

CITY OF BAYONNE

STATE OF NEW JERSEY

NEW JERSEY COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

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INTRODUCTORY SECTION

City of Bayonne

630 Avenue C, Bayonne, New Jersey, 07002

Tel: 201-858-6043, Fax. 201-823-9825

TO: The Honorable Mayor and Members of the City Council

RE: Comprehensive Annual Financial Report for the
Transition Year Ended December 31, 2011

The Comprehensive Annual Financial Report for the City of Bayonne, Bayonne, New Jersey, (the "City") is submitted herewith and includes financial statements and supplementary schedules. We believe it is accurate in all material respects, that it is presented in a manner designed to set forth fairly the financial position and results of its operations of the City, as measured by the financial activity of its various funds and accounts, and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

Organization of Report

The New Jersey Comprehensive Annual Financial Report (NJ-CAFR) is modeled on national standards for the presentation of governmental financial information. The report is presented in several sections: Introductory, Financial, Supplemental, Single Audit (including internal control), Statistical and General Section. Responsibility for completeness and clarity of the report, including disclosures, rests with the Chief Financial Officer and ultimately with the Mayor and Council. By adopting the NJ-CAFR format, it is the administration's intent to facilitate an understanding by the non-financially oriented citizen as well as provide all necessary information for the most sophisticated financial observer.

The Introductory Section includes this transmittal letter and a list of principal officials. The Financial Section includes the independent auditors' report, annual combined financial statements, and the notes to financial statements. To comply with regulatory filing requirements, the Supplemental Section includes additional detailed schedules to supplement the basic financial statements. The Statistical Section includes selected financial, economic and demographic information, generally presented on a multi-year basis. The General Section includes General Comments and Status of Prior Year Recommendations.

Organization of Report (continued)

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, and as amended thereafter, the U.S. Office of Management and Budget Circular A-133 Audits of State, Local Governments, and Non-Profit Organizations; and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid. Information related to this single audit, including findings and recommendations, are included in the single audit section of this report.

Governmental Structure

The City operates with an elected Mayor and Council under the municipal form of government. Officers and employees may be duly appointed, pursuant to the provision of the State Charters or Ordinance of the City. The City is divided into three wards, with a council person elected from each ward and the Mayor and two council persons elected at-large by all voters in the City for respective terms in office of four years.

Background

The City is situated on a peninsula bounded by water on three sides -- Newark Bay on the west; Upper New York Bay (the entrance to the New York metropolitan area's water front) on the east; and the Kill Van Kull on the south, a narrow body of water which connects Newark and Upper New York Bays. The City of Jersey City forms the City's northern boundary.

Settled in March of 1646 as a resort center for people living in the interior parts of New Jersey and New York State, Bayonne became a Township in 1861, and was incorporated as a City on March 10, 1869. The City is 5.39 square miles in area (approximately three miles long and one mile wide at its widest point, or approximately 3,450 acres of which 2,524 acres is developed land area). Based on the 2010 US Census, it has a population of 63,024 residents.

The City's location and availability of water frontage for loading and unloading waterborne freight and residential use on the western side of the City provides a broad tax base for the City.

The principal retail business and shopping areas are located along Broadway, a north to south thoroughfare. Except for Broadway and J.F.K. Boulevard, the North to South thoroughfares are avenues in alphabetical order, starting with Avenue A on the western side. Cross streets are in numerical order from 1 to 60, with 60th Street and the New Jersey Turnpike extension to the Holland Tunnel being approximately the dividing line between the City and Jersey City. The City's residential area encompasses essentially the land between Avenue A and Avenue E from 1st Street to 58th Street, except for the concentrated area of office and retail shops on Broadway and a few other small areas.

Background (Continued)

There are a number of historic landmarks in the City, including such edifices as: St. Mary's Star of the Sea Church, a mix of Victorian and Romanesque styles; the Bayonne Public Library, an example of Classical Revival architecture; and St. Henry's Church, a well preserved example of Gothic architecture.

Cultural activities include an art center at the Bayonne Jewish Community Center, the City-maintained Firehouse Museum holding firefighting memorabilia and the Bayonne Historical Society. The ten civic and fraternal groups, such as the Chamber of Commerce and the Bayonne Women's Club, provide forums for the exchange of ideas and camaraderie for those in business or over eighteen. Activities for younger people are sponsored by the Bayonne Family Community Center, the Bayonne PAL, the Boy Scouts of America, the Bayonne Little League, the Cal Ripken League, Pop Warner Football, Bayonne Youth Hockey, the Jewish Community Center, and the City through its thirteen parks, fifteen playgrounds, and two County operated parks. For those people who play golf, facilities are available on Staten Island or in Union and Middlesex Counties to the West within about thirty minutes driving time. A golf course and miniature golf course have been built in the City.

Cooperation among business and residents in civic, religious and fraternal endeavors is part of everyday life in the City.

The Police Department is under the supervision of Police Chief Ralph Scianni. The Police Department has 1 Chief, 2 Deputy Chiefs of Police, 14 Captains, 15 Lieutenants, 37 Sergeants, 133 Uniformed Officers and 35 Civilians.

The Fire Department is under the supervision of the Director of the Fire Department, Gregory J. Rogers. The Fire Department personnel consists of 1 Fire Chief, 2 Deputy Fire Chiefs, 4 Battalion Chiefs, 42 Captains, 124 Uniformed Firemen, 3 full-time civilians and 1 part-time civilians.

In addition to the public school system, the City offers its residents the services of three denominational high schools and six denominational schools for pre-high school students. Several private nursery schools, day-care centers, recreation areas, a public library, and various houses of worship are located in the City.

There are shopping areas at each end of the City as well as a mixture of retail shops and services, and professional and commercial offices along Broadway. Recently, the "Bayonne Crossing" Shopping Center, anchored by Lowe's Home Improvement and Wal-Mart and many other restaurants and retail stores, opened as the largest shopping center in the area, with direct access from Route 440. Also on 440, an \$18 million complex called "Winners", billed as one of the nation's most elaborate off-track wagering facilities, opened in 2012. The City also has a number of small and mid-size industries that provide employment for area residents and enhances tax revenues for the City. Public transportation through New Jersey Transit buses and other bus companies provide easy access within the area and to New York City. The City is also serviced by the Hudson Bergen Light Rail System, with stops at 8th, 22nd, 34th and 45th Streets. Bayonne Crossing is also walking distance from the Light Rail.

Background (Continued)

Movement of rail freight is by one rail line, which is the Conrail-owned Bayonne Industrial Track with branch lines serving three industrial districts. The Bayonne Industrial Track is a single line track running from the northeast corner of the City parallel to Upper New York Bay to the City's southern point along the Kill Van Kull. The rail line divides a portion of the residential section along the City's eastern and southern sides.

Electricity and gas is provided by Public Service Electric and Gas Co. Telephone service is provided for by Verizon. Solid waste pickup is provided to residences, offices and retail stores by a contract with Suburban Disposal Inc. Larger business concerns and corporations such as Exxon, IMTT and Bayonne Medical Center must make their own provisions for the carting of solid waste. The water/sewer services are provided by the Bayonne Municipal Utilities Authority, an Authority created by an ordinance of the City, duly adopted October 9, 1997, and approved by the Mayor on October 10, 1997.

There are few homogeneous areas where single family residences exist, except for a four-block area along Newark Bay, just south of the County's Bayonne Park. The principal residential type of usage is multi-family which includes two family houses primarily, three-to-four-family houses, row houses, townhouses, garden apartments, and mid and high-rise apartments. Mid- and high-rise apartments are only situated on isolated sites along the southern waterfront, the northwest section of the City, and within urban renewal districts. Existing high-rise apartment structures are not considered a significant residential land use.

The major commercial activity in the form of retail stores is concentrated along Broadway, a situation that has not changed from the City's early times. Some major commercial establishments exist on Avenue C between 24th and 27th Streets, Avenue A and North Street, and Rt. 440. Office/Professional activity consists typically of medical or legal office space from converted single-family residences.

There are four industrial districts located along the City's eastern and western waterfronts.

- **53rd Street District**

This district encompasses approximately 19 acres in the northwest portion of the City along Newark Bay, and is the newest district established. Presently, there are only six firms located in this district, two of which are small manufacturing firms. There are six acres of vacant land in this district on which development is constricted due to possible subsurface soil contamination.

Background (Continued)

- **Bergen Point District**

Located at the City's southwest corner on Newark Bay and the Kill Van Kull, Bergen Point covers an area of 138 acres. Firms in this district are comprised of smaller metals and chemical manufacturing firms and light industry.

Land for expansion of existing firms is limited, with the exception of 57 acre Texaco Tract. Texaco has moved its facilities from Bayonne. Texaco has cleared and cleaned the area under the guidance of ECRA prior to the sale of the 57 acres.

- **Port Jersey District**

Located in the City's northeast portion along the Jersey City borderline and Upper New York Bay, Port Jersey encompasses 160 acres in the City of a total of 400 acres, the balance being in Jersey City. Of the fourteen concerns located in Port Jersey, eleven are warehouse/distribution centers and include such firms as Todd Logistics, Global Terminal & Container Services, Unimark, Workbench, BMW Distributions and Preparation Center, and a New York and New Jersey Port Authority-operated distribution center for foreign-made cars. Port Jersey is one of the major distribution centers in the New Jersey and New York areas.

- **Constable Hook District**

Located on Upper New York Bay along the City's eastern/central waterfront, Constable Hook (the "Hook") encompasses roughly 727 acres, and is the largest and most heavily concentrated of all the districts. However, approximately 87 acres in the upland area are currently vacant. The area north of 22nd Street is comprised of various warehouse/distribution and light industrial firms. Within the Hook are 55 firms, including such corporations as Exxon, Amerada Hess, IMTT and Coastal Oil.

Other notable sections of the City include the following:

- **Peninsula at Bayonne Harbor (formerly Military Ocean Terminal)**

This former military facility is situated on 700 acres between the industrial districts of Port Jersey and Constable Hook on Upper New York Bay. The Peninsula at Bayonne Harbor contains a causeway, an artificial peninsula extending two miles into Upper New York Bay, with piers for ocean going vessels, railroad tracks and roadways, a dry-dock over 1,000 feet long capable of handling any ship afloat, storage facilities, various office-type buildings and residential buildings for military personnel and families. On an average day, between 150 and 200 trucks enter the Terminal area for unloading in addition to rail freight via the Bayonne Industrial Track.

Background (Continued)

Peninsula at Bayonne Harbor (formerly Military Ocean Terminal) (continued)

The military facility located on the peninsula has been closed. The City has established a Local Redevelopment Authority (the “Authority”), which is actively working to convert the military base into a viable commercial and residential development.

In 2009, the first residential development at the Peninsula at Bayonne Harbor, Alexan City View, opened its leasing office and welcomed its first residents. Trammell Cove Residential, the developer of the brand new waterfront apartments within the Bayonne Bay District, has announced that it is now leasing for residency. Alexan City View features a variety of amenities including a 9,000 square-foot resident’s clubhouse with a fitness center, indoor basketball half court, gaming room and outdoor swimming pool.

Additionally, at the Northeast corner of the Peninsula, Harbor View Park, a public park is located at the northeast corridor of the Peninsula. The centerpiece of the park is the 100-foot tall monument to “the struggle against terrorism” designed and donated by world renowned artist, Zurab Tseretelli. The base of the monument is engraved with names of the victims who perished in the September 11, 2001 attacks, as well as the 1993 World Trade Center Attack. The Park, which opened in the fall of 2006, is open to the public from dawn to dusk.

- Golf Course Development

A private, eighteen hole golf course was constructed at the site of a former municipal landfill and PSE&G property. The course was built on the eastside of the City and offer views of lower Manhattan. The course was open in the spring of 2006.

- Urban Enterprise Zone

In September of 2002 the City was designated an Urban Enterprise Zone by the State of New Jersey. With this designation various retailers within the Zone are allowed to charge 3 ½ % sales tax as opposed to the normal 7% sales tax rate. There are also various other benefits that accrue to members of the Zone besides the sales tax advantage. There are currently over two hundred businesses that belong to the Bayonne Urban Enterprise Zone.

Reporting Period

The City has reverted to a calendar fiscal year beginning in 2012 from a state fiscal year period ending June 30, annually. The City’s final state fiscal year reporting period ended June 30, 2011. This accounting period of the report herewith is known as the City’s “transition year” and represents the six month period between the final state fiscal year and the first calendar year.

Financial Information

Accounting

The City maintains an on-line, real-time, computerized accounting system to record all financial transactions.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use of disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed benefits expected to be derived. All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance for the proper recording of financial transactions. Management of the City is responsible for establishing and maintaining an adequate internal control structure.

Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. GASB Codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

The accounting policies of the City of Bayonne conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the Division). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City accounts for its financial transactions through the following separate funds, which differ from the fund structure required by GAAP.

Current Fund - is used to account for all revenues and expenditures for governmental operations of a general nature, including federal and state grants.

Trust Fund - are used to account for receipts, custodianship and disbursement of funds held by the City in a trustee capacity or as an agent for individuals and other governmental agencies.

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the current fund. General bonds and notes payable are recorded in this fund offset by deferred charges to future taxation.

Description of Funds (continued)

General Fixed Assets - is used to account for fixed assets required in general governmental operations. This account group is not considered a fund.

Budgets and Budgetary Accounting - an annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the City of Bayonne and approved by the State Division of Local Government Services per N.J.S.A. 40:4 et seq.

Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from GAAP applicable to local government units. The more significant differences are as follows:

Grant Revenues - Federal and State Grants, and entitlements of shared revenues received for the purposes normally financed through the current fund are recognized when anticipated in the City budget. Under GAAP such revenues should be recognized in the accounting period in which they become available and measurable. GAAP defines available as collectible in the current period or soon enough thereafter to be used to pay liabilities that are owed at the end of the accounting period. Also, under GAAP, grant funds received before costs are incurred are deferred, and grant-related expenses incurred in advance of receipt of grant funds result in the recording of receivable and revenue.

Property Taxes and Other Revenues - property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items are recorded with offsetting reserves on the balance sheet of the City's current fund. Under GAAP such receivables should be recognized in the current accounting period if they are expected to be collected in no more than 60 days following the end of the year.

Expenditures - unexpended or uncommitted appropriations, at year end, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. Under GAAP, expenditures are usually recognized when the governmental unit has received and becomes liable for payment of goods and services. Also, under GAAP, interest cost is generally recognized as an expenditure in the accounting period in which it is due, rather than when it is incurred.

Appropriation Reserves - are available until lapsed at the close of the succeeding year to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves are not established under GAAP.

Basis of Accounting (continued)

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources recorded as an expenditure in the operating funds and the remaining obligations recorded as long-term obligations.

Encumbrances - contractual orders at year-end are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures or liabilities under GAAP.

Property Acquired for Taxes - is recorded in the current fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed assets account group at the lower of cost or fair-market value.

Fixed Assets - Until 1985, property and equipment purchased by the current fund and the capital fund were recorded as expenditures at the time of purchase. The accounting principles and reporting requirements prescribed by the State of New Jersey were modified, effective for financial statements dated December 31, 1985 and thereafter, to require the inclusion of a statement of general fixed assets of the City as part of the basic financial statements. In accordance with the State's accounting directive, the City has stated land and buildings acquired prior to January 1, 1986 at the most recent (1991) City revaluation amounts. Machinery and equipment and other fixed assets acquired prior to December 31, 1985 are stated at either historical cost, insurable value or current replacement values as allowed by the State's accounting directive. All general fixed assets acquired beginning January 1, 1986 are valued at actual cost. Depreciation is not recorded.

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the City establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary funding or non-funding of the authorized cost of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the City may levy taxes on all taxable property within the local unit to repay the debt. Annually, the City raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced. Under GAAP, no deferred charges to future taxation funded or unfunded are set up when a capital project is authorized.

Basis of Accounting (continued)

Interfunds- advances from the current fund are reported as interfund receivables with offsetting reserves that are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. Under GAAP, interfund receivables are not recorded through operations.

Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general-purpose financial statements to be in accordance with GAAP. The City presents the financial statements listed in the table of contents which are required by the Division, and which differ from the financial statements required by GAAP.

Budget

No municipal budget may be adopted or amended without the approval of the Director of the Division of Local Government Services (the “Director”). The Director approves the budget once he has determined the budget meets all the requirements of the Local Budget Law (N.J.S.A. 40A:4-1 et. seq.), and all the regulations of the Board.

The Local Budget Law imposes various restrictions on the formulation of the Municipal Budget, the more important of which pertain to anticipation of revenues and review of adequacy of appropriation. Among other restrictions, the Local Budget Law requires that the budget be balanced and that the Director examine the Budget with reference to all estimates of revenue and the following appropriations (a) salaries and wages and other expenses of each office, department, institution, or other agency of the City; (b) contingent expenses in an amount no more than 3% of operations; (c) payment of interest and debt redemption charges; (d) deferred charges and statutory expenditures; (e) cash deficit of preceding year; (f) other reserves and nondisbursement items deemed advisable by the Mayor and Council; and (g) the payment of all judgments not for capital purposes and for which Notes or Bonds cannot be lawfully issued.

Anticipated non-tax revenues of the municipality are limited to the amount actually realized the previous year unless the Director authorizes a higher figure. Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations unless a specific amount is required by law, but the review functions which focus on anticipated revenues serve to protect the solvency of all local units. The Municipal Budget, by law and regulation of the Division, must be in balance and is a “cash basis” budget.

Budget (continued)

Pursuant to the Local Budget Law, miscellaneous revenues shall include such amounts as may reasonably be expected to be realized in cash during the fiscal year from known and regular sources, or sources reasonably capable of anticipation and lawfully applicable to the appropriations made in the budget.

The Local Budget Law further provides that no miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash, from the same source during the next preceding fiscal year, unless the Director shall determine that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certified such determination to the local unit.

Property taxes cannot be anticipated in excess of amounts subject to the Tax Levy Cap Law noted below. The maximum amount of delinquent taxes that may be anticipated is limited by statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a “reserve for uncollected taxes” in accordance with statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by June 30 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body or a local unit. However, with minor exceptions, such appropriations must be included in full in the following year’s budget.

Appropriation “CAPS”

A statute passed in 1977 as amended by N.J.S. 40A: 4-45.1a (commonly known as the “1977 Cap Law”), imposed limitations on increases in the municipal appropriations subject to various exceptions. Pursuant to N.J.S.A. 40A:40A;4-45.1a, the Director of the Division of Local Government Services must promulgate the Cost of Living Adjustment (COLA) applicable to municipal and county budgets. The COLA is based on the Implicit Price Deflator for State and Local Governments, calculated by the U.S. Department of Commerce, Bureau of Economic Analysis. Under N.J.S.A. 40A-45.2, “municipalities and counties shall be prohibited from increasing their final appropriations by more than 2.5% unless action is taken by the governing body to increase the cap to the statutorily permitted 3.5%”.

Tax Levy “CAPS”

In 2007 a statute was passed which stated that starting with Fiscal Year 2008 budgets, municipalities, counties and fire districts tax levies are limited to a 4% increase. In 2010, the 2007 law was amended to a 2% increase and modified exclusions. There are several general exclusions; increases in debt service and capital expenditures; weather and other ‘declared’ emergencies; pension contributions in excess of 2 % and limited by the increase in State Health Benefit rate increase.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the Mayor and Council with the approval of the Director. However, with minor exceptions, such appropriations must be included in full in the following year’s budget.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year and, although sub-accounts within an appropriation are not subject to the same year-end transfer restrictions, they are subject to internal review and approval.

Budget Process

Primary responsibility for the municipality’s budget process lies with the Mayor and the Council. As prescribed by the Local Budget Law, adoption should occur by the end of August, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the municipality operates under a temporary budget which may not exceed 26.25% of the previous fiscal year’s adopted budget. Upon adoption of an annual operating budget by the Mayor and the Council, the Board of Taxation computes a tax rate for municipal purposes. The tax rate for each municipality includes municipal tax, local school requirements and county tax.

General Government Functions

A summary of the City’s Current Fund functions and overall operating results for the transition year ended December 31, 2011 and the year ended June 30, 2011 and the amount of the increase/decrease in revenues and expenditures is presented below and on the following page. Details of these revenue and expenditure amounts by fund can be found in the accompanying financial statements:

	Transition Year	Fiscal	Increase / (Decrease)	
	(6 Months) Ended	Year Ended	Dollar	Percentage
	Dec. 31, 2011	June 30, 2011		
Utilization of Fund Balance	\$ 5,975,000	\$ -	\$ 5,975,000	New item of revenue.
Local Revenues - including Licenses, Fees, Permits, PILOTs and Other	2,807,541	6,100,718	(3,293,177)	-54%
State Aid	8,961,605	9,455,185	(493,580)	-5%
Shared Service Agreements	136,576	4,225,400	(4,088,824)	-97%
Federal, State and County Grants	2,039,777	5,539,980	(3,500,203)	-63%
Special Items	1,174,400	34,168,960	(32,994,560)	-97%
Delinquent Taxes	65,525	51,653	13,872	27%
Current Taxes for Support of Municipal Budget	39,095,801	69,149,103	(30,053,302)	-43%
Non-budget Revenues and Other	3,417,776	3,705,936	(288,160)	-8%
	<u>\$ 63,674,001</u>	<u>\$ 132,396,935</u>	<u>\$ (68,722,934)</u>	<u>-52%</u>

General Government Functions (continued)

	Transition Year	Fiscal	Increase / (Decrease)	
	(6 Months) Ended	Year Ended	Dollar	Percentage
	Dec. 31, 2011	June 30, 2011		
General Government	\$ 14,294,926	\$ 31,055,407	\$ (16,760,481)	-54%
Sanitation, Health and Welfare	3,069,000	6,163,300	(3,094,300)	-50%
Public Safety	20,210,500	37,498,000	(17,287,500)	-46%
Public Works, Parks & Recreation	3,846,945	7,917,000	(4,070,055)	-51%
Contingent, Deferred Charges and Statutory Expenditures	942,206	14,573,368	(13,631,162)	-94%
Other Special Items	41,888	190,455	(148,567)	-78%
Shared Service Agreements	242,000	4,225,400	(3,983,400)	-94%
Federal, State and County Grants	1,997,889	5,674,950	(3,677,061)	-65%
Capital Improvement	-	25,000	(25,000)	-100%
Debt Service	14,782,963	20,578,621	(5,795,658)	-28%
Reserve for Uncollected Taxes	727,000	840,000	(113,000)	-13%
	<u>\$ 60,155,317</u>	<u>\$ 128,741,501</u>	<u>\$ (68,586,184)</u>	<u>-53%</u>

Cash Management

The City strives to keep abreast of current developments and procedures in cash management to insure efficient and profitable use of available cash resources. Cash is deposited in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF) or by any other agency of the United States that insures deposits; and MBIA Class Fund or the State of New Jersey Cash Management Fund, in accordance with state law. Funds not immediately needed are invested as certificates of deposit on either of the aforementioned funds.

New Jersey Statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The City has complied with all statutes and regulations applicable to deposits and investments.

Risk Management

The City strives continually to evaluate its risk management policies, seeking to improve its safety and loss control functions, claims management, insurance placement, and financing practices. Until September 1, 2011, the City self-insured against liability claims in accordance with an ordinance passed in 1986 establishing an insurance fund (the "Fund"). In accordance with a resolution dated August 17, 2011, the City authorized participation in and the execution of an Indemnity and Trust Agreement with the New Jersey Intergovernmental Insurance Fund (the "NJIIIF") for the provision of property and casualty insurance coverage. The NJIIIF is a State-approved, self-insured reinsured public entity insurance pool created in 1991 which offers New Jersey public entities multiple lines of insurance.

Other Information

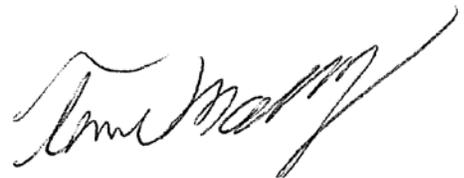
Annual Independent Audit

The Local Fiscal Affairs Law, Chapter 5 of Title 40A of the New Jersey Statutes, regulates the non-budgetary financial activities of the municipality. An annual audit for the City's books, accounts and financial transactions for the previous year must be performed by a licensed Registered Municipal Accountant or by qualified employees of the Bureau of Financial Regulation and Assistance in the State Department of Treasury. The accounting firm of Donohue, Girona & Doria, CPAs was selected to fulfill this requirement, and a copy of the auditors' report on the general-purpose financial statements and combining individual fund statements and schedules, is included in the financial section of this report. The audit, conforming to the Division's "Requirements of Audit," includes recommendations for improvement of the City's financial procedures and must be filed with the Director of the Division, within six (6) months after the close of each fiscal year. The Clerk of the City must publish a synopsis of the audit report, together with all recommendations made, in a local newspaper within 30 days after receipt thereof.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated efforts of the staff of the Finance Department and City Clerk's Office, the auditors for the City and its component units, and the cooperation of the various elected officials and appointed management. My sincere appreciation is extended to each individual for the contributions made in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Terrence Malloy", written in a cursive style.

Terrence Malloy
Chief Financial Officer
City of Bayonne

**CITY OF BAYONNE
ROSTER OF OFFICIALS
December 31, 2011**

Roster of Officials

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Mark Smith	Mayor	
Terrence Ruane	Council President / Councilmember At-Large	
Debbie Czerwienski	Council Member At-Large	
Agnes Gillepsie	First Ward Council Member	
Joseph Hurley	Second Ward Council Member	
Raymond Greaves	Third Ward Council Member	
Stephen J. Gallo	Business Administrator	
Terrence Malloy	Municipal Controller and Chief Financial Officer	\$150,000
Robert F. Sloan	City Clerk	
JoAnne Sisk	Tax Collector	\$320,000
Janet Convery	Treasurer / Comptroller	\$150,000
Joseph G. Nichols	Tax Assessor	
Joseph Waks	Municipal Services Department Director	
Jason O'Donnell	Public Safety Director	
Charles D'Amico	Corporation Counsel	
Frank T. Carpenter III	Presiding Municipal Court Judge	\$150,000
Cheryl Scott Cashman	Municipal Court Judge	\$150,000
Genevieve Michane	Court Administrator	
Gregory J. Rogers	Fire Chief	
Robert Kubert	Police Chief (Through May, 2012)	
Ralph Scianni	Effective September 6, 2012	
Gary Chmielewski	Director of Public Works, Parks and Recreation	

The City also carries the following coverage:

Government Crime - Employee Theft coverage of \$1,000,000 per occurrence.

Public Entity Management Liability coverage, including Public Official's Liability and Employment Practices Liability coverages, in the amount of \$3,000,000.

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FINANCIAL SECTION

DONOHUE, GIRONDA & DORIA

Certified Public Accountants

Matthew A. Donohue, CPA
Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the City Council
City of Bayonne, New Jersey

We have audited the accompanying combined financial statements – regulatory basis of the individual fund types and account groups of the City of Bayonne, New Jersey (the “City”) as of and for the transition year ended December 31, 2011 (with comparative totals for June 30, 2011), which collectively comprise the City’s combined financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express an opinion 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, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”) and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, the City has prepared these combined financial statements using accounting practices prescribed or permitted by the Division, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

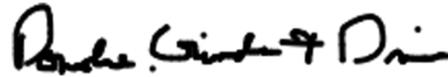
Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City, as of December 31, 2011 or the changes in its financial position for the transition year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each fund type and account group of the City, as of December 31, 2011, and each fund type and account group's respective change in revenues, expenditures and changes in fund balance for the year then ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplementary data section and general section is presented for purposes of additional analysis as required by the Division and the accompanying schedule of expenditures of federal awards and schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and N.J. Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and are also not a required part of the financial statements. The supplementary data section, general section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures as applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, Mayor and City Council, others within the entity, the Division and applicable federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DONOHUE, GIRONDA & DORIA
Certified Public Accountants



FREDERICK J. TOMKINS
Registered Municipal Accountant No. 327

Bayonne, New Jersey
November 13, 2012

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CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)

COMBINED BALANCE SHEETS - REGULATORY BASIS

	Current Fund	Federal and State Grants Fund	Trust Funds (1)	General Capital Fund	General Fixed Assets	COMPARATIVE TOTALS (MEMORANDUM ONLY)	
						December 31, 2011	June 30, 2011
<u>Assets:</u>							
Cash and Cash Equivalents	\$ 24,038,242	\$ -	\$ 9,789,192	\$ 1,125,929	\$ -	\$ 34,953,363	\$ 72,065,366
Investments	3,500,000	-	-	-	-	3,500,000	4,000,000
Intergovernmental Receivables	3,357,695	-	-	-	-	3,357,695	3,820,763
Grants Receivable	-	15,530,824	2,565,086	1,118,347	-	19,214,257	21,747,549
Interfunds Receivable (without reserves)	-	3,760,506	633,625	-	-	4,394,131	2,680,343
Other Receivables	-	-	90,421	-	-	90,421	101,226
Receivables with Full Reserves:							
Delinquent Property Taxes	402,491	-	-	-	-	402,491	350,956
Tax Title Liens	511,697	-	-	-	-	511,697	495,123
Property Acquired for Taxes at Assessed Valuation	8,599,000	-	-	-	-	8,599,000	8,599,000
Revenue Accounts Receivable	1,644,680	-	-	-	-	1,644,680	1,683,206
Interfunds Receivable	150,017	-	-	-	-	150,017	224,492
Other Receivables	239,769	-	-	-	-	239,769	816
Deferred Charges	4,056,748	-	-	224,203,151	-	228,259,899	245,102,221
Fixed Assets:							
Land	-	-	-	-	52,503,600	52,503,600	52,503,600
Building	-	-	-	-	10,273,265	10,273,265	10,273,265
Improvements	-	-	-	-	4,817,988	4,817,988	4,817,988
Machinery, Equipment and Other	-	-	-	-	18,785,976	18,785,976	18,235,664
Total Assets	\$ 46,500,339	\$ 19,291,330	\$ 13,078,324	\$ 226,447,427	\$ 86,380,829	\$ 391,698,249	\$ 446,701,578

(1) Includes Animal Control Fund, Insurance Trust Fund, Tax Lien Redemption Fund, Housing and Urban Development Grant Fund and Other Trust Funds.

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)

COMBINED BALANCE SHEETS - REGULATORY BASIS

	Current	Federal and State Grants	Trust Funds (1)	General Capital	General Fixed Assets	COMPARATIVE TOTALS (MEMORANDUM ONLY)	
						June 30, 2011	June 30, 2011
<u>Liabilities, Reserves and Fund Balance:</u>							
Current Liabilities and Reserves:							
Notes Payable	\$ 12,000,000	\$ -	\$ -	\$ 29,643,210	\$ -	\$ 41,643,210	\$ 78,336,552
Bonds Payable - Current Portion	-	-	-	8,843,645	-	8,843,645	8,090,043
Loans Payable - Current Portion	-	-	-	135,032	-	135,032	135,258
Prepaid Taxes and Overpayments	3,407,765	-	-	-	-	3,407,765	3,180,245
Contracts and Accounts Payable	34,408	-	182,021	176,877	-	393,306	383,240
Due to State of New Jersey	4,635,724	-	44,953	-	-	4,680,677	141,873
Due to County of Hudson	1,304	-	-	-	-	1,304	19,411
Special Improvement District Taxes Payable	72,500	-	-	-	-	72,500	-
Interfunds Payable	4,394,131	-	-	150,017	-	4,544,148	2,904,835
Appropriation Reserves	2,950,599	-	-	-	-	2,950,599	5,446,763
Improvement Authorizations	-	-	-	1,287,118	-	1,287,118	10,851,946
Reserve for:							
Encumbrances	106,687	774,790	-	-	-	881,477	1,704,858
Other Expenditures	553,999	-	10,101,113	190,577	-	10,845,689	13,271,884
Grant Expenditures	-	18,516,540	2,750,237	-	-	21,266,777	21,475,101
Retirement of Debt	-	-	-	626,596	-	626,596	150,000
Receivables and Other Assets Fully Reserved	11,547,654	-	-	-	-	11,547,654	11,353,593
Noncurrent Liabilities:							
Loans Payable	-	-	-	741,163	-	741,163	856,294
Bonds Payable	-	-	-	184,480,240	-	184,480,240	191,468,543
Total Liabilities and Reserves	39,704,771	19,291,330	13,078,324	226,274,475	-	298,348,900	349,770,439
Investments in Fixed Assets	-	-	-	-	86,380,829	86,380,829	85,830,517
Fund Balance	6,795,568	-	-	172,952	-	6,968,520	11,100,622
Total Liabilities, Reserves and Fund Balance	\$ 46,500,339	\$ 19,291,330	\$ 13,078,324	\$ 226,447,427	\$ 86,380,829	\$ 391,698,249	\$ 446,701,578

There were Bonds and Notes Authorized But Not Issued at December 31, 2011 and June 30, 2011 of \$359,860 and \$7,758,783, respectively.

(1) Includes Animal Control Fund, Insurance Trust Fund, Tax Lien Redemption Fund, Housing and Urban Development Grant Fund and Other Trust Funds.

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS

	Current Fund		Capital Fund
	Transition		Transition
	Year Ended Dec. 31, 2011	Year Ended June 30, 2011	Year Ended Dec. 31, 2011
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 5,975,000	\$ -	\$ -
Miscellaneous Revenues Anticipated	15,119,899	59,490,243	-
Receipts from Delinquent Taxes	65,525	51,653	-
Receipts from Current Taxes	81,222,382	153,052,479	-
Non-Budget Revenues	36,809	565,732	-
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	1,173,713	2,191,044	-
Improvement Authorizations Cancelled	-	-	172,952
Prior Year Receivables Realized	1,683,206	723,760	-
Prior Year Interfunds Returned	28	183,163	-
Cancellation of Reserves	14,017	29,567	-
Grant Adjustments	395,825	-	-
Adjustment to County Tax Payable	19,411	-	-
Sr. Citizens' and Veterans' Administrative Payments of Prior Years	94,767	-	-
Other Credits to Income	-	12,670	-
	<u>105,800,582</u>	<u>216,300,311</u>	<u>172,952</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations within "CAP"			
Operations:			
Salaries and Wages	25,450,445	47,499,076	-
Other Expenses	14,011,426	27,970,662	-
Deferred Charges & Statutory Expenditures	941,706	14,572,368	-
Appropriations excluded from "CAP"			
Operations:			
Other Expenses	4,241,777	17,255,774	-
Capital Improvements	-	25,000	-
Debt Service	14,758,814	20,509,116	-
Reserve for Uncollected Taxes	727,000	840,000	-
Special District Taxes	145,000	290,000	-
County Taxes	13,437,180	26,503,942	-
Amount Due County for Added and Omitted Taxes	1,304	23,241	-
Local District School Tax	28,543,097	57,086,193	-
Interfund Advances	150,017	224,492	-
County Board Judgments	-	1,364,543	-

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS

	Current Fund		Capital Fund
	Transition		Transition
	Year Ended Dec. 31, 2011	Year Ended June 30, 2011	Year Ended Dec. 31, 2011
<u>Expenditures (continued)</u>			
Return of Item Purchased at Bulk Levy Sale	\$ -	\$ 244,114	\$ -
Tax Overpayments Refunded	-	85,930	-
Revenue Accounts Receivable Reserved	1,644,680	808,621	-
Other Receivable Reserved	63,697	-	-
Grant Fund Cancellations	-	327,730	-
Refund of Prior Year Revenues	5,538	91,953	-
Reservation of Additional Encumbrances			
Federal and State Grant Funds	-	104,839	-
Current Fund	-	94,341	-
Other Charges to Income	8,955	23,221	-
	<u>104,130,636</u>	<u>215,945,156</u>	<u>-</u>
Statutory Excess to Fund Balance	1,669,946	355,155	172,952
Fund Balance, Beginning	<u>11,100,622</u>	<u>10,745,467</u>	<u>-</u>
	12,770,568	11,100,622	172,952
Decreased by:			
Utilized as Anticipated Revenue	<u>5,975,000</u>	<u>-</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 6,795,568</u>	<u>\$ 11,100,622</u>	<u>\$ 172,952</u>

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS - BUDGET VS. ACTUAL

	Current Fund		
	Modified Budget	Actual	Variance
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 5,975,000	\$ 5,975,000	\$ -
Miscellaneous Revenues Anticipated	15,635,776	15,119,899	(515,877)
Receipts from Delinquent Taxes	71,952	65,525	(6,427)
Receipts from Current Taxes - Net of Taxes for County, School District and Special Improvement District	38,472,589	39,095,801	623,212
Non-Budget Revenues	-	36,809	36,809
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	-	1,173,713	1,173,713
Prior Year Receivables Realized	-	1,683,206	1,683,206
Prior Year Interfunds Returned	-	28	28
Cancellation of Reserves	-	14,017	14,017
Grant Adjustments	-	395,825	395,825
Adjustment to County Tax Payable	-	19,411	19,411
Sr. Citizens/Veterans Admin. Payment of Prior Year	-	94,767	94,767
	<u>\$ 60,155,317</u>	<u>63,674,001</u>	<u>3,518,684</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations within "CAP"			
Operations:			
Salaries and Wages	\$ 25,450,445	25,450,445	-
Other Expenses	14,011,426	14,011,426	-
Deferred Charges & Statutory Expenditures	941,706	941,706	-
Appropriations excluded from "CAP"			
Operations:			
Other Expenses	4,241,777	4,241,777	-
Debt Service	14,782,963	14,758,814	(24,149)
Reserve for Uncollected Taxes	727,000	727,000	-
Interfund Advances	-	150,017	150,017
Revenue Accounts Receivable Reserved	-	1,644,680	1,644,680
Other Receivables Reserved	-	63,697	63,697
Other Charges to Income	-	8,955	8,955
Refund of Prior Year Revenues	-	5,538	5,538
	<u>\$ 60,155,317</u>	<u>62,004,055</u>	<u>1,848,738</u>
Excess in Revenue		\$ 1,669,946	\$ 1,669,946
Fund Balance, July 1		11,100,622	11,100,622
		12,770,568	12,770,568
Less: Utilized as Anticipated Revenue		5,975,000	5,975,000
Fund Balance, December 31		<u>\$ 6,795,568</u>	<u>\$ 6,795,568</u>

See Accompanying Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Bayonne (the “City”) is a general-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The City is organized as a Mayor – Council municipality under the provisions of N.J.S.A. 40:69A. The City is governed by an elected Mayor and Council, and by such other officers and employees as may be duly appointed. The Council consists of five members, two of which are elected at-large by voters of the City and serve a term of four years beginning on the first day of July next following their election. The Mayor is also elected directly by the voters of the City and also serves a term of four years beginning the first day of July following the election.

