000 tons of sand in 2005.

Containers

Container tonnage more than doubled in 2005. Tonnage went from 145,206 in 2004 to 305,337 in 2005, an increase of 110%. This was due primarily to the Port purchasing an additional piece of mobile machinery to transport containers in early 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Activity

Ship calls totaled 337 for the year ended 2005, 64 less than in 2004. Ship days totaled in 2005 totaled 884, a 7% decrease versus the same period in 2004.

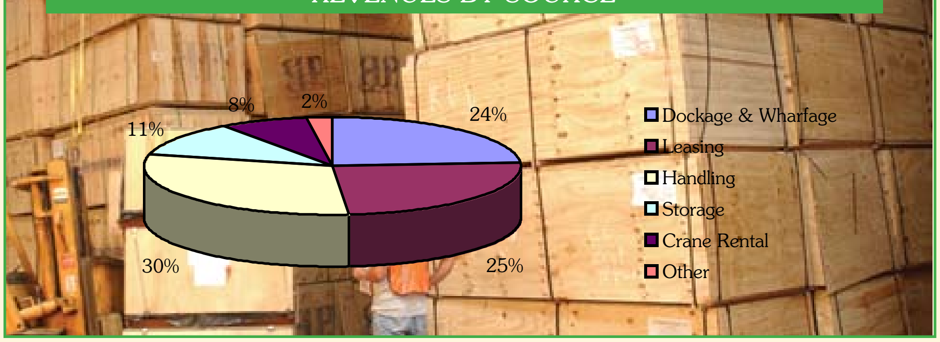
Operating Revenues

The Port Corporation earned $3,762,849 in operating revenue during fiscal year 2005, which represents a 20% increase over 2004.

Lease revenues of $6,036,198 in 2005 represents a 29% increase over 2004 lease revenues. The primary reasons are the following: a newly constructed warehouse built to suit an existing tenant was completed and occupied in February 2005. Revenues from this warehouse amounted to $29,158 per month. Also, the pier at Broadway Terminal was completed in November 2005 and the revenue from this project commenced at $115,000 per month. In addition, an early repayment of rent in lieu of leasehold improvements in the amount of $270,000 was paid in October of 2005.

Storage revenues in 2005 increased approximately $700,000 over 2005. The Port had more cargo to store in 2005 and benefited from a full year of price increases for plywood and steel.

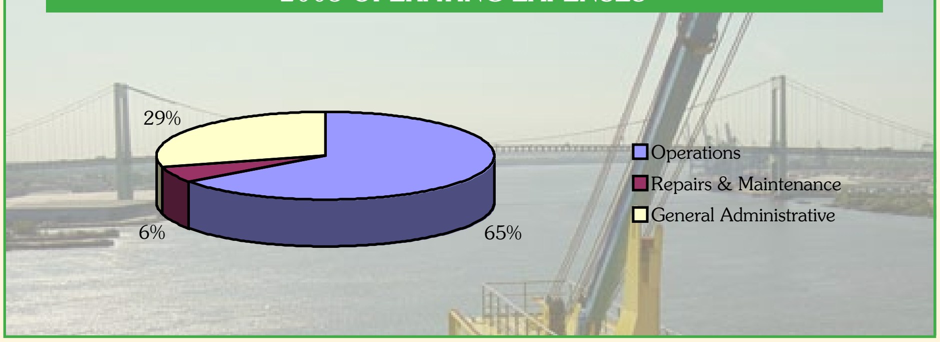
REVENUES BY SOURCE



Operating Expenses

Total Operating Expenses were $20,541,474 in 2005.

2005 OPERATING EXPENSES



MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating expenses (continued)

Operating expenses in 2005 were $13,357,009 or $702,618 more than 2004. Labor operating expenses increased by $104,202 or a nominal 2% increase over 2004. The primary reason is an increase crane labor in 2005. The Port received more Bulk cargo in 2005 and more crane labor was needed to unload the cargo. In 2005, gas and oil increased $106,813 over 2004, due to higher fuel costs. Utility costs increased approximately $533,000 in 2005 over 2004, due to higher energy costs and the addition of a refrigerated warehouse.

Repairs and maintenance remained relatively the same in 2005 when compared to 2004.

Overall, general and administrative expenses in 2005 increased $931,277 or 18% over 2004. Health care costs increased $121,155 in 2005 over 2004. The Port self insures it health care benefits up to $35,000 per employee. After that target amount is reached, health care reinsurance is triggered. The increase is due to an increase in claims and rising health care costs. Professional fees increased $161,140 in 2005 over 2004, that was primarily due to an increase in engineering fees. This was the result of necessary preparation to dredge the piers and berths at both the Beckett and Broadway Terminals. Also, in 2005 a one-time credit was given to a Port customer due to severe delays in unloading their cargo. Several conditions, such as a lack of dock and warehouse space, attributed to the delay. Administrative payroll, including related taxes increased $161,872 in 2005 over 2004. Two key employees received promotions and were rewarded with individual increases of $30,000 each.

Other Operating Expenses

Interest on investments decreased in 2005 due to declining balances in both the project and debt service investment accounts.

Capital Assets

The Ports investment in Capital assets as of December 31, 2005 is $145,951,219 (net of accumulated depreciation). The investment in capital assets include land, building, piers and berth's, and machinery and equipment. Net capital assets increased $3,190,464 or 2% in 2005 over 2004. This is primarily due to purchase of mobile equipment and new construction.

Major capital asset projects during FY 2005 include the following:

Port projects in 2005 included the completion of repairs for berth's 1&2 at Becket Street Terminal of approximately $8,500,000, including engineering and legal fees. A fire booster station at Broadway Terminal commenced construction in 2004, and was completed in 2005 for $753,000 including engineering costs. In addition, the construction of a $22,245,000 pier at the Broadway Terminal and the purchase of a $7,300,000 crane was completed by the end of 2005.

The Port started construction on a 55,000 square foot storage shed in December 2005 at the Beckett Street Terminal. This shed will be completed during the first half of 2006, at a cost, including engineering of $4,620,895.

All projects are funded from bond proceeds.

Capital Assets

	2005	2004
Land	$18,266,823	$18,266,823
Building & Improvements	35,522,901	28,026,475
Land Improvements	86,003,803	73,995,566
Equipment	12,111,550	11,471,822
Engineering & Other	5,158,428	4,269,403
Financing Costs	9,159,938	9,159,938
Subtotal	166,223,443	145,190,027

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets (continued):

Capital Assets (continued)

	2005	2004
Less: Accumulated Depreciation & Amortization	68,444,201	63,917,623
Subtotal	97,779,242	81,272,404
Construction in Progress	34,322,871	47,639,245
Bond Discount & Finance	13,849,106	13,849,106
Total	$145,951,219	$142,760,755

For additional information on capital assets see note 3 in Notes to Financial Statements.

