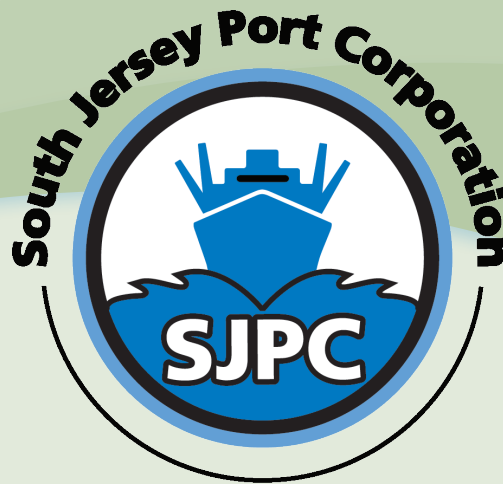


2011

SOUTH JERSEY PORT CORPORATION

FINANCIAL REPORT



EXECUTIVE ORDER #37 (2006)

Certification of Annual Audit for Year Ending 2011

WE ARE PLEASED TO PRESENT this report containing a record of the significant actions taken by the Port Corporation in 2011; those actions detail the success the Port Corporation has achieved in growing its business on behalf of the State of New Jersey and its citizens during the year 2011.

In addition, in accordance with Executive Order #37 (2006), we certify that, to the best of our knowledge, the information provided to the auditor in connection with this annual audit and contained in the attached report is accurate, and to the best of our knowledge, fairly represents the financial condition of the South Jersey Port Corporation for the year ending December 31, 2011.

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

Kevin Castagnola, CEO and Executive Director
Patrick A. Abusi, Treasurer

INDEPENDENT AUDITOR'S REPORT

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



We have audited the accompanying financial statements of the business-type activities of the South Jersey Port Corporation a component unit of the State of New Jersey, County of Camden, State of New Jersey, as of and for the year ended December 31, 2011 and 2010, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

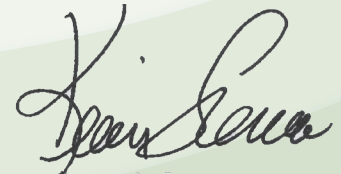
In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the South Jersey Port Corporation, a component unit of the State of New Jersey, County of Camden, State of New Jersey, as of December 31, 2011 and 2010, 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 2, 2012, 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepting in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Jersey Port Corporation's 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. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



HOLMAN & FRENIA, P. C.
Certified Public Accountants

Medford, New Jersey
March 2, 2012

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

Board of Directors of the
South Jersey Port Corporation
County of Camden
101 Joseph A. Balzano Boulevard
Camden, New Jersey 08101



We have audited the financial statements of the South Jersey Port Corporation, a component unit of the State of New Jersey, County of Camden, State of New Jersey, as of and for the fiscal year ended December 31, 2011, and have issued our report thereon dated March 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the South Jersey Port Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Jersey Port Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Jersey Port Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

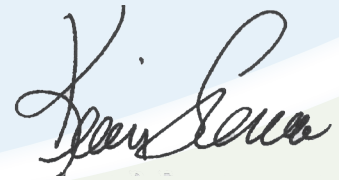
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the South Jersey Port Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

This report is intended solely for the information and use of the South Jersey Port Corporation's management and members, others within the entity, and the Division of Local Government Services, 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.
Certified Public Accountants

Medford, New Jersey
March 2, 2012

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 ending December 31, 2011.

General Port Overview

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

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

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

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

Approximately 1.87 million tons of cargo passed through the Port Corporation's facilities in 2011. Promoting economic development, enhancing intermodal facilities, and partnering with private businesses are the roles the Port Corporation firmly embodies, as is its mission of job growth and port development.

The corporation board consists of 11 members: the State Treasurer, ex-officio, or the Treasurer's designated representative, who shall be a voting member of the corporation, and ten (10) public members, each of whom shall be a resident of the port district. The Port District is comprised of seven counties: Mercer, Burlington, Camden, Gloucester, Salem, Cape May and Cumberland. There are three sub-districts. Sub-district 1 Mercer and Burlington Counties shall be represented by three (3) public members with at least one (1) of whom shall be appointed from each county within this sub-district. Sub-district 2 is Camden and Gloucester Counties they shall be represented by five (5) public members with at least three (3) public members shall be appointed from Camden County of which one (1) of the appointed Camden County members shall be appointed from the City of Camden. At least one (1) of the public members of the sub-district shall be appointed from the Borough of Paulsboro. Sub-district 3 is Salem, Cape May and Cumberland Counties and shall be represented by two (2) public members. The requisite qualification is that each member must reside within the port district and they are appointed to represent for at least three (3) years preceding their appointment. Public members serve a term of five (5) years and shall serve until their successor is appointed and qualified. Each member of the corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

before entering upon their duties shall take and subscribe an oath to perform the duties of their office faithfully, impartially and justly to the best of their ability. A record of such oath shall be filed in the office of the Secretary of State. Any vacancies in the appointed membership of the corporation occurring other than by expiration of term shall be filled in the same manner as the original appointment, but for the unexpired term only.

Financial Highlights

The assets of the Port exceeded its liabilities at December 31, 2011 by \$43,523,681. Included in this amount are \$1,247,406 invested in capital assets, net of related debt. Also included are \$25,728,619 reserved for debt service payment, reserve for supply of inventories on hand of \$1,401,433, and unreserved retained earnings of \$15,146,223.

On December 1, 2002 the Port restructured its long term debt by refunding its Marine Terminal Revenue Bonds. It issued two new Series of Bonds totaling \$121,325,000. On October 16, 2003 the Port issued an additional \$ 11,305,000 in Marine Terminal Revenue Bonds. The net proceeds of \$11,218,000 were utilized for specific capital projects that have been completed. On November 20, 2007 the Port issued \$11,235,000 in Marine Terminal Bonds for the purpose of implementing certain capital projects of the Corporation. A majority of these funds would be funding the Paulsboro Marine Terminal. Cathodic Protection and Warehouse Replacement were also part of that issue. The net proceeds from the sale of the 2007 Series N Bonds were \$11,122,650. On January 22, 2009, The Port Issued \$25,885,000 in Marine Terminal Revenue Bonds, 2009 Series O Bonds. The majority of these funds would be for funding the site work for the Paulsboro Marine Terminal. The balance of the funds the Corporation would be doing other capital improvements for the Port and as well as land acquisition. The net proceeds from the sale of the 2009 Series O Bonds issue were \$23,423,461. On December 30, 2009, the Port issued \$157,880,000 in Marine Terminal Revenue Bonds in the Series P Bond issue. The funding for this project is for the construction of Phase I of the Paulsboro Marine Terminal. More than \$134.4 million dollars of the Series P Bond proceeds is available for the marine terminal project; which provides sufficient funding for the construction of two deep water berths and integrated infrastructure. The balance of the Bond proceeds will be used to fund the required Debt Service Reserve, and capitalized interest through January 1, 2011.

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 incurred expenses, regardless of the timing of related cash flows.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Analysis

Port assets exceeded Port liabilities by \$43,523,681 and \$37,876,712 at December 31, 2011 and 2010, respectively.

<u>PORT'S NET ASSETS</u>		
<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current & Other Assets	\$145,708,176	\$203,619,082
Capital Assets (Net)	216,714,950	208,342,036
Total Assets	362,423,126	411,961,118
<u>LIABILITIES</u>		
Current Liabilities	30,521,466	77,025,364
Long-Term Liabilities	288,377,979	297,059,042
Total Liabilities	318,899,445	374,084,406
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	1,247,406	5,225,432
Restricted for:		
Reserve for Payment of Debt Service	25,728,619	25,728,619
Reserve for Inventory Supplies	1,401,223	1,403,216
Unrestricted:		
Unreserved	15,146,223	5,519,445
Total Net Assets	43,523,681	37,876,712

A 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 remain outstanding. Currently the amount of \$1,247,406 reflects the current capital assets net of related debt. 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 city and county tax payments. Unrestricted net assets are available for any Port related use.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Port Activities

Port activity for 2011 and 2010 resulting in operating income before depreciation and amortization is \$3,517,303 and \$2,206,697 respectively.

PORT CHANGES IN NET ASSETS

	2011	2010
Operating Revenues:		
Handling	\$3,813,719	\$3,091,161
Leasing	7,488,019	8,315,365
Dockage & Wharfage	4,486,742	4,169,726
Storage	903,371	750,840
Crane	1,246,163	1,202,252
Other	1,270,146	980,615
Total Operating Revenues	\$19,208,160	\$18,509,959
Operating Expenses:		
General Operating	\$9,370,948	\$9,897,334
Repair & Maintenance	783,407	714,766
General & Administrative	5,536,502	5,691,162
Total Operating Expenses	15,690,857	16,303,262
Operating Income Before Other Operating Expenses	3,517,303	2,206,697
Other Operating Expenses:		
Depreciation	4,569,859	5,281,958
Operating Gain/(Loss)	(1,052,556)	(3,075,261)
Non-operating Revenues/(Expenses)		
Interest on Investments	168,996	421,403
Insurance Proceeds		
Grant Revenue		318,066
Unrealized Gain/(Loss) on Investment	560,987	19,068
Federal Subsidy Revenue	3,246,652	3,255,670
Loss on Disposal of Assets		
Bond Interest	(17,122,380)	(17,395,203)
Net Non-operating Expenses	(13,145,745)	(13,380,996)
Net Loss Before Transfer of Depreciation to Contributed Capital	(14,198,301)	(16,456,257)
Transfer of Depreciation to Contributed Capital	211,962	211,963
Net Loss Before Operating Transfers	(13,986,339)	(16,244,294)

MANAGEMENT'S DISCUSSION AND ANALYSIS

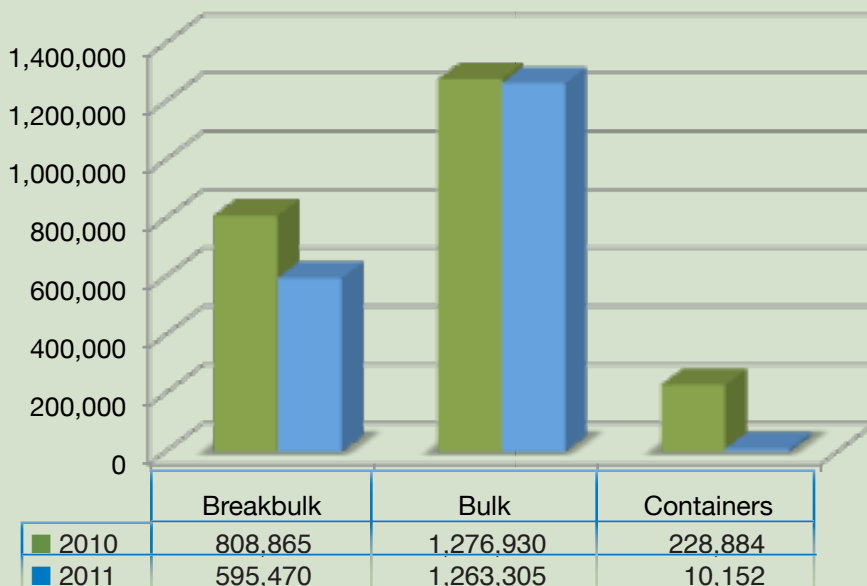
Operating Transfers To/From State of New Jersey/Other:

Debt Service Aid	19,847,053	7,013,289
City of Camden PILOT Revenues	2,500,000	4,000,000
City of Camden PILOT Expenditures	(2,500,000)	(4,000,000)
County of Camden PILOT Revenues	838,000	
County of Camden PILOT Expenditures	(838,000)	
City of Salem PILOT Revenues	62,449	
City of Salem PILOT Expenditures	(62,449)	
Borough of Paulsboro PILOT Revenue	500,000	500,000
Borough of Paulsboro PILOT Expenditures	(500,000)	(500,000)
County of Gloucester PILOT Revenue	150,000	150,000
County of Gloucester PILOT Expenditures	(150,000)	(150,000)
Change in Inventory of Supplies	(1,783)	8,408
Total Operating Transfers	19,845,270	7,021,697
Net Income/(Loss)	5,858,931	(9,222,597)
Net Assets/(Deficit) - January 1, As Previously Stated	37,193,704	48,451,301
Prior Period Adjustment		(2,035,000)
Net Assets/(Deficit) - January 1, As Restated	37,193,704	46,416,301
Net Assets/(Deficit) - December 31	43,052,635	37,193,704
Contributed Capital, January 1	683,008	886,371
Contributions		8,600
Depreciation	(211,962)	(211,963)
Contributed Capital, December 31	471,046	683,008
Net Assets - December 31	\$43,523,681	\$37,876,712

Cargo Tonnage

The South Jersey Port Corporation activity for 2011 totaled 1,868,926 tons. This is a decrease of 19% as compared to 2010. The total tonnage decrease is due to the loss of Del Monte in September of 2010. In 2010, Del Monte accounted for 520,332 tons. Comparing the two years without the Del Monte tonnage results in 2011 being 3.7% higher than 2010.