The financial statements of the City include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the City, as required by N.J.S.A. 40A:5-5. The Governmental Accounting Standards Board (herein referred to as “GASB”) establishes criteria to be used to determine which component units should be included in the financial statements of the primary government (the City). The State of New Jersey, Department of Community Affairs, Division of Local Government Services (the “Division”) requires the financial statements of the City to be reported separately from its component units. If the provisions of GASB had been complied with, the financial statements of the following component units would have been discretely presented with the financial statements of the City:

Bayonne Board of Education	Bayonne Parking Authority
Bayonne Housing Authority	Bayonne Municipal Utilities Authority
Bayonne Town Center Management Corporation (the “Special Improvement District”)	
Bayonne Local Redevelopment Agency	

Audit reports of the component units are available at each of the respective component units.

BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund categories to be used by general purpose governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION (continued)

The financial statements of the City have been prepared in conformity with accounting principles and practices prescribed by the Division, which differ from GAAP. The principles and practices prescribed by the Division are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City accounts for its financial transactions through the following separate funds and account group, which differ from the fund structure required by GAAP.

DESCRIPTION OF FUNDS

Current Fund - is used to account for all resources and expenditures for governmental operations of a general nature. The Federal and State Grant Fund is presented with the Current Fund.

Trust Funds - are used to account for receipts, custodianship and disbursement of dedicated revenues in accordance with the purpose for which each reserve was created, subject to available cash in each individual trust fund reserve established pursuant to state statutes or as an agent for individuals and other governmental agencies.

General Capital Fund - is used to account for the receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund or other funds. Also included in this fund are bonds and notes payable offset by deferred charges to future taxation.

General Fixed Assets - is not a separate fund type, but is an account group used to account for all fixed assets of the City.

The accounts of the City are maintained in accordance with the Division's principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The Division's principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The General Fixed Assets account group, on the other hand, is a financial reporting device designed to provide accountability for certain fixed assets and the investment in those fixed assets that are not recorded in the funds because they do not directly affect net expendable available financial resources.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

The City prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The current financial resource focus and modified accrual basis of accounting is generally followed with significant exceptions which are explained as follows:

Revenues – Revenues are realized when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal revenue sharing funds and other Federal and State grants are realized as revenue when anticipated in the budget. Receivables for property taxes and other amounts that are due to the City are recorded with offsetting reserves on the balance sheet of the Current Fund. Such amounts are not recorded as revenue until collected. Accordingly, no provision has been made to estimate that portion of receivables that are uncollectible. GAAP requires revenues to be recognized in the accounting period when they become measurable and available and in certain instances reduced by an allowance for doubtful accounts.

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year. It is required to provide assurance that cash collected for taxes in the current year will provide sufficient cash flow to meet expected obligations. A Reserve for Uncollected Taxes is not established under GAAP.

Expenditures – Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Appropriation reserves covering unexpended appropriation balances are automatically created at the end of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriations for principal and interest payments on general capital indebtedness are provided on the cash basis. GAAP requires expenditures in the current (or general) fund, to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on general long-term debt, which should be recognized when due.

Encumbrances – Encumbrances are contractual orders outstanding at year end reported as expenditures through the establishment of an encumbrance payable. Outstanding encumbrances at year end are reported as a cash liability in the financial statements. Encumbrances do not constitute expenditures under GAAP.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Appropriation Reserves – Appropriations are available until lapsed at the close of the succeeding year to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Transfers are allowed between certain line items during the first three months of the fiscal year. Lapsed appropriation reserves are recorded as other credits to income. Appropriation Reserves do not exist under GAAP.

Interfunds - Advances from the current fund are reported as interfunds receivable with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfunds receivable in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time the individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

Property Acquired for Taxes – Property Acquired for Taxes is recorded in the current fund at the assessed valuation when such property was acquired and is subsequently updated for revaluations. The values of the properties are fully reserved. GAAP requires such property to be recorded as a fixed asset at market value on the date of acquisition.

Deferred Charges to Future Taxation - Funded and Unfunded - Upon the authorization of general capital projects, the City establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized costs of capital projects. The City may levy taxes on all taxable property within the City to repay the debt. Annually, the City raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced. GAAP does not require the establishment of deferred charges to future taxation.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Compensated Absences and Post-Employment Benefits - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a pay-as-you-go basis. GAAP requires that the amount that would normally be liquidated with expendable financial resources to be recorded as an expenditure in the operating funds and the remaining obligations be recorded as long-term obligations.

Improvement Authorizations – Improvement Authorizations in the general capital fund represent the unexpended balance of an ordinance appropriation and is similar to the unexpended portion of the budget in the current fund. GAAP does not recognize these amounts as liabilities.

General Fixed Assets - Accounting for Governmental Fixed Assets as promulgated by the Division differs in certain respects from GAAP, and requires the inclusion of a statement of general fixed assets as part of the City’s basic financial statements.

Fixed assets used in governmental operations (general fixed assets) are accounted for in an account group identified as “General Fixed Assets” and are not included within the records of any fund types. Purchases from these funds for fixed assets are recorded as expenditures within the fund. Public domain (infrastructure) general fixed assets consisting of certain improvements, other than improvements to buildings, such as improvements to roads, bridges, curbs and gutters, streets and sidewalks and drainage systems, are not capitalized.

All fixed assets, except land, are valued at historical cost or estimated historical cost if actual historical cost is not available. Expenditures for construction in progress are recorded in the Capital Fund against authorizations under which the project was approved until such time as the construction is completed and put into operation.

The City is required to maintain a subsidiary ledger of detailed records of fixed assets and to provide property management standards to control fixed assets. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than five years and an acquisition cost of \$5,000 or more per unit.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

No depreciation has been provided in the financial statements.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

General Fixed Assets – continued

GAAP requires the recording of infrastructure assets and requires capital assets be depreciated over their estimated useful life unless they are either inexhaustible or are infrastructure assets reported using the modified approach.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect: the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Investments - New Jersey governmental units are required to deposit public funds in a public depository. Public depositories are defined by statutes as any State or federally chartered bank, savings bank or an association located in New Jersey or a state or federally chartered bank, savings bank or an association located in another state with a branch office in this State, the deposits of which are insured by the Federal Deposit Insurance Corporation (“FDIC”) and which receives or holds public funds on deposit, but does not include deposits held by the State of New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The City is also required to annually adopt a cash management plan and to deposit or invest its funds pursuant to the cash management plan. The cash management plan adopted by the City requires it to deposit funds as permitted in N.J.S.A 40:5-15.1, so long as the funds are deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey and requires all public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Cash and Investments - continued

In 2009, legislation revised GUDPA to provide higher levels of security and oversight appropriate to contemporary banking conditions. Among the increased protections and oversight, the revised GUDPA ensures a common level of deposit risk by each bank choosing to accept local government deposits, requires banks to fully collateralize deposits over \$200 million, implements enforcement protocol which allows the Department of Banking and Insurance to institute risk-based collateral requirements promptly when a bank shows signs of stress, provides enhanced oversight by the Department of banking and insurance and permits GUDPA certificates to be provided through an online system.

Cash Equivalents include certificate of deposits with a maturity date of less than three (3) months.

Also see Note B - Cash and Cash Equivalents.

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the City and approved by the Division in accordance with the Local Budget Law. Budgets are adopted on the same basis of accounting utilized for the preparation of the City's financial statements. The budgetary requirements herein outlined are applicable to only the Current Fund, and not the Trust Fund, General Capital Fund or the General Fixed Assets account group. However, statutes require the City to adopt annually a six-year capital plan. This plan allows the governing body to expend or incur obligations for capital purposes only. Such projects under the plan must be adopted through capital ordinance.

The City must adhere to procedures for adoption of its annual budget as established by the Division. As described in more detail later in this section, the City will revert to a Calendar Year beginning in 2012. As such, going forward, these procedures include statutory deadlines of: February 20 for introduction and approval and March 20 for adoption. The current period under audit known as the Transition Year was subject procedures for adoption applicable only to the one-time Transition Year. These dates are subject to extension by the Division by approval of the Local Finance Board. Appropriations within the adopted budget cannot be modified until the final two months of the year at which time transfers between certain line items are allowed. Under certain circumstances emergency authorizations and insertions of items of revenue and appropriation are allowed by authorization of the governing body, subject to approval of the Division.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Budgets and Budgetary Accounting - continued

The City must prepare its budgets in compliance with applicable laws capping the amounts by which both the budgeted appropriations and tax levy can be increased. A description of both “CAPS” follows:

1977 Appropriation "CAP": The 1977 Appropriation Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.1 through 4-45.43a. The law was originally adopted in 1976 and was most recently amended in 2003. Under this law, the City is permitted to increase its overall appropriations (with certain exceptions) by 2.5% or the “cost of living adjustment” (COLA), whichever is less. The COLA is calculated based on the traditional federal government inflation calculation. The City can, when the COLA is less than or equal to 2.5%, increase its allowable inside-the-cap spending to 3.5%, upon passage of a COLA Rate Ordinance. During the six month transition year ended December 31, 2011, this Cap was modified to limit appropriations to half of 95%-125% of the budget of the fiscal year ended June 30, 2011, except whereas otherwise approved by the Division.

2010 Levy "CAP": The 2010 Levy Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.44 through 45.47. It establishes limits on the increase in the total City amount to be raised by taxation (tax levy). The core of the levy cap formula is a 2% increase to the previous year’s amount to be raised by taxation, net of any applicable cap base adjustments and emergency or special emergency appropriations. During the six month transition year ended December 31, 2011, this Cap was modified to limit the levy to 95% - 105% of the levy of the fiscal year ended June 30, 2011.

Long-Term Obligations - General long-term debt is recognized as a liability of the General Capital Fund for the full amount.

Reserves (Other than Reserve for Receivables) - Reserves, other than reserves for receivables, are considered liabilities, and not as a reservation of fund balance.

Reserves for Receivables – Receivables of the City, with the exception of certain intergovernmental receivables, are offset on the balance sheet with a credit that is created to preserve the revenue recognition basis required by the Division’s accounting policies. The reserve delays the recognition of these revenues until they are received in cash.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Advertising Costs - Advertising costs are charged against the appropriate budget line as they occur. The City does not engage in direct-response advertising.

Sale of Municipal Assets - The proceeds of the sale of municipal assets can be held until made available through a future budget appropriation. GAAP requires such proceeds to be recorded as revenue in the year of sale.

Fund Balance - Fund equity represented on the financial statements consists solely of Fund Balance, which is not further categorized with respect to reservations (portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use) or designations (plans for future use of financial resources).

BASIC FINANCIAL STATEMENTS

The GASB Codification also requires the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The City presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP.

Total Columns on Combined Statements - Total columns are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City’s financial position and operations. Comparative data is not presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Reclassifications - Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year’s format. These reclassifications had no effect on fund balance or changes in fund balance.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIC FINANCIAL STATEMENTS (continued)

Reconciliation of Accounting Basis - As described throughout Note A, substantial differences exist between GAAP and the budgetary basis prescribed by the Division. Reconciliation between the two would not be meaningful or informative and therefore is not provided herein.

REPORTING PERIOD

The City has authorized changing the City fiscal year from a year ended June 30 to a year ended December 31. In order to revert to a calendar year accounting period, the Division requires a six month “transition year” of the period of time between the end of the City’s final fiscal year and first calendar year. This report represents the City’s six month transition year and is for the period of July 1, 2011 to December 31, 2011. The comparative data presented is based on the preceding 12 month fiscal year ending June 30, 2011. Beginning with calendar year 2012, the City’s future accounting years will be from January 1 to December 31 of each year.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The City has elected to utilize the Comprehensive Annual Financial Report (“CAFR”) format for presentation of its audited financial statements. Where necessary, this format was modified to comply with reporting requirements prescribed by the Division. Some of the differences not already noted in the previous sections are described as follows:

All funds are reported as major. No distinction between major and non-major funds is required by the Division, therefore related information such as combining statements are not required. GAAP requires this distinction. No government-wide statements as required under GAAP are presented, instead, combined statements of fund types and account groups are presented which better represents the basis of account prescribed by the Division.

Certain information, including pension and other post-employment benefits, typically required by GAAP to be included in a “Required Supplementary Information” section is instead included in the Notes to Financial Statements.

The City’s CAFR includes a section titled supplementary information. This section incorporates budgetary comparison schedules similar to those required by GAAP, but also includes other detailed schedules which comply with accounting practices prescribed by the Division.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE B. CASH, CASH EQUIVALENTS AND INVESTMENTS

DEPOSITS

Cash and cash equivalents on deposit as of the transition year ended December 31, 2011 and the year ended June 30, 2011 are partially insured by the FDIC up to \$250,000 for each depository. Deposits in excess of FDIC limits, as noted below, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the GUDPA (see Note A - Cash and Investments) or are on deposit with the MBIA Government Investment Pool, New Jersey Asset and Rebate Management Program (NJARM) and New Jersey Cash Management Fund.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized.
- b. Collateralized with securities held by the pledging financial institution.
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

The City's deposits of cash and cash equivalents at December 31, 2011 are summarized in the following table. 73% of the City's deposits are with two financial institutions.

Insured - FDIC	\$ 843,645
Insured - GUDPA	29,180,750
MBIA Government Investment Pool	4,859,453
New Jersey Asset and Rebate Management Program	3,254
New Jersey Cash Management Fund	1,341,532
	<u>\$ 36,228,634</u>

Under GUDPA, financial institutions are not required to pledge collateral for amounts covered by FDIC insurance. For the period of December 1, 2010 to December 31, 2012, noninterest-bearing transaction accounts are insured by the Dodd-Frank Deposit Insurance Provision of the FDIC. The amount noted as "GUDPA Insured" above includes deposits covered by the Dodd-Frank Provision as well as GUDPA.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect deposits. None of the City's deposits as of June 30, 2011 are held in foreign currency.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE B. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

INVESTMENTS

New Jersey statutes permit the City to purchase the following types of securities when authorized by the cash management plan (described in note A):

- 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 a 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 obligation bears a fixed rate of interest not dependent on any index or other external factor.
- Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located.
- Bonds or other obligations having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units.
- Local government investment pools.
- Deposits with the State of New Jersey Cash Management Fund.
- Agreements for the repurchase of fully collateralized securities if (a) the underlying securities are permitted investments pursuant to the first and third bullets of this section, (b) the custody of collateral is transferred to a third party, (c) the maturity of the agreement is not more than 30 days, (d) the underlying securities are purchased through a public depository and (e) a master repurchase agreement providing for the custody and security of collateral is executed.

Custodial Credit Risk - In the case of investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name and are held by either the counterparty or its trust department or agent, but not in the City's name.

Foreign Currency Risk - Investments are also exposed to the same foreign currency risk as deposits. It is the risk that changes in exchange rates will adversely affect investments. The City does not have any investments denominated in foreign currency as of December 31, 2011 and June 30, 2011.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE B. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

INVESTMENTS (continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy regarding the management of credit risk.

Concentration of Credit Risk - The City places no formal limit on the amount it may invest in any one issuer. New Jersey Statutes limit municipal investments to those specified, and as summarily identified in the first paragraph of the “Investments” section of this Note. Currently, the City’s only investments consist of deposits in the MBIA Government Investment Pool, the NJARM Program, the New Jersey Cash Management Fund and Temporary Funding Notes of the Bayonne Municipal Utilities Authority.

The City’s investments at December 31, 2011 are presented as follows:

Investment Type	Fair Value*	Investment Maturities (in Years)			
		< 1	1 - 5	6 - 10	> 10
Government Investment Pools	\$ 6,204,239	\$ 6,204,239	\$ -	\$ -	\$ -
Notes of the Bayonne Municipal Utilities Authority	3,500,000	3,500,000	-	-	-
	<u>\$ 9,704,239</u>	<u>\$ 9,704,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* Short-term investments are carried at cost, which approximates fair value.

Government Investment Pools investments consist of investments in the New Jersey Cash Management Fund, NJARM Program and MBIA Government Investment Pool. Because of their liquidity, these investments are classified as cash and cash equivalents on the financial statements of the City.

The above investments are described in more detail in the pages that follow.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE B. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

INVESTMENTS (continued)

New Jersey Cash Management Fund - All investments in the New Jersey Cash Management Fund are governed by the regulations of the State Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In addition to the Investment Council regulations, the Division of Investment sets further standards for specific investments and monitors the credit of all eligible securities issues on a regular basis. In all the years of the Division of Investment's existence, it has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated in the New Jersey Cash Management Fund as additional protection for the other-than-State participants, which includes the City. The City does not own specific identifiable securities, but instead has a net realizable interest in the joint value of the fund. There is no credit rating available for the New Jersey Cash Management Fund. As of December 31, 2011 and June 30, 2011, the City had balances of \$1,341,532, and \$1,741,213, respectively, in the New Jersey Cash Management Fund. These balances represent 3.4% and 2.3%, respectively, of total deposits and investments at December 31, 2011 and June 30, 2011.

MBIA Municipal Investors Service Corporation – The State of New Jersey provides oversight for this government investment pool, whereas all securities purchased are required to be in compliance with New Jersey State Statutes and held in a third party custody account. MBIA uses the amortized cost method of reporting investments. The City does not own specific, identifiable securities, but instead has a net realizable interest in the joint value of the pool. There is no credit rating available for the MBIA government investment pool. As of December 31, 2011 and June 30, 2011, the City had balances of \$4,859,453 and \$7,617,536, respectively, in the MBIA Government Investment Pool. These balances represent 12.2% and 9.8%, respectively, of total deposits and investments at December 31, 2011 and June 30, 2011.

New Jersey Asset and Rebate Management Program – The NJARM is a financial organization created exclusively for New Jersey local governments. The Program was designed to help achieve excellence in the governmental unit's investment program. Created as a joint investment trust under the Interlocal Services Act, NJARM provides participants with investment and arbitrage compliance services for both bond proceeds and general operating funds. There is no credit rating available for the NJARM. As of December 31, 2011 and June 30, 2011, the City had balances of \$3,254 and \$503,224, respectively, in the NJARM Program. These balances represent 0.1% and 0.6%, respectively, of total deposits and investments at December 31, 2011 and June 30, 2011.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE B. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

INVESTMENTS (continued)

Notes of the Bayonne Municipal Utilities Authority – The City entered into an agreement to purchase \$4,000,000 of “Authority Temporary Funding Notes” of the Bayonne Municipal Utilities Authority (BMUA). There is no credit rating available for the BMUA Notes. The BMUA is a component unit of the City. The details on this investment are as follows:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
Sewer System, Series 2010	January 11, 2011	January 10, 2012	2.00%	\$ 1,968,750
Water System, Series 2010A	January 11, 2011	January 10, 2012	2.00%	<u>1,531,250</u>
				<u><u>\$ 3,500,000</u></u>

During the transition year ended December 31, 2011, the BMUA agreed to pay \$500,000 of the notes to the City. As of December 31, 2011 and June 30, 2011, the City had investments of \$3,500,000 and \$4,000,000, respectively, in BMUA Notes, which represented 8.8% and 5.2%, respectively, of the City’s total deposits and investments for the years then ended.

NOTE C. PROPERTY TAXES

PROPERTY TAX CALENDAR

Property tax revenues are collected in quarterly installments due February 1, May 1, August 1 and November 1. Property taxes unpaid on April 1 of the year following their final due date are subject to tax sale in accordance with State statutes. The amount of tax levied includes not only the amount required in support of the City’s annual budget, but also the amounts required in support of the budget of the entities that follow:

County Taxes - The City is responsible for levying, collecting and remitting county taxes for the County of Hudson. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. Monies are forwarded to the County on a quarterly basis. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year. As of December 31, 2011 and June 30, 2011, the City had County taxes payable of \$1,304 and \$19,411, respectively.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE C. PROPERTY TAXES (continued)

PROPERTY TAX CALENDAR (continued)

School Taxes - The City is responsible for levying, collecting and remitting school taxes for the local school district. Monies are forwarded to the school district monthly. Operations is charged for the full amount due to operate the local school district, and is based upon the annual County certification of apportionment of levies. As of December 31, 2011 and June 30, 2011, the City had no school taxes payable.

Special Improvement District - The City is responsible for levying, collecting and remitting Special Improvement District (SID) taxes for the Bayonne Town Center Management Corporation (the "Corporation"). The SID taxes are derived from assessments made upon the members within the SID and billed through the quarterly property tax bills as noted above. Monies are forwarded to the SID on a quarterly basis. As of December 31, 2011 and June 30, 2011, the City had Special Improvement District taxes payable of \$72,500 and \$-0-, respectively.

PROPERTY TAXES RECEIVABLE

Reserve for Uncollected Taxes - Reserve for Uncollected Taxes is a non-spending item of appropriation required by statute to be included in the City's annual budget. This appropriation protects the City from taxes not paid currently by providing assurance that cash collected in the current year will provide sufficient cash flow to meet obligations as they become due. The minimum amount required to be appropriated in the budget is determined by the percentage of collections experienced in the immediate preceding year, unless the three-year average option is chosen. For the years ended December 31, 2011 and June 30, 2011, the budgeted reserve for uncollected taxes was \$727,000 and \$840,000, respectively.

Delinquent Taxes and Tax Title Liens - As described Note A, taxes receivable and tax title liens are realized as revenue when collected. Uncollected receivables are fully reserved, so no provision is made for the uncollectible portions of these taxes. As of December 31, 2011 and June 30, 2011, property taxes receivable were \$402,491 and \$350,956, respectively and tax title liens receivable were \$511,697 and \$495,123, respectively.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE C. PROPERTY TAXES (continued)

PROPERTY TAXES RECEIVABLE (continued)

Property Acquired by Tax Title Lien Liquidation – In lieu of a traditional tax sale, the City once again conducted a bulk levy sale on September 30, 2011 and sold the balance due of its tax levy for the fiscal year ended December 31, 2011 to a third party purchaser. The sale included all properties except those which were in bankruptcy or subject to an existing municipal lien. The City received the full value of the balance due plus a premium of \$5,000. The City continues to collect the taxes and any interest due and forwards those amounts weekly to the purchaser. There were no additional properties acquired by tax title lien liquidation during the transition year ended December 31, 2011 and June 30, 2011. The value of properties acquired by tax title lien liquidation as of December 31, 2011 and June 30, 2011 was \$8,599,000, each year.

Prepaid Taxes - Taxes collected in advance are recorded as cash liabilities in the financial statements. Prepaid taxes as of December 31, 2011 and June 30, 2011 were \$552,064 and \$9,127, respectively.

Tax Overpayments - Overpaid taxes collected during the year and due to taxpayers either as a refund or tax credit are recorded as cash liabilities in the financial statements. Tax overpayments as of December 31, 2011 and June 30, 2011 were \$2,855,701 and \$3,171,118, respectively.

NOTE D. MUNICIPAL DEBT

SUMMARY OF MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds to finance general municipal and utility capital expenditures. Most bonds are retired in serial installments within the statutory period of usefulness. Other bonds may be term bonds with sinking fund requirements. Bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City. Bond Anticipation Notes, which are issued to temporarily finance capital projects, must be paid off within ten years or retired by the issuance of bonds.

School Debt (Included as Obligations of the City) - The City of Bayonne Board of Education is a Type I School District, as such, bonds and notes issued and authorized by the Board of Education are general obligations of the City. These obligations are accordingly reported on the balance sheet of the City's General Capital Fund and are accordingly included in the summary of municipal debt.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT (continued)

At December 31, 2011 and June 30, 2011, the City's statutory debt is summarized as follows:

SUMMARY OF MUNICIPAL DEBT		
	Dec. 31, 2011	June 30, 2011
<u>Issued:</u>		
General:		
Fiscal Year Adjustment Bonds	\$ 2,490,000	\$ 2,490,000
General Serial Bonds	97,773,299	99,328,000
Green Acres Trust Loan	380,965	399,389
Demolition Loan	495,230	592,163
Bond Anticipation Notes	21,898,460	23,991,802
School:		
School Serial Bonds	93,060,586	97,740,586
School Promissory Notes	7,744,750	7,744,750
Gross Statutory Debt Issued	223,843,290	232,286,690
Less Statutory Deductions to Debt Limit:		
Bonds and Notes for School Purposes	(100,805,336)	(105,485,336)
NJSA 40:2-52 Refunding Bonds - Pension Refunding	(15,720,000)	(15,720,000)
Funds Held to Pay Bonds and Notes	(626,596)	(150,000)
Net Debt Issued	106,691,358	110,931,354
<u>Authorized but not Issued:</u>		
General:		
Fiscal Year Adjustment Bond Refunding	27,293	275,000
General Improvements	331,937	548,153
General Refunding Bonds	-	6,935,000
School Improvements	630	630
Gross Authorized but not Issued	359,860	7,758,783
Less Statutory Deductions:		
Applicable for School Purposes	(630)	(630)
Net Debt Authorized but Not Issued	359,230	7,758,153
Net Bonds and Notes Issued and Authorized but not Issued	\$ 107,050,588	\$ 118,689,507

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT (continued)

In addition to the capital debt shown in the preceding schedule, the City had additional debt which, in accordance with statutes, is not included as part of the City's statutory debt position. All such debt is recorded in the Current Fund and is as follows:

Issued:

Current Fund - Tax Anticipation Notes	\$ 12,000,000	\$ 46,600,000
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The City's long-term debt is summarized below:

	Balance June 30, 2011	Retirements	Balance Dec. 31, 2011	Due by Dec. 31, 2012
Fiscal Year Adjustment Bonds	\$ 2,490,000	\$ -	\$ 2,490,000	\$ 585,000
General Serial Bonds	99,328,000	1,554,701	97,773,299	1,069,870
School Serial Bonds	97,740,586	4,680,000	93,060,586	6,438,775
Green Acres Trust Loan	399,389	18,424	380,965	37,401
Demolition Loan	592,163	96,933	495,230	97,631
	\$ 200,550,138	\$ 6,350,058	\$ 194,200,080	\$ 8,228,677

Debt Refunding

During the year ended December 31, 2011, the City renewed or refunded Tax Refunding Notes, the proceeds of which were used to pay the principal of the maturing notes less statutory minimum payments appropriated through the Current Fund budget, and Bond Anticipation Notes, the proceeds of which were used to pay the principal of the maturing note. Tax Refunding Notes and Bond Anticipation Notes are more fully discussed herein.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT (continued)

Qualified Bonds

Certain bonds of the City are issued pursuant to the Municipal Qualified Bond Act. Under this act, portions of State Aid revenues are withheld by the State of New Jersey and forwarded directly to paying agents for principal and interest payments of such bonds. The City is responsible to certify maturity schedules of the qualified bonds to the State. Qualified bonds are identified within each of bond schedules that follow. During the transition year ended December 31, 2011, the State of New Jersey paid \$4,414,856 of qualified bond interest and principal maturities directly to paying agents on behalf of the City in lieu of State Aid.

BONDS PAYABLE

Fiscal Year Adjustment Refunding Bonds Payable

The City has outstanding at December 31, 2011 a fiscal year adjustment refunding bond. The following table is a summary of the activity for such debt during the year ended December 31, 2011 and the short term liability for each issue:

Summary of Fiscal Year Adjustment Refunding Bond Activity					
Description	Balance June 30, 2011	Increase	Decrease	Balance Dec. 31, 2011	Due by Dec. 31, 2012
Fiscal Year Adjustment Refunding Bonds					
Issued 4/1/2003 for \$4,100,000					
Maturing annually from 2009 to 2015					
Bearing variable interest rates ranging					
from 4.0% to 5.0%	\$ 2,490,000	\$ -	\$ -	\$ 2,490,000	\$ 585,000
	\$ 2,490,000	\$ -	\$ -	\$ 2,490,000	\$ 585,000

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

General Serial Bonds Payable

The City has outstanding at December 31, 2011 various general serial bond debt issues. The following table is a summary of the activity for such debt during the year ended December 31, 2011 and the short term liability for each issue:

Summary of General Serial Bonds Activity					
Description	Balance June 30, 2011	Increase	Decrease	Balance Dec. 31, 2011	Due by Dec. 31, 2012
Employee Retirement Incentive Refunding Bonds					
Issued 1/15/2003 for \$15,795,000					
Maturing annually from 2011 to 2033					
Bearing variable interest rates ranging					
from 5.05% to 5.68%	\$ 15,720,000	\$ -	\$ -	\$ 15,720,000	\$ 100,000
Capital Appreciation Bonds					
Issued 7/3/2003 for \$6,123,000					
Maturing annually from 2011 to 2023					
Bearing variable interest rates ranging					
from 3.55% to 5.17%	6,123,000	-	509,701	5,613,299	494,870
Hudson County Improvement Authority					
Issued 10/24/2008 for \$10,000,000					
Maturing annually from 2011 to 2025					
Bearing an interest rates of 7.5%	10,000,000	-	1,000,000	9,000,000	350,000
General Improvement Infrastructure Bond					
Issued 6/24/2009 for \$67,625,000					
Maturing annually from 2010 to 2039					
Bearing variable interest rates ranging					
from 4.0% to 5.75%	67,485,000	-	45,000	67,440,000	125,000
	<u>\$ 99,328,000</u>	<u>\$ -</u>	<u>\$ 1,554,701</u>	<u>\$ 97,773,299</u>	<u>\$ 1,069,870</u>

In a prior year, the City elected to participate in the Early Retirement Incentive (ERI) Program for employees covered by PERS, PFRS and TPAF. On February 6, 2003, the City issued Federally Taxable Pension Refunding Bonds, Series 2003, in the amount of \$15,795,000, the proceeds of which were used to pay the pension liabilities. These bonds are included in the above general serial bonds payable.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

School Serial Bonds Payable

The City has outstanding at December 31, 2011 various school serial bond debt issues. The following table is a summary of the activity for such debt during the year ended December 31, 2011 and the short term liability for each issue:

Summary of School Serial Bonds Activity					
Description	Balance June 30, 2011	Increase	Decrease	Balance Dec. 31, 2011	Due by Dec. 31, 2012
School Refunding Bonds					
Issued 10/15/1998 for \$13,225,000					
Refinanced in 2010 for 2,275,000					
Maturing in 2010 and 2014					
Bearing variable interest rates ranging from 4.25% to 5.0%	\$ 1,105,000	\$ -	\$ -	\$ 1,105,000	\$ -
School Refunding Bonds					
Issued 4/1/2003 for \$3,965,000					
Maturing annually from 2016 to 2023					
Bearing variable interest rates ranging from 5.0% to 5.5%	3,965,000	-	-	3,965,000	-
Capital Appreciation Bonds					
Issued 2/15/2003 for \$4,753,739					
Maturing annually from 2010 to 2022					
Bearing variable interest rates ranging from 4.075% to 4.974%	3,854,489	-	-	3,854,489	420,342
Capital Appreciation Bonds					
Issued 7/3/2003 for \$12,381,097					
Maturing annually from 2012 to 2023					
Bearing variable interest rates ranging from 3.75% to 4.96%	12,381,097	-	-	12,381,097	1,198,433
School Bonds					
Issued 12/2/2004 for \$55,309,000					
Maturing annually from 2006 to 2024					
Bearing variable interest rates ranging from 4.125% to 4.5%	45,109,000	-	2,100,000	43,009,000	2,300,000

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

School Serial Bonds Payable

Summary of School Serial Bonds Activity - continued

Description	Balance June 30, 2011	Increase	Decrease	Balance Dec. 31, 2011	Due by Dec. 31, 2012
School Bonds (NJ School Bond Reserve Act)					
Issued 10/24/2008 for \$15,636,000					
Maturing annually from 2009 to 2030					
Bearing variable interest rates ranging					
from 6.0% to 6.25%	15,536,000	-	75,000	15,461,000	75,000
Early Retirement Incentive Refunding Bonds					
Issued 5/7/2009 for \$10,920,000					
Maturing annually from 2010 to 2021					
Bearing variable interest rates ranging					
from 3.0% to 6.25%	9,530,000	-	-	9,530,000	750,000
School Refunding Bonds					
Issued 2010 for \$8,880,000					
Maturing annually from 2010 to 2013					
Bearing variable interest rates ranging					
from 1.5% to 3.0%	6,260,000	-	2,505,000	3,755,000	2,445,000
	<u>\$ 97,740,586</u>	<u>\$ -</u>	<u>\$ 4,680,000</u>	<u>\$ 93,060,586</u>	<u>\$ 7,188,775</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

LOANS PAYABLE

Demolition Loans Payable

The City has outstanding at December 31, 2011 a loan agreement with the NJ Department of Community Affairs for the demolition of unsafe buildings. The following table is a summary of the activity for such debt during the year ended December 31, 2011 and the short term principal liability:

Summary of Demolition Loan Activity					
Description	Balance June 30, 2011	Increase	Decrease	Balance Dec. 31, 2011	Due by Dec. 31, 2012
Demolition Loan					
Issued 10/23/2006 for \$973,021					
Maturing annually from 2007 to 2016					
Bearing an interest rate of 0.720%	\$ 592,163	\$ -	\$ 96,933	\$ 495,230	\$ 97,631
	<u>\$ 592,163</u>	<u>\$ -</u>	<u>\$ 96,933</u>	<u>\$ 495,230</u>	<u>\$ 97,631</u>

Green Trust Loans Payable

The City has outstanding at December 31, 2011 various Green Trust Loans. The following table is a summary of the activity for such debt during the year ended December 31, 2011 and the short term principal liability for each issue:

Summary of Green Trust Loans Activity					
Description	Balance June 30, 2011	Increase	Decrease	Balance Dec. 31, 2011	Due by Dec. 31, 2012
1983 Green Trust					
Issued 1998 for \$450,000					
Maturing annually from 1999 to 2018					
Bearing variable interest rates	\$ 181,938	\$ -	\$ 12,172	\$ 169,766	\$ 24,710
1995 GFB					
Issued 2006 for \$171,000					
Maturing annually from 2007 to 2026					
Bearing variable interest rates	137,210	-	3,945	133,265	8,008
95GT					
Issued 2006 for \$100,000					
Maturing annually from 2007 to 2026					
Bearing variable interest rates	80,241	-	2,307	77,934	4,683
	<u>\$ 399,389</u>	<u>\$ -</u>	<u>\$ 18,424</u>	<u>\$ 380,965</u>	<u>\$ 37,401</u>

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

DEBT SERVICE REQUIREMENTS TO MATURITY

The repayment schedule of annual debt service principal and interest for the next five years, and five year increments there-after, for bonds issued and outstanding is as follows:

Schedule of Debt Service Requirements to Maturity - Bonds Issued and Outstanding

Year Ended Dec. 31,	Fiscal Year Adj. Bonds		General Serial Bonds		School Serial Bonds		TOTAL BONDS PAYABLE	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 585,000	\$ 113,913	\$ 1,069,870	\$ 5,438,968	\$ 7,188,775	\$ 4,404,196	\$ 8,843,645	\$ 9,957,077
2013	605,000	89,050	1,070,218	5,429,057	6,038,601	4,284,085	7,713,819	9,802,192
2014	635,000	61,825	1,085,077	5,414,731	6,000,826	4,160,723	7,720,903	9,637,279
2015	665,000	33,250	1,254,877	5,402,059	9,173,210	4,067,428	11,093,087	9,502,737
2016	-	-	1,924,893	5,380,395	5,960,240	3,841,204	7,885,133	9,221,599
2017-2021	-	-	11,335,465	26,735,662	32,205,878	17,806,884	43,541,343	44,542,546
2022-2026	-	-	14,487,899	22,079,455	16,557,056	7,904,769	31,044,955	29,984,224
2027-2031	-	-	18,050,000	16,236,345	9,936,000	1,539,000	27,986,000	17,775,345
2032-2036	-	-	27,650,000	10,135,176	-	-	27,650,000	10,135,176
2037-2039	-	-	19,845,000	2,228,600	-	-	19,845,000	2,228,600
	<u>\$ 2,490,000</u>	<u>\$ 298,038</u>	<u>\$ 97,773,299</u>	<u>\$ 104,480,448</u>	<u>\$ 93,060,586</u>	<u>\$ 48,008,289</u>	<u>\$ 193,323,885</u>	<u>\$ 152,786,775</u>

The repayment schedule of annual debt service principal and interest for the next five years, and five year increments there-after, for loans outstanding is as follows:

Schedule of Debt Service Requirements to Maturity - Loans Outstanding

Year Ended Dec. 31,	Green Trust Loans		Demolition Loan		TOTAL LOANS PAYABLE	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 37,401	\$ 7,433	\$ 97,631	\$ 3,563	\$ 135,032	\$ 10,996
2013	38,153	6,681	98,333	2,861	136,486	9,542
2014	38,920	5,915	99,041	2,153	137,961	8,068
2015	39,701	5,132	99,754	1,441	139,455	6,573
2016	40,499	4,334	100,471	723	140,970	5,057
2017-2021	114,115	12,116	-	-	114,115	12,116
2022-2026	72,176	3,657	-	-	72,176	3,657
	<u>\$ 380,965</u>	<u>\$ 45,268</u>	<u>\$ 495,230</u>	<u>\$ 10,741</u>	<u>\$ 876,195</u>	<u>\$ 56,009</u>

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

DEBT SERVICE REQUIREMENTS TO MATURITY (continued)

The combined repayment schedule of annual debt service principal and interest for the next five years, and five year increments there-after, for all long-term debt issued and outstanding is as follows:

Schedule of Debt Service Requirements to Maturity -
 Long-Term Debt Issued and Outstanding

Year Ended	Principal	Interest	Total
Dec. 31,			
2012	\$ 8,978,677	\$ 9,968,073	\$ 18,946,750
2013	7,850,305	9,811,734	17,662,039
2014	7,858,864	9,645,347	17,504,211
2015	11,232,542	9,509,310	20,741,852
2016	8,026,103	9,226,656	17,252,759
2017-2021	43,655,458	44,554,662	88,210,120
2022-2026	31,117,131	29,987,881	61,105,012
2027-2031	27,986,000	17,775,345	45,761,345
2032-2036	27,650,000	10,135,176	37,785,176
2037-2039	19,845,000	2,228,600	22,073,600
	<u>\$ 194,200,080</u>	<u>\$ 152,842,784</u>	<u>\$ 347,042,864</u>

NOTES PAYABLE

Bond Anticipation Notes

The City issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year, but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes may be paid no later than the close of the tenth fiscal year next following the date of the original notes.