Long-Term Debt

As of December 31, 2005 the Port had accumulated both short and long-term debt of $127,795,000. This consisted of revenue bonds $125,795,000 and a capital lease of $2,000,000.

Long-Term Debt

	2005	2004
Revenue Bonds	$125,795,000	$129,795,000
Capital Lease	2,000,000	2,000,000
Total	$127,795,000	$131,795,000

On December 1, 2002 the Port issued Series K ($79,295,000) and L ($42,030,000) Marine Terminal and Revenue Refunding, and on October 16, 2003 the Port issued Series M ($11,305,000) Marine Terminal Revenue Bonds for the same purpose 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 which includes Marine Terminal Revenue Bonds. The net proceeds from the Bond issuance will be used to fund several pier infrastructure projects.

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 term of the agreement calls for the lease to be repaid over 20 years at 0% interest. As of December 31, 2005 the Port has not yet commenced any payment on the Capital Lease (see Note 12).

Additional information is available in Note 5 of Notes to the Financial Statements.

BASIC FINANCIAL STATEMENTS

COMPARATIVE STATEMENT OF NET ASSETS
December 31, 2005 And 2004

ASSETS	2005	2004
Current Assets:		
Unrestricted Assets:		
Cash & Cash Equivalents	$3,342,043	4,273,925
Accounts Receivable (Net of Allowance for Doubtful Accounts - $367,357 in 2005 & $327,597 in 2004)	3,247,131	2,660,604
Other Accounts Receivable	178,316	261,512
Notes Receivable	33,754	41,254
Prepaid Expenses	381,712	975,065
Inventory of Supplies	1,017,213	
Total Unrestricted Current Assets	8,200,169	8,212,360
Restricted Assets:		
Cash & Cash Equivalents	16,233,998	13,630,135
Investments	6,611,463	21,035,934
Accounts Receivable	332,203	
Accrued Interest Receivable	77,257	103,539
Grants Receivable		1,333,556
Due from State of New Jersey	6,455,167	6,962,739
Total Restricted Current Assets	29,377,885	43,398,106
Property, Plant & Equipment (Note 3):		
Completed	166,223,442	145,190,027
Construction in Progress	34,322,872	47,639,245
Bond Discount & Financing Costs	13,849,106	13,849,106
Total Property, Plant & Equipment	214,395,420	206,678,378
Less: Accumulated Depreciation & Amortization	68,444,201	63,917,623
Net Property, Plant & Equipment	145,951,219	142,760,755
Total Assets	$183,529,273	194,371,221

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

BASIC FINANCIAL STATEMENTS

COMPARATIVE STATEMENT OF NET ASSETS (continued)

December 31, 2005 And 2004

LIABILITIES	2005	2004
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	$203,535	175,980
Accrued Expenses	1,114,989	818,007
Payroll Taxes Payable	42,552	25,056
Accrued Vacation Payable	211,554	217,679
Deferred Income	620,205	299,160
Lease Security & Escrow Deposits	168,864	171,205
Total Current Liabilities Payable From Unrestricted Assets	2,361,699	1,707,087
Current Liabilities Payable From Restricted Assets:		
Accounts Payable	168,345	260,753
Accrued Interest Payable	2,993,389	3,079,201
Contracts Payable	6,647,209	16,578,054
Revenue Bonds (Short-Term Portion)	4,450,000	4,000,000
Capital Lease Payable	400,000	300,000
Total Current Liabilities Payable From Restricted Assets	14,658,943	24,218,008
Long-Term Liabilities:		
Long-Term Liabilities Payable From Unrestricted Assets:		
Early Retirement Payable	1,033,578	563,221
Total Long-Term Liabilities Payable From Unrestricted Assets	1,033,578	563,221
Long-Term Liabilities Payable From Restricted Assets:		
Revenue Bonds (Long-Term Portion)	121,345,000	125,795,000
Capital Lease Payable	1,600,000	1,700,000
Total Long-Term Liabilities Payable From Restricted Assets	122,945,000	127,495,000
Total Liabilities	140,999,220	153,983,316

NET ASSETS	2005	2004
Invested in Capital Assets, Net of Related Debt:	22,641,133	19,269,227
Restricted:		
Reserve for Payment of Debt Service	10,436,778	10,436,778
Reserve for Inventory of Supplies	1,017,213	
Unrestricted:		
Unreserved	8,434,930	10,681,900
Total Net Assets	$42,530,053	40,387,905

BASIC FINANCIAL STATEMENTS

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For The Year Ended December 31, 2005 And 2004

	2005	2004
Operating Revenues:		
Marine Direct	$21,383,912	19,544,646
Marine Related	2,589,231	1,942,148
Other	331,180	413,498
Total Operating Revenues	24,304,323	21,900,292
Operating Expenses:		
General Operating	13,357,009	12,654,391
Repairs & Maintenance	1,172,327	1,037,266
General & Administrative	6,012,138	5,080,861
Total Operating Expenses	20,541,474	18,772,518
Operating Income Before aOther Operating Expenses	3,762,849	3,127,774
Other Operating Expenses:		
Depreciation	4,526,578	3,689,428
Total Other Operating Expenses	4,526,578	3,689,428
Operating Gain/(Loss)	(763,729)	(561,654)
Nonoperating Revenues/(Expenses):		
Interest on Investments	370,850	475,656
Insurance Proceeds	460,770	159,765
Security Grant Revenue		1,839,000
Unrealized Gain/(Loss) on Investment	85,200	272,753
Bond Interest	(5,986,778)	(6,158,402)
Net Nonoperating Expenses	(5,069,958)	(3,411,228)
Net Loss Before Transfer of Depreciation to Contributed Capital	(5,833,687)	(3,972,882)
Transfer of Depreciation to Contributed Capital	171,369	94,661
Net Loss Before Operating Transfers	(5,662,318)	(3,878,221)
Operating Transfers To/ From the State of New Jersey/Other:		
Debt Service Aid	6,455,167	6,962,739
City PILOT Revenues	2,000,000	2,000,000
City PILOT Expenditures	(2,000,000)	(2,000,000)
County PILOT Revenues	419,000	419,000
County PILOT Expenditures	(419,000)	(419,000)
Salem PILOT Revenues	23,490	22,413
Salem PILOT Expenditures	(23,490)	(22,413)
Change in Inventory of Supplies	1,017,213	
Total Operating Transfers	7,472,380	6,962,739
Net Income/(Loss)	1,810,062	3,084,518
Net Assets/(Deficit) - January 1, Previously Reported	39,560,736	37,039,439
Adjustment of General Long Term Debt - See Note 15	(453,068)	(563,221)
Net Assets/(Deficit) - January 1, as Restated	39,107,668	36,476,218
Net Assets/(Deficit) - December 31,	40,917,730	39,560,736
Contributed Capital, January 1	827,169	906,695
Contributions	956,523	15,135
Depreciation	(171,369)	(94,661)
Contributed Capital, December 31	1,612,323	827,169
Net Assets - December 31	$42,530,053	40,387,905