TONNAGE BY CARGO TYPE



MANAGEMENT'S DISCUSSION AND ANALYSIS

Breakbulk

Breakbulk activity for 2011 finished 26% or 213,395 tons lower when compared to 2010 Port Totals. This was due primarily to the loss of 296,325 tons of Fruit. Cocoa Beans decreased by 4.5% or 4,481 tons. Wood Products decreased by 17% or 21,621 tons. Steel however, increased by 104,915 tons from 2010, a 36% increase over prior year.

Bulk

Overall Bulk activity decreased by 1% or 8,126 tons in 2011 when compared to 2010 totals. For the year 2011, Cement decreased by 16% or 62,089 tons. Grancem® increased by 42% or 33,508 tons in 2011 over 2010. Salt imports increased by 3.5% or 3,205 tons during the year. The 736,331 tons of exported scrap metals in 2011 represents a 2.5% or 18,345 ton increase from 2010. Scrap metal activity represents a significant percentage of the Port's annual revenues and corresponding operating net income. Revenue is generated by port fees on cargo and ship activity such as dockage, wharfage, crane rental, in addition to lease rental. There are minimal port expenses such as labor associated with scrap metal and other bulk commodities. There was no Urea tonnage reported for 2011 which was a decline of 6,595 tons from prior year.

Containers

Container tonnage for the year 2011 reached 10,152 tons which is a 96% decrease from 2010 totals. The deviation is a result of the loss of the Del Monte cargo activity.

The Port of Salem

Included in the total tonnage figure of 1,868,926 was 6,784 tons of material handled at the Port of Salem. Of this total, 5,500 tons of sand was handled along with 1,284 tons for wood products.

Other Activity

Ship calls totaled 123 for the year ended 2011, 89 fewer or 41% lower than 2010. Ship days in 2011 totaled 350, a 29% decrease or 149 days less than the same period in 2010.

Operating Revenues

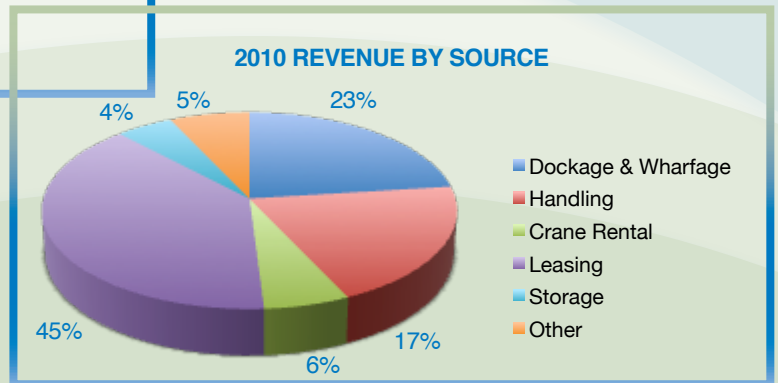
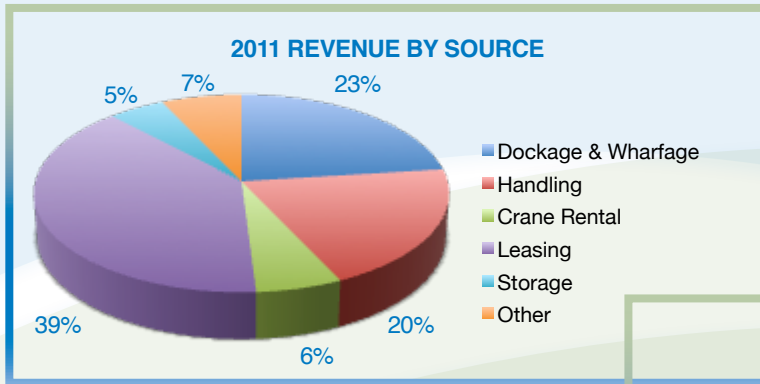
The Port Corporation generated \$19,208,160 total in operating revenues in 2011. This represents an overall increase of \$698,201 or 4% over 2010 totals.

In 2011, lease revenues decreased by \$827,346 or 10% decrease from 2010 totals. This decrease was due primarily to the difference in revenue generated from utility billings to tenants. With Del Monte not occupying their leasehold in 2011, utility billings fell 47% or \$726,140. Also, revenue recognized by Holcim's tonnage shortfall guarantee in 2011 was \$243,155 less than the amount from 2010.

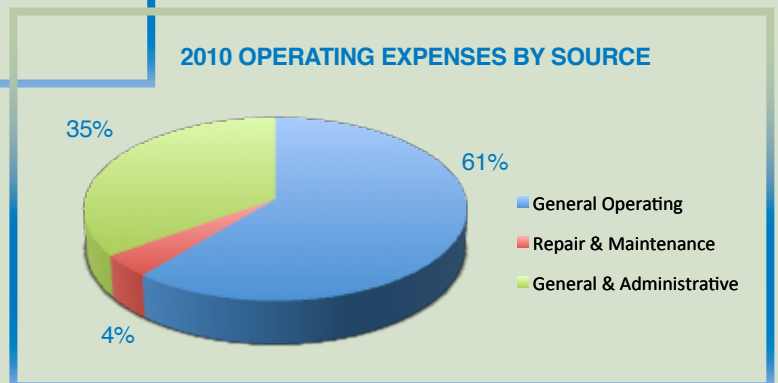
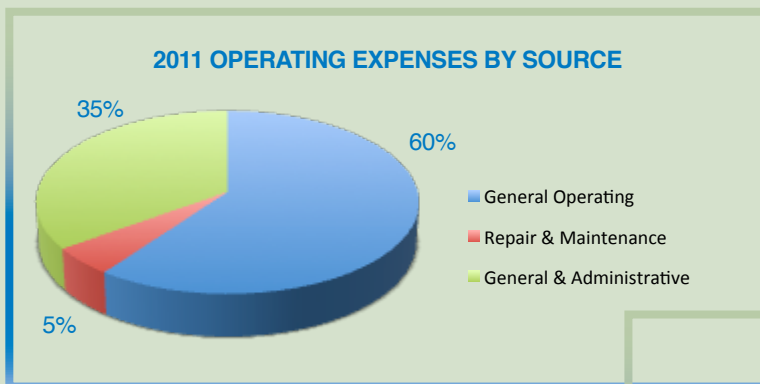
Dockage and Wharfage revenue increased by \$317,016 or 7% in 2011 compared to 2010. Handling revenue increased in 2011 by \$722,558 or 23% because of the increase in Steel products. Storage revenue increased by \$152,531 or 20% due to products being on premises for longer periods of time in 2011 than in 2010. Crane rental revenue increased by 43,911 or 4% when compared to 2010. Other income increased by \$289,531 or 30% due in large part to the revenue generated from the sale of scrap metals in 2011 than 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues by Source



Operating Expenses



MANAGEMENT'S DISCUSSION AND ANALYSIS

Total Corporation operating expenses were \$15,690,857 in 2011, a decrease of \$612,405 or 4% when compared to 2010.

Total Port Operation expense was reduced by \$526,386 or 5% from 2010. Operating labor decreased by \$271,617 or 7% when compared to 2010. Operational employee benefits expense increased by \$491,993 or 22% more than 2010 totals. The majority of this increase was due to an increase in hospitalization of \$231,402 or 21% and an increase in worker's compensation insurance of \$135,192 or 29% more than 2010. Gas and oil expense for crane rental increased in 2011 by \$32,779 or 72% when compared to 2010. Handling expense increased by \$120,162 or 9%. Trash removal increased by \$36,567 or 45%. Security expenses increased in 2011 by \$5,003 or 33% when compared to 2010. The Port of Salem expenses increased by \$3,492 or 7%. Rental of equipment increased by \$13,091 or 91% when compared to 2010. Utility expense decreased by \$957,856 or 42% from 2010 due in large part due to Del Monte not operating at the Broadway Terminal in 2011.

Total Repairs and Maintenance expenses increased by \$68,641 or 10% in 2011 over 2010. Building and grounds repair and maintenance was increased by \$105,408 or 33% from 2010 totals. Crane repair and maintenance increased by \$2,181 or 1% from 2010. Mobile machinery and equipment repairs and maintenance decreased by \$38,948 or 18%.

Overall, General & Administrative expenses in 2011 decreased by \$154,660 or 3% in comparison to 2010. Pension expense increased by \$70,638 or 13%. General insurance costs decreased by \$291,027 or 18%. Labor for office clerical decreased by \$12,154 or 2% from 2010. Administrative labor increased by \$41,565 or 7% when compared to 2010. Payroll taxes decreased by \$8,516 or 6% and Worker's Compensation stayed consistent when compared to the prior year. The Port is self insured for Health care benefits up to \$40,000 per employee. After the target amount is reached, health care re-insurance is triggered. The increased cost for Hospitalization claims of \$23,525 or 4% less than 2010 is due in large part to a higher amount of claims submitted. Professional fees decreased by \$23,241 or 3% when compared to 2010. Miscellaneous expenses were increased by \$88,421 or 23% from 2010. Telephone expenses decreased by \$6,014 or 11% due to usage and Bad debt expense increased by 16,213 in 2011 compared to 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

The Ports investment in Capital assets as of December 31, 2011 is \$ 216,714,950 or 4% increase (net of accumulated depreciation) over 2010 totals.

The investment in capital assets include land, buildings, piers and berth's, and machinery and equipment. Net capital assets increased by \$8,372,914 in 2011 over 2010. Annual depreciation and amortization reduced net property, plant and equipment.

CAPITAL ASSETS

	2011	2010
Land	\$ 18,235,317	\$18,235,317
Building & Improvements	43,943,179	43,943,179
Land Improvements	105,813,967	105,813,967
Equipment	24,176,869	24,145,831
Engineering & Other	7,135,677	7,135,677
Financing Costs	9,159,938	9,159,938
Subtotal	\$208,464,947	\$208,433,909
Less: Accumulated Depreciation & Amortization	99,020,292	94,427,409
Subtotal	109,444,655	114,006,500
Construction in Progress	91,231,854	78,297,095
Bond Discount & Finance	16,038,441	16,038,441
Total	\$216,714,950	\$208,342,036

Long-Term Debt

As of December 31, 2011 the Port had accumulated long-term debt of \$298,157,979. This consists of revenue bonds \$290,570,000, a capital lease of \$2,000,000, unamortized bond premium of \$1,521,286, an early retirement incentive of \$1,145,931 and a post retirement benefit of \$2,920,762.

