

# South Jersey Port Corporation

✦ 2007 ANNUAL REPORT ✦



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## THE SOUTH JERSEY PORT CORPORATION

For 80 years, the operations of the South Jersey Port Corporation (SJPC) and its predecessor the South Jersey Port Commission have been essential to New Jersey and the Delaware Valley region. A quasi state agency with the authority to build and operate marine terminals in the seven southern counties of New Jersey, the SJPC currently manages and operates two deepwater marine terminals in the City of Camden on the Delaware River and a barge facility on the Salem River, in the City of Salem. SJPC is in the midst of developing the Paulsboro Marine Terminal, a new omni-port, anticipated to open in 2011. The agency is poised to foster additional opportunities for expanded port operations in the region along the Delaware River.

The photos on this page depict how the Port's handling of products, particularly wood products — traditionally an important part of its business — has changed over the past seven decades. In fact, the Port of Camden is the top port for plywood import in the entire country. The photo at the bottom left shows now Executive Director Joseph A. Balzano as a young worker at the port guiding a lumber carrier. Mr. Balzano has been a Port employee for more than 56 years.

## *To the Governor and Members of the Legislature*

It is with pleasure that I advise you that during 2007 the South Jersey Port Corporation (SJPC) maintained a strong maritime business profile on the Delaware River as it marked 80 years of state operations. At the same time, the Port advanced expansion of port and marine facilities and business in South Jersey with progress toward development of a new marine terminal at Paulsboro.

In 1927 when Charles Lindbergh achieved the first solo trans-Atlantic flight in The Spirit of St. Louis and Babe Ruth hit 60 homes runs, the State of New Jersey established the South Jersey Port Commission, forerunner to the SJPC, which in 1968 succeeded the commission.

As the SJPC is both an agency of the state and a public business corporation, I am pleased to report that in 2007, even in a shaky economy with world trade constricting, the SJPC experienced its third best year, moving more than 3.5 million tons of cargo through the Ports of Camden and Salem.

With an eye toward improvements at its main facilities in Camden, the SJPC last year approved \$6.1 million in investments for development of new cocoa bean and general warehouse facilities at the Broadway Terminal,

augmenting prior investments to increase capacity to receive and store growing levels of commodity imports like cocoa beans and fresh fruit.

The greater the investment we make in our ports, the more important security becomes in this age of heightened awareness with regard to the strategic as well as the business value of the ports of New Jersey and, indeed, of the nation. In 2007 the SJPC was pleased to receive a federal security grant in the amount of \$804,000 from the U.S. Department of Homeland Security (DHS) to implement the Transportation Worker Identification Credential program designed to control port access. The Port of Camden was a test site as the SJPC worked in close cooperation with the Transportation Security Agency of the DHS.

The past and the present of the SJPC are but prologue to its future and the future of maritime industry and commerce in southern New Jersey. To foster and assure that future, the SJPC in 2007 moved forward to develop the Paulsboro Marine Terminal. The port corporation invested \$2.93 million to finance professional services to develop the new omni-port on 150 acres in Paulsboro. Key activities during 2007

included topographic and location surveys, bathymetric and water sounding surveys, geotechnical subsurface borings, environmental compliance studies and terminal planning and preliminary engineering toward development of a facility planned to open in 2011 and to greatly expand maritime capacity and business in South Jersey.

This report is submitted to you on behalf of the Board and executive management of the SJPC with assurance that the work and progress the SJPC has delivered for more than 80 years on the Delaware River waterfront in South Jersey will move forward to still greater achievements and successes.



Chairman, Board of Directors  
**RICHARD A. ALAIMO**

Chairman Alaimo began his tenure with the SJPC in 1968, as a member of the original Board of Directors of the new Port Corporation. He had previously served on the Port Commission. He first became the Chairman of the Board in 1993. His vision and dedication have helped the Corporation expand its business and its value to the state and the region.

# SJPC Leadership

THE BOARD OF DIRECTORS  
AND EXECUTIVE DIRECTOR



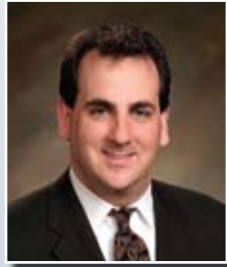
**Chairman**  
**RICHARD A. ALAIMO**

President,  
Alaimo Group;  
appointed in 1968,  
representing  
Burlington County



**Director**  
**CHAD M. BRUNER**

Administrator,  
Gloucester County;  
appointed in 2002,  
representing  
Gloucester County



**Director**  
**JONATHAN S. GERSHEN**

Vice President/  
General Counsel,  
The Gershen Group, LLC;  
appointed in 2002,  
representing  
Mercer County



**Director**  
**CRAIG F. REMINGTON**

Principal,  
Remington  
& Vernick Engineers;  
appointed in 2001,  
representing  
Camden County



**Director**  
**JOSEPH A. MARESSA JR.**

President,  
Title America Agency Corp.;  
appointed in 2004,  
representing  
Camden County



**Director**  
**ERIC E. MARTINS**

Managing Director,  
Duane Morris  
Government Affairs;  
appointed in 2004,  
representing  
Mercer County



**Director**  
**REV. CARL E. STYLES**

Pastor, Bethel United  
Methodist Church,  
President/Business Agent,  
Laborers International Union  
Local 222, Camden;  
appointed in 2008,  
representing Cape May,  
Cumberland and  
Salem Counties



**Executive Director and Chief Executive Officer**  
**JOSEPH A. BALZANO**

Mr. Balzano began his maritime career with the South Jersey Port Commission in 1951. In 1969 he became Deputy Executive Director of Operations and Facilities, and in 1988, he was named to his current position. In 2001, Mr. Balzano celebrated his 50th year with the Port. He has now been employed at the Port of Camden for 56 years.

*Celebrating 80 years of service*

## *South Jersey Port Corporation celebrates 80 years of maritime history*



### **BEGINNINGS**

The photo to the left shows the port's waterfront. The building at the top left is the building with the sign that is in the color photo at right. The ships in the color photo are at the Beckett Street Terminal docks.

In 1927 Charles Lindbergh landed the Spirit of St. Louis in Paris, becoming the first person to fly solo across the Atlantic; Babe Ruth hit 60 home runs; television and the pop-up toaster were invented; the first transatlantic phone call connected New York to London; the first

talking film, *The Jazz Singer*, starred Al Jolson and signaled the end of silent films; and the last Model T rolled off the assembly line at the Ford Motor Company, replaced by the introduction of Model A. It was also the year in which the musical *Show Boat* debuted on Broadway;

Irving Berlin wrote *Blue Skies*; the Holland Tunnel opened, connecting New Jersey to Manhattan; the Academy of Motion Picture Arts and Sciences was established; the Federal Communications Commission started as the Federal Radio Commission; the Yankees took four straight from the

Pittsburgh Pirates to win the World Series; and carving of the Mount Rushmore monument began.

And in 1927, the predecessor of the South Jersey Port Corporation (SJPC), known as the South Jersey Port Commission, was created, making 2007 the 80<sup>th</sup> consecutive year of

1682

The Port of Salem is named a Port of Entry for the region

1688

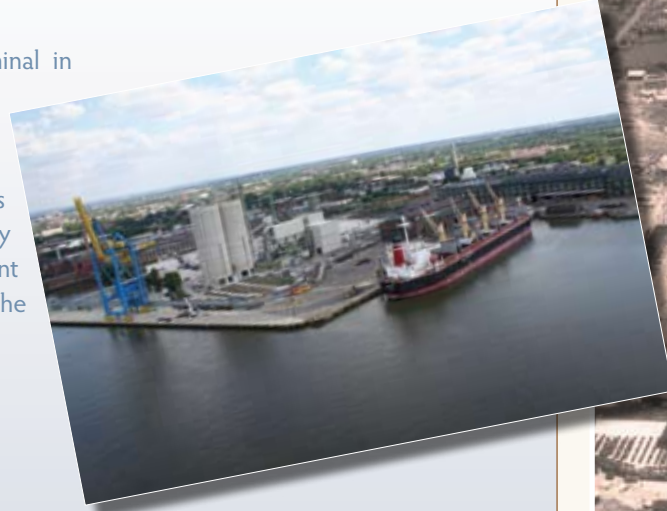
The first license for a ferry service in the area that was to become Camden is issued to William Royden

1695

Across the river commerce increases so much another ferry service is established at Coopers Point

**BROADWAY TERMINAL**

The photo at right shows Broadway Terminal in 1977, six years after the SJPC took it over after the demise of the New York Ship Building Corp. The photo at the left shows the Terminal in 2006, with the new Kocks crane and pier and the Holcim (formerly SLC) plant. The location of the Holcim plant is at the very bottom of the photo where the rail lines are shown.



continuing operation of the Port of Camden by the State of New Jersey.

The SJPC is the inheritor of much of the important maritime history of Camden as well as a vital contributor today to the better prospects of the city and the South Jersey region. During 2007, despite several decades of decline and distress, Camden remained central to the region and to its future just as the port corporation and its plans for

maritime business expansion are vital to the future of the city, of South Jersey and of the seven-county port region represented on the Board of Directors of the SJPC (Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer

and Salem Counties). Long before 1927, the City of Camden had been established and, from its beginning as a modest settlement founded by William Cooper in 1681, the city became a center of river

and maritime commerce and industry. In fact Cooper's family in 1695 created Cooper's Ferry, one of the earliest commercial endeavors on the Delaware River, which by 1834 had taken hold and expanded sufficiently to see

1773

The name Camden is first applied to the area, named after the Earl of Camden, a friend to the colonies

1828

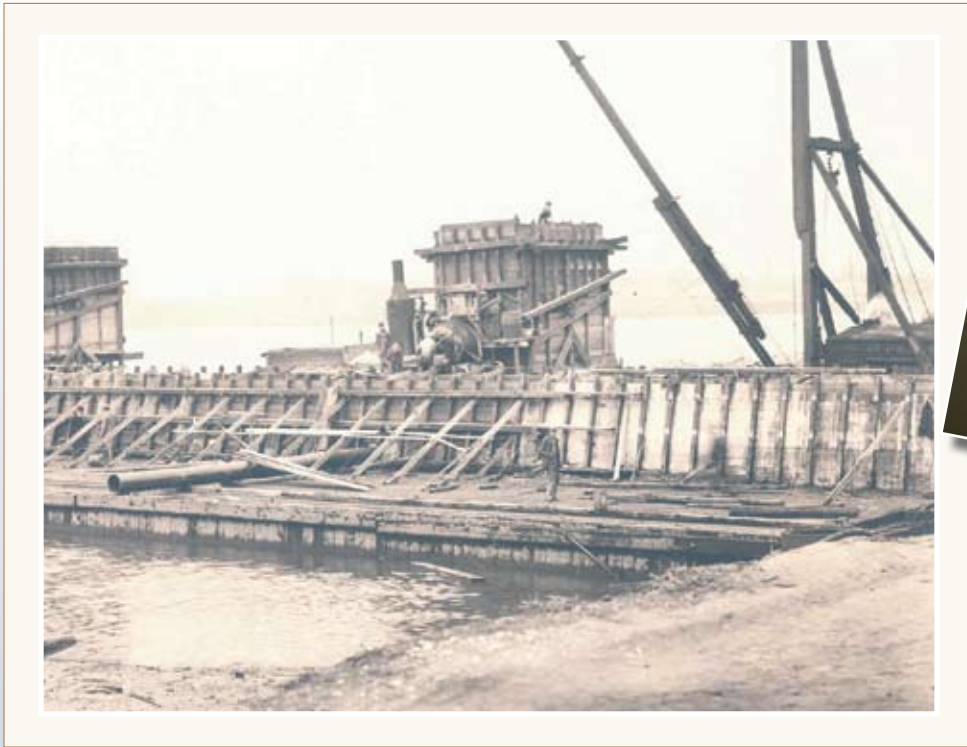
A group of small settlements, including Camden, incorporates as one city and chooses Camden as its name

1834

The Port of Camden is established

1899

New York Ship Building Corporation breaks ground on the Camden waterfront in June



**BECKETT STREET TERMINAL**  
The photo at left shows the construction of the Beckett Street Terminal in 1930, leading up to its opening in 1931. The photo above shows the modern day Beckett Street Terminal in action.

the establishment and formal opening of the Port of Camden.

The city's strategic Delaware River location and advantages gave rise in 1899 to the establishment of the New York Ship Building Corporation. Located at what

today is the Broadway Terminal in the Port of Camden, the company reached peak employment of some 40,000 workers in its heyday during WWII but left a tremendous void in the life and industry of South Jersey when it shut down for

good in 1967.

In the time between the founding of New York Ship Building and its demise, the State of New Jersey created the South Jersey Port Commission to take charge of port operations

and development at the Port of Camden to direct and grow maritime business in the South Jersey region.

Starting its operations in 1927, the commission in 1931 opened the Beckett Street Terminal. In 1968 the New Jersey Legislature and then Gov. Richard J. Hughes changed the form of the organization from a commission to the present-day port corporation, giving it unique standing both as an agency of the state and an operating business entity charged with operating the Port of Camden and responsible for future development and operation of maritime facilities in the South Jersey region. With a more hands-on authority than the old commission, the SJPC has grown the port and greatly expanded its business.

1926

Creation of the South Jersey Port District by the New Jersey Legislature touches off an explosion of growth that establishes the City of Camden as a world-class port

1928

The South Jersey Port Commission begins operations at the "Camden Marine Terminals"

1931

The Beckett Street Terminal at the Port of Camden opens

1967

New York Ship Yard closes, leaving empty its buildings and prime waterfront property

1968

State legislature changes the Commission to the South Jersey Port Corporation (SJPC)

## SJPC 2007 Annual Report

In 1971, in fulfillment of its expanded scope of operations and change of service, the SJPC acquired the former New York Ship Building site and opened it as the Broadway Terminal. Over the next nearly 40 years, the SJPC expanded and improved the facilities, equipment and operations of the Beckett Street and Broadway Terminals, achieved record cargo tonnages, and grew into a \$25-million-a-year business employing some 140 workers as it took shape as the core element in a port district in Camden that hosts 168 businesses and well over 2,000 jobs.

A report by the Delaware River Port Authority shows that the SJPC's economic impact on the region is strong. Some of the findings include: the Ports of Camden and Salem directly employ

2,450 workers, produce 1,100 indirect jobs and sustain almost 21,000 more jobs in the region. Every year the SJPC is responsible for more than \$161 million in annual regional business revenue and more than \$13.5 million in local purchasing. Port and tenant

business activity generates almost \$21 million in annual state and local tax payments.

In 2007, the SJPC marked its successes, achieved continuing noteworthy progress, maintained a high level of business activity

### SHIP AT DOCK

The photo to the left shows a ship docked at Beckett Street Terminal in 1933 while the photo below shows a ship, laden with wood products, tied up at Broadway Terminal more recently.



in a difficult economic period, and moved forward with plans for a new maritime facility for South Jersey, the Paulsboro Marine Terminal.

1971

The NY Shipyards site opens as the Broadway Terminal, owned and operated by the SJPC

1989

Del Monte Fresh Fruits begins operations at Broadway Terminal, making Camden its largest distribution center in the northeast and mid-Atlantic regions

1994

SJPC takes over the Port of Salem, adding a third terminal to its facilities

2001

SJPC and Holcim (formerly SLC) sign a 45-year lease bringing \$60 million in private investment to Camden

2007

SJPC plans a new facility, the Paulsboro Marine Terminal, down river from the Port of Camden in Gloucester County

## *In a difficult economy, SJPC records third-highest annual volume in cargo*

### PORT BUSINESS VOLUME

Ports around the country saw a decline in cargoes in 2007, reflecting a slowing U.S. economy, trouble in the housing market and the effect of rising fuel prices on transportation costs. So too, during 2007, the Port of Camden experienced a lower cargo volume than in several preceding years but still recorded the third-highest volume in its history.

During 2007, the Ports of Camden and Salem handled 3,505,124 tons of cargo compared to 3,881,306 tons in 2006, a decline of 9.6 percent but still the third highest year experienced by the port after the 3,555,552 cargo tons during 2005. Indeed, other ports around the nation experienced declining business volume last year as the economy slowed. While a drop in wood and steel imports through the Port of Camden accounted for most of the downturn, tonnages were off in several breakbulk cargo categories.

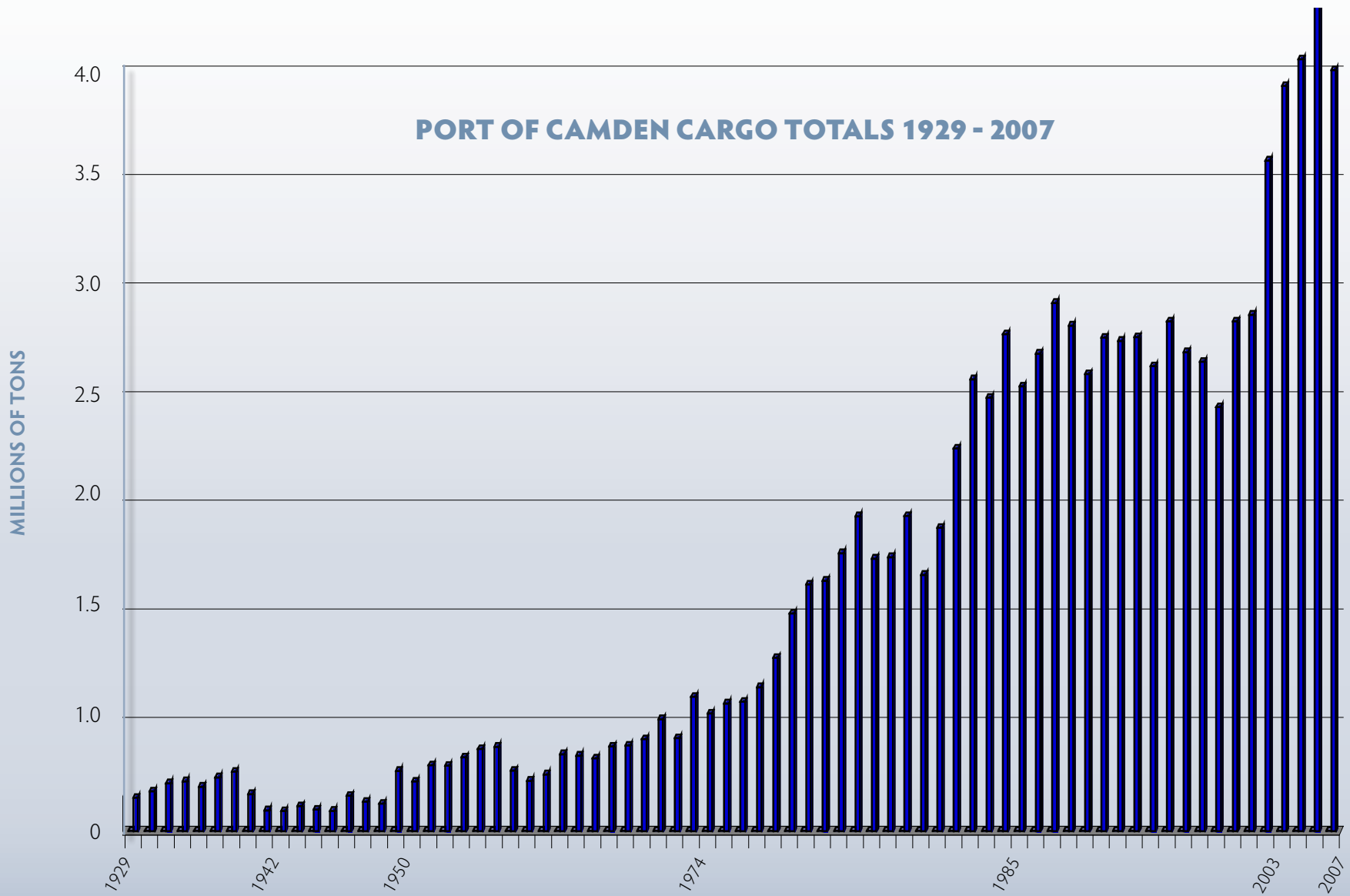
The Port of Camden recorded an encouraging 2.8 percent increase in bulk cargoes and modest increases in container volume, with a 3.2 percent increase in export containers and a 5.8 percent increase in import containers.