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

BASIC FINANCIAL STATEMENTS

COMPARATIVE STATEMENT OF CASH FLOWS
For The Years Ended December 31, 2005 And 2004

	2005	2004
Cash Flows From Operating Activities:		
Receipts from Customers	$ 24,182,454	20,723,519
Interest Receipts	245,673	349,734
Payments to Employees	(6,349,538)	(6,130,576)
Payments for Employee Benefits	(3,422,490)	(3,004,209)
Payments to Suppliers	(10,095,204)	(9,537,742)
Net Cash Provided/(Used) by Operating Activities	4,560,895	2,400,726
Cash Flows From Noncapital Financing Activities:		
Developers' Escrow Deposits	489	11,538
Developers' Escrow Refunds	(2,831)	(7,293)
Net Cash Provided/(Used) by Noncapital Financing Activities	(2,342)	4,245
Cash Flows From Capital & Related Financing Activities:		
Acquisition & Construction of Capital Assets	(16,451,568)	(23,627,189)
Bond Proceeds		
Insurance Proceeds	460,770	5,659,765
State Aid for Construction Projects	1,095,000	744,000
Other Aid for Construction Projects	238,556	
Interest Paid on Revenue Bonds	(6,072,590)	(6,052,425)
Principal Paid on Revenue Bonds	(4,000,000)	(2,835,000)
State Aid for Debt Service	6,962,739	2,556,758
City PILOT Revenues	2,000,000	2,000,000
City PILOT Payments	(2,000,000)	(2,000,000)
County PILOT Revenues	419,000	419,000
County PILOT Payment	(419,000)	(419,000)
Salem PILOT Revenues	23,490	22,413
Salem PILOT Payment	(23,490)	(22,413)
Net Cash Provided/(Used) by Capital & Related Financing Activities	(17,767,093)	(23,554,091)
Cash Flows From Investing Activities:		
Unrealized Gain/(Loss) on Investment	85,200	272,753
Purchase of Repurchase Agreement		(27,872,432)
Sales of Repurchase Agreement	14,424,471	6,836,498
Interest and dividends	370,850	475,656
Net Cash Provided/(Used) by Investing Activities	$ 14,880,521	(20,287,525)

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

BASIC FINANCIAL STATEMENTS

COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
Net Increase/(Decrease) in Cash & Cash Equivalents	1,671,981	(41,436,645)
Balances - Beginning of Year	17,904,060	59,340,705
Balances - End of Year	$19,576,041	17,904,060

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

	2005	2004
Operating Income/(Loss)	($ 763,729)	(561,654)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Activities:		
Depreciation & Net Amortization	4,526,578	3,689,428
(Increase)/Decrease in Accounts Receivable, Net	(503,331)	(955,871)
(Increase)/Decrease in Notes Receivable, Net	7,500	7,500
(Increase)/Decrease in Accrued Interest Receivable	26,282	125,354
(Increase)/Decrease in Prepaid Expenses	593,353	(4,022)
Increase/(Decrease) in Accounts Payable	342,033	18,595
Increase/(Decrease) in Accrued Liabilities	(6,125)	(42,775)
Increase/(Decrease) in Early RetirementPayable	17,289	
Increase/(Decrease) in Deferred Revenue	321,045	124,171
Total Adjustments	5,324,624	2,962,380
Net Cash Provided/(Used) by Operating Activities	$ 4,560,895	2,400,726

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

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 and Statement 38 – Certain Financial Statement Note Disclosures.

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, 2005 for the year then ended.

A. 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 operations of the Port are under the directorship of a seven-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 140 employees.

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

1. Summary of Significant Accounting Policies (continued):

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

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

B. 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 FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 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 3) 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 3).

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 11, 1993, December 1, 2002 and October 15, 2003. The revenues generated by operations are to be distributed monthly based upon the following priorities:

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

(b) 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).

(c) Debt Reserve Account - such amount necessary to increase the retained earnings to equal the Debt Reserve Requirement.

(d) 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.

(e) 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.

(f) 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

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

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

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

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.

Debt Service Account

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

Debt Service charges for 2005 included $4,000,000 for principal and $5,986,778 for interest. Funds were provided as follows:

Construction Fund	$1,335,445
Debt Service Reserve Fund	3,363,064
Operating Fund	1,288,268
Total	$9,986,778

Debt Reserve Account

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 $6,455,167.

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

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

Debt Reserve Account (continued):

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 $10,436,778.

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.

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 or 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 2005 the State of New Jersey paid to the Corporation $2 million dollars for the City of Camden, $419,000 for Camden County and $23,490 for the City of Salem 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 FINANCIAL STATEMENTS
for the year ended December 31, 2005

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

Construction Account

Purpose — 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 5 for the improvement of the port facilities, debt reserve funds and capitalized interest. Series K and L were issued in December 2002 and funds are still available for approved projects. During 2003 Series M Bonds were issued in the amount of $11,305,000 and these funds are 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 December 31, 2002 for such required tax-exempt obligations and it has been determined that no liability is due to the federal government at this time. Another calculation will be performed on the 5-year reporting cycle as required by the IRS guidelines.

Note 2. Cash and Cash Equivalents and Investments

The Corporation is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at December 31, 2005, and reported at fair value are as follows:

Type	Rating	Maturities	Carrying Value
Deposits:			
Demand Deposits			$ 5,625,483
New Jersey Cash Management Fund			5,010,532
U.S. Government Discount Notes			8,940,026
Investments:			
Repurchase Agreement	N/A	01/01/06	6,611,463
Total Deposits & Investments			$26,187,504
Reconciliation of Statement of Net Assets:			
Current:			
Unrestricted Assets:			
Cash & Cash Equivalents			$ 3,342,043
Restricted Assets:			
Cash & Cash Equivalents			16,233,998
Investments			6,611,463
Total Reconciliation of Statement of Net Assets			$26,187,504

Custodial Credit Risk — Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of $26,326,107 at December 31, 2005. Of the bank balance $296,365 was fully insured by the FDIC (Federal Deposit Insurance Corporation) and $26,029,742 was secured by a collateral pool held by the bank, but not in the Corporation's name, as required by New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Governmental Unit Deposit Protection Act is more fully described below.