The Division also prescribes that notes cannot be renewed past the third anniversary date of the original note unless an amount equal to at least the first legally required installment is paid prior to each anniversary date.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

NOTES PAYABLE (continued)

The purposes for which these notes were issued as well as more detailed information of the above-referenced information can be found in the table that follows:

DETAIL OF BOND ANTICIPATION NOTES									
Original Issue		June 30, 2011			Paid	Balance: December 31, 2011			
Date	Amount	Interest Rate	Maturity Date	Balance	by Budget Appropriation	Refunded	Unchanged in 6 Month TY	Maturity Date	Interest Rate
Refunding of Tax Appeals:									
12/9/2003	\$ 3,248,000	1.50%	8/31/2011	\$ 1,223,855	\$ 441,716	\$ 782,139	\$ -	8/17/2012	2.00%
6/30/2008	2,800,000	1.50%	8/31/2011	2,060,571	400,001	1,660,570	-	8/31/2011	2.00%
3/31/2011	2,290,000	2.75%	3/30/2012	2,290,000	-	-	2,290,000	3/30/2012	2.75%
Acquisition of Easement of Land:									
5/13/2005	4,500,000	1.75%	8/31/2011	4,265,460	88,609	4,176,851	-	8/17/2012	2.00%
Acquisition of Land:									
12/22/2004	500,000	1.50%	8/31/2011	222,228	17,242	204,986	-	8/17/2012	2.00%
Passive Waterfront Development:									
5/13/2005	2,500,000	1.75%	8/31/2011	2,411,242	-	2,411,242	-	8/17/2012	2.00%
Citywide Communication Systems:									
3/3/2006	5,075,000	1.75%	8/31/2011	4,540,784	267,106	4,273,678	-	8/17/2012	2.00%
Various Capital Improvements:									
3/6/2007	1,601,330	1.75%	8/31/2011	1,512,662	88,668	1,423,994	-	8/17/2012	2.00%
Bayonne Medical Center:									
11/26/2007	6,200,000	2.25%	8/31/2011	5,465,000	790,000	4,675,000	-	8/17/2012	1.43%
				<u>\$ 23,991,802</u>	<u>\$ 2,093,342</u>	<u>\$ 19,608,460</u>	<u>\$ 2,290,000</u>		

School Promissory Notes

The purposes for which these notes were issued as well as more detailed information of the above-referenced information can be found in the table that follows:

DETAIL OF SCHOOL PROMISSORY NOTES									
Original Issue		June 30, 2011			Paid	Balance: December 31, 2011			
Date	Amount	Interest Rate	Maturity Date	Balance	by Budget Appropriation	Refunded	New Issues	Maturity Date	Interest Rate
Various School Improvements:									
11/20/2009	\$ 6,632,065	1.50%	8/31/2011	\$ 6,632,065	\$ -	\$ 6,632,065	\$ -	8/17/2012	2.00%
11/20/2009	1,112,685	2.25%	8/31/2011	1,112,685	-	1,112,685	-	8/17/2012	1.43%
				<u>\$ 7,744,750</u>	<u>\$ -</u>	<u>\$ 7,744,750</u>	<u>\$ -</u>		

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

NOTES PAYABLE (continued)

Tax Anticipation Notes

Tax anticipation notes were issued for interim financing of Current Fund operations. The local budget law allows the City to issue notes in anticipation of the collection of taxes or other revenues of such year for the purposes provided for in the current operating budget. These notes cannot exceed 30% of the tax levy of the previous fiscal year plus 30% of the miscellaneous revenues realized in cash of the previous fiscal year. All notes must be paid within 120 days of the beginning of the next fiscal year. The following is a summary of changes in tax anticipation notes for the year ended December 31, 2011:

Balance at June 30, 2011	\$ 46,600,000
Add: Issued during year	12,000,000
Less: Paid during year	<u>46,600,000</u>
Balance at December 31, 2011	<u><u>\$ 12,000,000</u></u>

The balance of the tax anticipation notes at year end consists of one issue at 1.65% with a maturity date of February 5, 2012.

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2011 and June 30, 2011, the City has authorized but not issued bonds and notes of \$359,860 and \$7,758,783, respectively, in the General Capital Fund. The following activity relates to bonds and notes authorized but not issued that occurred during the year ended December 31, 2011:

Balance <u>June 30, 2011</u>	<u>Canceled</u>	Balance <u>Dec. 31, 2011</u>
<u>\$ 7,758,783</u>	<u>\$ 7,398,923</u>	<u>\$ 359,860</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF STATUTORY DEBT CONDITION – ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement.

	Gross Debt	Deductions	Net Debt
School Purposes	\$ 100,805,966	\$ 100,805,966	\$ -
General Bonds and Notes	123,397,184	16,346,596	107,050,588
	\$ 224,203,150	\$ 117,152,562	\$ 107,050,588

Net debt of \$107,050,588 divided by the equalized valuation basis per N.J.S.A. 40A:2-2 as amended, \$5,885,001,025, equals 1.82%.

Equalized valuation basis is the average of the equalized valuations of real estate, including improvements, and the assessed valuation of class II Railroad Property of the County for the last 3 preceding years.

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

3 1/2% of Equalized Valuation Basis	\$ 205,975,036
Less: Net Debt	107,050,588
Excess Borrowing Power	\$ 98,924,448

NOTE E. FUND BALANCES APPROPRIATED

Fund balance of the City consists of cash surplus and non-cash surplus. The City can anticipate fund balance to support its budget of the succeeding year, however, the use of non-cash surplus is subject to the prior written consent of the Division. Fund balances at December 31, 2011 and June 30, 2011 which were appropriated and included as anticipated revenue in the current fund budget of the succeeding year were as follows:

	Fund Balance Dec. 31, 2011	Utilized in 2012 Budget	Fund Balance June 30, 2011	Utilized in TY 2011 Budget
Current Fund	\$ 6,795,568	\$ 695,000	\$ 11,100,622	\$ 5,975,000
Capital Fund	172,952	-	-	-

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION

Substantially all City employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Consolidated Police and Fireman's Pension Fund, a single employer plan, the Public Employees Retirement System and the Police and Fireman's Retirement System of New Jersey, multiple employer plans, or the Defined Contribution Retirement Program (DCRP), which is a defined contribution plan. These systems are sponsored and administered by the State of New Jersey.

In addition, certain employees participate in the City's Deferred Compensation Plan.

STATE-MANAGED PENSION PLANS - CPFPPF

The Consolidated Police and Fireman's Pension Fund (CPFPPF) is a single employer contributory defined benefit plan which was established on January 1, 1952, under the provisions of N.J.S.A. 43:16 to provide retirement, death and disability benefits to county and municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members. The City currently only makes contributions for its retirees who are enrolled in this pension fund.

STATE-MANAGED PENSION PLANS - PERS

The PERS was established in January, 1955 under provisions of N.J.S.A. 43:15A and provides retirement, death, disability and post-retirement medical benefits to certain qualifying Plan members and beneficiaries. Membership is mandatory to substantially all full time employees and vesting occurs after 8 to 10 years of service for pension benefits. Significant modifications to enrollment, benefits and eligibility for benefits under the plan were made in 2007, 2008, 2010 and 2011. These changes resulted in various "tiers" which distinguish period of eligibility for enrollment. The delineation of these tiers is noted below:

- Tier 1: Employees enrolled before July 1, 2007.
- Tier 2: Employees eligible for enrollment after June 30, 2007 but before November 2, 2008.
- Tier 3: Employees eligible for enrollment after November 1, 2008 but before May 22, 2010.
- Tier 4: Employees eligible for enrollment after May 21, 2010 but before June 28, 2011.
- Tier 5: Employees eligible for enrollment after June 27, 2011.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS (continued)

Tier 1 and 2 employees must earn a base salary of \$1,500 or more to enroll in the plan. Pensionable salaries are limited to the IRS maximum salary compensation limits for Tier 1 employees and social security maximum wage for Tier 2 employees. Tier 2 employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount. Tier 1 and 2 employees who retire at or after age 60 are entitled to a retirement benefit determined by the formula “years of service” divided by 55 times the average of the highest three years salary.

Tier 3 employees must earn a base salary that is annually adjusted. For the transition year ended December 31, 2011 and the year ended June 30, 2011, this base salary amount was \$7,700, each year. Employees earning between \$5,000 and the Tier 3 minimum base salary are eligible for participation in DCRP. Pensionable salaries are limited to the social security maximum wage. Employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount. Employees who retire at or after age 62 are entitled to a retirement benefit determined by the formula “years of service” divided by 55 times the average of the highest three years salary.

Tier 4 and 5 employees do not have a minimum salary requirement to enroll, but must work a minimum of 32 hours per week. Employees not meeting the minimum hour requirement but that make over \$5,000 are eligible to enroll in DCRP. Pensionable salaries are limited to the social security maximum wage. Employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount. Employees who retire at the minimum age; 62 and 65 for Tier 4 and Tier 5, respectively, are entitled to a retirement benefit determined by the formula “years of service” divided by 60 times the average of the highest five years salary.

Each of the 5 Tiers have eligibility requirements and benefit calculations which vary for deferred retirements, early retirements, veteran retirements, ordinary disability retirements and accidental disability retirements. There is no minimum service requirement to receive the pension benefits outlined above. However, to receive state-paid insurance coverage upon retirement, a minimum of 25 years of service is required for employees in Tiers 1 through 4 and 30 years of service for Tier 5 employees.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS - PFRS

The PFRS was established in July, 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firefighters and state police appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. Significant modifications to enrollment, benefits and eligibility for benefits under the plan were made in 2010 and 2011. These changes resulted in various “tiers” which distinguish period of eligibility for enrollment. The delineation of these tiers is noted below:

- Tier 1: Employees enrolled before May 22, 2010.
- Tier 2: Employees enrolled after May 21, 2010 but before June 29, 2011.
- Tier 3: Employees enrolled after June 28, 2011.

Tier 1, 2 and 3 employees do not have a minimum salary requirement to enroll. Pensionable salaries are limited to the social security maximum wage for Tier 2 and 3 employees and ‘federal pensionable maximum’ for Tier 1 employees. Employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount. Employees who retire either at or after the age of 55 are entitled to a retirement benefit dependent on years of service. In addition, Tier 1 employees can retire with 20 years of service with no minimum age requirement.

If the employee retires with less than 20 years of service, the benefit is calculated as 2% times the “final compensation”* times years of service. If the employee retires with more than 20 but less than 25 years of service, the benefit is calculated as 50% of “final compensation”*. If the employee retires with more than 25 but less than 30 years of service, the benefit is calculated as 60% of the “final compensation”* salary plus 1% times “final compensation”* for each year between 25 and 30. If the employee retires with at least 30 years of service, the benefit is calculated as 2% times the “final compensation”* times years of service plus 1% of “final compensation”* for each year over 30. In addition, if a Tier 1 employee retires at age 65 with 20 or more years of service, the benefit is calculated as 50% of the “final compensation”* plus 3% of the “final compensation”* times the number of years served over 20, to a maximum of 25.

***Note:** “Final Compensation” refers to the final 12 months of pensionable salary for Tier 1 employees and the average of the highest three years of pensionable salary for Tier 2 and 3 employees.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS - GENERAL

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of several State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The State or local government employers do not appropriate funds to SACT.

The State also administers the Pension Adjustment Fund (PAF) which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in all State-sponsored pension systems except SACT. The cost of living increases for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for that system.

According to state statutes, all obligations of PERS and PFRS will be assumed by the State of New Jersey should the PERS and PFRS be terminated.

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

STATE-MANAGED PENSION PLANS - CONTRIBUTIONS

The contribution policy for PFRS and PERS is set by laws of the State of New Jersey, and requires contributions by active members and their employers. Plan member and employer contributions may be amended by legislation of the State of New Jersey. Contributions made by employees for the previous three years are as follows:

Summary of Employee Contributions					
Year	As a Percentage of Base Wages			Amount	
Ended	PFRS		PERS	PFRS	PERS
Dec. 31, 2011*	10.00%	(1)	6.50%	\$ 1,624,472	\$ 437,912
June 30, 2011	8.50%		5.50%	2,994,279	785,803
June 30, 2010	8.50%		5.50%		**

*Six-month transition year.

**Information not available.

(1) 2011 rates for PFRS and PERS were 8.5% and 5.5%, respectively, until the first payroll in October, 2011, after which the rates noted above took effect.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – CONTRIBUTIONS (continued)

Employers are required to contribute at an actuarially determined rate in all three systems. During the previous three years, the City made the following contributions:

Year Ended	City PFRS Contribution		City PERS Contribution		City CPFPPF Contribution	
	Amount Paid or Charged	As a Percentage of Covered Payroll	Amount Paid or Charged	As a Percentage of Covered Payroll	Amount Paid or Charged	As a Percentage of Covered Payroll
Dec. 31, 2011	(2)	(2)	(2)	(2)	\$ 83,796	n/a
June 30, 2011	10,963,105	31.1%	1,780,460	12.5%	76,013	n/a
June 30, 2010	9,161,964	**	1,450,144	**	76,856	n/a

(2) The year ended December 31, 2011 is a six month “transition” year for which no PERS and PFRS payments were due.

STATE-MANAGED PENSION PLANS – DEFERRAL

Legislation, known as Chapter 19 of the Public Laws of 2009 (P.L. 2009, c. 19), was enacted and effective on March 17, 2009 allowing for an adjustment in the contributions that local employers, such as the City, must make to the PERS and PFRS during the year ended June 30, 2009. Under this legislation, local governments were given the option to defer exactly 50% of their required pension contribution as certified by the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits or pay the full amount of the required contribution for the year ended June 30, 2009.

The City elected the 50% deferral. Under the terms of the pension deferral the City is obligated to commence repayment of the entire deferral in 15 amortized annual installments, commencing with the year ended December 31, 2012. These payments will be added to the regular pension bills. The total amount of the deferred pension contribution liability as of December 31, 2011 and June 30, 2011 was \$4,568,624, for each year. The short term liability of the deferral, payable on April 1, 2012, is as follows:

	PERS	PFRS	Total
Principal	\$ 24,956	\$ 173,144	\$ 198,100
Interest	57,001	395,480	452,481
Total	<u>\$ 81,957</u>	<u>\$ 568,624</u>	<u>\$ 650,581</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

DEFINED CONTRIBUTION RETIREMENT PROGRAM

The Defined Contribution Retirement Program (DCRP) was established under the provisions of P.L. 2007, Chapters 92 and 103 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. It provides eligible members with a tax-sheltered, defined contribution retirement benefit along with life insurance and disability coverage.

Individuals eligible for membership in the DCRP include (a) state or local officials elected or appointed or elected to new office on or after July 1, 2007, (b) employees enrolled in PERS on or after July 1, 2007 or PFRS after May 21, 2010 who earn salary in excess of established maximum compensation limits and (c) employees otherwise eligible for PERS on or after November 2, 2008 or PFRS after May 21, 2010 that earn below the minimum PERS or PFRS salary but more than \$5,000 annually. Participation in DCRP can be irrevocably waived if an official earns less than \$5,000.

Vesting occurs upon commencement of the third year of membership. Should the vesting period not be reached, contributions will be refunded to the appropriate contributing parties. Employer matching contributions and earnings are only available after the age of 55. Distributions render the member retired and ineligible for future participation in any State-administered plans. Otherwise, distributions are available at any time as lump sum, fixed term or life annuity.

Members are covered by employer-paid life insurance in the amount of 1 ½ times the annual base salary on which DCRP contributions were based. Members are also eligible for employer-paid long-term disability coverage after one year of participation. Eligibility occurs after six consecutive months of total disability. Members would receive a regular monthly income benefit up to 60% of the base salary on which DCRP contributions were based during the 12 months preceding the onset of the disability, offset by any other periodic benefit the member may be receiving. Benefits will be paid until the age of 70 so long as the member remains disabled and has not begun receiving retirement annuity payments.

The following table represents the City and employee contributions during the previous three years:

Year Ended	Employees Enrolled	Employee Contributions		City Contribution	
		Amount	Rate	Amount	Rate
Dec. 31, 2011	2	\$ 4,083	5.5%	\$ 2,227	3.0%
June 30, 2011	2	4,994	5.5%	2,724	3.0%
June 30, 2010		<i>No employees enrolled.</i>			

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

DEFERRED COMPENSATION PLAN (unaudited)

The City has established a deferred compensation program (the “plan”) for its employees under Section 457 of the Internal Revenue Code. The plan is comprised of several separate plans, all of which are Public Employees' Deferred Compensation Plans, covering employees and elected officials who perform services for the City. One plan is underwritten by The Hartford Financial Services Group, Inc., the other by Variable Annuity Life Insurance Company (“VALIC”) and the Metropolitan Life Insurance Company.

The Plans are a tax-deferred supplemental retirement program that allows City employees to contribute a portion of their salaries, before federal taxes, to a retirement account. Contributions, or deferrals, are made through payroll deductions. Individuals are 100% vested. Distributions are not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely property and rights of the individual contributors and are not subject to the claims of the City's general creditors.

NOTE G. POST-EMPLOYMENT BENEFITS

POST-EMPLOYMENT BENEFITS PLAN

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

The SHBP was extended to employees, retirees and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1964, the City authorized participation in the SHBP’s post-retirement benefit program. The City currently provides lifetime medical benefits to City employees who retire from the City under the following conditions: (a) after twenty five years of service with the City, or (b) upon a disability retirement. Coverage is also provided for eligible family members of the employee and paid by the City for the life of the retiree.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE G. POST-EMPLOYMENT BENEFITS

POST-EMPLOYMENT BENEFITS PLAN (continued)

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

Funding Policy – Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City on a monthly basis.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for employee-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

Chapter 2, P.L. 2010, effective May 21, 2010, requires a minimum contribution of 1.5% of base salary toward the cost of health benefits coverage by all active public employees. Employees who become a member on or after the law's effective date would be required to pay in retirement 1.5% of their pension benefit toward the cost of health care coverage under the SHBP.

NOTE H. COMPENSATED ABSENCES

Employees may accumulate unlimited sick time. Upon retirement, union employees with a minimum of 100 accrued sick days may receive a cash payment of one-third of accumulated sick time up to a maximum of \$12,500. Employees may carry vacation over for only one year. Upon termination or retirement, employees may receive a cash payment for the full value of their accumulated vacation time.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE H. COMPENSATED ABSENCES (continued)

As of December 31, 2011 and June 30, 2011, the total accumulated absence liability was \$6,847,917 and \$9,902,464, respectively. No funds are reserved for accumulated absences, however, the City budgets compensated absence appropriations annually in the applicable department line items.

NOTE I. RISK MANAGEMENT

Insurance Coverage

The City is exposed to various property and casualty risks including: property damage caused to any of the City's property, motor vehicles, equipment or apparatus; liability resulting from the use or operation of such motor vehicles, equipment apparatus; liability from the City's negligence, including that of its officers, employees and servants; and workers' compensation obligations.

The City established a self-insurance program in accordance with New Jersey Statute Chapter 40:10-6. The Chapter enables the governing body of any local unit to create a fund to provide insurance coverage for its exposure to a wide variety of property casualty risks, including property damage caused to any of the unit's property, motor vehicles, equipment or apparatus; liability resulting from the use or operation of such motor vehicles, equipment or apparatus; liability for the unit's negligence, including that of its officers, employees and servants and workers' compensation obligations.

On August 17, 2011, the City authorized participation in and the execution of an Indemnity and Trust Agreement with the New Jersey Intergovernmental Insurance Fund (the "NJIIF") for the provision of property and casualty insurance coverage for the one year period commencing September 1, 2011. The NJIIF is a public entity created in 1991 and offers coverage to municipalities, counties, and school districts statewide. The NJIIF is a New Jersey approved, self-insured, reinsured public entity insurance pool which offers all New Jersey public entities multiple lines of insurance.

The City has obtained the following coverage through the NJIIF:

- Equipment Breakdown coverage in the amount of \$100,000,000.
- Crime coverage including employee dishonesty, forgery, alterations, theft, robbery and fraud in the amount of \$1,000,000.
- Environmental Impairment coverage in the amount of \$20,000,000.
- Workers' Compensation coverage in the amount of \$2,000,000.
- General, Automobile and Employee Benefits liability coverage in the amount of \$15,000,000.
- Public Entity Management Liability coverage, including Public Official's Liability and Employment Practices Liability coverages, in the amount of \$3,000,000.
- Surety bonds for the City Treasurer, Chief Financial Officer and Tax Collector.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE I. RISK MANAGEMENT (continued)

Disaster Recovery

The City does not have a formal disaster recovery plan in place, however, all financial data is backed up to hard disks daily.

NOTE J. STATE AID RECEIVABLE – QUALIFIED BONDS

The City is transitioning from a state fiscal year to a calendar fiscal year. In accordance with rules promulgated by the Division, municipalities reverting to a calendar year are required to have a six month accounting period, or transition year, against which the municipality is required to anticipate a full year of State Aid revenue. The State provides Aid revenues to the City partially in the form of direct cash payments, while the remainder, referred to as qualified bonds, is withheld by the State and forwarded directly to paying agents for principal and interest payments of such bonds. Although a six month transition year, the City was required to certify qualified bond payment schedules for the twelve month period of July 1, 2011 to June, 30, 2012, six months beyond the end of the transition year. As a result, \$3,357,695 of the revenue to be recognized in the transition year is in the form of qualified bond payments for the period December 1, 2012 to June 30, 2012. This amount is reported as State Aid Receivable on the balance sheet of the City.

The following schedule summarizes the State Aid received, qualified bond payments applied and the receivable amounts as of December 31, 2011.

PREPAID DEBT SERVICE		
Balance: July 1, 2011		\$ -
Add: State Aid (1)		8,961,605
		8,961,605
Less: Received in Cash	\$ 1,189,054	
Qualified Bond Payments	4,414,856	
		5,603,910
Balance: December 31, 2011		\$ 3,357,695

NOTE K. CLEARING ACCOUNT

The City maintains a claims account, or a cash clearing bank account, from which bills are paid for various funds.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE L. FIXED ASSETS

The City had the following investment balance and activity in general fixed assets for and as of the year ended December 31, 2011:

	Balance,	Activity During Current Year		Balance,
	June 30, 2011	Additions	Deletions	Dec. 31, 2011
Land	\$ 52,503,600	\$ -	\$ -	\$ 52,503,600
Buildings	10,273,265	-	-	10,273,265
Improvements	4,817,988	-	-	4,817,988
Machinery, Equipment and Other	18,235,664	724,655	174,343	18,785,976
	<u>\$ 85,830,517</u>	<u>\$ 724,655</u>	<u>\$ 174,343</u>	<u>\$ 86,380,829</u>

In accordance with accounting practices prescribed by the Division, and as further detailed in Note A, no depreciation has been provided for and fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

NOTE M. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. The City had a deficit in operations in 2007 of \$24,841,584. The Director of the Division of Local Government Services allowed the City to fund this deficit over a period of several budget years. The appropriations in the budget for the transition year ended December 31, 2011 are not less than that required by the Director of the Division of Local Government Services. The City also has a deferred charge from the Bayonne Board of Education of \$3,028,762. As of December 31, 2011, the following deferred charges are shown on the balance sheets of the Current Fund:

	Balance,	Current Year	Balance,	Budget	Balance to
	June 30, 2011	Budget	Dec. 31, 2011	Appropriation	Succeeding
		Appropriation		Year Ended	Budgets
				Dec. 31, 2012	
Deficit in 2007 Operations	\$ 2,027,986	\$ 1,000,000	\$ 1,027,986	\$ 1,027,986	\$ -
Bayonne Board of Education	3,028,762	-	3,028,762	3,028,762	-
	<u>\$ 5,056,748</u>	<u>\$ 1,000,000</u>	<u>\$ 4,056,748</u>	<u>\$ 4,056,748</u>	<u>\$ -</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE N. INTERFUND TRANSACTIONS

The City has various transactions by and between its individual funds. Certain accounts of the Trust and Capital Funds earn interest which is required to be recorded as revenue in the Current Fund budget. Other transactions include budget appropriations in the Current Fund which are required to be turned over to the Federal and State Grant, Trust and Capital Funds. All these transfers are routine and are consistent with the activities of the funds making the transfers.

As of December 31, 2011, the following interfund balances remained on the City’s records for the reasons as stated.

Amount	Payable Fund	Receivable Fund	Purpose of Interfund Balance
\$ 633,625	Current Fund	Other Trust Fund	Due to various Trust Fund Reserves.
150,000	Capital Fund	Current Fund	Anticipated in Support of Budget - Retirement of Debt.
17	Capital Fund	Current Fund	Capital Fund Interest - December, 2011.
3,760,506	Current Fund	Federal and State Grants Fund	Advanced from Current Fund, Net Grant Expenditures Paid by Current Fund in Prior

The City expects all balances to be repaid by year-end with the exception of the interfund between the Current Fund and Federal and State Grants Fund. The Federal and State Grants Fund does not have its own bank account, therefore, the activity of the Fund is run through the Current Fund.

NOTE O. RELATED PARTY TRANSACTIONS

SHARED SERVICE AGREEMENTS

The Water/Sewer System

The City created the Bayonne Municipal Utilities Authority (the “BMUA”) by virtue of an ordinance adopted on October 9, 1997. Prior to the creation of the BMUA, the City operated the Water System together with the Sewer System throughout the City as a combined utility within the City’s Budget. As described in Note A, the BMUA is considered a component unit of the City.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE O. RELATED PARTY TRANSACTIONS (continued)

SHARED SERVICE AGREEMENTS (continued)

On November 17, 1997, the BMUA and the City executed an Interlocal Agreement as amended and supplemented by Amendment No.1 dated August 1, 2000, and Amendment No. 2 dated April 11, 2001 (hereinafter referred to collectively as the “Interlocal Agreement”), which agreement provided for among other things, the leasing of the Water/Sewer System to the BMUA for a term of up to 50 years.

In accordance with the terms of the Interlocal Agreement of November 17, 1997, the BMUA acquired the Water/Sewer System from the City pursuant to a long-term lease for lease payments equal to \$23,500,000 (the “Lease Payments”) plus sufficient funds to retire all of the City’s outstanding Water/Sewer System debt of \$15,343,219 and reimburse the City for certain other costs incurred by the City with respect to the Water/Sewer System. In addition, the water and sewer accounts receivable previously due to the City were assigned to the BMUA.

On April 11, 2001, the City sold the water system assets and the sewer system assets to the BMUA for consideration of \$1.00 each system. Also on April 11, 2001, the City leased the aqueduct to the BMUA for \$28,000,000. The aqueduct consists of a force main that beings at the intersection of Kearny Avenue and Belleville Turnpike in Kearny, New Jersey, including the pump house, garage and vault at Porte Avenue, and interconnects with other systems at Kearny Avenue and Schuyler Avenue in Kearny, and North Arlington, New Jersey and extends past the City’s border at Avenue B and West 56th Street to the point where it connects with the Bayonne pump station. In accordance with the terms of the Interlocal agreement, the lease term is for 50 years with an option for the BMUA to purchase a fee simple interest in the aqueduct from the City for \$1.00 at any time on or after the 20th anniversary of the agreement, April 11, 2021.

As described in Note B, the City also holds investments in the form of notes receivable from the BMUA. The City also has a receivable due from the BMUA at December 31, 2011 and June 30, 2011 of \$125,000, each year, for anticipated expense reimbursements. This receivable is part of the revenue accounts receivable identified on the balance sheet and has been fully reserved.

The City also has a “Deficiency Agreement” with the BMUA, which is further described in Note S.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE O. RELATED PARTY TRANSACTIONS (continued)

SHARED SERVICE AGREEMENTS (continued)

Local Redevelopment Authority

In September 1998, the City created a Local Redevelopment Authority (the “BLRA”) to oversee the development of the Military Ocean Terminal. The Authority consists of seven members from various segments of the Bayonne community, including two City Council members. The Military Ocean Terminal was an Army base that was closed in September, 1999. The City assumed the role of caretaker for the facility under a cooperative agreement with the Department of Defense as of October 1, 1999. As described in Note A, the BLRA is considered a component unit of the City.

On October 1, 2001, the BLRA assumed ownership of the “clean” portions of the facility. On December 18, 2002, the remaining portion of the facility was turned over to the City. The BLRA has been awarded a grant to “clean” this portion. The BLRA is in the process of marketing the facility for future development. The site is now currently known as the Peninsula at Bayonne Harbor. In 2009, the first residential development at the Peninsula at Bayonne Harbor, Alexan City View, opened its leasing office and welcomed its first residents.

On May 25, 2005, the City passed a \$20,000,000 Bond Ordinance providing for various infrastructure improvements at the Peninsula. The BLRA, in turn, entered into a loan arrangement with the developer of the Military Ocean Terminal to borrow \$21,500,000 to pay the City for use by the City to fund an ongoing structural budget deficit. The loan will be repaid by the BLRA upon the sale to the developer of individual parcels of land in the redevelopment area. This financing structure allows the City, through the BLRA, to effectively use the anticipated proceeds from the sale of the property for budget relief while funding the infrastructure improvements over the useful life of such improvements. These improvements are all to be made at the Peninsula at Bayonne Harbor and are being overseen by the Bayonne Local Redevelopment Authority. The Authority has reimbursed the City the \$20,000,000 for the issuance of Bond Anticipation Notes.

During the transition year ended December 31, 2011 and the year ended June 30, 2011, the City received \$-0- and \$34,500,000, respectively, from the BLRA for police, fire and other municipal services for the Peninsula at Bayonne Harbor. These amounts were anticipated as revenues in the City’s respective annual budgets. The City’s dependency on these revenues is further described in Note Q.

The City also has a “Subsidy Agreement” with the BLRA, which is further described in Note S.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE O. RELATED PARTY TRANSACTIONS (continued)

SHARED SERVICE AGREEMENTS (continued)

Parking Authority

The Bayonne Parking Authority (the “BPA”) was created by an ordinance of the City on December 17, 1958 pursuant to the provisions of the Parking Authority Laws, N.J.S.A. 40:11A et seq. As described in Note A, the BPA is considered a component unit of the City.

Under the terms of the shared service agreement, as amended on June 30, 2011, the City shall furnish various levels of parking enforcement officers who will, at the direction of the Chief of Police, perform patrols of all public and City premises and enforce all parking laws, ordinances and regulations of the City and the State of New Jersey.

The BPA is responsible to reimburse the City, on a quarterly basis or as otherwise agreed, for all payroll, social security, withholding, unemployment, medical benefits and pension if applicable, liability insurance, workers’ compensation insurance, disability insurance and any and all other expenses related to employee compensation and benefits for those City personnel assigned to enforcement of parking regulations. The BPA must also share with the City \$5 for each adjudicated summons in violations of the residential permit parking ordinances, overtime meter ordinances and street sweeper ordinances.

Effective January 1, 2012, the BPA was officially dissolved and the Bayonne Parking Utility was created.

Other Shared Service Agreements

The City has an agreement with the Bayonne Housing Authority (the “BHA”) in which the City is to receive reimbursement for garbage contracts, dumpster fees and forestry expenses. During the transition year ended December 31, 2011 and the year ended June 30, 2011, the City received \$85,000 \$175,400, respectively, for such reimbursements. As of December 31, 2011 and June 30, 2011, the City has receivables from the BHA of \$250,400 and \$400,800, respectively, for prior year accrued budget revenues. This receivable is part of the revenue accounts receivable identified on the balance sheet and has been fully reserved. As described in Note A, the BHA is considered a component unit of the City.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE O. RELATED PARTY TRANSACTIONS (continued)

BAYONNE BOARD OF EDUCATION

As described in Note D, the Bayonne Board of Education is a Type I School District, therefore, bonds and notes authorized by the Board of Education are general obligations of the City and are reported on the balance sheet of the City's General Capital Fund and are accordingly included in the summary of municipal debt. The City budgets the principal and interest payments of the Board of Education's obligations as they become due. These obligations are funded by the City through an amount to be raised by taxation called "addition to local district school tax", less any regular school debt service aid received from the State of New Jersey. For the transition year ended December 31, 2011 and the year ended June 30, 2011, the City's budget included the following debt service requirements of the Board of Education and corresponding anticipated revenues:

	Year Ended	
	Dec. 31, 2011	June 30, 2011
Debt Service Requirements of the Board of Education:		
Payment of Bond Principal	\$ 4,680,000	\$ 5,934,536
Interest on Bonds	1,952,827	4,111,609
Interest on Notes	124,517	163,980
	6,757,344	10,210,125
Less: Applicable Revenues Anticipated		
Regular School Debt Service Aid	307,060	625,384
Prior Year Board of Education Reimbursement	-	1,449,228
	307,060	2,074,612
Balance for Support of Board of Education:		
Addition to Local District School Tax	\$ 6,450,284	\$ 8,135,513

As described in Note M, the City is carrying a deferred charge of the Bayonne Board of Education in the amount of \$3,028,762. As of December 31, 2011 and June 30, 2011, the City has receivables from the Board of Education of \$1,137,500 and \$975,000, respectively, for accrued budget revenues. This receivable is part of the revenue accounts receivable identified on the balance sheet and has been fully reserved.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE P. REVENUE ACCOUNTS RECEIVABLE

Revenue accounts receivable are fully reserved receivables due from entities for revenues anticipated in support of the City's budget. The following table illustrates activity of the beginning and ending revenue accounts receivable balances for the transition year ended December 31, 2011:

	Balance June 30, 2011	Current Year Accruals	Collections	Balance Dec. 31, 2011
Fines and Costs - Municipal Court	\$ 182,406	\$ 928,737	\$ 979,363	\$ 131,780
Reimbursement from:				
Bayonne Housing Authority (1):				
Garbage Contract	240,000	60,000	180,000	120,000
Dumpsters	10,800	-	5,400	5,400
Other	100,000	-	-	100,000
Forestry Expenses	50,000	25,000	50,000	25,000
Bayonne Board of Education (1)	975,000	162,500	-	1,137,500
Bayonne Municipal Utilities Authority (1)	125,000	62,500	62,500	125,000
	<u>\$ 1,683,206</u>	<u>\$ 1,238,737</u>	<u>\$ 1,277,263</u>	<u>\$ 1,644,680</u>

(1) The receivables are further discussed in Note O.

NOTE Q. ECONOMIC DEPENDENCY

Peninsula at Bayonne Harbor

As described in Note O, during the transition year ended December 31, 2011 and the year ended June 30, 2011, the City received funds totaling \$-0- and \$34,500,000, respectively, from the BLRA. These revenues represented -0-% and 24% of the support of the City's budgets for the transition year ended December 31, 2011 and the year ended June 30, 2011, respectively.

The BLRA funds these payments to the City primarily through the proceeds of various land sales on the Peninsula at Bayonne Harbor. Based on the terms of the BLRA land sales contracts, the City anticipates revenues from the BLRA, for support of the City budget, of \$30,500,000 and \$25,000,000 in 2012 and 2013, respectively, and annual payments of \$5,000,000 from 2014 through 2033. Based on this schedule, the City expects this line item of revenue to be \$5,000,000 in 2014, a \$20,000,000 decrease from 2013 and a reduction of \$29,500,000 from the most recent full fiscal year.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE Q. ECONOMIC DEPENDENCY (continued)

Peninsula at Bayonne Harbor (continued)

The City expects future land sales at the Peninsula at Bayonne Harbor to provide replacement revenues. Taking into consideration legislation capping the City's ability to increase its tax levy, the impact on the City's operations would be significant should the City be unable to obtain adequate replacement revenues.

Major Taxpayers

The City does not have significant economic dependence on any one taxpayer. However, the ten largest taxpayers of the City as listed in the following table comprise 9.9% of the City's total tax assessment.

Top 10 Taxpayers	
Name	Assessment
Bayonne Industries Inc / IMTT	\$ 116,103,000
Bayonne Auto Terminal, LLC	23,095,700
Gordon Terminal Service Company of NJ, Inc	15,027,100
Exxon Corporation	15,001,500
Texaco Downstream Properties, Inc.	13,085,800
Hess Corporation	10,379,000
Morris Bayonne Association I, LLC	9,813,700
99 Hook Road, LLC	9,500,000
South Cove Development, LLC	8,519,700
MPT of Bayonne, LLC	8,000,000

State Aid

The City is also a recipient of State Aid. During the transition year ended December 31, 2011 and the year ended June 30, 2011, State Aid accounted for 14.9% and 7.3%, respectively, of the support the City's budget. Significant changes in State Aid policy, in conjunction with legislation capping increases to the tax levy, could further impact the City's operations.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE R. LEASE COMMITMENTS

In 2004, the City entered into a financing lease with the Hudson County Improvement Authority in the amount of \$10,000,000 to fund improvements to the City's public works garage. The minimum future lease payments are as follows:

Year Ended December 31,	Principal	Interest
2012	\$ 190,000	\$ 551,623
2013	200,000	541,286
2014	210,000	530,007
2015	225,000	518,057
2016	235,000	505,233
2017-2021	1,410,000	2,297,992
2022-2026	1,895,000	1,806,283
2027-2031	2,570,000	1,133,475
2032-2034	1,965,000	254,635
	\$ 8,900,000	\$ 8,138,591

NOTE S. CONTINGENT LIABILITIES

Grant Programs

The City participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. The state and federal grants received and expended in the transition year ended December 31, 2011 and the year ended June 30, 2011 were subject to the Single Audit Act Amendments of 1996 and State of New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the City's annual audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. These grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy, efficiency and program results. As a result of these audits, costs previously reimbursed could become disallowed and require repayment by the City to the grantor.

The U.S. Department of Housing and Urban Development (HUD) conducted an audit of the City's Community Development Block Grant (CDBG). Subsequent to year end, the City received notification regarding the disallowance of costs relating to the CDBG program. The City is required to re-program an amount equal to the disallowed costs, \$515,601, from the City's own resources and operations.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE S. CONTINGENT LIABILITIES (continued)

Tax Appeals

The City is a defendant in various tax appeals that they are defending vigorously. The tax appeals it is currently defending are not unusual for a municipality of its size. In the past, the City has funded these appeals through various means, including utilizing the reserve for tax appeals account, which is funded through budget appropriations, issuing refunding notes to pay for the appeals, direct appropriations and charges to operations. The Local Finance Board has allowed the City to issue tax refunding obligations to finance the tax refunds. They are renewable annually for five to seven years after their date of issuance, with the amortization schedule approved by the Local Finance Board.

During the transition year ended December 31, 2011, the City renewed previously issued tax refunding notes. Also during the transition year ended December 31, 2011, the City funded additional appeals by appropriating and expending \$469,976 in the current budget, expending the remaining appropriation reserve balance of \$484,386 and charging \$1,446,027 to improvement authorizations in the general capital fund. Finally, the City charged \$1,868,258 directly to operations for additional appeals awarded to taxpayers by judgment of the County Tax Board.

Deficiency Agreement

The City's Interlocal Agreement with the BMUA described in Note O authorizes a Deficiency Agreement, which was executed on November 17, 1997. The BMUA is a component unit of the City as described in Note A.

The BMUA and the City have entered into the Deficiency Agreement in order to, among other things, provide security to the holders of the obligations of the BMUA, which were issued for or with respect to the Water/Sewer System. Pursuant to its terms, the Deficiency Agreement will remain in full force and effect as long as any obligations of the Authority, which are entitled to the benefits thereof, remain outstanding. The BMUA shall impose and collect annual charges from the City in an amount which is sufficient to provide for, after taking into account all other moneys of the BMUA, deficiencies in funds of the BMUA which are needed to pay for the BMUA's expenses of (i) operation and maintenance of the Water/ Sewer System, and the principal of and interest on all Bonds as the same shall be due, (ii) maintenance of reserve or sinking funds as may be required by the terms of any contract of the BMUA or any Bond Resolution or as may be necessary or desirable by the BMUA, and (iii) compliance with the terms of any Bond Resolution and with the Act.

