

CITY OF BAYONNE

STATE OF NEW JERSEY

NEW JERSEY COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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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
Year Ended December 31, 2013

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, Supplementary Data, Additional Information Relating to Internal Control and Compliance, 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, combined financial statements, and the notes to financial statements. To comply with regulatory filing requirements, the Supplementary Data 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 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, and reporting requirements under Government Auditing Standards are included in the section of this report titled Additional Information Relating to Internal Control and Compliance.

Governmental Structure

The City operates with an elected Mayor and Council under the Mayor and Council Form of Government (Plan "C" of the Optional Municipal Charter Law). Officers and employees may be duly appointed, pursuant to the provision of the State Charters or Ordinances 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. The legislative power of the City is vested in the City Council, which meets once every three weeks.

The Mayor has the power to approve ordinances adopted by the City Council or to return ordinances to the Council with a statement of his objections. A two-thirds majority of the Council Members may override the Mayor's veto. The Mayor cannot vote in proceedings of the Council except to fill a vacancy, in which case the Mayor may cast the deciding vote. The Mayor has the executive power and is responsible for enforcing the charter, ordinances and general laws of the City, and supervising all City departments. The Mayor appoints the directors of all departments with the advice and consent of the Council.

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, 2.5 miles wide including the Peninsula at Bayonne Harbor, 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.

Background (continued)

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 63, with 63rd 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.

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 the age of 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. Private and miniature golf courses 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.

In 2009, the City approved a plan to reduce the number of City departments from nine to four. Under the approved plan, the existing departments were consolidated into the Department of Business Administration, Department of Municipal Services, Department of Public Safety and Department of Public Works, Parks and Recreation.

The Department of Public Safety, under supervision of Director Jason O'Donnell (through 6/30/14) and Robert Kubert (commencing 7/1/14), consists of the Police and Fire Departments.

The Police Department is under the supervision of Police Chief Ralph Scianni (through 6/30/14) and Drew Niekrasz (commencing 7/1/14). The Police Department has 1 Chief, 2 Deputy Chiefs, 14 Captains, 15 Lieutenants, 37 Sergeants, 133 Uniformed Officers and 35 Civilians.

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

Background (continued)

In addition to the public school system, the City offers its residents the services of one denominational high school and two 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.

Nearby higher educational facilities consist of St. Peter's College, New Jersey City University and Hudson County Community College in Jersey City, Stevens Institute of Technology in Hoboken, St. John's University in Staten Island and in Newark, Rutgers – The State University of New Jersey, University of Medicine and Dentistry, New Jersey Institute of Technology and Seton Hall University School of Law.

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 Route 440. Office and professional activity consists typically of medical or legal office space from converted single-family residences.

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)

There are four industrial districts plus the Peninsula at Bayonne Harbor 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.

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.

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 actively worked to convert the military base into a viable commercial, residential and park development, until it was dissolved in June, 2013, at which date such activities were taken over by the City Council.

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.

Interstate, intrastate and inter-city public transportation is provided by New Jersey Department of Transportation - Bus Operations and other bus companies.

The major highways serving the City from the north are State Route 440 (formerly Route 169), and the New Jersey Turnpike Extension by egress and access ramps 14A. To the south, the Bayonne Bridge over the Kill Van Kull to Staten Island provides connection to east/west Interstate Route 287 and to Long Island via the Verrazano Narrows Bridge.

Background (continued)

In addition to the New Jersey Turnpike Extension providing connections to north/south Interstate 95 and U.S. Routes 1 and 9, State Route 440, a four-lane limited access highway parallel to Newark Bay, provides a non-toll access across Newark Bay to U.S. Routes 1 and 9 and Interstate Route 95.

State Route 440 provides a connection to the industrial districts and the United States Military Ocean Terminal located to the east on Upper New York Bay. State Route 440 has been expanded and realigned as a four-lane divided highway, and extended to provide a connection with the Bayonne Bridge. The realignment and extension of Route 440 eliminates the movement of freight over local streets.

In April, 2000, the first phase of the Hudson-Bergen light rail system began transporting commuters. The light rail runs parallel on the west side of State Route 440, with three stations located at 22nd Street, 34th Street and 45th Street, running through Exchange Place in Jersey City and ending in Hoboken. The extension from 22nd Street through 5th Street is currently in progress.