Investment Interest Rate Risk — 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 investment held at December 31, 2005, are provided in the above schedule.

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 2. Cash and Equivalents and Investments (continued):

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 Governments 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.

Concentration of Investment Credit Risk — The Corporation places no limit on the amount it may invest in any one issuer. At December 31, 2005, all of the Corporation's investments are with Wachovia Bank.

Governmental Unit Deposit Protection Act (GUDPA)

The Corporation deposited cash in 2005 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.

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 2. Cash and Equivalents and Investments (continued):

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

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

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

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

Note 3. Property, Plant and Equipment

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

	BALANCE DECEMBER 31, 2004	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2005
Land	$ 18,266,823			$ 18,266,823
Buildings & Improvements	28,026,475	$ 7,496,426		35,522,901
Land Improvements	73,995,566	12,008,237		86,003,803
Equipment	11,471,822	639,728		12,111,550
Engineering & Other	4,269,403	889,024		5,158,427
Financing Costs	9,159,938			9,159,938
Subtotal	145,190,027	21,033,415		166,223,442
Less: Accumulated Depreciation Amortization	63,917,623	4,526,578		68,444,201
Subtotal	81,272,404	16,506,837		97,779,241
Construction in Progress	47,639,245	5,527,461	$18,843,834	34,322,872
Bond Discount and Financing	13,849,106			13,849,106
Total	$142,760,755	$22,034,298	$18,843,834	$145,951,219

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 4. Pension

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) 984-1684.

B. Funding Policy

The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full-time

employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. The System's Board of Trustees is primarily responsible for the administration of the System.

According to the State of New Jersey administrative code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

Plan members are required to contribute 5.0% of their annual covered salary, the South Jersey Port Corporation is required to contribute at an actuarially determined rate. The current rate represents approximately .0007% of annual covered payroll. The contribution requirements of plan members and the Corporation is established and may be amended by the plan's board of trustees. The South Jersey Port Corporation's contributions to P.E.R.S. for the years ending December 31, 2005, 2004 and 2003 were $35,240, $ -0- and $ -0-, respectively, equal to the required contributions for each year.

C. Early Retirement Incentive Plan

In 2003 the State of New Jersey signed into Law the State Early Retirement Incentive (ERI) program as Chapter 23, PL. 2002. The ERI has a provision that allows optional participation in the program by certain State Autonomous Authorities. Participation is optional, as these organizations will have to bear the cost of the incentives provided to their employees who retire. The Board of Directors of the South Jersey Port Corporation adopted a resolution to allow its eligible employees to participate in the ERI program. In 2002 four employees elected to participate in the ERI. In 2003 an additional four employees elected to participate in the ERI. The liability to the Corporation is $1,033,578 as of December 31, 2005. 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 first payment towards the ERI Program in 2005 for $68,845, which included principal and interest. A prior period adjustment was necessary to properly reflect the liability to the Corporation. (see Note 14)

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

Year	Principal	Interest	Total
2006	$ (21,328)	$ 85,270	$ 63,942
2007	(20,530)	87,030	66,500
2008	(19,563)	88,723	69,160
2009	(18,411)	90,337	71,926
2010	(17,053)	91,856	74,803
2011-2015	(56,085)	477,447	421,362
2016-2020	23,606	489,038	512,644

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 4. Pension (continued):

Early Retirement Incentive Plan (continued)

Year	Principal	Interest	Total
2021-2025	165,243	458,466	623,709
2026-2030	403,973	354,863	758,836
2031-2034	593,726	130,107	723,833
Total	$1,033,578	$2,353,137	$3,386,715

Note 5. Long-Term Debt

The following is a summary of long-term debt at December 31, 2005:

Issue	Initial Date of Issue	Date of Final Maturity	Interest Rates	Original Issue Amount	Principal Balance Outstanding
Series 2002 K Marine Terminal Revenue & Revenue Refunding Bonds	12/01/02	01/01/33	4.00% 5.10%	$ 79,295,000	$ 76,210,000
Series 2002 L Marine Terminal Revenue & Revenue Refunding Bonds	12/01/02	01/01/24	4.00% 5.25%	42,030,000	38,280,000
Series 2003 M Marine Terminal Revenue Bonds	10/15/03	01/01/30	5.00%	11,305,000	11,305,000
Total					125,795,000
Less: Current Maturities Included in Current Liabilities					4,450,000
Balance					$121,345,000

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

Year	Principal	Interest	Total
2006	$ 4,450,000	$ 5,986,778	$ 10,436,778
2007	4,655,000	5,781,678	10,436,678
2008	4,850,000	5,581,688	10,431,688
2009	5,045,000	5,372,088	10,417,088
2010	4,840,000	5,176,988	10,016,988
2011-2015	26,565,000	22,518,615	49,083,615
2016-2020	31,770,000	15,933,647	47,703,647
2021-2025	20,275,000	8,687,535	28,962,535
2026-2030	14,930,000	4,520,406	19,450,406
Thereafter	8,415,000	872,355	9,287,355
Total	$125,795,000	$80,431,778	$206,226,778

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

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 5.Long-Term Debt (continued):

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.

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

	....SERIES K......		......SERIES L.....		.......SERIES M......		
Issue Year	**Annual Principal**	**Interest Rate**	**Annual Principal**	**Interest Rate**	**Annual Principal**	**Interest Rate**	**Total Principal**
2006	$ 1,740,000	4.00	2,435,000	5.00	275,000	5.00	4,450,000
2007	1,820,000	3.20	2,555,000	5.00	280,000	5.00	4,655,000
2008	1,880,000	3.25	2,685,000	5.00	285,000	5.00	4,850,000
2009	1,930,000	3.50	2,820,000	4.00	295,000	5.00	5,045,000
2010	2,020,000	4.00	2,515,000	4.30	305,000	5.00	4,840,000
2011	2,100,000	4.10	2,620,000	4.40	315,000	5.00	5,035,000
2012	2,190,000	4.20	2,735,000	4.60	325,000	5.00	5,250,000
2013	2,270,000	4.40	2,870,000	5.25	340,000	5.00	5,480,000
2014	3,575,000	4.40	1,350,000	4.80	350,000	5.00	5,275,000
2015	3,750,000	4.50	1,410,000	4.80	365,000	5.00	5,525,000
2016	3,920,000	4.50	1,480,000	5.00	385,000	5.00	5,785,000
2017	4,090,000	4.50	1,560,000	5.00	400,000	5.00	6,050,000
2018	4,280,000	4.75	1,635,000	5.00	420,000	5.00	6,335,000
2019	4,485,000	4.85	-		440,000	5.00	4,925,000
2020	4,700,000	5.00	-			-	4,700,000
2021		-		-			
2022		-		-	1,445,000	5.00	1,445,000
2023	8,645,000		8,620,000	5.20	-		17,265,000
2024		-	990,000	5.25	-		990,000
2025		-		-	1,670,000	5.00	1,670,000
2026	4,960,000	5.00	-			-	4,960,000
2027	-		-		-		-
2028	-		-		-		-
2029	-		-		-		-
2030	-		-		3,410,000	5.00	3,410,000
2031	-		-		-		-
2032	-		-		-		-
2033	17,855,000	5.10	-		-		17,855,000
Total	$76,210,000		$38,280,000		$11,305,000		$125,795,000

