SOUTH JERSEY PORT CORPORATION

Southern New Jersey's International Marine Terminals

Annual Report 2016

www.SouthJerseyPort.com

South Jersey Port Corporation
Joseph A. Balzano Jr. Marine Terminal
101 Joseph A. Balzano Jr. Boulevard
Camden, New Jersey 08103

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South Jersey Port Corporation 2016

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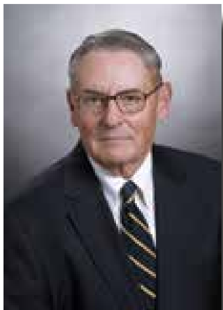
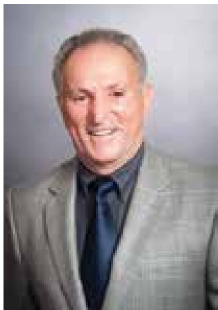
2016 Board of Directors

Leading the Port into a new era and a new business model



Chairman
Richard A. Alaimo
Burlington County

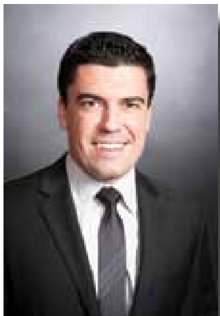
Director
Chad M. Bruner
Gloucester County



Director
Robert A. DeAngelo, Sr.
City of Paulsboro

Director
Jonathan S. Gershen
Mercer County

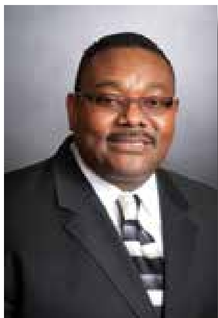
Director
Joseph A. Maressa, Jr.
Camden County



Director
Eric E. Martins
Mercer County

Director
Craig F. Remington
Camden County

Director
Sheila F. Roberts
City of Camden



Director
Rev. Carl. E. Styles
Cumberland County

Director
Ford M. Scudder
State Treasurer

Thank you, Director Remington

After 14 years of dedicated service, Craig Remington has stepped down as a director of the South Jersey Port Corporation. A principal and owner of Remington & Vernick Engineering, Director Remington joined the SJPC's board of directors in 2003.

"Being a director of the SJPC gave me an opportunity to give back to the community," Remington once explained. Throughout his tenure, he helped guide the SJPC through changing economies, the evolution of its business model and expansion to the international marine terminal at Paulsboro, New Jersey.

To Our Governor & Legislators

2016 business at our port facilities was steady with impressive increases in steel, recycled metals and cement cargos.

To the Governor and Legislators:

On behalf of the Board of Directors of the South Jersey Port Corporation, it is my pleasure to report that in 2016 business at our port facilities was steady, with impressive increases in steel, recycled metals and cement cargos. In addition our multi-year expansion to the Paulsboro Marine Terminal neared completion.

There was a slight but predictable decline in overall cargo, the result of the closing of the Salem terminal for much of the year for structural upgrades. The Salem facility will go back online in early 2017.

The major story for the SJPC in 2016, however, is the continuing evolution of our business model to support the job-creating, economic development mission assigned to the SJPC by the State Legislature.

Central to that mission includes our expansion to the Paulsboro Marine Terminal, which will open in the first quarter of 2017; the leasing of PMT to a private operator for a potent private-public partnership; and the reconfiguration and repurposing of our Broadway Terminal in Camden to create upwards to 5,000 family-sustaining jobs—including 1,000 engineers—in the second poorest city in the nation.

This is made possible by the continuing leadership and vision of the Governor and State Legislature and investments of the State of New Jersey into this critical infrastructure that serves as southern New Jersey's interchange on the marine highway of the global economy.

The New Jersey Economic Opportunity Act and GROW-New Jersey financial

incentives have been indispensable tools in achieving our economic development goals and strengthened our hand in the highly competitive international maritime sector.

To meet the challenges of the ever-changing market, our management team and staff, led by our Executive Director Kevin Castagnola, have a laser focus on positive customer service. Our team is ever mindful that with all things being equal, customer service—especially in a business in which integrity is paramount to success.

We look forward to 2017 as the Paulsboro Marine Terminal officially opens for operations and the next chapter in the South Jersey Port Corporation begins.

Sincerely,

Richard A. Alaimo

Richard A. Alaimo, Chairman

Overview 2016

Steel cargo leads the year

Cargo activity was strong during the past year, as steel, cement, wood products, recycled metals, and slag-for-concrete kept the terminals busy.

The transformation of the South Jersey Port Corporation—from reconfiguring and expanding our marine terminals to updating our business model—continued through 2016.

It is a transformation designed to strengthen our competiveness in international marine logistics; bolster economic growth; generate thousands of local jobs and support tens of thousands of others.

Critical to that transformation in 2016 includes expanding our three marine terminals to a fourth in Paulsboro, reconfiguring Broadway Marine Terminal (BMT), in Camden, to allow us to lease 50 of BMT's 130 acres to Holtec International for its industrial campus

.

When completed, the two projects are expected to create nearly 5,000 direct jobs. Both began limited operations in 2016.

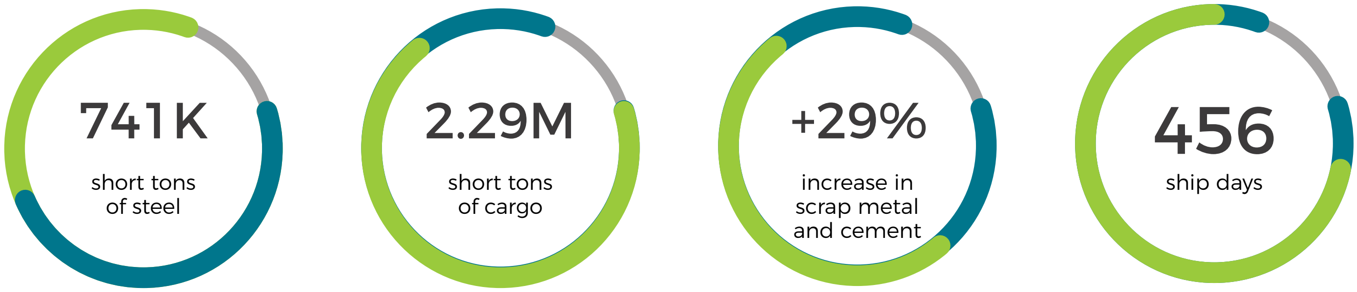
The year 2016 was one of construction benchmarks.

Construction on the $312 million Holtec International campus, funded in part with $260 million in long-term financial incentives by the State of New Jersey, is proceeding on schedule.

Its gleaming, seven-story corporate and engineering tower, on the banks of the Delaware River, began operations in mid-2016. Holtec personnel—the advance team of an anticipated work force of 4,000 employees is already breathing life into the 600,000-square-foot industrial complex.

Project unearths prehistoric remnants

Artifacts unearthed recently at SJPC's Broadway Terminal tell of a thriving civilization 8,000 years ago on the Camden, New Jersey shore of the Delaware River. Hearth feature excavation in progress by archaeologist Jennifer Falchetta. Photo by Michael Gall, RGA.



In its shadows are the mammoth industrial buildings where the vessels for the nuclear/petrochemical will be fabricated.

Construction on realigning Broadway, Camden's main thoroughfare, around—rather than through the Holtec campus—was also completed in 2016. It was funded by Camden County, New Jersey.

Construction on the $175 million phase one of the Paulsboro Marine Terminal (PMT), financed by SJPC bonds, neared completion in 2016.

Construction on $21 million bridge-access road over the Mantua Creek to Paulsboro Marine Terminal, financed by the New Jersey Department of Transportation, was completed in 2016.

While construction on Paulsboro Marine Terminal isn't expected to be completed until mid-2017, Holt Logistics, lessee and operator of the new terminal, began some operations in 2016 by diverting some initial steel cargos to Paulsboro.

2016 was a good year for steel imports for the South Jersey Port Corporation (SJPC). It was our third highest year of steel cargo with 741,691 short tons.
We also experienced a 29% increase in both scrap metal and cement tonnage.

The combined cargo tonnage for the steel, cement and scrap metal in 2016 was 21,873,123 short tons compared to 1,732,055 in 2015. This is a 141,068 increase in short tonnage, an 8% increase.

These three cargos account for more than 80% of all cargo tonnage handled by the SJPC. This greatly mitigated declines in other cargos reflecting a slight decrease in overall cargo tonnage in 2016 over the previous year.

The major factor in the decline in tonnage is attributed to the closing, for most of 2016, of our Salem Marine Terminal for facility upgrades. Salem returns to service in January of 2017.

In 2016, the SJPC processed 2,293,657 short tons of cargo, a 10% decline from 2015 but still 61,940 tons higher than 2,237,701 short tons in 2014. Although there was a decline compared to 2015, 2016 demonstrates the stabilization of higher cargo tonnage as the region has recovered from the recession.

There were 182 ships moved through the Port in 2016 registering 456 ship-days.
Steel, especially steel imports for the industrial heartland whose shippers have increasingly opted to use the SJPC's marine terminals over the St. Lawrence Seaway, has been steadily growing with the shippers' confidence in the SJPC.

NLMK, Russia's second largest steel producer, became Holt Logistics' first tenant at the South Jersey's Port Corporation's Paulsboro Marine Terminal.

In a deal struck with Holt Logistics, lessee and operator of Paulsboro Marine Terminal (PMT), NLMK will ship 150 million tons of steel slabs annually through PMT. Through dock-side rail at PMT and upgraded rail lines to the mainline, the NLMK steel will be delivered to value-added plants in Pennsylvania and Indiana within a day of docking.

The NLMK operation will occupy 40 of the 150 acres of PMT and create 150 jobs. Holt Logistics promised to invest $10 million in PMT in addition to the $175 million invested by the SJPC. At full build, Holt anticipates the PMT will employ 850 workers.

The SJPC Mission

The South Jersey Port Corporation is mission driven.
The mission comes to us from the people of New Jersey…dating back nearly a century.

The South Jersey Port Corporation is mission driven. That mission comes to us from the people of New Jersey through a succession of governors and state legislatures dating back nearly a century.

It is a continued recognition of the economic importance of the nexus of New Jersey's ports to the state's job-creating economy and the state's competitiveness in the global marketplace.

Our mission is backed by the "full faith and credit" of the State of New Jersey, which continues to be a world leader in commerce, trade, science, finance and technology.

The ports of New Jersey are the dominant Atlantic Ocean deep-water portals to the richest markets in the world. The South Jersey Port Corporation currently owns and operates three marine terminals along the Delaware River and its estuary Salem River. We will open our fourth, the Paulsboro Marine Terminal, in Paulsboro, New Jersey in early 2017. Paulsboro represents the continuous evolution of a maritime culture along the Delaware River that archeologists date back eight thousand years.

With a population of six million, today the Philadelphia-South Jersey metropolitan region has an annual gross domestic product (GDP) of $388 billon—the ninth highest in the world, fourth highest in the USA.

True to our "jobs mission," a 2010 study revealed nearly 25,0000 residents of the Delaware Valley, in both direct and indirect jobs that are generating and supported by the cargo and vessel activity at the SJPC's marine terminals.

Overall, the ports of the South Jersey Port Corporation and ports in Philadelphia and Wilmington handled 100 million tons of cargo in 2015 from 2,243 ship arrivals, and supported 135,000 direct or indirect jobs.

Our mission requires prudence in operation and a nimble, sober business strategy. It constantly anticipates and adjusts to the always changing, often conflicting forces of international commerce and host port communities.

Vital to our strategy are the major terminal expansion to Port Paulsboro and the lease of 50 acres of Broadway Terminal in Camden to Holtec International. Holtec is a world leader in the design and fabrication of containment vessels for the chemical and nuclear industries. The projects together are expected to create upwards to 5,000 family-sustaining direct jobs.

We have weathered many storms. We have successfully rebounded from the global recession of 2008 with occasional dips in business but always trending upwards and showing profits in our operations.

The planned closing of our Salem port for several months to upgrade the facility caused a major—but temporary—loss of cargo and dip in tonnage.

ECONOMIC MISSION

Comes from the people of New Jersey through a succession of governors

. . . a continued recognition of the economic importance of the nexus of New Jersey's ports to the state's job-creating economy and the state's competitiveness in the global marketplace.

In 2016, the South Jersey Port Corporation handled 2.29 million tons of cargo. While understandable and anticipated, it was nonetheless disappointing—a nine percent decline over 2015. Increases in several core cargos failed to mitigate the decline in bulk cargos.

While tonnage dipped in 2016, revenues grew $2.29 million to $34,495,766 and the SJPC realized a $3.8 million operating profit thanks to right-sizing of our staff and other costs.

We are also building a fourth marine terminal. The SJPC recognized, to be competitive, we needed land to expand. But there was no room to grow in Camden. The second poorest city in the nation, Camden is undergoing a major urban renewal and gentrification transformation supported by billions of dollars in financial incentives by the State of New Jersey.

This is a historic dilemma that ports around the world have been forced to navigate as a basic fact of doing business. Ports create cities. Cities grow and as they grow real estate values rise with intense competition for land, especially waterfront property with premium values. With no place to grow in their market, some ports simply vanished.

It has resulted in a global consolidation of ports with premiums on deep-water, ocean-access ports located in the geographic bullseye of dense population and rich resources and markets.

The SJPC has those assets and good options: a plan, available land with deep-water access, and the backing of the State New Jersey.

Our strategy is to provide current customers and tenants with excellent customer service and quality facilities while concurrently focusing on expansion to continue to be competitive.

