



**SOUTH JERSEY PORT CORPORATION**

2007 Annual Report

**FINANCIAL STATEMENTS**



## FINANCIAL STATEMENTS CONTENTS

Letter from CEO and Treasurer	1
Independent Auditor's Report	2
Required Supplementary Information Part I: Management's Discussion and Analysis	4
Basic Financial Statements:	
Comparative Statement of Net Assets	13
Comparative Statement of Revenues, Expenses & Changes in Net Assets	15
Comparative Statement of Cash Flows	17
Notes to Financial Statements	19
Required Supplementary Information Part II:	
Comparative Schedule of Operating Revenues and Expenses Actual Compared to Budget	38
Schedule of Net Assets	42
Schedule of Changes in Net Assets All Accounts	44

**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 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>
 <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>
 <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

	<u>2007</u>	<u>2006</u>
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)**

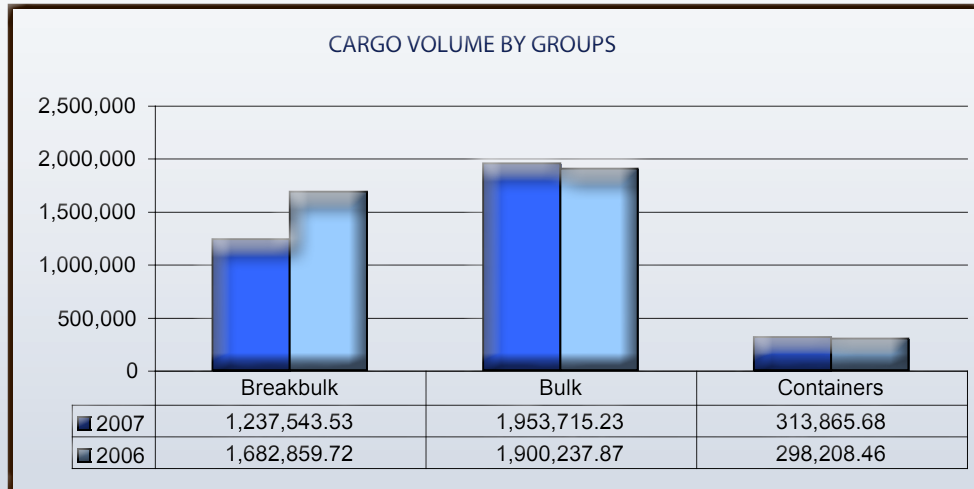
**PORT CHANGES IN NET ASSETS (CONTINUED)**

	<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
 Total Operating Transfers	 <u>7,185,071</u>	 <u>6,978,646</u>
 Net Income/(Loss)	 <u>1,577,195</u>	 <u>1,287,074</u>
 Net Assets/(Deficit) - January 1, Previously Reported	 42,204,804	 40,917,730
Adjustment of General Long Term Debt	(257,000)	-
 Net Assets/(Deficit) - January 1 as Restated	 <u>41,947,804</u>	 <u>40,917,730</u>
 Net Assets/(Deficit) - December 31	 <u>43,524,999</u>	 <u>42,204,804</u>
 Contributed Capital, January 1	 1,356,454	 1,612,323
Contributions	22,125	-
Depreciation	(204,637)	(255,869)
 Contributed Capital, December 31	 <u>1,173,942</u>	 <u>1,356,454</u>
 Net Assets - December 31	 <u><u>\$44,698,941</u></u>	 <u><u>\$43,561,258</u></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**