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 5.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 K	SERIES L	SERIES M	TOTAL
2019	$ -	$1,710,000	$ -	$ 1,710,000
2020	-	1,805,000	460,000	2,265,000
2021	2,740,000	1,620,000	480,000	4,840,000
2022	2,880,000	1,700,000	505,000	5,085,000
2023	3,025,000	1,785,000	530,000	5,340,000
2024	895,000	990,000	555,000	2,440,000
2025	1,985,000	-	585,000	2,570,000
2026	2,080,000	-	615,000	2,695,000
2027	2,185,000	-	645,000	2,830,000
2028	2,300,000	-	680,000	2,980,000
2029	2,415,000	-	715,000	3,130,000
2030	2,540,000	-	755,000	3,295,000
2031	2,670,000	-	-	2,670,000
2032	2,800,000	-	-	2,800,000
2033	2,945,000	-	-	2,945,000
Total	$31,460,000	$9,610,000	$6,525,000	$47,595,000

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 K - Bonds Maturing January 1, 2023

Year	Principal Amount
2021	$2,740,000
2022	2,880,000
2023	3,025,000
Total	$8,645,000

Series K - Bonds Maturing January 1, 2033

Year	Principal Amount
2027	$2,185,000
2028	2,300,000
2029	2,415,000
2030	2,540,000
2031	2,670,000
2032	2,800,000
2033	2,945,000
Total	$8,620,000

Series K - Bonds Maturing January 1, 2026

Year	Principal Amount
2024	$ 895,000
2025	1,985,000
2026	2,080,000
Total	$4,960,000

Series L - Bonds Maturing January 1, 2023

Year	Principal Amount
2019	$1,710,000
2020	1,805,000
2021	1,620,000
2022	1,700,000
2023	1,785,000
Total	$17,855,000

Series L - Bonds Maturing January 1, 2024

Year	Principal Amount
2024	$990,000

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 5.Long-Term Debt (continued):

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

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.

Note 6. 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 $35,000 for each individual on an annual basis and up to $1,615,886 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 7. 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 8. 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 FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 9. PILOT Payments

County PILOT Payments - The Corporation has entered into a 2005 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 2005. An appropriation of $419,000 will be required from the State to make payment to the 2005 County of Camden "PILOT Tax Agreement".

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)

City of Salem PILOT Payments – The Corporation has entered into a 2005 payment in lieu of tax agreement with the City of Salem requiring the Corporation to make payment of twenty-two thousand four hundred thirteen dollars ($23,490) in the in the calendar year 2005. An appropriation of $23,490 will be required from the State to make payment to the 2005 City of Salem "PILOT Tax Agreement".

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)

City of Camden PILOT Payments – The Corporation has entered into a 2005 payment in lieu of tax agreement with the City of Camden requiring the Corporation to make payment of two million dollars ($2,000,000) in the in the calendar year 2005. An appropriation of $2,000,000 will be required from the State to make payment to the 2005 City of Camden "PILOT Tax Agreement".

Note 10. Litigation – Complaint With Weeks Marine, Inc.

The South Jersey Port Corporation has filed a declaratory judgment and breach of contract action against its insurer Lexington/AIG for losses it sustained when Pier 1 and Pier 2 at Beckett Street Terminal collapsed on August 18, 2001, August 22, 2001 and December 5, 2001.

Under the terms of the policy of insurance issued by Lexington, defendants agreed to insure plaintiff's real and personal property, contractors' equipment, pier and loss of income at the Broadway and Beckett Street Terminals, Camden, New Jersey. The South Jersey Port Corporation provided formal, written notice of the claim November 14, 2001 and on November 30, 2001, SJPC presented defendant with full and complete written proof of the insured loss on the property, which was supplemented on December 11, 2001, stating the interest of plaintiff and others in the property, the amount of loss, and giving all other particulars requested by defendants.

By letter dated December 13, 2001, defendants acknowledged coverage for a portion of the claim and Proof of Loss in the amount of $1,815,926.74 and rejected the remainder of the claim and Proof of Loss. As a result of defendants' failure and refusal to provide full and complete coverage for the losses, the South Jersey Port Corporation filed suit to recover damages in excess of $13,500,000.

Claims were filed by SJPC against Weeks Marine for losses sustained as a result of the collapse of Berths 1 and 2. Cross-claims were also filed against S.T. Hudson Engineers, Inc. and Hill International, Inc., which also filed claims against Weeks Marine. SJPC alleges that Weeks, Hudson and Hill were negligent in the design and construction of the Battleship Memorial Pier which is located adjacent to Berths 1 and 2 of the Beckett Street Marine Terminal and that the pile driving during construction of the Memorial Pier caused to collapse of Berths 1 and 2.

On February 19, 2004, the Corporation settled its insurance claim with Lexington/AIG for a total cash payment in the amount of $7,300,000 ($5,500,000 plus the $1,800,000 previously paid). An insurance receivable of $5,500,000 is recorded in the Corporation's 2003 financial statements. The $5,500,000 was received in its entirety in 2004.

The Corporation was granted the waiver and assignment of Lexington/AIG's subrogation rights in any claim against the direct tortfeasor(s). This allowed SJPC to proceed with its direct action against these parties and any settlement or judgment would not be subject to reduction on the basis of Lexington/AIG's subrogation right.

A settlement conference is scheduled for April 24, 2006 and the pre-trial conference is scheduled for August 3, 2006. Trial

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 10. Litigation – Complaint With Weeks Marine, Inc. (continued)

is expected to be scheduled for the Fall of 2006. The amount of the projected claim has not yet been determined, however, the Corporation alleges damages in excess of $5,000,000.