With our terminals in Camden at full capacity and unable to expand our footprint within our host city, the SJPC addressed its growth plans ten miles downstream to Paulsboro in Gloucester County.

Paulsboro and Gloucester County are rich with opportunity for growth.

Port Paulsboro has the advantage of being located at "River Mile 90" on the Delaware River where a natural scouring current maintains a present 40-foot dockside channel that will eventuallybe dredged to 45 feet.

It also has seamless connection to the nation's interstate highway network.

There are 190 industrial acres acres at Paulsboro Marine Terminal and hundreds of additional acres nearby for additional warehousing, logistics, manufacturing and industrial development.

The Mantua Creek, which flows into the Delaware River, forms the northern border of the Paulsboro terminal, is excellent site for a planned barge berth. The terminal is served by Class-A rail (CSX and NS) which efficiently connects PMT and the southern New Jersey peninsula to heartland of North America.

The SJPC executed a re-development agreement with the Borough of Paulsboro to convert the property, a former petrochemical tank farm—90 acres owned by BP and 60 acres owned by Essex Industrial Chemicals—into a marine terminal. The design includes a marginal wharf along the Delaware ultimately to handle simultaneously four ships plus a barge berth on Mantua Creek. The main terminal will include dockside rail, warehousing and transit sheds.

To enhance seamless traffic flow between the terminal and the interstate highway system without impacting local traffic, the State of New Jersey invested $20 million to build an access bridge across the Mantua Creek into the terminal.

The SJPC out-sourced the construction management of the nearly $200 million project, financed by bonds of the South Jersey Port Corporation and backed by the State of New Jersey, to the Gloucester County Improvement Authority.

2016 Review

The SJPC let a long-term lease with a private firm which will operate and market the new terminal, while also investing in the terminal and creating 850 jobs

The wharf at Paulsboro Marine Terminal nears completion in the fall of 2016.

New Paulsboro Terminal to open in 2017

Phase one of the construction of the Paulsboro Marine Terminal neared completion in 2016 with an anticipated opening in early 2017. It includes an 850-foot marginal wharf on the river; 3,000 feet of new perimeter retaining wall; two miles of storm water management; 350,000 cu/yards of dredge management; and 500,000 cu/yards of clean fill to raise the property above the 100-year flood plain. It also included a significant investment in a heavy-lift deck to handle heavy cargos including off-shore wind turbines for anticipated wind farms off the mid-Atlantic coast.

For operations of the Paulsboro Marine Terminal, the SJPC agreed to a long-term lease with Holt Logistics, which will operate and market the terminal. Holt has promised to invest an additional $10 million in the terminals and create 850 jobs.

It has already begun to deliver on its commitment by landing NLMK Steel, a major Russian steel company, as a prime tenant at Paulsboro Marine Terminal. As final construction of the terminal progressed, Russian steel was being delivered to Paulsboro, long before its official opening.

Simultaneously, as phase one of the Paulsboro Marine Terminal neared competition in 2016, construction of the Holtec International campus in Camden dramatically changed the landscape of the Broadway Marine Terminal and south Camden.

Holtec's imposing glass and silver-toned clad buildings have replaced massive, century-old brick buildings of a once heralded shipbuilding colossus that built the might war fleets of America. For a half century some those buildings served as makeshift warehouses while others stood ghostly empty in a mute eulogy to a shipbuilding era long gone.

In their place, the sun sparkles off the buildings of the Holtec International campus launching a new era and the creation of 4,000 jobs. Jobs, always our mission.

Securing the Port

The SJPC staff will use the data culled by the C-BAT for planning, security drills and other security exercises

Protecting the port against and responding to incidents

In its on-going commitment to port security, the South Jersey Port Corporation has deployed the Computer Based Assessment Tool or in governmental jargon, "C-BAT." The U.S. Department of Homeland Security created C-BAT as a data collection and presentation medium designed to support critical infrastructure, security, and special-event planning and response operations.

SJPC staff will use the data culled by the C-BAT for planning, drills and other security exercises, and other assessment activities.

The highly sophisticated C-BAT imagery captures video, geospatial and hypermedia data of critical facilities, surrounding areas, transportation routes and terminal structures. It integrates assessment data from various other key security programs including the Enhanced Critical Infrastructure Protection security surveys, Site Assistance Visits and other relevant materials.

The DHS "C-BAT" team visited the Balzano and Broadway terminals in 2015 to gather the data needed for the program. The C-BAT team based its assessment from two viewpoints: hostile targeting and the impact of civil response.

In a hostile targeting scenario, the C-BAT team identifies potential targeted facilities and buildings, collects multimedia data to document approach and exit routes, use of lighting, visible and hidden entrances, loading docks, parking garages and other potential obstacles and/or contributing factors that could aid or impede an attack.

The C-BAT team then assessed the flip side: emergency response to an assault while still assuring security integrity.

What restrictions or physical obstructions would impede the response? How do response teams get to the building or facility and how do they efficiently and safely evacuate personnel and, most important, triage and evacuate the injured?

What is the construction of the building? What's in it? Where are the gas and power shutoffs? Where's the water main, back up generators, control points and where do personnel marshal in emergencies? The C-BAT is critical to protecting the port against and responding to incidents.

Emergency exercise at SJPC was part of a training proficiency evaluation

Soldiers and airmen from the 21st Civil Support team (CST) based in New Jersey responded to an "emergency" at the South Jersey Port Corporation's Balzano Marine Terminal on May 24th as part of a training proficiency evaluation.

The SJPC Security team of Jay Jones, Kevin Greenjack, and Chuck O'Leary oversaw the exercise.

The Security Team of the Port Corporation used this opportunity to perform an emergency exercise of its own, consisting of night security guards "spotting two intruders" in a warehouse and a scenario which followed. None of this was real, but the SJPC is required to test its security procedures each year as part of the National Transportation Security Administration's oversight of our nation's ports.

When the "incident" was reported upward through security channels, the Army and Air Force CSTs were alerted because of their abilities to respond to a disaster or incident involving dangerous substances through the use of their mobile laboratories.

Port Highlights

New equipment, Port plays host, New engineer, and Tour of the Port are highlights of the Port's year.

New equipment

In its on-going program of reducing its carbon footprint, the SJPC received a $1 milion Congestion Mitigation Air Quality grant to replace nine aging forklift material handlers with more environmentally friendly equipment. The grant was from the Delaware Valley Regional Planning Commission.

Port is host

The South Jersey Port Corporation hosted the Southern New Jersey Development Council transportation subcommittee in the Board Room at Broadway Terminal. Port Executive Director Castagnola updated the group on port activities in the previous year.

New engineer

George J. Englehardt was appointed as the SJPC's new port engineer and facilities operations and maintenance manager. George's job is to keep the port's mechanical operations, equipment and facilities running efficiently. He earned his engineering degrees from Pennsylvania State Universtiy.

Tour of port

U.S. Representatie Stenyon Hoyer (Maryland) joined Camden Mayor Dana Redd and U.S. Representative Donald Norcross (New Jersey) on a tour of the Port. Of particular interest to the visitors was the new shredder of Camden Iron and Metal Corporation.

New Roadway Opens

The new Holtec International development, seen above, necessitated rerouting the roadway which has bisected the port district for years. The new route bypasses the district as seen in the schematic at left, moving the Broadway/Morgan Boulevard intersection closer to the I-676 interchange. The Holtec campus is shown in color in this overlay of the Broadway terminal layout.

Administrative Officers & Staff

These are the people who lead the Port into the future.

EXECUTIVE DIRECTOR & CEO
KEVIN CASTAGNOLA

DEPUTY EXECUTIVE DIRECTOR
JAY JONES

TREASURER & CFO
BRUNO N. CELLUCCI

PORT ENGINEER
GEORGE ENGLEHARDT

Daniel F. Aaron
George R. Aaron
David Acevedo
Robert Albanese
Michael Anderson
Stephen Anderson
Kevin Armstrong
Rasheem Bailey
Robert Bak
Eddie W. Bell
Steven A. Bell
Robert F. Bessing
Michael Bosco
Anthony Boyizigies
John Bowyer
Patrick R. Boyle
Robert Britland
David Buffetta
Joseph Burleigh
Manuel R. Cachu
Nicholas Capaldi
Lawrence Casanova
Albert Celeste
Rich Ciafullo III
Anthony R. Colavita
Urban Cooper
Kenneth E. Cosby
Kevin Costello
Douglas Crowe
Wieslaw Czajka
Vincent D'Alessio
Vincent D'Alessio Jr.
Timothy J. D'Amico
Victoria D' Amico
Ronald Daniels
Michael Deliberis
Joseph P. Deluca
William R. Deluca III
Jeffrey Dick
Louis Ditomaso
Athina Efelis
Stephen Endres
Christopher Engel
Jeffrey Exavier
Donell Farrish
Earl Farrish
Paul Flanigan
Nicholas Fini Jr.
Christopher Forjohn
Raymond Gallagher
John Gentile
Brenda Gill
Alvin Gindhart
Oanh Glanz
Kevin Greenjack
Robert Guff
Patrick J. Haley
Jesse Hamrick
Karol R. Hoffman
Robert J. Jack
Thomas Johnson
Pawel Kasprzak
Thomas Kavano Jr.
Joseph Knecht
William Kelley
Leonard Korte
George A. Kuesel III
Herbert Lambert
Michael E. Lang
Walter Laurer
Edward Loatman
David Lenhart
Edward Luedtke
Louis Malatesta
Panteleimon Mastalos
Joseph Maurer
Rosemarie McBride
Christopher McCormick
Roy McCormick IV
David McGoldrick
William H. Means
David Mitchell
Shaun Mojita
Shaun Monk
Joseph M. Monturano
Clifton Moragne
George (Greg) Mortimer
Frank Nestore
Francesco Nestore
Jesse Newcomb
Shawn Norman
Lien Nguyen
Joseph O'Leary
Juan A. Pena
Antonio Pimpinella
Joseph Puglia
Robert W. Purcell
Heriberto Reyes
David Rivera
Louis Rivera
Thomas Rogers
Kenneth Rossi
Ricky Santiago
Gary Schreyer
Steven Scott
Richard Sewekow
Carl Siegfried
Edward Smith
Russel Sockwell
Mark Stang
John R. Striewski
Harry Trump
Robert Van Fossen
Michael L. Vindick
Brett Walker
Brian Wiegand
Robert A. Weyand Jr.
Andrew Wojcik
Noe Yax-Santos

Moving International Trade

tin

PAULSBORO MARINE TERMINAL

Location:	Delaware River, Paulsboro, NJ
Area:	200 Acres
Berths:	Phase I will be 800 LF (244 m)
Depth at MLW:	40 feet (12.2 m)
Truck gates:	Multiple
Highway Access:	Direct one-mile, limited access roadway to Interstate-295
Rail connections:	CSX, NS, and CP Rail Systems with Integrated On-Dock Rail Infrastructure
Terminal Operator:	Holt Logistics, LLC

FOREIGN TRADE ZONE 142

South Jersey Port Corporation Grantee of Foreign Trade Zone No. 142, currently has three General Purpose sites and three subzone operators.

Site 1: Parcel A (85 acres) within the Port of Salem, 2 miles off the Delaware River site. Parcel B (5 acres) also located within the Port of Salem, owned by the Salem Marine Terminal Corporation (SMTC)

Site 2: (10 acres) located within a proposed warehouse complex on Walnut Street, owned and operated by Salem Warehouse Distribution Corporation, which is also part owner of the SMTC site.

Site 3: (144 acres) at the MIllville Municipal Airport, some 25 miles southeast of Salem, operated by the City of MIllville.

Subzone MFGO-142-00A: Paulsboro Refining Co. llc.
Subzone MFGO-142-ppB: Axeon Refinery LLC.
Subzone MFGO-142-00D: NIne West Holdings, LLC.

JOSEPH A. BALZANO MARINE TERMINAL

Location:	Joseph A. Balzano Boulevard, Camden, New Jersey
Specialized cargoes:	Wood products, steel products, cocoa beans, salt, containers, and recycled metals
Other cargoes:	Project and dry bulk cargoes
Terminal area:	122 acres (49.4 ha.)
Berths:	4 berths, totalling 2,655 LF (701 meters)
Depth at MLW:	35 ft. (10.7 m.) to 40 ft. (12.2 m.)
Storage capacity:	21 dry warehouses comprising 1,168,441 SF (108,591 sq. m.)
Heavy lift cranes:	One multi-purpose bulk/container crane, 95 tons (86.2 metric tons); one general purpose cargo/container crane, 35 tons (31.8 metric tons)
Direct transfer:	Direct to and from truck/rail/ vessel
Truck gates:	Balzano Boulevard main gate & 6 storage area gates
Highway access:	Direct to I-676, I-76, US Rt.130 and I-295
Rail connections:	CSX, NS, and CP rail systems with integrated on-dock rail infrastructure
Other features:	Food grade warehousing; innovative direct discharge for bulk cargoes; custom cargo carriers for direct discharge to storage; all-weather loading; temperature controlled warehousing

BROADWAY MARINE TERMINAL

Location: Broadway at Morgan Boulevard, Camden, New Jersey
Cargoes: Furnace slag, salt, other dry bulks, steel products, wood products, minerals, cocoa beans
Terminal area: 106 acres (42.8 ha.)
Berths: 2: 1,700 LF (518.16 m.)
Depth at MLW: Pier 1 — 35 ft. (10.7 m.), Pier 2 — 40 ft. (12.2 m.)
Storage capacity: 36 dry warehouses providing 1.128 million SF (102,600 sq. m.)
Cranes: Multi-purpose electric — 95 tons (86.2 metric tons)
Direct transfer: Direct to and from truck/rail/vessel
Truck gates: 1
Highway access: Direct to I-676, I-76, US Rt.130 & I-295
Rail connections: CSX, NS, and CP rail systems
Other features: Bulk cargo storage area; marine-related industrial park services

BROADWAY PIER 5

Location: Broadway at Morgan Boulevard, Camden, New Jersey
Special cargoes: Perishables
Terminal area: 28 acres (11.3 ha.)
Berths: 1 berth: 1,135 LF (346 m.)
Depth at MLW: 35 ft. (10.7 m.)
Storage capacity: 3 temperature-controlled warehouses: 60,000 SF (5,574 sq. m.), 75,000, SF (6,968 sq. m) and 53,400 SF

BROADWAY PIER 5, continued

(4,961 sq. m)
1 dry - 25,000 SF (2,322.6 sq. m.)
Reefer plugs: 175
Direct transfer: Direct to truck/rail,LCL and FCL handling
Truck gates: 2
Loading docks: 40
Special features: 2,000 ft. of rail siding for inter-modal COFC transfer

SALEM MARINE TERMINAL

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

EXECUTIVE ORDER

EXECUTIVE ORDER #37 (2006)

Certification of Annual Audit for Year Ending 2016

We are pleased to present this report containing a record of the significant actions taken by the Port Corporation in 2016...