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.

Parking Utility

Effective January 1, 2012, the Bayonne Parking Authority (the "BPA") was officially dissolved and the Bayonne Parking 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 Parking Authority 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.

Reporting Period

The City has reverted to a calendar fiscal year from a state fiscal year period ending June 30, annually. The City's final state fiscal year reporting period ended June 30, 2011, and its first calendar year is 2012. The interim six month period, July 1, 2011 to December 31, 2011, was known as the City's "transition 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 or 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.

Financial Information (continued)

Description of Funds(continued)

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.

Parking Utility Fund – is used to account for operations and acquisition of capital facilities of the City owned Parking Utility. The Utility Operating Fund records revenues and expenditures applicable to the general operation of the program to provide parking management services in the City. The Utility Capital Fund is used to account for capital acquisitions and improvements used to support the City’s parking management functions, and the related debt issued to finance such acquisitions and improvements.

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.

Financial Information (continued)

Basis of Accounting (continued)

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.

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.

Financial Information (continued)

Basis of Accounting (continued)

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 N.J.S.A. 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.

Fixed Capital and Fixed Capital Authorized and Uncompleted- The full amount of an authorized Utility Capital project or acquisition is recorded as Fixed Capital Authorized and Uncompleted, until that time when the authorized funds are used to purchase the acquisition or the capital project is completed, when it then is reclassified as Fixed Capital.

Reserve for Amortization and Deferred Amortization - The funded amount of authorized Utility Capital authorizations are recorded upon ordinance adoption as a Reserve for Deferred Amortization. Principal payments on bonds or pay-downs on notes issued to finance these authorizations are amortized to the reserve for amortization if the project is completed or the deferred amortization if the project is not completed. Upon the completion of capital projects or acquisition of capital assets authorized, the reserve for deferred amortization is reclassified as reserve for amortization.

Financial Information (continued)

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: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.

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. 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 "NJIF") for the provision of property and casualty insurance coverage. The NJIF is a State-approved, self-insured reinsured public entity insurance pool created in 1991 which offers New Jersey public entities multiple lines of insurance.

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, Gironda & Doria, CPA's 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,



Terrence Malloy
Chief Financial Officer
City of Bayonne

CITY OF BAYONNE
ROSTER OF OFFICIALS
December 31, 2013

Roster of Officials

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
James Davis	Mayor (commencing 7/1/14 through 6/30/18)	
Mark Smith	Mayor (through 6/30/14)	
Sharon Ashe-Nadrowski	Council President / Councilmember At-Large (7/1/14-6/30/18)	
Terrence Ruane	Council President / Councilmember At-Large (through 6/30/14)	
Juan M. Perez	Council Member At-Large (7/1/14-6/30/18)	
Debbie Czerwienski	Council Member At-Large (through 6/30/14)	
Thomas Cotter	First Ward Council Member (7/1/14-6/30/18)	
Agnes Gillespie	First Ward Council Member (through 6/30/14)	
Salvatore Gullace	Second Ward Council Member (7/1/14-6/30/18)	
Joseph Hurley	Second Ward Council Member (through 6/30/14)	
Gary LaPelusa, Sr.	Third Ward Council Member (7/1/14-6/30/18)	
Raymond Greaves	Third Ward Council Member (through 6/30/14)	
Joseph DeMarco	Business Administrator	
Stephen J. Gallo	Business Administrator (through 6/30/14)	
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	
Robert Wondolowski	Municipal Services Department Director (commencing 7/1/14)	
Joseph Waks	Municipal Services Department Director (through 6/30/14)	
Robert Kubert	Public Safety Director (commencing 7/1/14)	
Jason O'Donnell	Public Safety Director (through 6/30/14)	
Jay Coffey	Corporation Counsel (effective 8/11/14)	
Susan Ferraro	Acting Corporation Counsel (7/1/14-8/10/14)	
Charles D'Amico	Corporation Counsel (through 6/30/14)	
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	
Drew Niekrasz	Police Chief (commencing 7/1/14)	
Ralph Scianni	Police Chief (through 6/30/14)	
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.