In all, the Port of Camden handled 3,335,124 tons of cargo while 170,000 tons passed through the Port of Salem, the other operating port belonging to the SJPC. At Camden, breakbulk cargoes totaled 1,237,453 tons, a 26 percent drop from 2006 mainly due to the decline in wood and steel products. Bulk cargoes rose to 1,953,715 tons and inbound containers totaled 244,770 tons while outbound container cargoes increased to 69,094 tons. The port experienced a similar decline in ship calls and ship days. In 2007, 355 ships spent 864 days in port compared with 447 ships and 1,047 ship days in 2006. At the Port of Camden the Beckett Street Terminal processed 1,780,209 tons of cargo and the Broadway Terminal recorded 1,554,916 cargo tons last year.

A year-to-year tonnage comparison for leading cargo categories shows the following results during 2007 compared to 2006.

| <b>CARGO</b>    | <b>2006</b> | <b>2007</b> |
|-----------------|-------------|-------------|
| Steel           | 701,304     | 427,253     |
| Fruit           | 317,197     | 311,325     |
| Wood Products   | 448,609     | 347,647     |
| Cocoa Beans     | 168,269     | 131,731     |
| Scrap           | 740,180     | 910,013     |
| Cement          | 636,868     | 535,228     |
| Grancem®        | 257,021     | 227,669     |
| Sand            | 180,000     | 170,000     |
| Ammonia Sulfate | 12,615      | 31,109      |
| Urea            |             | 20,245      |

**RECORD CARGOS:** The Port handled more than 3.5 million tons of cargo in 2007, a slight decrease over the record cargos handled in 2005 (3,505,125 tons) and 2006 (3,881,306 tons). As a matter of note, the Port has handled over 3 million tons of cargo each year since 2003 when the tonnage total was 3,088,943, over the 3 million ton mark for the first time in the Port's history. Since 1929 the Port has handled a total of 85,901,767 tons of cargo and 14,486 ships have called at the Port of Camden.



**STEADY GROWTH :** This chart depicts the steady growth shown at the Port of Camden from 1929 through 2007. In 1929, the Port handled 112,137 tons of cargo compared with the 3,505,124 tons in 2007. Cargo totals jumped over the 1 million ton mark for the first time in 1974 and for the most part have climbed steadily upward ever since. The dip in cargo totals beginning in 1942 reflected the years of World War II, ending in 1950 with a doubling of cargo moving through the port over the previous year. The Port surpassed 2 million tons in one year in 1985 and surpassed 3 million tons in one year in 2003.



**SHIPS AT PORT :** This chart depicts the number of ships that have called each year at the Port of Camden since 1929. During those years, the highest number of ships calling at the Port took place in 2006 when 447 ships docked; the lowest number occurred in 1942, the first year of World War II. The year 2007, the third-highest year for cargo tonnage, had only the sixth highest number of ship calls in modern times. A \$6 million dredging project, jointly funded by the U.S. Corps of Engineers and the Delaware River Port Authority, deepened the access channel to 40 feet from the main river channel to the Beckett Street Terminal, which allows larger ships with larger cargos access to the Port of Camden.

## *Port Board issues bonds to grow business opportunities*

### FINANCING THE PORT

During January, the SJPC Board of Directors approved \$6.1 million in bond financing for development of new cocoa bean and general cargo warehouse facilities at the Broadway Terminal. The two projects aimed to make the Port of Camden the largest cocoa bean port in the United States and accommodate growth in other breakbulk cargoes such as wood and steel products.

The board approved financing for site infrastructure improvement at the location of a planned 270,000-square-foot storage building to be constructed at Broadway and Morgan Boulevard by Camden International Commodities Terminal (CICT). CICT is a major port tenant that imports and distributes cocoa beans for chocolate manufacturing. The project is designed to expand CICT operations from the Beckett Street Terminal to the Broadway Terminal for the first time and to make the Port of Camden the largest U.S. cocoa bean port.

Another element of the bond issue provided financing to improve an existing 120,000-square-foot building located on Pier 1 at the Broadway Terminal for use by CICT. A second bond-financed project was designed for construction of a new general storage building at Broadway Terminal to absorb other cargo expansion. The bond financing was designed so that revenue from



the new general cargo warehouse would cover debt service on the \$3.9 million share

of the bonding to finance the facility for cargoes that will include steel and plywood. The SJPC planned to utilize \$2.5 million of the bond proceeds to pay for site preparation, grading, blacktopping, drainage, fencing and rail access while CICT intended to finance construction of the cocoa beans warehouse.

During November, the SJPC closed a sale of \$11.1 million in bonds to construct the new general cargo warehouse at the Broadway Terminal. The project augments previous improvements and expansion at the terminal, which houses several important port tenants including Del Monte Fresh Fruit and its vital operations. The bond proceeds also provided funds for a \$3.5 million project to install cathodic protection to preserve five piers at the Beckett Street and Broadway Terminals. Cathodic protection safeguards underwater infrastructure like piers against corrosion.

### ABOUT SJPC'S BONDS

The 2007 SJPC bond issuance supplemented earlier bond issuances in this decade as the SJPC replaced older, more costly debt and raised capital for important investments at the Port of Camden. Investing in the port keeps it competitive and moving forward as it secures its position as a leader in break bulk cargoes. Similarly, the 2007 financing provided the means to move forward with development of the planned new Paulsboro Marine Terminal.

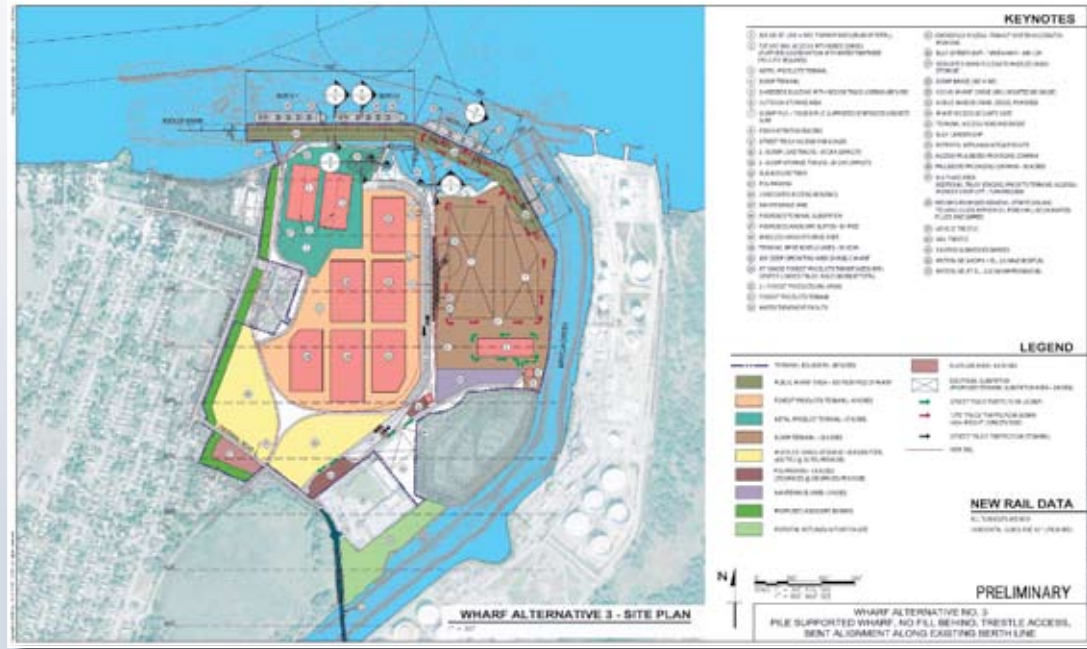
## The Port's ability to grow lies to the south, in Paulsboro

### PAULSBORO MARINE TERMINAL

As the SJPC looked back across 80 years of port operations in Camden, it looked ahead during 2007 not only to continuing to grow port business in its principal city but also to expand port facilities and commerce in the region. To that end, the 2007 bond issue contained \$2.93 million for various professional services at Paulsboro where the SJPC, in cooperation with Gloucester County, will develop a new port on nearly 200 acres in Paulsboro, about 10 miles south of Camden on the Delaware River. Key activities for the year included site investigation services such as topographic and location surveys; bathymetric and water sounding surveys; geotechnical subsurface borings; environmental compliance studies; terminal planning and preliminary engineering.

The new port will secure space and facilities to grow South Jersey's maritime trade and industry while offsetting a loss of operational facilities at the Port of Camden.

As configured in ongoing planning during 2007, the Paulsboro Marine Terminal will offer



2,350 linear feet of deep draft berth capacity; a 600-linear-foot barge berth; integrated on-dock rail infrastructure; heavy lift crane capacity; adjacent transit shed storage; and upland infrastructure ready for development of facilities such as warehousing, industrial processing equipment and paved open storage areas. Scheduled to open

in 2011, the Paulsboro Marine Terminal will offer attractive customized leasing opportunities, direct truck and rail loading capacity and will benefit from the SJPC's 80 years of experience in cost-effective handling of special needs cargo and its development of a highly skilled labor force.

### NEW FACILITY

The Paulsboro Marine Terminal and its accompanying industrial and distribution business facilities are scheduled to become operational in 2011. The terminal will operate around the clock 365 days a year and will greatly expand the maritime business and industrial capacity of South Jersey and increase the business and participation of the SJPC as a positive force in the economy of southern New Jersey.

## Security takes on heightened importance

### SECURITY

Security at the Port of Camden like security at all of the nation's ports is of the utmost importance and has taken on new significance and added new responsibilities for port operators like the SJPC since the events of September 11, 2001. During 2007 the SJPC marked the following advances and developments in port security.

The SJPC was awarded a federal port security grant of \$804,000 from the U.S. Department of Homeland Security (DHS) to implement the Transportation Worker Identification Credential (TWIC) program. The SJPC earmarked the grant to implement the TWIC program designed to control who has unescorted access to the nation's ports, including not only port employees but also workers at private businesses located at ports or servicing and supplying them. For a number of years, the SJPC has worked closely with the U.S. Transportation Security Administration (TSA) on development of the TWIC program. The Port of Camden was a TWIC test location which helped develop new regulations in 2007.

The grant was the second federal security award to the SJPC. The Port of Camden is part of the Tier 1 Delaware River and Bay Port area. The Port Security Grant Program aims to enable key ports to develop sustainable, risk-based efforts to protect port infrastructure from terrorism.

The SJPC's Beckett Street and Broadway Terminals are fully compliant with the Maritime Transportation Security Act for port security; screenings for compliance are carried out by the U.S. Coast Guard.

In other security-related development, the SJPC board approved the hiring of retired State Police Capt. William R. Higgins as Security, Human Resources and Safety Officer. Higgins, of Upper Pittsgrove Township, joined the SJPC following a 25-year career with the State Police.

### GREEN PORT INITIATIVES

In 2007, SJPC continued to identify projects that help better the environment around the port. The SJPC was awarded a \$250,000 USEPA Community Action for a Renewed Environment (CARE) program grant to fund a project to retrofit port diesel equipment to reduce emissions. In 2007, the USEPA doubled the grant to \$500,000 for the purchase of emissions control equipment or the replacement of diesel engines.

Other green port projects completed or underway and which will be built into the new Port of Paulsboro, include:

- A new pier with an electric-powered crane and conveyor system at the Broadway Terminal, eliminating 80,000 diesel-powered truck moves annually
- Green buffers between the port and the nearby residential community.

The SJPC began discussions with the Delaware River Port Authority to identify initiatives to reduce environmental impacts at the ports and to seek funding for green ports projects.



### SECURITY IS AT THE FOREFRONT

Port security is a major concern and a major strategic initiative throughout the United States in joint efforts by federal and state agencies and by local port management everywhere in the nation including the SJPC. This emphasis on security is reflected in the 2007 award to the SJPC of an \$804,000 grant from the U.S. Department of Homeland Security to implement the Transportation Worker Identification Credential program designed to put in place tight controls over who has access to our ports.

## *The Port markets itself through events, conferences, conventions*

### INDUSTRY INVOLVEMENT

The SJPC attends and actively engages in meetings, conferences and conventions that increase recognition of the agency and its ports and provide valuable marketing opportunities. On September 21, 2007, SJPC representatives participated in the 2<sup>nd</sup> Annual Tri County Economic Summit held in Deptford. With a focus on economic development, the meeting brought together public officials and private sector representatives from Burlington, Camden and Gloucester counties and gave the SJPC an opportunity to highlight and promote the development of the Paulsboro Marine Terminal, which will be a key economic engine in the future of the South Jersey region.

At the end of September, SJPC representatives traveled to the American Association of Port Authorities Convention (AAPA) in Norfolk, Va. The SJPC is a member of the association. Later in October the SJPC made a presentation to more than 300 attendees

at the annual State of the Port Luncheon of the World Trade Center of Greater Philadelphia and was represented at the 18<sup>th</sup> Annual Breakbulk Transportation Conference and Exhibition held October 28-30 in New Orleans, a key maritime trade show that keeps the Port of Camden front and center in the attention of maritime industries. The SJPC hosted an exhibit at the conference to market the facilities and services of the Port of Camden.

The International Wood Products Association (IWPA) enjoyed the hospitality of the SJPC when the IWPA met at the Port of Camden on October 15. The photo at right shows CEO Balzano and Assistant Executive Director Kevin Castagnola welcoming the group's members to Camden. The port corporation hosted an IWPA regional meeting, including a luncheon aboard the Battleship New Jersey and a chance for those attending to see wood products discharged from a ship in

port at the Beckett Street Terminal. Founded in 1956 and based in Alexandria, Va., the IWPA is the only trade association in the U.S. committed to the promotion and enhancement of trade in imported hardwood and softwood products. The Port of Camden has been a major port of entry for plywood and other wood products for 80 years.



### MARKETING THE PORT

Like every business, the SJPC is out there selling its service and facilities to make the public and the business community aware of its presence and capabilities in the field of maritime commerce. Using its resources wisely, the SJPC attends and participates in several key port and maritime trade and industry business events and conferences each year to spread the word about South Jersey's ports.

## SJPC 2007 Annual Report

### BECKETT STREET TERMINAL

- Location: Beckett and Second Streets, Camden, NJ
- Specialized cargoes: Wood products, steel products, cocoa beans, furnace slag, salt, containers, and recycled metals
- Other cargoes: Project and dry bulk cargoes
- Area: 122 acres (49.4 ha.)
- Berths: Four: 2,655 linear ft. (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 sq. ft. (108,591sq. 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: Beckett Street 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.
- Other features: Food grade warehousing; all storage warehouses and sheds served by rail; innovative direct discharge for bulk cargoes; custom cargo carriers for direct discharge to storage; all-weather loading; temperature control warehouse



BECKETT STREET TERMINAL

### BROADWAY TERMINAL

- Location: Broadway at Morgan Boulevard, Camden, NJ
- Cargoes: Petroleum coke, furnace slag, dolomite, other dry bulks, steel products, wood products, minerals, cocoa beans and perishables
- Area: 106 acres (42.8 ha.)
- Berths: Two: 1,700 lin. ft. (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 sq. ft. (102,600 sq. m.)
- Cranes: Multi-purpose electric — 95 tons (86.2 metric tons)
- Direct transfer: Direct to and from truck/rail/vessel
- Truck gates: 3
- Highway access: Direct to I-676, I-76, US Rt.130 & I-295
- Rail connections: CSX, NS, and CP rail systems.
- Other features: Full-service facility for all breakbulk and bulk cargoes; bulk cargo storage area with direct rail service; marine-related industrial park services



BROADWAY TERMINAL

### PORT OF CAMDEN

The Beckett Street Terminal and the Broadway Terminal are the two main terminals at the Port of Camden. More than 14,000 ships have docked at these terminals since 1929.