From its inception through December 31, 2011, the agreement has never been called upon by the BMUA.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE S. CONTINGENT LIABILITIES (continued)

Subsidy Agreement

The City's Interlocal Agreement with the BLRA described in Note O authorizes a Subsidy Agreement, which was executed in June of 2003. The BLRA is a component unit of the City as described in Note A.

Pursuant to the terms of the Subsidy Agreement the City agrees to pay to the BLRA, prior to each fiscal year an amount, if any, which shall be equal to the excess, as specified in an Accountant's certificate, of:

(A) The sum of all the amounts necessary in the succeeding fiscal year: (1) to pay or provide for the expenses of operation and maintenance of the Redevelopment Projects; (2) to pay or provide for the principal or redemption premium of any Bonds; (3) to pay or provide for any interest becoming due on any Bonds; (4) to maintain such reserves or sinking funds to provide for expenses of operation and maintenance of the Redevelopment Projects or principal or redemption premium of and interest on any Bonds; and (5) to provide other amounts as may be required by the terms of any contract of the Agency or Bond Resolution or as deemed necessary or desirable by the Authority; over

(B) The sum of the following amounts to the extent available for operating expenses of the BLRA or Debt Service on any Bonds: (1) all revenues of the BLRA; (2) the proceeds of any Bonds; (3) the proceeds of insurance; (4) interest received on investments funds held for the benefit or security of the BLRA or the holders of any Bonds; (5) contributions and grants for the account of the BLRA; and (6) reserves on hand.

In addition to the amounts required to be paid by the City to the BLRA as described above, the City shall pay the BLRA, upon 15 days notice, any amount needed to pay the principal and redemption premium and/or interest on any Bonds to the extent such funds are not otherwise available from the BLRA with respect thereto.

If any payment due to the BLRA from the City remains unpaid for 30 days following its due date, the City shall be charged with and will pay to the BLRA interest on the amount unpaid from its due date until paid, at a rate per annum equal to 1% in excess of the highest rate of interest per annum which the BLRA is then paying with respect to any of its Bonds unless waived by the BLRA.

From its inception through December 31, 2011, the agreement has never been called upon by the BLRA.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE S. CONTINGENT LIABILITIES (continued)

City Guarantee of BLRA Debt

On September 15, 2009, the Hudson County Improvement Authority (the "HCIA") adopted a resolution authorizing it to act as an applicant for a loan application with the New Jersey Environmental Infrastructure Trust Fund on behalf of the BLRA for the acquisition of land and various infrastructure improvements associated with the Bayonne Shopping Center Project. On September 29, 2009, the City entered into a Guarantee Agreement with the HCIA on the loan. The BLRA is responsible for the repayment of the loan by certain payments-in-lieu-of taxes (Annual Service Charges) made by Cameron Bayonne Urban Renewal, LLC. The debt is further guaranteed by the County of Hudson pursuant to an agreement with the HCIA dated September 10, 2009. The obligations are not a debt or liability of the City (except to the extent of the City guarantee. As of December 31, 2011, \$18,726,295 remains outstanding. Neither the Bonds nor the proceeds therefore are reflected on the accompanying financial statements.

Affordable Housing

All municipalities in the State, including the City, were required by PL 2008, c. 46 to return uncommitted Affordable Housing monies to the State on August, 2012. The issue was contested by the New Jersey State League of Municipalities before the Courts, and the Appellate Division has ruled that the State can seize such funds, assuming proper notice and the ability for municipalities to contest the State's findings are provided. The Court went on to state that COAH staff is prohibited from "seeking a turnover from any municipality of affordable housing trust funds" without specific instructions from the COAH board, and that "any funds that have been turned over shall be returned to the municipality." If and when COAH will meet is not known. The State has not indicated whether it will appeal the August 10 Order. As of the date of this report, the extent of the City's Affordable Housing funds subject to seizure by the State, if any, is uncertain. As of December 31, 2011 and June 30, 2011, the City had balances of \$3,247,572 and \$3,121,462, respectively, in its Affordable Housing Trust.

Arbitrage Rebate

The City is subject Section 148 of Internal Revenue Code, which was enacted to minimize the arbitrage benefits from investing gross proceeds of tax-exempt bonds in higher yielding investments and to remove the arbitrage incentives to issue more bonds, to issue bonds earlier, or to leave bonds outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes for which the bonds were issued.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE S. CONTINGENT LIABILITIES (continued)

Litigation

The City is a defendant in various lawsuits, none of which is unusual for a municipality of its size and should be adequately covered by the City's insurance program, defense program or by the City directly and which may be settled in a manner satisfactory to the financial stability of the City. It is anticipated that any judgments in excess of insured coverage would be paid by the City through future taxation or future debt borrowing.

Some of the more significant lawsuits with potential for material exposure to the City are highlighted as follows:

- Rios v. City of Bayonne, et al: Plaintiff claims excessive use of force by members of the Bayonne Police Department. The City believes it has a viable defense. The matter is in the process of discovering. Potential exposure exceeds \$100,000.
- Lascalea v. City of Bayonne: Plaintiff alleges police assault and false arrest and demands. An amended final judgment was entered totaling \$360,299 in judgment, compensatory damages and attorney fees. The jury returned a verdict against the police officer, who is seeking indemnification from the City, which has been denied.
- The City is involved in three separate suits in which the plaintiffs are terminated employees and claim violation of civil and/or constitutional rights as well as employment discrimination and seek punitive and compensatory damage and attorney fees. These cases are in various stages including discovery and summary judgment, making it difficult for counsel to estimate the dollar range of outcomes.
- The BLRA, a component unit of the City, is involved in two suits regarding breaches of contract on the sale of land at the Peninsula at Bayonne Harbor and one disagreement with the United States Army regarding compliance with the Memorandum of Agreement in which the Army may seek recoupment. Each of the cases against the BLRA is in early stages and the prediction of outcome and/or potential exposure to the BLRA could not be determined by counsel. Considering the dollar figures of the land sales in question, exposure to the BLRA, and ultimately the City, can potentially be significant. Further description of these suits can be obtained from the audit report of the BLRA.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE T. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 13, 2012, the date which the financial statements were available to be issued. Material events are disclosed as follows:

Bayonne Parking Authority

Effective January 1, 2012, the Bayonne Parking Authority (the “BPA”) was officially dissolved and the Bayonne Parking Utility (the “Utility”) was created. The Bayonne Parking Utility will be accounted for as a separate Utility Fund on the books and records of the City. The City has determined to initially assume all of the outstanding debt and obligations of the BPA as a means of providing the City the immediate ability to continue providing parking service while insuring the timely and efficient payment of the obligations and debt of the BPA. The operations of the Utility will continue to be funded through parking fees and ticket charges.

Bayonne Local Redevelopment Authority

The City filed application with the Local Finance Board to dissolve the Bayonne Local Redevelopment Authority (the “BLRA”). As of this report date, the BLRA continues to operate as a separate public body corporate and politic and is still considered a component unit of the City. Further formal action to dissolve the BLRA is still in progress.

Bayonne Municipal Utilities Authority

On August 6, 2012 the Bayonne Municipal Utilities Authority (the “BMUA”), approved the execution of a concession agreement between the BMUA and Bayonne Water Joint Venture, LLC, a joint venture between United Water and Kohlberg, Kravis, Roberts and Company (the “concessionaire”). Under the terms of the agreement, the concessionaire will undertake all of the obligations for the operations, maintenance and management of the BMUA’s water and sewer systems in accordance with applicable law, provide for annual capital improvements, adhere to a schedule of rate increases and provide compensation to the BMUA in amount sufficient to defease all of the outstanding debt of the BMUA and pay for certain stranded costs. In exchange, the concessionaire shall retain all revenues from the systems.

The agreement is currently under review with the Department of Environmental Protection, the Board of Public Utilities and the New Jersey Department of Community Affairs, Division of Local Government Services.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE T. SUBSEQUENT EVENTS (continued)

Special Improvement District

On April 18, 2012, the City adopted an ordinance to dissolve the Town Center Management Corporation and designating the Bayonne Urban Enterprise Zone Development Corporation (the “UEZ”) as manager of the Special Improvement District, effective July 1, 2012.

UEZ Loan

On June 20, 2012, the City approved a loan, pursuant to the New Jersey Urban Enterprise Zone Act, N.J.S.A. 52:27H-60 et seq., to Cameron Avenue A Urban Renewal, LLC in the amount of \$2,500,000 from the City’s UEZ fund, which shall be secured by a second mortgage for a total term not to exceed seven years and interest rates not to exceed 5%. This loan is in furtherance of the redevelopment of the UEZ Zone expanded by the State on May 20, 2009.

Issuance of Notes

On April 18, 2012 the City issued \$15,000,000 in Tax Anticipation Notes at an interest rate of 1.96%

On April 18, 2012 the City issued \$1,832,000 in Tax Appeal Refunding Notes at an interest rate of 2.75%

On August 7, 2012 the City renewed existing notes in the amount of \$25,115,504. \$20,156,350 of these notes were issued at 1.50% and include: \$12,209,060 of Bond Anticipation Notes, \$1,665,278 of Refunding Bond Anticipation Notes and \$6,462,012 of temporary School Promissory Notes. The remaining \$4,959,154 of notes are federally taxable, were issued at 1.86% and include: \$3,875,000 of Refunding Bond Anticipation Notes and \$1,084,154 of temporary School Promissory Notes.

SUPPLEMENTARY DATA SECTION

SUPPLEMENTARY DATA – CURRENT FUND

CITY OF BAYONNE
CURRENT FUND
AS OF DECEMBER 31, 2011 AND JUNE 30, 2011

COMPARATIVE SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31, 2011	June 30, 2011
<u>Assets</u>		
Current Fund:		
Cash and Cash Equivalents	\$ 24,037,167	\$ 61,324,771
Cash - Change Funds	1,075	1,075
Subtotal	24,038,242	61,325,846
Investments - Notes of Bayonne Municipal Utilities Authority	3,500,000	4,000,000
Intergovernmental Receivable:		
State Aid	3,357,695	-
Due from State of New Jersey - UEZ	-	3,820,763
	30,895,937	69,146,609
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes	402,491	350,956
Tax Title Liens	511,697	495,123
Property Acquired for Taxes at Assessed Valuation	8,599,000	8,599,000
Revenue Accounts Receivable	1,644,680	1,683,206
Interfunds Receivable:		
Due from Other Trust	-	224,464
Due from Capital Fund	150,017	28
Other Receivables	239,769	816
Total Receivables with Full Reserve	11,547,654	11,353,593
Deferred Charges:		
Bayonne Board of Education	3,028,762	3,028,762
Deficit in Operations	1,027,986	2,027,986
Total Deferred Charges	4,056,748	5,056,748
Total Current Fund Assets	46,500,339	85,556,950
Federal and State Grant Fund:		
Federal and State Grants Receivable	15,530,824	17,730,743
Due from Current Fund	3,760,506	2,680,343
Total Federal and State Grant Fund Assets	19,291,330	20,411,086
Total Assets	\$ 65,791,669	\$ 105,968,036

CITY OF BAYONNE
CURRENT FUND
AS OF DECEMBER 31, 2011 AND JUNE 30, 2011

COMPARATIVE SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE

	<u>December 31,</u> <u>2011</u>	<u>June 30,</u> <u>2011</u>
<u>Liabilities, Reserves and Fund Balance</u>		
Current Fund:		
Appropriation Reserves	\$ 2,950,599	\$ 5,446,763
Encumbrances	106,687	174,575
Contracts Payable	34,408	56,991
Interfunds Payable:		
Federal and State Grant Fund	3,760,506	2,680,343
Other Trust Fund	633,625	-
Due to State of New Jersey:		
Veteran and Senior Citizen Deductions	88	100,938
UEZ	4,635,636	-
Tax Anticipation Notes Payable	12,000,000	46,600,000
Tax Overpayments	2,855,701	3,171,118
Prepaid Taxes	552,064	9,127
Due County for Added and Omitted Taxes	1,304	19,411
Special Improvement District Taxes Payable	72,500	-
Reserve for Other	490,629	1,116,830
Reserve for UEZ	63,370	3,726,639
	<u>28,157,117</u>	<u>63,102,735</u>
Reserve for Receivables	11,547,654	11,353,593
Fund Balance	<u>6,795,568</u>	<u>11,100,622</u>
 Total Current Fund Liabilities, Reserves and Fund Balance	 <u>46,500,339</u>	 <u>85,556,950</u>
 Federal and State Grant Fund:		
Encumbrances Payable	774,790	1,530,283
Reserve for Federal and State Grants:		
Appropriated	17,837,318	17,361,599
Unappropriated	679,222	1,519,204
	<u>19,291,330</u>	<u>20,411,086</u>
 Total Federal and State Grant Fund Liabilities and Reserves	 <u>19,291,330</u>	 <u>20,411,086</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 65,791,669</u>	 <u>\$ 105,968,036</u>

CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
AND THE YEAR ENDED JUNE 30, 2011
COMPARATIVE SCHEDULE OF OPERATIONS AND CHANGES IN FUND BALANCE

	Transition Year Ended Dec. 31, 2011	Year Ended June 30, 2011
<u>Expenditures (continued)</u>		
Tax Overpayments Refunded	\$ -	\$ 85,930
Grant Fund Cancellations	-	327,730
Refund of Prior Year Revenues	5,538	91,953
Other Receivables Reserved	72,652	-
Reservation of Additional Encumbrances	-	199,180
Other Charges to Income	-	46,462
	104,130,636	215,945,156
Statutory Excess to Fund Balance	1,669,946	355,155
Fund Balance, Beginning of Year	11,100,622	10,745,467
	12,770,568	11,100,622
Decreased by:		
Utilized as Anticipated Revenue	5,975,000	-
	\$ 6,795,568	\$ 11,100,622
Fund Balance, End of Year	\$ 6,795,568	\$ 11,100,622

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF REVENUES AND OTHER CREDITS TO INCOME

	Adopted Budget	N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
<u>SURPLUS:</u>				
Surplus Anticipated	\$ 5,975,000	\$ -	\$ 5,975,000	\$ -
<u>MISCELLANEOUS REVENUES:</u>				
LOCAL REVENUES				
Licenses:				
Alcoholic Beverage	35,000	-	35,590	590
Other	35,000	-	45,363	10,363
Fees and Permits	470,000	-	318,470	(151,530)
Fines and Costs - Municipal Court	1,017,000	-	928,737	(88,263)
Interest and Costs on Taxes	235,000	-	173,716	(61,284)
Interest on Investments and Deposits	75,000	-	49,454	(25,546)
Payments in Lieu of Taxes:				
Bayonne Housing Authority	117,000	-	-	(117,000)
Senior Horizons of Bayonne	20,000	-	12,000	(8,000)
Port Authority	103,766	-	103,766	-
Bayonne Community Action	7,614	-	10,152	2,538
Rents - City Owned Property	1,500	-	20,293	18,793
Alexan City View	850,000	-	1,020,000	170,000
Platty Kill Manor	90,000	-	90,000	-
	<u>3,056,880</u>	<u>-</u>	<u>2,807,541</u>	<u>(249,339)</u>
STATE AID WITHOUT OFFSETTING APPROPRIATIONS				
Consolidated Municipal Property Tax Relief Act	2,643,704	-	2,643,704	-
Energy Receipts Tax (PL 1997, Ch. 162 & 167)	6,010,841	-	6,010,841	-
Additional State School Building Aid Act:				
Regular School Debt Service Aid	307,060	-	307,060	-
	<u>8,961,605</u>	<u>-</u>	<u>8,961,605</u>	<u>-</u>
SHARED SERVICE AGREEMENTS				
Reimbursement from Housing Authority -				
Garbage Contract	60,000	-	60,000	-
Bayonne Parking Authority	180,000	-	76,576	(103,424)
	<u>240,000</u>	<u>-</u>	<u>136,576</u>	<u>(103,424)</u>
PUBLIC AND PRIVATE REVENUES				
State and Federal Grants				
Bayonne Housing Authority Police Grant	300,000	-	300,000	-
Boat Ramp Fees	750	-	750	-
Body Armor Fund	16,033	-	16,033	-
Bureau of Housing Inspection	4,208	-	4,208	-
Custom Border Control	500,000	-	500,000	-
Developers' Escrow Municipal Reimbursement	60,700	-	60,700	-
Emergency Management Grant	-	5,000	5,000	-
Municipal Alliance Grant	57,241	-	57,241	-
NJDOT FY Grant	279,002	-	279,002	-
Older American Act of 1965 Title III	58,307	150,312	208,619	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF REVENUES AND OTHER CREDITS TO INCOME

	Adopted Budget	N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
PUBLIC AND PRIVATE REVENUES (continued)				
Pedestrian Safety Grant	\$ 9,000	\$ -	\$ 9,000	\$ -
Police Overtime DMV	53,626	-	53,626	-
Police Salary Reimbursement	36,907	-	36,907	-
Cops in Shops	8,396	-	8,396	-
Bulletproof Vest / Office of Justice	10,077	-	10,077	-
Dogtopia of Bayonne Donation - K9 Unit	1,085	-	1,085	-
2010 Port Security Grant	398,100	-	398,100	-
Settlement of Bid Bond Default-Street Paving	43,983	-	43,983	-
Reimbursement of Police Salaries	2,664	-	2,664	-
George Foreman Grant	2,498	-	2,498	-
Poster Contest Donations	1,900	-	1,900	-
Women's Health Center	31,988	-	31,988	-
Private Contributions for Public Events	8,000	-	8,000	-
	<u>1,884,465</u>	<u>155,312</u>	<u>2,039,777</u>	<u>-</u>
OTHER SPECIAL ITEMS				
Uniform Fire Safety Act	50,000	-	76,152	26,152
Premium on Note Sale	191,389	-	191,389	-
Added/Omitted Taxes	6,539	-	6,539	-
BHA-Reimbursement Forestry Expenses	25,000	-	25,000	-
Debt Service Reimbursement-Empire Golf	188,760	-	-	(188,760)
Indirect Cost Reimbursement-UCC	90,000	-	90,000	-
Interfunds Receivable	224,464	-	224,464	-
Reimbursement -Board of Education	162,500	-	162,500	-
Reimbursement of Expenses-MUA	62,500	-	62,500	-
Uniform Fire Code Inspection Fees	56,000	-	19,310	(36,690)
Parking Tax	128,000	-	164,184	36,184
PVSC Rebate	2,362	-	2,362	-
Reserve for Debt Retirement	150,000	-	150,000	-
	<u>1,337,514</u>	<u>-</u>	<u>1,174,400</u>	<u>(163,114)</u>
Total Miscellaneous Revenues	<u>15,480,464</u>	<u>155,312</u>	<u>15,119,899</u>	<u>(515,877)</u>
RECEIPTS FROM DELINQUENT TAXES:	<u>71,952</u>	<u>-</u>	<u>65,525</u>	<u>(6,427)</u>
Subtotal - General Revenues	<u>21,527,416</u>	<u>155,312</u>	<u>21,160,424</u>	<u>(522,304)</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET:				
Local Tax Incl. Reserve for Uncollected Taxes	32,022,305	-	32,645,517	623,212
Addition to Local District School Tax	6,450,284	-	6,450,284	-
Total Amount to be Raised by Taxes	<u>38,472,589</u>	<u>-</u>	<u>39,095,801</u>	<u>623,212</u>
Total Budget Revenues	60,000,005	155,312	60,256,225	100,908
Non-Budget Revenues	-	-	36,809	36,809
Total General Revenues	<u>\$ 60,000,005</u>	<u>\$ 155,312</u>	<u>\$ 60,293,034</u>	<u>\$ 293,029</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

**SCHEDULE OF REVENUES -
ANALYSIS OF NON-BUDGET REVENUES**

Miscellaneous Revenue not Anticipated:		
Miscellaneous	\$	6,764
Vendor Refunds		13,442
Telephone Expenses		816
Restitution / Pedevilano		99
Reimbursement - Flu Shot		2,300
Telephone Commission		11
Bulk Levy Bid Premium		5,000
Administrative Payment for Sr. Citizens' and Veterans' Deductions:		
Current Year		<u>8,377</u>
Total Cash Received		<u><u>\$ 36,809</u></u>

CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Paid or Charged	Expended		Reserved	Canceled
	Adopted Budget	Budget After Modification		Encumbered	Encumbered		
(A) Operations - within "CAPS"							
Office of the Mayor							
Salaries and Wages	\$ 145,000	\$ 145,000	\$ 144,537	\$ -	\$ 463	\$ -	\$ -
Other Expenses	8,000	8,000	4,937	663	2,400	-	-
Planning Board							
Other Expenses	35,000	35,000	3,937	740	30,323	-	-
Board of Adjustment							
Other Expenses	15,000	15,000	7,570	300	7,130	-	-
Alcohol Beverage Control							
Other Expenses	500	500	174	50	276	-	-
Environmental Commission							
Other Expenses (N.J.S.A. 40:56A-1)	1,000	1,000	-	-	1,000	-	-
Rent Control Office							
Salaries and Wages	7,500	7,500	7,500	-	-	-	-
Other Expenses	9,500	9,500	5,915	250	3,335	-	-
Business Administrator's Office							
Salaries and Wages	214,000	214,000	213,978	-	22	-	-
Other Expenses	192,500	192,500	161,042	14,079	17,379	-	-
Personnel Department							
Salaries and Wages	38,000	38,000	37,698	-	302	-	-
Telephone Expenses	75,000	75,000	62,553	-	12,447	-	-
Municipal Council							
Salaries and Wages	86,000	86,000	85,786	-	214	-	-
Other Expenses	2,500	2,500	588	169	1,743	-	-
Budget & Accounting Fees	67,000	67,000	40,000	-	27,000	-	-

CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Paid or Charged	Expended		Reserved	Canceled
	Adopted Budget	Budget After Modification		Encumbered	Encumbered		
(A) Operations - within "CAPS" - (continued)							
City Clerk's Office							
Salaries and Wages	\$ 135,000	\$ 135,000	\$ 133,856	\$ -	\$ -	\$ 1,144	\$ -
Other Expenses	14,000	14,000	6,524	460	-	7,016	-
Primary & General Elections							
Salaries and Wages	12,000	12,000	8,163	-	-	3,837	-
Other Expenses	16,000	16,000	789	-	-	15,211	-
Finance Director's Office							
Salaries and Wages	314,000	314,000	312,380	-	-	1,620	-
Tax Assessor							
Salaries and Wages	103,000	103,000	102,532	-	-	468	-
Collection of Taxes							
Salaries and Wages	73,500	73,500	73,155	-	-	345	-
Postage	40,000	40,000	39,005	-	-	995	-
Planning and Zoning							
Salaries and Wages	140,000	140,000	138,451	-	-	1,549	-
Other Expenses	2,450	2,450	245	70	-	2,135	-
Law Department							
Salaries and Wages	283,000	283,000	282,175	-	-	825	-
Other Expenses	12,000	13,000	12,292	277	-	431	-
Contracts	70,000	70,000	15,205	6,383	-	48,412	-
Board of Health							
Salaries and Wages	245,000	245,000	243,183	-	-	1,817	-
Other Expenses	470,000	470,000	467,535	1,613	-	852	-

CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Paid or Charged	Expended		Reserved	Canceled
	Adopted Budget	Budget After Modification		Encumbered	Encumbered		
(A) Operations - within "CAPS" - (continued)							
Medical Services for Employees							
Other Expenses	\$ 2,000	\$ 2,000	\$ 484	\$ -	\$ 1,516	\$ -	
Bayonne Health Center							
Other Expenses	2,000	2,000	888	649	463	-	
Solid Waste Disposal							
Other Expenses	1,425,000	1,425,000	-	-	1,425,000	-	
Solid Waste Collection							
Other Expenses	925,000	925,000	398,500	-	526,500	-	
Fire Department							
Salaries and Wages (Non-Uniform Personnel)	86,500	76,500	74,474	-	2,026	-	
Other Expenses	100,000	100,000	96,636	408	2,956	-	
Salaries and Wages (Uniform Personnel)	8,705,000	8,705,000	8,684,685	-	20,315	-	
Law Enforcement Department							
Non-Uniform Personnel							
Salaries and Wages	1,325,000	1,325,000	1,324,310	-	690	-	
Other Expenses	6,500	6,500	3,691	80	2,729	-	
Uniform Personnel							
Salaries and Wages	9,650,000	9,650,000	9,529,176	-	120,824	-	
Other Expenses	260,000	260,000	237,204	4,024	18,772	-	
Prosecutor's Office							
Salaries and Wages	22,500	22,500	22,500	-	-	-	

CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended		Reserved	Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered		
(A) Operations - within "CAPS" - (continued)						
Department of Public Works / Parks						
Snow Removal						
Salaries and Wages	\$ 5,000	\$ 15,000	\$ 14,589	\$ -	\$ 411	\$ -
Other Expenses	5,000	5,000	3,720	-	1,280	-
Celebration of Public Holidays						
Other Expenses	17,000	17,000	15,941	-	1,059	-
Swimming Pool						
Salaries and Wages	124,000	124,000	123,024	-	976	-
Other Expenses	30,000	30,000	28,887	-	1,113	-
Parks & Playgrounds - Recreational						
Salaries and Wages	669,945	646,945	622,908	-	24,037	-
Other Expenses	50,000	52,000	46,751	2,688	2,561	-
Streets and Road Maintenance						
Salaries and Wages	550,000	550,000	547,650	-	2,350	-
Other Expenses	110,000	110,000	91,101	9,080	9,819	-
Buildings and Grounds						
Salaries and Wages	595,000	595,000	571,833	-	23,167	-
Other Expenses	110,000	110,000	82,763	19,086	8,151	-
Vehicle Maintenance						
Salaries and Wages	295,000	295,000	294,008	-	992	-
Other Expenses	125,000	125,000	100,725	21,949	2,326	-
Maintenance of Parks						
Salaries and Wages	870,000	870,000	870,000	-	-	-
Other Expenses	29,000	29,000	21,326	1,360	6,314	-

CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended		Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	
(A) Operations - within "CAPS" - (continued)					
Department of Public Works / Parks					
Other Public Works					
Salaries and Wages	\$ 239,000	\$ 239,000	\$ 235,388	-	\$ 3,612
Other Expenses	34,000	34,000	26,327	-	7,673
Public Defender					
Other Expenses	32,500	32,500	32,350	-	150
Bulk Levy Sale Expenses	15,000	15,000	7,253	-	7,747
Municipal Court					
Salaries and Wages	453,000	453,000	452,924	-	76
Other Expenses	48,000	48,000	34,169	3,649	10,182
Insurance: N.J.S.A. 40A:4-45.3(00)					
General Liability	950,000	950,000	950,000	-	-
Workers Compensation	262,500	262,500	262,500	-	-
Employee Group Health	6,770,000	6,770,000	6,733,981	-	36,019
Homeland Security N.J.S.A. 40A:4-45.3					
Police Salaries and Wages	75,000	75,000	75,000	-	-
Fire Salaries and Wages	12,500	12,500	12,500	-	-
Unclassified					
Gasoline, Oil, Grease, Etc.	190,000	210,000	196,267	-	13,733
Older American Program	64,000	64,000	10,959	-	53,041
Utilities	925,000	925,000	708,459	-	216,541
Reserve for Tax Appeals	469,976	469,976	469,976	-	-

CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended		Reserved	Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered		
(B) Contingent	\$ 500	\$ 500	\$ -	\$ -	\$ 500	\$ -
	<u>39,461,871</u>	<u>39,461,871</u>	<u>36,627,532</u>	<u>88,027</u>	<u>2,746,312</u>	<u>-</u>
Detail:						
Salaries and Wages	25,473,445	25,450,445	25,238,363	-	212,082	-
Other Expenses	13,988,426	14,011,426	11,389,169	88,027	2,534,230	-
(E) Deferred Charges and Statutory Expenditures within "CAPS"						
<u>(2) STATUTORY EXPENDITURES</u>						
Contribution to:						
Social Security System (O.A.S.I.)	795,000	795,000	768,661	-	26,339	-
Consolidated Police & Firemen's Pension Fund	83,796	83,796	83,796	-	-	-
Unemployment Insurance	35,000	35,000	35,000	-	-	-
Defined Contribution Retirement Program	2,500	2,500	-	-	2,500	-
Municipal Pensions to Employees/Widows	25,410	25,410	25,400	-	10	-
	<u>941,706</u>	<u>941,706</u>	<u>912,857</u>	<u>-</u>	<u>28,849</u>	<u>-</u>
(H-1) TOTAL GENERAL APPROPRIATIONS	40,403,577	40,403,577	37,540,389	88,027	2,775,161	-
FOR MUNICIPAL PURPOSES WITHIN "CAPS"						
(A) Operations - Excluded From "CAPS"						
<u>GENERAL GOVERNMENT</u>						
Free Public Library	960,000	960,000	920,652	18,660	20,688	-
Deficit of Prior Year Operations	1,000,000	1,000,000	1,000,000	-	-	-
	<u>1,960,000</u>	<u>1,960,000</u>	<u>1,920,652</u>	<u>18,660</u>	<u>20,688</u>	<u>-</u>

CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Paid or Charged	Expended		Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
Bayonne Housing Authority-Garbage Removal Contract	\$ 60,000	\$ 60,000	-	-	\$ 60,000	\$ -
BLRA-Services for Peninsula at Bayonne Harbor	182,000	182,000	92,000	-	90,000	-
	<u>242,000</u>	<u>242,000</u>	<u>92,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>

(A) Operations - Excluded From "CAPS" - (continued)

SHARED SERVICE AGREEMENTS

Bayonne Housing Authority-Garbage Removal Contract	\$ 4,208	4,208	4,208	-	-	-
BLRA-Services for Peninsula at Bayonne Harbor	182,000	182,000	92,000	-	90,000	-
	<u>242,000</u>	<u>242,000</u>	<u>92,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>

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PUBLIC AND PRIVATE APPROPRIATIONS

OFFSET BY REVENUES

	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
State and Federal Grants						
Bureau of Housing Inspection	4,208	4,208	4,208	-	-	-
Pedestrian Safety Enforcement Grant	9,000	9,000	9,000	-	-	-
Emergency Management Grant	-	5,000	5,000	-	-	-
Municipal Alliance Grant	57,241	57,241	57,241	-	-	-
Boat Ramp Fees	750	750	750	-	-	-
Older American Act	58,307	208,619	208,619	-	-	-
Port Security Grant	398,100	398,100	398,100	-	-	-
Bayonne Housing Authority Police Grant	300,000	300,000	300,000	-	-	-
Bulletproof Vest Partnership Program	10,077	10,077	10,077	-	-	-
Body Armor Fund	16,033	16,033	16,033	-	-	-
COPS in Shops	8,396	8,396	8,396	-	-	-
Custom Border Control	500,000	500,000	500,000	-	-	-
Developer's Escrow Muni. Reimb.	60,700	60,700	60,700	-	-	-
DOT Paving Grant	279,002	279,002	279,002	-	-	-
Police Overtime - DMV	53,626	53,626	53,626	-	-	-

CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended		Reserved	Canceled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered		
(A) Operations - Excluded From "CAPS" - (continued)						
<u>PUBLIC AND PRIVATE APPROPRIATIONS</u>						
<u>OFFSET BY REVENUES - (continued)</u>						
State and Federal Grants						
Police Salary Reimbursement	\$ 39,571	\$ 39,571	\$ 39,571	\$ -	\$ -	\$ -
Settlement of Bid Bond Default	43,983	43,983	43,983	-	-	-
Dogtopia of Bayonne - K-9 Unit	1,085	1,085	1,085	-	-	-
George Foreman Grant	2,498	2,498	2,498	-	-	-
State and Federal Grants	<u>1,842,577</u>	<u>1,997,889</u>	<u>1,997,889</u>	-	-	-
Other Items						
Poster Contest Donations	1,900	1,900	1,900	-	-	-
Women's Health Center	31,988	31,988	31,988	-	-	-
Private Contributions for Public Events	8,000	8,000	3,250	-	4,750	-
	<u>1,884,465</u>	<u>2,039,777</u>	<u>2,035,027</u>	-	<u>4,750</u>	-
Total Operations - Excluded from "CAPS"	<u>2,210,000</u>	<u>2,210,000</u>	<u>2,015,902</u>	<u>18,660</u>	<u>175,438</u>	-
Detail:						
Other Expenses	4,086,465	4,241,777	4,047,679	18,660	175,438	-
(D) Municipal Debt Service						
Bond Principal	1,554,701	1,554,701	1,554,701	-	-	-
Bond Anticipation and Capital Notes	2,093,342	2,093,342	2,093,342	-	-	-
Interest on Bonds	2,642,000	2,642,000	2,617,855	-	-	24,145
Interest on Notes	1,336,151	1,336,151	1,336,151	-	-	-

CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Paid or		Expended		Canceled
	Adopted Budget	Budget After Modification	Charged	Encumbered	Reserved	Reserved	
(D) Municipal Debt Service - (continued)							
Green Trust Loan Program							
Loan Repayments for Principal and Interest	\$ 22,418	\$ 22,418	\$ 22,417	\$ -	\$ -	\$ -	1
Demolition Loan Program	101,195	101,195	101,194	-	-	-	1
HCIA Lease Transaction	275,812	275,812	275,811	-	-	-	1
	<u>8,025,619</u>	<u>8,025,619</u>	<u>8,001,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,148</u>
(H-2) TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES - EXCLUDED FROM "CAPS"	12,112,084	12,267,396	12,049,150	18,660	175,438	175,438	24,148
(I) Local District School Purposes - Excluded from "CAPS"							
<u>TYPE 1 DISTRICT SCHOOL DEBT</u>							
Payment of Bond Principal	4,680,000	4,680,000	4,680,000	-	-	-	-
Interest on Bonds	1,952,827	1,952,827	1,952,827	-	-	-	-
Interest on Notes	124,517	124,517	124,516	-	-	-	1
	<u>6,757,344</u>	<u>6,757,344</u>	<u>6,757,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
(O) TOTAL GENERAL APPROPRIATIONS - EXCLUDED FROM "CAPS"	18,869,428	19,024,740	18,806,493	18,660	175,438	175,438	24,149
(L) Subtotal General Appropriations	59,273,005	59,428,317	56,346,882	106,687	2,950,599	2,950,599	24,149
(M) Reserve for Uncollected Taxes	727,000	727,000	727,000	-	-	-	-
TOTAL GENERAL APPROPRIATIONS	<u>\$ 60,000,005</u>	<u>\$ 60,155,317</u>	<u>\$ 57,073,882</u>	<u>\$ 106,687</u>	<u>\$ 2,950,599</u>	<u>\$ 2,950,599</u>	<u>24,149</u>

**CITY OF BAYONNE
 CURRENT FUND
 FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Paid or Charged	Expended		Canceled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
Budget As Adopted		\$ 60,000,005	\$ -			
Added by N.J.S.A. 40A:4-87		155,312	-			
Reserve for Uncollected Taxes		-	727,000			
Cash Disbursements		-	48,639,768			
Cash Receipts		-	(16,816)			
Tax Overpayments Funded		-	469,976			
Deferred Charges - Deficit of Prior Year Operations		-	1,000,000			
Reimbursement from Capital Fund - Tax Refunds		-	(158,791)			
Qualified Bonds Paid by State		-	4,414,856			
Capital Improvement Fund		-	-			
State and Federal Grants		-	1,997,889			
Subtotal: General Appropriations Budgeted and Paid or Charged		<u>60,155,317</u>	<u>57,073,882</u>			
Appropriations Canceled		24,149	-			
		<u>\$ 60,131,168</u>	<u>\$ 57,073,882</u>			

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF CASH AND CASH EQUIVALENTS

Balance: June 30, 2011		\$ 61,324,771
Increased by:		
Miscellaneous Revenues Not Anticipated	\$ 36,809	
Current Year Budget Appropriations	16,816	
Investment Principal Returned	500,000	
Taxes Receivable	79,109,633	
Intergovernmental Receivables	5,009,817	
Revenue Accounts Receivable	3,685,885	
Interfunds	5,709,185	
Prepaid Taxes	552,064	
Tax Anticipation Notes	12,000,000	
Due from State of NJ - Sr. Citizens' and Veterans' Deductions	418,829	
Reserve for UEZ	2,460	
Due to State of NJ UEZ	983,924	
Other Reserves	44,677	
	108,070,099	108,070,099
		169,394,870
Decreased by:		
Refund of Prior Year Revenue	5,538	
Tax Overpayments	246,005	
Contracts Payable	22,583	
Interfunds	3,241,796	
Current Year Budget Appropriations	48,639,768	
Other Receivables	63,697	
Appropriation Reserves	4,447,625	
School Taxes Payable	28,543,097	
County Taxes Payable	13,437,180	
Special Improvement District Taxes Payable	72,500	
Tax Anticipation Notes	46,600,000	
Other Charges to Income	8,955	
Other Reserves	28,959	
	145,357,703	145,357,703
Balance: December 31, 2011		\$ 24,037,167

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF INVESTMENTS

	<u>Notes of the Bayonne Municipal Utilities Authority</u>
Balance: June 30, 2011	\$ 4,000,000
Decreased by:	
Cash Receipts	<u>500,000</u>
Balance: December 31, 2011	<u><u>\$ 3,500,000</u></u>

Schedule of Investments at December 31, 2011

	Date of Purchase	Date of Maturity	Interest Rate	Balance Due, Dec. 31, 2011
Sewer System Notes, Series 2010	Jan. 11, 2011	Jan. 10, 2012	2.00%	\$ 1,968,750
Water System Notes, Series 2010A	Jan. 11, 2011	Jan. 10, 2012	2.00%	<u>1,531,250</u>
				<u><u>\$ 3,500,000</u></u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance: June 30, 2011	2011 Levy	Added Taxes	Collections					Transfer to Tax Title Liens	Balance: Dec. 31, 2011
				By Cash Receipts - Prior Year	Net of Refunds Current Year	By Discounts Allowed	Overpayments Applied	Canceled		
2010 & Prior	\$ 177,977	\$ -	\$ -	\$ -	\$ 4,538	\$ -	\$ -	\$ -	\$ -	\$ 173,439
June 30, 2011	172,979	-	517	-	60,987	-	-	7,358	-	105,151
Dec. 31, 2011	350,956	81,472,499	101,329	9,127	79,044,108	424,912	69,412	1,885,795	16,573	278,590
	\$ 350,956	\$ 81,472,499	\$ 101,846	\$ 9,127	\$ 79,109,633	\$ 424,912	\$ 69,412	\$ 1,893,153	\$ 16,573	\$ 402,491

Tax Yield:

General Purpose	\$ 81,320,046
Special Improvement District	145,000
Added and Omitted Taxes	7,453
	<u>\$ 81,472,499</u>

Tax Levy:

Local District School Tax (Abstract)	\$ 28,543,097
Levy	6,450,284
Addition to Local District School Tax	
Total Local District School Tax (Abstract)	<u>\$ 34,993,381</u>
County Tax	
County Taxes (Abstract)	13,182,463
County Open Space Taxes	254,717
Added and Omitted County Taxes	1,304
Total County Tax	<u>13,438,484</u>
Special Improvement District Taxes	145,000
Local Tax for Municipal Purposes	
Local Tax for Municipal Purposes (Abstract)	32,022,305
Local Tax for Municipal Levied (Added)	6,149
Add: Additional Tax Levied	867,180
Local Tax for Municipal Purposes Levied	<u>32,895,634</u>
	<u>\$ 81,472,499</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF TAX TITLE LIENS