LONG-TERM DEBT

	2011	2010
Revenue Bonds	\$290,570,000	\$296,245,000
Capital Lease	2,000,000	2,000,000
Unamortized Bond Premium	1,152,286	1,575,654
Post Retirement Benefits	2,920,762	2,682,925
Early Retirement	1,145,931	1,130,463
Total	\$298,157,979	\$303,634,042

MANAGEMENT'S DISCUSSION AND ANALYSIS

On December 1, 2002 the Port issued Series K \$79,295,000 and Series L \$42,030,000 Marine Terminal and Revenue Refunding Bonds, and on October 16, 2003 the Port issued Series M \$11,305,000 Marine Terminal Revenue Bonds and on November 21, 2007 the Port issued Series N \$11,235,000 Marine Terminal Revenue Bonds. On January 22, 2009, the Port Issued \$25,885,000 in Marine Terminal Bonds, 2011 Series O Bonds. On December 30, 2009 the Port Issued \$157,880,000 in Marine Terminal Revenue Bonds, 2009 Series P Bonds.

During 2001 the Port entered into a Capital Lease Agreement with the Delaware River Port Authority in the amount of \$2,000,000 for an electrical substation upgrade at the Broadway Terminal. The terms of the agreement call for the lease to be repaid over 20 years at 0% interest. As of December 31, 2011 the Port has not yet commenced any payment on the Capital Lease.

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

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

COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010

ASSETS	2011	2010
Current Assets:		
Unrestricted Assets:		
Cash & Cash Equivalents	\$7,301,082	4,192,439
Accounts Receivable (Net of Allowance for Doubtful Accounts - \$331,261 in 2011 & \$302,063 in 2010)	2,893,670	2,312,475
Other Accounts Receivable	2,333,963	1,131,938
Prepaid Expenses	930,237	1,047,271
Inventory of Supplies	1,401,433	1,403,216
Total Unrestricted Current Assets	14,860,385	10,087,339
Restricted Assets:		
Cash & Cash Equivalents	101,246,790	180,090,970
Investments	9,753,948	4,804,158
Federal Subsidy Receivable		1,623,326
Due from State of New Jersey	19,847,053	7,013,289
Total Restricted Current Assets	130,847,791	193,531,743
Property, Plant & Equipment (Note 5):		
Completed	208,464,947	208,433,909
Construction in Progress	91,231,853	78,297,095
Bond Discount & Financing Costs	16,038,442	16,038,442
Total Property, Plant & Equipment	315,735,242	302,769,446
Less: Accumulated Depreciation & Amortization	99,020,292	94,427,410
Net Property, Plant & Equipment	216,714,950	208,342,036
Total Assets	362,423,126	411,961,118

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

SOUTH JERSEY PORT CORPORATION

COMPARATIVE STATEMENT OF NET ASSETS DECEMBER 31, 2011 AND 2010

LIABILITIES	2011	2010
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	506,023	724
Accrued Expenses	987,113	1,681,622
Payroll Taxes Payable	50,195	11,538
Accrued Vacation Payable	148,207	187,510
Deferred Income	537,751	538,215
Lease Security & Escrow Deposits	207,042	166,468
Total Current Liabilities Payable From Unrestricted Assets	<u>2,436,331</u>	<u>2,586,077</u>
Current Liabilities Payable From Restricted Assets:		
Accounts Payable		
Accrued Interest Payable	8,561,191	8,683,042
Contracts Payable	9,743,944	59,181,245
Revenue Bonds (Short-Term Portion)	8,780,000	5,675,000
Capital Lease Payable	1,000,000	900,000
Total Current Liabilities Payable From Restricted Assets	<u>28,085,135</u>	<u>74,439,287</u>
Long-Term Liabilities:		
Long-Term Liabilities Payable From Restricted Assets:		
Early Retirement Payable	1,145,931	1,130,463
Post-Retirement Benefits Payable	2,920,762	2,682,925
Total Long-Term Liabilities Payable From Unrestricted Assets	<u>4,066,693</u>	<u>3,813,388</u>
Long-Term Liabilities Payable From Restricted Assets:		
Revenue Bonds (Long-Term Portion)	281,790,000	290,570,000
Capital Lease Payable	1,000,000	1,100,000
Unamortized Bond Premiums	1,521,286	1,575,654
Total Long-Term Liabilities Payable From Restricted Assets	<u>284,311,286</u>	<u>293,245,654</u>
Total Liabilities	<u>318,899,445</u>	<u>374,084,406</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt:	1,247,406	5,225,432
Restricted:		
Reserve for Payment of Debt Service	25,728,619	25,728,619
Reserve for Inventory of Supplies	1,401,433	1,403,216
Unrestricted:		
Unreserved	15,146,223	5,519,445
Total Net Assets	<u>\$43,523,681</u>	<u>37,876,712</u>

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

IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Operating Revenues:		
Marine Direct	\$16,536,318	15,355,999
Marine Related	1,966,643	2,632,002
Other	705,199	521,958
Total Operating Revenues	<u>19,208,160</u>	<u>18,509,959</u>
Operating Expenses:		
General Operating	9,370,948	9,897,334
Repairs & Maintenance	783,407	714,766
General & Administrative	5,536,502	5,691,162
Total Operating Expenses	<u>15,690,857</u>	<u>16,303,262</u>
Operating Income Before Other Operating Expenses	<u>3,517,303</u>	<u>2,206,697</u>
Other Operating Expenses:		
Depreciation	4,569,859	5,281,958
Total Other Operating Expenses	<u>4,569,859</u>	<u>5,281,958</u>
Operating Gain/(Loss)	<u>(1,052,556)</u>	<u>(3,075,261)</u>
Nonoperating Revenues/(Expenses):		
Interest on Investments	168,996	421,403
Grant Revenue	0	318,066
Federal Subsidy Revenue	3,246,652	3,255,670
Unrealized Gain/(Loss) on Investment	560,987	19,068
Bond Interest	(17,122,380)	(17,395,203)
Net Nonoperating Expenses	<u>(13,145,745)</u>	<u>(13,380,996)</u>
Net Loss Before Transfer of Depreciation to Contributed Capital	(14,198,301)	(16,456,257)
Transfer of Depreciation to Contributed Capital	<u>211,962</u>	<u>211,963</u>
Net Loss Before Operating Transfers	<u>(13,986,339)</u>	<u>(16,244,294)</u>

SOUTH JERSEY PORT CORPORATION

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Operating Transfers To/ From the State of New Jersey/Other:		
Debt Service Aid	19,847,053	7,013,289
Camden City PILOT Revenues	2,500,000	4,000,000
Camden City PILOT Expenditures	(2,500,000)	(4,000,000)
Camden County PILOT Revenues (see Note 11 on Page 45)	838,000	
Camden County PILOT Expenditures	(838,000)	
Salem PILOT Revenues (see Note 11 on Page 45)	62,449	
Salem PILOT Expenditures	(62,449)	
Paulsboro PILOT Revenues	500,000	500,000
Paulsboro PILOT Expenditures	(500,000)	(500,000)
Gloucester County PILOT Revenues	150,000	150,000
Gloucester County PILOT Expenditures	(150,000)	(150,000)
Change in Inventory of Supplies	(1,783)	8,408
Total Operating Transfers	<u>19,845,270</u>	<u>7,021,697</u>
Net Income/(Loss)	5,858,931	(9,222,597)
Net Assets/(Deficit) - January 1, as Previously Stated	<u>37,193,704</u>	<u>48,451,301</u>
Prior Period Adjustment		(2,035,000)
Net Assets/(Deficit) - January 1, as Restated	<u>37,193,704</u>	<u>46,416,301</u>
Net Assets/(Deficit) - December 31,	<u>43,052,635</u>	<u>37,193,704</u>
Contributed Capital, January 1	683,008	886,371
Contributions		8,600
Depreciation	<u>(211,962)</u>	<u>(211,963)</u>
Contributed Capital, December 31	471,046	683,008
Net Assets - December 31	<u><u>\$43,523,681</u></u>	<u><u>37,876,712</u></u>

COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities:		
Receipts from Customers	\$19,066,848	16,953,674
Interest Receipts	98,452	366,511
Payments to Employees	(4,951,222)	(5,276,558)
Payments for Employee Benefits	(4,032,419)	(3,465,736)
Payments to Suppliers	<u>(6,603,657)</u>	<u>(6,250,768)</u>
Net Cash Provided/(Used) by Operating Activities	<u>3,578,002</u>	<u>2,327,123</u>
Cash Flows From Noncapital Financing Activities:		
Developers' Escrow Deposits	1,295	2,650
Developers' Escrow Refunds	<u>(80)</u>	<u>(40)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>1,215</u>	<u>2,610</u>
Cash Flows From Capital & Related Financing Activities:		
Acquisition & Construction of Capital Assets	(62,435,657)	(13,282,517)
State Aid for Construction Projects		1,619,421
Federal Interest Subsidy	3,246,652	3,255,670
Bond Issuance Costs		(99,067)
Interest Paid on Revenue Bonds	(17,244,232)	(12,268,127)
Principal Paid on Revenue Bonds	(5,675,000)	(5,425,000)
State Aid for Debt Service	7,013,289	8,476,559
Camden City PILOT Revenues	2,500,000	4,000,000
Camden City PILOT Payments	(2,500,000)	(4,000,000)
Camden County PILOT Revenues	838,000	
Camden County PILOT Payment	(838,000)	
Paulsboro PILOT Revenues	500,000	500,000
Paulsboro PILOT Expenditures	(500,000)	(500,000)
Gloucester County PILOT Revenues	150,000	150,000
Gloucester County PILOT Payment	(150,000)	(150,000)
Salem PILOT Revenues	62,449	
Salem PILOT Payment	<u>(62,449)</u>	
Net Cash Provided/(Used) by Capital & Related Financing Activities	<u>(75,094,948)</u>	<u>(17,723,061)</u>
Cash Flows From Investing Activities:		
Unrealized Gain/(Loss) on Investment	560,987	19,068
Purchase of Repurchase Agreement/Discount Notes	(4,949,789)	3,442,611
Interest & Dividends	<u>168,996</u>	<u>421,403</u>
Net Cash Provided/(Used) by Investing Activities	<u>(4,219,806)</u>	<u>3,883,082</u>

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

SOUTH JERSEY PORT CORPORATION

COMPARATIVE STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Net Increase/(Decrease) in Cash & Cash Equivalents	(75,735,537)	(11,510,246)
Balances - Beginning of Year	<u>184,283,409</u>	<u>195,793,655</u>
Balances - End of Year	<u>\$108,547,872</u>	<u>184,283,409</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	(\$1,052,556)	(3,075,261)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Activities:		
Depreciation & Net Amortization	4,569,859	5,281,958
(Increase)/Decrease in Accounts Receivable, Net	(159,894)	(1,447,592)
(Increase)/Decrease in Notes Receivable, Net	0	3,754
(Increase)/Decrease in Prepaid Expenses	117,034	254,064
Increase/(Decrease) in Accounts Payable	127,858	1,232,360
Increase/(Decrease) in Accrued Liabilities	(39,303)	(58,776)
Increase/(Decrease) in Early Retirement Payable	15,468	17,053
Increase/(Decrease) in Deferred Revenue	<u>(464)</u>	<u>119,563</u>
Total Adjustments	<u>4,630,558</u>	<u>5,402,384</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$3,578,002</u>	<u>2,327,123</u>

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the South Jersey Port Corporation have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for state and local governmental entities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

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

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

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, 2011 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 South Jersey Port Corporation is a component unit of the State of New Jersey as described in Governmental Accounting Standards Board Statement No. 14 due to the existence of the above stated act, N.J.S.A.12: 11A. These financial statements would be either blended or discreetly presented as part of the State of New Jersey’s financial statements if the State reported using generally accepted accounting principles applicable to governmental entities.