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

Report on the Financial Statements

We have audited the accompanying financial statements – regulatory basis of the City of Bayonne, New Jersey (the “City”), which comprise the combined balance sheets – regulatory basis, of each fund and account group as of December 31, 2013 (with comparative totals as of December 31, 2012), the related statement of revenues, expenditures and changes in fund balance – regulatory basis, of the Current Fund, General Capital Fund and Parking Utility Operating and Capital Funds, for the year ended December 31, 2013 (with comparative totals for the year ended December 31, 2012), and the related statement of revenues, expenditures and changes in fund balance – regulatory basis – budget and actual, of the Current Fund and Parking Utility Operating Fund for the year ended December 31, 2013 (with comparative totals for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Division. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2013 (with comparative totals as of December 31, 2012), or the changes in its financial position for the years then ended.

Opinion on Regulatory Basis Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position – regulatory basis, of each fund and account group of the City as of December 31, 2013 (with comparative totals as of December 31, 2012), and each fund's respective revenues, expenditures and changes in fund balance – regulatory basis, and revenues, expenditures and changes in fund balance – regulatory basis – budget and actual, for the years then ended, on the basis of the financial reporting provisions of the Division as described in Note A.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. This information is not required by the financial reporting provisions of the Division as described in Note A, however, it is allowable under the Division's optional New Jersey Comprehensive Annual Financial Report (NJ-CAFR) reporting format. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, statistical section, schedule of expenditures of state financial assistance and schedule of expenditures of other financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary data section and general section are presented for purposes of additional analysis as required by the Division. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The supplementary data section, general section and schedule of expenditures of federal awards are also not required parts of the basic financial statements.

The supplementary data section, general section and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and audit requirements prescribed by the Division. In our opinion, the supplementary data section, general section and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

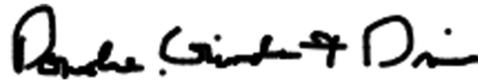
The introductory section, statistical section, schedule of expenditures of state financial assistance and schedule of expenditures of other financial assistance have not been subjected to the auditing procedures as applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015, 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* in considering the City’s internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of management, Mayor and City Council, others within the City, 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 #327

Bayonne, New Jersey
February 25, 2015

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

This discussion and analysis of the financial performance of the City of Bayonne provides an overall review of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City uses accounting practices as prescribed by the State of New Jersey, Division of Local Government Services which defines the financial statements of a governmental unit to be presented on a modified accrual basis of accounting. The following financial statements offer financial information about the activities and operations of the City.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2013 and 2012 are as follows:

- Fund balance in the Current Fund was \$16,481,343 and \$8,799,684, respectively, as of December 31, 2013 and 2012. The City's Current Fund operations resulted in a net increase to fund balance of \$7,681,695 and \$2,004,116 for the year ended December 31, 2013 and 2012, respectively.
- Total realized revenues and credits to income to the City's Current Fund amounted to \$233,709,061 for the year ended December 31, 2013 and \$221,194,792 for the year ended December 31, 2012. Net of County, School and Special Improvement District taxes collected and non-revenue credits to income, realized revenues to the Current Fund amounted to \$142,663,320 for the year ended December 31, 2013 and \$132,113,629 for the year ended December 31, 2012.
- Budgeted Current Fund appropriations, net of cancellations, for the year ended December 31, 2013 and 2012 were \$133,563,013 and \$130,861,459, respectively. During the current year, appropriations that were not paid or charged and which remained from the adopted budget of the year ended December 31, 2012 lapsed to operations in the amount of \$1,021,705. Unexpended budget appropriations from the budget of the year ended December 31, 2013 will not lapse to operations until the year ended December 31, 2014, but are set aside in the current year as appropriation reserves in the amount of \$2,232,764.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

FINANCIAL HIGHLIGHTS (continued)