### **BROADWAY PRODUCE TERMINAL**

- Location: 2500 Broadway, Camden, NJ
- Operator: Del Monte Fresh Produce, N.A. Inc.
- Cargoes: Bananas, pineapples and other perishables
- Area: 28 acres
- Berths: One, 1,135 lin. ft. (345.9 m.)
- Depth at MLW: 35 ft. (10.7 m.)
- Storage capacity: Three temperature-controlled warehouses of 60,000 sq. ft. (5,574 sq. m.) and 75,000 sq. ft. (6,967 sq. m.), and 75,600 sq. ft. (7,052 sq. m.). One dry warehouse of 25,000 sq. ft. (2,322 sq. m.)
- Reefer plugs: 175
- Cranes: Mobile shore cranes available
- Equipment: Provided by Del Monte
- Loading docks: 76
- Direct transfer: Direct to truck/ rail; LCL and FCL handling
- Truck gates: 2
- Highway access: Direct to I-676, I-76, US Rt. 130 and I-295
- Rail connections: CSX, NS, and CP rail systems.
- Other features: 2,000 ft. of rail siding for intermodal COFC transfer



### **PORT OF SALEM**

- Location: Salem, NJ, at Exit 1 of the New Jersey Turnpike
- Specialized cargoes: Sand and gravel
- Other cargoes: Various dry bulk and project cargoes, wearing apparel, and motor vehicles
- Area: 28 acres
- Berths: 1: 350 lin. ft. (130 ft. sheathed)
- Storage capacity: 60,000 sq. ft. of shed and warehouse space
- Highway access: Direct access to Rt. 49, Rt. 45 with access to US 130, I-295 and NJ Turnpike
- The Port of Salem is designated as a Foreign Trade Zone (#142 in combination with nearby Millville (NJ) Airport)



### **PRODUCE**

The Broadway Produce Terminal at the Port of Camden is Del Monte Fresh Produce's largest facility in North America.

## Leadership and staff make the Port efficient

| BOARD OF DIRECTORS     | MANAGEMENT             | OPERATIONS MANAGERS/SUPERVISORS | STAFF                  |
|------------------------|------------------------|---------------------------------|------------------------|
| Richard A. Alaimo (39) | Patrick A. Abusi       | Michael Colavita (29)           | Stephen Endres         |
| Chad M. Bruner         | Joseph A. Balzano (56) | Joseph Diamond (21)             | Dwayne Epps            |
| Jonathan S. Gershen    | Kevin Castagnola (21)  | Steven Griffin                  | Bobby Lee Farrish (29) |
| Joseph A. Maressa, Jr. | Henry D' Andrea (15)   | William Higgins                 | Donell Farrish (29)    |
| Eric E. Martins        | Jay Jones (16)         | Robert Mancine                  | Earl Farrish (28)      |
| Craig F. Remington     | John Maier             | Franco Mastrogiorgio (21)       | Anthony Ferrer         |
| Carl E. Styles         |                        | Timothy McCarthy                | Paul Flanigan          |
|                        |                        | Douglas Miller (20)             | Andrew Fox             |
|                        |                        | Debbi Silverman (20)            | Raymond Gallagher (26) |
|                        |                        | Michael Spencer                 | Frank Gibbons (20)     |
|                        |                        | John Yarnall                    | Joseph Gibbons         |
|                        |                        |                                 | Julius Gibbs           |
|                        |                        |                                 | Alvin Gindhart (20)    |
|                        |                        |                                 | Oanh Glanz             |
|                        |                        |                                 | Franklin Green         |
|                        |                        |                                 | Kevin Greenjack        |
|                        |                        |                                 | Anne Hall (17)         |
|                        |                        |                                 | Thomas Johnson (20)    |
|                        |                        |                                 | Pawel Kasprzak         |
|                        |                        |                                 | William Kelley         |
|                        |                        |                                 | Matthew Knapp (22)     |
|                        |                        |                                 | Joseph Knecht (23)     |
|                        |                        |                                 | Herbert Lambert        |
|                        |                        |                                 | Michael Lang           |
|                        |                        |                                 | Jeffery Lee            |
|                        |                        |                                 | David Lenhart          |
|                        |                        |                                 | Edward Loatman (20)    |
|                        |                        |                                 | Angelo Mahan           |
|                        |                        |                                 | Louis Malatesta (18)   |
|                        |                        |                                 | Panteleimon Mastalos   |
|                        |                        |                                 | Thomas Mayo (30)       |
|                        |                        |                                 | Rosemarie McBride      |
|                        |                        |                                 | Francis McFalls        |
|                        |                        |                                 | David McGoldrick       |
|                        |                        |                                 | Maureen McHugh         |
|                        |                        |                                 | Bernadette Meads       |
|                        |                        |                                 | Richard Mecca (33)     |
|                        |                        |                                 | Jason Mitros           |
|                        |                        |                                 | Joseph Monturano (21)  |
|                        |                        |                                 | Amin Muslim            |
|                        |                        |                                 | Frank Nestore          |
|                        |                        |                                 | Lien Nguyen (17)       |
|                        |                        |                                 | Shawn Norman           |
|                        |                        |                                 | Richard Padulese       |
|                        |                        |                                 | John Paterna           |
|                        |                        |                                 | Antonio Pimpinella     |
|                        |                        |                                 | Darryl Potter (26)     |
|                        |                        |                                 | John Pratt             |
|                        |                        |                                 | Richard Pregartner     |
|                        |                        |                                 | Kenneth Rossi          |
|                        |                        |                                 | Lisette Rossi          |
|                        |                        |                                 | Pilar Rowley           |
|                        |                        |                                 | Khyllil Samuels        |
|                        |                        |                                 | Ricky Santiago (26)    |
|                        |                        |                                 | Christopher Smith      |
|                        |                        |                                 | Gary Speckmann         |
|                        |                        |                                 | Derrick Spratley       |
|                        |                        |                                 | Glen Springer          |
|                        |                        |                                 | Judy Stancliff         |
|                        |                        |                                 | Daniel Streater        |
|                        |                        |                                 | Jack Striewski (22)    |
|                        |                        |                                 | Bridgette Sullivan     |
|                        |                        |                                 | Mark Thurman           |
|                        |                        |                                 | Richard Tregoning      |
|                        |                        |                                 | Philip Verrecchio (22) |
|                        |                        |                                 | Robert Weyand Jr. (21) |
|                        |                        |                                 | James Wolf             |
|                        |                        |                                 | Noe Yax-Santos         |

The numbers in parentheses indicate those employees who have been employed at the Port for 15 years or more. The numbers show the actual years of employment as of December 31, 2007.

### EMPLOYEES

The SJPC prides itself on its skilled, long-term employees. There are 12 employees who have been employed at the Port of Camden for more than 25 years. There are another 26 who have worked for the SJPC for 15 or more years. We salute our longest-term employees and their contributions to the Port's many successes: In addition to Joseph Balzano with 56 years, we honor Edward Bell, 43 years; Richard Mecca, 33 years; Marie Cipolone, 31 years; Thomas Mayo, 30 years; Michael Colavita, 29 years; Bobby Lee and Donell Farrish, 29 years; Earl Farrish, 28 years; Raymond Gallagher, 26 years; and Darryl Potter and Ricky Santiago, 26 years, for their outstanding length of service at their jobs at the South Jersey Port Corporation.

*Celebrating 80 years of service*



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The South Jersey Port Corporation is pleased to present its 2007 Financial Statements on a CD for the first time. The Board of Directors determined that this method of disseminating financial information continues SJPC's efforts to make its operations more environmentally sensitive by reducing the use of paper and ink as well as the cost of distribution. The entire 2007 annual report can be found on the Port's website at [www.southjerseyport.com](http://www.southjerseyport.com).



SOUTH JERSEY PORT CORPORATION  
2nd and Beckett Streets  
Camden, New Jersey 08103  
p: 856.757.4969 • f: 856.757.4903  
[www.southjerseyport.com](http://www.southjerseyport.com)



**SOUTH JERSEY PORT CORPORATION**

2007 Annual Report

**FINANCIAL STATEMENTS**



## FINANCIAL STATEMENTS CONTENTS

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**ABOUT THE SOUTH JERSEY PORT CORPORATION** For 80 years, the South Jersey Port Corporation's (SJPC) operations have been essential to the economy of New Jersey and the Delaware Valley region. A quasi-state agency with the authority to build and operate marine terminals in the seven southern counties of New Jersey, the SJPC currently manages and operates two deep-water marine terminals in the City of Camden on the Delaware River and a barge facility in the City of Salem. SJPC is in the midst of developing the Paulsboro Marine Terminal, a new omniport, anticipated to open in 2010. The agency is poised to foster additional opportunities for expanded port operations in the region along the Delaware River.



The photos to the right show Beckett Street Terminal under construction in 1933 and a ship docked at the terminal in 2006.



**EXECUTIVE ORDER #37 (2006)  
CERTIFICATION OF ANNUAL AUDIT FOR YEAR ENDING 2007**

We are pleased to present this report containing a record of the significant actions taken by the Port Corporation in 2007; those actions detail the success the Port Corporation has achieved in growing its business on behalf of the State of New Jersey and its citizens during the year 2007.

In addition, in accordance with Executive Order #37 (2006), we certify that, to the best of our knowledge, the information provided to the auditor in connection with this annual audit and contained in the attached report is accurate, and to the best of our knowledge, fairly represents the financial condition of the South Jersey Port Corporation for the year ending December 31, 2007.

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.

**Joseph A. Balzano, CEO and Executive Director**  
**Patrick A. Abusi, Treasurer**

INDEPENDENT AUDITOR'S REPORT



Board of Directors of the South Jersey Port Corporation  
2<sup>nd</sup> & Beckett Streets  
Camden, New Jersey 08103

We have audited the accompanying financial statements of the business-type activities of the South Jersey Port Corporation, County of Camden, State of New Jersey, as of and for the year ended December 31, 2007 and 2006, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the South Jersey Port Corporation, County of Camden, State of New Jersey, as of December 31, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2008, on our consideration of the South Jersey Port Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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

A handwritten signature in cursive script that reads "Holman &amp; Frenia, P.C.".

HOLMAN & FRENIA, P.C.  
Certified Public Accountants

Medford, New Jersey  
March 28, 2008

**Holman  
& Frenia, P.C.**  
Certified Public Accountants & Consultants

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

Board of Directors of the South Jersey Port Corporation  
2<sup>nd</sup> & Beckett Streets  
Camden, New Jersey 08103

We have audited the financial statements of the South Jersey Port Corporation, County of Camden, State of New Jersey, as of and for the fiscal year ended December 31, 2007, and have issued our report thereon dated March 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the South Jersey Port Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the South Jersey Port Corporation's financial statements that is more than inconsequential will not be prevented or detected by the South Jersey Port Corporation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the South Jersey Port Corporation's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses.

**COMPLIANCE AND OTHER MATTERS**

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

This report is intended solely for the information and use of the South Jersey Port Corporation's management and members, others within the organization, the Division of Local Government Services, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Holman & Frenia, P.C.*  
HOLMAN & FRENIA, P.C.  
Certified Public Accountants

Medford, New Jersey  
March 28, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Pursuant to the requirements of Governmental Accounting Standards Board (GASB) 34, the management of the South Jersey Port Corporation (the Port) offers the readers of the Port's financial statements a narrative overview and analysis of the activities of the Port for the fiscal period ended December 31, 2007.

### 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 Paulsboro Marine Terminal Project consists of the establishment, acquisition, construction, rehabilitation, improvement, ownership, operation and maintenance of a Marine Terminal to be located in Paulsboro, New Jersey. We are currently in the pre-development stage of the Paulsboro Marine Terminal.

The Port Corporation operates the Beckett Street Terminal and Broadway Terminal facilities in the City of Camden and the Port of Salem in the City of Salem. The Port Corporation reports to the State of New Jersey through the Department of Treasury. The South Jersey Port Corporation is the choice destination for shippers world-wide, and continues to grow as a leader in handling break-bulk and bulk cargoes, and as a model agency in developing public/private enterprise relationships.

Approximately 3.505 million tons of cargo passed through the Port Corporation's facilities in 2007. Promoting economic development, enhancing intermodal facilities, and partnering with private businesses are roles the Port Corporation firmly embodies, as is its mission of job growth and port development. A seven-member Board of Directors governs the South Jersey Port Corporation.

### FINANCIAL HIGHLIGHTS

The assets of the Port exceeded its liabilities at December 31, 2007 by \$44,698,941. Included in this amount are \$20,322,813 invested in capital assets, net of related debt. Also included are \$11,087,294 reserved for debt service payment, reserve for supply inventories on hand of \$1,421,100, and unreserved retained earnings of \$11,867,734.

On December 1, 2002 the Port restructured its long-term debt by refunding its Marine Terminal Revenues Bonds. It issued two new series of Bonds totaling \$121,325,000. 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 21, 2007 the Port issued \$11,235,000 in Marine Terminal Bonds for the purpose of implementing certain capital projects of the Corporation. A majority of these funds would be funding the Paulsboro Marine Terminal, Cathodic Protection and Warehouse Replacement. The net proceeds from the sale of the 2007 Series N Bonds were \$11,122,650.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS

Port assets exceeded Port liabilities by \$44,698,941 and \$43,561,258 at December 31, 2007 and 2006, respectively.

### PORT'S NET ASSETS

| <u>ASSETS</u>                                   | <u>2007</u>          | <u>2006</u>          |
|---|----------------------|----------------------|
| Current & Other Assets                          | \$ 42,758,777        | \$ 32,871,460        |
| Capital Assets (Net)                            | 138,627,313          | 142,017,548          |
| <b>Total Assets</b>                             | <b>181,386,090</b>   | <b>174,889,008</b>   |
| <br><u>LIABILITIES</u>                          |                      |                      |
| Current Liabilities                             | 10,865,713           | 12,082,844           |
| Long-Term Liabilities                           | 125,821,436          | 119,244,906          |
| <b>Total Liabilities</b>                        | <b>136,687,149</b>   | <b>131,327,750</b>   |
| <br><u>NET ASSETS</u>                           |                      |                      |
| Invested in Capital Assets, Net of Related Debt | 20,322,813           | 21,286,196           |
| Restricted for:                                 |                      |                      |
| Reserve for Payment of Debt Service             | 11,087,294           | 10,436,678           |
| Reserve for Inventory Supplies                  | 1,421,100            | 1,117,572            |
| Unrestricted:                                   |                      |                      |
| Unreserved                                      | 11,867,734           | 10,720,812           |
| <b>Total Net Assets</b>                         | <b>\$ 44,698,941</b> | <b>\$ 43,561,258</b> |

The largest portion of the Port's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment), less any related debt to acquire those assets that is still outstanding. Currently the amount of \$20,322,813 reflects the current capital assets net of related debt.

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

### PORT ACTIVITIES

Port activity for 2007 and 2006 resulting in operating income before depreciation and amortization of \$4,896,253 and \$4,737,879 respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

PORT CHANGES IN NET ASSETS

|   | 2007                | 2006                |
|---|---------------------|---------------------|
| Operating Revenues:   |                     |                     |
| Handling  | \$7,191,250         | \$9,206,261         |
| Leasing   | 7,628,227           | 6,955,737           |
| Dockage & Wharfage  | 6,122,646           | 7,523,077           |
| Storage   | 2,351,236           | 2,117,092           |
| Crane   | 1,908,557           | 1,930,873           |
| Other   | 1,015,383           | 1,539,973           |
| Total Operating Revenues  | <u>\$26,217,299</u> | <u>\$29,273,013</u> |
| Operating Expenses:   |                     |                     |
| General Operating   | \$13,925,348        | \$15,137,699        |
| Repair & Maintenance  | 1,212,986           | 2,905,035           |
| General & Administrative  | <u>6,182,712</u>    | <u>6,492,400</u>    |
| Total Operating Expenses  | <u>21,321,046</u>   | <u>24,535,134</u>   |
| Operating Income Before Other Operating Expenses                | 4,896,253           | 4,737,879           |
| Other Operating Expenses Depreciation                           | <u>5,332,721</u>    | <u>5,462,430</u>    |
| Operating Gain/(Loss)   | <u>(436,468)</u>    | <u>(724,551)</u>    |
| Non-operating Revenues/(Expenses)                               |                     |                     |
| Interest on Investments   | 263,129             | 362,686             |
| Grant Revenue   | 14,224              | 187,000             |
| Unrealized Gain/(Loss) on Investment                            | 48,804              | 9,102               |
| Loss on Disposal of Assets                                      | (43,885)            | -                   |
| Bond Interest   | <u>(5,658,317)</u>  | <u>(5,781,678)</u>  |
| Net Non-operating Expenses                                      | <u>(5,376,045)</u>  | <u>(5,222,890)</u>  |
| Net Loss Before Transfer of Depreciation to Contributed Capital | (5,812,513)         | (5,947,441)         |
| Transfer of Depreciation to Contributed Capital                 | <u>204,637</u>      | <u>255,869</u>      |
| Net Loss Before Operating Transfers                             | <u>(5,607,876)</u>  | <u>(5,691,572)</u>  |

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

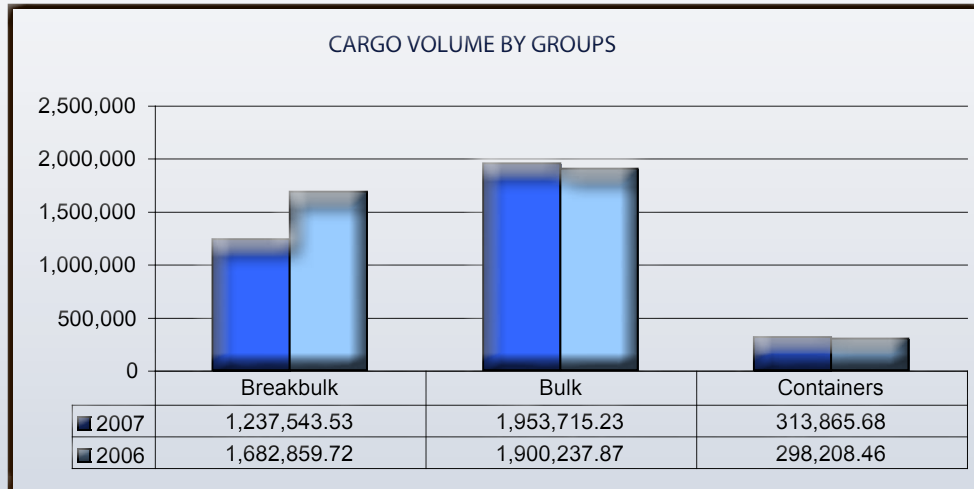
**PORT CHANGES IN NET ASSETS (CONTINUED)**

|   | <u>2007</u>             | <u>2006</u>             |
|---|-------------------------|-------------------------|
| Operating Transfers To/From State of New Jersey/Other:    |                         |                         |
| Debt Service Aid  | 6,881,543               | 6,878,287               |
| On-Behalf PILOT Revenues                                  | 2,000,000               | 2,000,000               |
| On-Behalf PILOT Expenditures                              | (2,000,000)             | (2,000,000)             |
| County PILOT Revenues                                     | 419,000                 | 419,000                 |
| County PILOT Expenditures                                 | (419,000)               | (419,000)               |
| Salem PILOT Revenues                                      | 27,176                  | 25,410                  |
| Salem PILOT Expenditures                                  | (27,176)                | (25,410)                |
| Borough of Paulsboro Pilot Revenue                        | 624,037                 | -                       |
| Borough of Paulsboro Pilot Expenditures                   | (624,037)               | -                       |
| County of Gloucester Pilot Revenue                        | 150,000                 | -                       |
| County of Gloucester Pilot Expenditures                   | (150,000)               | -                       |
| Change in Inventory of Supplies                           | 303,528                 | 100,359                 |
| <br>Total Operating Transfers                             | <br><u>7,185,071</u>    | <br><u>6,978,646</u>    |
| <br>Net Income/(Loss)                                     | <br><u>1,577,195</u>    | <br><u>1,287,074</u>    |
| <br>Net Assets/(Deficit) - January 1, Previously Reported | <br>42,204,804          | <br>40,917,730          |
| Adjustment of General Long Term Debt                      | (257,000)               | -                       |
| <br>Net Assets/(Deficit) - January 1 as Restated          | <br><u>41,947,804</u>   | <br><u>40,917,730</u>   |
| <br>Net Assets/(Deficit) - December 31                    | <br><u>43,524,999</u>   | <br><u>42,204,804</u>   |
| <br>Contributed Capital, January 1                        | <br>1,356,454           | <br>1,612,323           |
| Contributions   | 22,125                  | -                       |
| Depreciation  | (204,637)               | (255,869)               |
| <br>Contributed Capital, December 31                      | <br><u>1,173,942</u>    | <br><u>1,356,454</u>    |
| <br>Net Assets - December 31                              | <br><u>\$44,698,941</u> | <br><u>\$43,561,258</u> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**CARGO TONNAGE**

The South Jersey Port Corporation cargo activity for 2007 totaled 3,505,124 tons. This is a decrease of (9.6%) as compared to 2006.