The operations of the Port are under the directorship of a eleven-member board. The Governor of the State appoints members for a term of five years. The day-to-day operations of the Port are under the administration of the Executive Director with approximately 85 full time employees and 7 part time employees.

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

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

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

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.
- 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 4, 1993, December 5, 2002, September 30, 2003, June 8, 2005, October 31, 2006, August 28, 2007, October 28, 2008 and July 28, 2009. The revenues generated by

NOTES TO FINANCIAL STATEMENTS

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

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 of each account created by the Bond Resolution:

Operating Account

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

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

- (a) An amount equal to the Aggregate Debt Service for such calendar year;
- (b) The amount, if any, to be paid during such calendar year into the Debt Reserve Account;
- (c) The amount to be paid during such calendar year into the Maintenance Reserve Account to the extent funds are available; and

- (d) 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 payments for 2011 included \$5,675,000 for principal and \$17,244,232 for interest. Funds were provided as follows:

Debt Service Reserve Fund	\$15,578,018
Construction Fund	<u>7,341,214</u>
Total	<u>\$22,919,232</u>

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 \$19,847,053.

NOTES TO FINANCIAL STATEMENTS

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 \$25,728,619.

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

Tax Reserve Account

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

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

“To the end that counties and municipalities may not suffer undue loss of future tax revenue by reason of the acquisition of real property therein by the Corporation, the Corporation is hereby authorized, empowered and directed to enter into agreement or agreements (hereinafter 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 2011 the State of New Jersey paid to the Corporation \$2,500,000 for Camden City, \$838,000 for Camden County, \$500,000 for Paulsboro Township, \$150,000 for Gloucester County, \$62,449 for Salem City to provide sufficient funds for tax payments.

General Reserve Account

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

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

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. In 2007 Series N Bonds were issued in the amount of \$11,235,000. During 2009 Series O Bonds in the amount of \$25,885,000 and Series P Bonds in the amount of \$157,880,000 were issued and these funds are also still available for approved projects.

With certain exceptions, existing arbitrage laws require a rebate to the federal government of all earnings on the investment of the proceeds of tax-exempt obligations, issued after September 1, 1986, in excess of the yield on such obligations and any income earned on such excess. A portion of past or future interest earnings may be subject to federal rebate. An arbitrage calculation analysis has been performed through October 31, 2008 for such required tax-exempt obligations and it has been determined that no liability is due to the federal government at this time.

Subsequent Events

The South Jersey Port Corporation has evaluated subsequent events occurring after December 31, 2011 through the date of March 2, 2012, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents

The Corporation is governed by the deposit and investment limitations of New Jersey state law. The Deposits and Investments held at December 31, 2011, and reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand Deposits	<u>\$108,547,872</u>
Total Deposits	<u>\$108,547,872</u>
Reconciliation of Statement of Net Assets:	
Current:	
Unrestricted Assets:	
Cash & Cash Equivalents	\$ 7,301,082
Restricted Assets:	
Cash & Cash Equivalents	<u>101,246,790</u>
Total	<u>\$108,547,872</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation does not have a deposit policy for custodial credit risk. As of December 31, 2011, the Corporation's bank balance of \$125,506,699 was insured or collateralized as follows:

Insured	\$354,433
Collateralized in the Corporation's Name	
Under GUDPA (See Note 4)	19,707,576
Collateralized not in the Corporation's Name	
(New Jersey Cash Management Fund)	<u>105,444,690</u>
Total	<u>\$125,506,699</u>

Note 3. Investments

A. Custodial Credit Risk

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

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Corporation has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2011, are provided in the above schedule.

C. Investment Credit Risk

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

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

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2011, the Corporation had the following investments and maturities:

Investment	Maturities	Rating	Fair Value
US Government Taxable Bonds	N/A	N/A	<u>\$9,753,948</u>
Total			<u>\$9,753,948</u>

Note 4. Governmental Unit Deposit Protection Act (GUDPA)

The Corporation deposited cash in 2011 with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act.

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

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

Note 5. Property, Plant and Equipment

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

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
Land	\$ 18,235,317			\$ 18,235,317
Buildings & Improvements	43,943,179			43,943,179
Land Improvements	105,813,967			105,813,967
Equipment	24,145,831	\$ 62,384	\$(31,345)	24,176,870
Engineering & Other	7,135,677			7,135,677
Financing Costs	9,159,938			9,159,938
Subtotal	208,433,909	62,384	(31,345)	208,464,948
Less Accumulated Depreciation Amortization	(94,427,409)	(4,624,228)	31,345	(99,020,292)
Subtotal	114,006,500	(4,561,844)		109,444,656
Construction in Progress	78,297,095	12,934,758		91,231,853
Bond Discount & Financing	16,038,441			16,038,441
Total	\$208,342,036	\$8,372,914	\$ -	\$216,714,950

NOTES TO FINANCIAL STATEMENTS

Note 6. 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) 292-7524.

B. Vesting and Benefit Provisions

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

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

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

C. Significant Legislation

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

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

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

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

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

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

D. Contribution Requirements

The contribution policy is set by N.J.S.A.43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A.18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 6.5%, effective October 1, 2011, of employees' annual compensation as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. The South Jersey Port Corporation's contributions to P.E.R.S. for the years ending December 31, 2011, 2010 and 2009 were \$608,757, \$461,429 and \$442,151, respectively, equal to the required contributions for each year.

E. Early Retirement Incentive Plan

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension (continued):

elected to participate in the ERI. The liability to the Corporation is \$1,145,931 as of December 31, 2011. Payments for the liability will be spread over 30 years. Each consecutive year's payment would increase by 4.00%. All the payment schedules incorporate an annual percentage rate of interest equaling 8.25%. The Port made its payment towards the ERI Program in 2011 for \$77,795, which included principal and interest.

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

Year	Principal	Interest	Total
2012	\$ (13,632)	\$ 94,539	\$ 80,907
2013	(11,521)	95,664	84,143
2014	(9,106)	96,615	87,509
2015	(6,358)	97,366	91,008
2016	(3,242)	97,890	94,648
2017	276	98,158	98,434
2018	4,236	98,135	102,371
2019	8,680	97,786	106,466
2020	13,656	97,069	110,725
2021	19,211	95,943	115,154
2022	25,402	94,358	119,760
2023	32,288	92,262	124,550
2024	39,933	89,599	129,532
2025	48,409	86,304	134,713
2026	57,792	82,310	140,102
2027	68,164	77,542	145,706
2028	79,615	71,919	151,534
2029	92,244	65,351	157,595
2030	106,158	57,741	163,899
2031	121,472	48,983	170,455
2032	138,312	38,961	177,273
2033	156,814	27,550	184,364
2034	<u>177,128</u>	<u>14,613</u>	<u>191,741</u>
Total	<u>\$1,145,931</u>	<u>\$1,816,658</u>	<u>\$2,962,589</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

The following is a summary of long-term debt at December 31, 2011:

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	4.000% 5.100%	\$79,295,000	\$ 64,720,000
Series 2002 L Marine Terminal Revenue & Revenue Refunding Bonds	12/01/02	01/01/24	4.000% 5.250%	42,030,000	22,650,000
Series 2003 M Marine Terminal Revenue Bonds	10/15/03	01/01/30	5.000%	11,305,000	9,550,000
Series 2007 N Marine Terminal Revenue Bonds	11/08/07	01/01/38	4.500% 5.250%	11,235,000	10,725,000
Series 2009 O Marine Terminal Revenue Bonds	01/29/09	01/01/39	4.000% 5.875%	25,885,000	25,045,000
Series 2009 P Marine Terminal Revenue Bonds	12/30/09	01/01/40	2.995% 7.365%	157,880,000	157,880,000
Total					290,570,000
Less: Current Maturities Included in Current Liabilities					<u>8,780,000</u>
Balance					<u>\$281,790,000</u>

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

Year	Principal	Interest	Total
2012	\$ 8,780,000	\$ 16,948,619	\$ 25,728,619
2013	9,120,000	16,579,808	25,699,808
2014	9,040,000	16,203,046	25,243,046
2015	9,410,000	15,814,406	25,224,406
2016	9,835,000	15,386,916	25,221,916
2017-2021	53,630,000	69,096,750	122,726,750
2022-2026	46,535,000	55,213,819	101,748,819
2027-2031	50,825,000	40,804,188	91,629,188
2032-2036	51,350,000	23,598,557	74,948,557
2037-2040	<u>42,045,000</u>	<u>5,951,910</u>	<u>47,996,910</u>
Total	<u>\$290,570,000</u>	<u>\$275,598,019</u>	<u>\$566,168,019</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (continued):

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

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

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

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

d) On January 29, 2009, the Corporation issued \$25,885,000 in aggregate Marine Terminal Revenue Bonds, Series O. The Series O Bonds consist of \$19,770,000 Marine Terminal Revenue Bonds, Series O-1 (the "Series 2009 O-1 Bonds"), \$915,000 Marine Terminal Revenue Bonds, Series 2009 O-2 (the "Series 2009 O-2 Bonds"), and \$5,200,000 Marine Terminal Revenue Bonds, Series O-3 (AMT) (the "Series 2009 O-3 Bonds" and, together with the Series 2009 O-1 Bonds and the Series 2009 O-2 Bonds, "Series 2009 Bonds"). The Series O Bonds were issued to provide

funds to (i) fund the implementation of certain capital projects of the Corporation; (ii) fund a deposit to the Debt Reserve Fund established under the Bond Resolution; and (iii) pay the costs of issuance of the Series 2009 Bonds.

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (continued):

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

Issue Year	.....SERIES K.....		.....SERIES L.....		.....SERIES M.....		.....SERIES N.....	
	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Annual Principal	Interest Rate
2012	2,190,000	4.20	2,735,000	4.60	325,000	5.00	205,000	4.50
2013	2,270,000	4.40	2,870,000	5.25	340,000	5.00	210,000	4.50
2014	3,575,000	4.40	1,350,000	4.80	350,000	5.00	220,000	4.50
2015	3,750,000	4.50	1,410,000	4.80	365,000	5.00	230,000	4.50
2016	3,920,000	4.50	1,480,000	5.00	385,000	5.00	245,000	4.50
2017	4,090,000	4.50	1,560,000	5.00	400,000	5.00	250,000	4.50
2018	4,280,000	4.75	1,635,000	5.00	420,000	5.00	265,000	4.50
2019	4,485,000	4.85	-	-	440,000	5.00	280,000	4.50
2020	4,700,000	5.00	-	-	-	-	295,000	4.50
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	1,445,000	5.00	-	-
2023	8,645,000	5.00	8,620,000	5.20	-	-	960,000	4.50
2024	-	-	990,000	5.25	-	-	-	-
2025	-	-	-	-	1,670,000	5.00	-	-
2026	4,960,000	5.00	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	1,935,000	4.63
2029	-	-	-	-	-	-	440,000	4.75
2030	-	-	-	-	3,410,000	5.00	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	17,855,000	5.10	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	5,190,000	5.25
Total	<u>\$64,720,000</u>		<u>\$22,650,000</u>		<u>\$ 9,550,000</u>		<u>\$10,725,000</u>	

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (continued):