EXECUTIVE ORDER #37 (2006)
Certification of Annual Audit for Year Ending 2016

WE ARE PLEASED TO PRESENT this report containing a record of the significant actions taken by the Port Corporation in 2016; these actions detail the success the Port Corporation has achieved in growing its business on behalf of the Sate of New Jersey and its citizens during the year 2016. In addition, in accordance with Executive Order #37 (200^), 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, 2016.

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

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

SOUTH JERSEY PORT CORPORATION

AUDIT REPORT

FOR THE YEARS ENDED

DECEMBER 31, 2016 AND 2015

SOUTH JERSEY PORT CORPORATION

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Board of Directors

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SOUTH JERSEY PORT CORPORATION

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SOUTH JERSEY PORT CORPORATION

BOARD OF DIRECTORS

AT DECEMBER 31, 2016

Richard A. Alaimo, Chairman
Subdistrict 1 (Burlington)

Chad Bruner
Subdistrict 2 (Gloucester)

Robert DeAngelo
Subdistrict 2 (Gloucester/Borough of Paulsboro)

Jonathan S. Gershen
Subdistrict 1 (Mercer)

Joseph Maressa, Jr.
Subdistrict 2 (Camden)

Eric Martins
Subdistrict 1 (Mercer)

Craig Remington
Subdistrict 2 (Camden)
(Resigned June 17, 2016)

Sheila Roberts
Subdistrict 2 (Camden/City of Camden)

Carl E. Styles
Subdistrict 3 (Salem)

Vacancy
Subdistrict 3 (Salem, Cape May or Cumberland)

Christopher Chianese
Robert Tighue
State Treasurer Designees

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

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the South Jersey Port Corporation, a component unit of the State of New Jersey, in the County of Camden, State of New Jersey, as of and for the fiscal years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the South Jersey Port Corporation as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Jersey Port Corporation's basic financial statements. The Introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.
The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated March 31, 2017 on my consideration of the South Jersey Port Corporation's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Respectfully submitted,

Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
March 31, 2017

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

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

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the South Jersey Port Corporation, in the County of Camden, State of New Jersey as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise South Jersey Port Corporation's basic financial statements, and have issued my report thereon dated March 31, 2017.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I considered to be material weaknesses. However,

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material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Jersey Port Corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
March 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

Pursuant to the requirements of Governmental Accounting Standards Board (GASB) 34, the management of the South Jersey Port Corporation (the Port) offers the readers of the Port's financial statements a narrative overview and analysis of the activities of the Port for the fiscal period ending December 31, 2016.

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

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

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

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 2015, the Port of Paulsboro has completed (i) site demolition; (ii) the installation of nearly 3,000 feet of new perimeter retaining wall; (iii) dredging and dredged material management activities associated with approximately 350,000 cubic yards; (iv) the extension of over 150 ground water monitoring wells and 15 recovery wells; (v) the placement of nearly 500,000 cubic yards of clean fill material that has raised the terminal's grade to above the 100-year floodplain elevation; (vi) the installation of roughly two miles of storm water management system piping; (vii) renovations to the marine terminal administration office; (viii) the construction of the access road and bridge; and (ix) the construction of a new tidal wetland. In addition to the above, substantial completion of the Phase I Construction Program within the marine terminal was achieved in early Fall 2016 consisting of (i) new 850LF long x 120LF wide deep water berth (future depth capable to 45' MLLW), (ii) 600LF long x 35LF wide railroad and vehicle access trestle leading out to the edge of the wharf from land, (iii) 4 miles of new railroad track / loop track access for CSX and NS services, (iv) Electrical upgrades and power stations, (v.) Storm drainage (vi) miscellaneous utilities, (vii) High mast lighting (west), (viii) Roadway base course and laydown area (west).

The terminal received its first vessel in February 2017 and is in operation receiving large steel slabs for transport to U.S. factories. Future phases are planned for the terminal in order to complete the remaining two berths, the Mantua creek heavy lift berth and final grading, paving, additional lighting, potable water, sanitary sewer, gate and security systems, parking lots, sound barrier wall system, landscaping and various administrative and warehouse buildings all anticipated to take place over the next several years.

Approximately 2.29 million tons of cargo passed through the Port Corporation's facilities in 2016. Promoting economic development, enhancing intermodal facilities, and partnering with private businesses are the roles the Port Corporation firmly embodies, as is its mission of job growth and port development.

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

Financial Highlights

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

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

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

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

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

Overview of the Financial Statements

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

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

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

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

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

Financial Analysis

Port Assets and Deferred Outflows of Resources exceeded Port Liabilities and Deferred Inflows of Resources by $50,609,871 at December 31, 2016.

Port's Net Position

ASSETS	2016	2015
Current & Other Assets	$82,260,184	$83,577,895
Capital Assets (Net)	260,417,749	265,791,817
Total Assets	342,677,933	349,369,712
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferred Outflows	9,742,276	2,628,163
Bond Discount, Net of Accumulated Amortization	206,354	
Total Deferred Outflows of Resources	9,948,630	2,628,163
LIABILITIES		
Current Liabilities	21,855,129	28,934,752
Long-Term Liabilities	277,787,037	273,754,607
Total Liabilities	299,642,166	302,689,359
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangements	612,020	575,809
Unrealized Rental Income	779,784	971,937
Deferred Gain on Bond Refunding	400,000	
Pension Deferred Inflows	582,722	979,605
Total Deferred Inflows of Resources	2,374,526	2,527,351
NET POSITION		
Net Investment in Capital Assets	21,909,778	17,131,924
Restricted for:		
Reserve for Payment of Debt Service	24,923,939	24,725,567
Reserve for Inventory Supplies	1,225,454	1,382,176
Unrestricted:		
Unreserved	2,550,700	3,541,498
Total Net Position	$50,609,871	$46,781,165

A portion of the Port's Net Position reflects its net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment) less any related debt to acquire those assets that remain outstanding. Currently the amount of $21,909,778 reflects the current Net Investment in Capital Assets. An additional portion of the Port's Net Position represents resources that are subject to external restrictions on how they may be used. They are used for capital projects, debt service payments, and city and county tax payments. Unrestricted Net Position is available for any Port related use.

Port Activities

Port activity for 2016 resulted in operating income before depreciation and amortization of $1,501,895.

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

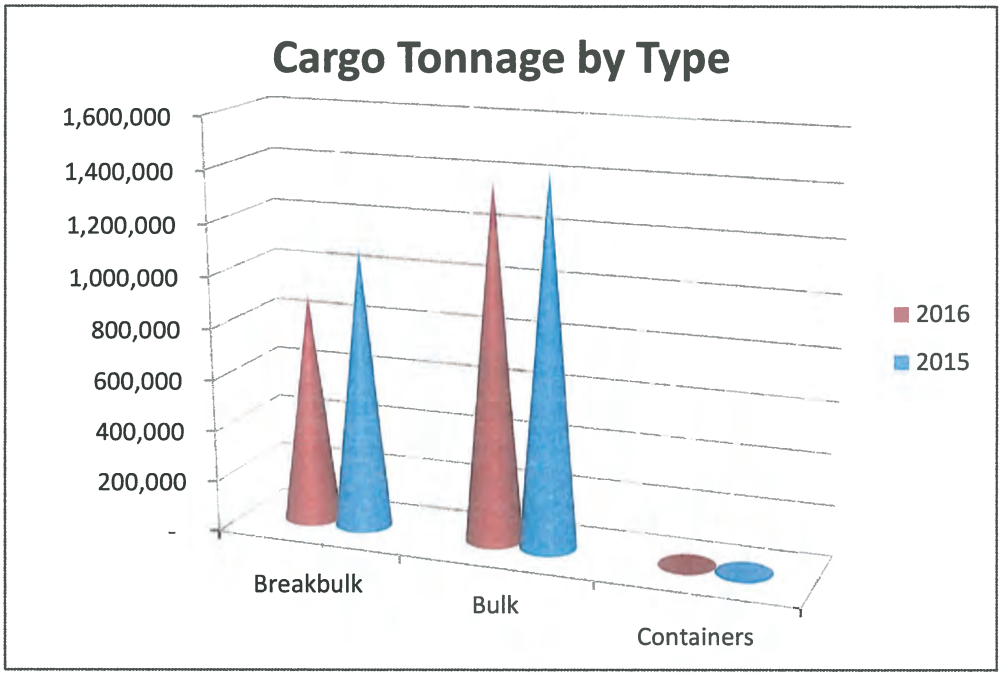
	2016	2015
Operating Revenues:		
Marine Direct	$20,138,901	$22,134,973
Marine Related	2,535,055	2,177,939
Other	477,298	624,210
Grant Revenue	12,344,512	6,320,943
Total Operating Revenues	35,495,766	31,258,065
Operating Expenses:		
General Operating	12,320,562	14,976,723
Repairs & Maintenance	1,147,830	1,413,505
General & Administrative	8,180,967	7,596,910
Grant Expenses	12,344,512	6,320,943
Total Operating Expenses	33,993,871	30,308,081
Operating Income Before Other Operating Expenses	1,501,895	949,984
Other Operating Expenses:		
Depreciation	4,172,848	3,638,317
Total Other Operating Expenses	4,172,848	3,638,317
Operating Income/(Loss) After Other Operating Expenses	(2,670,953)	(2,688,333)
Nonoperating Revenues/(Expenses):		
Interest on Investments & Deposits	86,230	87,992
Insurance Proceeds	934,280	
Federal Subsidy Revenue	3,022,633	3,017,762
Unrealized Gain/(Loss) on Investment	1,025,575	377,823
Cost of Bond Issuance Expenses	(230,147)	
Interest Expense	(16,932,190)	(14,590,749)
Net Nonoperating Revenue/(Expenses)	(12,093,619)	(11,107,172)

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Operating Transfers To/ From the State of New Jersey/Other:		
Debt Service Aid	18,750,000	18,898,929
Camden City PILOT Revenues	4,000,000	4,000,000
Camden City PILOT Expenditures	(4,000,000)	(4,000,000)
Camden County PILOT Revenues	419,000	419,000
Camden County PILOT Expenditures	(419,000)	(419,000)
Salem PILOT Revenues	31,224	31,224
Salem PILOT Expenditures	(31,224)	(31,224)
Paulsboro PILOT Revenues	500,000	500,000
Paulsboro PILOT Expenditures	(500,000)	(500,000)
Gloucester County PILOT Revenues	150,000	150,000
Gloucester County PILOT Expenditures	(150,000)	(150,000)
Change in Inventory of Supplies	(156,722)	(74,746)
Total Operating Transfers	18,593,278	18,824,183
Net Income/(Loss) Before Contributions	3,828,706	5,028,678
Additions to Capital Contributions		25,000
Change in Net Position	3,828,706	5,053,678
Net Position - Beginning of Year, As Restated (Note 19)	$46,781,165	$41,727,487
Net Position - End of Year	$50,609,871	$46,781,165

Cargo Tonnage

The South Jersey Port Corporation activity for 2016 totaled 2,293,657 tons. This is a decrease of approximately 9.16% as compared to 2015.



Breakbulk

Breakbulk activity for 2016 decreased 19% when compared to 2015 Port totals.

Bulk

Dry bulk cargoes collectively reached 1,394,636 tons in 2016, which was a 3% decrease over the prior year. Export recycled scrap metals increased by 29% from 2015 while import cement and export Grancem® finished with an inccrease of 58% from 2015. Other bulk cargo activity resulted from Road Salt, Sand, Urea and Gypsum.