Balance: June 30, 2011	\$ 495,124
Increased by:	
Transfer from Taxes Receivable	16,573
Balance: December 31, 2011	\$ 511,697

SCHEDULE OF INTERGOVERNMENTAL RECEIVABLES

	Balance June 30, 2011	Accrued State Aid	Decreased	Balance Dec. 31, 2011
State Aid	\$ -	\$ 8,961,605	\$ 5,603,910	\$ 3,357,695
Urban Enterprise Zone	3,820,763	-	3,820,763	-
	\$ 3,820,763	\$ 8,961,605	\$ 9,424,673	\$ 3,357,695
		Qualified Bonds Paid by State	\$ 4,414,856	
		Cash Receipts	5,009,817	
			\$ 9,424,673	

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance: June 30, 2011	Current Year Accruals	Collections	Balance: Dec. 31, 2011
Licenses:				
Alcoholic Beverage	\$ -	\$ 35,590	\$ 35,590	\$ -
Other	-	45,363	45,363	-
Fees and Permits	-	318,470	318,470	-
Fines and Costs - Municipal Court	182,406	928,737	979,363	131,780
Interest and Costs on Taxes	-	173,716	173,716	-
Interest on Investments and Deposits	-	49,454	49,454	-
Payments in Lieu of Taxes:				
Senior Horizons of Bayonne	-	12,000	12,000	-
Port Authority	-	103,766	103,766	-
Bayonne Community Action	-	10,152	10,152	-
Rents - City Owned Property	-	20,293	20,293	-
Alexan City View	-	1,020,000	1,020,000	-
Platty Kill Manor	-	90,000	90,000	-
Reimbursement from Housing Authority:				
Garbage Contract	240,000	60,000	180,000	120,000
Dumpsters	10,800	-	5,400	5,400
Other	100,000	-	-	100,000
Forestry Expenses	50,000	25,000	50,000	25,000
Bayonne Parking Authority	-	76,576	76,576	-
Uniform Fire Safety Act	-	76,152	76,152	-
Premium on Note Sale	-	191,389	191,389	-
Added/Omitted Taxes	-	6,539	6,539	-
Indirect Cost Reimbursement-UCC	-	90,000	90,000	-
Interfunds Receivable	-	224,464	224,464	-
Reimbursement - Board of Education	975,000	162,500	-	1,137,500
Reimbursement of Expenses - MUA	125,000	62,500	62,500	125,000
Uniform Fire Code Inspection Fees	-	19,310	19,310	-
Parking Tax	-	164,184	164,184	-
PVSC Rebate	-	2,362	2,362	-
Reserve for Debt Retirement	-	150,000	150,000	-
Total Miscellaneous Revenues	\$ 1,683,206	\$ 4,118,517	\$ 4,157,043	\$ 1,644,680
			\$ 6,539	
			224,464	
			150,000	
			155	
			90,000	
			3,685,885	
			\$ 4,157,043	

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF OTHER RECEIVABLES

	Balance:	Increased by:		Balance:
	June 30, 2011	Accruals	Disbursements	Dec. 31, 2011
Bayonne Credit Union	\$ 96	\$ -	\$ -	\$ 96
Bayonne Parking Authority	720	-	-	720
State Aid: Spring Allocation	-	175,256	-	175,256
Berkely	-	-	63,697	63,697
	<u>\$ 816</u>	<u>\$ 175,256</u>	<u>\$ 63,697</u>	<u>\$ 239,769</u>

Exhibit A-11

SCHEDULE OF DEFERRED CHARGES

	Balance:	Budget	Balance:
	June 30, 2011	Appropriations	Dec. 31, 2011
Bayonne Board of Education	\$ 3,028,762	\$ -	\$ 3,028,762
Deficit in Prior Year Operations	2,027,986	1,000,000	1,027,986
	<u>\$ 5,056,748</u>	<u>\$ 1,000,000</u>	<u>\$ 4,056,748</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: June 30, 2011		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
(A) Operations - within "CAPS"					
Office of the Mayor					
Salaries and Wages	\$ 7,677	\$ -	\$ 177	-	177
Other Expenses	10,675	149	10,824	658	10,166
Planning Board					
Other Expenses	56,361	449	56,810	4,653	52,157
Board of Adjustment					
Other Expenses	15,203	-	15,203	1,400	13,803
Alcohol Beverage Control					
Other Expenses	35	-	35	-	35
Environmental Commission					
Other Expenses (N.J.S.A. 40:56A-1)	720	-	720	-	720
Rent Control Office					
Salaries and Wages	55	-	55	-	55
Other Expenses	4,276	-	4,276	3,925	351
Business Administrator's Office					
Salaries and Wages	638	-	638	-	638
Other Expenses	67,493	12,025	174,518	132,675	41,843
Personnel Department					
Salaries and Wages	391	-	391	-	391
Telephone Expenses	1,689	-	22,689	17,761	4,928
Municipal Council					
Salaries and Wages	277	-	277	-	277
Other Expenses	1,210	119	1,329	379	950

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: June 30, 2011		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
City Clerk's Office	\$ 23,486	\$ -	\$ 486	\$ -	\$ 486
Salaries and Wages	6,255	366	12,621	12,336	285
Other Expenses					
Primary & General Elections					
Salaries and Wages	4,889	-	389	-	389
Other Expenses	47,801	374	38,175	37,707	468
Finance Director's Office					
Salaries and Wages	2,425	-	25	-	25
Tax Assessor					
Salaries and Wages	604	-	604	-	604
Collection of Taxes					
Salaries and Wages	152	-	152	-	152
Postage	5,000	-	5,000	-	5,000
Planning and Zoning					
Salaries and Wages	907	-	907	-	907
Other Expenses	990	136	1,126	384	742
Law Department					
Salaries and Wages	870	-	870	-	870
Other Expenses	6,754	-	6,754	6,296	458
Contracts	79,839	-	79,839	67,392	12,447
Board of Health					
Salaries and Wages	2,254	-	254	-	254
Other Expenses	36,432	7,139	67,971	65,895	2,076

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: June 30, 2011		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
Aid to PAL Day Care Center (NJSA 40:238.14)	\$ 16,300	\$ -	\$ 16,300	\$ -	\$ 16,300
Other Expenses	4,458	-	4,458	210	4,248
Medical Services for Employees	3,272	24	3,296	24	3,272
Other Expenses	2,157,975	-	2,157,975	1,914,556	243,419
Bayonne Health Center	234,079	-	234,079	234,079	-
Other Expenses	496	-	496	-	496
Solid Waste Disposal	6,341	13,638	39,979	29,178	10,801
Other Expenses	145,254	-	145,254	145,000	254
Solid Waste Collection	3,348	-	3,348	-	3,348
Other Expenses	634	919	1,553	1,553	-
Fire Department	280,453	-	164,453	134,422	30,031
Salaries and Wages (Non-Uniform Personnel)	174,659	11,690	116,349	50,953	65,396
Other Expenses	1,669	-	1,669	-	1,669
Law Enforcement Personnel					
Non-Uniform Personnel					
Salaries and Wages					
Other Expenses					
Uniform Personnel					
Salaries and Wages					
Other Expenses					
Prosecutor's Office					
Salaries and Wages					

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: June 30, 2011		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
Department of Public Works / Parks					
Snow Removal					
Salaries and Wages	\$ 677	\$ -	\$ 677	-	\$ 677
Other Expenses	211	-	211	-	211
Swimming Pool					
Salaries and Wages	1,938	-	1,938	-	1,938
Other Expenses	3,885	6,096	9,981	9,930	51
Parks & Playgrounds - Recreational					
Salaries and Wages	75,900	-	400	-	400
Other Expenses	114	1,517	3,631	3,147	484
Streets and Road Maintenance					
Salaries and Wages	327	-	327	-	327
Other Expenses	3,506	29,630	53,136	30,431	22,705
Buildings and Grounds					
Salaries and Wages	5,054	-	54	-	54
Other Expenses	9,521	17,560	41,081	31,095	9,986
Vehicle Maintenance					
Salaries and Wages	1,873	-	1,873	-	1,873
Other Expenses	18,369	28,762	152,131	126,697	25,434
Maintenance of Parks					
Salaries and Wages	18,701	-	201	-	201
Other Expenses	2,709	1,636	9,345	3,818	5,527

CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
SCHEDULE OF APPROPRIATION RESERVES

	Balance: June 30, 2011		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
Department of Public Works / Parks - (continued)					
Other Public Works					
Salaries and Wages	\$ 1,081	\$ -	\$ 81	\$ -	\$ 81
Other Expenses	84	-	1,084	300	784
Public Defender					
Other Expenses	75	75	150	75	75
Bulk Levy Sale Expenses	6,525	-	6,525	3,797	2,728
Municipal Court					
Salaries and Wages	1,337	-	1,337	-	1,337
Other Expenses	2,659	7,667	12,326	11,339	987
Insurance: N.J.S.A. 40A:4-45.3(00)					
General Liability	142	-	142	-	142
Workers Compensation	41,000	-	41,000	41,000	-
Employee Group Health	280,773	336	281,109	267,049	14,060
Unclassified					
Retirement of Liquor Licenses	20,000	-	20,000	20,000	-
Gasoline, Oil, Grease, Etc.	5,754	-	25,754	21,684	4,070
Older American Program	50,653	2,275	52,928	3,773	49,155
Utilities	625,487	7,684	633,171	347,413	285,758
Reserve for Tax Appeals	484,386	-	484,386	484,386	-
(B) Contingent	1,000	-	1,000	-	1,000

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: June 30, 2011		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
(E) Deferred Charges and Statutory Expenditures - within "CAPS"					
<u>(2) STATUTORY EXPENDITURES</u>					
Contribution to:					
Public Employees Retirement System	\$ 446	\$ -	\$ 446	-	\$ 446
Social Security System (O.A.S.I.)	17,251	-	17,251	-	17,251
Consolidated Police & Firemen's Pension Fund	387	-	387	-	387
Police & Fire Retirement System of NJ	2,202	-	2,202	-	2,202
Defined Contribution Retirement Program	2,276	-	2,276	2,227	49
Municipal Pensions to Employees/Widows	45	-	45	-	45
(A) Operations - Excluded from "CAPS"					
<u>GENERAL GOVERNMENT</u>					
Free Public Library	155,344	23,585	178,929	165,776	13,153
Deficit of Prior Year Operations	-	-	-	-	-
<u>SHARED SERVICE AGREEMENTS</u>					
Bayerne Housing Authority	120,000	-	120,000	-	120,000
Garbage Removal Contract	5,400	-	5,400	-	5,400
Dumpsters					

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE**

Balance: June 30, 2011		\$ -
Increased by:		
Levy - School Year July 1, 2011 to June 30, 2012 (for six month period July 1, 2011 to December 31, 2011)		28,543,097
		28,543,097
Decreased by:		
Cash Disbursements		28,543,097
		28,543,097
Balance: December 31, 2011		\$ -

Exhibit A-14

SCHEDULE OF COUNTY TAXES PAYABLE

Balance: June 30, 2011		\$ 19,411
Increased by:		
General County Taxes	\$ 13,182,463	
Open Space Tax	254,717	
Added and Omitted Taxes	1,304	
		13,438,484
		13,457,895
Decreased by:		
Cash Disbursements	13,437,180	
Adjustment of Payable	19,411	
		13,456,591
Balance: December 31, 2011		\$ 1,304

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF SPECIAL IMPROVEMENT DISTRICT TAX PAYABLE

Balance: June 30, 2011	\$ -
Increased by:	
Levy for Six Month Period July 1, 2011 to December 31, 2011	145,000
	145,000
Decreased by:	
Cash Disbursements	72,500
	72,500
Balance: December 31, 2011	\$ 72,500

Exhibit A-16

SCHEDULE OF CONTRACTS PAYABLE

Balance: June 30, 2011	\$ 56,991
Decreased by:	
Cash Disbursements	22,583
	22,583
Balance: December 31, 2011	\$ 34,408

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF PREPAID TAXES

Balance: June 30, 2011		\$ 9,127
Increased by:		
Cash Receipts		552,064
		561,191
Decreased by:		
Applied to Current Year Taxes Receivable		9,127
		9,127
Balance: December 31, 2011		\$ 552,064

Exhibit A-18

SCHEDULE OF TAX OVERPAYMENTS

Balance: June 30, 2011		\$ 3,171,118
Decreased by:		
Cash Disbursements	\$ 246,005	
Applied to Current Year Taxes Receivable	69,412	
	315,417	315,417
Balance: December 31, 2011		\$ 2,855,701

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
SCHEDULE OF TAX ANTICIPATION NOTES PAYABLE**

Balance: June 30, 2011	\$ 46,600,000
Increased by:	
Issued	12,000,000
	58,600,000
Decreased by:	
Cash Disbursements	46,600,000
	\$ 12,000,000

Date of Issue	Interest Rate	Maturity Date	Balance Due, Dec. 31, 2011
10/5/2011	1.65%	2/5/2012	\$ 12,000,000

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

**SCHEDULE OF DUE TO STATE OF NEW JERSEY -
FOR SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance: June 30, 2011		\$ 100,938
Increased by:		
Cash Receipts	\$ 418,829	
Disallowed by Tax Collector:		
Senior Citizens' Deductions	5,588	
		424,417
		525,355
Decreased by:		
Senior Citizens' Deductions per Tax Billing	84,750	
Veterans' Deductions per Tax Billing	333,000	
Allowed by Tax Collector:		
Veterans' Deductions	7,250	
Senior Citizens' Deductions	5,500	
Administrative Payments of Prior Years	94,767	
		525,267
Balance: December 31, 2011		\$ 88

Analysis of State's Share of Senior Citizens' and Veterans' Deductions

Senior Citizens' and Veterans' Deductions		
Per Tax Billing		\$ 417,750
Add: Allowed by Tax Collector		
Senior Citizens' Deductions	\$ 5,500	
Veterans' Deductions	7,250	
		12,750
		430,500
Less: Disallowed by Tax Collector		
Senior Citizens' Deductions		5,588
		\$ 424,912

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF RESERVE FOR URBAN ENTERPRIZE ZONE FUNDS

Balance: June 30, 2011		\$ 3,726,639
Increased by:		
Cash Receipts		2,460
		3,729,099
Decreased by:		
Close Reserves to Operations	\$ 14,017	
Due to State of New Jersey	3,651,712	
		3,665,729
Balance: December 31, 2011		\$ 63,370
	Reserve for UEZ Project Fees	\$ 88
	Second Generation Project	63,282
		\$ 63,370

SCHEDULE OF DUE TO STATE OF NEW JERSEY UEZ

Balance: June 30, 2011		\$ -
Increased by:		
Cash Receipts	\$ 983,924	
UEZ Reserve	3,651,712	
		4,635,636
Balance: December 31, 2011		\$ 4,635,636

**CITY OF BAYONNE
CURRENT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF RESERVES FOR OTHER

	Balance June 30, 2011	Cash Receipts	Decreased	Balance Dec. 31, 2011
Reserve for:				
Private Contributions	\$ 8,959	\$ -	\$ 8,959	\$ -
Title 39 Fines	16,435	-	-	16,435
Arthur Kill Trust	15,000	-	-	15,000
Brady's Dock	3,189	-	-	3,189
MOT Service Fund	125,984	-	-	125,984
Police Auction	163,784	32,030	-	195,814
Library Cultural Grant	8,750	-	8,750	-
Tree Replacement Fund	79,642	-	-	79,642
Handicapped Zone Fees	2,942	-	-	2,942
Recycling Program	382,244	-	382,244	-
Building Fines	250,925	-	250,925	-
9/11 Memorial Trust	5,000	-	-	5,000
Demolition Lien	16,223	-	-	16,223
Fire Prevention Penalties	677	-	-	677
Defibulator Donation	1,180	-	-	1,180
Independence Day Celebration	20,000	-	20,000	-
Towing Liens	5,300	1,550	-	6,850
Fire Prevention Poster Contest	-	4,300	-	4,300
Fire Prevention Penalties	-	1,725	-	1,725
Ground Restoration	-	2,550	-	2,550
Contributions - Homeland Security	5,000	-	-	5,000
Reserve for Interest Earned on Grant Accounts:				
Custom Border Control	136	1,683	-	1,819
Dept. of Justice - Equitable Sharing Fund	5,382	275	-	5,657
Energy Efficiency Grant	78	564	-	642
	<u>\$ 1,116,830</u>	<u>\$ 44,677</u>	<u>\$ 670,878</u>	<u>\$ 490,629</u>
			\$ 633,169	
			28,959	
			8,750	
			<u>\$ 670,878</u>	

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Program	Balance	2011	Cash	Transfer from	Adjustments / Cancellation	Balance Dec. 31, 2011
	June 30, 2011	Grants	Receipts	Unappropriated Reserve		
Baker Residential Homes-Park	\$ 150,000	\$ -	\$ -	-	\$ -	\$ 150,000
Body Armor Fund	-	16,033	-	16,033	-	-
Bulletproof Vest Grant	-	10,077	-	10,077	-	-
CASCHEM Waterfront Park	3,750	-	-	-	-	3,750
Comprehensive Traffic Safety Grant	13,700	-	-	-	-	13,700
Congregate Meals Program	311,561	-	89,719	-	-	221,842
COPS Technology Grant - 2010	100,000	-	-	-	-	100,000
COPS in Shops	-	8,396	-	8,396	-	-
Custom Border Patrol	-	500,000	-	500,000	-	-
DOT Discretionary Grant	153,223	-	-	-	-	153,223
DOT FY 2009 Grant	1,245,418	279,002	-	279,002	-	1,245,418
DOT Grant - Ave C Paving	647,994	-	-	-	-	647,994
DOT Paving Grant - FY 2011	397,524	-	-	-	-	397,524
DOT Pedestrian Bridge Grant	550,000	-	-	-	-	550,000
Emergency Management Grant	-	5,000	5,000	-	-	-
EPA Brownfields Grant	266,966	-	-	-	-	266,966
FEMA Assistance to Firefighters Grant- 2009	10,280	-	10,280	-	-	-
FEMA Assistance to Firefighters Grant- 2010	720,000	-	-	-	-	720,000
FEMA Assist. to Firefighters Technology Grant- 2011	176,000	-	67,041	-	-	108,959
Fire House Construction Grant	3,567,491	-	-	-	-	3,567,491
Green Acres Grant	750,000	-	-	-	-	750,000
H1N1 Grant	33,644	-	-	-	-	33,644
Hazardous Site Discharge Standard Tank '04	500	-	-	-	-	500
Hazardous Discharge Site Grant	95,157	-	-	-	-	95,157
Hazmat Response Reimbursement	3,830	-	-	-	-	3,830
Hazmat Site Remediation Grant	13,848	-	-	-	-	13,848
IMTT / NRD Settlement	2,500,000	-	2,500,000	-	-	-

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Program	Balance June 30, 2011	2011 Grants	Cash Receipts	Transfer from Unappropriated Reserve	Adjustments / Cancellation	Balance Dec. 31, 2011
Individuals with Disabilities Program	\$ 420	\$ -	\$ -	-	-	\$ 420
Livable Communities-ADA	60,000	-	-	-	-	60,000
Medication Management Grant	24,459	-	-	-	-	24,459
Municipal Alliance Grant	-	57,241	-	57,241	-	-
NJ Tree Foundation	1,500	-	-	-	-	1,500
Physical Health Program	25,000	-	-	-	-	25,000
Safe Routes to Schools Program	300,000	-	-	-	-	300,000
Smart Future Grant	45,000	-	-	-	-	45,000
Standard Tank Haz. Discharge Site Remediation Fund	500	-	-	-	-	500
Standard Tank Remediation Grant II	344,657	-	-	-	-	344,657
Bayonne Wayfinding - FY05	100,000	-	-	-	-	100,000
Bayonne Wayfinding Grant 2006	100,000	-	-	-	-	100,000
Bayonne Wayfinding Program IV	35,175	-	-	-	-	35,175
Broadway Street Paving & Resurfacing Project	100,000	-	-	-	-	100,000
Broadway Streetscape IV	108,634	-	-	-	-	108,634
Buffer Zone Protection Grant Program FY05	49,992	-	-	-	-	49,992
COPS Ahead Grant - Supplemental Universal Hiring	94,699	-	-	-	-	94,699
COPS Ahead Grant (95-CCWX-0097)	118,413	-	-	-	-	118,413
COPS More 2002 (02-CMWX-0173)	9,469	-	-	-	-	9,469
Department of Justice - Police S&W	16,017	-	-	-	-	16,017
Department of Justice Reimbursement Police Dept. III	10,203	-	-	-	-	10,203
US Dept. of Justice- DEA -Police OT	119,952	-	-	-	-	119,952
Edward Byrne Justice Assistance Grant	130,747	-	-	-	-	130,747
Homeland Security Grant	45,000	-	-	-	-	45,000
Hook Road Improvement	40,403	-	-	-	-	40,403
Justice Assistance Grant Program (JAG)	31,708	-	-	-	-	31,708
Justice Assistance Grant Program - 2010	29,704	-	29,704	-	-	-

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Program	Balance	2011	Cash	Transfer from	Adjustments /	Balance
	June 30, 2011	Grants				
Law Enforcement Block Grant II	\$ 27,107	\$ -	\$ -	-	\$ -	\$ 27,107
Local Bikeway Program	300,000	-	-	-	-	300,000
Local Bikeway Program FY05	162,500	-	-	-	-	162,500
Motor Vehicle - Police OT - NJMV	-	53,626	-	53,626	-	-
Older American Act of 1965	215,370	208,619	49,953	58,307	-	315,729
Pedestrian Safety Grant	-	9,000	-	9,000	-	-
Police Salary Reimbursement	-	39,571	-	39,571	-	-
Port Security Grant	228,196	-	-	-	-	228,196
Port Security Grant	-	398,100	-	-	-	398,100
Reimbursement - USDA	79,284	-	-	-	-	79,284
FY2001 Transportation Trust Fund	50,000	-	-	-	-	50,000
Hudson County Cultural & Heritage Affairs Grant	17,022	-	-	-	-	17,022
Hudson County Open Space Trust Fund	600,000	-	-	-	-	600,000
Hudson County Open Space Trust Fund - Museum	342,140	-	-	-	-	342,140
Hudson County Records Management/Paris Grant	25,000	-	-	-	-	25,000
ANJEC Green Plan	15,000	-	-	-	-	15,000
Anti Abuse Act of 1986	29,523	-	-	-	-	29,523
Bayonne Comprehensive Grant	40,500	-	-	-	-	40,500
Bayonne Housing Authority Police Grant	-	300,000	-	300,000	-	-
Bayonne Parking Authority PW Reimbursement	50,000	-	-	-	50,000	-
Boat Ramp Fees	-	750	-	750	-	-
Bureau of Housing Inspection	-	4,208	-	4,208	-	-
Department of Justice Grant	600,000	-	-	-	-	600,000
Developer's Escrow Municipal Reimbursement	-	60,700	-	60,700	-	-
Donation - Empire Golf	172,000	-	-	-	-	172,000
USA Swimming Foundation	45,400	-	22,378	-	-	23,022
Donation - Independence Day Celebration	20,000	-	-	-	-	20,000

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Program	Balance June 30, 2011	2011 Grants	Cash Receipts	Transfer from Unappropriated Reserve	Adjustments / Cancellation	Balance Dec. 31, 2011
George Foreman Grant	\$ -	\$ 2,498	\$ 2,498	-	\$ -	\$ -
Dogtopia of Bayonne Donation - K9 Unit	-	1,085	1,085	-	-	-
Settlement of Bid Bond Default - Street Paving	-	43,983	43,983	-	-	-
Ground Restoration	2,026	-	-	-	-	2,026
Hazardous Discharge Site Remediation Muni. Grant	378,484	-	-	-	-	378,484
Hazardous Discharge Site Remediation Muni. Grant #2	350,408	-	-	-	-	350,408
MUA West Side Passive Park	271,618	-	-	-	-	271,618
2007 Municipal Aid Program - Various Streets	-	-	362,431	-	(450,000)	87,569
Poster Contest Donations	-	1,900	1,900	-	-	-
Private Contributions for Public Events	-	8,000	-	8,000	-	-
Public Works Reimbursement	4,175	-	-	-	4,175	-
Women's Health Center	-	31,988	-	31,988	-	-
Tree Replacement Funds	52,452	-	12,650	-	-	39,802
	<u>\$ 17,730,743</u>	<u>\$ 2,039,777</u>	<u>\$ 3,198,622</u>	<u>\$ 1,436,899</u>	<u>\$ (395,825)</u>	<u>\$ 15,530,824</u>

Cancelled Against Current Fund Operations
Adjustment: 2007 Municipal Aid Program Street Paving Grant

\$ 54,175
(450,000)
<u><u>\$ (395,825)</u></u>

CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: June 30, 2011		Budget Appropriations	Added by NISA 40A:4-87	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2011	
	Reserved	Encumbered					Encumbered	Reserved
FEDERAL GRANTS								
MOT Caretaker Grant	\$ -	\$ 201	\$ -	\$ -	\$ -	-	\$ 201	\$ -
Law Enforcement Block Grant II	23,810	-	-	-	-	-	-	23,810
Law Enforcement Block Grant III	21,295	-	-	-	-	5	-	21,300
Law Enforcement Block Grant IV	1,446	-	-	-	-	-	-	1,446
Law Enforcement Block Grant VI	185	-	-	-	-	-	-	185
Law Enforcement Block Grant IX	49,918	-	-	-	-	-	-	49,918
COPS More (Technology)	4,742	-	-	-	-	-	-	4,742
COPS Technology	495	99,505	-	-	99,976	-	-	24
COPS Technology	-	445,092	-	-	-	-	-	445,092
COPS Universal Hiring Supplemental	305,833	-	-	-	-	-	-	305,833
COPS in Shops	1,368	-	8,396	-	-	17,386	-	27,150
COPS in Shops	2,105	-	-	-	-	(2,105)	-	-
COPS in Shops	7,596	-	-	-	-	(7,596)	-	-
COPS in Shops	7,685	-	-	-	-	(7,685)	-	-
COPS - Secure Our Schools (SOS)	62,245	-	-	-	-	-	-	62,245
Police Overtime Motor Vehicles	48,000	-	53,626	-	101,626	-	-	-
Police Overtime	95,497	-	-	-	-	-	-	95,497
Edward Byrne Justice Assistance Grant	41,921	-	-	-	430	-	119	41,372
Intermodal Surface Trans. Efficiency Act (ISTEA)	-	603	-	-	-	-	603	-
Justice Assistance Grant - Annual Round	76	-	-	-	-	-	-	76
Justice Assistance Grant - 2009	19,611	-	-	-	-	-	-	19,611
Justice Assistance Grant - 2007	71	-	-	-	-	-	-	71
Justice Assistance Grant	600,000	-	-	-	-	-	-	386,464
Byrne Formula / Community Partnership	27,674	-	-	-	120,632	-	92,904	27,674
Anti-Abuse Act of 1986	9,266	-	-	-	-	-	-	9,266
Domestic Violence Response Team	5,587	-	-	-	-	-	-	5,587
Domestic Violence Response Team	8,791	-	-	-	-	-	-	8,791
Police Vests or Bulletproof Armored Vests	95	-	10,077	-	-	-	-	10,172
Passed through USA Swimming Foundation	-	-	-	-	-	-	-	-
Swimming Foundation Grant	68,000	-	-	-	22,936	-	-	45,064

CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: June 30, 2011		Budget Appropriations	Added by NISA 40A:4-87	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2011	
	Reserved	Encumbered					Encumbered	Reserved
Federal Equitable Sharing:	\$							
Drug Enforcement Agency	131,230	-	\$ -	\$ -	(31,801)	\$ -	\$ -	163,031
Drug Enforcement Agency	14,489	-	-	-	(27,630)	-	-	42,119
Reimbursement Police Department	278,123	275,736	-	-	228,044	-	-	325,815
Reimbursement Police Department	67,383	-	-	-	-	-	-	67,383
Reimbursement Police Department - S&W	16,017	-	-	-	-	-	-	16,017
Occupation Protection Project	8,634	-	-	-	-	-	-	8,634
Fire Station Construction - ARRA	3,132,491	137,918	-	-	148,888	-	45,230	3,076,291
Assistance to Firefighters Grant - ARRA	110,493	107,147	-	-	145,647	-	-	71,993
Assistance to Firefighters Grant - ARRA	220,000	-	-	-	78,358	-	33,374	108,268
Assistance to Firefighters Grant - ARRA	720,000	-	-	-	-	-	-	720,000
Assistance to Firefighters	4,808	-	-	-	-	-	-	4,808
Assistance to Firefighters	16	-	-	-	-	-	-	16
Port Security Grant	228,196	-	-	-	-	-	-	228,196
Port Security Grant	-	-	398,100	-	-	-	-	398,100
Buffer Zone Protection Grant	49,992	-	-	-	-	-	-	49,992
State Domestic Preparedness	15,428	-	-	-	-	-	-	15,428
Enhanced 911 General Assistance	5,084	380	-	-	-	-	380	5,084
Enhanced 911 General Assistance	615	-	-	-	-	-	-	615
Enhanced 911 Grant 2008	42,513	-	-	-	-	-	-	42,513
Customs and Border Control	329,242	-	500,000	-	(1,532)	-	-	830,774
UASI Training Reimbursement Fund	29,372	-	-	-	-	-	-	29,372
State Homeland Security Act	25,000	-	-	-	-	-	-	25,000
Hook Road Improvement	92,624	-	-	-	-	-	-	92,624
EPA BrownFields Grant	268,150	-	-	-	-	-	-	268,150
NJ Inoperability Project Program	-	113,783	-	-	-	-	113,783	-
New Jersey Department of Transportation								
2009 Grant	580,940	-	-	-	26,490	-	-	554,450
Avenue C Paving	355,958	5,623	-	-	15,190	-	631	345,760
Municipal Aid - Various Streets	-	86,817	-	-	-	-	61	86,756

FEDERAL GRANTS (continued)

CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: June 30, 2011		Budget Appropriations	Added by NISA 40A:4-87	Paid or Charged	Program Income/Transfers / Cancellation	Balance: December 31, 2011	
	Reserved	Encumbered					Encumbered	Reserved
FEDERAL GRANTS (continued)								
New Jersey Department of Transportation								
Transportation Trust Fund - Discretionary Aid	\$ 84,336	\$ 3,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,559
Transportation Enhancement Program	-	-	-	-	-	-	-	-
Phase I - Broadway Bayonne Streetscape	5,608	13,513	-	-	2,497	-	10,964	5,660
Phase II - Broadway Bayonne Streetscape	69,045	56,393	-	-	-	-	-	125,438
Phase III - Broadway Bayonne Streetscape	4,192	619	-	-	-	-	619	4,192
Phase IV - Broadway Bayonne Streetscape	-	1,540	-	-	-	-	1,540	-
Streetscape Program	-	254	-	-	-	-	254	-
Pedestrian Bridge	509,190	4,838	-	-	-	-	4,838	509,190
Safe Routes to School Program	291,594	-	-	-	3,594	-	-	288,000
Bayonne Wayfinding Program	50,175	-	-	-	-	-	-	50,175
Settlement of Bid Bond Default-Street Paving	-	-	43,983	-	-	-	-	43,983
Paving Grant	397,524	-	279,002	-	3,137	-	23,863	649,526
Click it or Ticket	7,550	-	-	-	-	-	-	7,550
Occupant Protection Project/Make it Click 2001	4,017	-	-	-	-	-	-	4,017
Occupant Protection Project/Make it Click 2002	1,443	-	-	-	-	-	-	1,443
Family Planning Services	8,254	-	-	-	-	-	-	8,254
Bayonne Comprehensive Community Grant	46,000	-	-	-	-	-	-	46,000
H1N1 Grant	33,644	-	-	-	28,672	-	-	4,972
Area Plan Grant - Older American Act	101,395	300	58,307	150,312	224,679	-	3,864	81,771
Congregate Meals Program	160,635	-	-	-	158,206	-	2,429	-
Medication Management	24,459	-	-	-	-	-	-	24,459
Alcohol Beverage Control Grant	5,189	-	-	-	-	-	-	5,189
Comprehensive Traffic Safety Grant	27,000	-	-	-	-	-	-	27,000
Emergency Management Assistance	-	-	-	5,000	5,000	-	-	-
Energy Efficiency Block Grant - ARRA	401,139	41,327	-	-	58,157	-	384,275	34
Total Federal Grants	\$ 10,372,499	\$ 1,394,812	\$ 1,351,491	\$ 155,312	\$ 1,411,196	\$ -	\$ 719,932	\$ 11,142,991

CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: June 30, 2011		Budget Appropriations	Added by NISA 40A:4-87	Paid or Charged	Program Income/Transfers / Cancellation	Balance: December 31, 2011	
	Reserved	Encumbered					Encumbered	Reserved
STATE AND LOCAL GRANTS								
New Jersey Redevelopment Agency:								
Standard Tank Remediation Grant II	\$ 27,641	\$ 7,703	\$ -	\$ -	-	-	\$ 7,703	\$ 27,641
Standard Tank Remediation Grant	25,000	1,688	-	-	-	-	1,688	25,000
Standard Tank Remediation Grant	-	6,064	-	-	-	-	6,064	-
Bureau of Housing Inspection	25,531	-	4,208	-	29,739	-	-	-
Smart Future Grant	60,000	-	-	-	-	-	-	60,000
Livable Communities Grant - Library	176	-	-	-	-	-	-	176
Livable Communities Grant - ADA	60,000	-	-	-	-	-	-	60,000
Relay for Life Reimbursement	3,110	-	-	-	-	-	-	3,110
Municipal Alliance Grant	132,220	-	57,241	-	-	263,220	-	452,681
Municipal Alliance Grant	68,301	-	-	-	-	(68,301)	-	-
Municipal Alliance Grant	79,399	-	-	-	-	(79,399)	-	-
Municipal Alliance Grant	71,925	-	-	-	-	(71,925)	-	-
Municipal Alliance Grant	43,595	-	-	-	-	(43,595)	-	-
Hazardous Materials Emissions Permit	7,000	-	-	-	-	-	-	7,000
Body Armor Replacement Fund	11,559	-	-	-	-	(11,559)	-	-
Body Armor Replacement Fund	5,627	-	16,033	-	-	11,559	3,510	29,709
George Foreman Grant	-	-	2,498	-	2,208	-	-	290
Pedestrian Safety Enforcement and Education	7,698	-	9,000	-	-	84,351	-	101,049
Pedestrian Safety Enforcement and Education	14,180	-	-	-	-	(14,180)	-	-
Pedestrian Safety Enforcement and Education	16,961	-	-	-	-	(16,961)	-	-
Pedestrian Safety Enforcement and Education	13,295	-	-	-	-	(13,295)	-	-
Pedestrian Safety Enforcement and Education	16,868	-	-	-	-	(16,868)	-	-
Pedestrian Safety Enforcement and Education	10,570	-	-	-	-	(10,570)	-	-
Pedestrian Safety Enforcement and Education	12,477	-	-	-	-	(12,477)	-	-
Unregistered Vehicle Program	30,711	-	-	-	-	-	-	30,711
Drunk Driving Enforcement Fund	5,685	-	-	-	-	(5,685)	-	-
Drunk Driving Enforcement Fund	1,372	352	-	-	496	5,685	-	6,913
Hepatitis B Grant	5,000	-	-	-	-	-	-	5,000
Physical Health Program	752	-	-	-	-	-	-	752

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: June 30, 2011		Budget Appropriations	Added by NISA 40A:4-87	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2011	
	Reserved	Encumbered					Encumbered	Reserved
STATE AND LOCAL GRANTS (continued)								
Fire Department Reimbursement-Other Expenses	\$ 17,000	\$ -	\$ -	\$ -	\$ 14,250	\$ -	\$ 2,750	\$ -
Senior Program Contributions	163,537	-	-	-	116,000	-	-	47,537
Port Authority Communications Equipment	33,000	-	-	-	33,000	-	-	-
Reimbursements - City Wide Communications	28,105	-	-	-	28,105	-	-	-
Special Purpose Grant - Museum	-	1,031	-	-	-	-	-	1,031
Handicap Zone Fees	-	61	-	-	61	-	-	-
Fire Digitizer Donation	500	-	-	-	-	-	-	500
Library Cultural Grant	-	-	-	-	-	8,750	-	8,750
Total State and Local Grants	6,989,100	135,471	491,086	-	875,222	8,750	54,858	6,694,327
	\$ 17,361,599	\$ 1,530,283	\$ 1,842,577	\$ 155,312	\$ 2,286,418	\$ 8,755	\$ 774,790	\$ 17,837,318

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF UNAPPROPRIATED GRANT FUNDS

	Balance June 30, 2011	Cash Receipts	Amount Budgeted	Balance Dec. 31, 2011
<u>STATE GRANTS</u>				
Municipal Alliance Grant	\$ 57,241	\$ 48,322	\$ 57,241	\$ 48,322
Body Armor Fund	16,033	16,008	16,033	16,008
Reimbursement City-Wide				
Communication System	873	25,156	-	26,029
State and Local Housing Inspection	5,909	-	-	5,909
Drunk Driving Enforcement Fund	-	3,424	-	3,424
<u>FEDERAL GRANTS</u>				
Older American Act of 1965	58,307	-	58,307	-
Department of Justice -				
Reimbursement - Police Department	-	50,392	-	50,392
Police Forfeiture Funds	-	3,798	-	3,798
DOT FY2010 Grant	279,002	-	279,002	-
Police Overtime-Motor Vehicles	7,934	45,692	53,626	-
Pedestrian Safety Grant	9,000	6,000	9,000	6,000
COPS in Shops	8,396	1,214	8,396	1,214
Custom Border Control	500,000	15,323	500,000	15,323
Bulletproof Vest Grant Office	10,077	32,357	10,077	32,357
Universal Hiring Grant	77,911	-	-	77,911
Hurricane Irene Reimbursement	-	73,908	-	73,908
<u>OTHER</u>				
Bayonne Housing Authority	345,958	198,248	300,000	244,206
Bureau of Housing Inspection	4,208	37,829	4,208	37,829
Boat Ramp Fees	750	125	750	125
Developer's Escrow-Reimbursement	60,700	19,586	60,700	19,586
Police Reimbursement Salaries-2008	36,907	18,135	39,571	15,471
Reimbursement - Fire Expenses	-	400	-	400
Women's Health Fund	31,998	-	31,988	10
Private Contributions for Public Events	8,000	1,000	8,000	1,000
	<u>\$ 1,519,204</u>	<u>\$ 596,917</u>	<u>\$ 1,436,899</u>	<u>\$ 679,222</u>