Steinmacher and Babilonia, et als. vs. St. Lawrence Cement and South Jersey Port Corporation, et als.:

This is a consolidated state court multi-party action in which plaintiffs (Port), residents and property owners located in relatively close proximity to St. Lawrence Cement (Tenant) facilities and SJPC trucking routes alleged violation of constitutional rights, common law nuisance and inverse condemnation theories. The Camden City Redevelopment Authority has acquired the properties closest to the operations and SJPC has completed the construction of a new pier eliminating the majority of the allegedly disruptive trucking activities. A settlement has been negotiated and is being circulated for signature in which all claims of named plaintiffs in both actions will be resolved through the payment of between $650,000 to $700,000 depending on the number of participating plaintiffs. The settlement is being funded with contributions from St. Lawrence Cement and third-party defendants in the amount of $550,000 to $600,000. The SJPC is contributing $100,000 with no admission of liability. The SJPC is an additional insured, in the related declaratory judgment action SJPC has reached an agreement with Zurich Insurance, St. Lawrence Cement's carrier, on which policy SJPC v. Zurich Insurance, to reimburse SJPC $50,000 of the $100,000. A tentative settlement is pending wherein SJPC's carrier would reimburse SJPC an additional $40,000 leaving SJPC out of pocket $10,000 in settlement of all pending claims.

Note 11. Threatened Litigation

In connection with the construction of a crane for use on Pier 1A, the crane manufacturer/installer, Kocks Crane Cos., has filed suit against the Port seeking approximately $1,360,000 for delay damages and $1,835,000 for damages characterized as lost revenue and profit.

The case against the Port was filed on March 2, 2006. The Port's position is that the plaintiff's claims are excessive and duplicative and that any damages Kock's may have incurred were the result of delays in the construction of the associated pier and conveyor system by a separate contractor, EIC Construction. The Port is currently holding approximately $1,500,000 in liquidated damages and retainages from EIC, and is bringing a third party-action against EIC. It is premature to predict the ultimate outcome of this action. The Port intends to vigorously defend the action by Kocks and aggressively pursue EIC.

Note 12. Refrigerated Warehouse Leases

The Corporation entered into a lease between the Corporation, the Delaware Port Authority (DRPA) and the Del Monte Corporation. The lease is structured in the following manner:

South Jersey Port Corporation owns real property, which was ground-leased to DRPA. DRPA has constructed a building thereon to be used by Del Monte. Del Monte will lease the building from the Corporation pursuant to the terms of a sublease, and the Corporation will in turn lease the building from DRPA pursuant to a lease. The term of the lease and ground-lease will be approximately twenty (20) years. The sublease of Del Monte is a ten (10)-year lease with two (2) five (5)-year renewals exercisable at the option of Del Monte. Del Monte will pay approximately $1,200,000 per year, $500,000 of which will be paid to DRPA/PPC to satisfy SJPC's lease obligation and $700,000 will be paid to SJPC to pay for the ground portion as well as other facilities owned by the Corporation. The Corporation will ground-lease the real property to DRPA for $1.00 per year. The lease between DRPA and the Corporation will provide that the obligation to pay rent on the part of the Corporation shall be a special obligation payable solely from the proceeds of the Del Monte lease payments or in the event Del Monte does not exercise, other tenants who may use the facility. Although the DRPA/PPC – SJPC lease will have a nominal twenty (20) year period, the term of the lease shall extend until entire rent stream has been paid, i.e. $500,000 per year x 20 years or $10,000,000. Therefore, if there is no tenant or Del Monte is not making payments, the lease payments are still due and owing by the Corporation. The rents will accrue although there will be no interest payable on the non-paid rent.

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 13. Capital Projects and Funding Sources

The South Jersey Port Corporation has several on going capital projects as of December 31, 2005. The following is a summary of these projects and funding:

During 2001 South Jersey Port Corporation entered into a Capital Lease with the Delaware River Port Authority 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.

Port projects in 2005 included the completion of repairs for Berth's 1 and 2 at Beckett Street Terminal at a cost, including engineering and legal, of approximately $8,500,000. A fire booster station at the Broadway Terminal commenced construction in 2004, was completed in 2005 for $753,000, including engineering. In addition, the construction of a $22,245,000 pier at the Broadway Terminal and the purchase of a $7,300,000 crane was substantially completed by the end of 2005.

The Port commenced construction on a 55,000 square foot storage shed in December 2005 at the Beckett Street Terminal. This shed will be completed during the first half of 2006, at a cost, including engineering of $4,620,895.

Note 14. 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 15. Beginning Net Assets Adjustment (Change in Accounting Estimate)

The following schedule reconciles January 1, 2005, net assets as previously reported, to beginning net assets, as restated, to include a change in accounting estimate:

January 1, 2005 Net Assets as Previously Stated	$39,560,736
Change in Accounting Estimate:	
General Long-Term Debt – Early Retirement Payable	(453,068)
January 1 Retained Earnings/Net Assets Restated (Exhibit A-2)	$39,107,668

During 2005 the New Jersey Division of Pension recomputed the Corporation's liability under the Early Retirement Incentive Program. The previous liability calculated by the Division of Pension for $563,221 was erroneous. The corrected liability amounts to $1,033,578 a prior period adjustment of $453,068 was required to properly record this liability.

NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2005

Note 16. Paulsboro Port Agreement

The South Jersey Port Corporation is authorized by Chapter 60 of the Pamphlet Laws of 1968, N.J.S.A,.12:11A-1 et seq. (the “Act”) to build and operate Port facilities in the South Jersey Port District (“Port District”), which includes Gloucester County. The Corporation must replace essential port facilities at Becket Street terminal lost in a pier collapse and has explored the possibilities for doing so in the Port District.

On February 1, 2006, representatives of the Borough of Paulsboro, County of Gloucester and the South Jersey Port Corporation (SJPC) signed agreements under which the SJPC will develop a major port facility in Paulsboro on a 190-acre site on the Delaware River. The new port will expand the facilities and operations of the SJPC, which will continue to operate Ports of Camden and Salem.

The Port of Paulsboro will be developed by the SJPC on a 190-acre site comprised of the former British Petroleum Oil Refinery in Paulsboro and the adjacent 60-acre Essex Chemical site of the Dow Corporation.