Containers

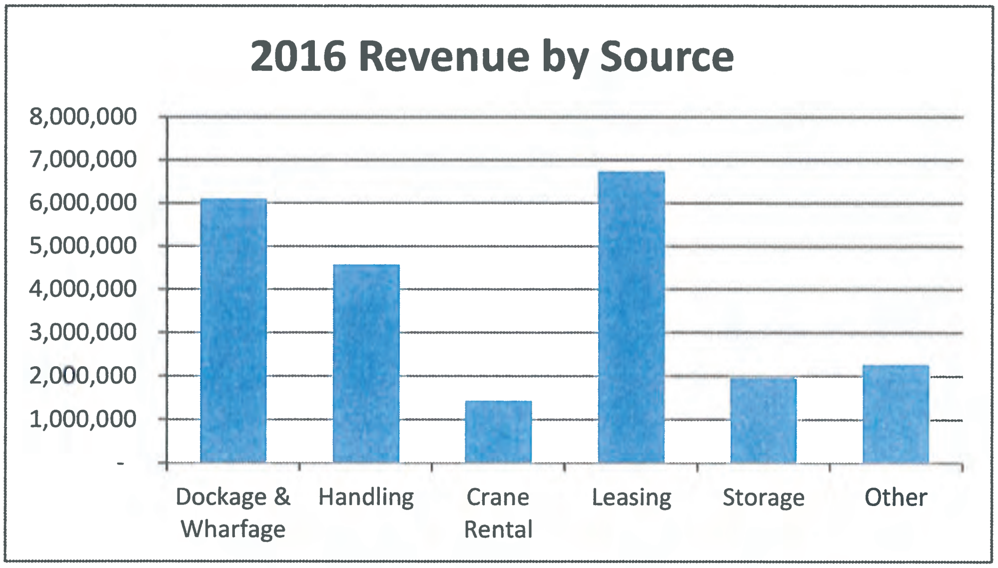
Container tonnage for the year 2016 was zero tons compared to 14 tons in 2015.

Other Activity

Ship calls totaled 182 for the year ended 2016, 24 less than 2015. Ship days in 2016 totaled 456, a decrease of 87 days from 2015.

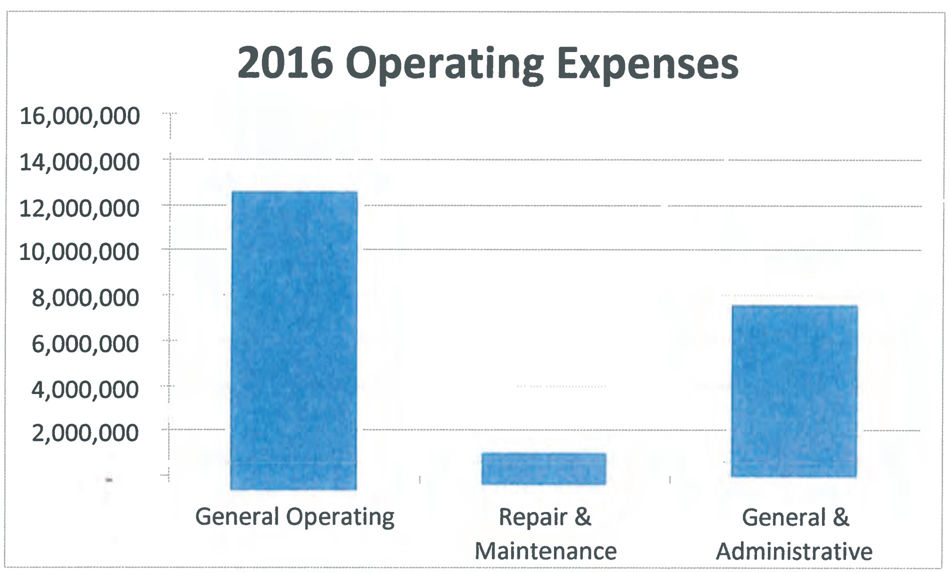
Operating Revenues

The Port Corporation generated $35,495,766 total in operating revenues in 2016. This represents an overall increase of $4,237,701 over 2015 totals.



Operating Expenses

Total Corporation operating expenses were $33,993,871 in 2016, an increase of $3,685,790 when compared to 2015.



Capital Assets

The Port's investment in Capital assets as of December 31, 2016 is $260,417,749.

The investment in capital assets include land, buildings, piers and berths, and machinery and equipment. Net capital assets decreased by $5,374,068 in 2016 over 2015. Annual depreciation and amortization reduced net property, plant and equipment.

Capital Assets

	2016	2015
Land	$18,235,317	$18,235,317
Building & Improvements	48,926,616	48,100,741
Land Improvements	120,076,792	118,162,942
Equipment	25,311,580	24,811,404
Engineering & Other	7,203,729	7,203,729
Financing Costs	9,159,938	9,159,938
Subtotal	$228,913,972	$225,674,071
Less: Accumulated Depreciation & Amortization	115,383,817	111,195,969
Subtotal	113,530,155	114,478,102
Construction in Progress	146,887,594	151,313,716
Total	$260,417,749	$265,791,818

Long-Term Debt

As of December 31, 2016 the Port had accumulated long-term debt of $269,311,463. This balance is comprised of the following:

Long-Term Debt

	2016	2015
Revenue Bonds (Net of Accum. Amort.)	$243,784,531	$249,343,562
Capital Lease	500,000	600,000
Net Pension Payable	23,837,140	14,148,921
Early Retirement	1,189,792	1,186,550
Total	$269,311,463	$265,279,033

On December 1, 2002 the Port issued Series K $79,295,000 and Series L $42,030,000 Marine Terminal and Revenue Refunding Bonds, and on October 16, 2003 the Port issued Series M $11,305,000 Marine Terminal Revenue Bonds and on November 21, 2007 the Port issued Series N $11,235,000 Marine Terminal Revenue Bonds. On January 22, 2009, the Port Issued $25,885,000 in Marine Terminal Bonds, 2012 Series O Bonds. On December 30, 2009 the Port Issued $157,880,000 in Marine Terminal Revenue Bonds, 2009 Series P Bonds. On September 27, 2012, the Port Issued Series Q&R $77,305,000 Revenue Refunding Bonds. On September 29, 2016, the Port issued its Marine Terminal Revenue Bonds, Series S, consisting of consisting of $33,035,000 Marine Terminal Revenue and Revenue Refunding Bonds, Series 2016 S-1 and $7,285,000 Marine Terminal Revenue Refunding Bonds, Series 2012 S-2.

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, 2016 the Port has not yet commenced any payment on the Capital Lease.

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

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

BASIC FINANCIAL STATEMENTS

SOUTH JERSEY PORT CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2016 AND 2015

ASSETS	2016	2015
Current Assets:		
Unrestricted Assets:		
Cash & Cash Equivalents	$8,813,384	10,167,328
Accounts Receivable (Net of Allowance for Doubtful Accounts - $225,505 in 2016 and $184,320 in 2015)	2,435,046	2,818,594
Other Accounts Receivable	9,033,228	9,089,041
Prepaid Expenses	1,017,954	446,777
Inventory of Supplies	1,225,454	1,382,176
Total Unrestricted Current Assets	22,525,066	23,903,916
Restricted Assets:		
Cash & Cash Equivalents	36,425,106	31,235,964
Investments	9,786,394	9,424,306
Other Accounts Receivable	130,598	114,780
Due from State of New Jersey	13,393,020	18,898,929
Total Restricted Current Assets	59,735,118	59,673,979
Property, Plant & Equipment (Note 5):		
Completed	219,754,034	216,514,133
Construction in Progress	146,887,594	151,313,715
Bond Financing Costs	9,159,938	9,159,938
Total Property, Plant & Equipment	375,801,566	376,987,786
Less: Accumulated Depreciation & Amortization	115,383,817	111,195,969
Net Property, Plant & Equipment	260,417,749	265,791,817
Total Assets	342,677,933	349,369,712
DEFERRED OUTFLOW OF RESOURCES		
Pension Deferred Outflows	9,742,276	2,628,163
Bond Discount, Net of Accumulated Amortization	206,354	
Total Deferred Outflows of Resources	9,948,630	2,628,163
Total Assets and Deferred Outflows of Resources	$352,626,563	351,997,875

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

SOUTH JERSEY PORT CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2016 AND 2015

LIABILITIES	2016	2015
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	623,952	275,726
Accrued Expenses	141,239	523,044
Payroll Taxes Payable	56,318	49,351
Accrued Vacation Payable	213,310	195,292
Lease Security & Escrow Deposits	218,450	210,142
Total Current Liabilities Payable From Unrestricted Assets	1,253,269	1,253,555
Current Liabilities Payable From Restricted Assets:		
Accrued Interest Payable	6,554,916	7,248,084
Contracts Payable	1,231,944	8,628,113
Revenue Bonds Payable (Short-Term Portion)	11,315,000	10,405,000
Capital Lease Payable	1,500,000	1,400,000
Total Current Liabilities Payable From Restricted Assets	20,601,860	27,681,197
Long-Term Liabilities:		
Long-Term Liabilities Payable From Unrestricted Assets:		
Early Retirement Payable	1,189,792	1,186,550
Unearned Lease Revenue	8,475,574	8,475,574
Net Pension Payable	23,837,140	14,148,921
Total Long-Term Liabilities Payable From Unrestricted Assets	33,502,506	23,811,045
Long-Term Liabilities Payable From Restricted Assets:		
Revenue Bonds Payable (Net of Unamortized Premium)	243,784,531	249,343,562
Capital Lease Payable	500,000	600,000
Total Long-Term Liabilities Payable From Restricted Assets	244,284,531	249,943,562
Total Liabilities	299,642,166	302,689,359
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangements	612,020	575,809
Unrealized Rental Income	779,784	971,937
Gain on Bond Refunding, Net of Accumulted Amortization	400,000	
Pension Deferred Inflows	582,722	979,605
Total Deferred Inflows of Resources	2,374,526	2,527,351
NET POSITION		
Net Investment in Capital Assets	21,909,778	17,131,924
Restricted:		
Reserve for Payment of Debt Service	24,923,939	24,725,567
Reserve for Inventory of Supplies	1,225,454	1,382,176
Unrestricted:		
Unreserved	2,550,700	3,541,498
Total Net Position	50,609,871	46,781,165
Total Liabilities, Deferred Inflows of Resources and Net Position	352,626,563	351,997,875

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

EXHIBIT A-2
(Page 1 of 2)

SOUTH JERSEY PORT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating Revenues:		
Marine Direct	$20,138,901	22,134,973
Marine Related	2,535,055	2,177,939
Other	477,298	624,210
Grant Revenue	12,344,512	6,320,943
Total Operating Revenues	35,495,766	31,258,065
Operating Expenses:		
General Operating	12,320,562	14,976,723
Repairs & Maintenance	1,147,830	1,413,505
General & Administrative	8,180,967	7,596,910
Grant Expenses	12,344,512	6,320,943
Total Operating Expenses	33,993,871	30,308,081
Operating Income Before Other Operating Expenses	1,501,895	949,984
Other Operating Expenses:		
Depreciation	4,172,848	3,638,317
Total Other Operating Expenses	4,172,848	3,638,317
Operating Income/(Loss) After Other Operating Expenses	(2,670,953)	(2,688,333)
Nonoperating Revenues/(Expenses):		
Interest on Investments & Deposits	86,230	87,992
Insurance Proceeds	934,280	
Federal Subsidy Revenue	3,022,633	3,017,762
Unrealized Gain/(Loss) on Investment	1,025,575	377,823
Cost of Bond Issuance Expenses	(230,147)	
Interest Expense	(16,932,190)	(14,590,749)
Net Nonoperating Revenue/(Expenses)	(12,093,619)	(11,107,172)
Net Income/(Loss) Before Contributions and Transfers	(14,764,572)	(13,795,505)

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

SOUTH JERSEY PORT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating Transfers To/ From the State of New Jersey/Other:		
Debt Service Aid	18,750,000	18,898,929
Camden City PILOT Revenues	4,000,000	4,000,000
Camden City PILOT Expenditures	(4,000,000)	(4,000,000)
Camden County PILOT Revenues	419,000	419,000
Camden County PILOT Expenditures	(419,000)	(419,000)
Salem PILOT Revenues	31,224	31,224
Salem PILOT Expenditures	(31,224)	(31,224)
Paulsboro PILOT Revenues	500,000	500,000
Paulsboro PILOT Expenditures	(500,000)	(500,000)
Gloucester County PILOT Revenues	150,000	150,000
Gloucester County PILOT Expenditures	(150,000)	(150,000)
Change in Inventory of Supplies	(156,722)	(74,746)
Total Operating Transfers	18,593,278	18,824,183
Net Income/(Loss) Before Contributions	3,828,706	5,028,678
Additions To Capital Contributions		25,000
Change in Net Position	3,828,706	5,053,678
Net Position - Beginning of Year, As Restated (Note 19)	46,781,165	41,727,487
Net Position - End of Year	$50,609,871	46,781,165

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

EXHIBIT A-3
(Page 1 of 2)

SOUTH JERSEY PORT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Receipts from Customers	$35,184,420	25,115,993
Interest Receipts	163,712	178,118
Payments to Employees	(6,082,951)	(6,468,183)
Payments for Employee Benefits	(4,789,254)	(4,525,732)
Payments to Suppliers	(28,501,906)	(33,026,564)
Net Cash Provided/(Used) by Operating Activities	(4,025,979)	(18,726,368)
Cash Flows From Noncapital Financing Activities:		
Developers' Escrow Refunds	690,546	991
Net Cash Provided/(Used) by Noncapital Financing Activities	690,546	991
Cash Flows From Capital & Related Financing Activities:		
Acquisition & Construction of Capital Assets	1,657,150	(13,451,710)
Federal Interest Subsidy	3,022,633	3,017,762
Insurance Proceeds	934,280	
Net Proceeds Received from Bond Refunding	3,223,144	
Bond Issuance Expenses	(28,180)	
Interest Paid on Revenue Bonds	(16,239,022)	(14,774,411)
Principal Paid on Revenue Bonds	(10,405,000)	(10,080,000)
State Aid for Debt Service	24,255,909	18,898,929
Camden City PILOT Revenues	4,000,000	4,000,000
Camden City PILOT Payments	(4,000,000)	(4,000,000)
Camden County PILOT Revenues	419,000	419,000
Camden County PILOT Payment	(419,000)	(419,000)
Paulsboro PILOT Revenues	500,000	500,000
Paulsboro PILOT Expenditures	(500,000)	(500,000)
Gloucester County PILOT Revenues	150,000	150,000
Gloucester County PILOT Payment	(150,000)	(150,000)
Salem PILOT Revenues	31,224	31,224
Salem PILOT Payment	(31,224)	(31,224)
Net Cash Provided/(Used) by Capital & Related Financing Activities	6,420,914	(16,389,430)
Cash Flows From Investing Activities:		
Unrealized Gain/(Loss) on Investment	1,025,575	377,823
Interest & Dividends	86,230	87,992
Net Cash Provided/(Used) by Investing Activities	1,111,805	465,815