SUPPLEMENTARY DATA – TRUST FUNDS

**CITY OF BAYONNE
TRUST FUNDS
AS OF DECEMBER 31, 2011 AND JUNE 30, 2011**

SCHEDULE OF ASSETS, LIABILITIES AND RESERVES - ALL TRUST FUNDS

	Dog License	Insurance	Tax Lien Redemption	Housing and Urban Development Grant Fund		Other	Totals	
							December 31, 2011	June 30, 2011
<u>Assets</u>								
Cash and Cash Equivalents	\$ 4,453	\$ 234,583	\$ 403,589	\$ 102,230	\$ 9,044,337	\$ 9,789,192	\$ 8,541,390	
Other Receivables	-	7,500	-	82,921	-	90,421	101,226	
Interfunds Receivable	-	-	-	-	633,625	633,625	-	
Grants Receivable:								
CDBG	-	-	-	2,565,086	-	2,565,086	2,474,459	
	<u>\$ 4,453</u>	<u>\$ 242,083</u>	<u>\$ 403,589</u>	<u>\$ 2,750,237</u>	<u>\$ 9,677,962</u>	<u>\$ 13,078,324</u>	<u>\$ 11,117,075</u>	
<u>Liabilities, Reserves and Fund Balance</u>								
Interfunds Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,464	
Accounts Payable	-	-	-	-	182,021	182,021	19,540	
Due to State of New Jersey	640	-	-	-	44,313	44,953	40,935	
Reserve for:								
Dog Fund Expenditures	3,813	-	-	-	-	3,813	2,939	
Insurance Fund Expenditures	-	242,083	-	-	-	242,083	303,058	
Tax Lien Redemption Expenditures	-	-	403,589	-	-	403,589	273,784	
Grant Expenditures	-	-	-	2,750,237	-	2,750,237	2,594,298	
Other Expenditures	-	-	-	-	9,451,628	9,451,628	7,658,057	
	<u>\$ 4,453</u>	<u>\$ 242,083</u>	<u>\$ 403,589</u>	<u>\$ 2,750,237</u>	<u>\$ 9,677,962</u>	<u>\$ 13,078,324</u>	<u>\$ 11,117,075</u>	

**CITY OF BAYONNE
TRUST FUNDS - ANIMAL CONTROL TRUST FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DOG LICENSE FEES

Balance: June 30, 2011		\$ 211
Increased by:		
State License Fees Collected		807
		1,018
Decreased by:		
Cash Disbursements in Current Year	\$ 311	
Adjusted for Cash Disbursements in Prior Year	67	
		378
Balance: December 31, 2011		\$ 640

Exhibit B-2

SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance: June 30, 2011		\$ 2,939
Increased by:		
Dog License Fees Collected		3,788
		6,727
Decreased by:		
Cash Disbursements		2,914
		3,813
Balance: December 31, 2011		\$ 3,813

License Fees Collected	
Year Ended,	Amount
June 30, 2011	\$ 16,897
June 30, 2010	11,435
	\$ 28,332

CITY OF BAYONNE
TRUST FUNDS - INSURANCE TRUST FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF RESERVE FOR INSURANCE EXPENDITURES

	Balance: June 30, 2011	Cash Receipts	Cash Disbursements	Balance: Dec. 31, 2011
Disability	\$ 32,709	\$ 7,240	\$ -	\$ 39,949
Employee Benefits	43,964	19,730	-	63,694
Unemployment Insurance	32,410	161,700	83,219	110,891
Workers' Compensation	158,598	5,184	158,598	5,184
Auto and General Liability Insurance	35,377	1,088,908	1,101,920	22,365
	<u>\$ 303,058</u>	<u>\$ 1,282,762</u>	<u>\$ 1,343,737</u>	<u>\$ 242,083</u>

**CITY OF BAYONNE
TRUST FUNDS - TAX LIEN REDEMPTION TRUST FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF RESERVE FOR TAX LIEN REDEMPTION EXPENDITURES

Balance: June 30, 2011	\$ 273,784
Increased by:	
Cash Receipts	1,047,388
	<u>1,321,172</u>
Decreased by:	
Cash Disbursements	917,583
	<u>917,583</u>
Balance: December 31, 2011	<u><u>\$ 403,589</u></u>

CITY OF BAYONNE
TRUST FUNDS - HOUSING AND URBAN DEVELOPMENT GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF CDBG GRANTS RECEIVABLE

Balance: June 30, 2011	\$	2,474,459
Increased by:		
Authorizations		1,729,276
		4,203,735
Decreased by:		
Cash Receipts		1,638,649
		1,638,649
Balance: December 31, 2011	\$	2,565,086

Exhibit B-6

SCHEDULE OF CDBG ACCOUNTS PAYABLE

Balance: June 30, 2011	\$	-
Increased by:		
Charges to Reserve for CDBG Expenditures		1,632,015
		1,632,015
Decreased by:		
Cash Disbursements		1,632,015
		1,632,015
Balance: December 31, 2011	\$	-

CITY OF BAYONNE
TRUST FUNDS - HOUSING AND URBAN DEVELOPMENT GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF RESERVE FOR CDBG GRANT EXPENDITURES

Balance: June 30, 2011		\$ 2,594,298
Increased by:		
Program Income - Returned Funds	\$ 58,678	
Authorizations	<u>1,729,276</u>	
		<u>1,787,954</u>
		4,382,252
Decreased by:		
Charges to Accounts Payable		<u>1,632,015</u>
Balance: December 31, 2011		<u><u>\$ 2,750,237</u></u>

Exhibit B-8

SCHEDULE OF EMERGENCY SHELTER GRANTS RECEIVABLE

Balance: June 30, 2011		\$ -
Increased by:		
Grant Authorizations		<u>84,316</u>
		84,316
Decreased by:		
Cash Receipts - Program Year 2012		<u>84,316</u>
Balance: December 31, 2011		<u><u>\$ -</u></u>

**CITY OF BAYONNE
TRUST FUNDS - HOUSING AND URBAN DEVELOPMENT GRANT FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF RESERVE FOR EMERGENCY SHELTER GRANT EXPENDITURES

Balance: June 30, 2011	\$	-
Increased by:		
Grant Authorizations		84,316
		84,316
Decreased by:		
Charges to Accounts Payable		84,316
		84,316
Balance: December 31, 2011	\$	-

Exhibit B-10

SCHEDULE OF EMERGENCY SHELTER GRANT ACCOUNTS PAYABLE

Balance: June 30, 2011	\$	-
Increased by:		
Charges to Reserve for Emergency Shelter Grant		84,316
		84,316
Decreased by:		
Cash Disbursements		84,316
		84,316
Balance: December 31, 2011	\$	-

**CITY OF BAYONNE
TRUST FUNDS - OTHER TRUST
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF ACCOUNTS PAYABLE

Balance: June 30, 2011	\$ 19,534
Increased by:	
Charges to Miscellaneous Reserves	182,021
	201,555
Decreased by:	
Prior Year Accounts Payable	19,534
	19,534
Balance: December 31, 2011	\$ 182,021

Exhibit B-12

SCHEDULE OF DUE TO STATE OF NEW JERSEY

	Total	Marriage Licenses	Civil Unions	DCA Fees
Balance: June 30, 2011	\$ 40,724	\$ 3,308	\$ -	\$ 37,416
Increased by:				
Cash Receipts	44,716	4,395	25	40,296
	85,440	7,703	25	77,712
Decreased by:				
Cash Disbursements	41,127	4,275	-	36,852
	41,127	4,275	-	36,852
Balance: December 31, 2011	\$ 44,313	\$ 3,428	\$ 25	\$ 40,860

**CITY OF BAYONNE
TRUST FUNDS - OTHER TRUST
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF MISCELLANEOUS RESERVES

Balance: June 30, 2011		\$ 7,658,057
Increased by:		
Cash Receipts	\$ 7,253,133	
Prior Year Accounts Payable	19,540	
Due to State of New Jersey	40,724	
Due to Current Fund	456	
Due from Current Fund Reserve Accounts	633,169	
Prior Year Due to Current Fund	224,464	
		8,171,486
		15,829,543
Decreased by:		
Transfer to Accounts Payable	182,021	
Cash Disbursements	6,151,581	
Due to State of New Jersey	44,313	
		6,377,915
Balance: December 31, 2011		\$ 9,451,628

**CITY OF BAYONNE
TRUST FUNDS - OTHER TRUST
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

**SCHEDULE OF MISCELLANEOUS RESERVES -
ANALYSIS OF ENDING BALANCE**

Reserve For:	
Cash Performance Bonds	\$ 2,014,464
Recycling Program	878,436
Police Reimbursements	27,318
Building Fines	778,445
Refund to Lien Buyers	1,386
Altha Real Estate	6,480
Contribution-Older American	141,719
Law Enforcement Trust Fund	14,877
Construction Deposits	15,000
Contributions from PSN	1,100
Unclaimed Funds	12,245
Certificate of Occupation Fees	28,074
Reserve for Developer's Escrow	836,036
UCC Dedication by Rider	81,994
Affordable Housing Trust	3,247,572
Various Escrow Accounts	48,823
Fire Prevention Dedication Penalty	69,976
Reserve for POAA	36,488
Library State Aid	32,308
FSA Vantage Point	8,659
Library Fines and Fees	49,292
UCC Salary Reimbursement	172
Chapter 25th Street/Sidewalk	16,500
Payroll Deduction	811,736
Elevator Inspection Fee	245,447
Employee Health Benefits	47,081
	\$ 9,451,628
	\$ 9,451,628

SUPPLEMENTARY DATA – CAPITAL FUND

**CITY OF BAYONNE
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2011 AND JUNE 30, 2011**

SCHEDULE OF ASSETS, LIABILITIES AND RESERVES

	December 31, 2011	June 30, 2011
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,125,929	\$ 2,198,130
Grants Receivable	1,118,347	1,542,347
Deferred Charges to Future Taxation:		
Funded	194,200,081	200,550,138
Unfunded	30,003,070	39,495,335
	<u>\$ 226,447,427</u>	<u>\$ 243,785,950</u>
 <u>Liabilities, Reserves and Fund Balance</u>		
Fiscal Year Adjustment Bonds Payable	\$ 2,490,000	\$ 2,490,000
General Serial Bonds Payable	97,773,299	99,328,000
School Serial Bonds Payable	93,060,586	97,740,586
Green Trust Loan Payable	380,965	399,389
Demolition Loan Payable	495,230	592,163
Bond Anticipation Notes Payable	21,898,460	23,991,802
School Promissory Notes Payable	7,744,750	7,744,750
Improvement Authorizations:		
Funded	82,892	770,473
Unfunded	1,204,226	10,081,473
Contracts Payable	176,877	306,709
Due to Current Fund	150,017	28
Capital Improvement Fund	190,577	190,577
Reserve for Debt Retirement	626,596	150,000
Fund Balance	172,952	-
	<u>\$ 226,447,427</u>	<u>\$ 243,785,950</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2011 and June 30, 2011 of \$359,860 and \$7,758,783, respectively.

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF FUND BALANCE

Balance: June 30, 2011	\$	-
Increased by:		
Improvement Authorizations Cancelled		172,952
Balance: December 31, 2011	\$	172,952

CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

ANALYSIS OF GENERAL CAPITAL CASH AND INVESTMENTS

	Balance		Receipts		Disbursements		Transfers		Balance, Dec. 31, 2011
	June 30, 2011	\$			Improvement Authorizations	Miscellaneous	From	To	
Capital Improvement Fund	\$ 190,577	\$	-	-	-	-	-	-	\$ 190,577
Due to (from) Current Fund	28		154		-	165	-	150,000	150,017
Grants Receivable	(1,542,347)		424,000		-	-	-	-	(1,118,347)
Contracts Payable	306,709		-		-	19,817	110,015	-	176,877
Reserve for Debt Retirement	150,000		-		-	-	150,000	626,595	626,595
Fund Balance								172,952	172,952
Improvement Authorizations:									
Ord. No.	Ordinance Description								
0-83-12	Emergency Capital School Projects								
0-89-33	Construction of New Elementary School								
0-90-21	Various Improvements to Pool								
0-92-15	Various Capital Improvements								
0-93-33	Acquisition of Land								
0-93-34	Improvements to Various Schools								
0-95-39	Various Improvements to School Buildings								
0-96-02	Refunding of Tax Appeals								
0-96-35	Various Improvements to School Buildings								
0-02-31	16th Street Boat Ramp								
0-97-27	Purchase of Fire Equipment								
0-98-40	School Refunding Bonds								
0-98-45	Liberty Capital Improvements								
0-99-03	Tax Collection Computer Software								
0-99-07	Reconstruction/Resurface Various Streets								
0-99-14	Various Capital Improvements								
0-99-31	Demolition of Unsafe Buildings								
0-99-36	Various Capital Improvements								
0-00-18	Various Capital Improvements								
	34,233		-		-	-	34,233	-	-
	1,359		-		-	-	1,359	-	-
	936		-		-	-	936	-	-
	120,632		-		-	-	120,632	-	-
	(15,318)		-		-	-	-	-	(15,318)
	7,389		-		-	-	7,389	-	-
	(300)		-		-	-	-	-	(300)
	1,412		-		-	-	1,972	-	(560)
	2,598		-		-	-	2,598	-	-
	342,000		-		-	-	342,000	-	-
	16,165		-		-	-	16,165	-	-
	2,945		-		-	-	2,945	-	-
	923		-		-	-	923	-	-
	4,571		-		-	-	4,571	-	-
	8,485		-		-	-	8,485	-	-
	63,324		-		-	-	-	-	63,324
	(6,312)		-		-	-	1	-	(6,313)
	2,308		-		-	-	2,308	-	-
	20,130		-		-	-	20,130	-	-

CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

ANALYSIS OF GENERAL CAPITAL CASH AND INVESTMENTS

Improvement Authorizations: - (continued)	Ord. No.	Ordinance Description	Balance June 30, 2011	Receipts	Disbursements			Transfers		Balance, Dec. 31, 2011
					Improvement Authorizations	Miscellaneous	From	To		
	0-00-43	Various Capital Improvements	\$ (204)	-	\$ -	-	\$ 22,742	\$ 22,946	\$ -	
	0-01-11	Various Capital Improvements	20,107	-	-	20,107	-	-	-	
	0-01-12	Various Capital Improvements	(27,293)	-	-	-	-	-	(27,293)	
	0-01-56	Various Capital Improvements	91,529	-	-	101,821	10,292	-	-	
	0-03-18	28th Street Playground	6,950	-	-	6,950	-	-	-	
	0-02-32	Various Capital Improvements	23,889	-	-	81,282	57,393	-	-	
	0-03-24	Various Capital Improvements	183	-	-	-	19,385	-	19,568	
	0-03-32	Various Capital Improvements	(330)	-	-	-	-	-	(330)	
	0-04-02	Acquisition of an Easement in Land	71,008	-	-	-	-	1	71,009	
	0-07-18	Various Infrastructure Improvements	176,118	-	22,670	-	-	-	153,448	
	0-07-43	Bayonne Medicare Center	37,726	-	7,676	-	-	-	30,050	
	0-11-02	Refunding of Tax Appeals	2,086,000	-	1,446,027	-	-	-	639,973	
			\$ 2,198,130	\$ 424,154	\$ 1,476,373	\$ 19,982	\$ 1,059,564	\$ 1,059,564	\$ 1,125,929	

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance: June 30, 2011		\$ 200,550,138
Decreased by Payments for:		
General Serial Bonds Payable	\$ 1,554,701	
School Serial Bonds	4,680,000	
State Loans Payable	<u>115,356</u>	
		<u>6,350,057</u>
Balance: December 31, 2011		<u><u>\$ 194,200,081</u></u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ordinance Number	Improvement Description	Balance		Paid by Budget Appropriation	Authorizations Cancelled	Balance Dec. 31, 2011	Analysis of Ending Balance			Non-Financed		
		June 30, 2011	June 30, 2011				Notes Payable	Bonds & Notes Authorized But Not Issued	Improvement Expended	Authorizations Unexpended		
City Improvements:												
0-93-33	Acquisition of Land	\$ 26,169	\$ -	\$ -	\$ 10,851	\$ 15,318	\$ -	\$ 15,318	\$ -	\$ 15,318	\$ -	
0-96-02	Refunding of Tax Appeals	1,224,415	441,716	-	-	782,699	782,139	560	-	560	-	
0-99-31	Demolition of Unsafe Buildings	315,526	-	-	-	315,526	-	315,526	-	6,313	309,213	
0-00-43	Various Capital Improvements	365	-	-	365	-	-	-	-	-	-	
0-01-12	Refunding Bond Ordinance	275,000	-	-	247,707	27,293	-	27,293	-	27,293	-	
0-02-37	Refunding of Certain Unfunded Pension Liabilities	205,000	-	-	205,000	-	-	-	-	-	-	
0-02-45	Local Aid for Street Improvements	6,935,000	-	-	6,935,000	-	-	-	-	-	-	
0-04-02	Acquisition of Easement of Land	4,265,460	-	88,609	-	4,176,851	4,176,851	-	-	-	-	
0-04-10	Waterfront Park Development	222,228	17,242	-	-	204,986	204,986	-	-	-	-	
0-06-01	Acquisition of Land	2,411,242	-	-	-	2,411,242	2,411,242	-	-	-	-	
0-06-35	Citywide Communication System	4,540,784	267,106	-	-	4,273,678	4,273,678	-	-	-	-	
0-07-02	Various Capital Improvements	1,512,662	88,668	-	-	1,423,994	1,423,994	-	-	-	-	
0-07-43	Bayonne Medical Center	5,465,000	790,000	-	-	4,675,000	4,675,000	-	-	-	-	
0-07-44	Refunding of Tax Appeals	2,060,571	400,001	-	-	1,660,570	1,660,570	-	-	-	-	
0-11-02	Refunding of Tax Appeals	2,290,000	-	-	-	2,290,000	2,290,000	-	-	-	-	
		<u>\$ 39,495,335</u>	<u>\$ 2,093,342</u>	<u>\$ 2,093,342</u>	<u>\$ 7,398,923</u>	<u>\$ 30,003,070</u>	<u>\$ 29,643,210</u>	<u>\$ 359,860</u>	<u>\$ 50,114</u>	<u>\$ 309,746</u>	<u>\$ 309,746</u>	
School Improvements:												
0-95-39	Various Improvements to School Buildings	300	-	-	-	300	-	300	300	300	-	
0-03-24	Various School Improvements	533	-	-	-	533	-	533	533	-	533	
0-03-32	Various School Improvements	330	-	-	-	330	-	330	330	330	-	
0-09-23	Various School Improvements	7,744,750	-	-	-	7,744,750	7,744,750	-	-	-	-	
		<u>\$ 39,495,335</u>	<u>\$ 2,093,342</u>	<u>\$ 2,093,342</u>	<u>\$ 7,398,923</u>	<u>\$ 30,003,070</u>	<u>\$ 29,643,210</u>	<u>\$ 359,860</u>	<u>\$ 50,114</u>	<u>\$ 309,746</u>	<u>\$ 309,746</u>	

Bond Anticipation Notes Payable \$ 21,898,460
School Promissory Notes Payable 7,744,750
\$ 29,643,210

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF GRANTS RECEIVABLE

	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Balance Dec. 31, 2011</u>
New Jersey Department of Transportation	\$ 729,347	\$ 400,000	\$ 329,347
Green Trust	791,000	24,000	767,000
Community Development Block Grant	<u>22,000</u>	<u>-</u>	<u>22,000</u>
	<u>\$ 1,542,347</u>	<u>\$ 424,000</u>	<u>\$ 1,118,347</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF GENERAL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2011		Interest Rate	Balance June 30, 2011	Paid By	
	Date	Amount	Maturity Date	Principal Amount			Budget Appropriation	Balance Dec. 31, 2011
Early Retirement Incentive Program Refunding Bonds	1/15/2003	\$ 15,795,000	1/15/2012	\$ 100,000	5.050%	\$ 15,720,000	\$ -	\$ 15,720,000
			1/15/2013	150,000	5.050%			
			1/15/2014	220,000	5.050%			
			1/15/2015	270,000	5.050%			
			1/15/2016	320,000	5.050%			
			1/15/2017	150,000	5.050%			
			1/15/2018	200,000	5.050%			
			1/15/2019	250,000	5.680%			
			1/15/2020	350,000	5.680%			
			1/15/2021	450,000	5.680%			
			1/15/2022	400,000	5.680%			
			1/15/2023	470,000	5.680%			
			1/15/2024	600,000	5.680%			
			1/15/2025	700,000	5.680%			
			1/15/2026	800,000	5.680%			
			1/15/2027	935,000	5.680%			
			1/15/2028	1,080,000	5.680%			
			1/15/2029	1,250,000	5.680%			
			1/15/2030	1,435,000	5.680%			
			1/15/2031	1,640,000	5.680%			
			1/15/2032	1,855,000	5.680%			
			1/15/2033	2,095,000	5.680%			

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF GENERAL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2011		Interest Rate	Balance June 30, 2011	Paid By	
	Date	Amount	Maturity Date	Principal Amount			Budget Appropriation	Balance Dec. 31, 2011
Capital Appreciation Bonds	7/3/2003	\$ 6,123,000	7/1/2012	\$ 494,870	3.550%	\$ 6,123,000	\$ 509,701	\$ 5,613,299
			7/1/2013	475,218	4.080%			
			7/1/2014	450,077	4.210%			
			7/1/2015	424,877	4.370%			
			7/1/2016	399,893	4.540%			
			7/1/2017	575,214	4.660%			
			7/1/2018	550,234	4.760%			
			7/1/2019	525,180	4.860%			
			7/1/2020	474,837	4.950%			
			7/1/2021	450,000	5.040%			
			7/1/2022	424,944	5.110%			
			7/1/2023	367,955	5.170%			
Hudson County Improvement Authority	10/24/2008	\$ 10,000,000	8/1/2012	350,000	5.000%	10,000,000	1,000,000	9,000,000
			8/1/2013	315,000	5.000%			
			8/1/2014	270,000	5.000%			
			8/1/2015	270,000	5.000%			
			8/1/2016	850,000	5.000%			
			8/1/2017	1,045,000	5.000%			
			8/1/2018	665,000	5.000%			
			8/1/2019	635,000	5.000%			
			8/1/2020	590,000	5.000%			
			8/1/2021	565,000	5.000%			
			8/1/2022	650,000	5.000%			

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF GENERAL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2011		Interest Rate	Balance June 30, 2011	Paid By	
	Date	Amount	Maturity Date	Principal Amount			Budget Appropriation	Balance Dec. 31, 2011
Hudson County Improvement Authority - (continued)			8/1/2023	\$ 650,000	5.000%			
			8/1/2024	650,000	5.000%			
			8/1/2025	1,495,000	5.000%			
						\$ 67,485,000	\$ 45,000	\$ 67,440,000
General Improvement Infrastructure Bond	6/24/2009	\$ 67,625,000	7/1/2012	\$ 125,000	4.000%			
			7/1/2013	130,000	5.000%			
			7/1/2014	145,000	5.000%			
			7/1/2015	290,000	5.000%			
			7/1/2016	355,000	5.000%			
			7/1/2017	590,000	5.000%			
			7/1/2018	695,000	5.000%			
			7/1/2019	765,000	5.000%			
			7/1/2020	850,000	5.000%			
			7/1/2021	960,000	5.000%			
			7/1/2022	1,035,000	5.000%			
			7/1/2023	1,100,000	5.000%			
			7/1/2024	670,000	5.000%			
			7/1/2025	2,220,000	5.000%			
			7/1/2026	2,255,000	5.000%			
			7/1/2027	2,295,000	5.250%			
			7/1/2028	2,320,000	5.250%			
			7/1/2029	2,345,000	5.250%			
			7/1/2030	2,365,000	5.250%			

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF GENERAL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2011		Interest Rate	Balance June 30, 2011	Paid By	
	Date	Amount	Maturity Date	Principal Amount			Budget Appropriation	Balance Dec. 31, 2011
General Improvement Infrastructure Bond (continued)			7/1/2031	\$ 2,385,000	5.750%			
			7/1/2032	2,400,000	5.750%			
			7/1/2033	4,840,000	5.750%			
			7/1/2034	5,150,000	5.750%			
			7/1/2035	5,480,000	5.750%			
			7/1/2036	5,830,000	5.500%			
			7/1/2037	6,205,000	5.500%			
			7/1/2038	6,605,000	5.500%			
			7/1/2039	7,035,000	5.500%			
						<u>\$ 99,328,000</u>	<u>\$ 1,554,701</u>	<u>\$ 97,773,299</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF SCHOOL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2011		Interest Rate	Balance June 30, 2011	Paid By Budget Appropriation	Balance Dec. 31, 2011
	Date	Amount	Maturity Date	Principal Amount				
School Refunding Bonds	10/15/1998	\$ 13,225,000	05/01/2014	\$ 1,105,000	5.00%	\$ 1,105,000	-	\$ 1,105,000
School Refunding Bonds	04/01/2003	3,965,000	01/15/2016	410,000	5.00%	3,965,000	-	3,965,000
			01/15/2017	435,000	5.00%			
			01/15/2018	455,000	5.25%			
			01/15/2019	480,000	5.25%			
			01/15/2020	505,000	5.50%			
			01/15/2021	530,000	5.50%			
			01/15/2022	560,000	5.50%			
			01/15/2023	590,000	5.50%			
Capital Appreciation Bonds	02/15/2003	4,753,739	02/15/2012	420,342	4.075%	3,854,489	-	3,854,489
			02/15/2013	400,062	4.185%			
			02/15/2014	374,802	4.298%			
			02/15/2015	355,260	4.392%			
			02/15/2016	369,188	4.488%			
			02/15/2017	370,177	4.576%			
			02/15/2018	349,782	4.654%			
			02/15/2019	329,960	4.733%			
			02/15/2020	309,887	4.812%			
			02/15/2021	300,014	4.903%			
			02/15/2022	275,015	4.974%			

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF SCHOOL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2011		Interest Rate	Balance June 30, 2011	Paid By	
	Date	Amount	Maturity Date	Principal Amount			Budget Appropriation	Balance Dec. 31, 2011
Capital Appreciation Bonds	07/03/2003	\$ 12,381,097	07/01/2012	\$ 1,198,433	3.75%	\$ 12,381,097	\$ -	\$ 12,381,097
			07/01/2013	1,148,539	3.88%			
			07/01/2014	1,101,024	4.01%			
			07/01/2015	1,048,950	4.17%			
			07/01/2016	1,051,052	4.34%			
			07/01/2017	999,640	4.46%			
			07/01/2018	1,100,580	4.56%			
			07/01/2019	1,050,637	4.66%			
			07/01/2020	989,235	4.75%			
			07/01/2021	935,966	4.84%			
			07/01/2022	875,614	4.91%			
			07/01/2023	881,427	4.96%			
School Bonds	12/02/2004	\$ 55,309,000	07/15/2012	2,300,000	4.125%	45,109,000	2,100,000	43,009,000
			07/15/2013	2,300,000	4.250%			
			07/15/2014	2,500,000	4.250%			
			07/15/2015	6,609,000	4.250%			
			07/15/2016	2,900,000	4.250%			
			07/15/2017	2,900,000	4.250%			
			07/15/2018	3,100,000	4.250%			
			07/15/2019	3,100,000	4.250%			
			07/15/2020	3,300,000	4.300%			
			07/15/2021	3,300,000	4.375%			

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF SCHOOL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2011		Interest Rate	Balance June 30, 2011	Paid By Budget Appropriation	Balance Dec. 31, 2011
	Date	Amount	Maturity Date	Principal Amount				
School Bonds (continued)			07/15/2022	\$ 3,500,000	4.400%			
			07/15/2023	3,500,000	4.500%			
			07/15/2024	3,700,000	4.500%			
			08/01/2012	\$ 75,000	6.00%	\$ 15,536,000	\$ 75,000	\$ 15,461,000
			08/01/2013	100,000	6.00%			
			08/01/2014	100,000	6.00%			
			08/01/2015	300,000	6.00%			
			08/01/2016	325,000	6.00%			
			08/01/2017	350,000	6.00%			
			08/01/2018	375,000	6.00%			
			08/01/2019	400,000	6.00%			
			08/01/2020	400,000	6.00%			
			08/01/2021	425,000	6.00%			
			08/01/2022	450,000	6.00%			
			08/01/2023	475,000	6.00%			
			08/01/2024	500,000	6.00%			
			08/01/2025	500,000	6.00%			
			08/01/2026	750,000	6.00%			
			08/01/2027	2,250,000	6.00%			
			08/01/2028	2,500,000	6.00%			
			08/01/2029	2,750,000	6.00%			
			08/01/2030	2,436,000	6.25%			

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF SCHOOL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2011		Interest Rate	Balance June 30, 2011	Paid By Budget Appropriation	Balance Dec. 31, 2011
	Date	Amount	Maturity Date	Principal Amount				
Early Retirement Incentive Funding Bonds	05/07/2009	\$ 10,920,000	06/01/2012	\$ 750,000	4.109%	\$ 9,530,000	\$ -	\$ 9,530,000
			06/01/2013	780,000	4.654%			
			06/01/2014	820,000	4.954%			
			06/01/2015	860,000	5.750%			
			06/01/2016	905,000	5.750%			
			06/01/2017	960,000	5.750%			
			06/01/2018	1,015,000	6.250%			
			06/01/2019	1,080,000	6.250%			
			06/01/2020	1,145,000	6.250%			
			06/01/2021	1,215,000	6.250%			
School Refunding Bond	2010	8,880,000	07/01/2012	2,445,000	3.00%	6,260,000	2,505,000	3,755,000
			07/01/2013	1,310,000	3.00%			
						<u>\$ 97,740,586</u>	<u>\$ 4,680,000</u>	<u>\$ 93,060,586</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF GREEN TRUST LOANS PAYABLE

Description of Loan	Original Issue		Maturities of Bonds Outstanding December 31, 2011			Paid By Budget Appropriation	Balance June 30, 2011	Balance Dec. 31, 2011
	Date	Amount	Date	Interest	Principal			
1983 Green Trust	1998	\$ 450,000	3/9/2012	\$ 1,698	\$ 12,294	\$ 12,172	\$ 181,938	\$ 169,766
			9/9/2012	1,575	12,416			
			3/9/2013	1,451	12,541			
			9/9/2013	1,325	12,666			
			3/9/2014	1,198	12,793			
			9/9/2014	1,071	12,921			
			3/9/2015	941	13,050			
			9/9/2015	811	13,180			
			3/9/2016	679	13,312			
			9/9/2016	546	13,445			
			3/9/2017	411	13,580			
			9/9/2017	276	13,715			
			3/9/2018	139	13,853			
1995 GFB	2006	171,000	2/9/2012	1,333	3,984	3,945	137,210	133,265
			8/9/2012	1,293	4,024			
			2/9/2013	1,253	4,064			
			8/9/2013	1,212	4,105			
			2/9/2014	1,171	4,146			
			8/9/2014	1,129	4,187			
			2/9/2015	1,088	4,229			
			8/9/2015	1,045	4,271			
			2/9/2016	1,003	4,314			
			8/9/2016	959	4,357			
			2/9/2017	916	4,401			

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF GREEN TRUST LOANS PAYABLE

Description of Loan	Original Issue		Maturities of Bonds Outstanding December 31, 2011			Paid By Budget Appropriation	Balance June 30, 2011	Balance Dec. 31, 2011
	Date	Amount	Date	Interest	Principal			
1995 GFB (continued)			8/9/2017	\$ 872	\$ 4,445			
			2/9/2018	827	4,489			
			8/9/2018	783	4,534			
			2/9/2019	737	4,579			
			8/9/2019	691	4,625			
			2/9/2020	645	4,672			
			8/9/2020	598	4,718			
			2/9/2021	551	4,765			
			8/9/2021	504	4,813			
			2/9/2022	455	4,861			
			8/9/2022	407	4,910			
			2/9/2023	358	4,959			
			8/9/2023	308	5,009			
			2/9/2024	258	5,059			
			8/9/2024	207	5,109			
			2/9/2025	156	5,160			
			8/9/2025	105	5,212			
			2/9/2026	53	5,264			
95GT	2006	\$ 100,000	2/10/2012	779	2,330		80,241	77,934
			8/10/2012	756	2,353			
			2/10/2013	733	2,377			
			8/10/2013	709	2,400			
			2/10/2014	685	2,424			
			8/10/2014	661	2,449			
						2,307		

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF GREEN TRUST LOANS PAYABLE

Description of Loan	Original Issue		Maturities of Bonds Outstanding December 31, 2011		Principal	Balance June 30, 2011	Paid By Budget Appropriation	Balance Dec. 31, 2011
	Date	Amount	Date	Interest				
95GT			2/10/2015	\$ 636	\$ 2,473			
(continued)			8/10/2015	611	2,498			
			2/10/2016	586	2,523			
			8/10/2016	561	2,548			
			2/10/2017	536	2,574			
			8/10/2017	510	2,599			
			2/10/2018	484	2,625			
			8/10/2018	458	2,652			
			2/10/2019	431	2,678			
			8/10/2019	404	2,705			
			2/10/2020	377	2,732			
			8/10/2020	350	2,759			
			2/10/2021	322	2,787			
			8/10/2021	295	2,815			
			2/10/2022	266	2,843			
			8/10/2022	238	2,871			
			2/10/2023	209	2,900			
			8/10/2023	180	2,929			
			2/10/2024	151	2,958			
			8/10/2024	121	2,988			
			2/10/2025	91	3,018			
			8/10/2025	61	3,048			
			2/10/2026	31	3,078			
						\$ 399,389	\$ 18,424	\$ 380,965

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF DEMOLITION LOAN PAYABLE

Description of Loan	Original		Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2011	Paid By		Balance Dec. 31, 2011
	Date of Issue	Amount	Issue	December 31, 2011 Amount			Budget Appropriation	Balance	
Demolition Loan	10/23/2006	\$ 450,000	10/23/2012	\$ 97,631	0.720%	\$ 592,163	\$ 96,933	\$ 495,230	
			10/23/2013	98,333	0.720%				
			10/23/2014	99,041	0.720%				
			10/23/2015	99,754	0.720%				
			10/23/2016	100,471	0.720%				
						<u>\$ 592,163</u>	<u>\$ 96,933</u>	<u>\$ 495,230</u>	

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF GENERAL BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Purpose	Original		Date of Issue	Amount	Date of Issue	Date of Maturity	Interest Rate	Balance June 30, 2011	Refunded	Paid by Budget Appropriation	Balance Dec. 31, 2011	
		Date of Issue	Amount										
Hudson County Improvement Authority Pooled Loan, County-Guaranteed Pooled Notes Series 2011I-1													
0-04-02	Acquisition of Easement of Land	05/13/2005	4,500,000	08/31/2011	08/17/2012	2.000%	-	4,176,851	-	-	4,176,851	4,176,851	
0-06-01	Amend 0-04-02/Land Acquisition	05/13/2005	2,500,000	08/31/2011	08/17/2012	2.000%	-	2,411,242	-	-	2,411,242	2,411,242	
0-04-10	Passive Waterfront Development	12/22/2004	500,000	08/31/2011	08/17/2012	2.000%	-	204,986	-	-	204,986	204,986	
0-06-35	Citywide Communication Systems	03/03/2006	5,075,000	08/31/2011	08/17/2012	2.000%	-	4,273,678	-	-	4,273,678	4,273,678	
0-07-02	Various Capital Improvements	03/06/2007	1,601,330	08/31/2011	08/17/2012	2.000%	-	1,423,994	-	-	1,423,994	1,423,994	
0-07-02	Various Capital Improvements	03/06/2007	1,601,330	09/03/2010	08/31/2011	1.750%	1,512,662	(1,423,994)	-	88,668	-	-	
0-06-35	Citywide Communication Systems	03/03/2006	5,075,000	09/03/2010	08/31/2011	1.750%	4,540,784	(4,273,678)	-	267,106	-	-	
0-04-10	Passive Waterfront Development	12/22/2004	500,000	09/03/2010	08/31/2011	1.500%	222,228	(204,986)	-	17,242	-	-	
0-04-02	Acquisition of Easement of Land	05/13/2005	4,500,000	09/03/2010	08/31/2011	1.500%	4,265,460	(4,176,851)	-	88,609	-	-	
0-06-01	Amend 0-04-02/Land Acquisition	05/13/2005	2,500,000	09/03/2010	08/31/2011	1.750%	2,411,242	(2,411,242)	-	-	-	-	
Hudson County Improvement Authority Pooled Loan, County-Guaranteed Pooled Notes Series 2011I-1													
0-96-02	Refunding of Tax Appeals	12/09/2003	\$ 3,248,000	08/31/2011	08/17/2012	2.000%	\$ -	782,139	\$ -	\$ -	\$ 782,139	\$ 782,139	
0-07-44	Refunding Tax Appeals	06/30/2008	2,800,000	08/31/2011	08/17/2012	2.000%	-	1,660,570	-	-	1,660,570	1,660,570	
0-07-44	Refunding Tax Appeals	06/30/2008	2,800,000	09/03/2010	08/31/2011	1.500%	2,060,571	(1,660,570)	-	400,001	-	-	
0-96-02	Refunding of Tax Appeals	12/09/2003	3,248,000	09/03/2010	08/31/2011	1.500%	1,223,855	(782,139)	-	441,716	-	-	
Hudson County Improvement Authority Pooled Loan, County-Guaranteed Pooled Notes Series 2011I-2													
0-07-43	Bayonne Medical Center	11/26/2007	6,200,000	08/31/2011	08/17/2012	1.430%	-	4,675,000	-	-	4,675,000	4,675,000	
0-07-43	Bayonne Medical Center	11/26/2007	6,200,000	09/03/2010	08/31/2011	2.250%	5,465,000	(4,675,000)	-	790,000	-	-	
Hudson County Improvement Authority Pooled Loan, County-Guaranteed Pooled Notes Series 2011I-2													
0-11-02	Refunding Tax Appeals	03/31/2011	2,290,000	03/31/2011	03/30/2012	2.750%	2,290,000	-	-	-	-	2,290,000	
										\$ 23,991,802	\$ -	\$ 2,093,342	\$ 21,898,460