**BREAK-BULK**

Break-bulk activity for 2007 finished (26.4%) lower when compared to 2006 Port totals. This was due primarily to the decrease in Steel (39.08%) or (274,051) tons, Fruit (1.85%) or (5,871) tons, Wood Products (22.51%) or (100,962) tons and Cocoa Beans (21.71%) or (36,538) tons. Rubber activity increased by 48.70% or 1,013 tons and General Cargo increased by 41.86% or 4,867 tons. There was no Lead activity at the Port in 2007 but in 2006, there were 33,774 tons received.

**BULK**

Overall Bulk activity increased by 2.8% in 2007 when compared to 2006 totals. For the year 2007, import of cement decreased by (101,640) tons or (15.96%). Export of Grancem also decreased in 2007, by (29,352) tons or (11.42%). Both commodities are handled by St. Lawrence Cement, a Port tenant. Scrap metal exports increased by 22.94% in 2007 over 2006. The 910,013 tons of exported scrap metals in 2007 represents a 169,832 ton increase over 2006.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**THE PORT OF SALEM**

The Port of Salem facility handled 170,000 tons of Sand in 2007 compared to 180,000 tons in 2006. This is a decrease of (10,000) tons or (5.56%). The Port of Salem had 63 barges in 2007 compared to 60 in 2006 which represents a 5% increase.

**CONTAINERS**

Container activity increased by 5.2% or 15,657 tons in 2007 as compared to 2006.

**OTHER ACTIVITY**

Ship calls totaled 355 for the year ended 2007, 92 less or (20.5%) less than 2006. Ship days in 2007 totaled 864, a (19.5%) decrease or (210) days less than the same period in 2006.

**OPERATING REVENUES**

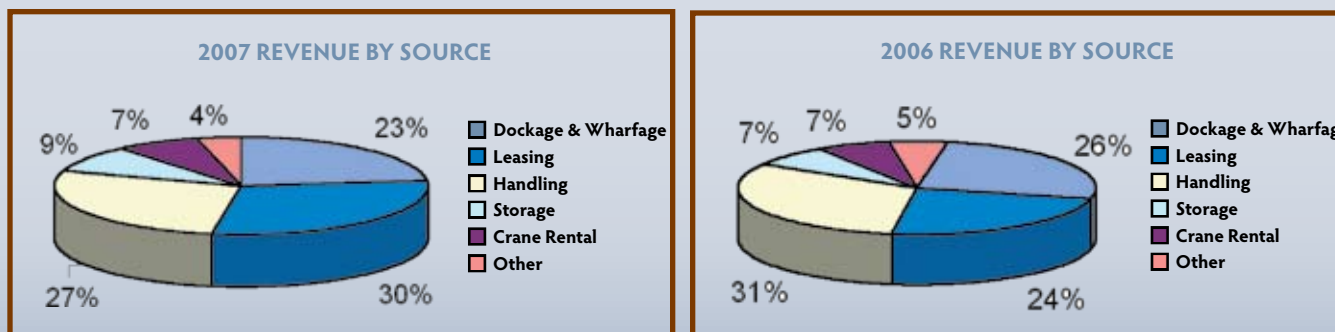
The Port Corporation generated \$26,217,299 total in operating revenues in 2007. This represents an overall decrease of (\$3,055,714) or (11.6%) under 2006.

In 2007, lease revenues increased \$672,490 over 2006. This 9.7% increase is primarily due to CPI increases of our current leaseholds and the increase in utility costs passed on to our tenant.

Dockage and Wharfage decreased by (\$1,400,431) or (22.9%) in 2007 compared to 2006. This was due to a decline in business. Handling revenue also decreased in 2007 by (\$2,015,011) or (21.89%) compared to 2006 due to decline in business. Demurrage decreased by (\$38,362) or (62.90%) in 2007 compared to 2006. The reason for this decline was because there was less cargo remaining on the dock after its expired free time.

Storage revenues increased by \$234,144 or 11.1% in 2007 as compared to 2006. Other income decreased by (\$524,590) in 2007 over 2006.

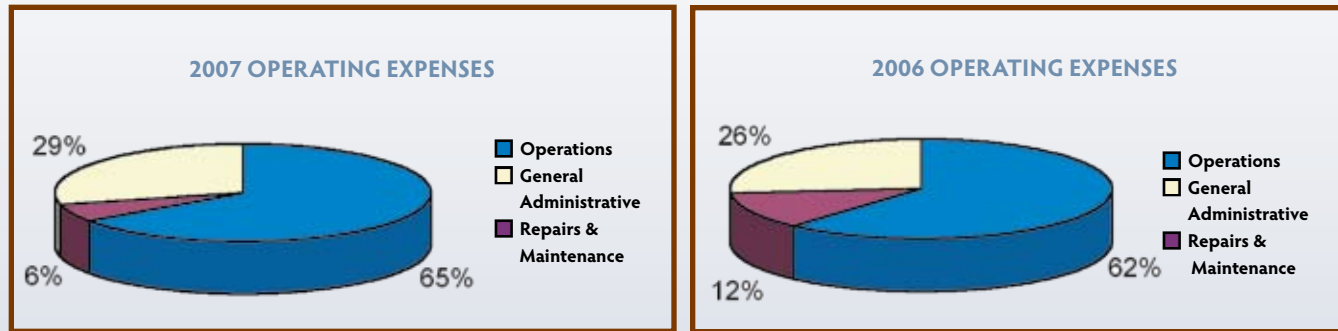
Utility revenue increased by \$567,422 or 45.45% in 2007 compared to 2006. The reason for the variance was due to usage increase at Del Monte, Camden Yard Steel and Joseph Oat.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**OPERATING EXPENSES**

Total Corporation operating expenses were \$21,321,046 in 2007, a decrease of (\$3,214,088), or (13.1%), under 2006.



Clerking and checking expense decreased by (\$838,746) or (26.47%) in 2007 over 2006 levels. Trucking expense declined due to the fact that Beckett Street Terminal warehouse didn't reach its full capacity and the need for trucking material to the Broadway Terminal was reduced. Rental of equipment declined by (\$74,273) or (58.29%) due to business conditions.

Handling cargo decreased from 2006 levels by (\$957,579) or (24.7%). Gas and oil expense decreased in 2007 by (\$30,620) or (9.53%) over 2006 levels. Miscellaneous expense in 2007 declined by (\$39,373) or (30.16%). This was caused mainly by a reduction in railcar supplies.

Repairs and maintenance expenses decreased by (\$1,692,049), or (58.24%) in 2007, over 2006. Maintenance dredging expense of \$1,664,999 were incurred in 2006. In 2007 there were no expenditures for dredging. Contracted Crane expenses increased by \$110,571 in 2007 over 2006. This was due to the increase in electrical and technical expenses. Crane material purchases were reduced by (\$33,652) or (26.08%). Mobile equipment repair expense was reduced by (\$46,419) or (47.24%) in 2007 over 2006.

Overall, general and administrative expenses in 2007 decreased by (\$309,688) or (5%) over 2006. Health care costs increased \$84,725 in 2007 over 2006. The Port is self-insured for health care benefits up to \$40,000 per employee. After that target amount is reached, health care reinsurance is triggered. The increased costs in 2007 were minimal due to a reduction in our workforce. General insurance costs decreased by (\$383,896) in 2007 over 2006. This was due to a reduction in premiums for various insurance policiess. Pension liability expense increased by (\$100,998) or (55.74%). This was due to the increases in normal contribution rate, accrued liability costs and a reduction in the phase-in credit and the early retirement costs.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### CAPITAL ASSETS

The Port's investment in Capital assets as of December 31, 2007 is \$130,474,010 (net of accumulated depreciation). The investment in capital assets include land, building, piers and berths, and machinery and equipment. Net capital assets decreased \$11,543,538 or 8.13% in 2007 over 2006. The demolition of "G" and "G-4" amounted to \$8,480,474 of that total. Annual depreciation and amortization reduced net property, plant and equipment. On November 21, 2007 Marine Terminal Revenue Bonds were sold in the amount of \$11,235,000. A portion of these bond proceeds will be used for Cathodic Protection Project, the Warehouse Replacement Project and the Paulsboro Marine Terminal Project.

In 2007 capital purchases for cranes totaled \$162,359; equipment totaled \$213,718; software purchases of \$14,879, and land improvements amounted to \$158,703.

### CAPITAL ASSETS

|   | 2007          | 2006          |
|---|---------------|---------------|
| Land  | \$ 18,235,317 | \$ 18,235,317 |
| Building & Improvements                       | 39,927,821    | 40,189,822    |
| Land Improvements                             | 105,506,474   | 105,412,941   |
| Equipment                                     | 22,977,174    | 22,586,217    |
| Engineering & Other                           | 6,490,838     | 6,490,838     |
| Financing Costs                               | 9,159,938     | 9,159,938     |
| Subtotal                                      | 202,297,562   | 202,075,073   |
| Less: Accumulated Depreciation & Amortization | 79,021,236    | 73,906,631    |
| Subtotal                                      | 123,276,326   | 128,168,442   |
| Construction in Progress                      | 1,259,481     | -             |
| Bond Discount & Finance                       | 14,091,506    | 13,849,106    |
| Total   | \$138,627,313 | \$142,017,548 |

Construction in Progress of \$633,607 is related to the 2007 Series N Marine Terminal Bond Project and \$625,874 is related to the demolition of "G" building from Series K bond issuance.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**LONG-TERM DEBT**

As of December 31, 2007 the Port had accumulated both short and long-term debt of \$125,821,436. This consisted of revenue bonds \$123,075,000 and a capital lease of \$1,400,000, plus early retirement incentive and post retirement benefits of \$1,075,436 and \$271,000 respectively.

**LONG-TERM DEBT**

|                          | 2007                  | 2006                  |
|--------------------------|-----------------------|-----------------------|
| Revenue Bonds            | \$ 123,075,000        | \$ 116,690,000        |
| Capital Lease            | 1,400,000             | 1,500,000             |
| Post Retirement Benefits | 271,000               | -                     |
| Early Retirement         | 1,075,436             | 1,054,906             |
| <b>Total</b>             | <b>\$ 125,821,436</b> | <b>\$ 119,244,906</b> |

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. 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 calls for the lease to be repaid over 20 years at 0% interest. As of December 31, 2007 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**  
**COMPARATIVE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007 AND 2006**

| <b>ASSETS</b>   | <b>2007</b>        | <b>2006</b>        |
|---|--------------------|--------------------|
| Current Assets:   |                    |                    |
| Unrestricted Assets:  |                    |                    |
| Cash & Cash Equivalents   | \$ 9,583,496       | \$ 4,483,618       |
| Accounts Receivable (Net of Allowance for Doubtful<br>Accounts - \$365,433 in 2007 & \$385,178 in 2006) | 2,282,588          | 3,079,362          |
| Other Accounts Receivable   | 518,916            | 445,753            |
| Notes Receivable  | 18,754             | 26,254             |
| Prepaid Expenses  | 468,350            | 1,362,132          |
| Inventory of Supplies   | 1,421,100          | 1,117,572          |
| Total Unrestricted Current Assets   | <u>14,293,204</u>  | <u>10,514,691</u>  |
| Restricted Assets:  |                    |                    |
| Cash & Cash Equivalents   | 21,082,662         | 15,150,832         |
| Investments   | 2,924,917          |                    |
| Grants Receivable   |                    | 327,650            |
| Other Accounts Receivable   | 65,170             |                    |
| Due from State of New Jersey  | 4,392,824          | 6,878,287          |
| Total Restricted Current Assets   | <u>28,465,573</u>  | <u>22,356,769</u>  |
| Property, Plant & Equipment (Note 3):   |                    |                    |
| Completed   | 202,297,562        | 202,075,073        |
| Construction in Progress  | 1,259,481          |                    |
| Bond Discount & Financing Costs   | 14,091,506         | 13,849,106         |
| Total Property, Plant & Equipment   | <u>217,648,549</u> | <u>215,924,179</u> |
| Less: Accumulated Depreciation & Amortization   | <u>79,021,236</u>  | <u>73,906,631</u>  |
| Net Property, Plant & Equipment   | <u>138,627,313</u> | <u>142,017,548</u> |
| Total Assets  | <u>181,386,090</u> | <u>174,889,008</u> |

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

**BASIC FINANCIAL STATEMENTS**  
**COMPARATIVE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007 AND 2006**

| <b>LIABILITIES</b>   | <b>2007</b>        | <b>2006</b>        |
|--|--------------------|--------------------|
| Current Liabilities Payable From Unrestricted Assets:      |                    |                    |
| Accounts Payable   | 192,691            | 166,262            |
| Accrued Expenses   | 675,598            | 1,454,197          |
| Payroll Taxes Payable                                      | 34,385             | 33,360             |
| Accrued Vacation Payable                                   | 246,925            | 232,522            |
| Deferred Income  | 583,669            | 637,889            |
| Lease Security & Escrow Deposits                           | 141,216            | 169,112            |
|  | <u>1,874,484</u>   | <u>2,693,342</u>   |
| Current Liabilities Payable From Restricted Assets:        |                    |                    |
| Accounts Payable   | 59,735             |                    |
| Accrued Interest Payable                                   | 2,867,473          | 2,890,839          |
| Contracts Payable  | 614,021            | 1,343,663          |
| Revenue Bonds (Short-Term Portion)                         | 4,850,000          | 4,655,000          |
| Capital Lease Payable                                      | 600,000            | 500,000            |
|  | <u>8,991,229</u>   | <u>9,389,502</u>   |
| Long-Term Liabilities:                                     |                    |                    |
| Long-Term Liabilities Payable From Unrestricted Assets:    |                    |                    |
| Early Retirement Payable                                   | 1,075,436          | 1,054,906          |
| Post-Retirement Benefits Payable                           | 271,000            |                    |
|  | <u>1,346,436</u>   | <u>1,054,906</u>   |
| Long-Term Liabilities Payable From Restricted Assets:      |                    |                    |
| Revenue Bonds (Long-Term Portion)                          | 123,075,000        | 116,690,000        |
| Capital Lease Payable                                      | 1,400,000          | 1,500,000          |
|  | <u>124,475,000</u> | <u>118,190,000</u> |
| Total Long-Term Liabilities Payable From Restricted Assets | <u>124,475,000</u> | <u>118,190,000</u> |
| Total Liabilities  | <u>136,687,149</u> | <u>131,327,750</u> |
| <b>NET ASSETS</b>  |                    |                    |
| Invested in Capital Assets, Net of Related Debt:           | 20,322,813         | 21,286,196         |
| Restricted:  |                    |                    |
| Reserve for Payment of Debt Service                        | 11,087,294         | 10,436,678         |
| Reserve for Inventory of Supplies                          | 1,421,100          | 1,117,572          |
| Unrestricted:  |                    |                    |
| Unreserved   | 11,867,734         | 10,720,812         |
|  | <u>11,867,734</u>  | <u>10,720,812</u>  |
| Total Net Assets   | <u>544,698,941</u> | <u>543,561,258</u> |

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

**BASIC FINANCIAL STATEMENTS**

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

|   | <b>2007</b>        | <b>2006</b>        |
|---|--------------------|--------------------|
| Operating Revenues:   |                    |                    |
| Marine Direct   | \$ 22,409,362      | \$ 25,635,649      |
| Marine Related  | 2,985,431          | 2,315,437          |
| Other   | 822,506            | 1,321,927          |
| Total Operating Revenues  | <u>26,217,299</u>  | <u>29,273,013</u>  |
| Operating Expenses:   |                    |                    |
| General Operating   | 13,925,348         | 15,137,699         |
| Repairs & Maintenance   | 1,212,986          | 2,905,035          |
| General & Administrative  | 6,182,712          | 6,492,400          |
| Total Operating Expenses  | <u>21,321,046</u>  | <u>24,535,134</u>  |
| Operating Income Before Other Operating Expenses                | <u>4,896,253</u>   | <u>4,737,879</u>   |
| Other Operating Expenses:                                       |                    |                    |
| Depreciation  | 5,332,721          | 5,462,430          |
| Total Other Operating Expenses                                  | <u>5,332,721</u>   | <u>5,462,430</u>   |
| Operating Gain/(Loss)   | <u>(436,468)</u>   | <u>(724,551)</u>   |
| Non-operating Revenues/(Expenses):                              |                    |                    |
| Interest on Investments   | 263,129            | 362,686            |
| Loss on Disposal of Assets                                      | (43,885)           |                    |
| Grant Revenue   | 14,224             | 187,000            |
| Unrealized Gain/(Loss) on Investment                            | 48,804             | 9,102              |
| Bond Interest   | (5,658,317)        | (5,781,678)        |
| Net Non-operating Expenses                                      | <u>(5,376,045)</u> | <u>(5,222,890)</u> |
| Net Loss Before Transfer of Depreciation to Contributed Capital | (5,812,513)        | (5,947,441)        |
| Transfer of Depreciation to Contributed Capital                 | 204,637            | 255,869            |
| Net Loss Before Operating Transfers                             | <u>(5,607,876)</u> | <u>(5,691,572)</u> |