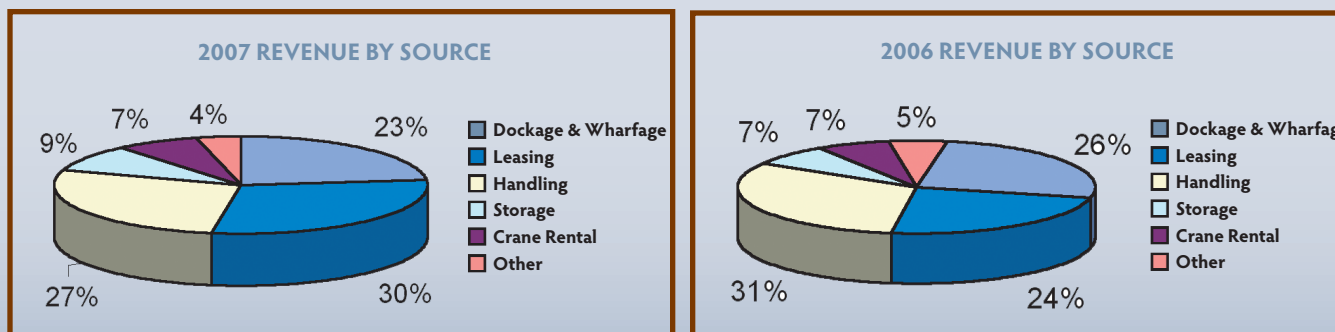
The Port Corporation generated \$26,217,299 total in operating revenues in 2007. This represents an overall decrease of (\$3,055,714) or (11.6%) under 2006.

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.

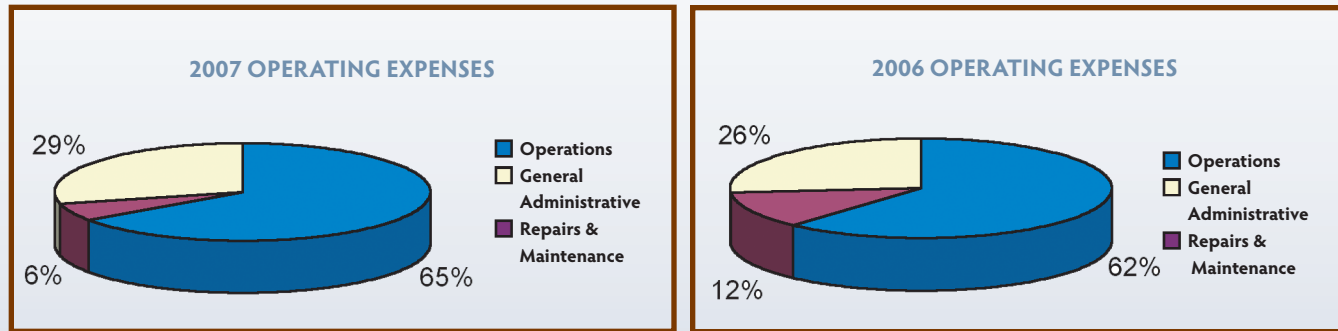
Utility revenue increased by \$567,422 or 45.45% in 2007 compared to 2006. The reason for the variance was due to usage increase at Del Monte, Camden Yard Steel and Joseph Oat.



**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 policy premiums. 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 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	217,648,549	215,924,179
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>

**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
	<hr/>	<hr/>
Total Current Liabilities Payable From Unrestricted Assets	1,874,484	2,693,342
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
	<hr/>	<hr/>
Total Current Liabilities Payable From Restricted Assets	8,991,229	9,389,502
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	
	<hr/>	<hr/>
Total Long-Term Liabilities Payable From Unrestricted Assets	1,346,436	1,054,906
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
	<hr/>	<hr/>
Total Long-Term Liabilities Payable From Restricted Assets	124,475,000	118,190,000
	<hr/>	<hr/>
Total Liabilities	136,687,149	131,327,750
	<hr/>	<hr/>
<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
	<hr/>	<hr/>
Total Net Assets	\$44,698,941	\$43,561,258
	<hr/>	<hr/>