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

SOUTH JERSEY PORT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Net Increase/(Decrease) in Cash & Cash Equivalents	4,197,286	(34,648,992)
Balances - Beginning of Year	50,827,598	85,476,590
Balances - End of Year	$55,024,884	50,827,598

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

	2016	2015
Operating Income/(Loss)	($2,670,953)	($2,688,333)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Activities:		
Depreciation & Net Amortization	4,172,848	3,638,317
(Increase)/Decrease in Accounts Receivable, Net	423,543	(5,730,794)
(Increase)/Decrease in Prepaid Expenses	(571,177)	(233,160)
Increase/(Decrease) in Accounts Payable	2,150,611	1,979,532
Increase/(Decrease) in Accrued Liabilities	18,018	(12,605)
Increase/(Decrease) in Contracts Payable	(7,396,169)	(25,037,411)
Increase/(Decrease) in Early Retirement Payable	3,242	6,358
Increase/(Decrease) in Concession Arrangements	36,211	(95,783)
Increase/(Decrease) in Unearned Lease Revenue		8,475,574
Increase/(Decrease) in Unrealized Rental Income	(192,153)	971,937
Total Adjustments	(1,355,026)	(16,038,035)
Net Cash Provided/(Used) by Operating Activities	($4,025,979)	(18,726,368)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

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*; Statement 43 & 45 – *Accounting and Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans* and Statement 67 – *Financial Reporting for Pension Plans*.

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

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

1. Summary of Significant Accounting Policies (continued):

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for capital activity; restricted for debt service; and unrestricted components.

During 2015 the Authority adopted GASB Statement 68 *Accounting and Financial Reporting for Pensions;* this statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. It replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The primary effect of this statement is to recognize a liability in the financial statements prepared using the economic resources measurement focus and accrual basis of accounting for its proportionate share of the collective net pension liability of all employers for benefits provided through the pension plan. This Statement had a significant effect on the Authority's financial statements for fiscal year ended December 31, 2015

During 2015 the Authority adopted GASB Statement 71 *Pension Transition for Contributions made Subsequent to the measurement Date-An Amendment of GASB Statement No. 68,* this statement requires a state or local government employer to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. If a state or local government employer or non employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition , Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non employer contributing entity that arise from other types of events. At transition to Statement 68, if it's not practical for an employer or non employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any , made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows or resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this statement are applied simultaneously with GASB 68.

1. Summary of Significant Accounting Policies (continued):

GASB Statement 72 *Fair Value Measurement and Application*, this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Authority does not expect this statement to impact its financial statements. The statement is effective for periods beginning after June 30, 2015.

GASB Statement 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* the objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The statement is effective for periods beginning after June 30, 2015.

GASB Statement 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* the objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Authority is evaluating this statement to determine its impact the financial statements.

GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter

1. Summary of Significant Accounting Policies (continued):

period equity, and creating additional transparency. The Authority is evaluating this statement to determine its impact the financial statements.

The accompanying financial statements present the financial position of the Corporation, the results of operations of the Corporation and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2016 and 2015 for the years then ended.

Reporting Entity:

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

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

The operations of the Port are under the directorship of an eleven-member board. The Governor of the State appoints members for a term of five years. The day-to-day operations of the Port are under the administration of the Executive Director with approximately 117 full time employees and 2 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.

1. Summary of Significant Accounting Policies (continued):

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

Accounting Policies and Basis of Presentation

a) **Basis of Accounting** - The basic financial statements of the South Jersey Port Corporation have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.

b) **Cash Equivalents** - For purposes of the statement of cash flows, the Corporation considers all highly liquid debt instruments purchased with maturity of one year or less to be cash equivalents.

c) **Investment in Property, Plant and Equipment** – Investment in Property, Plant and Equipment is stated at cost, which generally includes net capitalized interest expense (See Note 5) as well as professional fees incurred during the construction period.

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

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

d) **Marine Terminal Revenue Bond Resolution**

   The Corporation is subject to the provisions and restrictions of the Marine Terminal Revenue Bond Resolution adopted June 5, 1985 as supplemented March 12, 1987, January 31, 1989, October 31, 1989, March 4, 1993, December 5, 2002, September 30, 2003, June 8, 2005, October 31, 2006, August 28, 2007, October 28, 2008, July 28, 2009, October 17, 2012 and September 29, 2016. The revenues generated by operations are to be distributed monthly based upon the following priorities:

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

   2) **Debt Service Account** - such amount necessary to increase the retained earnings to equal the Aggregate Debt Service Requirement. (Interest and principal on the bonds to accrue to the next interest payment date).

1. Summary of Significant Accounting Policies (continued):

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

4) **Maintenance Reserve Account** - such amount necessary to increase the retained earnings to equal the Maintenance Reserve Fund Requirement, which is the amount, budgeted for major renewals, repairs or replacement.

5) **Tax Reserve Account** - such amount to increase the balance in the Payment Account to equal the Property Tax Reserve and then such amount to increase the balance in the Reserve Account to equal the tax payments for the current year.

6) **General Reserve Account** - such amount that remains after all previously mentioned requirements.

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

Operating Account

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

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

(a) Operating Expenses during the calendar year, including reserves therefore, provided for in the Annual Budget for such year;

(b) An amount equal to the Aggregate Debt Service for such calendar year;

(c) The amount, if any, to be paid during such calendar year into the Debt Reserve Account;

(d) The amount to be paid during such calendar year into the Maintenance Reserve Account to the extent funds are available; and

(e) All other charges or liens whatsoever to be paid out of revenues during such calendar year and, to the extent not otherwise provided for, all amounts payable on Subordinated Debt.

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

1. Summary of Significant Accounting Policies (continued):

Consulting Engineers to make a study for the purpose of recommending a schedule of rates, fees and charges for the Marine Terminals which, in the opinion of the Corporation or the Consulting Engineers, will cause sufficient revenues to be collected in the following calendar year to provide funds for all such payments and will cause additional revenues to be collected in such following and later calendar years sufficient to restore the amount of such deficiency at the earliest practicable time.

Debt Service Account

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

Debt Service payments for 2016 included $10,405,000 for principal and $16,834,770 for interest. 2015 included $10,080,000 for principal and $14,679,830 for interest. Funds were provided as follows:

	2016	2015
Debt Service Reserve Fund		$15,240,472
Construction Fund	$27,239,770	9,519,358
Total	$27,239,770	$24,759,830

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 $18,750,000.

The Reserve Fund Requirement, as established under the terms of the Marine Terminal Bond Resolution dated June 5, 1985, is the highest amount of aggregate debt service payable in any succeeding year, which amount is $24,923,939.

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.

1. Summary of Significant Accounting Policies (continued):

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

Funds were provided from operating revenue during the years 2016 and 2015 of $482,919 and $138,666 respectively.

Property Reserve Account

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

Tax Reserve Account

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

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

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

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

During both 2016 and 2015 the State of New Jersey paid to the Corporation $4,000,000 for Camden City, $419,000 for Camden County, $500,000 for Paulsboro Township, $150,000 for Gloucester County, $31,224 for Salem City to provide sufficient funds for tax payments.

1. Summary of Significant Accounting Policies (continued):

General Reserve Account

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

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

Construction Account

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

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

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

Subsequent Events

The South Jersey Port Corporation has evaluated subsequent events occurring after December 31, 2016 through the date of March 31, 2017, which is the date the financial statements were available to be issued.

Note 2. Cash & Cash Equivalents

The Corporation is governed by the deposit and investment limitations of New Jersey state law. The Deposits and Investments held at December 31, 2015, and reported at fair value are as follows:

SOUTH JERSEY PORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

2. Cash and Cash Equivalents (continued):

Type	2016 Carrying Value	2015 Carrying Value
Deposits:		
Demand Deposits	$ 45,238,490	$ 41,403,292
Total Deposits	$ 45,238,490	$ 41,403,292
Reconciliation of Statement of Net Position:		
Current:		
Unrestricted Assets:		
Cash & Cash Equivalents	$ 8,813,384	$ 10,167,328
Restricted Assets:		
Cash & Cash Equivalents	36,425,106	31,235,964
Total	$ 45,238,490	$ 41,403,292

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, 2016 and 2015, the Corporation's bank balance of $45,967,882 and $$42,025,861 respectively, was insured or collateralized as follows:

	2016	2015
Insured	$ 1,250,000	$ 1,000,000
Collaterized in the Corporation's Name Under GUDPA (See Note 3)	45,015,807	39,805,390
Collaterized not in the Corporation's Name (New Jersey Cash Management Fund)	384,314	1,220,471
Total	$46,650,121	$ 42,025,861

Note 3. Investments

A. Custodial Credit Risk

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

Note 3. Investments (continued):

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Corporation has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2016 and 2015, are provided in the above schedule.

C. Investment Credit Risk

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

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

    (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of subsection A herein;

    (b) the custody of collateral is transferred to a third party;

    (c) the maturity of the agreement is not more than 30 days;

Note 3. Investments (continued):

C. Investment Credit Risk (continued):

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

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

- Any investment instruments in which the security is not physically held by the Corporation shall be covered by a third party custodial agreement which shall provide for the designation of such investments in the name of the Corporation and prevent unauthorized use of such investments;

- Purchase of investment securities shall be executed by the "delivery versus payment" method to ensure that securities are either received by the Corporation or a third party custodian prior to or upon the release of the Corporation's funds.

- Any investments not purchased and redeemed directly from the issuer, government money market mutual fund, local government investment pool, or the State of New Jersey Cash Management Fund, shall be purchased and deemed through the use of a national or State bank located within this State or through a broker-dealer which, at the time of purchase or redemption, has been registered continuously for a period of at least two years pursuant to section 9 of P.L.1967, c. 93 (C.49:3-56) and has at least $25 million in capital stock (or equivalent capitalization if not a corporation), surplus reserves for contingencies and undivided profits, or through a securities dealer who makes primary markets in U.S. Government securities and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities.

As of December 31, 2016 and 2015, the Corporation had the following investments and maturities:

Investment	Maturities	Rating	2016 Fair Value
Federal Home Loan Discount Notes	6/20/17	N/A	$1,228,923
Federal Home Loan Discount Notes	6/28/17	N/A	8,557,471
Total			$9,786,394

Investment	Maturities	Rating	2015 Fair Value
FHLB Non-Callable Bonds	6/22/16	AAA	$8,606,127
Federal Home Loan Discount Notes	6/22/16	N/A	818,179
Total			$9,424,306

Note 4. Governmental Unit Deposit Protection Act (GUDPA)

The Corporation deposited cash in 2016 and 2015 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.

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

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

Note 5. Property, Plant & Equipment

The following is a summary of property, plant and equipment at cost, less accumulated depreciation and amortization for the years ended December 31, 2016 and 2015:

	Balance December 31, 2015	Additions	Deletions	Reclass/ Adjustments	Balance December 31, 2016
Land	$ 18,235,317				$ 18,235,317
Buildings & Improvements	48,100,741	$ 227,281		548,594	48,926,616
Land Improvements	118,162,942			1,913,850	120,076,792
Equipment	24,811,404	53,284		446,892	25,311,580
Engineering & Other	7,203,729				7,203,729
Financing Costs	9,159,938				9,159,938
Subtotal	225,674,071	330,565	-	2,909,336	228,913,972
Less: Accumulated Depreciation Amortization	(111,195,969)	(4,187,848)			(115,383,817)
Subtotal	114,478,102	(3,857,283)	-	2,909,336	113,530,155
Construction in Progress	151,313,715	9,469,359	-	(13,895,480)	146,887,594
Total	$265,791,817	$ 5,612,076	$ -	$(10,986,144)	$260,417,749

	Balance December 31, 2014	Additions	Deletions	Reclass/ Adjustments	Balance December 31, 2015
Land	$ 18,235,317				$ 18,235,317
Buildings & Improvements	47,328,276	$ 332,508		439,957	48,100,741
Land Improvements	118,162,942				118,162,942
Equipment	24,707,031	104,373			24,811,404
Engineering & Other	7,203,729				7,203,729
Financing Costs	9,159,938				9,159,938
Subtotal	224,797,233	436,881	-	439,957	225,674,071
Less: Accumulated Depreciation Amortization	(107,061,459)	(4,134,510)			(111,195,969)
Subtotal	117,735,774	(3,697,629)	-	439,957	114,478,102
Construction in Progress	138,675,675	13,077,997	-	(439,957)	151,313,715
Total	$256,411,449	$ 9,380,368	$ -	$ -	$265,791,817

Note 6. Pension Plan

Description of System and Vesting

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

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

At December 31, 2016 the Corporation reported a liability of $23,837,140 for its proportionate share of the net pension liability as measured as of June 30, 2016, and the total pension liability used to calculate

Note 6. Pension Plan (continued):

the net pension liability was determined by an actuarial valuation as of that date. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's long – term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Corporation's proportion was .0805% which increased slightly by .0175% from its proportion measured as of June 30, 2015.