The major highlights of the agreement and about the planned Port of Paulsboro are as follows:

- Paulsboro controls the site by virtue of its long-term lease to the Borough by British Petroleum and will in turn lease it to the SJPC for port development.
- The SJPC will be responsible for planning, designing and constructing the port and its facilities.
- The SJPC will undertake all environmental permit applications and port facilities will conform to any environmental permitting requirements. British Petroleum is the responsible part for the environmental cleanup of the refinery site.
- The SJPC expects the first phase of port development to call for an investment of $100 million to $135 million with full build out of the port anticipated to generate total public and private investment of $250 million.
- The port will be built and will operate as a companion port to the SJPC Ports of Camden and Salem, which will continue current vibrant operations.
- Gloucester County will construct a $16 million overpass to connect Interstate 295 with the port, to assure that port traffic does not travel through Paulsboro on local streets.
- Gloucester County will be reimbursed for the bypass costs by the New Jersey Department of Transportation

The SJPC will provide a Payment in Lieu of Taxes (PILOT) payments for the Borough of Paulsboro ($500,000) and the County of Gloucester ($150,000) and establishes additional payments to the host municipality (Camden City and Paulsboro) applicable to any third-party agreements based on 2% of the costs of any new structures and 1% for open land.

Note 17. 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 $1,017,213.

SUPPLEMENTARY INFORMATION
for the years ended December 31, 2005 and 2004

COMPARATIVE STATEMENT OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
For The Year Ended December 31, 2005 And 2004

	2005			2004		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Revenues:						
Marine Direct:						
Leases - Marine Direct	$ 2,923,724	2,923,724	3,589,709	2,923,724	2,923,724	2,853,944
Crane Rental	1,429,740	1,429,740	1,824,755	1,429,740	1,429,740	1,615,688
Dockage	1,610,963	1,610,963	2,362,244	1,610,963	1,610,963	2,026,865
Handling	5,991,220	5,991,220	7,352,513	5,991,220	5,991,220	7,326,658
Storage	1,938,180	1,938,180	2,741,145	1,938,180	1,938,180	2,041,424
Wharfage	2,821,500	2,821,500	3,441,286	2,821,500	2,821,500	3,649,808
Stevedoring	775,000	775,000		775,000	775,000	
Demurrage	75,000	75,000	72,260	75,000	75,000	30,259
Total Marine Direct	17,565,327	17,565,327	21,383,912	17,565,327	17,565,327	19,544,646
Marine Related:						
Leases - Industrial	800,425	800,425	1,118,998	800,425	800,425	794,331
Utilities	950,000	950,000	1,282,491	950,000	950,000	970,472
Port of Salem Revenue			45,000			73,500
Miscellaneous	425,000	425,000	142,742	425,000	425,000	103,845
Total Marine Related	2,175,425	2,175,425	2,589,231	2,175,425	2,175,425	1,942,148
Other Income:						
Income on Investments	400,000	400,000	219,391	400,000	400,000	224,380
Miscellaneous	150,000	150,000	111,789	150,000	150,000	189,118
Total Other Income	550,000	550,000	331,180	550,000	550,000	413,498
Total Revenues	$20,290,752	20,290,752	24,304,323	20,290,752	20,290,752	21,900,292
Operating Expenses:						
Port Operations:						
Labor Expense:						
Labor Crane	$153,933	153,933	282,561	153,933	153,933	207,482
Labor Handling	2,054,520	2,054,520	2,413,944	2,054,520	2,054,520	2,440,665
Labor Repairs & Maintenance	720,214	720,214	794,529	720,214	720,214	766,698
Security	550,790	550,790	558,150	550,790	550,790	565,707
Supervisors	756,435	756,435	750,696	756,435	756,435	705,126
Total Labor Expense	4,235,892	4,235,892	4,799,880	4,235,892	4,235,892	4,685,678
Payroll Taxes	406,031	406,031	475,210	406,031	406,031	446,940
Workers Compensation Insurance	450,000	450,000	522,921	450,000	450,000	535,366
Employee Benefits:						
Hospitalization	780,064	780,064	1,128,682	780,064	780,064	1,037,655
Vacation, Holiday, Sick, Pension	475,000	475,000	562,451	475,000	475,000	445,056
Total Employee Benefits	2,111,095	2,111,095	2,689,264	2,111,095	2,111,095	2,465,017
Crane Rental - Gas & Oil	45,000	45,000	103,648	45,000	45,000	69,281

SUPPLEMENTARY INFORMATION
for the years ended December 31, 2005 and 2004

COMPARATIVE STATEMENT OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
For The Year Ended December 31, 2005 And 2004

	2005			2004		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Expenses (Continued):						
General & Administrative:						
Labor - Office Clerical & Related	896,264	896,264	928,267	896,264	896,264	859,257
Labor - Administrative	518,780	518,780	621,391	518,780	518,780	560,371
Payroll Taxes	116,033	116,033	126,301	116,033	116,033	94,459
Workmen's Compensation	3,600	3,600	3,600	3,600	3,600	3,600
Employee Benefits:						
Hospitalization	395,136	395,136	642,842	395,136	395,136	521,687
Pension	25,000	25,000	84,259	25,000	25,000	
Insurance	1,633,300	1,633,300	1,811,415	1,633,300	1,633,300	1,740,689
Professional Fees	816,000	816,000	935,326	816,000	816,000	775,186
Miscellaneous	395,000	395,000	414,554	395,000	395,000	302,741
Vessel Delay Expense				250,000		
Telephone	84,000	84,000	67,687	84,000	84,000	75,121
Utilities	30,000	30,000	30,000	30,000	30,000	30,000
Bad Debt	40,000	40,000	96,496	40,000	40,000	117,750
Total General & Administrative	4,953,113	4,953,113	6,012,138	4,953,113	4,953,113	5,080,861
Total Operating Expenses	18,175,888	18,175,888	20,541,474	18,175,888	18,175,888	18,772,518
Operating Income Before Other Operating Expenses	$2,114,864	2,114,864	3,762,849	2,114,864	2,114,864	3,127,774