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

	2007	2006
Operating Revenues:		
Marine Direct	\$ 22,409,362	\$ 25,635,649
Marine Related	2,985,431	2,315,437
Other	822,506	1,321,927
	<hr/>	<hr/>
Total Operating Revenues	26,217,299	29,273,013
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
	<hr/>	<hr/>
Total Operating Expenses	21,321,046	24,535,134
Operating Income Before Other Operating Expenses	<hr/>	<hr/>
	4,896,253	4,737,879
Other Operating Expenses:		
Depreciation	5,332,721	5,462,430
	<hr/>	<hr/>
Total Other Operating Expenses	5,332,721	5,462,430
Operating Gain/(Loss)	<hr/>	<hr/>
	(436,468)	(724,551)
Nonoperating 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)
	<hr/>	<hr/>
Net Nonoperating Expenses	(5,376,045)	(5,222,890)
Net Loss Before Transfer of Depreciation to Contributed Capital	<hr/>	<hr/>
Transfer of Depreciation to Contributed Capital	(5,812,513)	(5,947,441)
	204,637	255,869
	<hr/>	<hr/>
Net Loss Before Operating Transfers	(5,607,876)	(5,691,572)

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	(11,497,190)	(13,411,709)
Net Cash Provided/(Used) by Operating Activities	<u>5,764,714</u>	<u>3,880,271</u>
Cash Flows From Noncapital Financing Activities:		
Developers' Escrow Deposits	112,679	820
Developers' Escrow Refunds	(124,212)	(546)
Net Cash Provided/(Used) by Noncapital 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	(70,315)	
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	9,367,006	6,455,167
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	(624,037)	
Gloucester County PILOT Revenues	150,000	
Gloucester County PILOT Payment	(150,000)	
Salem PILOT Revenues	27,176	25,410
Salem PILOT Payments	(27,176)	(25,410)
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	263,129	362,686
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

	2007	2006
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>	<b><u>\$10,236,688</u></b>

**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.

**Investment Credit Risk** – The Corporation has no investment policy

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

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

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:

	<b>BALANCE DECEMBER 31, 2006</b>	<b>ADDITIONS</b>	<b>DELETIONS</b>	<b>BALANCE DECEMBER 31, 2007</b>
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	<u>\$142,017,548</u>	<u>(\$3,281,180)</u>	<u>\$109,055</u>	<u>\$138,627,313</u>

**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:

<b>ISSUE</b>	<b>INITIAL DATE OF ISSUE</b>	<b>DATE OF FINAL MATURITY</b>	<b>INTEREST RATES</b>	<b>ORIGINAL ISSUE AMOUNT</b>	<b>PRINCIPAL BALANCE OUTSTANDING</b>
Series 2002 K Marine Terminal Revenue & Revenue Refunding Bonds	12/01/02	01/01/33	4.00% 5.10%	\$79,295,000	\$ 72,650,000
Series 2002 L Marine Terminal Revenue & Revenue Refunding Bonds	12/01/02	01/01/24	4.00% 5.25%	42,030,000	33,290,000
Series 2003 M Marine Terminal Revenue Bonds	10/15/03	01/01/30	5.00%	11,305,000	10,750,000
Series 2007 N Marine Terminal Revenue Bonds	11/08/07	01/01/38	4.50% 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):

<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
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	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 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 BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED 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 BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED 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 BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED 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 BUDGET	MODIFIED BUDGET	ACTUAL	ORIGINAL BUDGET	MODIFIED 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 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 OPERATING ACCOUNTS	RESTRICTED			CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
		DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE ACCOUNT	MAINTENANCE RESERVE 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 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 & Amortization					79,021,236		79,021,236
Total Property, Plant & Equipment & 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 OPERATING ACCOUNTS	RESTRICTED DEBT			CONSTRUCTION ACCOUNT	TAX RESERVE ACCOUNT	TOTAL
		DEBT SERVICE ACCOUNT	SERVICE RESERVE ACCOUNT	MAINTENANCE RESERVE 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 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 ACCOUNTS	DEBT SERVICE ACCOUNT	DEBT SERVICE RESERVE ACCOUNT	MAINTENANCE RESERVE ACCOUNT	CONSTRUCTION ACCOUNT	TAX RESERVE 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 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

*Celebrating 80 years of service*



BECKETT STREET TERMINAL 1935



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