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

**BASIC FINANCIAL STATEMENTS**

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

|   | <b>2007</b>          | <b>2006</b>          |
|---|----------------------|----------------------|
| Operating Transfers To/ From the State of New Jersey/Other: |                      |                      |
| Debt Service Aid  | 6,881,543            | 6,878,287            |
| Camden City PILOT Revenues                                  | 2,000,000            | 2,000,000            |
| Camden City PILOT Expenditures                              | (2,000,000)          | (2,000,000)          |
| Camden County PILOT Revenues                                | 419,000              | 419,000              |
| Camden County PILOT Expenditures                            | (419,000)            | (419,000)            |
| Salem PILOT Revenues  | 27,176               | 25,410               |
| Salem PILOT Expenditures                                    | (27,176)             | (25,410)             |
| Paulsboro PILOT Revenues                                    | 624,037              |                      |
| Paulsboro PILOT Expenditures                                | (624,037)            |                      |
| Gloucester County PILOT Revenues                            | 150,000              |                      |
| Gloucester County PILOT Expenditures                        | (150,000)            |                      |
| Change in Inventory of Supplies                             | 303,528              | 100,359              |
|   | <hr/>                | <hr/>                |
| Total Operating Transfers                                   | 7,185,071            | 6,978,646            |
|   | <hr/>                | <hr/>                |
| Net Income/(Loss)   | 1,577,195            | 1,287,074            |
|   | <hr/>                | <hr/>                |
| Net Assets/(Deficit) - January 1, Previously Reported       | 42,204,804           | 40,917,730           |
| Adjustment of General Long Term Debt - See Note 15          | (257,000)            |                      |
|   | <hr/>                | <hr/>                |
| Net Assets/(Deficit) - January 1, as Restated               | 41,947,804           | 40,917,730           |
|   | <hr/>                | <hr/>                |
| Net Assets/(Deficit) - December 31                          | 43,524,999           | 42,204,804           |
|   | <hr/>                | <hr/>                |
| Contributed Capital, January 1                              | 1,356,454            | 1,612,323            |
| Contributions   | 22,125               |                      |
| Depreciation  | (204,637)            | (255,869)            |
|   | <hr/>                | <hr/>                |
| Contributed Capital, December 31                            | 1,173,942            | 1,356,454            |
|   | <hr/>                | <hr/>                |
| Net Assets - December 31                                    | <u>\$ 44,698,941</u> | <u>\$ 43,561,258</u> |

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

**BASIC FINANCIAL STATEMENTS**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

|  | <b>2007</b>         | <b>2006</b>         |
|--|---------------------|---------------------|
| Cash Flows From Operating Activities:                              |                     |                     |
| Receipts from Customers  | \$ 27,134,111       | \$ 27,476,067       |
| Interest Receipts  | 708,081             | 586,615             |
| Payments to Employees  | (6,529,365)         | (6,820,952)         |
| Payments for Employee Benefits                                     | (4,050,923)         | (3,949,750)         |
| Payments to Suppliers  | <u>(11,497,190)</u> | <u>(13,411,709)</u> |
| Net Cash Provided/(Used) by Operating Activities                   | <u>5,764,714</u>    | <u>3,880,271</u>    |
| Cash Flows From Non-capital Financing Activities:                  |                     |                     |
| Developers' Escrow Deposits  | 112,679             | 820                 |
| Developers' Escrow Refunds   | <u>(124,212)</u>    | <u>(546)</u>        |
| Net Cash Provided/(Used) by Non-capital Financing Activities       | <u>(11,533)</u>     | <u>274</u>          |
| Cash Flows From Capital & Related Financing Activities:            |                     |                     |
| Acquisition & Construction of Capital Assets                       | (1,095,973)         | (7,000,676)         |
| State Aid for Construction Projects                                | 215,000             |                     |
| Other Aid for Construction Projects                                | 126,874             | 74,350              |
| Bond Proceeds  | 10,900,250          |                     |
| Bond Issuance Costs  | <u>(70,315)</u>     |                     |
| Interest Paid on Revenue Bonds                                     | (5,681,683)         | (5,884,228)         |
| Principal Paid on Revenue Bonds                                    | (4,655,000)         | (4,450,000)         |
| State Aid for Debt Service   | <u>9,367,006</u>    | <u>6,455,167</u>    |
| Camden City PILOT Revenues   | 2,000,000           | 2,000,000           |
| Camden City PILOT Payments   | (2,000,000)         | (2,000,000)         |
| Camden County PILOT Revenues                                       | 419,000             | 419,000             |
| Camden County PILOT Payments                                       | (419,000)           | (419,000)           |
| Paulsboro PILOT Revenues   | 624,037             |                     |
| Paulsboro PILOT Expenditures                                       | <u>(624,037)</u>    |                     |
| Gloucester County PILOT Revenues                                   | 150,000             |                     |
| Gloucester County PILOT Payment                                    | (150,000)           |                     |
| Salem PILOT Revenues   | 27,176              | 25,410              |
| Salem PILOT Payments   | <u>(27,176)</u>     | <u>(25,410)</u>     |
| Net Cash Provided/(Used) by Capital & Related Financing Activities | <u>9,106,159</u>    | <u>(10,805,387)</u> |
| Cash Flows From Investing Activities:                              |                     |                     |
| Unrealized Gain/(Loss) on Investment                               | 48,804              | 9,102               |
| Purchase of Repurchase Agreement/Discount Notes                    | (2,880,674)         | 6,611,463           |
| Interest & Dividends   | <u>263,129</u>      | <u>362,686</u>      |
| Net Cash Provided/(Used) by Investing Activities                   | <u>(2,568,741)</u>  | <u>6,983,251</u>    |

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

**BASIC FINANCIAL STATEMENTS**

**COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

|   | <b>2007</b>   | <b>2006</b>   |
|---|---------------|---------------|
| Net Increase/(Decrease) in Cash & Cash Equivalents  | 11,031,708    | 58,409        |
| Balances - Beginning of Year  | 19,634,450    | 19,576,041    |
| Balances - End of Year  | \$ 30,666,158 | \$ 19,634,450 |
| Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:        |               |               |
| Operating Income/(Loss)   | (\$436,468)   | (\$724,551)   |
| Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities: |               |               |
| Operating Activities:   |               |               |
| Depreciation & Net Amortization   | 5,332,721     | 5,462,430     |
| (Increase)/Decrease in Accounts Receivable, Net   | 723,611       | (99,668)      |
| (Increase)/Decrease in Notes Receivable, Net  | 7,500         | 7,500         |
| (Increase)/Decrease in Accrued Interest Receivable  |               | 77,257        |
| (Increase)/Decrease in Grant Receivable   |               | (215,000)     |
| (Increase)/Decrease in Prepaid Expenses   | 893,782       | (980,420)     |
| Increase/(Decrease) in Accounts Payable   | (737,145)     | 292,743       |
| Increase/(Decrease) in Accrued Liabilities  | 14,403        | 20,968        |
| Increase/(Decrease) in Early Retirement Payable   | 20,530        | 21,328        |
| Increase/(Decrease) in Deferred Revenue   | (54,220)      | 17,684        |
| Total Adjustments   | 6,201,182     | 4,604,822     |
| Net Cash Provided/(Used) by Operating Activities  | \$ 5,764,714  | \$ 3,880,271  |

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

**NOTES TO FINANCIAL STATEMENTS**  
for the year ended December 31, 2007

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

The accompanying financial statements present the financial position of the Corporation, the results of operations of the Corporation and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2007 for the year then ended.

**A. Reporting Entity:**

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

The South Jersey Port Corporation is a component unit of the State of

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

The operations of the Port are under the directorship of a seven-member board. The Governor of the State appoints members for a term of five years. The day-to-day operations of the Port are under the administration of the Executive Director with approximately 120 employees.

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

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

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

**B. Accounting Policies and Basis of Presentation**

- a) Basis of Accounting - The basic financial statements of the South Jersey Port Corporation have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.
- b) Cash Equivalents - For purposes of the statement of cash flows, the Corporation considers all highly liquid debt instruments purchased with maturity of one year or less to be cash equivalents.
- c) Investment in Property, Plant and Equipment – Investment in Property, Plant and Equipment is stated at cost, which generally includes net capitalized interest expense (See Note 3) as well as professional fees incurred during the construction period.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets (See Note 3).

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

d) Marine Terminal Revenue Bond Resolution

The Corporation is subject to the provisions and restrictions of the Marine Terminal Revenue Bond Resolution adopted June 5, 1985 as supplemented March 12, 1987, January 31, 1989, October 31, 1989, March 11, 1993, December 1, 2002, October 15, 2003 and August 28, 2007. The revenues generated by operations are to be distributed monthly based upon the following priorities:

- (a) Operating Account - 1/12 of the total appropriated for operating expenses in the annual budget for the current calendar year.
- (b) Debt Service Account - such amount necessary to increase the retained earnings to equal the Aggregate Debt Service Requirement. (Interest and principal on the bonds to accrue to the next interest payment date).
- (c) Debt Reserve Account - such amount necessary to increase the retained earnings to equal the Debt Reserve Requirement.
- (d) Maintenance Reserve Account - such amount necessary to increase the retained earnings to equal the Maintenance Reserve Fund Requirement, which is the amount budgeted for major renewals, repairs or replacement.
- (e) Tax Reserve Account - such amount to increase the balance in the Payment Account to equal the Property Tax Reserve and then such amount to increase the balance in the Reserve Account to equal the tax payments for the current year.

- (f) General Reserve Account - such amount that remains after all previously mentioned requirements.

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

**Operating Account**

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

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

- (a) Operating Expenses during the calendar year, including reserves therefore, provided for in the Annual Budget for such year;
- (b) An amount equal to the Aggregate Debt Service for such calendar year;
- (c) The amount, if any, to be paid during such calendar year into the Debt Reserve Account.
- (d) The amount to be paid during such calendar year into the Maintenance Reserve Account to the extent funds are available; and
- (e) All other charges or liens whatsoever to be paid out of revenues during such calendar year and, to the extent not otherwise provided for, all amounts payable on Subordinated Debt.

Provided, however, in no event shall such rates, rents, fees and charges in any calendar year be less than those sufficient to provide Net Revenues in such year at least equal to 1.10 times the Aggregate Debt Service for such year. The Bond Resolution further states that if the Corporation determines that such revenues may not be sufficient to provide such payments plus principal and interest due or accrued on subordinated debt and meet such other requirements, it shall forthwith conduct a study or cause the Consulting Engineers to make a study for the purpose of recommending a schedule of rates, fees and charges for the Marine Terminals which, in the opinion of the Corporation or the Consulting Engineers, will cause sufficient revenues to be collected in the following calendar year to provide funds for all such payments and will cause additional revenues to be collected in such following and later calendar years sufficient to restore the amount of such deficiency at the earliest practicable time.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued):

**Debt Service Account**

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

Debt Service charges for 2007 included \$4,655,000 for principal and \$5,581,688 for interest. Funds were provided as follows:

|                           |                            |
|---------------------------|----------------------------|
| Debt Service Fund         | \$ 3,251,696               |
| Debt Service Reserve Fund | <u>6,984,992</u>           |
| <b>Total</b>              | <u><b>\$10,236,688</b></u> |

**Debt Reserve Account**

Purpose - to provide necessary funds to meet debt service obligations should revenues be insufficient.

N.J.S.A.12:11A-14 provides the following:

“In order to assure the maintenance of the maximum Debt Service Reserve in the South Jersey Port Corporation Reserve Fund, there shall be annually appropriated and paid to the Corporation for deposit in said fund, such sum, if any, as shall be certified by the Chairman of the Corporation to the Governor as necessary to restore said fund to an amount equal to the maximum Debt Service Reserve. The Chairman shall annually, on or before December 1, make and deliver to the Governor his certificate stating the sum, if any, required to restore said fund to the amount aforesaid, and the sum or sums so certified shall be appropriated and paid to the Corporation during the then current State Fiscal Year”.

The Chairman certified to the Governor that the Port Corporation anticipated it would require a State appropriation in this fund in the amount of \$6,881,543.

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 \$11,087,294.

**Maintenance Reserve Account**

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

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

During the year no funds were provided from operating revenue.

**Property Reserve Account**

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

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(continued):

Tax Reserve Account (continued):

During 2007 the State of New Jersey paid to the Corporation \$2 million dollars for the City of Camden, \$419,000 for Camden County, \$624,037 for Paulsboro Township, \$150,000 for Gloucester County and \$27,176 for the City of Salem to provide sufficient funds for tax payments.

**General Reserve Account**

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

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

**Construction Account**

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

The South Jersey Port Corporation has issued various bonds as outlined in Note 5 for the improvement of the port facilities, debt reserve funds and capitalized interest. Series K and L were issued in December 2002 and funds are still available for approved projects. During 2003 Series M Bonds were issued in the amount of \$11,305,000 and these funds are still available for approved projects. In 2007 Series N Bonds were issued in the amount of \$11,235,000 and these funds are also still available for approved projects.

With certain exceptions, existing arbitrage laws require a rebate to the federal government of all earnings on the investment of the proceeds of tax-exempt obligations, issued after September 1, 1986, in excess of the yield on such obligations and any income earned on such excess. A portion of past or future interest earnings may be subject to federal rebate. An arbitrage calculation analysis has been performed through December 31, 2002 for such required tax-exempt obligations and it has been determined that no liability is due to the federal government at this time. Another calculation is currently being performed through December 31, 2007, which is on the 5-year reporting cycle as required by the IRS guidelines.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The Corporation is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at December 31, 2007, and reported at fair value are as follows:

| <u>TYPE</u>  | <u>CARRYING VALUE</u>      |
|--|----------------------------|
| Deposits:  |                            |
| Demand Deposits  | \$ 8,613,988               |
| New Jersey Cash Management Fund                        | 22,052,170                 |
| U.S. Government FNMA Discount Notes                    | <u>2,924,917</u>           |
| <b>Total Deposits &amp; Investments</b>                | <b><u>\$33,591,075</u></b> |
| Reconciliation of Statement of Net Assets:             |                            |
| Current:   |                            |
| Unrestricted Assets:                                   |                            |
| Cash & Cash Equivalents                                | \$ 9,583,496               |
| Restricted Assets:                                     |                            |
| Cash & Cash Equivalents                                | 21,082,662                 |
| Investment   | <u>2,924,917</u>           |
| <b>Total Reconciliation of Statement of Net Assets</b> | <b><u>\$33,591,075</u></b> |

**Custodial Credit Risk** – Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of \$33,542,272 at December 31, 2007. Of the bank balance \$200,000 was fully insured by the FDIC (Federal Deposit Insurance Corporation) and \$33,342,272 was secured by a collateral pool held by the bank, but not in the Corporation’s name, as required by New Jersey’s Governmental Unit Deposit Protection Act (GUDPA). The Governmental Unit Deposit Protection Act is more fully described below.

**Investment Interest Rate Risk** – The Corporation has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investment held at December 31, 2007, are provided in the above schedule.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

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

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

**Concentration of Investment Credit Risk** – The Corporation places no limit on the amount it may invest in any one issuer. At December 31, 2007, all of the Corporation's investments are with Wachovia and US banks.

**Governmental Unit Deposit Protection Act (GUDPA)**

The Corporation deposited cash in 2007 with an approved public fund depository qualified under the provisions of the Governmental 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 30 and December 31, with the Commissioner of Banking. Any public depository which refuses or neglects to give any information so requested may be excluded by the Commissioner from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

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

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

**NOTE 3. PROPERTY, PLANT AND EQUIPMENT**

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

|   | BALANCE<br>DECEMBER 31,<br>2006 | ADDITIONS     | DELETIONS | BALANCE<br>DECEMBER 31,<br>2007 |
|---|---------------------------------|---------------|-----------|---------------------------------|
| Land  | \$ 18,235,317                   |               |           | \$ 18,235,317                   |
| Buildings & Improvements                        | 40,189,822                      |               | \$262,001 | 39,927,821                      |
| Land Improvements                               | 105,412,941                     | \$ 158,703    | 65,170    | 105,506,474                     |
| Equipment                                       | 22,586,217                      | 390,957       |           | 22,977,174                      |
| Engineering & Other                             | 6,490,838                       |               |           | 6,490,838                       |
| Financing Costs                                 | 9,159,938                       |               |           | 9,159,938                       |
| Subtotal  | 202,075,073                     | 549,660       | 327,171   | 202,297,562                     |
| Less: Accumulated Depreciation and Amortization | 73,906,631                      | 5,332,721     | 218,084   | 79,021,236                      |
| Subtotal  | 128,168,442                     | (4,783,061)   | 109,055   | 123,276,326                     |
| Construction in Progress                        |                                 | 1,259,481     |           | 1,259,481                       |
| Bond Discount & Financing                       | 13,849,106                      | 242,400       |           | 14,091,506                      |
| Total   | \$142,017,548                   | (\$3,281,180) | \$109,055 | \$138,627,313                   |

**NOTE 4. PENSION**

**A. Plan Description**

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

**B. Funding Policy**

The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction. The System's Board of Trustees is primarily responsible for the administration of the System.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

NOTE 4. PENSION (continued)

Funding Policy (continued)

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

Plan members are required to contribute 5.5% of their annual covered salary. The South Jersey Port Corporation is required to contribute at an actuarially determined rate. The current rate represents approximately .0437% of annual covered payroll. The contribution requirements of plan members and the Corporation is established and may be amended by the plan's board of trustees. The South Jersey Port Corporation's contributions to P.E.R.S. for the years ending December 31, 2007, 2006 and 2005 were \$195,158, \$97,185 and \$35,240, respectively, equal to the required contributions for each year.