Issue Year	.....SERIES O-1.....		.....SERIES O-2.....		.....SERIES O-3.....		.....SERIES O.....	
	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Annual Principal	
2012	-		-		465,000	4.000	465,000	
2013	-		-		-		-	
2014	-		-		-		-	
2015	-		-		1,510,000	4.500	1,510,000	
2016	-		-		-		-	
2017	-		-		-		-	
2018	-		-		-		-	
2019	-		-		2,385,000	5.500	2,385,000	
2020	-		-		-		-	
2021	-		-		-		-	
2022	-		-		-		-	
2023	2,525,000	4.625	-		-		2,525,000	
2024	-		-		-		-	
2025	-		-		-		-	
2026	2,225,000	5.000	-		-		2,225,000	
2027	-		-		-		-	
2028	1,675,000	5.125	300,000	5.125	-		1,975,000	
2029	-		-		-		-	
2030	-		-		-		-	
2031	-		-		-		-	
2032	-		-		-		-	
2033	-		-		-		-	
2034	6,255,000	5.750	285,000	5.750	-		6,540,000	
2035	-		-		-		-	
2036	-		-		-		-	
2037	-		-		-		-	
2038	-		-		-		-	
2039	<u>7,090,000</u>	5.875	<u>330,000</u>	5.875	<u>-</u>		<u>7,420,000</u>	
Total	<u>\$19,770,000</u>		<u>\$915,000</u>		<u>\$4,360,000</u>		<u>\$25,045,000</u>	

Issue Year	.....SERIES P-1.....		.....SERIES P-2.....		.....SERIES P-3.....		SERIES "P" Total Principal	Grand Total Principal
	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Annual Principal	Interest Rate		
2012	2,860,000	2.995	-		-		2,860,000	9,225,000
2013	2,065,000	3.145	885,000	3.000	-		2,950,000	8,640,000
2014	-		3,040,000	3.000	-		3,040,000	8,535,000
2015	-		3,130,000	4.000	-		3,130,000	10,395,000
2016	-		3,255,000	4.000	-		3,255,000	9,285,000
2017	-		3,385,000	4.000	-		3,385,000	9,685,000
2018	-		4,115,000	5.750	3,520,000	5.912	7,635,000	14,235,000
2019	-		4,350,000	5.750	3,655,000	6.052	8,005,000	15,595,000
2020	-		1,055,000	5.750	3,800,000	6.152	4,855,000	9,850,000
2021	-		-		3,955,000	6.252	3,955,000	3,955,000

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (continued):

Issue Year	.....SERIES P-1..... Annual Principal	Interest Rate	.....SERIES P-2..... Annual Principal	Interest Rate	....SERIES P-3..... Annual Principal	Interest Rate	SERIES "P" Total Principal	Grand Total Principal
2022	-		-		-		-	1,445,000
2023	-		-		-		-	20,750,000
2024	-		-		-		-	990,000
2025	-		-		-		-	1,670,000
2026	-		-		-		-	7,185,000
2027	-		-		-		-	-
2028	-		-		-		-	3,910,000
2029	-		-		29,985,000	7.065	29,985,000	30,425,000
2030	-		-		-		-	3,410,000
2031	-		-		-		-	-
2032	-		-		-		-	-
2033	-		-		-		-	17,855,000
2034	-		-		-		-	6,540,000
2035	-		-		-		-	-
2036	-		-		-		-	-
2037	-		-		-		-	-
2038	-		-		-		-	5,190,000
2039	-		-		-		-	7,420,000
2040	-		-		84,825,000	7.365	84,825,000	84,825,000
Total	<u>\$4,925,000</u>		<u>\$23,215,000</u>		<u>\$129,740,000</u>		<u>\$157,880,000</u>	<u>\$290,570,000</u>

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	SERIES N
2019	\$ -	\$1,710,000	\$ -	
2020	-	1,805,000	460,000	
2021	2,740,000	1,620,000	480,000	\$ 305,000
2022	2,880,000	1,700,000	505,000	320,000
2023	3,025,000	1,785,000	530,000	335,000
2024	895,000	990,000	555,000	350,000
2025	1,985,000	-	585,000	370,000
2026	2,080,000	-	615,000	385,000
2027	2,185,000	-	645,000	405,000
2028	2,300,000	-	680,000	425,000
2029	2,415,000	-	715,000	440,000
2030	2,540,000	-	755,000	475,000
2031	2,670,000	-	-	490,000
2032	2,800,000	-	-	515,000
2033	2,945,000	-	-	545,000
2034	-	-	-	575,000
2035	-	-	-	600,000
2036	-	-	-	630,000
2037	-	-	-	665,000
2038	-	-	-	695,000
Total	<u>\$31,460,000</u>	<u>\$9,610,000</u>	<u>\$6,525,000</u>	<u>\$8,525,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (continued):

ISSUE YEAR	SERIES O-1	SERIES O-2	SERIES O-3	SERIES P-3	GRAND TOTAL
2012	-	-	465,000	-	465,000
2013	-	-	480,000	-	480,000
2014	-	-	505,000	-	505,000
2015	-	-	525,000	-	525,000
2016	-	-	550,000	-	550,000
2017	-	-	580,000	-	580,000
2018	-	-	610,000	-	610,000
2019	-	-	645,000	-	2,355,000
2020	590,000	25,000	-	-	2,880,000
2021	615,000	30,000	-	-	5,790,000
2022	645,000	30,000	-	-	6,080,000
2023	675,000	30,000	-	-	6,380,000
2024	705,000	35,000	-	3,545,000	7,075,000
2025	740,000	35,000	-	4,825,000	8,540,000
2026	780,000	35,000	-	5,045,000	8,940,000
2027	815,000	40,000	-	5,275,000	9,365,000
2028	860,000	40,000	-	5,520,000	9,825,000
2029	900,000	40,000	-	5,775,000	10,285,000
2030	955,000	45,000	-	6,040,000	10,810,000
2031	1,010,000	45,000	-	6,325,000	10,540,000
2032	1,065,000	50,000	-	6,630,000	11,060,000
2033	1,130,000	50,000	-	6,945,000	11,615,000
2034	1,195,000	55,000	-	7,280,000	9,105,000
2035	1,260,000	60,000	-	7,630,000	9,550,000
2036	1,335,000	60,000	-	7,995,000	10,020,000
2037	1,415,000	65,000	-	8,375,000	10,520,000
2038	1,495,000	70,000	-	8,775,000	11,035,000
2039	1,585,000	75,000	-	9,195,000	10,855,000
2040	-	-	-	9,635,000	9,635,000
Total	<u>\$19,770,000</u>	<u>\$ 915,000</u>	<u>\$4,360,000</u>	<u>\$114,810,000</u>	<u>\$195,975,000</u>

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

<u>Year</u>	<u>Principal Amount</u>
2021	\$2,740,000
2022	2,880,000
2023	<u>3,025,000</u>
Total	<u>\$8,645,000</u>

Series K - Bonds Maturing January 1, 2026

<u>Year</u>	<u>Principal Amount</u>
2024	\$ 895,000
2025	1,985,000
2026	<u>2,080,000</u>
Total	<u>\$4,960,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (continued):

Series K - Bonds Maturing January 1, 2033

<u>Year</u>	<u>Principal Amount</u>
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	<u>2,945,000</u>
Total	<u>\$17,855,000</u>

Series L - Bonds Maturing January 1, 2023

<u>Year</u>	<u>Principal Amount</u>
2019	\$1,710,000
2020	1,805,000
2021	1,620,000
2022	1,700,000
2023	<u>1,785,000</u>
Total	<u>\$8,620,000</u>

Series L - Bonds Maturing January 1, 2024

<u>Year</u>	<u>Principal Amount</u>
2024	<u>\$990,000</u>

Series M - Bonds Maturing January 1, 2022

<u>Year</u>	<u>Principal Amount</u>
2020	\$ 460,000
2021	480,000
2022	<u>505,000</u>
Total	<u>\$1,445,000</u>

Series M - Bonds Maturing January 1, 2025

<u>Year</u>	<u>Principal Amount</u>
2023	\$ 530,000
2024	555,000
2025	<u>585,000</u>
Total	<u>\$1,670,000</u>

Series M - Bonds Maturing January 1, 2030

<u>Year</u>	<u>Principal Amount</u>
2026	\$ 615,000
2027	645,000
2028	680,000
2029	715,000
2030	<u>755,000</u>
Total	<u>\$3,410,000</u>

Series N - Bonds Maturing January 1, 2038

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (continued):

Series N - Bonds Maturing January 1, 2023

<u>Year</u>	<u>Principal Amount</u>
2021	\$305,000
2022	320,000
2023	<u>335,000</u>
Total	<u>\$960,000</u>

Series N - Bonds Maturing January 1, 2028

<u>Year</u>	<u>Principal Amount</u>
2024	\$ 350,000
2025	370,000
2026	385,000
2027	405,000
2028	<u>425,000</u>

Total \$1,935,000

Series N - Bonds Maturing January 1, 2029

<u>Year</u>	<u>Principal Amount</u>
2029	<u>\$440,000</u>

Series O-1 - Bonds Maturing January 1, 2023

<u>Year</u>	<u>Principal Amount</u>
2020	\$590,000
2021	615,000
2022	645,000
2023	<u>675,000</u>

Total \$2,525,000

Series O-1 - Bonds Maturing January 1, 2026

<u>Year</u>	<u>Principal Amount</u>
2024	\$ 705,000
2025	740,000
2026	<u>780,000</u>
Total	<u>\$2,225,000</u>

Series O-1 - Bonds Maturing January 1, 2028

<u>Year</u>	<u>Principal Amount</u>
2027	815,000
2028	<u>860,000</u>
Total	<u>\$1,675,000</u>

Series O-1 - Bonds Maturing January 1, 2034

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

Series O-1 - Bonds Maturing January 1, 2039

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

NOTES TO FINANCIAL STATEMENTS

Series O-2 - Bonds Maturing January 1, 2028

<u>Year</u>	<u>Principal Amount</u>
2020	\$ 25,000
2021	30,000
2022	30,000
2023	30,000
2024	35,000
2025	35,000

Series O-2 – Bonds Maturing January 1, 2028

<u>Year</u>	<u>Principal Amount</u>
2026	\$35,000
2027	40,000
2028	<u>40,000</u>
Total	<u>\$300,000</u>

Series O-2 - Bonds Maturing January 1, 2034

<u>Year</u>	<u>Principal Amount</u>
2029	\$ 40,000
2030	45,000
2031	45,000
2032	50,000
2033	50,000
2034	<u>55,000</u>
Total	<u>\$ 285,000</u>

Series O-2 - Bonds Maturing January 1, 2039

<u>Year</u>	<u>Principal Amount</u>
2035	\$ 60,000
2036	60,000
2037	65,000
2038	70,000
2039	<u>75,000</u>
Total	<u>\$330,000</u>

Series O-3 - Bonds Maturing January 1, 2012

<u>Year</u>	<u>Principal Amount</u>
2011	445,000
2012	465,000
Total	<u>\$ 910,000</u>

Series O-3 – Bonds Maturing January 1, 2015

<u>Year</u>	<u>Principal Amount</u>
2013	\$ 480,000
2014	505,000
2015	525,000
Total	<u>\$1,510,000</u>

Series O-3 - Bonds Maturing January 1, 2019

<u>Year</u>	<u>Principal Amount</u>
2016	\$ 550,000
2017	580,000
2018	610,000
2019	<u>645,000</u>
Total	<u>\$2,385,000</u>

Series P-3 – Bonds Maturing January 1, 2029

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

Series O-3 - Bonds Maturing January 1, 2040

<u>Year</u>	<u>Principal Amount</u>
2030	\$ 6,040,000
2031	6,325,000
2032	6,630,000
2033	6,945,000
2034	7,280,000
2035	7,630,000

Series P-3 – Bonds Maturing January 1, 2040

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (continued):

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

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

The Series 2007 Bonds maturing before January 1, 2018 are not subject to optional redemption prior to their stated maturities. The Series 2007 Bonds maturing on or after January 1, 2018 are subject to redemption prior to maturity, at the option of the Corporation, upon notice as described below, as a whole or in part at any time on or after January 1, 2017. The Series 2007 Bonds or portions thereof to be redeemed shall be selected by the Trustee in any order of maturity at the written election of the Corporation signed by an Authorized Officer, as set forth in said written election and within a maturity by lot in any other customary manner determined by the Trustee. Any such redemption shall be made at a Redemption Price of 100% of the principal amount of Series 2007 Bonds called for redemption, without premium, plus accrued interest to the date of redemption.