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

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

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

Contribution Requirements

The contribution policy is set by N.J.S.A.43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A.18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 7.06%, effective July 1, 2015 and increases to 7.20%, effective July 1, 1016 of employees' annual compensation as defined. The rate will increase over the next several years to 7.5%. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. The South Jersey Port Corporation's contributions to P.E.R.S. for the years ending December 31, 2016, 2015 and 2014 were $541,887, $479,587 and $481,346, respectively, equal to the required contributions for each year.

Public Employees Retirement System (PERS)

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

Note 6. Pension Plan (continued):

For the year ended December 31, 2016 and 2015, the Corporation recognized pension expense of $2,727,657 and $2,436,843 respectively.

At December 31, 2016 and 2015, the Corporation reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	December 31, 2016		December 31, 2015	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference Between Expected and Actual Experience	$ 443,299		$ 337,544	
Changes of Assumptions	4,937,782		1,519,481	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	908,932			227,487
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	3,452,263	582,722	771,138	752,118
Authority Contributions Subsequent to The Measurement Date	-	-	-	-
	$9,742,276	$ 582,722	$2,628,163	$979,605

Additional Information

Collective balances at November 30, 2016 and 2015 as follows:

	2016	2015
Collective deferred outflows of resources	$ 8,685,338,380	$ 3,578,755,666
Collective deferred inflows of resources	870,133,595	993,410,455
Collective net pension liability	$ 29,617,131,759	$ 22,447,996,119
District's Proportion	.0008048430%	.0006302977%

$9,742,276 and $$2,628,163 reported as deferred outflows of resources related to pensions resulting from Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016 and 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 6. Pension Plan (continued):

Year Ended November 30, 2016		Year Ended November 30, 2015	
2017	$ 1,632,518	2016	$ 263,548
2018	1,632,518	2017	263,548
2019	1,632,518	2018	263,548
2020	1,632,518	2019	263,548
2021	1,632,516	2020	263,548
Thereafter	996,966	Thereafter	313,818
Total	$ 9,159,554	Total	$ 1,648,558

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

Early Retirement Incentive Plan

In 2003 the State of New Jersey signed into Law the State Early Retirement Incentive (ERI) program as Chapter 23, PL. 2002. The ERI has a provision that allows optional participation in the program by certain State Autonomous Authorities. Participation is optional, as these organizations will have to bear the cost of the incentives provided to their employees who retire. The Board of Directors of the South Jersey Port Corporation adopted a resolution to allow its eligible employees to participate in the ERI program. In 2002 four employees elected to participate in the ERI. In 2003 an additional four employees elected to participate in the ERI. The liability to the Corporation is $1,189,792 as of December 31, 2016.

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 2016 and 2015 for $97,420 and $94,582 respectively, which included principal and interest.

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

Year	Principal	Interest	Total
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

Note 6. Pension Plan (continued):

2024	39,933	89,599	129,532
2025	48,409	86,304	134,713
2026	57,792	82,310	140,102
2027	68,164	77,542	145,706
2028	79,615	71,919	151,534
2029	92,244	65,351	157,595
2030	106,158	57,741	163,899
2031	121,472	48,983	170,455
2032	138,312	38,961	177,273
2033	156,814	27,550	184,364
2034	177,130	14,613	191,743
Total	$1,189,792	$1,334,584	$2,524,376

Note 7. Long-Term Debt

The following is a summary of long-term debt at December 31, 2016:

Issue	Initial Date of Issue	Date of Final Maturity	Interest Rates	Original Issue Amount	Principal Balance Outstanding
Series 2007 N Marine Terminal Revenue Bonds	11/08/07	01/01/38	4.500% 5.250%	11,235,000	250,000
Series 2009 O Marine Terminal Revenue Bonds	01/29/09	01/01/39	4.000% 5.875%	25,885,000	1,835,000
Series 2009 P Marine Terminal Revenue Bonds	12/30/09	01/01/40	2.995% 7.365%	157,880,000	142,645,000
Series 2012 Q Marine Terminal Refunding Bonds	10/17/12	01/01/33	3.000% 3.250%	60,060,000	50,820,000
Series 2012 R Marine Terminal Refunding Bonds	10/17/12	01/01/24	4.000%	16,050,000	12,420,000
Series 2016 S Marine Terminal Refunding Bonds	09/29/16	01/01/39	5.125% 5.875%	40,320,000	40,320,000
Total					$248,290,000
Add: Unamortized Bond Premium					6,809,531
Less: Current Maturities Included in Current Liabilities					11,315,000
Balance					$243,784,531

Note 7. Long-Term Debt (continued):

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

Year	Principal	Interest	Total
2017	$ 11,315,000	$ 13,377,005	$ 24,692,005
2018	11,230,000	13,401,102	24,631,102
2019	11,640,000	12,903,188	24,543,188
2020	11,995,000	12,385,338	24,380,338
2021	9,965,000	11,885,691	21,850,691
2022-2026	47,175,000	52,235,459	99,410,459
2027-2031	51,205,000	38,900,756	90,105,756
2032-2036	51,645,000	23,046,471	77,691,471
2037-2040	42,120,000	5,889,269	48,009,269
Total	$248,290,000	$184,024,279	$432,314,279

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.

Note 7. Long-Term Debt (continued):

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

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

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

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

g) On September 29, 2016, the Corporation performed advance-refunding of Marine Terminal Revenue Bonds Series N and O. The Corporation issued Series S-1 ($33,035,000) Marine Terminal Revenue and Revenue Refunding Bonds and Series S-2 ($7,285,000) Marine Terminal Revenue Refunding Bonds (AMT). A portion of the proceeds of the Series 2016 S-1 Bonds will be used to: (i) advance-refund the Corporation's Series N Bonds and (ii) advance-refund the Series 2009 O-1 and O-2 Bonds (Prior Tax-Exempt Bonds). A portion of the proceeds of the 2016 S-2 Bonds will be used to currently refund the Corporation's Series 2003 M Bonds (Prior AMT Bonds and together with the Prior Tax-Exempt Bonds, the "Prior Bonds"). A portion of the proceeds of the Series 2016 Bonds will be deposited into the Project Fund established under the Bond Resolution for purposes of funding the 2016 Capital Plan. A portion of the proceeds of the Series 2016 Bonds, together with other available funds, will be deposited in the Debt Reserve Fund in an amount sufficient to bring the balance in the Debt Reserve Fund to the Debt Reserve Requirement. This current refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the Refunded and Refunding Bonds) of $400,000.

Note 7. Long-Term Debt (continued):

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

	....SERIES N......		....SERIES O-3.....	
Issue Year	**Annual Principal**	**Interest Rate**	**Annual Principal**	**Interest Rate**
2017	$ 250,000	4.50	-	
2018	-		-	
2019	-		1,835,000	5.50
2020	-		-	
2021	-		-	
2022	-		-	
2023	-		-	
2024	-		-	
2025	-		-	
2026	-		-	
2027	-		-	
2028	-		-	
2029	-		-	
2030	-		-	
2031	-		-	
2032	-		-	
2033	-		-	
2034	-		-	
2035	-		-	
2036	-		-	
2037	-		-	
2038	-		-	
2039	-		-	
Total	$ 250,000		$1,835,000	

SOUTH JERSEY PORT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

Note 7. Long-Term Debt (continued):

Issue Year	.....SERIES P-2..... Annual Principal	Interest Rate	....SERIES P-3..... Annual Principal	Interest Rate	SERIES "P" Total Principal
2017	3,385,000	4.000		-	3,385,000
2018	4,115,000	5.750	3,520,000	5.912	7,635,000
2019	4,350,000	5.750	3,655,000	6.052	8,005,000
2020	1,055,000	5.750	3,800,000	6.152	4,855,000
2021	-		3,955,000	6.252	3,955,000
2022	-		-		-
2023	-		-		-
2024	-		-		-
2025	-		-		-
2026	-		-		-
2027	-		-		-
2028	-		-		-
2029	-		29,985,000	7.065	29,985,000
2030	-		-		-
2031	-		-		-
2032	-		-		-
2033	-		-		-
2034	-		-		-
2035	-		-		-
2036	-		-		-
2037	-		-		-
2038	-		-		-
2039	-		-		-
2040	-		84,825,000	7.365	84,825,000
Total	$$12,905,000		$129,740,000		$142,645,000

Issue Year	......SERIES Q...... Annual Principal	Interest Rate	......SERIES R...... Annual Principal	Interest Rate
2017	4,600,000	3.00	1,600,000	4.00
2018	4,700,000	3.00	1,650,000	4.00
2019	4,850,000	3.00	1,700,000	4.00
2020	5,000,000	3.00	1,750,000	4.00
2021	2,950,000	3.00	1,550,000	4.00
2022	3,050,000	3.00	1,600,000	4.00
2023	3,150,000	3.00	1,670,000	4.00
2024	950,000	3.00	900,000	4.00

Note 7. Long-Term Debt (continued):

	……SERIES Q…….		……SERIES R……	
Issue Year	Annual Principal	Interest Rate	Annual Principal	Interest Rate
2025	2,050,000	3.00	-	
2026	2,100,000	3.00	-	
2027	2,175,000	3.00	-	
2028	2,245,000	3.00	-	
2029	2,355,000	3.00	-	
2030	2,475,000	3.00	-	
2031	2,600,000	3.13	-	
2032	2,715,000	3.13	-	
2033	2,855,000	3.25	-	
2034	-		-	
2035	-		-	
2036	-		-	
2037	-		-	
2038	-		-	
2039	-		-	
2040	-		-	
Total	$50,820,000		$12,420,000	

	……SERIES S-1……		…..SERIES S-2…..		Grand Total
Issue Year	Annual Principal	Interest Rate	Annual Principal	Interest Rate	Principal
2017	$900,000	5.00			10,735,000
2018	750,000	5.00			14,735,000
2019	790,000	5.00			17,180,000
2020	670,000	5.00	750,000	5.00	13,050,000
2021	-		1,510,000	5.00	9,965,000
2022			1,585,000	5.00	6,235,000
2023			1,665,000	5.00	6,485,000
2024			1,750,000	5.00	3,600,000
2025	1,840,000	5.00	-		3,890,000
2026	1,930,000	5.00	-		4,030,000
2027	2,030,000	5.00	-		4,205,000
2028	2,130,000	5.00	-		4,375,000
2029	2,230,000	5.00	-		43,570,000
2030	2,360,000	5.00	-		4,835,000
2031	1,670,000	5.00	-		4,270,000
2032	1,755,000	3.50	-		4,470,000
2033	1,820,000	5.00	-		4,675,000
2034	1,915,000	5.00	-		1,915,000
2035	2,005,000	5.00	-		2,005,000

Note 7. Long-Term Debt (continued):

Issue Year	......SERIES S-1...... Annual Principal	Interest Rate	.....SERIES S-2..... Annual Principal	Interest Rate	Grand Total Principal
2036	2,100,000	3.75	-		2,100,000
2037	2,185,000	5.00	-		2,185,000
2038	2,285,000	5.00	-		2,285,000
2039	1,670,000	5.00	-		1,670,000
2040	-		-		84,825,000
Total	$50,820,000		$12,420,000		$248,290,000

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

ISSUE YEAR	SERIES O-3	SERIES P-3	SERIES S-1	GRAND TOTAL
2017	$ 580,000	-	-	$ 580,000
2018	610,000	-	-	610,000
2019	645,000	-	-	645,000
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	3,545,000	-	3,545,000
2025	-	4,825,000	-	4,825,000
2026	-	5,045,000	-	5,045,000
2027	-	5,275,000	-	5,275,000
2028	-	5,520,000	-	5,520,000
2029	-	5,775,000	-	5,775,000
2030	-	6,040,000	-	6,040,000
2031	-	6,325,000	-	6,325,000
2032	-	6,630,000	-	6,630,000
2033	-	6,945,000	-	6,945,000
2034	-	7,280,000	-	7,280,000
2035	-	7,630,000	-	7,630,000
2036	-	7,995,000	-	7,995,000
2037	-	8,375,000	2,185,000	10,560,000
2038	-	8,775,000	2,285,000	11,060,000
2039	-	9,195,000	1,670,000	10,865,000
2040	-	9,635,000	-	9,635,000
Total	$ 1,835,000	$114,810,000	$6,140,000	$122,785,000

Note 7. Long-Term Debt (continued):

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

Series O-3 - Bonds Maturing January 1, 2019

Year	Principal Amount
2017	$ 580,000
2018	610,000
2019	645,000
Total	$1,835,000

Series P-3 – Bonds Maturing January 1, 2029

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

Series P-3 - Bonds Maturing January 1, 2040

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

The Series 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.

Note 7. Long-Term Debt (continued):

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.