**C. Early Retirement Incentive Plan**

In 2003 the State of New Jersey signed into Law the State Early Retirement Incentive (ERI) program as Chapter 23, PL. 2002. The ERI has a provision that allows optional participation in the program by certain State Autonomous Authorities. Participation is optional, as these organizations will have to bear the cost of the incentives provided to their employees who retire. The Board of Directors of the South Jersey Port Corporation adopted a resolution to allow its eligible employees to participate in the ERI program. In 2002 four employees elected to participate in the ERI. In 2003 an additional four employees elected to participate in the ERI. The liability to the Corporation is \$1,075,436 as of December 31, 2007. 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 2007 for \$66,500, 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              |
|-----------|--------------------|--------------------|--------------------|
| 2008      | \$ (19,563)        | \$ 88,723          | \$ 69,160          |
| 2009      | (18,411)           | 90,337             | 71,926             |
| 2010      | (17,053)           | 91,856             | 74,803             |
| 2011      | (15,468)           | 93,263             | 77,795             |
| 2012      | (13,632)           | 94,539             | 80,907             |
| 2013-2017 | (29,951)           | 485,693            | 455,742            |
| 2018-2022 | 71,185             | 483,291            | 554,476            |
| 2023-2027 | 246,586            | 428,017            | 674,603            |
| 2028-2032 | 537,801            | 282,955            | 820,756            |
| 2033-2034 | <u>333,942</u>     | <u>42,163</u>      | <u>376,105</u>     |
| Total     | <u>\$1,075,436</u> | <u>\$2,180,837</u> | <u>\$3,256,273</u> |

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

**NOTE 5. LONG-TERM DEBT**

The following is a summary of long-term debt at December 31, 2007:

| ISSUE   | INITIAL<br>DATE OF<br>ISSUE | DATE<br>OF FINAL<br>MATURITY | INTEREST<br>RATES | ORIGINAL<br>ISSUE<br>AMOUNT | PRINCIPAL<br>BALANCE<br>OUTSTANDING |
|---|-----------------------------|------------------------------|-------------------|-----------------------------|-------------------------------------|
| Series 2002 K<br>Marine Terminal Revenue &<br>Revenue Refunding Bonds | 12/01/02                    | 01/01/33                     | 4.00%<br>5.10%    | \$79,295,000                | \$ 72,650,000                       |
| Series 2002 L<br>Marine Terminal Revenue &<br>Revenue Refunding Bonds | 12/01/02                    | 01/01/24                     | 4.00%<br>5.25%    | 42,030,000                  | 33,290,000                          |
| Series 2003 M<br>Marine Terminal Revenue Bonds                        | 10/15/03                    | 01/01/30                     | 5.00%             | 11,305,000                  | 10,750,000                          |
| Series 2007 N<br>Marine Terminal Revenue Bonds                        | 11/08/07                    | 01/01/38                     | 4.50%<br>5.25%    | 11,235,000                  | <u>11,235,000</u>                   |
| Total   |                             |                              |                   |                             | 127,925,000                         |
| Less: Current Maturities Included in Current Liabilities              |                             |                              |                   |                             | <u>4,850,000</u>                    |
| Balance   |                             |                              |                   |                             | <u>\$123,075,000</u>                |

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

| YEAR       | PRINCIPAL            | INTEREST            | TOTAL                |
|------------|----------------------|---------------------|----------------------|
| 2008       | \$ 4,850,000         | \$ 5,916,588        | \$ 10,766,588        |
| 2009       | 5,170,000            | 5,917,294           | 11,087,294           |
| 2010       | 5,030,000            | 5,715,107           | 10,745,107           |
| 2011       | 5,230,000            | 5,502,249           | 10,732,249           |
| 2012       | 5,455,000            | 5,276,119           | 10,731,119           |
| 2013-2017  | 29,270,000           | 22,494,091          | 51,764,091           |
| 2018-2022  | 31,325,000           | 15,042,557          | 46,367,557           |
| 2023-2027  | 17,720,000           | 8,526,647           | 26,246,647           |
| 2028-2032  | 17,220,000           | 4,280,696           | 21,500,696           |
| 2028-2032  | 5,960,000            | 743,840             | 6,703,840            |
| Thereafter | <u>695,000</u>       | <u>18,244</u>       | <u>713,244</u>       |
| Total      | <u>\$127,925,000</u> | <u>\$79,433,432</u> | <u>\$207,358,432</u> |

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

NOTE 5. LONG-TERM DEBT (continued):

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

The net proceeds of the Series 2002 Bonds, together with other funds, are being used to pay the costs of a project (the "2002 Project") of the Corporation consisting generally of: (i) the current refunding of five separate series of revenue bonds previously issued by the Corporation in 1989, 1993 and 1999; (ii) financing the costs of certain capital projects of the Corporation; (iii) funding interest on a portion of the Series 2002

Bonds during the estimated construction period of the capital projects; (iv) funding a deposit to the Debt Reserve Fund and the Tax Reserve Fund established under the Bond Resolution; and (v) paying the costs of issuance of the Series 2002 Bonds.

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

c) On November 21, 2007, the Corporation issued \$11,235,000 Marine Terminal Revenue Bonds, Series N. The Series N Bonds were issued to provide funds to (i) fund 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.

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

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

NOTE 5. LONG-TERM DEBT (continued):

| ISSUE YEAR | .....SERIES K.....  |               | .....SERIES L.....  |               | .....SERIES M.....  |               | .....SERIES N.....  |               | TOTAL PRINCIPAL      |
|------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|----------------------|
|            | ANNUAL PRINCIPAL    | INTEREST RATE | ANNUAL PRINCIPAL    | INTEREST RATE | ANNUAL PRINCIPAL    | INTEREST RATE | ANNUAL PRINCIPAL    | INTEREST RATE |                      |
| 2008       | \$ 1,880,000        | 3.25          | 2,685,000           | 5.00          | 285,000             | 5.00          |                     |               | 4,850,000            |
| 2009       | 1,930,000           | 3.50          | 2,820,000           | 4.00          | 295,000             | 5.00          | 125,000             | 4.50          | 5,170,000            |
| 2010       | 2,020,000           | 4.00          | 2,515,000           | 4.30          | 305,000             | 5.00          | 190,000             | 4.50          | 5,030,000            |
| 2011       | 2,100,000           | 4.10          | 2,620,000           | 4.40          | 315,000             | 5.00          | 195,000             | 4.50          | 5,230,000            |
| 2012       | 2,190,000           | 4.20          | 2,735,000           | 4.60          | 325,000             | 5.00          | 205,000             | 4.50          | 5,455,000            |
| 2013       | 2,270,000           | 4.40          | 2,870,000           | 5.25          | 340,000             | 5.00          | 210,000             | 4.50          | 5,690,000            |
| 2014       | 3,575,000           | 4.40          | 1,350,000           | 4.80          | 350,000             | 5.00          | 220,000             | 4.50          | 5,495,000            |
| 2015       | 3,750,000           | 4.50          | 1,410,000           | 4.80          | 365,000             | 5.00          | 230,000             | 4.50          | 5,755,000            |
| 2016       | 3,920,000           | 4.50          | 1,480,000           | 5.00          | 385,000             | 5.00          | 245,000             | 4.50          | 6,030,000            |
| 2017       | 4,090,000           | 4.50          | 1,560,000           | 5.00          | 400,000             | 5.00          | 250,000             | 4.50          | 6,300,000            |
| 2018       | 4,280,000           | 4.75          | 1,635,000           | 5.00          | 420,000             | 5.00          | 265,000             | 4.50          | 6,600,000            |
| 2019       | 4,485,000           | 4.85          | -                   | -             | 440,000             | 5.00          | 280,000             | 4.50          | 5,205,000            |
| 2020       | 4,700,000           | 5.00          | -                   | -             | -                   | -             | 295,000             | 4.50          | 4,995,000            |
| 2021       | -                   | -             | -                   | -             | -                   | -             | -                   | -             | -                    |
| 2022       | -                   | -             | -                   | -             | 1,445,000           | 5.00          | -                   | -             | 1,445,000            |
| 2023       | 8,645,000           | -             | 8,620,000           | 5.20          | -                   | -             | 960,000             | 4.50          | 18,225,000           |
| 2024       | -                   | -             | 990,000             | 5.25          | -                   | -             | -                   | -             | 990,000              |
| 2025       | -                   | -             | -                   | -             | 1,670,000           | 5.00          | -                   | -             | 1,670,000            |
| 2026       | 4,960,000           | 5.00          | -                   | -             | -                   | -             | -                   | -             | 4,960,000            |
| 2027       | -                   | -             | -                   | -             | -                   | -             | -                   | -             | -                    |
| 2028       | -                   | -             | -                   | -             | -                   | -             | 1,935,000           | 4.63          | 1,935,000            |
| 2029       | -                   | -             | -                   | -             | -                   | -             | 440,000             | 4.75          | 440,000              |
| 2030       | -                   | -             | -                   | -             | 3,410,000           | 5.00          | -                   | -             | 3,410,000            |
| 2031       | -                   | -             | -                   | -             | -                   | -             | -                   | -             | -                    |
| 2032       | -                   | -             | -                   | -             | -                   | -             | -                   | -             | -                    |
| 2033       | 17,855,000          | 5.10          | -                   | -             | -                   | -             | -                   | -             | 17,855,000           |
| 2034       | -                   | -             | -                   | -             | -                   | -             | -                   | -             | -                    |
| 2035       | -                   | -             | -                   | -             | -                   | -             | -                   | -             | -                    |
| 2036       | -                   | -             | -                   | -             | -                   | -             | -                   | -             | -                    |
| 2037       | -                   | -             | -                   | -             | -                   | -             | -                   | -             | -                    |
| 2038       | -                   | -             | -                   | -             | -                   | -             | 5,190,000           | 5.25          | 5,190,000            |
| Total      | <u>\$72,650,000</u> |               | <u>\$33,290,000</u> |               | <u>\$10,750,000</u> |               | <u>\$11,235,000</u> |               | <u>\$127,925,000</u> |

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

NOTE 5. LONG-TERM DEBT (continued):

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

| <b>ISSUE YEAR</b> | <b>SERIES K</b>            | <b>SERIES L</b>           | <b>SERIES M</b>           | <b>SERIES N</b>           | <b>TOTAL</b>               |
|-------------------|----------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| 2019              | \$ -                       | \$1,710,000               | \$ -                      | \$ -                      | \$ 1,710,000               |
| 2020              | -                          | 1,805,000                 | 460,000                   | -                         | 2,265,000                  |
| 2021              | 2,740,000                  | 1,620,000                 | 480,000                   | 305,000                   | 5,145,000                  |
| 2022              | 2,880,000                  | 1,700,000                 | 505,000                   | 320,000                   | 5,405,000                  |
| 2023              | 3,025,000                  | 1,785,000                 | 530,000                   | 335,000                   | 5,675,000                  |
| 2024              | 895,000                    | 990,000                   | 555,000                   | 350,000                   | 2,790,000                  |
| 2025              | 1,985,000                  | -                         | 585,000                   | 370,000                   | 2,940,000                  |
| 2026              | 2,080,000                  | -                         | 615,000                   | 385,000                   | 3,080,000                  |
| 2027              | 2,185,000                  | -                         | 645,000                   | 405,000                   | 3,235,000                  |
| 2028              | 2,300,000                  | -                         | 680,000                   | 425,000                   | 3,405,000                  |
| 2029              | 2,415,000                  | -                         | 715,000                   | 440,000                   | 3,570,000                  |
| 2030              | 2,540,000                  | -                         | 755,000                   | 475,000                   | 3,770,000                  |
| 2031              | 2,670,000                  | -                         | -                         | 490,000                   | 3,160,000                  |
| 2032              | 2,800,000                  | -                         | -                         | 515,000                   | 3,315,000                  |
| 2033              | 2,945,000                  | -                         | -                         | 545,000                   | 3,490,000                  |
| 2034              | -                          | -                         | -                         | 575,000                   | 575,000                    |
| 2035              | -                          | -                         | -                         | 600,000                   | 600,000                    |
| 2036              | -                          | -                         | -                         | 630,000                   | 630,000                    |
| 2037              | -                          | -                         | -                         | 665,000                   | 665,000                    |
| 2038              | -                          | -                         | -                         | 695,000                   | 695,000                    |
| <b>Total</b>      | <b><u>\$31,460,000</u></b> | <b><u>\$9,610,000</u></b> | <b><u>\$6,525,000</u></b> | <b><u>\$8,525,000</u></b> | <b><u>\$56,120,000</u></b> |

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

NOTE 5. 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 K - Bonds Maturing January 1, 2023**

| YEAR  | PRINCIPAL AMOUNT   |
|-------|--------------------|
| 2021  | \$2,740,000        |
| 2022  | 2,880,000          |
| 2023  | <u>3,025,000</u>   |
| Total | <u>\$8,645,000</u> |

**Series K - Bonds Maturing January 1, 2026**

| YEAR  | PRINCIPAL AMOUNT   |
|-------|--------------------|
| 2024  | \$ 895,000         |
| 2025  | 1,985,000          |
| 2026  | <u>2,080,000</u>   |
| Total | <u>\$4,960,000</u> |

**Series K - Bonds Maturing January 1, 2033**

| YEAR  | PRINCIPAL AMOUNT    |
|-------|---------------------|
| 2027  | \$2,185,000         |
| 2028  | 2,300,000           |
| 2029  | 2,415,000           |
| 2030  | 2,540,000           |
| 2031  | 2,670,000           |
| 2032  | 2,800,000           |
| 2033  | <u>2,945,000</u>    |
| Total | <u>\$17,855,000</u> |

**Series L - Bonds Maturing January 1, 2023**

| YEAR  | PRINCIPAL AMOUNT   |
|-------|--------------------|
| 2019  | \$1,710,000        |
| 2020  | 1,805,000          |
| 2021  | 1,620,000          |
| 2022  | 1,700,000          |
| 2023  | <u>1,785,000</u>   |
| Total | <u>\$8,620,000</u> |

**Series L - Bonds Maturing January 1, 2024**

| YEAR | PRINCIPAL AMOUNT |
|------|------------------|
| 2024 | <u>\$990,000</u> |

**Series M - Bonds Maturing January 1, 2022**

| YEAR  | PRINCIPAL AMOUNT   |
|-------|--------------------|
| 2020  | \$ 460,000         |
| 2021  | 480,000            |
| 2022  | <u>505,000</u>     |
| Total | <u>\$1,445,000</u> |

**Series M - Bonds Maturing January 1, 2025**

| YEAR  | PRINCIPAL AMOUNT   |
|-------|--------------------|
| 2023  | \$ 530,000         |
| 2024  | 555,000            |
| 2025  | <u>585,000</u>     |
| Total | <u>\$1,670,000</u> |

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

NOTE 5. LONG-TERM DEBT (continued):

**Series M - Bonds Maturing January 1, 2030**

| YEAR  | PRINCIPAL AMOUNT   |
|-------|--------------------|
| 2026  | \$ 615,000         |
| 2027  | 645,000            |
| 2028  | 680,000            |
| 2029  | 715,000            |
| 2030  | <u>755,000</u>     |
| Total | <u>\$3,410,000</u> |

**Series N - Bonds Maturing January 1, 2038**

| YEAR  | PRINCIPAL AMOUNT   |
|-------|--------------------|
| 2030  | \$475,000          |
| 2031  | 490,000            |
| 2032  | 515,000            |
| 2033  | 545,000            |
| 2034  | 575,000            |
| 2035  | 600,000            |
| 2036  | 630,000            |
| 2037  | 665,000            |
| 2038  | <u>695,000</u>     |
| Total | <u>\$5,190,000</u> |

**Series N - Bonds Maturing January 1, 2023**

| YEAR  | PRINCIPAL AMOUNT |
|-------|------------------|
| 2021  | \$305,000        |
| 2022  | 320,000          |
| 2023  | <u>335,000</u>   |
| Total | <u>\$960,000</u> |

**Series N - Bonds Maturing January 1, 2028**

| YEAR  | PRINCIPAL AMOUNT   |
|-------|--------------------|
| 2024  | \$ 350,000         |
| 2025  | 370,000            |
| 2026  | 385,000            |
| 2027  | 405,000            |
| 2028  | <u>425,000</u>     |
| Total | <u>\$1,935,000</u> |

**Series N - Bonds Maturing January 1, 2029**

| YEAR | PRINCIPAL AMOUNT |
|------|------------------|
| 2029 | <u>\$440,000</u> |

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

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

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

**NOTE 5. LONG-TERM DEBT (continued):**

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 6. SELF-INSURANCE FUND**

The Port Corporation is self insured for health care benefits under a third party "administrative services only" plan arrangement. Claims are paid on a claims basis. The Port Corporation assumes liability for health claims up to \$40,000 for each individual, except for five employees, on an annual basis and up to \$2,364,723 annually for all enrollees on an aggregate basis. For amounts in excess of individual and aggregate coverage, a commercial insurance policy has been obtained.

**NOTE 7. ECONOMIC DEPENDENCY**

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

**NOTE 8. DEFERRED COMPENSATION PLAN**

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

**NOTE 9. PILOT PAYMENTS**

County of Camden PILOT Payments - The Corporation has entered into a 2007 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 2007. An appropriation of \$419,000 will be required from the State to make payment to the 2007 County of Camden "Pilot Tax Agreement."

City of Salem PILOT Payments - The Corporation has entered into a 2007 payment in lieu of tax agreement with the City of Salem requiring the Corporation to make payment of twenty-seven thousand one hundred seventy-six dollars (\$27,176) in the in the calendar year 2007. An appropriation of \$27,176 will be required from the State to make payment to the 2007 City of Salem "PILOT Tax Agreement".

City of Camden PILOT Payments - The Corporation has entered into a 2007 payment in lieu of tax agreement with the City of Camden requiring the Corporation to make payment of two million dollars (\$2,000,000) in the calendar year 2007. An appropriation of \$2,000,000 will be required from the State to make payment to the 2007 City of Camden "PILOT Tax Agreement".