The Series 2009 O-1 Bonds and Series 2009 O-2 Bonds maturing on or after January 1, 2020 are subject to redemption prior to maturity, at the option of the Corporation, upon notice as described below, as a whole or in part at any time on or after January 1, 2019. The Series 2009 O-1 Bonds and the Series 2009 O-2 Bonds or portions thereof to be redeemed shall be selected by the Trustee in any order of maturity and by either election, and within a maturity by lot in any other customary manner determined by the Trustee. Any such redemption shall be made at a Redemption Price of 100% of the principal amount of Series 2009 Bonds called for redemption, without premium, plus accrued interest to the date of redemption. The Series 2009 O-3 Bonds are not subject to optional redemption prior to their stated maturities.

The Series 2009 P-1 Taxable Bonds are not subject to redemption prior to their stated maturities. The Series 2009 P-2 Tax-Exempt Private Activity Bonds maturing on or after January 1, 2021 are subject to redemption prior to maturity, at the option of the Corporation, upon notice as described below, as a whole or in part at any time on or after January 1, 2020. The Series 2009 P-2 Tax-Exempt Private Activity Bonds or portions thereof to be redeemed shall be selected by the Trustee in any order of maturity at the written election of the Corporation signed by an Authorized Officer, as set forth in said written election, and within a maturity by lot in any other customary manner determined by the Trustee. Any such redemption shall be made at a Redemption Price of 100% of the principal amount of Series 2009 P-2 Tax-Exempt Private

Activity Bonds called for redemption, without premium, plus accrued interest to the date of redemption. The Series 2009 P-3 Taxable Build America Bonds are not subject to optional redemption prior to their stated maturities.

The Series 2009 P-3 Taxable Build America Bonds are subject to redemption prior to maturity by written direction of the Corporation, in whole or in part, at any time on any business day, at the "Make-Whole Redemption Price". The Make-Whole Redemption Price is the greater of (i) 100% of the principal amount of the Series 2009 P-3 Taxable Build America Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2009 P-3 Taxable Build America Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2009 P-3 Taxable Build America Bonds are to be redeemed, discounted to the date on which the Series 2009B Taxable Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted "Treasury Rate" plus 25 basis points, plus, in each case, accrued and unpaid interest on the Series 2009 P-3 Taxable Build America Bonds to be redeemed to the redemption date.

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

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

Year	Interest Subsidy to be Received
2012	\$ 3,246,651
2013	3,246,651
2014	3,246,651
2015	3,246,651
2016	3,246,651
2017-2021	15,459,467
2022-2026	14,013,805
2027-2031	10,880,546
2032-2036	6,606,129
2037-2039	<u>1,445,344</u>
Total	<u>\$64,638,546</u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of all long-term debt of the Corporation as of December 31, 2011:

	Balance December 31, 2010	Issued	Retired	Balance December 31, 2011	Due Within One Year
Bonds Payable	\$ 296,245,000		5,675,000	290,570,000	8,780,000
Capital Lease Unamortized	2,000,000			2,000,000	1,000,000
Bond Premium	1,575,654		54,368	1,521,286	54,368
Post Retirement Benefits	2,682,925	237,837		2,920,762	
Early Retirement	1,130,463		(15,468)	1,145,931	(13,632)
Total	\$303,634,042	237,837	5,713,900	298,157,979	9,820,736

Note 8. Self-Insurance Fund

The Port Corporation is self insured for health care benefits under third party "administrative services only" plan arrangement. Claims are paid on a claims basis. The Port Corporation assumes liability for health claims up to \$40,000 for each individual and up to \$2,437,600 annually for all enrollees on an aggregate basis. For amounts in excess of individual and aggregate coverage, a commercial insurance policy has been obtained.

Note 9. Economic Dependency

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

Note 10. Deferred Compensation Plan

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

Note 11. PILOT Payments

CITY OF CAMDEN PILOT PAYMENTS – The Corporation entered into a 2011 payment in lieu of tax agreement with the City of Camden requiring the Corporation to make payment of two and a half million dollars (\$2,500,000). The City's fiscal year for 2011 began in July 1, 2010 and ended June 30, 2011.

Pursuant to the 2011 "PILOT" agreement, the Corporation is not required to make the 2012 "PILOT" payment until such time as the payment has been appropriated by the State of New Jersey and the payment is received by the Corporation.

COUNTY OF CAMDEN PILOT PAYMENTS - The Corporation has entered into a 2011 payment in lieu of tax agreement with the County requiring the Corporation to make payment of eight hundred thirty eight thousand dollars (\$838,000) in the calendar year 2011. An appropriation of \$419,000 will be required from the State to make payment to the 2011 and 2010 County of Camden "PILOT Tax Agreement".

CITY OF SALEM PILOT PAYMENTS – The Corporation has entered into a 2011 payment in lieu of tax agreement with the City of Salem requiring the Corporation to make payment of sixty four thousand four hundred and fifty dollars \$62,450 in the calendar year 2011. An appropriation of \$31,225 will be required from the State to make payment to the 2011 and 2010 City of Salem "PILOT Tax Agreement".

BOROUGH OF PAULSBORO PILOT PAYMENTS – The Corporation has entered into a 2011 payment in lieu of tax agreement with the Borough requiring the Corporation to make annual payments of five hundred thousand (\$500,000) in the calendar year 2011. An appropriation of \$500,000 will be required from the State to make payment to the 2011 County of Gloucester "PILOT Tax Agreement".

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

NOTES TO FINANCIAL STATEMENTS

Note 11. PILOT Payments (continued);

COUNTY OF GLOUCESTER PILOT PAYMENTS – The Corporation has entered into a 2011 payment in lieu of tax agreement with the County requiring the Corporation to make annual payments of one hundred fifty thousand dollars (\$150,000). An appropriation of \$150,000 will be required from the State to make payment to the 2011 County of Gloucester “PILOT Tax Agreement”.

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

Note 12. Capital Projects and Funding Sources

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

The Corporation’s construction in progress consists of the following: Cathodic Protection in the amount of \$3,500,600, Paulsboro Marine Terminal Project for Bond Series N in the amount of \$2,894,935, the Paulsboro Marine Terminal Project for Bond Series O-1 in the amount of \$15,098,002, Dredging for Bond Series O-1 in the amount of \$1,152,837, Gantry Crane Refinishing for Bond Series O-1 in the amount of \$716,534, IT and Security for Bond Series O-1 in the amount of \$324,560, Cathodic Protection For Bond Series O-1 in the amount of \$189,491, Skylight Renovations for Bonds Series O-3 in the amount of \$1,686,859 and Paulsboro Marine Terminal Project for Bond Series P-3 in the amount of \$62,626,763. Also, in 2009 the SJPC received a grant from the Department of Transportation for the Railroad Rehabilitation and Upgrade of the Broadway Terminal Railroad Track in the amount of \$2,305,315. Demolition of G Building totaling \$720,798. Total construction in progress amounted to \$91,231,853.

Note 13. Port of Salem

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

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

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

Note 14. Paulsboro Marine Terminal Project and Financing

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

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

The parameters of the development of the Paulsboro Marine Terminal Project were set forth in the Redevelopment Agreement, including without limitation:

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

NOTES TO FINANCIAL STATEMENTS

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

Site access was obtained through the combination of (i) a Sublease Agreement dated January 16, 2006, as amended, with Paulsboro, as sub-lessor, and the Corporation, as sub-lessee (the original lease is with BP Oil Company, as fee owner and lessor, and Paulsboro, as lessee) for the approximately 130-acre parcel that was previously operated by BP Oil Company, and (ii) a Lease Agreement dated August 6, 2009 between Paulsboro, as owner and lessor, and the Corporation, as lessee, for the adjacent 60-acre parcel that was operated by Essex Chemical, which is a wholly owned subsidiary of The Dow Chemical Company, and which site is now owned in fee by Paulsboro.

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

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

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

The Corporation and the Gloucester County Improvement Authority ("GCIA") have also entered into that certain "Paulsboro Port Project Development and Management Agreement" dated as of August 1, 2009 (the "Development and Management Agreement"). Pursuant to the Development and Management Agreement, the Corporation shall set forth the overall parameters for the design and development of the

Paulsboro Marine Terminal, and the GCIA shall enter into the various contracts required to implement this development. Among other things, this arrangement allows the Corporation to focus on the future leasing of the Paulsboro Marine Terminal, to maximize its revenue potential. Further, in order to expedite the development of the Paulsboro Marine Terminal, this Development and Management Agreement, in combination with the Thirteenth Supplemental Bond Resolution, provide for GCIA to access the Series 2009 O Bond proceeds, the Series 2009 P Bond proceeds, along with future Additional Bond or subordinate bond proceeds for the development of the Paulsboro Marine Terminal Project, to pay necessary development costs such as planning, design and construction costs, without individual contract approval from the Corporation.

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

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

The Corporation is in the process of negotiating operation contracts for that portion of the Paulsboro Marine Terminal that shall house private operations, which in turn is expected to generate revenues for the Corporation, in part, to repay debt service on the Series 2009 P Bonds. In particular, the Corporation is looking into certain renewable energy uses for the Paulsboro Marine Terminal, having executed a memorandum of understanding for the assemblage of offshore based wind turbine facilities, and is presently in negotiation for other similar facilities. While the Corporation remains optimistic in its pursuit of these operations, vendors, and fees, it made no representation to holders of the Series 2009 P Bonds that the Corporation shall enter into a sufficient number of these agreements, in both number and dollar value, such that such agreements shall generate sufficient revenues to pay the principal of, and interest on the Series 2009 P Bonds in full and on time.

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

Paulsboro Bonds

The Corporation issues \$157,880,000 of its Marine Terminal Revenue Bonds, Series 2009 P, on December 30, 2009. Prior to the issuance of the Series 2009 P Bonds, the Corporation had issued a portion of the Series 2007 Bonds (\$3,285,000) pursuant to the Original Ninth Supplemental Resolution, and a portion of the Series 2009 O Bonds (\$15,572,986) pursuant to the Twelfth Supplemental Resolution (as defined below) (such earmarked portions, together with the Series 2009 P Bonds and any series of Additional Bonds issued for the Paulsboro Marine Terminal Project, the "Paulsboro

NOTES TO FINANCIAL STATEMENTS

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

Bonds”), for an aggregate of \$18,857,986 principal amount of Bonds that have been issued for the Paulsboro Marine Terminal Project. The Series 2007 Bonds were issued pursuant to the Act and the General Bond Resolution, as further supplemented by the Corporation’s Original Ninth Supplemental Resolution. The Series 2009 O Bonds were issued pursuant to the Act and the General Bond Resolution, as further supplemented by the Corporation’s Twelfth Supplemental Marine Terminal Revenue Bond Resolution Authorizing Issuance of Marine Terminal Revenue Bonds; Series 2008 O adopted October 28, 2008 (the “Twelfth Supplemental Resolution”).