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
SCHEDULE OF SCHOOL PROMISSORY NOTES PAYABLE**

Ordinance Number	Purpose	Original		Date of Issue	Maturity Date	Interest Rate	Balance June 30, 2011	Refunded	Balance Dec. 31, 2011
		Date of Issue	Amount						
Hudson County Improvement Authority Pooled Loan, County-Guaranteed Pooled Notes Series 2011I-1									
0-09-23	Various School Improvements	11/20/2009	1,112,685	08/31/2011	08/17/2012	1.43%	-	1,112,685	1,112,685
0-09-23	Various School Improvements	11/20/2009	6,632,065	08/31/2011	08/17/2012	2.00%	-	6,632,065	6,632,065
0-09-23	Various School Improvements	11/20/2009	\$ 6,632,065	09/03/2010	08/31/2011	1.50%	\$ 6,632,065	\$ (6,632,065)	\$ -
0-09-23	Various School Improvements	11/20/2009	1,112,685	09/03/2010	08/31/2011	2.25%	1,112,685	(1,112,685)	-
							<u>\$ 7,744,750</u>	<u>\$ -</u>	<u>\$ 7,744,750</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ordinance Number	Description	Date	Ordinance Amount		Balance: June 30, 2011		Accounts Payable Cancelled	Authorizations Cancelled	Paid or Charged	Balance: December 31, 2011	
					Funded	Unfunded				Funded	Unfunded
0-83-12	Emergency Capital School Projects	06/29/1983	\$ 2,570,000	\$ 34,233	\$ -	\$ -	-	\$ 34,233	-	\$ -	-
0-89-33	Construction of New Elementary School	09/13/1989	23,740,000	1,359	-	-	-	1,359	-	-	-
0-90-21	Various Improvements to Pool, DPW		2,400,000	936	-	-	-	936	-	-	-
0-92-15	Various Capital Improvements		1,807,560	120,632	-	-	-	120,632	-	-	-
0-93-33	Acquisition of Land	10/20/1993	345,000	-	10,851	-	-	10,851	-	-	-
0-93-34	Improvement to Various School Facilities	10/20/1993	2,997,000	7,389	-	-	-	7,389	-	-	-
0-95-06	Purchase of Fire Equipment		152,000	-	1,972	-	-	1,972	-	-	-
0-96-35	Various Improvements to School Buildings	11/21/1996	2,478,000	2,598	-	-	-	2,598	-	-	-
0-97-27	Purchase of Fire Equipment	08/08/1997	760,000	16,165	-	-	-	16,165	-	-	-
0-98-40	School Refunding Bonds	10/07/1998	16,500,000	2,945	-	-	-	2,945	-	-	-
0-98-45	Liberty Capital Improvements		300,000	923	-	-	-	923	-	-	-
0-99-03	Tax Collection Computer Hardware	02/05/1999	40,000	4,571	-	-	-	4,571	-	-	-
0-99-07	Reconstruction and Resurface of Various Streets		328,000	8,485	-	-	-	8,485	-	-	-
0-99-14	Various Capital Improvements	06/17/1999	1,025,000	63,324	-	-	-	-	-	63,324	-
0-99-31	Demolition of Unsafe Buildings	09/29/1999	600,000	-	309,213	-	-	-	-	-	309,213
0-99-36	Various Capital Projects and Equipment	10/22/1999	325,000	2,308	-	-	-	2,308	-	-	-
0-00-18	Various Capital Projects and Improvements	03/22/2000	1,470,000	20,130	-	-	-	20,130	-	-	-
0-00-43	Various Capital Improvements	09/20/2000	5,976,000	-	161	-	22,946	23,107	-	-	-
0-01-11	Various Capital Improvements	02/28/2001	1,155,000	20,107	-	-	-	20,107	-	-	-
0-01-12	Refunding Bond Ordinance	03/21/2001	5,250,000	-	247,707	-	-	247,707	-	-	-
0-01-56	Various Capital Improvements	09/27/2001	948,000	91,529	-	-	10,292	101,821	-	-	-
0-02-31	Construction of 16th Street Boat Ramp	09/12/2002	342,000	342,000	-	-	-	342,000	-	-	-
0-02-32	Various Capital Improvements	09/12/2002	4,450,000	23,889	-	-	57,393	81,282	-	-	-
0-02-37	Refunding of Certain Unfunded Pension Liabilities	10/23/2002	16,000,000	-	205,000	-	-	205,000	-	-	-
0-02-45	Refunding All or Portion of Various Bond Issues	12/18/2002	15,000,000	-	6,935,000	-	-	6,935,000	-	-	-
0-03-18	28th Street Playground	07/16/2003	250,000	6,950	-	-	-	6,950	-	-	-
0-03-24	Various Capital Improvements	08/20/2003	2,717,000	-	716	-	19,385	-	-	19,568	533
0-04-02	Acquisition of an Easement in Land	01/21/2004	4,500,000	-	71,009	-	-	-	-	-	71,009
0-07-02	Various Capital Improvements	01/24/2007	1,775,000	-	176,118	-	-	-	22,670	-	153,448
0-07-43	Bayonne Medical Center	10/23/2007	6,200,000	-	37,726	-	-	-	7,676	-	30,050
0-11-02	Refunding Tax Appeals	01/19/2011	2,290,000	-	2,086,000	-	-	-	1,446,027	-	639,973
			\$ 770,473	\$ 10,081,473	\$ 110,016	\$ 8,198,471	\$ 1,476,373	\$ 82,892	\$ 1,204,226		
	Reserve for Debt Retirement					\$ 626,596					
	Fund Balance					172,952					
	Deferred Charges to Future Taxation					7,398,923					
						\$ 8,198,471					

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance: December 31, 2011 and June 30, 2011

\$ 190,577

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
SCHEDULE OF RESERVE FOR RETIREMENT OF DEBT**

Balance: June 30, 2011	\$	150,000
Increased by:		
Authorizations Cancelled		626,596
		776,596
Decreased by:		
Transfer to Current Fund - Anticipated Revenue		150,000
		150,000
Balance: December 31, 2011	\$	626,596

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Description	Balance June 30, 2011	Authorizations Cancelled	Balance Dec. 31, 2011
General Improvements:				
0-93-33	Acquisition of Land	\$ 26,169	\$ 10,851	\$ 15,318
0-96-02	Refunding of Tax Appeals	560	-	560
0-99-31	Demolition of Unsafe Buildings	315,526	-	315,526
0-00-43	Various Capital Improvements	365	365	-
0-02-37	Refunding of Certain Unfunded Pension Liabilities	205,000	205,000	-
0-02-45	Refunding of All or a Portion of Various Bond Issues	6,935,000	6,935,000	-
0-03-24	Various Capital Improvements	533	-	533
Fiscal Year Adjustment Bonds				
0-01-12	Refunded Fiscal Year Adjustment Bonds	275,000	247,707	27,293
School Improvements:				
0-95-39	Various Improvements to School Buildings	300	-	300
0-03-32	Various School Improvements	330	-	330
		<u>\$ 7,758,783</u>	<u>\$ 7,398,923</u>	<u>\$ 359,860</u>

SUPPLEMENTARY DATA – GENERAL FIXED ASSETS

**CITY OF BAYONNE
GENERAL FIXED ASSETS
AS OF DECEMBER 31, 2011 AND JUNE 30, 2011**

SCHEDULE OF GENERAL FIXED ASSETS

	December 31, 2011	June 30, 2011
<u>Assets</u>		
Land	\$ 52,503,600	\$ 52,503,600
Buildings	10,273,265	10,273,265
Improvements	4,817,988	4,817,988
Machinery, Equipment & Other	18,785,976	18,235,664
	\$ 86,380,829	\$ 85,830,517
<u>Investment in Fixed Assets</u>		
Investment in General Fixed Assets	\$ 86,380,829	\$ 85,830,517

**CITY OF BAYONNE
GENERAL FIXED ASSETS
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY CLASS

	Balance June 30, 2011	Additions	Deletions	Balance Dec. 31, 2011
Land	\$ 52,503,600	\$ -	\$ -	\$ 52,503,600
Buildings	10,273,265	-	-	10,273,265
Improvements	4,817,988	-	-	4,817,988
Machinery, Equipment & Other	18,235,664	724,655	174,343	18,785,976
	<u>\$ 85,830,517</u>	<u>\$ 724,655</u>	<u>\$ 174,343</u>	<u>\$ 86,380,829</u>

**ADDITIONAL INFORMATION RELATING TO
INTERNAL CONTROL AND COMPLIANCE**

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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

The Honorable Mayor and Members
of the City Council
City of Bayonne, New Jersey

We have audited the accompanying combined financial statements – regulatory basis of the individual fund types and account groups of the City of Bayonne, New Jersey (the “City”) as of and for the transition year ended December 31, 2011 (with comparative totals for June 30, 2011), which collectively comprise the City’s combined financial statements and have issued our report thereon dated November 13, 2012. As described in Note A, the City prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”).

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’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 City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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

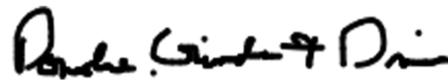
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Findings FS TY11-01 and FS TY11-02, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in the comments and recommendations section of this report.

This report is intended solely for the information and use of management, Mayor and City Council, others within the entity, the Division and applicable federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DONOHUE, GIRONDA & DORIA
Certified Public Accountants



FREDERICK J. TOMKINS
Registered Municipal Accountant No. 327

Bayonne, New Jersey
November 13, 2012

DONOHUE, GIRONDA & DORIA

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND N.J. OMB CIRCULAR 04-04

The Honorable Mayor and
Members of the City Council
City of Bayonne, New Jersey

Compliance

We have audited the City of Bayonne, New Jersey's (the "City's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the transition year ended December 31, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the transition year ended December 31, 2011.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information and use of management, Mayor and City Council, others within the entity, the New Jersey Department of Community Affairs, Division of Local Government Services and applicable federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DONOHUE, GIRONDA & DORIA
Certified Public Accountants



FREDERICK J. TOMKINS
Registered Municipal Accountant No. 327

Bayonne, New Jersey
November 13, 2012

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

Federal Department and Program	Federal CFDA Number	State Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available	Budget Appropriations	Paid or Charged	Prog. Income/ Canceled Reappropriated	Funds Available	Cumulative Expenditures
			From	To		June 30, 2011	Dec. 31, 2011					
U.S. Department of Justice												
Law Enforcement Block Grant II	16.592	*	10/01/1997	09/30/1999	\$ 25,000	\$ -	\$ 23,810	\$ -	\$ -	\$ -	\$ 23,810	\$ 1,190
Law Enforcement Block Grant III	16.592	*	10/01/1998	09/30/2000	22,000	-	21,295	-	-	5	21,300	700
Law Enforcement Block Grant IV	16.592	*	10/01/1998	09/30/2000	63,855	-	1,446	-	-	-	1,446	62,409
Law Enforcement Block Grant VI	16.592	*	10/01/2000	09/30/2002	52,829	-	185	-	-	-	185	52,644
Law Enforcement Block Grant IX	16.592	*	10/01/2004	09/30/2005	49,918	-	49,918	-	-	-	49,918	-
Total Local Law Enforcement Block Grants Program												
COPS More (Technology)	16.710	*	12/01/1995	11/30/1996	4,800	-	4,742	-	-	-	4,742	58
COPS Technology	16.710	*	07/01/2011	06/30/2012	445,092	-	-	-	(445,092)	-	445,092	-
COPS Technology	16.710	*	07/01/2010	06/30/2011	100,000	-	495	-	471	-	24	99,976
COPS Universal Hiring Supplemental	16.710	*	09/01/2003	08/31/2006	597,089	-	305,833	-	-	-	305,833	291,256
COPS in Shops	16.710	*	01/01/2011	12/31/2011	8,396	-	-	8,396	-	-	8,396	-
COPS in Shops	16.710	*	01/01/2009	12/31/2009	1,368	-	1,368	-	-	-	1,368	-
COPS in Shops	16.710	*	01/01/2008	12/31/2008	2,105	-	2,105	-	-	-	2,105	-
COPS in Shops	16.710	*	01/01/2007	12/31/2007	7,596	-	7,596	-	-	-	7,596	-
COPS in Shops	16.710	*	01/01/2006	12/31/2006	7,685	-	7,685	-	-	-	7,685	-
COPS - Secure Our Schools (SOS)	16.710	*	07/01/2008	06/30/2009	62,245	-	62,245	-	-	-	62,245	-
Police Overtime Motor Vehicles	16.710	*	01/01/2011	12/31/2011	53,626	-	-	53,626	-	-	53,626	-
Police Overtime Motor Vehicles	16.710	*	01/01/2007	12/31/2007	112,000	-	48,000	-	48,000	-	112,000	-
Police Overtime	16.710	*	01/01/2008	12/31/2008	105,210	-	-	-	-	-	95,497	9,713
Total COPS Grants												
Edward Byrne Justice Assistance Grant	16.738	*	07/01/2009	06/30/2010	130,747	-	41,921	-	549	-	41,372	89,375
Justice Assistance Grant - Annual Round	16.738	*	01/01/2009	12/31/2009	31,708	-	76	-	-	-	76	31,632
Justice Assistance Grant - 2010	16.738	*	01/01/2010	12/31/2010	29,704	29,704	-	-	-	-	-	29,704
Justice Assistance Grant - 2009	16.738	*	01/01/2009	12/31/2009	19,611	-	19,611	-	-	-	19,611	-
Justice Assistance Grant - 2007	16.738	*	01/01/2007	12/31/2007	31,160	-	71	-	-	-	71	31,089
Justice Assistance Grant	16.738	*	07/01/2009	06/30/2010	600,000	-	600,000	-	213,536	-	386,464	213,536
Total Justice Assistance Grants												
Byrne Formula / Community Partnership	16.579	1020-100-384-2005	05/22/2001	05/14/2005	458,734	-	27,674	-	-	-	27,674	431,060
Anti-Abuse Act of 1986	16.579	1020-100-384-2000	07/01/1999	06/30/2000	9,266	-	9,266	-	-	-	9,266	-
Total Edward Byrne Memorial Formula Grant Program												
Pass through State of New Jersey Department of Law and Public Safety:												
Domestic Violence Response Team	16.588	*	10/01/2004	09/30/2005	5,587	-	5,587	-	-	-	5,587	-
Domestic Violence Response Team	16.588	*	10/01/2001	09/30/2002	10,200	-	8,791	-	-	-	8,791	1,409
Total Domestic Violence Response Team Grants												
Federal Equitable Sharing:												
Drug Enforcement Agency	16. unknown	*	01/01/2007	12/31/2007	133,038	-	131,230	-	(31,801)	-	163,031	(29,993)
Drug Enforcement Agency	16. unknown	*	*	*	31,870	-	14,489	-	(27,630)	-	42,119	(10,249)
Reimbursement Police Department	16. unknown	02-213-41713-2-199	07/01/2009	06/30/2010	879,268	-	278,123	-	(47,692)	-	325,815	553,453
Reimbursement Police Department	16. unknown	02-213-41713-2-199	07/01/2007	06/30/2008	67,383	-	67,383	-	-	-	67,383	-
Reimbursement Police Department - S&W	16. unknown	02-213-41713-2-199	07/01/2010	06/30/2011	16,017	-	16,017	-	-	-	16,017	-
Total Federal Equitable Sharing Program												

See Accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

Federal Department and Program	Federal CFDA Number	State Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available June 30, 2011	Budget Appropriations	Paid or Charged	Prog. Income/ Canceled/ Reappropriated	Funds Available Dec. 31, 2011	Cumulative Expenditures
			From	To								
U.S. Department of Justice (continued)												
Police Vests or Bulletproof Armored Vests	16.607	*	01/01/2011	12/31/2011	\$ 10,077	\$ -	\$ 10,077	\$ 10,077	\$ -	\$ -	\$ 10,077	\$ -
Police Vests or Bulletproof Armored Vests	16.607	*	01/01/2006	12/31/2006	20,411	-	95	-	-	-	95	20,316
							10,077				10,172	
Subtotal U.S. Department of Justice						29,704	1,852,554	72,099	(236,033)	5	2,160,691	-
Pass through State of New Jersey Department of Law and Public Safety:												
Alcohol Beverage Control Grant	16.727	066-1400-100-014	01/01/2005	12/31/2005	5,189	-	5,189	-	-	-	5,189	-
Passed through USA Swimming Foundation Swimming Foundation Grant	16.541	*	07/01/2010	06/30/2011	68,000	22,378	68,000	-	22,936	-	45,064	22,936
Total U.S. Department of Justice						\$ 52,082	\$ 1,925,743	\$ 72,099	\$ (213,097)	\$ 5	\$ 2,210,944	
U.S. Department of Law and Public Safety												
Pass through State of New Jersey Division of Highway Safety												
Occupation Protection Project	17.503	*	03/08/2000	03/08/2001	\$ 13,520	\$ -	\$ 8,634	\$ -	\$ -	\$ -	\$ 8,634	4,886
Total U.S. Department of Law and Public Safety						\$ -	\$ 8,634	\$ -	\$ -	\$ -	\$ 8,634	
U.S. Department of Homeland Security												
Assistance to Firefighter Grants (Regular and ARRA)												
FEMA-Fire Station Construction - ARRA	97.115	*	07/01/2009	06/30/2010	\$ 3,567,491	\$ -	\$ 3,132,491	\$ -	\$ 56,200	\$ -	\$ 3,076,291	\$ 491,200
FEMA-Assistance to Firefighters Grant - ARRA	97.115	*	07/01/2010	06/30/2011	348,579	10,280	110,493	-	38,500	-	71,993	276,586
FEMA-Assistance to Firefighters Grant - ARRA	97.115	*	07/01/2010	06/30/2011	220,000	67,041	220,000	-	111,732	-	108,268	111,732
FEMA-Assistance to Firefighters Grant - ARRA	97.115	EMW-2010-FV-04779	07/01/2010	06/30/2011	720,000	-	720,000	-	-	-	720,000	-
FEMA-Assistance to Firefighters	97.044	*	07/01/2006	06/30/2007	156,552	-	4,808	-	-	-	4,808	151,744
FEMA-Assistance to Firefighters	97.044	*	07/01/2009	06/30/2010	121,000	77,321	16	-	206,432	-	16	120,984
Total FEMA Assistance to Firefighter Grants (Regular and ARRA)							4,187,808				3,981,376	
State Domestic Preparedness	97.004	*	07/01/2001	06/30/2002	291,597	-	15,428	-	-	-	15,428	276,169
State Homeland Security Act	97.004	*	*	*	45,000	-	25,000	-	-	-	25,000	20,000
Total State Domestic Preparedness Grants							40,428				40,428	
Emergency Management Assistance	97.042	1200-100-726-2008	10/01/10	09/30/11	5,000	5,000	-	5,000	5,000	-	-	5,000
Customs and Border Control	97.042	*	07/01/2011	06/30/2012	500,000	-	-	500,000	-	-	500,000	-
Customs and Border Control	97.042	*	07/01/2010	06/30/2011	330,774	-	329,242	-	(1,532)	-	330,774	-
Total Enhanced 9-1-1 Grant Program						5,000	329,242	505,000	3,468	-	830,774	
Passed Through Port Authority of NY & NJ												
Port Security Grant	97.116	2009-PU-T9-K019	07/01/2010	06/30/2011	228,196	-	228,196	-	-	-	228,196	-
Port Security Grant	97.116	2009-PU-T9-K019	01/01/2011	12/31/2011	398,100	-	398,100	398,100	-	-	398,100	-
							228,196				626,296	
Subtotal U.S. Department of Homeland Security						82,321	4,785,674	903,100	209,900	-	5,478,874	-
Buffer Zone Protection Grant	97.078	*	07/01/2006	06/30/2007	49,992	-	49,992	-	-	-	49,992	-
NJ Inoperability Project Program	97.124	*	07/01/2006	06/30/2007	113,783	-	-	-	-	-	-	113,783
UASI Training Reimbursement Fund	97.008	066-1200-100-975	07/01/2009	06/30/2010	126,757	-	29,372	-	-	-	29,372	97,385
Total U.S. Department of Homeland Security						\$ 82,321	\$ 4,865,038	\$ 903,100	\$ 209,900	\$ -	\$ 5,558,238	

See Accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

Federal CFDA Number	State Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available June 30, 2011	Budget Appropriations	Paid or Charged	Prog. Income/ Canceled Reappropriated	Funds Available Dec. 31, 2011	Cumulative Expenditures
		From	To								
11. unknown	*	09/30/1997	09/30/2002	\$ 92,624	\$ -	\$ 92,624	\$ -	\$ -	\$ -	\$ 92,624	\$ -
U.S. Department of Commerce											
Hook Road Improvement											
Total U.S. Department of Commerce											
U.S. Department of Transportation											
Pass through State of New Jersey Department of Transportation											
20.205	078-6300-480	10/01/2010	09/30/2011	\$ 450,000	\$ 362,431	\$ -	\$ -	\$ (86,756)	\$ -	\$ 86,756	\$ 363,244
20.205	078-6300-480	10/01/2009	09/30/2010	400,000	-	133,268	-	26,490	-	106,778	293,222
20.205	078-6300-480	10/01/2009	09/30/2010	447,672	-	447,672	-	-	-	447,672	-
20.205	078-6300-480	10/01/2009	09/30/2010	43,983	43,983	-	43,983	-	-	43,983	-
20.205	078-6300-480	10/01/2009	09/30/2010	1,293,000	-	355,958	-	10,198	-	345,760	947,240
20.205	078-6300-480	10/01/2003	09/30/2004	200,000	-	84,336	-	(3,223)	-	87,559	112,441
20.205	078-6300-480	08/01/2000	completion	100,000	-	5,608	-	(52)	-	5,660	94,288
20.205	078-6300-480	08/01/2001	completion	1,000,000	-	69,045	-	(56,393)	-	125,438	818,169
20.205	078-6300-480	08/01/2003	completion	400,000	-	4,192	-	-	-	4,192	395,808
20.205	078-6300-480	07/21/2005	completion	550,000	-	509,190	-	-	-	509,190	40,810
20.205	078-6300-480	*	*	300,000	-	291,594	-	3,594	-	288,000	12,000
20.205	078-6300-480	07/21/2005	completion	100,000	-	50,175	-	-	-	50,175	49,825
20.205	078-6300-480	06/30/11	completion	279,002	-	-	279,002	-	-	279,002	-
20.205	078-6300-480	07/01/2010	completion	397,524	406,414	397,524	322,985	27,000	(79,142)	370,524	27,000
Total Highway Planning and Construction Grants											
20.615	*	07/01/2006	06/30/2007	55,864	-	5,084	-	-	-	5,084	50,780
20.615	*	07/01/2005	06/30/2006	55,867	-	615	-	-	-	615	55,252
20.615	*	07/01/2008	06/30/2009	55,864	-	42,513	-	-	-	42,513	13,351
Total Enhanced 9-1-1 Grant Program											
Pass through State of New Jersey Department of Law and Public Safety											
Highway Safety Cluster											
20.609	066-1160-100-142	*	*	27,000	-	27,000	-	-	-	27,000	-
20.600	160-100-66-1160-116	03/09/2005	03/08/2006	7,550	-	7,550	-	-	-	7,550	-
20.602	160-100-66-1160-116	03/09/2001	03/08/2002	9,720	-	4,017	-	-	-	4,017	5,703
20.602	160-100-66-1160-116	03/09/2002	03/08/2003	9,720	-	1,443	-	-	-	1,443	8,277
Total Highway Safety Cluster											
Total U.S. Department of Transportation											
Enhanced 911 General Assistance											
Enhanced 911 General Assistance											
Enhanced 911 Grant 2008											
Total U.S. Department of Health and Human Services											
Passed through the County of Hudson											
Aging Cluster**											
93.044	Not Applicable	01/01/2011	12/31/2011	\$ 208,619	\$ 49,953	\$ -	\$ 208,619	\$ 126,848	\$ -	\$ 81,771	\$ 126,848
93.044	Not Applicable	01/01/2010	12/31/2010	427,078	-	101,395	-	101,395	-	-	427,078
93.053	Not Applicable	01/01/2009	12/31/2009	743,025	89,719	160,635	-	160,635	-	-	743,025
Total Aging Cluster**											

See Accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

Federal Department and Program	Federal CFDA Number	State Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available June 30, 2011	Budget Appropriations	Paid or Charged	Prog. Income/ Canceled Reappropriated	Funds Available Dec. 31, 2011	Cumulative Expenditures
			From	To								
U.S. Department of Health and Human Services (continued)												
Bayonne Comprehensive Community Grant	93.104	*	07/01/2005	06/30/2006	\$ 46,000	\$ -	\$ 46,000	\$ -	\$ -	\$ -	\$ 46,000	\$ -
H1N1 Grant	93.069	*	07/01/2009	06/30/2010	152,999	-	33,644	-	28,672	-	4,972	148,027
Family Planning Services	93.217	046-4220-100-164	01/01/2009	12/31/2009	422,936	-	8,254	-	-	-	8,254	414,682
Passed through the County of Hudson Medication Management	93.043	Not Applicable	01/01/2006	12/31/2006	24,459	-	24,459	-	-	-	24,459	-
Total U.S. Department of Health and Human Services					\$ 139,672	\$ 374,387	\$ 208,619	\$ 417,550	\$ -	\$ -	\$ 165,456	\$ 521,866
U.S. Department of Energy												
Energy Efficiency Block Grant - ARRA**	81.128	*	07/01/2009	06/30/2010	\$ 521,900	\$ -	\$ 401,139	\$ -	\$ 401,105	\$ -	\$ 34	\$ -
Total U.S. Department of Energy					\$ -	\$ 401,139	\$ -	\$ 401,105	\$ -	\$ -	\$ 34	\$ -
U.S. Environmental Protection Agency												
EPA BrownFields Grant	66.818	*	07/01/2007	06/30/2008	\$ 386,465	\$ -	\$ 268,150	\$ -	\$ -	\$ -	\$ 268,150	\$ 118,315
Total U.S. Environmental Protection Agency					\$ -	\$ 268,150	\$ -	\$ -	\$ -	\$ -	\$ 268,150	\$ -
U.S. Department of Housing and Urban Development												
CDBG - Entitlement Grants Cluster**												
Community Development Block Grant - ARRA	14.253	S09MY340003	07/01/2009	06/30/2010	\$ 779,080	\$ -	\$ 7,005	\$ -	\$ -	\$ (7,005)	\$ -	\$ 779,080
Community Development Block Grant	14.218	B10MC340101	07/01/2011	06/30/2012	1,729,276	-	-	1,729,276	58,678	58,678	1,729,276	-
Community Development Block Grant	14.218	B10MC340101	07/01/2010	06/30/2011	2,081,135	1,229,002	2,081,135	-	1,014,870	(45,304)	1,020,961	1,060,174
Community Development Block Grant	14.218	B10MC340101	07/01/2010	06/30/2011	82,870	-	35,350	-	-	(35,350)	-	82,870
Community Development Block Grant	14.218	B09MC340101	07/01/2009	06/30/2010	1,915,332	350,969	350,969	-	350,969	-	-	1,915,332
Total CDBG - Entitlement Grants Cluster**					1,579,971	2,474,459	1,729,276	1,424,517	1,424,517	(28,981)	2,750,237	3,837,456
Emergency Shelter Grant	14.231	S11MC340003	07/01/2011	06/30/2012	84,316	-	-	84,316	84,316	-	-	84,316
Total U.S. Department of Housing and Urban Development					\$ 1,664,287	\$ 2,474,459	\$ 1,813,592	\$ 1,508,833	\$ (28,981)	\$ (28,981)	\$ 2,750,237	\$ -
GRAND TOTAL FEDERAL AWARDS					\$ 2,344,776	\$ 12,846,958	\$ 3,320,395	\$ 2,245,149	\$ (28,976)	\$ (28,976)	\$ 13,893,228	\$ -

* Not Available.

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

State Department and Program	State Account or Grant Number	Grant Period		Program or Award Amount	Funds Received	Funds Available June 30, 2011	Budget Appropriations	Paid or Charged	Funds Available Dec. 31, 2011	Cumulative Expenditures
		From	To							
Department of Community Affairs										
New Jersey Redevelopment Agency:										
Standard Tank Remediation Grant II	*	12/01/2001	completion	\$ 1,000,000	\$ -	\$ 27,641	\$ -	\$ -	\$ 27,641	\$ 972,359
Standard Tank Remediation Grant	*	10/24/2000	02/15/2001	950,000	-	25,000	-	-	25,000	925,000
Total Standard Tank Remediation Grants						52,641			52,641	
Livable Communities Grant - Library	*	*	*	50,000	-	176	-	-	176	49,824
Livable Communities Grant - ADA	*	*	*	60,000	-	60,000	-	-	60,000	-
Total Livable Communities Grants						60,176			60,176	
Subtotal Department of Community Affairs						112,817			112,817	
Bureau of Housing Inspection	022-8010-100-023	07/01/2010	06/30/2011	38,739	-	25,531	4,208	29,739	-	38,739
Smart Future Grant	100-022-8070	*	*	60,000	-	60,000	-	-	60,000	-
Relay for Life Reimbursement	*	07/01/1998	06/30/2009	7,900	-	3,110	-	-	3,110	4,790
Total Department of Community Affairs						201,458	4,208	29,739	175,927	
Governor's Council on Alcoholism and Drug Abuse										
Passed through County of Hudson										
Municipal Alliance Grant	100-082-C001-004	01/01/2011	12/31/2011	\$ 57,241	\$ -	\$ -	\$ 57,241	\$ -	\$ 57,241	\$ -
Municipal Alliance Grant	100-082-C001-004	01/01/2010	12/31/2010	68,301	-	68,301	-	-	68,301	-
Municipal Alliance Grant	100-082-C001-004	01/01/2009	12/31/2009	132,220	-	132,220	-	-	132,220	-
Municipal Alliance Grant	100-082-C001-004	01/01/2007	12/31/2007	79,399	-	79,399	-	-	79,399	-
Municipal Alliance Grant	100-082-C001-004	01/01/2006	12/31/2006	71,925	-	71,925	-	-	71,925	-
Municipal Alliance Grant	100-082-C001-004	01/01/2004	12/31/2004	82,597	-	43,595	-	-	43,595	39,002
Total Governor's Council on Alcoholism and Drug Abuse						395,440	57,241	-	452,681	
Department of Law and Public Safety										
Drunk Driving Enforcement Fund	100-78-64000	01/01/2011	12/31/2011	\$ 5,685	\$ -	\$ 5,685	\$ -	\$ -	\$ 5,685	\$ -
Drunk Driving Enforcement Fund	100-78-64000	01/01/2009	12/31/2009	14,848	-	1,372	-	144	1,228	13,620
Total Drunk Driving Enforcement Fund						7,057		144	6,913	
Body Armor Replacement Fund	066-1020-718-001	06/30/2011	06/30/2012	16,033	-	-	16,033	-	16,033	-
Body Armor Replacement Fund	066-1020-718-001	06/30/2010	06/30/2011	5,627	-	5,627	-	3,510	2,117	3,510
Body Armor Replacement Fund	066-1020-718-001	06/30/2009	06/30/2010	21,522	-	11,559	-	-	11,559	9,963
Total Body Armor Replacement Fund						17,186	16,033	3,510	29,709	

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

State Department and Program	State Account or Grant Number	Grant Period		Program or Award Amount	Funds Received	Funds Available June 30, 2011	Budget Appropriations	Paid or Charged	Funds Available Dec. 31, 2011	Cumulative Expenditures
		From	To							
Department of Law and Public Safety (continued)										
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2011	10/31/2012	\$ 9,000	\$ -	\$ -	\$ 9,000	\$ -	\$ 9,000	\$ -
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2010	10/31/2011	7,698	-	7,698	-	-	7,698	-
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2001	10/31/2002	17,600	-	14,180	-	-	14,180	3,420
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2004	10/31/2005	16,961	-	16,961	-	-	16,961	-
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2005	10/31/2006	13,295	-	13,295	-	-	13,295	-
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2006	10/31/2007	16,868	-	16,868	-	-	16,868	-
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2008	10/31/2009	10,570	-	10,570	-	-	10,570	-
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2009	10/31/2010	12,477	-	12,477	-	-	12,477	-
Total Pedestrian Safety Enforcement and Education				-	-	92,049	9,000	-	101,049	-
Subtotal Department of Law and Public Safety				-	-	116,292	25,033	3,654	137,671	-
Unregistered Vehicle Program	*	*	*	30,879	-	30,711	-	-	30,711	168
Hazardous Materials Emissions Permit	1200-100-066	02/13/1996	completion	7,000	-	7,000	-	-	7,000	-
Total Department of Law and Public Safety				\$ -	\$ -	\$ 154,003	\$ 25,033	\$ 3,654	\$ 175,382	\$ -
Department of Health and Senior Services										
Smokeless Tobacco	1534-ADA-00	10/01/2009	09/30/2010	\$ 15,660	\$ -	\$ 15,660	\$ -	\$ -	\$ 15,660	\$ -
Smokeless Tobacco	1534-ADA-00	10/01/2005	09/30/2006	5,220	-	5,220	-	-	5,220	-
Smokeless Tobacco	1534-ADA-00	10/01/2004	09/30/2005	5,100	-	5,100	-	-	5,100	-
Smokeless Tobacco	1534-ADA-00	10/01/2003	09/30/2004	6,060	-	6,060	-	-	6,060	-
Smokeless Tobacco	1534-ADA-00	10/01/2000	09/30/2001	6,540	-	6,540	-	-	6,540	-
Smokeless Tobacco	1534-ADA-00	10/01/1999	09/30/2000	5,820	-	5,820	-	-	5,820	-
Smokeless Tobacco	1534-ADA-00	10/01/1998	09/30/1999	4,600	-	4,600	-	-	4,600	-
Smokeless Tobacco	1534-ADA-00	10/01/1997	09/30/1998	3,962	-	910	-	-	910	3,052
Total Smokeless Tobacco				-	-	49,910	-	-	49,910	-
Alcohol Education and Rehabilitation	760-046-4240-001	07/01/2002	06/30/2003	1,116	-	-	-	-	-	1,116
Alcohol Education and Rehabilitation	760-046-4240-001	07/01/2000	06/30/2001	14,949	-	13,557	-	-	13,557	1,392
Alcohol Education and Rehabilitation	760-046-4240-001	07/01/2003	06/30/2004	13,153	-	13,153	-	-	13,153	-
Total Alcohol Education and Rehabilitation				-	-	26,710	-	-	26,710	-
Subtotal Department of Health and Senior Services				-	-	76,620	-	-	76,620	-
Physical Health Program	*	07/01/2006	06/30/2007	25,000	-	752	-	-	752	24,248
Hepatitis B Grant	4230-100-046	05/03/1999	completion	5,000	-	5,000	-	-	5,000	-
Tobacco Age of Sale Enforcement	97-62-ADA	07/01/1996	06/30/1997	3,860	-	3,770	-	-	3,770	90
Total Department of Health and Senior Services				\$ -	\$ -	\$ 86,142	\$ -	\$ -	\$ 86,142	\$ -

See Accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

State Department and Program	State Account or Grant Number	Grant Period		Program or Award Amount	Funds Received	Funds Available June 30, 2011	Budget Appropriations	Paid or Charged	Funds Available Dec. 31, 2011	Cumulative Expenditures
		From	To							
New Jersey State Library										
Library Archive Collection Fund	*	*	*	\$ 12,135	\$ -	\$ 380	\$ -	\$ -	\$ 380	\$ 11,755
Library Collective Development Grant	*	*	*	871	-	3	-	3	-	871
Total New Jersey State Library Grants					<u>\$ -</u>	<u>\$ 383</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 380</u>	
Department of Environmental Protection										
Clean Communities Act	042-4900-765-004	07/01/2009	06/30/2010	\$ 84,001	\$ -	\$ 84,001	\$ -	\$ 83,641	\$ 360	\$ 83,641
Clean Communities Act	042-4900-765-004	07/01/2008	06/30/2009	87,667	-	3,982	-	3,982	-	87,667
Clean Communities Act	042-4900-765-004	07/01/2010	06/30/2011	80,469	-	80,469	-	-	80,469	-
					<u>-</u>	<u>168,452</u>	<u>-</u>	<u>87,623</u>	<u>80,829</u>	
Recycling Tonnage Grant	042-4900-752-001	07/01/1995	06/30/1996	15,726	-	15,726	-	-	15,726	-
Recycling Tonnage Grant	042-4900-752-001	07/01/2007	06/30/2008	17,201	-	17,201	-	-	17,201	-
					<u>-</u>	<u>32,927</u>	<u>-</u>	<u>-</u>	<u>32,927</u>	
Hazardous Discharge Site Remediation (HDSR)										
HDSR Municipal Grant	*	07/01/2007	06/30/2008	378,484	-	378,484	-	-	378,484	-
HDSR Municipal Grant #2	*	07/01/2008	06/30/2009	350,408	-	31,856	-	-	31,856	318,552
Hazardous Discharge Site	HG196-97/P9529	10/28/1997	completion	95,621	-	86,029	-	-	86,029	9,592
Hazardous Discharge Site	*	07/01/2010	06/30/2011	72,760	-	72,760	-	-	72,760	-
Hazmat Site Remediation Grant	*	07/01/2006	completion	152,333	-	5,247	-	-	5,247	147,086
					<u>-</u>	<u>574,376</u>	<u>-</u>	<u>-</u>	<u>574,376</u>	
Subtotal Department of Environmental Protection					<u>-</u>	<u>775,755</u>	<u>-</u>	<u>87,623</u>	<u>688,132</u>	<u>-</u>
Green Acres Grant	*	01/01/2008	12/31/2008	500,000	-	500,000	-	-	500,000	-
New Jersey Tree Foundation	*	*	*	1,500	-	1,500	-	-	1,500	-
440 Corridor Redevelopment Grant	*	07/01/2007	06/30/2008	374,484	-	318,552	-	-	318,552	55,932
Total Department of Environmental Protection					<u>\$ -</u>	<u>\$ 1,595,807</u>	<u>\$ -</u>	<u>\$ 87,623</u>	<u>\$ 1,508,184</u>	
Department of State										
Faith Based Grant	*	07/01/2005	06/30/2006	\$ 8,750	\$ -	\$ 8,750	\$ -	\$ -	\$ 8,750	\$ -
Total Department of State					<u>\$ -</u>	<u>\$ 8,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,750</u>	
Department of Transportation										
Local Bikeway Program	*	*	*	3,335	-	3,335	-	(48,437)	51,772	(48,437)
Total Department of Transportation					<u>\$ -</u>	<u>\$ 3,335</u>	<u>\$ -</u>	<u>\$ (48,437)</u>	<u>\$ 51,772</u>	<u>\$ (48,437)</u>

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

State Department and Program	State Account or Grant Number	Grant Period		Program or Award Amount	Funds Received	Funds Available June 30, 2011	Budget Appropriations	Paid or Charged	Funds Available Dec. 31, 2011	Cumulative Expenditures
		From	To							
Other State Grants										
Police Auction Fund	*	07/01/2009	06/30/2010	\$ 138,405	\$ -	\$ 138,405	\$ -	\$ 60,845	\$ 77,560	\$ 60,845
Police Auction Fund	*	07/01/2008	06/30/2009	85,373	-	68,647	-	68,647	-	85,373
Total Police Auction Fund						207,052		129,492	77,560	
County of Hudson Open Space Trust Grants:										
Open Space Trust Fund	*	01/01/2005	12/31/2006	1,200,000	-	1,193,466	-	-	1,193,466	6,534
Open Space Trust Fund - Museum	*	10/01/2009	09/30/2010	340,000	-	240,000	-	-	240,000	100,000
Total County of Hudson Open Space Trust Fund						1,433,466			1,433,466	
County Law Enforcement Trust Account										
Police Forfeiture Funds	*	07/01/2009	06/30/2010	201,961	-	74,586	-	26,861	47,725	154,236
Reimbursement Police Department	*	07/01/2011	06/30/2012	39,571	-	-	39,571	-	39,571	-
Reimbursement Police Department	*	07/01/2007	06/30/2008	10,861	-	10,861	-	10,861	-	10,861
Total County Law Enforcement Trust Account						85,447	39,571	37,722	87,296	
Subtotal Other Grants						1,725,965	39,571	167,214	1,598,322	-
County of Hudson Elderly Program:										
Eyeglass Service	*	*	*	25,000	-	195	-	-	195	24,805
Passed through Bayonne Municipal Utilities Authority:										
West Side Passive Park	*	07/01/2000	06/30/2001	350,000	-	9,251	-	-	9,251	340,749
Association of NJ Environmental Commissions (ANJEC)										
Land Use Planning Grants	*	07/01/2007	06/30/2008	15,000	-	1,744	-	-	1,744	13,256
Reimbursements - City Wide Communications	*	*	*	46,224	-	28,105	-	28,105	-	46,224
Public Works Damage Reimbursement	*	07/01/2010	06/30/2011	13,923	-	13,923	-	13,923	-	13,923
Fire Department Reimbursement - Other Expenses	*	07/01/2010	06/30/2011	17,000	-	17,000	-	17,000	-	17,000
Reimbursement - Bridgemen	*	07/01/2008	06/30/2009	3,500	-	3,500	-	-	3,500	-
Brady's Dock Fees	*	*	*	100	-	100	-	-	100	-
Code Enforcement Program - Salaries and Wages	*	*	*	8,502	-	8,502	-	-	8,502	-
Boat Ramp Fees	*	*	*	11,902	-	10,276	750	-	11,026	876
Lite Air Packs	*	*	*	600	-	600	-	-	600	-
Port Authority Communications Equipment	*	*	*	33,000	-	33,000	-	33,000	-	33,000
Total Other State Grants						1,852,161	40,321	259,242	1,633,240	

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

State Department and Program	State Account or Grant Number	Grant Period		Program or Award Amount	Funds Received	Funds Available June 30, 2011	Budget Appropriations	Paid or Charged	Funds Available Dec. 31, 2011	Cumulative Expenditures
		From	To							
Private Contributions										
North Park Donation - IMTT	*	*	*	\$ 2,515,000	\$ 2,500,000	\$ 2,372,444	\$ -	\$ -	\$ 2,372,444	\$ 142,556
Bench Plaque Donations	*	*	*	4,900	-	1,750	-	-	1,750	3,150
Donation - Bank of America	*	07/01/2008	06/30/2009	10,000	-	10,000	-	2,608	7,392	2,608
Contributions - Arson Equipment	*	*	*	1,395	-	1,395	-	-	1,395	-
Fire Museum Donations	*	*	*	500	-	500	-	-	500	-
Special Purpose Grant - Museum	*	07/01/2010	06/30/2011	*	-	-	-	(1,031)	1,031	(1,031)
Contribution for Public Waterfront Access	*	07/01/2010	06/30/2011	125,000	-	125,000	-	-	125,000	-
George Foreman Grant	*	07/01/2010	06/30/2011	2,498	2,498	-	2,498	2,208	290	2,208
Dogtopia K9 Unit Donation	*	07/01/2010	06/30/2011	1,085	1,085	-	1,085	-	1,085	-
Poster Contest Donations	*	*	*	1,900	1,900	-	-	-	-	1,900
Fire Department Donations	*	*	*	22,720	-	1,200	-	-	1,200	21,520
Fire Digitizer Donation	*	*	*	500	-	500	-	-	500	-
Senior Program Contributions	*	*	*	163,537	-	163,537	-	116,000	47,537	116,000
Total Private Contributions					<u>\$ 2,505,483</u>	<u>\$ 2,676,326</u>	<u>\$ 3,583</u>	<u>\$ 119,785</u>	<u>\$ 2,560,124</u>	
GRAND TOTAL STATE FINANCIAL ASSISTANCE					<u>\$ 2,505,483</u>	<u>\$ 6,973,805</u>	<u>\$ 130,386</u>	<u>\$ 451,609</u>	<u>\$ 6,652,582</u>	<u>-</u>

* Not Available

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CITY OF BAYONNE
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

NOTE A. GENERAL

The City of Bayonne (the “City”), received and continues to participate in numerous federal award and state financial assistance programs, in the form of grant cost reimbursements and revenue sharing entitlements. The City is the reporting entity for the grant programs received. Administration of the grant programs is performed by the various departments of the City.