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

SUPPLEMENTARY INFORMATION
for the years ended December 31, 2005 and 2004

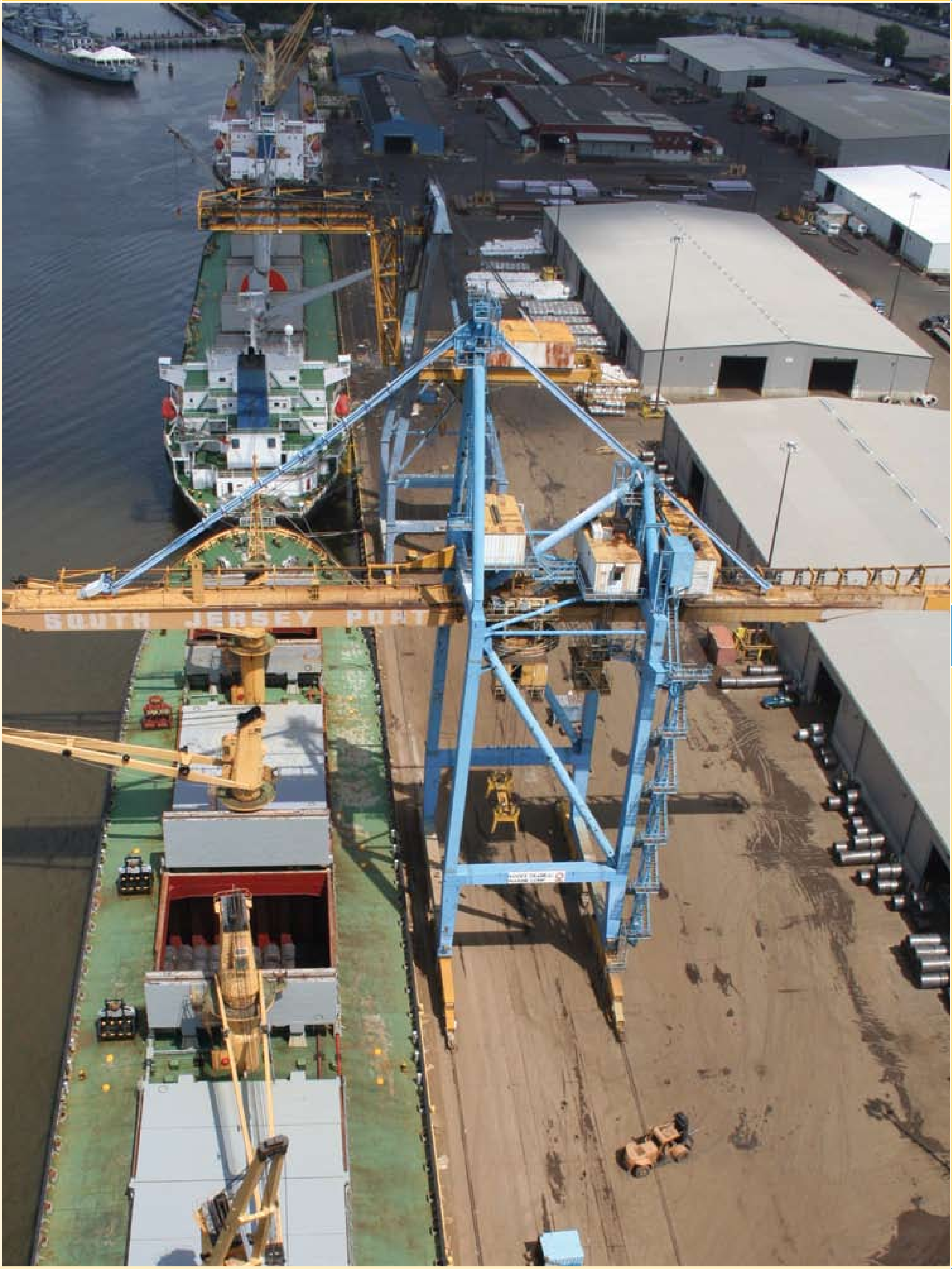
STATEMENT OF NET ASSETS
December 31, 2005

ASSETS	UNRESTRICTED OPERATING ACCOUNTS	RESTRICTED DEBT SERVICE ACCOUNT	RESTRICTED DEBT SERVICE RESERVE ACCOUNT	RESTRICTED MAINTENANCE RESERVE ACCOUNT	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Current Assets:							
Cash & Cash Equivalents	$3,342,043		8,141,400		8,092,598		19,576,041
Investments					6,611,463		6,611,463
Accounts Receivable (Net of Allowance for Doubtful Accounts of $367,357)	3,247,131						3,247,131
Due from State			6,455,167				6,455,167
Other Accounts Receivable	178,316						178,316
Accrued Interest Receivable					77,257		77,257
Notes Receivable	33,754						33,754
Prepaid Expenses	381,712						381,712
Inventory of Supplies	1,017,213						1,017,213
Interfund Accounts Receivable	15,679,524	4,263,074	1,111,380	510,175			21,564,153
Total Current Assets	23,879,693	4,263,074	15,707,947	510,175	14,781,318		59,142,207
Property, Plant & Equipment (Note 3)					166,223,442		166,223,442
Construction in Progress					34,322,872		34,322,872
Bond Discount & Financing Costs					13,849,106		13,849,106
Subtotal					214,395,420		214,395,420
Accumulated Depreciation & Amortization					68,444,201		68,444,201
Total Property, Plant & Equipment & Construction in Progress					145,951,219		145,951,219
Total Assets	23,879,693	4,263,074	15,707,947	510,175	160,732,537		205,093,426

SUPPLEMENTARY INFORMATION
for the years ended December 31, 2005 and 2004

STATEMENT OF NET ASSETS
December 31, 2005

ASSETS	UNRESTRICTED OPERATING ACCOUNTS	RESTRICTED: DEBT DEBT SERVICE ACCOUNT	RESTRICTED: SERVICE RESERVE ACCOUNT	RESTRICTED: MAINTENANCE RESERVE ACCOUNT	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
LIABILITIES							
Current Liabilities Payable from Assets:							
Accounts Payable	203,535				168,345		371,880
Contracts Payable					6,647,209		6,647,209
Capital Lease Payable					400,000		400,000
Accrued Expenses	976,133						976,133
Accrued Interest Payable		2,993,389					2,993,389
Accrued Vacation Payable	211,554						211,554
Accrued Payroll	138,856						138,856
Payroll Taxes Payable	42,552						42,552
Deferred Income	620,205						620,205
Lease Security & Escrow Deposits	168,864						168,864
Revenue Bonds - Short Term					4,450,000		4,450,000
Interfund Accounts Payable	320	1,269,685	5,271,169		15,022,979		21,564,153
Total Current Liabilities	2,362,019	4,263,074	5,271,169		26,688,533		38,584,795
Revenue Bonds (Long-Term Portion)					121,345,000		121,345,000
Early Retirement Payable	1,033,578						1,033,578
Capital Lease Payable					1,600,000		1,600,000
Total Liabilities	3,395,597	4,263,074	5,271,169		149,633,533		162,563,373
NET ASSETS							
Investment in Capital Assets, Net of Related Debt				510,175	11,099,004		11,609,179
Reserve for Payment of Debt Service			10,436,778				10,436,778
Reserve for Inventory Supplies	1,017,213						1,017,213
Unreserved	19,466,883						19,466,883
Net Assets	$20,484,096		10,436,778	510,175	11,099,004		42,530,053


SOUTH JERSEY PORT

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