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

Pursuant to Section 201(D) and Exhibit C of the Original Ninth Supplemental Resolution, authorized, but unissued Paulsboro Bonds (up to \$132,715,000 in aggregate principal amount) could not have been issued until the Sufficiency Test defined therein had been satisfied or waived in accordance with the terms thereof, which required the consent of the Corporation and the State Treasurer, but did not require Bondholder consent. The Amendment No. 2 to Ninth, and Thirteenth Supplemental Resolutions specifically waived and revoked the Sufficiency Test, with the adoption thereof providing the Corporation’s consent to this waiver and revocation, and the State Treasurer’s pre-adoption and post adoption approval of Amendment No. 2 to Ninth and Thirteenth Supplemental Resolutions providing the State Treasurer’s consent to this waiver and revocation. Accordingly, satisfaction of the Sufficiency Test set forth in the Original Ninth Supplemental Resolution is not a condition precedent to the issuance of the Series 2009 P Bonds.

2009 P Paulsboro Marine Terminal Project

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

- (i) Select demolition and renovation of residual structures;
- (ii) Hauling and receiving of fill material for upland (e.g. on-site) use;
- (iii) The placement, grading and compaction of fill material

atop of the existing sub-grade to raise the proposed post-construction elevation above the 100-year flood plain;

- (iv) Deep soil compaction techniques and placement of surcharge material within areas of historic fill placement along the Delaware River shoreline;
- (v) Installation of the required storm water management collection, distribution and outfall system;
- (vi) Installation of the primary electrical power supply (feed) and high mast lighting system and other utility infrastructure such as potable water, fire water, sanitary sewer, telecommunications, and IT;
- (vii) Acquisition of additional real property to facilitate site access, complete the perimeter of the site and to enable off-site mitigation of unavoidable environmental impacts;
- (viii) Construction of two deep-water berths and integrated infrastructure to facilitate approximately 1,500 linear feet of wharfage along the Delaware River that interconnects with the existing shoreline;
- (ix) Dredging to approximately 42-foot depths from MLW;
- (x) Construction of in-terminal access roads, retaining walls and rail infrastructure;
- (xi) Construction of security gate and access control provisions;
- (xii) Acquisition and installation of rail mounted ship to shore crane;
- (xiii) Creation of a maintenance facility; and
- (xiv) Funding the management functions necessary to achieve the implementation and start-up of the Paulsboro Marine Terminal.

Key aspects of this development include the construction, commissioning, startup and operation of the Paulsboro Marine Terminal that consists of a pile-supported wharf structure combined with pile-supported access trestles and adjacent backland infrastructure. The backland infrastructure is planned to include a combination of transit sheds, warehouses, processing facilities, paved open storage areas, truck/rail loading and unloading areas, maintenance facilities and office space. In addition to the Paulsboro Marine Terminal, off-site components not being financed by the Corporation include the construction of a new vehicular access road and bridge, rehabilitation of mainline rail infrastructure and utility service (e.g. power, sewer & potable water) upgrades.

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

Note 15. Port of Paulsboro Project Status

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

The Port of Paulsboro site is located along the Delaware River at River Mile (RM) 90 in the Borough of Paulsboro, New Jersey, which is directly across the river from the Philadelphia International Airport. The terminal site is bordered by the Delaware River to the north; Mantua Creek to the east; residential neighborhoods to the west; and a combination of developed and non-developed land to the south. Access to the Delaware River's main channel is direct and without obstacle. Phase I project elements are a two berth pile supported wharf, site development and improvements including dredging and fill material placement, as well as the creation of an approximately 20-acre tidal wetlands mitigation site at a former dredged material management facility known as the Delaware River Equestrian, Agricultural and Marine Park, (i.e. DREAM Park), which is operated by the GCIA.

While construction on the marine terminal commenced in early 2010, key waterfront development related environmental permits were obtained in October 2010 and January 2011. As of January 2012, the Port of Paulsboro has completed site demolition and is nearing the completion of dredging and dredged material management activities. To-date, more than 400,000 cubic yards of clean fill material has been hauled, placed and compacted on-site to raise the site elevation to above the 100-year floodplain elevation. In addition, a new perimeter retaining wall and stormwater management system have been installed. While the access road alignment has been cleared and clean fill material placed along the eastern portion of the alignment, the Appellate Division of the NJ District Court issued a stay of construction for a portion of the access road alignment. Oral argument occurred September 26, 2011. The Appellate Division court process continues. Bridge construction will resume once the court ordered stay of construction is removed. The balance of 2012 is expected to include the completion of the fill material placement and the commencement of wharf and bridge construction and associated terminal infrastructure, such as utilities, rail track and internal roadways. Completion of the Phase I construction program is targeted for late calendar year 2013.

NOTES TO FINANCIAL STATEMENTS

Note 16. Reserve for Inventory of Supplies

Inventories are valued at historical cost. The costs of inventories in Business-Type Activities are recorded as expenditures when purchased. The Corporation established their inventory of supplies in 2005, currently valued at \$1,401,433 as of December 31, 2011.

Note 17. Post-Retirement Health Benefits

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

- A. Retire with 25 or more years of service in the New Jersey State Retirement System regardless of age.
- B. Retire at age 60 or later with 15 or more years of service.

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

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

Annual Required Contribution	\$ 237,837
Interest on Net Other Post-Employment Benefit	-
Adjustment to Annual Required Contribution	<u>237,837</u>
Annual Other Post-Employment Benefit Contributions Made	<u>-</u>
Increase in Net Other Post-Employment Benefit Obligation	237,837
Net Other Post-Employment Benefit, Beginning of Year	<u>2,682,925</u>
Net Other Post-Employment Benefit, End of Year	<u>\$2,920,762</u>

The Corporation's annual Other Post-Employment Benefit cost, the percentage of annual Other Post Employment Benefit cost contributed to the Plan, and the net Other Post Employment Benefit obligation (OPEB) for the year ending December 31, 2011 is as follows:

YEAR ENDED	ANNUAL OPEB COST	PERCENTAGE CONTRIBUTED	NET OPEB OBLIGATION
12/31/11	\$ 237,837	0%	\$2,960,762

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

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

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

The valuation projects the cost to the South Jersey Port Corporation of providing medical, prescription drugs, dental and vision benefits to employees who remain in the medical plan after retirement (post-employment coverage). South Jersey Port Corporation self-insures the health plan. The Corporation elected to use for this valuation claims costs based on the claims costs for the South Jersey Port Corporation health claims experience and demographics. Benefit claims were based on an annual average claims cost of approximately \$5,498 per covered retiree for family coverage and \$2,199 for single coverage prior to age 65. The annual cost to purchase stop loss insurance is included in the total annual health care cost and the annual cost to administer the retiree claims, approximately 2%, is included in the annual health care costs. For claims cost purposes, it was assumed that married employees will remain married.

NOTES TO FINANCIAL STATEMENTS

An actuarial study was conducted for the Corporation for the first time in calendar year 2007. As per GASB #45 the Corporation is not required to perform another actuarial study until 2013.

The Corporation currently has thirteen eligible retired employees receiving retirement benefits. The net Other Post-Employment Benefit obligation to the Corporation to provide benefits to the retirees for the year ended December 31, 2011, was \$2,960,762. Actual cost incurred for Early Retiree Benefits for the year ended December 31, 2011 totaled \$237,837.

Note 18. Arbitrage Rebate Calculation

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

This Arbitrage calculation has been performed through October 19, 2008 and the Corporation is in material compliance with the arbitrage rebate requirements.

Note 19. Air Product/Air Gas

During the lease term of Air Products/Air Gas, Air Products/Air Gas operations contaminated the premises. While the lease term has ended, the site is the subject of DEP oversight and remediation. Air Products/Air Gas continues to remediate the site in cooperation with SJPC and DEP. SJPC continues to carry on its books accruing rent from the termination of the lease to the present as anticipated damages for Air Products/Air Gas contamination of the site. The receivable is anticipated to be resolved in conjunction with the conclusion of the remediation process or by suit. As of December 31, 2011 lease rental billings for Air Products/Air Gas totaled \$194,463.

Note 20. Holcim/St Lawrence Lease

Pursuant to the Lease between SJPC and Holcim (Formerly St. Lawrence Cement), St. Lawrence Cement guaranteed an average minimum discharge of 675,000 tons per year and provided for penalties in the event the 675,000 annual tonnages was not met. As part of the agreement, SJPC acknowledged that Holcim is owed \$3,300,000 for its predecessor's construction of a barge berth and paid Holcim \$1,650,000. With respect to the remaining \$1,650,000, SJPC has agreed to issue credits to Holcim for a percentage of the revenues generated by the Port for (a) tonnage discharged in excess of the 675,000 annual tonnage guarantee (tonnage credits) and (b) tonnage off-loaded at Pier 1A by persons or entities other than Holcim (pier usage credits).

The tonnage and pier usage credits are credited towards Holcim tonnage shortfalls under the 675,000 annual tonnage guarantee. If there is no shortfall in the annual tonnage guarantee the credits are due as payment to Holcim. It is SJPC's understanding that both the credits and any payments reduce the afore-described \$1.65 million plus interest equal to the 1 year London Interbank offer rate. Once such tonnage and pier usage credits equal \$1.65 million plus the LIBOR interest, Holcim is no longer entitled to any further credits. The remaining tonnage and usage credits to Holcim as of December 31, 2011 are \$1,236,662.

Note 21. Prior Period Adjustments

The following prior period adjustment was made to the 2010 financial statements:

1. This adjustment was made due to the understatement of the Post Retirement Benefits Payable liability.

Post-Retirement B Guarantee	
Benefits Payable	
December 31, 2009	\$ 271,000
Prior Period Adjustment	<u>2,035,000</u>
Balance Restated	<u>\$ 2,306,000</u>
Total Net Assets December 31, 2009	
Prior Period Adjustment	<u>(2,035,000)</u>
Net Assets Restated	<u>\$46,416,301</u>

Note 22. Subsequent Events

The South Jersey Port Administration has been working toward the issuance of the Series 2012 Q Bond Series, to be issued pursuant to the Amended and Restated Fourteenth Supplemental Resolution that was adopted on January 31, 2012 SJPC board meeting. These bonds will advance-refund the 2002 K Bond Series and also provide funds for the 2012 Capital Program for the South Jersey Port Corporation. The debt service on the 2012 Q Bond Series will be similar to but no greater than the debt service on the 2002 Bond Series K.

The 2012 Q Bond Series will be sold via competitive bids sometime in May; the exact date will depend on the timing of the State's approval of the minutes from the April 24, 2012 board meeting, since the 2011 Audit needs to be included in the POS for the 2012 Q Bond Series.

Port officials hope that the Corporation will realize at least \$2 million dollars in new capital funds for the 2012 Capital Program; the final amount will be dependent on interest rates that are received at bid.