Reporting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal and state grant programs of the City. All federal awards received directly from federal agencies or passed through other government agencies are included on the Schedule of Expenditures of Federal Awards. All state awards received directly from state agencies or passed through other government agencies are included on the Schedule of expenditures of State Financial Assistance.

The information in these schedules are presented in accordance with the requirements of U.S. OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the provisions of the New Jersey OMB Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Federal awards provided to sub-recipients are treated as expenditures when paid.

NOTE B. BASIS OF ACCOUNTING

The accounting policies of the City conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City accounts for federal awards and state financial assistance through the following accounting practices which differ from those required by accounting principles generally accepted in the United States of America.

The City, in accordance with the Division’s directives, fully realizes revenues and charges appropriations when grants are adopted by the governing body in the budget of its Current Fund. The revenues are charged and the receivable accounted for in the State and Federal grants fund. Appropriations are charged and the amount allotted for spending is accounted for as an appropriated reserve. Programs within the General Capital Fund and various Trust Funds (other than the State and Federal Grants Fund) are accounted for within the equivalent revenue accounts for those respective funds. Expenditures are measured from payments charged directly to specific grant programs.

CITY OF BAYONNE
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

NOTE B. BASIS OF ACCOUNTING (continued)

Local Contributions – Local matching contributions are required by certain federal and state grants. The amount of percentage of matching contributions varies with each program. Local matching contributions are raised in the Current Fund budget.

NOTE C. REPORTING ENTITY

The City, for purposes of the Schedule of Expenditures of Federal Awards and State Financial Assistance, includes all the funds of the primary government as defined by criteria established by the Governmental Accounting Standards Board Statement 14, The Financial Reporting Entity.

The City administers certain federal and state award programs through subrecipients. Those subrecipients are not considered part of the City's reporting entity.

NOTE D. PASS-THROUGH AWARDS

The City receives certain federal awards from pass-through awards of the state. The amounts received are commingled by the state with other funds and cannot be separately identified.

NOTE E. CONTINGENCIES

Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable laws and regulations. Federal and state grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors.

NOTE F. MONITORING OF SUBRECIPIENTS

Under the requirements of the Single Audit Act and State regulations, if the City, as a primary recipient, receives federal and state financial assistance and provides \$500,000 or more of such assistance to a subrecipient in a fiscal year, the City is responsible for determining that the expenditures of federal and state monies passed-through to subrecipients are utilized in accordance with applicable laws and regulations.

**CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors report issued:	Unqualified-as prescribed by NJ DLGS Adverse-according to GAAP	
Internal Control over Financial Reporting:		
1) Material weakness(es) identified?	Yes	X No
2) Significant deficiency(ies) identified?	X Yes	No
Noncompliance material to basic financial statements noted?	Yes	X No

Federal Awards

Internal Control over Major Programs:		
1) Material weakness(es) identified?	Yes	X No
2) Significant deficiency(ies) identified?	Yes	X No
Type of auditor's report on compliance for major programs:	Unqualified for all major programs.	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes	X No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
93.044 / 93.053	- Aging Cluster
81.128	- Energy Efficiency Block Grant - ARRA
14.253 / 14.218	- CDBG Entitlement Grants Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

**CITY OF BAYONNE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011**

**Section I - Summary of Auditor's Results
 (continued)**

State Financial Assistance

Internal Control over Compliance:

1) Material weakness(es) identified?	Yes	n/a	No
2) Significant deficiencies identified?	Yes	n/a	No

Type of auditor's report on compliance for major programs: No single audit required.

Any audit findings disclosed that are required to be reported in accordance with NJ OMB 04-04, as amended? Yes n/a No

Identification of major programs

<u>State Grant Number</u>	<u>Name of State Program</u>
---------------------------	------------------------------

No single audit of State Programs required. Expenditures of State Financial Assistance less than \$500,000.

Dollar threshold used to distinguish between Type A and Type B Programs: No single audit required.

Auditee qualified as low-risk auditee? Yes n/a No

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

Section II - Schedule of Financial Statement Findings

(This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 through 5.20 of Government Auditing Standards.)

Finding FS TY11-01

Significant Deficiency

Criteria and Condition:

The City's Schedule of Federal and State Grants Receivable (Exhibit A-24) and Schedule of Reserves for Federal and State Grants - Appropriated (Exhibit A-25) contain grants with outstanding receivable and reserve balances which have been inactive for several years.

Context:

A review of Federal and State grant receivables and appropriated reserves indicates significant grant balances exist which have been inactive in excess of five years.

Cause:

The City is not regularly analyzing grant receivable and reserve balances for propriety.

Effect:

The City has aged receivable and reserve balances in the Federal and State Grant Fund. The City's aging schedule for grants receivable is as follows:

<u>Years</u> <u>Outstanding</u>	<u>Grant Year</u>	<u>Grants</u> <u>Receivable</u>
1 or less	TY 2011 / FY 2011	\$ 3,270,705
2	FY 2010	5,833,468
3	FY 2009	878,364
4	FY 2008	899,789
5	FY 2007	1,870,248
6 - 9	FY 2003 - FY 2006	1,448,700
10 and more	Prior to FY 2003	1,329,550
		\$ 15,530,824

Recommendation:

The City should investigate grants with dormant receivable and reserve balances for proper follow-up or disposition, including: consideration of the collectability of the grants, whether receivable and reserve balances exist as a result of charges to incorrect grant years and whether aged reserves are expendable or must be returned to grantor agencies. Going forward, all grants should be continuously monitored for inactivity and aging.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

Section II - Schedule of Financial Statement Findings

Finding FS TY11-02

Significant Deficiency

Criteria and Condition:

The Federal and State Grant Fund includes items accounted for on the receivable and reserve schedules which are not grants. In addition, three items totaling \$37,138 which the City anticipated as “Public and Private Revenues” and appropriated as “Public and Private Appropriations” were inconsistently accounted for. The revenues were treated as grants and run through the Federal and State Grant Fund, whereas, the appropriations were treated as non-grants.

Context:

Analysis of accounts and documentation obtained in support of receipts tests of the Federal and State Grant Fund indicates several instances in which items of revenue and appropriation accounted for in the Federal and State Grant Fund are not grants. Additional instances were noted in which the City did not have documentation, such as grantor award letters, available for audit review. In these cases, determination could not be made as to whether certain grants appropriated in the current year budget were properly accounted for in the Federal and State Grant Fund or whether such grants were properly included in the Schedules of Expenditures of Federal Awards and State Financial Assistance.

Cause:

The City is recording non-grant reimbursements through the Federal and State Grant Fund. Also, there are instances in which the City is not retaining the proper documentation in support of grant awards.

Effect:

The Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Financial Assistance (the “Single Audit Schedules”) may include items which are not grants or which may not be properly classified. Audit procedures were applied to verify material grant amounts and, where appropriate, such items were removed from the Single Audit Schedules, however, a complete verification was not performed. In addition, supporting documentation on certain grants could not be located and the source of such funding could not be verified.

Recommendation:

The City should retain documentation supporting grant receipts and grant awards anticipated and appropriated in the annual budget until the grant has been fully exhausted and audited.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

Section III- Schedule of Federal Awards and State Financial Assistance -
Findings and Questioned Costs

(This section identifies the reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB Circular 04-04, as amended.)

NONE

CITY OF BAYONNE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011

Status of Prior Year Findings

(This section identifies the status of prior year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 [section .315 (a)(b)] and New Jersey OMB Circular 04-04, as amended.)

Finding FS10-01

Financial Statement Finding

Condition: The City's Trust Reserves indicate that not all reserves were authorized by the State of New Jersey, Division of Local Government Services.

Current Year Status: This finding has been moved to the Comments and Recommendations section of this report.

Finding FS10-02

Financial Statement Finding

Condition: There are significant balances on the Schedule of Federal and State Grants Receivable and the Schedule of Reserve for Federal and State Grants - Appropriated that have been inactive for several years.

Current Year Status: This finding remains in the current year as Finding FS TY11-01.

Finding 11-01

US Department of Health and Human Services
Family Planning Services
CFDA No. 93.217

Condition: The City of Bayonne does not have effective internal controls in place for recording and depositing of cash receipts for the Family Planning Grant. Internal controls need to be implemented to ensure cash receipts are properly recorded and deposited in a timely manner.

Current Year Status: The Family Planning department was closed on April 1, 2011.

STATISTICAL SECTION: UNAUDITED

CITY OF BAYONNE
STATISTICAL SECTION (UNAUDITED)

TEN-YEAR HISTORY OF GOVERNMENTAL EXPENDITURES**

Year Ended	General Government	Sanitation, Health & Welfare	Public Safety	Public Works, Parks and Recreation	Contingent, Deferred Charges and Statutory Expenditures	Shared Service Agreements	Federal, State and County Grants	Judgments / Other Special Items (1)	Capital Improvements	Debt Service	Reserve for Uncollected Taxes	Total
Dec. 31,												
2011 *	\$ 14,294,926	\$ 3,069,000	\$ 20,210,500	\$ 3,846,945	\$ 942,206	\$ 242,000	\$ 1,997,889	\$ 41,888	\$ -	\$ 14,782,963	\$ 727,000	\$ 60,155,317
June 30,												
2011	31,055,407	6,163,300	37,498,000	7,917,000	14,572,368	4,225,400	5,674,950	190,455	25,000	20,578,621	840,000	128,740,501
2010	29,299,198	6,382,300	37,689,000	6,861,500	12,369,902	5,425,400	10,818,105	262,056	15,000	25,339,491	870,000	135,331,952
2009	33,497,668	6,117,300	37,108,000	7,421,000	7,072,621	5,550,400	3,313,235	31,275	10,000	21,737,186	470,000	122,328,685
2008	41,121,112	6,156,000	37,668,300	7,116,000	1,980,591	5,425,400	3,741,016	89,870	9,000	17,750,318	450,000	121,507,607
2007	56,050,504	6,360,300	35,758,000	7,777,500	1,673,000	5,425,400	6,147,430	62,618	270,000	16,629,736	450,000	136,604,488
2006	28,145,740	6,279,300	33,858,000	7,806,100	1,577,000	5,425,400	5,974,640	347,775	100,000	13,669,996	425,000	103,608,951
2005	22,388,540	6,279,300	32,016,000	7,620,200	1,714,098	5,425,400	4,019,194	127,673	100,000	8,017,758	550,000	88,258,163
2004	20,381,450	5,796,300	30,233,451	6,836,700	1,769,010	5,395,400	6,358,673	126,976	518,000	7,693,306	565,000	85,674,266
2003	17,285,867	5,554,300	31,097,729	6,449,500	1,418,080	3,650,400	3,652,954	750,000	170,000	8,348,662	325,000	78,702,492

(1) This column represents judgments budgeted in the years ended June 30, 2002 and 2003 and Other Special Items in the years ended June 30, 2004 to present.

* The year ended December 31, 2011 is a six month "transition year".

** Refers to Current Fund Appropriation Budget after Modifications.

Table 2

CITY OF BAYONNE
STATISTICAL SECTION (UNAUDITED)

TEN-YEAR HISTORY OF GOVERNMENTAL REALIZED REVENUES

Year Ended	Current Taxes (1)	Delinquent Taxes	Local Revenues (2)	State Aid	Shared Service Agreements	Federal State and County Grants	Surplus and Special Items (3)	Non-Budget Revenues & Other Items	Total
Dec. 31,									
2011	\$ 39,095,801	\$ 65,525	\$ 2,807,541	\$ 8,961,605	\$ 136,576	\$ 2,039,777	\$ 7,149,400	\$ 3,417,776	\$ 63,674,001
June 30,									
2011	69,149,103	51,653	6,100,718	9,455,185	4,225,400	5,539,980	34,168,960	3,705,936	132,396,935
2010	66,811,995	470,406	5,268,209	11,518,435	5,567,223	10,881,581	35,413,015	1,290,306	137,221,170
2009	66,928,052	221,666	4,526,434	11,715,559	5,425,400	3,096,131	30,664,498	2,624,583	125,202,323
2008	60,292,006	334,145	5,102,162	16,415,175	5,425,400	3,489,980	32,239,375	2,823,443	126,121,686
2007	52,922,289	20,491	5,142,121	17,329,244	5,425,400	5,865,142	27,346,098	1,001,106	115,051,891
2006	47,411,245	141,783	5,711,061	16,959,251	125,400	5,991,605	1,795,434	942,372	79,078,151
2005	47,421,642	76,469	4,672,395	13,473,125	5,425,400	3,866,031	22,225,856	325,115	97,486,033
2004	41,784,489	449,119	4,241,383	13,274,792	5,395,400	6,098,080	15,355,575	814,348	87,413,186
2003	36,987,019	128,404	4,363,164	12,703,589	3,650,400	3,251,792	18,107,414	1,129,266	80,321,048

(1) Includes taxes levied for municipal purposes, library purposes and additions to local district school taxes (school debt service less applicable revenues).

(2) Includes licenses, fees, permits, PILOTs and other items.

(3) No surplus was utilized in the years ended June 30, 2011 and 2010.

* The year ended December 31, 2011 is a six month "transition year".

CITY OF BAYONNE
STATISTICAL SECTION (UNAUDITED)
FOR THE TRANSITION YEAR ENDED DECEMBER 31, 2011
AND THE YEAR ENDED JUNE 30, 2011

COMPARATIVE SCHEDULES OF OPERATIONS AND CHANGES IN FUND BALANCE-CURRENT FUND

	<u>Transition Year Ended December 31, 2011</u>		<u>Year Ended June 30, 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue and Other Income Realized:				
Miscellaneous Revenue Anticipated	\$ 15,119,899	15.15%	\$ 59,490,243	27.50%
Receipts from Delinquent Taxes	65,525	0.07%	51,653	0.02%
Receipts from Current Taxes	81,222,382	81.36%	153,052,479	70.76%
Miscellaneous Revenue Not Anticipated	36,809	0.04%	565,732	0.26%
Other Credits to Income	3,380,967	3.39%	3,140,204	1.45%
	<u>99,825,582</u>	<u>100.00%</u>	<u>216,300,311</u>	<u>100.00%</u>
Expenditures:				
Budget Appropriations	60,131,168	57.75%	128,671,996	59.59%
School, County and Special Improvement				
District Taxes	42,126,581	40.46%	83,880,135	38.84%
Other Charges	1,872,887	1.80%	3,393,025	1.57%
	<u>104,130,636</u>	<u>100.00%</u>	<u>215,945,156</u>	<u>100.00%</u>
Change in Operations, net of Surplus Utilized	(4,305,054)		355,155	
Fund Balance, Beginning of Year	<u>11,100,622</u>		<u>10,745,467</u>	
Fund Balance, December 31	<u>\$ 6,795,568</u>		<u>\$ 11,100,622</u>	

CITY OF BAYONNE
STATISTICAL SECTION (UNAUDITED)

TEN-YEAR HISTORY OF TAX RATE AND APPORTIONMENT OF TAX RATE
(per \$100 of assessed valuation)

<u>Year Ended</u>	<u>Total Tax Rate</u>	<u>Municipal</u>	<u>County*</u>	<u>Local School</u>
Dec. 31, 2011	6.849	2.877	1.144	2.828
June 30, 2011	6.849	2.877	1.144	2.828
June 30, 2010	6.288	2.637	1.100	2.551
June 30, 2009	6.288	2.410	1.092	2.786
June 30, 2008	6.052	2.304	1.019	2.729
June 30, 2007	5.697	2.199	0.984	2.514
June 30, 2006	5.251	1.909	0.960	2.382
June 30, 2005	5.186	1.954	0.964	2.268
June 30, 2004	4.852	1.779	0.937	2.136
June 30, 2003	4.591	1.635	0.907	2.049

* Includes County Open Space in the fiscal year ended June 30, 2004 to present.

Table 5

TEN-YEAR HISTORY OF DELINQUENT TAXES AND TAX TITLE LIENS

<u>Year Ended</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total</u>	<u>Percent of Tax Levy</u>
Dec. 31, 2011	\$ 511,697	\$ 402,491	\$ 914,188	1.12%
June 30, 2011	495,123	350,956	846,079	0.55%
June 30, 2010	463,859	44,344	508,203	0.33%
June 30, 2009	433,261	1,526,654	1,959,915	1.30%
June 30, 2008	400,111	1,193,876	1,593,987	1.12%
June 30, 2007	371,417	1,159,203	1,530,620	1.19%
June 30, 2006	345,395	990,113	1,335,508	1.07%
June 30, 2005	341,507	434,689	776,196	0.65%
June 30, 2004	318,853	336,283	655,136	0.59%
June 30, 2003	777,714	520,929	1,298,643	1.28%

**CITY OF BAYONNE
STATISTICAL SECTION (UNAUDITED)**

TEN-YEAR HISTORY OF TAX LEVIES AND COLLECTIONS

<u>Year Ended</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Collection Percentage</u>
Dec. 31, 2011	\$ 81,472,499	\$ 79,547,559	97.64%
June 30, 2011	152,564,269	152,262,479	99.80%
June 30, 2010	152,265,937	151,474,573	99.48%
June 30, 2009	150,544,877	149,667,768	99.42%
June 30, 2008	142,037,946	141,516,792	99.63%
June 30, 2007	129,002,015	128,673,732	99.75%
June 30, 2006	124,343,862	123,567,029	99.38%
June 30, 2005	119,622,235	119,433,678	99.84%
June 30, 2004	111,819,862	111,665,541	99.86%
June 30, 2003	101,755,914	101,245,375	99.50%

Table 7

TEN-YEAR HISTORY OF PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

<u>As of</u>	<u>Amount</u>
Dec. 31, 2011	\$ 8,599,000
June 30, 2011	8,599,000
June 30, 2010	8,563,300
June 30, 2009	8,634,700
June 30, 2008	8,634,700
June 30, 2007	8,636,400
June 30, 2006	8,636,400
June 30, 2005	8,812,800
June 30, 2004	8,843,200
June 30, 2003	9,406,100

**CITY OF BAYONNE
STATISTICAL SECTION (UNAUDITED)**

TEN-YEAR HISTORY OF PERCENTAGE OF
NET ASSESSED VALUATION TO ESTIMATED FULL CASH VALUATION

<u>Year Ended</u>	<u>Net Assessed Valuation Table</u>	<u>Estimated Full Cash Valuation</u>	<u>Percentage of Net Assessed Value To Estimated Full Cash Valuation</u>
Dec. 31, 2011	\$ 2,318,926,569	\$ 5,543,243,285	41.83%
June 30, 2011	2,318,926,569	5,789,043,010	40.06%
June 30, 2010	2,379,080,059	6,406,764,904	37.13%
June 30, 2009	2,394,463,816	6,694,809,463	35.77%
June 30, 2008	2,381,576,097	6,439,544,725	36.98%
June 30, 2007	2,381,422,330	5,747,770,003	41.43%
June 30, 2006	2,376,286,077	4,970,952,171	47.80%
June 30, 2005	2,365,566,270	4,310,387,640	54.88%
June 30, 2004	2,347,189,377	3,639,184,476	64.50%
June 30, 2003	2,327,024,046	3,217,772,144	72.32%

Table 9

**CITY OF BAYONNE
STATISTICAL SECTION (UNAUDITED)**

TEN-YEAR HISTORY OF RATIO OF ANNUAL DEBT SERVICE* TO OPERATING EXPENDITURES AND REVENUES

Year Ended	Debt Service Requirement		Total Budget (1) Appropriations	Ratio of Debt Service to		Total Realized Budget Revenue	Ratio of Debt Service to Current Fund Revenue
	Principal	Interest		Current Fund Expenditures	Budget Revenue		
Dec. 31,							
2011**	\$ 8,328,043	\$ 6,031,349	\$ 60,131,168	23.88 %	\$ 60,256,225	23.83%	
June 30,							
2011	8,819,734	10,786,777	128,671,996	15.24 %	128,690,999	15.24%	
2010	11,055,314	14,193,089	135,331,952	18.66 %	135,930,864	18.57%	
2009	8,660,000	12,150,041	122,328,685	17.01 %	122,577,740	16.98%	
2008	7,778,172	9,024,940	121,507,607	13.83 %	123,298,243	13.63%	
2007	7,123,710	8,666,279	136,604,488	11.56 %	114,050,785	13.84%	
2006	5,207,000	7,632,288	103,608,051	12.39 %	78,135,779	16.43%	
2005	3,611,000	3,606,729	89,258,163	8.09 %	97,160,918	7.43%	
2004	3,355,500	4,200,786	85,674,266	8.82 %	86,598,838	8.73%	
2003	4,950,747	3,220,373	78,720,792	10.38 %	79,191,782	10.32%	

* Includes amounts paid or charged for bonded debt and notes issued in anticipation thereof, for City and School Purposes.

Does not include tax anticipation notes, loans or capital lease transactions.

** The year ended December 31, 2011 is a six month "transition year".

(1) Budget after Modification less unexpended balances canceled.

**CITY OF BAYONNE
STATISTICAL SECTION (UNAUDITED)
AS OF DECEMBER 31, 2011**

COMPUTATION OF LEGAL DEBT MARGIN AND OVERLAPPING DEBT

Average Equalized Valuation	<u>\$ 5,885,001,025</u>
Debt Limit - 3 1/2% of Average Equalized Valuation	\$ 205,975,036
Net Debt	<u>107,050,588</u>
Remaining Borrowing Power / Debt Margin	<u>\$ 98,924,448</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 100,805,966	\$ 100,805,966	\$ -
Municipal Debt	<u>123,397,184</u>	<u>16,346,596</u>	<u>107,050,588</u>
Total	<u>\$ 224,203,150</u>	<u>\$ 117,152,562</u>	<u>\$ 107,050,588</u>

Overlapping Debt (Gross):	
County of Hudson (December 31, 2011)	\$ 91,908,633
Hudson County Improvement Authority (December 31, 2011)	79,366,629
Bayonne Municipal Utilities Authority (March 31, 2012)	<u>100,017,521</u>
	<u>\$ 271,292,783</u>

Table 11

CITY OF BAYONNE
STATISTICAL SECTION (UNAUDITED)

TEN-YEAR HISTORY OF RATIO OF BONDED AND BONDABLE DEBT TO EQUALIZED VALUE AND DEBT PER CAPITA

Year Ended June 30,	Population	Average Equalized Valuation	Gross Debt	Gross Debt Per Capita	Ratio of Gross Debt to		Net Debt	Net Debt Per Capita	Ratio of Net Debt to Equalized Valuation
					Equalized Valuation	Debt			
Dec. 31,									
2011	63,024	\$ 5,885,001,025	\$ 224,203,150	\$ 3,557	3.81%	\$ 107,050,588	\$ 1,699	1.82%	
June 30,									
2011	63,024	6,215,253,093	240,045,473	3,809	3.86%	118,689,507	1,883	1.91%	
2010	63,024	6,392,131,807	246,722,673	3,915	3.86%	119,357,171	1,894	1.87%	
2009	61,842	6,158,802,322	329,167,730	5,323	5.34%	124,107,664	2,007	2.02%	
2008	61,842	5,596,676,492	270,708,369	4,377	4.84%	129,088,302	2,087	2.31%	
2007	61,842	4,885,105,940	255,424,276	4,130	5.23%	123,068,880	1,990	2.52%	
2006	61,842	4,184,547,417	223,868,204	3,620	5.35%	95,961,138	1,552	2.29%	
2005	61,842	3,609,246,972	194,847,880	3,151	5.40%	70,073,813	1,133	1.94%	
2004	61,842	3,151,331,218	168,707,813	2,728	5.35%	52,405,747	847	1.66%	
2003	61,842	2,854,455,103	109,119,574	1,764	3.82%	46,865,935	758	1.64%	

Included above is all debt as required by NJSA 40A:4-20.

Operating debt, such as tax anticipation notes, emergency notes, special emergency notes and utility revenue notes, are not included.

**CITY OF BAYONNE
STATISTICAL SECTION (UNAUDITED)**

TEN-YEAR HISTORY OF UNEMPLOYMENT STATISTICS

Year	Unemployment Rate (%)		
	City	County	State
2011	11.1	10.3	9.1
2010	11.5	10.8	9.4
2009	11.3	10.7	10.7
2008	6.5	6.7	7.2
2007	5.3	5.0	4.2
2006	5.5	5.5	4.6
2005	5.3	5.4	4.2
2004	3.9	6.1	4.8
2003	5.4	8.0	6.3
2002	5.5	8.2	5.1

Source: State of New Jersey Department of Labor and Workforce Development website.

GENERAL SECTION

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2011

**CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER N.J.S.A. 40A:11-3
AND 40A:11-4, et seq.**

N.J.S.A. 40A:11-3 states “When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent or other employee so designated by the governing body when so authorized by ordinance or resolution, as appropriate to the contracting unit, without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If a purchasing agent has been appointed, the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000 or the threshold amount adjusted by the Governor pursuant to subsection c. of this section. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.” The current threshold amount as adjusted by the Governor is \$36,000. The City has appointed a Qualified Purchasing Agent and has passed a resolution raising its bid threshold to the maximum allowable amount of \$36,000.

N.J.S.A. 40A:11-4 states “Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.” The governing body of the City has the responsibility of determining whether the expenditures in any category will exceed \$36,000 within the fiscal year. Where questions arise as to whether any contract or agreement might result in a violation of the Statute, the opinion of City Counsel should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertisement and contracts awarded for the following items:

- Paving of Various Streets
- 75' Mid-Mount Tower Ladder Truck
- HVAC Improvements
- Video Wall and Video Wall Controller for Emergency Operations Center
- Rock Salt
- Dual Purpose Integrated Workstations for Emergency Operations Center
- 27' Weapons of Mass Destruction Rescue Vessel
- Services to Board Up Abandoned Buildings
- Snow Removal Services

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2011

**CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER N.J.S.A. 40A:11-3
AND 40A:11-4, et seq. (continued)**

Inasmuch as the system of records did not provide for an accumulation by categories of payments for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not be reasonably ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$36,000, "for the performance of any work, or the furnishing of any materials, supplies or labor, or the hiring of teams or vehicles," other than those for which bids had been previously sought by public advertisements or for which a resolution had been previously adopted under the provision of N.J.S.A. 40A:11-6.

**CONTRACTS AND AGREEMENTS EXCEPTED FROM PUBLIC ADVERTISEMENT FOR
BIDS PER N.J.S.A. 40A:11-5, et seq., 40A:11-6.1(b) AND 40A:11-12**

N.J.S.A. 40A:11-12 states: "Any contracting unit under this act [the City] may without advertising for bids, or having rejected all bids obtained pursuant to advertising therefore, purchase any goods or services under any contract or contracts for such goods or services entered into on behalf of the State by the Division of Purchase and Property in the Department of the Treasury." When utilizing state contracts, as the contracts are commonly referred to, the City is required to place its order with the vendor offering the lowest price, including delivery charges, that best meets the City's requirements, and is also required to document such with specificity prior to placing the order.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "state contracts" per N.J.S.A. 40A:11-12.

- Supply of Xerox Copiers
- MCC7500 Radio Console Position and Three XTL2500 Control
- Zetron Brand 9-1-1 Telephone Equipment and Installation
- Two 2012 Ford Escape XLT's
- Two 2012 2WD Ford Escape XLT's
- Three 2012 4WD Ford Explorers with Police Package
- One K-9 Equipped 4WD Ford Explorer
- Unleaded Fuel and Low Sulfur Diesel

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2011

**CONTRACTS AND AGREEMENTS EXCEPTED FROM PUBLIC ADVERTISEMENT FOR
BIDS PER N.J.S.A. 40A:11-5, et seq., 40A:11-6.1(b) AND 40A:11-12 (continued)**

N.J.S.A. 40A:11-5.1(a)(i) states: “Any contract the amount of which exceeds the bid threshold, may be negotiated and awarded by the governing body without public advertising for bids and bidding therefor and shall be awarded by resolution of the governing body if the subject matter thereof consists of professional services. The governing body shall in each instance state supporting reasons for its action in the resolution awarding each contract and shall forthwith cause to be printed once, in the official newspaper, a brief notice stating the nature, duration, service and amount of the contract, and that the resolution and contract are on file and available for public inspection in the office of the clerk.” There are additional exceptions noted in N.J.S.A. 40:11-5, et seq., which for contracts which may be negotiated and awarded by resolution of the governing body without public advertising for bids.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for “professional services” per N.J.S.A. 40A:11-5 as follows:

- Environmental Consulting-Redevelopment Area Remediation - Review of Specifications, Advise on Open Public Contract
- Preliminary Design and Specifications-LeFante Way Law and Conduct Employee Disciplinary Proceedings
- Planning and Administration of CDBG Program - Negotiator-Arbitration and PERC Hearings
- Planning Services-Affordable Housing Obligations - Legal Services to Represent Bayonne Rent Control Board
- Lead Base Paint Inspections - Legal Services to Represent Ethical Standards Board
- Public Defender of Indigent Individuals - Bond Counsel
- Animal Control Services - Defense of the City in State Tax Court Appeals
- Grant Writing and Management Consulting Services - Planning Board Attorney
- Alternate Municipal Prosecutor - Zoning Board Attorney
- Environmental Site Remediation Advisory Services - Attorney for Construction Board of Appeals

N.J.S.A. 40A:11-6.1(b) states: “When in excess of the bid threshold, and after documented effort by the contracting agent [the City] to secure competitive quotations, a contract for extraordinary unspecifiable services may be awarded upon a determination in writing by the contracting agent that the solicitation of competitive quotations is impracticable. Any such contract shall be awarded by resolution of the governing body.” N.J.S.A. 40A:11-5.1(a)(ii) further states: “The governing body shall in each instance state supporting reasons for its action in the resolution awarding each [extraordinary unspecifiable service] contract and reasons for its action in the resolution awarding each contract and shall forthwith cause to be printed...a brief notice of the award of such contract.” The notice shall be printed once, in the official newspaper, a brief notice stating the nature, duration, service and amount of the contract, and that the resolution and contract are on file and available for public inspection in the office of the clerk.

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2011

CONTRACTS AND AGREEMENTS EXCEPTED FROM PUBLIC ADVERTISEMENT FOR BIDS PER N.J.S.A. 40A:11-5, et seq., 40A:11-6.1(b) AND 40A:11-12 (continued)

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for “extraordinary unspecifiable services” per N.J.S.A. 40A:11-6.1(b) as follows:

- Enterprise Licensing of Spatial Data Logic Suite of Municipal Management Software
- Proprietary Computer Systems and Network Administration and Support

EXPENDITURE LESS THAN BID THRESHOLD, BUT 15% OR MORE OF THAT AMOUNT PER N.J.S.A. 40A:11-6.1

N.J.S.A. 40A:11-6.1 states: “For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, except for paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) concerning professional services and paragraph (b) of that subsection concerning work by employees of the contracting unit, the contracting unit shall award the contract after soliciting at least two competitive quotations, if practicable.” The City advised us that quotations were, for the most part, solicited for items, the cost of which was \$5,400 or more, within the terms of N.J.S.A. 40A:11-6.1.

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS

Statutes provide the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes, or assessments on or before the date when they would become delinquent.

The governing body adopted the following resolution authorizing interest to be charged on delinquent taxes:

“In all cases, interest shall be calculated and charged at the rates of 8% per annum on the first \$1,500 of the delinquency, and 18% per annum on any delinquent amounts in excess of \$1,500, to be calculated from the date upon which the taxes first became due and payable to the date that the payment is actually received.”

In all instances tested, the collector’s records indicate that interest was collected in accordance with the foregoing resolution.

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2011

DELINQUENT TAXES AND TAX TITLE LIENS

The City did not hold a traditional tax sale but held a bulk levy tax sale on September 30, 2011, and was complete.

The following comparison is made of the number of tax title liens receivable for the most recent five years:

<u>Year Ended</u>	<u>Number of Liens</u>
Dec. 31, 2011	11
June 30, 2011	11
June 30, 2010	11
June 30, 2009	11
June 30, 2008	11

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

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**CITY OF BAYONNE
COMMENTS AND RECOMMENDATIONS**

DECEMBER 31, 2011

Finding 1: There are reserves in the City’s Current Fund which have been inactive for several years. The table below indicates \$188,012 of the \$490,629 reserved has had no activity in four years or more.

<u>Years Since Last Activity</u>	<u>Year of Last Activity</u>	<u>Reserve for Other</u>
1 or less	TY 2011 / FY 2011	\$ 222,975
2	FY 2010	79,642
3	FY 2009	-
4	FY 2008	130,984
5	FY 2007	-
6 and more	Prior to FY 2007	<u>57,028</u>
		<u>\$ 490,629</u>

Recommendation: The City should review inactive reserves in its Current Fund for proper follow-up and disposition.

Finding 2: The City’s petty cash accounts and custodians have not been updated in accordance with 40A:5-21.

Recommendation: The City should pass a resolution updating and approving petty cash accounts and custodians and remit such resolution to the Division of Local Government Services.

Finding 3: Testing of the City’s bid compliance indicated instances in which proofs of advertisement of bids were not available for review.

Recommendation: The City should retain proofs of advertisement of bids with the appropriate bid files.

Finding 4: Analysis of the City’s Trust Fund Reserves indicates not all reserves were authorized by the Division of Local Government Services. This finding is repeated from the prior year.

Recommendation: The City should seek approval by the Division of Local Government Services through Dedication by Riders for all of its Trust Fund reserves.

**CITY OF BAYONNE
COMMENTS AND RECOMMENDATIONS**

DECEMBER 31, 2011

Finding 5: Testing of the City’s fixed assets inventory resulted in several instances in which items on the listing could not be located and other instances in which items had no tags and, therefore, could not be identified to specific assets in the listing. Also, new additions to the fixed assets system rely heavily on annual input from department heads, who are asked to update their lists for new additions. This finding is repeated from the prior year.

Recommendation: The City should update its fixed assets inventory and implement procedures which will provide stronger controls over additions and disposals of fixed assets.

Finding 6: There are interfund balances on the various balance sheets at year end. This finding is repeated from the prior year.

Recommendation: Interfund balances should be avoided, if possible. All interfunds should be settled prior to year end.

Finding 7: During testing of the City’s Payments in Lieu of Taxes (PILOT), we noted one instance in which the PILOT agreement was not on file and the billing amount could not be verified.

Recommendation: The City should make certain all PILOT agreements are on file and billings amounts recalculated annually.

In accordance with Government Auditing Standards, a review was performed on all prior year’s recommendations. With the exception of those findings noted as being repeated from the prior year, corrective action was taken on all prior year recommendations.

We noted certain other matters that we reported in the accompanying schedule of findings and questioned costs section of this report. Such matters are required to be reported under *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