Borough of Paulsboro PILOT Payments - (1) The Corporation has entered into a 2007 payment in lieu of tax agreement with the Borough requiring the Corporation to make annual payments of five hundred thousand dollars (\$500,000) in the calendar year 2007. An appropriation of \$500,000 will be required from the State to make payment to the 2007 Borough of Paulsboro "PILOT Tax Agreement". (2) The Corporation made an additional one time pro-rated pilot payment of one hundred twenty four thousand thirty-seven dollars (\$124,037) in calendar year 2007. An appropriation of \$124,037 was required from the State to make payment to the 2007 Borough of Paulsboro "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. As of December 31, 2006 Paulsboro had not acquired the full site to sublease to South Jersey Port Corporation. The enabling legislation of the South Jersey Port Corporation requires that the State of New Jersey will fund/replenish the Property Tax Reserve Fund of the South Jersey Port Corporation for any such monies owed on PILOT agreements such as the PILOT agreement with the Borough of Paulsboro.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

**NOTE 9. PILOT PAYMENTS (continued):**

County of Gloucester PILOT Payments – The Corporation has entered into a 2007 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 2007 County of Gloucester “PILOT Tax Agreement.” A representative from Gloucester County inquired as to the disputed \$150,000 payment for 2006. The Corporation notes, however, that the amount certified by the Corporation in 2007 does not take into account any “Pilot” Payment for 2006 to the County of Gloucester pursuant to its Gloucester County Tax Agreement with the Corporation dated January 16, 2006.

All Pilot payments are Pursuant to N.J.S.A.12:11A-20; the amounts are credited to the “South Jersey Port Corporation Tax Reserve Fund”. (See Schedule in Supplementary Schedules)

**NOTE 10. PENDING LITIGATION**

Guarascio vs. Drake Associates, EIC and SJPC

This action is a State Court matter representing the re-filing of a Federal District Court for the Southern District of New York matter from which the Corporation was dismissed on jurisdictional grounds. The action arises out of a diving accident, which occurred on February 24, 2006. EIC was the general contractor with respect to the construction of a Pier for the Corporation. EIC subcontracted with Drake Associates for diving operations. During a dive, the air to plaintiff was compromised and he suffered severe injuries. The litigation is in the discovery phase and it is impossible to predict the ultimate outcome. The Corporation’s Insurance Carrier has appointed counsel who together with general counsel is vigorously defending the action.

South Jersey Port Corporation vs. Hudson, Weeks Marine and Hill International

The Corporation filed a declaratory judgment and breach of contract action against its insurer Lexington/ AIG (“AIG”) for losses it sustained when Pier 1 and Pier 2 at Beckett Street Terminal collapsed on August 22, 2001. The Federal District Court granted defendants’ motions for the summary judgement in 2006 and denied a defendant’s motion for the excess of \$250,000 in Rule 11 sanctions against the Corporation. While upholding the validity of the assignment, the court reasoned that public policy precludes the Corporation from recovering under the assignment concluding it would be double recovery as the Corporation has already recovered in excess of the depreciated value of the Piers. The Corporation appealed this decision and it was denied by the Third

Circuit Court of Appeals. Under the advice of counsel, the Corporation does not intend to appeal the decision.

Krebs vs. South Jersey Port Corporation, A suit was filed in the United States District Court for the District of New Jersey, Civil Action No. 1:07-cv-04561

A wrongful termination claim by ex-employee alleging violations of federal Civil Rights law, 42 USC Section 1983; the New Jersey Conscientious Employee Protections Act; Libel, Slander and False Light; Spoliation; and International Infliction of Emotional Distress. The Complaint was filed on September 21, 2007. On November 2, 2007, the defendants filed a motion to dismiss the Complaint which is pending before the Court. At this time it is unable to determine the likelihood of an unfavorable outcome or an estimate of the amount or range of potential loss.

Elliott vs. South Jersey Port Corporation, A suit was filed in Superior Court of New Jersey, Law Division, Essex County, Docket Number L-9149-07, transferred to Camden County on January 23, 2008, Docket No. L-642-08.

A wrongful termination claim by ex-employee alleging a violation of the New Jersey Conscientious Employee Protections Act and the New Jersey Law Against Discrimination. The Complaint was filed on November 16, 2007 and an answer was filed by the South Jersey Port and the defendants Joseph Balzano and Jay Jones on February 29, 2008. The parties have begun initial pretrial discovery by obtaining the plaintiff’s medical and treatment records relevant to the case. The discovery end date is set for July 31, 2008 for all pretrial discovery to be completed.

**NOTE 11. THREATENED LITIGATION**

The Corporation is a defendant in several lawsuits pertaining to the liability of the Corporation, each of which is covered by the liability insurance carried by the Corporation.

**NOTE 12. REFRIGERATED WAREHOUSE LEASES**

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

South Jersey Port Corporation owns real property, which was ground-leased to DRPA. DRPA has constructed a building thereon to be used by Del Monte. Del Monte will lease the building from the Corporation pursuant to the terms of a sublease, and the Corporation will in turn lease the building from DRPA pursuant to a lease. The term of the

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

**NOTE 12. REFRIGERATED WAREHOUSE LEASES (continued):**

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

**NOTE 13. CAPITAL PROJECTS AND FUNDING SOURCES**

During 2001 South Jersey Port Corporation entered into a Capital Lease with the Delaware River Port Authority in the amount of \$2,000,000 for electrical substation upgrades at the Broadway terminal. The lease term is twenty years at no interest rate. As of the date of this report no payments have been made on the lease.

There was a railroad crossing project upgrade that was completed at the Broadway Terminal in 2007 at a cost of \$259,224.

During 2007, the Corporation commenced and completed the demolition of an unused administration building "G" at its Broadway Terminal. Cost including engineering was \$720,799. The project was funded through prior Corporation bond issues.

**NOTE 14. PORT OF SALEM**

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

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

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

**NOTE 15. BEGINNING NET ASSETS ADJUSTMENT (CHANGE IN ACCOUNTING ESTIMATE)**

The following schedule reconciles January 1, 2007, net assets as previously reported, to beginning net assets, as restated, to include a change in accounting estimate:

|  |                     |
|--|---------------------|
| January 1, 2007 Net Assets as Previously Stated  | \$42,204,804        |
| Change in Accounting Estimate:                   |                     |
| General Long-Term Debt – Post Retirement Payable | <u>(257,000)</u>    |
| January 1 Retained Earnings/Net Assets Restated  | <u>\$41,947,804</u> |

During 2007 the new accounting GASB 45 was instituted. To adhere to the new standard a Post Retirement Benefit liability of \$271,000 must be established. A prior period adjustment of \$257,000 is necessary to properly record this liability.

**NOTE 16. PAULSBORO PORT AGREEMENT**

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

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

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

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

**NOTE 16. PAULSBORO PORT AGREEMENT (continued)**

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

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

Payment in Lieu of Taxes (PILOT) payment information for the Borough of Paulsboro (\$500,000) and the County of Gloucester (\$150,000).

**NOTE 17. RESERVE FOR INVENTORY OF SUPPLIES**

Inventories are valued at historical cost. The costs of inventories in Business-Type Activities are recorded as expenditures when purchased. The Corporation established their inventory of supplies in 2005, currently valued at \$1,421,100 as of December 31, 2007.

**NOTE 18. POST-RETIREMENT HEALTH BENEFITS**

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

NOTE 18. POST-RETIREMENT HEALTH BENEFITS (continued)

|  |                  |
|--|------------------|
| Annual Required Contribution                             | \$ 14,000        |
| Interest on Net Other Post-Employment Benefit            | -                |
| Adjustment to Annual Required Contribution               | <u>-</u>         |
| Annual Other Post-Employment Benefit Contributions Made  | <u>14,000</u>    |
| Increase in Net Other Post-Employment Benefit Obligation | 14,000           |
| Net Other Post-Employment Benefit, Beginning of Year     | <u>257,000</u>   |
| Net Other Post-Employment Benefit, End of Year           | <u>\$271,000</u> |

The Corporation's annual Other Post-Employment Benefit cost, the percentage of annual Other Post Employment Benefit cost contributed to the Plan, and the net Other Post Employment Benefit obligation (OPEB) for the year ending December 31, 2007 is as follows:

| YEAR ENDED | ANNUAL OPEB COST | PERCENTAGE CONTRIBUTED | NET OPEB OBLIGATION |
|------------|------------------|------------------------|---------------------|
| 12/31/07   | \$14,000         | 0%                     | \$271,000           |

Actuarial assumptions were used to value the post-retirement medical liabilities. Actuarial assumptions were based on the actual experience of the covered group, to the extent that creditable experience data was available, with an emphasis on expected long-term future trends rather than giving undue weight to recent past experience. The reasonableness of each actuarial assumption was considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions. In accordance with Local Finance Notice 2007-15 issued by the New Jersey Department of Community Affairs, we used demographic and health care assumptions consistent with the assumptions used by the New Jersey Division of Pensions and Benefits and the State Health Benefits Plan as reported in their July 1, 2006 Actuarial Valuation to value the GASB obligations, except where it was appropriate to use different assumptions.

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

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are

expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two plans being partially funded. We assumed a discount rate of 5.0 percent for purposes of developing the liabilities and Annual Required Contribution on the basis that the Plan would not be funded.

The valuation projects the cost to the South Jersey Port Corporation of providing medical benefits to employees who remain in the medical plan after retirement (post-employment coverage). South Jersey Port Corporation self-insures the health plan. We elected to use for this valuation claims costs based on the claims costs for the South Jersey Port Corporation health claims experience and demographics.

We developed medical and prescription drug per capita claims cost for retirees and spouses of \$504.75 per month and per capita claims cost for dental and vision benefits of \$41.00 per month for calendar year 2007. The stop-loss insurance cost for retirees and surviving spouses was \$61.50 per month while the stop-loss insurance cost for dependent spouses was \$68.25 per month.

We have assumed 100% of future retirees will participate in the post-employment welfare plans upon retirement. 90% of eligible retirees are assumed to have spousal coverage, with wives three years younger than husbands. The administrative costs for the plan were estimated at \$60 per retiree per month.

The Corporation currently has seven eligible retired employees receiving retirement benefits. The net Other Post-Employment Benefit obligation to the Corporation to provide benefits to the retirees for the year ended December 31, 2007, was \$271,000. Actual cost incurred for Early Retiree Benefits for the year ended December 31, 2007 totaled \$136,572.

NOTE 19. SUBSEQUENT EVENTS

1) The South Jersey Port Corporation in 2007 issued Series N bonds in the amount of \$11,235,000 and received a net amount of \$11,122,650. These bond proceeds will be used by the Port to fund the Paulsboro Marine Terminal Project, Cathodic Protection Project and Warehouse Replacement Project. The Paulsboro Marine Project funded amount is \$2,930,000, the Cathodic Protection funded amount is \$3,500,000 and the Warehouse Replacement Project funded amount is \$3,760,000. As of December 31, 2007 the Port has expended \$479,740 for the Paulsboro Marine Terminal Project and \$58,942 for the Warehouse Replacement Project.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the year ended December 31, 2007

NOTE 19. SUBSEQUENT EVENTS (continued)

2) There is an anticipated claim relating to an accident resulting in the death of a South Jersey Port Corporation employee while on duty. The Corporation expects a significant claim will be filed and covered under the South Jersey Port Corporation's workers compensation insurance policy.

3) On November 24, 2004 the ATHOS I struck a submerged anchor as it approached the CITGO Asphalt Refining Company at Paulsboro, New Jersey. The anchor punctured the hull and caused the release of 265,000 gallons of crude oil into the Delaware River. This oil spill delayed the pier construction at the South Jersey Port. The Corporation made a claim under the Oil Pollution Act. The National Pollution Fund Center in accordance with the Oil Pollution Act has determined and submitted for approval to the Corporation an offer of \$115,000.00 for losses as a result of the oil spill. The Oil Pollution Claim number is P05005-21.

NOTE 20. ARBITRAGE REBATE CALCULATION

The goal of the arbitrage calculation is to insure the Corporation is in compliance with the Internal Revenue Code. IRS rules state that Arbitrage Calculation needs to be done at least once every 5 years.

Arbitrage is the ability to obtain tax-exempt bonds proceeds and invest the funds in higher yielding taxable securities, resulting in a profit.

The arbitrage rebate requirements require that any profit or arbitrage 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 investment purchased with gross proceeds of the bonds over the amount, which would have been earned if such non-purpose investments were invested at a rate equal to the yield of the bonds.

This arbitrage calculation is presently being completed.

**COMPARATIVE SCHEDULE OF OPERATING REVENUES AND EXPENSES ACTUAL COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

|                             | 2007                |                    |                   | 2006               |                    |                   |
|-----------------------------|---------------------|--------------------|-------------------|--------------------|--------------------|-------------------|
|                             | ORIGINAL<br>BUDGET  | MODIFIED<br>BUDGET | ACTUAL            | ORIGINAL<br>BUDGET | MODIFIED<br>BUDGET | ACTUAL            |
| <b>Operating Revenues:</b>  |                     |                    |                   |                    |                    |                   |
| Marine Direct:              |                     |                    |                   |                    |                    |                   |
| Leases - Marine Direct      | 4,811,083           | 4,811,083          | 4,813,048         | 4,785,967          | 4,785,967          | 4,797,359         |
| Crane Rental                | 1,872,952           | 1,872,952          | 1,908,557         | 2,059,433          | 2,059,433          | 1,930,873         |
| Dockage                     | 2,804,743           | 2,804,743          | 2,301,602         | 2,343,226          | 2,343,226          | 3,054,502         |
| Handling                    | 7,873,113           | 7,873,113          | 7,191,250         | 8,033,233          | 8,033,233          | 9,206,261         |
| Storage                     | 1,719,894           | 1,719,894          | 2,351,236         | 2,903,459          | 2,903,459          | 2,117,092         |
| Wharfage                    | 4,091,050           | 4,091,050          | 3,821,044         | 3,696,563          | 3,696,563          | 4,468,575         |
| Stevedoring                 | 2,000,000           | 2,000,000          |                   | 2,100,000          | 2,100,000          |                   |
| Demurrage                   | 49,058              | 49,058             | 22,625            | 75,000             | 75,000             | 60,987            |
| <b>Total Marine Direct</b>  | <b>25,221,893</b>   | <b>25,221,893</b>  | <b>22,409,362</b> | <b>25,996,881</b>  | <b>25,996,881</b>  | <b>25,635,649</b> |
| Marine Related:             |                     |                    |                   |                    |                    |                   |
| Leases - Industrial         | 894,406             | 894,406            | 896,783           | 836,789            | 836,789            | 845,004           |
| Utilities                   | 1,400,000           | 1,400,000          | 1,815,796         | 1,425,395          | 1,425,395          | 1,248,374         |
| Port of Salem Revenue       | 73,000              | 73,000             | 102,600           |                    | 50,000             | 65,000            |
| Miscellaneous               | 150,000             | 150,000            | 170,252           | 150,000            | 150,000            | 157,059           |
| <b>Total Marine Related</b> | <b>2,517,406</b>    | <b>2,517,406</b>   | <b>2,985,431</b>  | <b>2,412,184</b>   | <b>2,462,184</b>   | <b>2,315,437</b>  |
| Other Income:               |                     |                    |                   |                    |                    |                   |
| Income on Investments       | 300,000             | 300,000            | 708,081           | 175,000            | 175,000            | 509,358           |
| Grant Revenue               |                     |                    |                   |                    |                    | 715,000           |
| Miscellaneous               | 100,000             | 100,000            | 114,425           | 75,000             | 75,000             | 97,569            |
| <b>Total Other Income</b>   | <b>400,000</b>      | <b>400,000</b>     | <b>822,506</b>    | <b>250,000</b>     | <b>250,000</b>     | <b>1,321,927</b>  |
| <b>Total Revenues</b>       | <b>\$28,139,299</b> | <b>28,139,299</b>  | <b>26,217,299</b> | <b>28,659,065</b>  | <b>28,709,065</b>  | <b>29,273,013</b> |
| <b>Operating Expenses:</b>  |                     |                    |                   |                    |                    |                   |
| Port Operations:            |                     |                    |                   |                    |                    |                   |
| Labor Expense:              |                     |                    |                   |                    |                    |                   |
| Labor Crane                 | 208,545             | 208,545            | 273,184           | 366,820            | 366,820            | 302,005           |
| Labor Handling              | 2,330,077           | 2,330,077          | 2,217,005         | 2,600,901          | 2,600,901          | 2,666,439         |
| Labor Repairs & Maintenance | 728,771             | 728,771            | 716,636           | 883,058            | 883,058            | 685,776           |
| Security                    | 566,610             | 566,610            | 584,013           | 591,770            | 591,770            | 566,773           |
| Supervisors                 | 887,400             | 887,400            | 973,350           | 814,281            | 814,281            | 918,532           |
| <b>Total Labor Expense</b>  | <b>4,721,403</b>    | <b>4,721,403</b>   | <b>4,764,188</b>  | <b>5,256,830</b>   | <b>5,256,830</b>   | <b>5,139,525</b>  |

**COMPARATIVE SCHEDULE OF OPERATING REVENUES AND EXPENSES ACTUAL COMPARED TO BUDGET (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

|                                  | 2007               |                    |           | 2006               |                    |           |
|----------------------------------|--------------------|--------------------|-----------|--------------------|--------------------|-----------|
|                                  | ORIGINAL<br>BUDGET | MODIFIED<br>BUDGET | ACTUAL    | ORIGINAL<br>BUDGET | MODIFIED<br>BUDGET | ACTUAL    |
| Payroll Taxes                    | 461,962            | 461,962            | 451,106   | 536,585            | 536,585            | 503,125   |
| Workers Compensation Insurance   | 677,325            | 677,325            | 667,189   | 646,000            | 646,000            | 642,418   |
| Employee Benefits:               |                    |                    |           |                    |                    |           |
| Hospitalization                  | 1,460,000          | 1,460,000          | 1,330,576 | 1,100,000          | 1,100,000          | 1,261,705 |
| Vacation, Holiday, Sick, Pension | 690,883            | 690,883            | 573,096   | 615,000            | 615,000            | 636,963   |
| Total Employee Benefits          | 3,290,170          | 3,290,170          | 3,021,967 | 2,897,585          | 2,897,585          | 3,044,211 |
| Crane Rental - Gas & Oil         | 105,000            | 105,000            | 121,431   | 175,000            | 175,000            | 98,038    |