Note 7. Long-Term Debt (continued):

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
2017	$ 3,246,651
2018	3,210,234
2019	3,135,106
2020	3,055,485
2021	2,971,302
2022-2026	14,179,665
2027-2031	11,244,782
2032-2036	7,076,310
2037-2040	1,909,082
Total	$50,028,617

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

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

Note 7. Long-Term Debt (continued):

The following is a summary of all long-term debt of the Corporation as of December 31, 2016 and 2015:

	Balance December 31, 2014	Issued	Retired	Balance December 31, 2015	Due Within One Year
Restricted:					
Bond Payable	$256,210,000	40,320,000	(48,240,000)	248,290,000	11,315,000
Capital Lease	2,000,000			2,000,000	1,500,000
Total	$258,210,000	40,320,000	(48,240,000)	$250,290,000	12,815,000
	Add: Unamortized Bond Premium			6,809,531	
	Less: Due within One Year			12,815,000	
	Total			$244,284,531	

	Balance December 31, 2014	Issued	Retired	Balance December 31, 2015	Due Within One Year
Restricted:					
Bond Payable	$266,290,000		(10,080,000)	256,210,000	10,405,000
Capital Lease	2,000,000			2,000,000	1,400,000
Total	$269,470,192	19,373,899	(10,080,000)	$258,210,000	11,805,000
	Add: Unamortized Bond Premium			3,538,562	
	Less: Due within One Year			11,805,000	
	Total			$249,943,562	

Note 8. Leases Obligations

At December 31, 2016, the Corporation had lease agreements in effect for the following:

Operating Lease:

Mailing Machine

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

Note 8. Leases Obligations (continued):

Year	Amount
2017	$ 4,800
2018	4,800
2019	1,200
Total minimum Lease Payments	$10,800

Rental payments under operating leases for the year 2016 and 2015 were $4,800 and $4,800 respectively.

Capital Lease:

Eleven (11) Copiers

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

Year	Amount
2017	$ 45,425
2018	43,548
2019	23,868
2020	5,967
Total Minimum Lease Payments	118,808
Less: Amount Representing Interest	7,087
Present Value of Net Minimum Lease Payments	$ 111,721

Lease payments under Capital leases for the years 2016 and 2015 were $37,581 and $43,548 respectively.

Note 9. Economic Dependency

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

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 2016 payment in lieu of tax agreement with the City of Camden requiring the Corporation to make payment of four million dollars ($4,000,000). The City's fiscal year for 2016 began in July 1, 2015 and ended June 30, 2016. Pursuant to the 2016 "PILOT" agreement, the Corporation is not required to make the 2017 "PILOT" payment until such time as the payment has been appropriated by the State of New Jersey and the payment is received by the Corporation.

County of Camden PILOT Payments - The Corporation has entered into a 2016 payment in lieu of tax agreement with the County requiring the Corporation to make payment of four hundred nineteen thousand dollars ($419,000) in the calendar year 2016. An appropriation of $419,000 will be required from the State to make payment to the 2017 County of Camden "PILOT Tax Agreement".

City of Salem PILOT Payments – The Corporation has entered into a 2016 payment in lieu of tax agreement with the City of Salem requiring the Corporation to make payment of thirty one thousand two hundred and twenty five dollars $(31,225) in the calendar year 2016. An appropriation of $31,225 will be required from the State to make payment to the 2017 City of Salem "PILOT Tax Agreement".

Borough of Paulsboro PILOT Payments – The Corporation has entered into a 2016 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 2016. An appropriation of $500,000 will be required from the State to make payment to the 2017 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.

Note 11. PILOT Payments (continued):

County of Gloucester PILOT Payments – The Corporation has entered into a 2016 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 2017 County of Gloucester "PILOT Tax Agreement".

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

Note 12. Capital Projects and Funding Sources

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

The Corporation's construction in progress consists of the following: Paulsboro MarineTerminal Project for Bond Series N in the amount of $2,894,935, the Paulsboro Marine Terminal Project for Bond Series O-1 in the amount of $20,943,295, Skylight Renovations for Bonds Series O-3 in the amount of $522,610 and Paulsboro Marine Terminal Project for Bond Series P-2 and P-3 in the amount of $119,770,914. Holtec building improvements totaling $850,600 and Security Grant payments totaling $1,905,240. Total construction in progress amounted to $146,887,594.

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

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

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

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

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

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

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

The Corporation and the Gloucester County Improvement Authority ("GCIA") have also entered into that certain "Paulsboro Port Project Development and Management Agreement" dated as of August 1, 2009 (the "Development and Management Agreement"). Pursuant to the Development and Management Agreement, the Corporation shall set forth the overall parameters for the design and development of the Paulsboro Marine Terminal and the GCIA shall enter into the various contracts required to implement this development. Among other things, this arrangement allows the Corporation to focus on the future leasing of the Paulsboro Marine Terminal, to maximize its revenue potential. Further, in order to expedite the development of the Paulsboro Marine Terminal, this Development and Management Agreement, in combination with the Thirteenth Supplemental Bond Resolution, provide for GCIA to access the Series 2009 O Bond proceeds, the Series 2009 P Bond proceeds, along with future Additional Bond or subordinate bond proceeds for the development of the Paulsboro Marine Terminal Project, to pay necessary development costs such as planning, design and construction costs, without individual contract approval from the Corporation.

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

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

The Corporation is in the process of negotiating lease, cargo handling and operations contracts for that portion of the Paulsboro Marine Terminal that shall house private operations, which in turn is expected to generate revenues for the Corporation, in part, to repay debt service on the Series 2009 P Bonds. In particular, the Corporation continues to consider opportunities associated with import fruit and vegetables, certain renewable energy uses and other bulk and break bulk cargoes for the Paulsboro Marine Terminal, having previously negotiated a specific memorandum of understanding. At present, the

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

Corporation is in negotiations with private operators regarding select portions of the terminal. While the Corporation remains optimistic in its pursuit of these operations, vendors, and fees, it made no representation to holders of the Series 2009 P Bonds that the Corporation shall enter into a sufficient number of these agreements, in both number and dollar value, such that such agreements shall generate sufficient revenues to pay the principal of, and interest on the Series 2009 P Bonds in full and on time.

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

Resolution would not be available to fund Phase II, and accordingly the Corporation would need to rely on some other provision of the Bond Resolution in order to authorize parity Bonds to fund the Phase II Project.

Paulsboro Bonds

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

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

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

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

2009 P Paulsboro Marine Terminal Project

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

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

Key aspects of this development include the construction, commissioning, startup and operation of the Paulsboro Marine Terminal that consists of a pile-supported wharf structure combined with pile-supported access trestles and adjacent backland infrastructure. The backland infrastructure is planned to

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

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 and rehabilitation of mainline rail infrastructure.

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

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

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

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

Note 15. Port of Paulsboro Project Status

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

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

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

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

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 2015, the Port of Paulsboro has completed (i) site demolition; (ii) the installation of nearly 3,000 feet of new perimeter retaining wall; (iii) dredging and dredged material management activities associated with approximately 350,000 cubic yards; (iv) the extension of over 150 ground water monitoring wells and 15 recovery wells; (v) the placement of nearly 500,000 cubic yards of clean fill material that has raised the terminal's grade to above the 100-year floodplain elevation; (vi) the installation of roughly two miles of storm water management system piping; (vii) renovations to the marine terminal administration office; (viii) the construction of the access road and bridge; and (ix) the construction of a new tidal wetland. In addition to the above, substantial completion of the Phase I Construction Program within the marine terminal was achieved in early fall 2016 consisting of (i) new 850LF long x 120LF wide deep water berth (future depth capable to 45' MLLW), (ii) 600LF long x 35LF wide railroad and vehicle access trestle leading out to the edge of the wharf from land, (iii) 4 miles of new railroad track / loop track access for CSX and NS services, (iv) Electrical upgrades and power stations, (v.) Storm drainage (vi) miscellaneous utilities, (vii) High mast lighting (west), (viii) Roadway base course and laydown area (west).

The terminal received its first vessel in February 2017 and is in operation receiving large steel slabs for transport to U.S. factories. Future phases are planned for the terminal in order to complete the remaining two berths, the Mantua creek heavy lift berth and final grading, paving, additional lighting, potable water, sanitary sewer, gate and security systems, parking lots, sound barrier wall system, landscaping and various administrative and warehouse buildings all anticipated to take place over the next several years.

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 $1,225,454 as of December 31, 2016 and $1,382,176 as of December 31, 2015.

Note 17. Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS, to fund post-retirement medical benefits for those State employees who retire after reaching 60 and accumulating 25 years of credited service. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS system. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees. As of June 30, 2015, there were 107,314 retirees eligible for post-retirement medical benefits. The cost of these benefits

is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program. The State paid $214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

State Health Benefits Plan Description

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

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

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

Note 17. Post-Retirement Benefits

Funding Policy

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

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

The South Jersey Port Corporation contributions to SHBP for the year ended December 31, 2016 and 2015 was \$448,470 and \$301,770 respectively, which equaled the required contributions for the year. There were fifteen (15) retired participants eligible at December 31, 2016 and 2015.

Note 18. Arbitrage Rebate Calculation

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

This Arbitrage calculation has been performed through October 29, 2013 and the Corporation is in material compliance with the arbitrage rebate requirements.

Note 19. Retroactive Restatement of Net Position

The Corporation adopted GASB No. 68 – Accounting and Financial Reporting for Pensions – An amendment of GASB No. 27 during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the Corporation to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of December 31, 2015 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning Net Position of the Corporation was adjusted to reflect the beginning balance of the net position liability. Since the measurement date of the net pension liability is December 31, 2015, the restatement adjustments to Net Position relate to the beginning net pension liability measured as of January 1, 2015. Also, in accordance with GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, the Corporation restated its Net Position for pension contributions made after the beginning net pension liability measurement date of January 1, 2015 (Deferred Outflows).

Note 19. Retroactive Restatement of Net Position (continued):

Net Position (Per Exhibit A, January 1, 2015)	$52,276,952
Restatement of:	
Net Pension Liability	(10,891,967)
Pension Deferred Outflows	342,502
Net Position - Per Exhibit A, January 1, 2015 (As Restated)	$41,727,487

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SOUTH JERSEY PORT CORPORATION
COMPARATIVE SCHEDULE OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Revenues:						
Marine Direct:						
Leases - Marine Direct	$6,482,921	6,482,921	6,007,330	$6,482,921	6,482,921	6,004,887
Crane Rental	1,008,919	1,008,919	1,441,348	1,008,919	1,008,919	1,238,326
Dockage	2,106,048	2,106,048	2,630,905	2,106,048	2,106,048	2,663,700
Handling	4,817,986	4,817,986	4,606,249	4,817,986	4,817,986	6,094,247
Storage	1,732,443	1,732,443	1,967,687	1,732,443	1,732,443	2,365,457
Wharfage	3,257,396	3,257,396	3,485,382	3,257,396	3,257,396	3,756,772
Demurrage	5,251	5,251		5,251	5,251	11,584
Total Marine Direct	19,410,964	19,410,964	20,138,901	19,410,964	19,410,964	22,134,973
Marine Related:						
Leases - Industrial	536,278	536,278	732,117	536,278	536,278	700,663
Utilities	677,509	677,509	949,821	677,509	677,509	803,114
Port of Salem Revenue	126,024	126,024	106,200	126,024	126,024	106,200
Miscellaneous	441,518	441,518	746,917	441,518	441,518	567,962
Total Marine Related	1,781,329	1,781,329	2,535,055	1,781,329	1,781,329	2,177,939
Other Income:						
Income on Investments	135,000	135,000	163,712	135,000	135,000	178,118
Miscellaneous	151,295	151,295	313,586	151,295	151,295	446,092
Total Other Income	286,295	286,295	477,298	286,295	286,295	624,210
Grant Revenue			12,344,512			6,320,943
Total Revenues	$21,478,588	21,478,588	35,495,766	$21,478,588	21,478,588	31,258,065
Operating Expenses:						
Port Operations:						
Labor Expense:						
Labor Crane	272,868	272,868	239,437	272,868	272,868	198,329
Labor Handling	1,532,367	1,532,367	2,101,318	1,532,367	1,532,367	2,429,462
Labor Repairs & Maintenance	1,011,027	1,011,027	950,623	1,011,027	1,011,027	1,016,825
Security	699,808	699,808	784,525	699,808	699,808	768,231
Supervisors	574,535	574,535	592,229	574,535	574,535	593,319
Total Labor Expense	4,090,605	4,090,605	4,668,132	4,090,605	4,090,605	5,006,166
Payroll Taxes	454,105	454,105	484,846	454,105	454,105	495,025
Workers Compensation Insurance	430,546	430,546	680,348	430,546	430,546	683,888
Employee Benefits:						
Hospitalization	1,835,458	1,835,458	1,589,900	1,835,458	1,835,458	1,423,195
Vacation, Holiday, Sick, Pension	459,000	459,000	612,481	459,000	459,000	600,121
Miscellaneous Employer Expenses	37,650	37,650	41,710	37,650	37,650	48,068
Total Employee Benefits	3,216,759	3,216,759	3,409,285	3,216,759	3,216,759	3,250,297
Crane Rental - Gas & Oil	93,713	93,713	45,664	93,713	93,713	52,008