SOUTH JERSEY PORT CORPORATION

**COMPARATIVE SCHEDULE OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

	2011			2010		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Revenues:						
Marine Direct:						
Leases - Marine Direct	\$6,403,370	6,403,370	6,082,593	\$5,421,692	5,421,692	6,138,438
Crane Rental	1,074,247	1,074,247	1,246,163	1,412,865	1,412,865	1,202,252
Dockage	1,376,951	1,376,951	1,623,940	1,746,900	1,746,900	1,458,787
Handling	2,962,843	2,962,843	3,813,719	2,688,768	2,688,768	3,091,161
Storage	605,537	605,537	903,371	1,161,632	1,161,632	750,840
Wharfage	2,523,711	2,523,711	2,862,802	2,856,914	2,856,914	2,710,939
Demurrage	3,656	3,656	3,730	5,376	5,376	3,582
Total Marine Direct	<u>14,950,315</u>	<u>14,950,315</u>	<u>16,536,318</u>	<u>15,294,147</u>	<u>15,294,147</u>	<u>15,355,999</u>
Marine Related:						
Leases - Industrial	654,513	654,513	584,096	762,666	762,666	629,457
Utilities	1,728,728	1,728,728	821,330	1,808,179	1,808,179	1,547,470
Port of Salem Revenue	90,000	90,000	105,000	156,328	156,328	105,000
Miscellaneous	168,616	168,616	456,217	71,207	71,207	350,075
Total Marine Related	<u>2,641,857</u>	<u>2,641,857</u>	<u>1,966,643</u>	<u>2,798,380</u>	<u>2,798,380</u>	<u>2,632,002</u>
Other Income:						
Income on Investments	425,000	425,000	98,452	490,082	490,082	366,511
Miscellaneous	123,027	123,027	606,747	39,228	39,228	155,447
Total Other Income	<u>548,027</u>	<u>548,027</u>	<u>705,199</u>	<u>529,310</u>	<u>529,310</u>	<u>521,958</u>
Total Revenues	<u>\$18,140,199</u>	<u>18,140,199</u>	<u>19,208,160</u>	<u>18,621,837</u>	<u>18,621,837</u>	<u>18,509,959</u>
Operating Expenses:						
Port Operations:						
Labor Expense:						
Labor Crane	\$215,600	215,600	227,288	\$249,998	249,998	176,288
Labor Handling	1,281,383	1,281,383	1,266,582	1,196,474	1,196,474	1,371,743
Labor Repairs & Maintenance	742,368	742,368	689,908	679,324	679,324	764,688
Security	662,064	662,064	684,026	647,064	647,064	700,218
Supervisors	557,637	557,637	629,294	636,397	636,397	755,778
Total Labor Expense	<u>3,459,052</u>	<u>3,459,052</u>	<u>3,497,098</u>	<u>3,409,257</u>	<u>3,409,257</u>	<u>3,768,715</u>
Payroll Taxes	395,709	395,709	398,239	376,621	376,621	357,560
Workers Compensation Insurance	574,317	574,317	593,700	548,007	548,007	458,508
Employee Benefits:						
Hospitalization	1,338,750	1,338,750	1,331,822	1,450,000	1,450,000	1,100,420
Vacation, Holiday, Sick, Pension	498,263	498,263	411,839	628,311	628,311	327,119
Total Employee Benefits	<u>2,807,039</u>	<u>2,807,039</u>	<u>2,735,600</u>	<u>3,002,939</u>	<u>3,002,939</u>	<u>2,243,607</u>
Crane Rental - Gas & Oil	<u>73,500</u>	<u>73,500</u>	<u>78,119</u>	<u>68,384</u>	<u>68,384</u>	<u>45,340</u>

COMPARATIVE SCHEDULE OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	2011			2010		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Handling:						
Gas & Oil	168,000	168,000	222,326	159,701	159,701	152,359
Miscellaneous	45,000	45,000	55,769	27,563	27,563	35,966
Trucking Expenses	25,000	25,000	51,549	3,921	3,921	3,484
Clerking & Checking	1,012,428	1,012,428	1,147,879	936,006	936,006	1,165,552
Total Handling	1,250,428	1,250,428	1,477,523	1,127,191	1,127,191	1,357,361
Rental of Equipment	19,394	19,394	27,420	4,050	4,050	14,329
Trash Removal	65,000	65,000	117,899	70,838	70,838	81,332
Security:						
Contracted Services	11,504	11,504	13,553	3,440	3,440	4,597
Other Expenses	13,500	13,500	6,671	15,593	15,593	10,624
Total Security	25,004	25,004	20,224	19,033	19,033	15,221
Port of Salem Operations	49,920	49,920	53,457	52,445	52,445	49,965
Utilities	2,545,000	2,545,000	1,363,608	2,588,967	2,588,967	2,321,464
Total Port Operations	10,294,337	10,294,337	9,370,948	10,343,104	10,343,104	9,897,334
Repairs & Maintenance:						
Buildings & Grounds:						
Contracted	265,000	265,000	252,285	232,264	232,264	180,267
Fees & Permits	31,500	31,500	15,769	22,032	22,032	26,629
Materials	112,000	112,000	155,852	114,457	114,457	111,602
Total Buildings & Grounds	408,500	408,500	423,906	368,753	368,753	318,498
Cranes:						
Contracted	125,000	125,000	125,182	154,833	154,833	134,970
Materials	75,000	75,000	60,208	64,532	64,532	48,239
Total Cranes	200,000	200,000	185,390	219,365	219,365	183,209
Mobile Machinery & Equipment:						
Contracted	16,500	16,500	12,673	14,778	14,778	14,483
Equipment	25,500	25,500	23,855	9,378	9,378	29,640
Materials	176,781	176,781	117,220	149,477	149,477	153,664
Small Tools	21,167	21,167	20,363	11,418	11,418	15,272
Total Mobile Machinery & Equipment	239,948	239,948	174,111	185,051	185,051	213,059
Total Repairs & Maintenance	848,448	848,448	783,407	773,169	773,169	714,766

SOUTH JERSEY PORT CORPORATION

**COMPARATIVE SCHEDULE OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

	2011			2010		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Expenses (Continued):						
General & Administrative:						
Labor - Office Clerical & Related	885,000	885,000	823,511	816,964	816,964	835,665
Labor - Administrative	654,000	654,000	630,613	667,067	667,067	672,178
Payroll Taxes	140,000	140,000	136,623	143,892	143,892	128,107
Workmen's Compensation	5,801	5,801	4,236	4,236	4,236	4,236
Employee Benefits:						
Hospitalization	696,000	696,000	633,593	651,000	651,000	610,068
Pension	590,494	590,494	623,923	541,424	541,424	553,285
Insurance	1,500,000	1,500,000	1,366,634	1,671,627	1,671,627	1,657,661
Professional Fees	760,000	760,000	727,069	760,184	760,184	750,310
Miscellaneous	475,523	475,523	469,947	424,127	424,127	381,526
Telephone	48,957	48,957	58,549	62,160	62,160	52,535
Utilities	30,000	30,000	30,000	30,000	30,000	30,000
Bad Debt	60,000	60,000	31,804			15,591
Total General & Administrative	5,845,775	5,845,775	5,536,502	5,772,681	5,772,681	5,691,162
Total Operating Expenses	16,988,560	16,988,560	15,690,857	16,888,954	16,888,954	16,303,262
Operating Income Before Other Operating Expenses	\$1,151,639	1,151,639	3,517,303	1,732,883	1,732,883	2,206,697

2011 ANNUAL REPORT

SCHEDULE OF NET ASSETS
DECEMBER 31, 2011

ASSETS	UNRESTRICTED OPERATING ACCOUNTS	RESTRICTED				TAX CONSTRUCTION ACCOUNT	RESERVE ACCOUNT	TOTAL
		DEBT SERVICE ACCOUNT	SERVICE RESERVE ACCOUNT	MAINTENANCE RESERVE ACCOUNT	DEBT			
Current Assets:								
Cash & Cash Equivalents	\$7,301,082	779,733	786			100,012,660	453,611	108,547,872
Investments			9,753,948					9,753,948
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$331,261)	2,893,670							0
Due from State			19,847,053					2,893,670
Other Accounts Receivable	2,333,963							19,847,053
Prepaid Expenses	930,237							2,333,963
Inventory of Supplies	1,401,433							930,237
Interfund Accounts Receivable	52,378,047	57,473,304	39,901,825	510,175	46,283,817			1,401,433
								196,547,168
Total Current Assets	67,238,432	58,253,037	69,503,612	510,175	146,296,477	453,611		342,255,344
Property, Plant & Equipment (Note 3)						208,464,947		208,464,947
Construction in Progress						91,231,853		91,231,853
Bond Discount & Financing Cost						16,038,442		16,038,442
Subtotal						315,735,242		315,735,242
Accumulated Depreciation & Amortization						99,020,292		99,020,292
Total Property, Plant & Equipment & Construction in Progress						216,714,950		216,714,950
Total Assets	67,238,432	58,253,037	69,503,612	510,175	363,011,427	453,611		558,970,294

SOUTH JERSEY PORT CORPORATION

**SCHEDULE OF NET ASSETS
DECEMBER 31, 2011**

ASSETS	UNRESTRICTED OPERATING ACCOUNTS	DEBT SERVICE ACCOUNT	SERVICE RESERVE ACCOUNT	RESTRICTED DEBT		TAX RESERVE ACCOUNT	TOTAL
				MAINTENANCE RESERVE ACCOUNT	CONSTRUCTION ACCOUNT		
Current Liabilities Payable from Assets:							
Accounts Payable	55,799					450,224	506,023
Contracts Payable					9,743,944		9,743,944
Capital Lease Payable					1,000,000		1,000,000
Accrued Expenses	915,780						915,780
Accrued Interest Payable		8,561,191					8,561,191
Accrued Vacation Payable	148,207						148,207
Accrued Payroll	71,333						71,333
Payroll Taxes Payable	50,195						50,195
Deferred Income	537,751						537,751
Lease Security & Escrow Deposits	207,042						207,042
Revenue Bonds - Short Term					8,780,000		8,780,000
Interfund Accounts Payable	45,093,783	49,691,846	43,774,993		57,983,159	3,387	196,547,168
Total Current Liabilities	47,079,890	58,253,037	43,774,993		77,507,103	453,611	227,068,634
Revenue Bonds (Long-Term Portion)					281,790,000		281,790,000
Early Retirement Payable	1,145,931						1,145,931
Post Retirement Benefits Payable	2,920,762						2,920,762
Capital Lease Payable					1,000,000		1,000,000
Unamortized Bond Premiums					1,521,286		1,521,286
Total Liabilities	51,146,583	58,253,037	43,774,993		361,818,389	453,611	515,446,613
NET ASSETS							
Investment in Capital Assets, Net of Related Debt				510,175	1,193,038		1,703,213
Reserve for Payment of Debt Service			25,728,619				25,728,619
Reserve for Inventory Supplies	1,401,433						1,401,433
Unreserved	14,690,416						14,690,416
Net Assets	\$16,091,849	-	25,728,619	510,175	1,193,038	-	43,523,681

SCHEDULE OF CHANGES IN NET ASSETS ALL ACCOUNTS
DECEMBER 31, 2011

	OPERATING ACCOUNTS	DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE	MAINTENANCE RESERVE	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Net Assets, Beginning of Year	\$6,922,661		25,728,619	510,175	4,715,257		37,876,712
Add:							
Excess of Revenue Over Expenses	3,517,303						3,517,303
State of New Jersey: Debt Service Aid			19,847,053				19,847,053
PILOT Payments						4,050,449	4,050,449
Federal Subsidy Revenue	3,246,652						3,246,652
Depreciation on Contributed Capital					211,962		211,962
Unrealized Gain/(Loss) on Investment	560,987						560,987
Interest on Investments					168,996		168,996
Inventory of Supplies	(1,783)						(1,783)
Interfund Transfers	39,578,399	17,122,380			40,457,043	4	97,157,826
Total	53,824,219	17,122,380	45,575,672	510,175	45,553,258	4,050,453	166,636,157
Deduct:							
Bond Interest		17,122,380					17,122,380
Depreciation/ Amortization Expense					4,569,859		4,569,859
Transfer of Depreciation to Contributed Capital					211,962		211,962
Camden City PILOT Payment						2,500,000	2,500,000
Camden County PILOT Payment						838,000	838,000
Gloucester County PILOT Payment						150,000	150,000
Paulsboro PILOT Payment						500,000	500,000
Salem PILOT Payment						62,449	62,449
Interfund Transfers	37,732,370		19,847,053		39,578,399	4	97,157,826
Total	37,732,370	17,122,380	19,847,053		44,360,220	4,050,453	123,112,476
Net Assets December 31, 2011	\$16,091,849	-	25,728,619	510,175	1,193,038	-	43,523,681