**COMPARATIVE SCHEDULE OF OPERATING REVENUES AND EXPENSES ACTUAL COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

|                                    | 2007               |                    |            | 2006               |                    |            |
|------------------------------------|--------------------|--------------------|------------|--------------------|--------------------|------------|
|                                    | ORIGINAL<br>BUDGET | MODIFIED<br>BUDGET | ACTUAL     | ORIGINAL<br>BUDGET | MODIFIED<br>BUDGET | ACTUAL     |
| Operating Expenses (Continued):    |                    |                    |            |                    |                    |            |
| Handling:                          |                    |                    |            |                    |                    |            |
| Gas & Oil                          | 325,000            | 325,000            | 290,512    | 400,000            | 400,000            | 321,132    |
| Miscellaneous                      | 135,000            | 135,000            | 91,161     | 125,000            | 125,000            | 130,535    |
| Stevedoring                        | 2,000,000          | 2,000,000          |            | 2,100,000          | 2,100,000          |            |
| Trucking Expenses                  | 200,000            | 200,000            | 205,146    | 350,000            | 350,000            | 253,985    |
| Clerking & Checking                | 2,500,000          | 2,500,000          | 2,329,737  | 2,650,000          | 2,650,000          | 3,168,483  |
| Total Handling                     | 5,160,000          | 5,160,000          | 2,916,556  | 5,625,000          | 5,625,000          | 3,874,135  |
| Rental of Equipment                | 75,000             | 75,000             | 53,157     | 125,000            | 125,000            | 127,430    |
| Trash Removal                      | 120,693            | 120,693            | 146,084    | 200,000            | 200,000            | 158,806    |
| Lease Agreements                   | 589,000            | 589,000            | 553,000    | 594,005            | 594,005            | 560,383    |
| Security:                          |                    |                    |            |                    |                    |            |
| Contracted Services                | 10,000             | 10,000             | 5,232      | 10,000             | 10,000             | 7,278      |
| Other Expenses                     | 25,000             | 25,000             | 16,203     | 35,000             | 35,000             | 20,888     |
| Total Security                     | 35,000             | 35,000             | 21,435     | 45,000             | 45,000             | 28,166     |
| Port of Salem Operations           | 44,383             | 44,383             | 44,211     | 64,565             | 64,565             | 45,119     |
| Utilities                          | 2,450,000          | 2,450,000          | 2,283,319  | 2,200,000          | 2,200,000          | 2,061,886  |
| Total Port Operations              | 16,590,649         | 16,590,649         | 13,925,348 | 17,182,985         | 17,182,985         | 15,137,699 |
| Repairs & Maintenance:             |                    |                    |            |                    |                    |            |
| Buildings & Grounds:               |                    |                    |            |                    |                    |            |
| Contracted                         | 400,000            | 400,000            | 184,065    | 300,000            | 300,000            | 1,941,437  |
| Fees & Permits                     | 50,000             | 50,000             | 46,385     | 150,000            | 150,000            | 17,726     |
| Materials                          | 200,000            | 200,000            | 210,242    | 225,000            | 225,000            | 183,216    |
| Total Buildings & Grounds          | 650,000            | 650,000            | 440,692    | 675,000            | 675,000            | 2,142,379  |
| Cranes:                            |                    |                    |            |                    |                    |            |
| Contracted                         | 150,000            | 150,000            | 254,574    | 120,000            | 120,000            | 144,002    |
| Materials                          | 250,000            | 250,000            | 95,368     | 80,000             | 80,000             | 129,021    |
| Total Cranes                       | 400,000            | 400,000            | 349,942    | 200,000            | 200,000            | 273,023    |
| Mobile Machinery & Equipment:      |                    |                    |            |                    |                    |            |
| Contracted                         | 100,000            | 100,000            | 51,658     | 75,000             | 75,000             | 92,269     |
| Equipment                          | 70,000             | 70,000             | 77,656     | 50,000             | 50,000             | 65,548     |
| Materials                          | 350,000            | 350,000            | 242,689    | 400,000            | 400,000            | 291,149    |
| Small Tools                        | 42,500             | 42,500             | 50,349     | 20,000             | 20,000             | 40,667     |
| Total Mobile Machinery & Equipment | 562,500            | 562,500            | 422,352    | 545,000            | 545,000            | 489,633    |
| Total Repairs & Maintenance        | 1,612,500          | 1,612,500          | 1,212,986  | 1,420,000          | 1,420,000          | 2,905,035  |

**COMPARATIVE SCHEDULE OF OPERATING REVENUES AND EXPENSES ACTUAL COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

|   | 2007               |                    |             | 2006               |                    |             |
|---|--------------------|--------------------|-------------|--------------------|--------------------|-------------|
|   | ORIGINAL<br>BUDGET | MODIFIED<br>BUDGET | ACTUAL      | ORIGINAL<br>BUDGET | MODIFIED<br>BUDGET | ACTUAL      |
| Operating Expenses (Continued):                     |                    |                    |             |                    |                    |             |
| General & Administrative:                           |                    |                    |             |                    |                    |             |
| Labor - Office Clerical & Related                   | 1,074,941          | 1,074,941          | 1,053,022   | 1,006,598          | 1,006,598          | 1,029,288   |
| Labor - Administrative                              | 719,826            | 719,826            | 712,155     | 682,043            | 682,043            | 652,139     |
| Payroll Taxes                                       | 153,281            | 153,281            | 142,404     | 141,862            | 141,862            | 146,035     |
| Workmen's Compensation                              | 3,600              | 3,600              | 3,600       | 3,600              | 3,600              | 3,327       |
| Employee Benefits:                                  |                    |                    |             |                    |                    |             |
| Hospitalization                                     | 864,078            | 864,078            | 761,171     | 650,000            | 650,000            | 745,317     |
| Pension   | 282,187            | 282,187            | 282,188     | 150,000            | 150,000            | 181,190     |
| Insurance   | 1,998,629          | 1,998,629          | 1,781,459   | 1,800,000          | 1,800,000          | 2,165,355   |
| Professional Fees                                   | 973,000            | 973,000            | 824,809     | 1,007,500          | 1,007,500          | 914,383     |
| Miscellaneous                                       | 472,500            | 472,500            | 465,146     | 483,000            | 483,000            | 490,350     |
| Telephone   | 72,500             | 72,500             | 66,758      | 75,000             | 75,000             | 66,610      |
| Utilities   | 30,000             | 30,000             | 30,000      | 35,000             | 35,000             | 30,000      |
| Bad Debt  | 60,000             | 60,000             | 60,000      | 100,000            | 100,000            | 68,406      |
| Total General & Administrative                      | 6,704,542          | 6,704,542          | 6,182,712   | 6,134,603          | 6,134,603          | 6,492,400   |
| Total Operating Expenses                            | 24,907,691         | 24,907,691         | 21,321,046  | 24,737,588         | 24,737,588         | 24,535,134  |
| Operating Income Before Other<br>Operating Expenses | \$3,231,608        | 3,231,608          | \$4,896,253 | \$3,921,477        | \$3,971,477        | \$4,737,879 |

SCHEDULE OF NET ASSETS  
DECEMBER 31, 2007

| ASSETS   | UNRESTRICTED<br>OPERATING<br>ACCOUNTS | RESTRICTED<br>DEBT         |                               |                                   | CONSTRUCTION<br>ACCOUNT | TAX<br>RESERVE<br>ACCOUNT | TOTAL                 |
|--|---------------------------------------|----------------------------|-------------------------------|-----------------------------------|-------------------------|---------------------------|-----------------------|
|  |                                       | DEBT<br>SERVICE<br>ACCOUNT | SERVICE<br>RESERVE<br>ACCOUNT | MAINTENANCE<br>RESERVE<br>ACCOUNT |                         |                           |                       |
| Current Assets:  |                                       |                            |                               |                                   |                         |                           |                       |
| Cash & Cash Equivalents  | \$9,583,496                           |                            | \$ 7,090,587                  |                                   | \$ 13,992,075           |                           | \$ 30,666,158         |
| Investments  |                                       |                            | 2,924,917                     |                                   |                         |                           | 2,924,917             |
| Accounts Receivable (Net of Allowance<br>for Doubtful Accounts of \$365,433) | 2,282,588                             |                            |                               |                                   |                         |                           | 2,282,588             |
| Due from State   |                                       |                            | 4,392,824                     |                                   |                         |                           | 4,392,824             |
| Other Accounts Receivable  | 518,916                               |                            |                               |                                   | 65,170                  |                           | 584,086               |
| Notes Receivable   | 18,754                                |                            |                               |                                   |                         |                           | 18,754                |
| Prepaid Expenses   | 468,350                               |                            |                               |                                   |                         |                           | 468,350               |
| Inventory of Supplies  | 1,421,100                             |                            |                               |                                   |                         |                           | 1,421,100             |
| Interfund Accounts Receivable  | 18,523,909                            | 12,691,006                 | 5,226,121                     | 510,175                           | 21,430,368              |                           | 58,381,579            |
| Total Current Assets   | <u>32,817,113</u>                     | <u>12,691,006</u>          | <u>19,634,449</u>             | <u>510,175</u>                    | <u>35,487,613</u>       |                           | <u>101,140,356</u>    |
| Property, Plant & Equipment (Note 3)   |                                       |                            |                               |                                   | 202,297,562             |                           | 202,297,562           |
| Construction in Progress   |                                       |                            |                               |                                   | 1,259,481               |                           | 1,259,481             |
| Bond Discount & Financing Costs  |                                       |                            |                               |                                   | 14,091,506              |                           | 14,091,506            |
| Subtotal   |                                       |                            |                               |                                   | <u>217,648,549</u>      |                           | <u>217,648,549</u>    |
| Accumulated Depreciation &<br>Amortization                                   |                                       |                            |                               |                                   | 79,021,236              |                           | 79,021,236            |
| Total Property, Plant & Equipment<br>& Construction in Progress              |                                       |                            |                               |                                   | <u>138,627,313</u>      |                           | <u>138,627,313</u>    |
| Total Assets   | <u>\$ 32,817,113</u>                  | <u>\$ 12,691,006</u>       | <u>\$ 19,634,449</u>          | <u>\$ 510,175</u>                 | <u>\$ 174,114,926</u>   |                           | <u>\$ 239,767,669</u> |

**SCHEDULE OF NET ASSETS  
DECEMBER 31, 2007**

| LIABILITIES  | UNRESTRICTED<br>OPERATING<br>ACCOUNTS | RESTRICTED<br>DEBT         |                               |                                   | CONSTRUCTION<br>ACCOUNT | TAX<br>RESERVE<br>ACCOUNT | TOTAL         |
|--|---------------------------------------|----------------------------|-------------------------------|-----------------------------------|-------------------------|---------------------------|---------------|
|  |                                       | DEBT<br>SERVICE<br>ACCOUNT | SERVICE<br>RESERVE<br>ACCOUNT | MAINTENANCE<br>RESERVE<br>ACCOUNT |                         |                           |               |
| Current Liabilities Payable from Assets:             |                                       |                            |                               |                                   |                         |                           |               |
| Accounts Payable                                     | \$ 192,691                            |                            |                               |                                   | \$ 59,735               |                           | \$ 252,426    |
| Contracts Payable                                    |                                       |                            |                               |                                   | 614,021                 |                           | 614,021       |
| Capital Lease Payable                                |                                       |                            |                               |                                   | 600,000                 |                           | 600,000       |
| Accrued Expenses                                     | 516,567                               |                            |                               |                                   |                         |                           | 516,567       |
| Accrued Interest Payable                             |                                       | 2,867,473                  |                               |                                   |                         |                           | 2,867,473     |
| Accrued Vacation Payable                             | 246,925                               |                            |                               |                                   |                         |                           | 246,925       |
| Accrued Payroll                                      | 159,031                               |                            |                               |                                   |                         |                           | 159,031       |
| Payroll Taxes Payable                                | 34,385                                |                            |                               |                                   |                         |                           | 34,385        |
| Deferred Income                                      | 583,669                               |                            |                               |                                   |                         |                           | 583,669       |
| Lease Security & Escrow Deposits                     | 141,216                               |                            |                               |                                   |                         |                           | 141,216       |
| Revenue Bonds - Short-Term                           |                                       |                            |                               |                                   | 4,850,000               |                           | 4,850,000     |
| Interfund Accounts Payable                           | 16,307,359                            | 9,823,533                  | 8,547,155                     |                                   | 23,703,532              |                           | 58,381,579    |
| Total Current Liabilities                            | 18,181,843                            | 12,691,006                 | 8,547,155                     |                                   | 29,827,288              |                           | 69,247,292    |
| Revenue Bonds (Long-Term Portion)                    |                                       |                            |                               |                                   | 123,075,000             |                           | 123,075,000   |
| Early Retirement Payable                             | 1,075,436                             |                            |                               |                                   |                         |                           | 1,075,436     |
| Post Retirement Benefits Payable                     | 271,000                               |                            |                               |                                   |                         |                           | 271,000       |
| Capital Lease Payable                                |                                       |                            |                               |                                   | 1,400,000               |                           | 1,400,000     |
| Total Liabilities                                    | 19,528,279                            | 12,691,006                 | 8,547,155                     |                                   | 154,302,288             |                           | 195,068,728   |
| NET ASSETS   |                                       |                            |                               |                                   |                         |                           |               |
| Investment in Capital Assets, Net<br>of Related Debt |                                       |                            |                               | 510,175                           | 19,812,638              |                           | 20,322,813    |
| Reserve for Payment of Debt Service                  |                                       |                            | 11,087,294                    |                                   |                         |                           | 11,087,294    |
| Reserve for Inventory Supplies                       | 1,421,100                             |                            |                               |                                   |                         |                           | 1,421,100     |
| Unreserved   | 11,867,734                            |                            |                               |                                   |                         |                           | 11,867,734    |
| Net Assets   | \$ 13,288,834                         |                            | \$ 11,087,294                 | \$ 510,175                        | \$ 19,812,638           |                           | \$ 44,698,941 |

SCHEDULE OF CHANGES IN NET ASSETS ALL ACCOUNTS  
DECEMBER 31, 2007

|  | OPERATING<br>ACCOUNTS | DEBT<br>SERVICE<br>ACCOUNT | DEBT<br>SERVICE<br>RESERVE<br>ACCOUNT | MAINTENANCE<br>RESERVE<br>ACCOUNT | CONSTRUCTION<br>ACCOUNT | TAX<br>RESERVE<br>ACCOUNT | TOTAL             |
|--|-----------------------|----------------------------|---------------------------------------|-----------------------------------|-------------------------|---------------------------|-------------------|
| Net Assets - January 1 Restated                    | \$11,581,384          |                            | \$ 10,436,678                         | \$ 510,175                        | \$ 20,776,021           |                           | \$ 43,304,258     |
| Add:   |                       |                            |                                       |                                   |                         |                           |                   |
| Excess of Revenue Over Expenses                    | 4,896,253             |                            |                                       |                                   |                         |                           | 4,896,253         |
| State of New Jersey:                               |                       |                            |                                       |                                   |                         |                           |                   |
| Debt Service Aid                                   |                       |                            | 6,881,543                             |                                   |                         |                           | 6,881,543         |
| PILOT Payments                                     |                       |                            |                                       |                                   |                         | 3,220,213                 | 3,220,213         |
| Other Contributions                                |                       |                            |                                       |                                   | 36,350                  |                           | 36,350            |
| Depreciation on Contributed Capital                |                       |                            |                                       |                                   | 204,637                 |                           | 204,637           |
| Unrealized Gain/(Loss) on Investment               | 48,804                |                            |                                       |                                   |                         |                           | 48,804            |
| Interest on Investments                            |                       |                            |                                       |                                   | 263,128                 |                           | 263,128           |
| Inventory of Supplies                              | 303,528               |                            |                                       |                                   |                         |                           | 303,528           |
| Interfund Transfers                                |                       | 5,658,317                  | 650,616                               |                                   | 4,069,860               |                           | 10,378,793        |
| <b>Total</b>                                       | <b>16,829,969</b>     | <b>5,658,317</b>           | <b>17,968,837</b>                     | <b>510,175</b>                    | <b>25,349,996</b>       | <b>3,220,213</b>          | <b>69,537,507</b> |
| Deduct:  |                       |                            |                                       |                                   |                         |                           |                   |
| Bond Interest                                      |                       | 5,658,317                  |                                       |                                   |                         |                           | 5,658,317         |
| Depreciation/ Amortization Expense                 |                       |                            |                                       |                                   | 5,332,721               |                           | 5,332,721         |
| Loss on Disposal of Assets                         | 43,885                |                            |                                       |                                   |                         |                           | 43,885            |
| Transfer of Depreciation to Contributed<br>Capital |                       |                            |                                       |                                   | 204,637                 |                           | 204,637           |
| Camden City PILOT Payment                          |                       |                            |                                       |                                   |                         | 2,000,000                 | 2,000,000         |
| Camden County PILOT Payment                        |                       |                            |                                       |                                   |                         | 419,000                   | 419,000           |
| Gloucester County PILOT Payment                    |                       |                            |                                       |                                   |                         | 150,000                   | 150,000           |
| Paulsboro PILOT Payment                            |                       |                            |                                       |                                   |                         | 624,037                   | 624,037           |
| Salem PILOT Payment                                |                       |                            |                                       |                                   |                         | 27,176                    | 27,176            |
| Interfund Transfers                                | 3,497,250             |                            | 6,881,543                             |                                   |                         |                           | 10,378,793        |
| <b>Total</b>                                       | <b>3,541,135</b>      | <b>5,658,317</b>           | <b>6,881,543</b>                      |                                   | <b>5,537,358</b>        | <b>3,220,213</b>          | <b>24,838,566</b> |
| Net Assets December 31, 2007                       | \$13,288,834          | -                          | \$ 11,087,294                         | \$ 510,175                        | \$ 19,812,638           | -                         | \$ 44,698,941     |



BECKETT STREET TERMINAL 1935



SOUTH JERSEY PORT CORPORATION  
2nd and Beckett Streets  
Camden, New Jersey 08103  
p: 856.757.4969 • f: 856.757.4903  
[www.southjerseyport.com](http://www.southjerseyport.com)