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Expenses (Continued):						
Handling:						
Gas & Oil	226,773	226,773	173,548	226,773	226,773	243,029
Miscellaneous	71,784	71,784	58,896	71,784	71,784	266,095
Trucking Expenses	53,231	53,231	70,711	53,231	53,231	229,764
Clerking & Checking	1,782,881	1,782,881	1,742,257	1,782,881	1,782,881	3,428,806
Total Handling	2,134,669	2,134,669	2,045,412	2,134,669	2,134,669	4,167,694
Rental of Equipment	32,213	32,213	485,632	32,213	32,213	697,686
Trash Removal	127,500	127,500	252,629	127,500	127,500	238,930
Security:						
Contracted Services	23,718	23,718	24,541	23,718	23,718	52,702
Other Expenses	20,932	20,932	4,000	20,932	20,932	1,146
Total Security	44,650	44,650	28,541	44,650	44,650	53,848
Port of Salem Operations	59,552	59,552	59,489	58,803	58,803	58,732
Utilities	1,431,734	1,431,734	1,325,778	1,431,734	1,431,734	1,451,362
Total Port Operations	11,231,395	11,231,395	12,320,562	11,230,646	11,230,646	14,976,723
Repairs & Maintenance:						
Buildings & Grounds:						
Contracted	262,500	262,500	206,018	262,500	262,500	187,138
Fees & Permits	20,923	20,923	17,282	20,923	20,923	8,546
Materials	313,919	313,919	232,318	313,919	313,919	349,898
Total Buildings & Grounds	597,342	597,342	455,618	597,342	597,342	545,582
Cranes:						
Contracted	109,499	109,499	208,515	109,499	109,499	216,137
Materials	122,297	122,297	29,512	122,297	122,297	56,036
Total Cranes	231,796	231,796	238,027	231,796	231,796	272,173
Mobile Machinery & Equipment:						
Contracted	38,454	38,454	42,872	38,454	38,454	26,558
Equipment	32,429	32,429	7,047	32,429	32,429	15,730
Materials	211,994	211,994	389,948	211,994	211,994	496,022
Small Tools	20,061	20,061	14,318	20,061	20,061	57,440
Total Mobile Machinery & Equipment	302,938	302,938	454,185	302,938	302,938	595,750
Total Repairs & Maintenance	1,132,076	1,132,076	1,147,830	1,132,076	1,132,076	1,413,505

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF OPERATING REVENUES AND EXPENSES
ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL
Operating Expenses (Continued):						
General & Administrative:						
Labor - Office Clerical & Related	850,181	850,181	988,508	850,181	850,181	1,005,256
Labor - Administrative	520,726	520,726	426,311	520,726	520,726	456,761
Payroll Taxes	147,550	147,550	141,559	147,550	147,550	129,041
Workmen's Compensation	4,321	4,321	6,110	4,321	4,321	4,236
Employee Benefits:						
Hospitalization	824,626	824,626	847,553	824,626	824,626	776,885
Pension	640,368	640,368	2,727,657	640,368	640,368	2,436,843
Insurance	1,619,548	1,619,548	1,273,778	1,619,548	1,619,548	1,139,349
Professional Fees	708,040	708,040	856,226	708,040	708,040	798,816
Miscellaneous	779,881	779,881	759,149	779,881	779,881	748,819
Telephone	47,549	47,549	64,116	47,549	47,549	58,904
Utilities	30,600	30,600	30,000	30,600	30,600	30,000
Bad Debt	60,000	60,000	60,000	60,000	60,000	12,000
Total General & Administrative	6,233,390	6,233,390	8,180,967	6,233,390	6,233,390	7,596,910
Grant Expenses			12,344,512			6,320,943
Total Operating Expenses	18,596,861	18,596,861	33,993,871	18,596,112	18,596,112	30,308,081
Operating Income Before Other Operating Expenses	$2,881,727	2,881,727	1,501,895	$2,882,476	2,882,476	949,984

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SOUTH JERSEY PORT CORPORATION
SCHEDULE OF NET POSITION
DECEMBER 31, 2016

ASSETS	UNRESTRICTED OPERATING ACCOUNTS	RESTRICTED DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE ACCOUNT	MAINTENANCE RESERVE ACCOUNT	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Current Assets:							
Cash & Cash Equivalents	$8,813,384	3	25,692,511	15,551	20,467,317	36,118	55,024,884
Accounts Receivable (Net of Allowance for Doubtful Accounts of $184,320)	2,435,046						2,435,046
Due from State			13,393,020				13,393,020
Other Accounts Receivable	9,033,228				130,598		9,163,826
Prepaid Expenses	1,017,954						1,017,954
Inventory of Supplies	1,225,454						1,225,454
Interfund Accounts Receivable	168,849,181	69,812,523	144,288,051	494,890	160,611,373		544,056,018
Total Current Assets	191,374,247	69,812,526	183,373,582	510,441	181,209,288	36,118	626,316,202
Property, Plant & Equipment (Note 5)					219,754,034		219,754,034
Construction in Progress					146,887,594		146,887,594
Bond Financing Costs					9,159,938		9,159,938
Subtotal					375,801,566		375,801,566
Accumulated Depreciation & Amortization					115,383,817		115,383,817
Total Property, Plant & Equipment & Construction in Progress					260,417,749		260,417,749
Total Assets	191,374,247	69,812,526	183,373,582	510,441	441,627,037	36,118	886,733,951
DEFERRED OUTFLOW OF RESOURCES							
Pension Deferred Outflows	9,742,276						9,742,276
Bond Discount, Net of Accumulated Amortization					206,354		206,354
Total Deferred Outflows of Resources	9,742,276				206,354		9,948,630
Total Assets and Deferred Outflows of Resources	$201,116,523	69,812,526	183,373,582	510,441	441,833,391	36,118	896,682,581

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF NET POSITION
DECEMBER 31, 2016

LIABILITIES	UNRESTRICTED OPERATING ACCOUNTS	RESTRICTED DEBT SERVICE ACCOUNT	RESTRICTED DEBT SERVICE RESERVE ACCOUNT	RESTRICTED MAINTENANCE RESERVE ACCOUNT	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Current Liabilities Payable from Assets:							
Accounts Payable	623,952						623,952
Contracts Payable					1,231,944		1,231,944
Capital Lease Payable					1,500,000		1,500,000
Accrued Expenses	141,239						141,239
Accrued Interest Payable		6,554,916					6,554,916
Accrued Vacation Payable	213,310						213,310
Payroll Taxes Payable	56,318						56,318
Lease Security & Escrow Deposits	218,450						218,450
Revenue Bonds - Short Term					11,315,000		11,315,000
Interfund Accounts Payable	160,610,068	63,257,610	158,449,643	266	161,702,313	36,118	544,056,018
Total Current Liabilities	161,863,337	69,812,526	158,449,643	266	175,749,257	36,118	565,911,147
Long Term Liabilities Payable:							
Early Retirement Payable	1,189,792						1,189,792
Unearned Lease Revenue	8,475,574						8,475,574
Net Pension Payable	23,837,140						23,837,140
Revenue Bonds (Long-Term Portion)					243,784,531		243,784,531
Capital Lease Payable					500,000		500,000
Total Long Term Liabilities	33,502,506				244,284,531		277,787,037
Total Liabilities	195,365,843	69,812,526	158,449,643	266	420,033,788	36,118	843,698,184
DEFERRED INFLOWS OF RESOURCES							
Service Concession Arrangements	612,020						612,020
Unrealized Rental Income	779,784						779,784
Gain on Bond Refunding					400,000		400,000
Pension Deferred Inflows	582,722						582,722
Total Deferred Inflows of Resources	1,974,526				400,000		2,374,526
NET POSITION							
Net Investment in Capital Assets				510,175	21,399,603		21,909,778
Reserve for Payment of Debt Service			24,923,939				24,923,939
Reserve for Inventory Supplies	1,225,454						1,225,454
Unreserved	2,550,700						2,550,700
Net Position	3,776,154	-	24,923,939	510,175	21,399,603	-	50,609,871
Total Liabilities, Deferred Inflows of Resources and Net Position	$201,116,523	69,812,526	183,373,582	510,441	441,833,391	36,118	896,682,581

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF CHANGES IN NET POSITION ALL ACCOUNTS
DECEMBER 31, 2016

	OPERATING ACCOUNTS	DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE	MAINTENANCE RESERVE	CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
Net Position - Beginning Balance	$4,923,674		24,725,567	510,175	16,621,749		46,781,165
Add:							
Excess of Revenue Over Expenses	1,501,895						1,501,895
State of New Jersey:							
Debt Service Aid			18,750,000				18,750,000
PILOT Payments						5,100,224	5,100,224
Federal Subsidy Revenue	3,022,633						3,022,633
Insurance Proceeds					934,280		934,280
Interest on Investments					86,230		86,230
Unrealized Gain on Investment			1,025,575				1,025,575
Interfund Transfers	2,739,595	16,837,608			8,160,339		27,737,542
Total	12,187,797	16,837,608	44,501,142	510,175	25,802,598	5,100,224	104,939,544
Deduct:							
Interest Expense	94,582	16,837,608					16,932,190
Depreciation/ Amortization Expense					4,157,848		4,157,848
Transfer of Depreciation to Contributed Capital					15,000		15,000
Camden City PILOT Payment						4,000,000	4,000,000
Camden County PILOT Payment						419,000	419,000
Gloucester County PILOT Payment						150,000	150,000
Paulsboro PILOT Payment						500,000	500,000
Salem PILOT Payment						31,224	31,224
Bond Issuance Expenses					230,147		230,147
Inventory of Supplies	156,722						156,722
Interfund Transfers	8,160,339		19,577,203				27,737,542
Total	8,411,643	16,837,608	19,577,203		4,402,995	5,100,224	54,329,673
Net Position December 31, 2016	$3,776,154	-	24,923,939	510,175	21,399,603	-	50,609,871

SCHEDULE 4

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

	2016	2015	2014	2013
Corporation's Proportion of the Net Pension Liability (Asset)	0.03065%	0.03065%	0.02804%	0.03179%
Corporation's Proportionate Share of the Net Pension Liability (Asset)	$14,148,921	$14,148,921	$10,891,967	$12,209,327
Corporation's covered employee payroll	$5,536,764	$5,341,347	$4,500,529	$4,061,183
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.20%	47.93%	52.08%	48.72%

SCHEDULE 5

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

	2016	2015	2014	2013
Actuarially Determined Contribution	$541,887	$479,587	$481,346	$445,119
Contributions in relation to the Actuarially Determined Contributions	541,887	479,587	481,346	445,119
	$0	$0	$0	$0
Covered-Employee Payroll	$6,695,033	$7,280,126	$6,468,354	$5,252,316
Contributions as a Percentage of Covered-Employee Payroll	8.094%	6.588%	7.442%	8.475%

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

REQUIRED SUPPLEMENTARY INFORMATION – PART III

Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 2 years for males and 7 years for females) with adjustments for mortality improvements from the base year of 2013 using a generation approach based on the plan actuary's modified MP-2014 projection scale.

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

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

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

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

Report on Compliance for Each Major Federal and State Program

I have audited the South Jersey Port Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement,* and the New Jersey *State Grant Compliance Supplement* that could have a direct and material effect on each of South Jersey Port Corporation's major federal and state programs for the year ended December 31, 2016. South Jersey Port Corporation's major federal and state programs are identified in the *Summary of Auditor's Results Section* of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each of the Other Major Federal and State Programs

In my opinion, the South Jersey Port Corporation, in the County of Camden, State of New Jersey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2016.

Report on Internal Control over Compliance

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

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

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

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

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

I have audited the financial statements of the South Jersey Port Corporation as of and for the year ended December 31, 2016, and have issued my report thereon dated March 31, 2017, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and New Jersey OMB Circular 15-08 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditure of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Brent W. Lee
Certified Public Accountant

Cinnaminson, New Jersey
March 31, 2017

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SCHEDULE A

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL PROJECT NUMBER	GRANT PERIOD	CFDA NUMBER	AWARD	FUNDS RECEIVED	FUNDS EXPENDED
U.S. Department of Transportation - Maritime Administration - National Infrastructure Investments Discretionary Grant Program (FY 2011 Tiger Discretionary Grant)	DTMA1G12004	9/30/12 - 9/30/18	20.933	$18,500,000	$7,260,345	7,260,345
			Total		$7,260,345	7,260,345

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

SCHEDULE B

SOUTH JERSEY PORT CORPORATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR/PROGRAM TITLE	STATE CONTRACT NUMBER	GRANT PERIOD	AGREEMENT NUMBER	AWARD	FUNDS RECEIVED	FUNDS EXPENDED
New Jersey Department of Transportation - Rail Freight Assistance Program Enhancing Rail Service to SJPC Marine Terminal	13-35082	5/12/15 - 5/11/20	2205631	$10,000,000	$5,084,167	5,084,167
			Total		$5,084,167	5,084,167

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

SOUTH JERSEY PORT CORPORATION
(COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. General

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

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

2. Basis of Accounting

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

Relationship to Basic Financial Statements

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

4. Relationship to Federal and State Financial Reports

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

SOUTH JERSEY PORT CORPORATION
(COMPONENT UNIT OF THE STATE OF NEW JERSEY)
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEAR ENDED DECEMNBER 31, 2016

Section 1— Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.933	National Infrastructure Investments

Dollar threshold used to distinguish between Type A Programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section 1— Summary of Auditor's Results (continued):

State Awards

Dollar threshold used to distinguish between type A Type Programs:	$ 750,000
Auditee qualified as low-risk auditee?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Internal Control over major programs:	
1) Material weakness(es) identified?	No
2) Significant deficiencies identified that are not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance With NJ OMB Circular Letter 15-08	No

Identification of major programs:

GMIS Number(s)	Name of State Program
N/A	Enhancing Rail Service to SJPC Marine Terminals

Section II — Financial Statement Findings

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

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

Section III — Federal Awards & State Financial Assistance Findings & Questioned Costs

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and New Jersey OMB's Circular Letter 15-08, as applicable.

Section III — Federal Awards & State Financial Assistance Findings & Questioned Costs (continued):

Federal Awards

None

State Awards

None

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

Summary of Prior Year Findings

Not Applicable

South Jersey Port Corporation

SJPC

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