- Included in the budgeted, or anticipated, revenues for the year ended December 31, 2013 and 2012 is the amount to be raised by taxation in support of the municipal budget in the amounts of \$78,406,255 and \$76,634,839, respectively. In addition to the support of the local municipal budget, the City collected and was obligated to remit the following taxes to the appropriate agencies, as per the Hudson County Board of Taxation Abstract of Ratables and Taxes Added or Omitted for the year ended December 31, 2013 and 2012: local school district taxes in the amount of \$27,878,958 and \$28,574,165, respectively, County of Hudson taxes in the amount of \$58,810,195 and \$57,657,055, respectively and Special Improvement District taxes in the amount of \$290,000 each year.
- On January 1, 2012, the City added the Parking Utility Fund to the books and records of the City. Prior to this date, the entity operated as a separate corporate body named the Bayonne Parking Authority. Parking Utility Operating Fund balance at December 31, 2013 and 2012 was \$446,221 and \$112,446, respectively, an increase of \$333,775 and \$66,632, respectively.
- During the year ended December 31, 2013, the City's Parking Utility Operating Fund realized total revenues of \$1,679,745, or \$1,345,583 net of non-revenue credits to income.
- Budgeted Parking Utility Operating Fund appropriations, net of cancellations, for the year ended December 31, 2013 was \$1,345,875. During the current year, appropriations that were not paid or charged and which remained from the adopted budget of the year ended December 31, 2012 lapsed to operations in the amount of \$334,162. As the Bayonne Parking Authority, records were maintained on accounting principles generally accepted in the United States of America, therefore no appropriation reserves were maintained. Unexpended budget appropriations from the budget of the year ended December 31, 2013 will not lapse to operations until the year ended December 31, 2014, but are set aside in the current year as appropriation reserves in the amount of \$161,251.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

BASIC FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and defines the financial statements of a governmental unit to be presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The City presents the financial statements listed in the table of contents which are required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, herein referred to as the “Division”, and which differ from the financial statements required by GAAP. A description of funds and basis of accounting, including differences as compared to GAAP, can be found in Note A of the Notes to Financial Statements.

FINANCIAL POSITION AS A WHOLE

The following table is a summary of the assets, liabilities, reserves and fund balance for all funds of the City for the year ended December 31, 2013 and 2012:

	Current Fund (incl. State & Fed Grant Fund)		Trust Fund		General Capital Fund		Parking Utility Fund (Combined Operating and Capital)	
	2013	2012	2013	2012 (as restated)	2013	2012	2013	2012
Assets:								
Cash and Cash Equivalents	\$ 38,518,383	\$ 35,667,669	\$ 23,911,776	\$ 6,515,747	\$ 1,791,615	\$ 2,155,022	\$ 1,897,231	\$ 1,805,011
Investments	-	-	-	-	-	-	-	-
Taxes and Liens Receivable	823,321	1,108,309	-	-	-	-	-	-
Property Acquired for Taxes at Assessed Valuation	6,474,000	6,474,000	-	-	-	-	-	-
Grants and Other								
Intergovernmental Receivables	12,844,499	17,402,448	2,979,408	3,110,635	1,521,827	1,118,347	-	-
Other Receivables	5,128,386	3,044,047	40	31,268	200,000	161,867	329,337	48,020
Unamortized Debt Issuance	-	-	-	-	-	-	-	81,925
Deferred Charges	550,000	1,970,000	-	-	282,380,960	212,528,767	-	-
Fixed Capital	-	-	-	-	-	-	5,354,861	5,354,861
Fixed Capital Authorized and Uncompleted	-	-	-	-	-	-	1,445,483	1,445,483
Total Assets	\$ 64,338,589	\$ 65,666,473	\$ 26,891,224	\$ 9,657,650	\$ 285,894,402	\$ 215,964,003	\$ 9,026,912	\$ 8,735,300
Liabilities, Reserves and Fund Balance:								
Bonds, Notes and Loans Payable	\$ 8,000,000	\$ 15,000,000	\$ -	\$ -	\$ 273,031,100	\$ 212,168,907	\$ 3,180,000	\$ 3,335,000
Other Liabilities and Special Funds	30,200,629	31,240,433	26,891,224	9,657,650	3,566,418	2,326,834	1,290,750	1,250,995
Improvement Authorizations	-	-	-	-	9,123,932	1,295,310	489,590	489,590
Reserve for Certain Receivables	9,656,617	10,626,356	-	-	-	-	-	-
Reserve for Amortization	-	-	-	-	-	-	2,174,861	2,019,861
Reserve for Deferred Amortization	-	-	-	-	-	-	1,445,483	1,445,483
Fund Balance	16,481,343	8,799,684	-	-	172,952	172,952	446,228	194,371
Total Liabilities, Reserves and Fund Balance	\$ 64,338,589	\$ 65,666,473	\$ 26,891,224	\$ 9,657,650	\$ 285,894,402	\$ 215,964,003	\$ 9,026,912	\$ 8,735,300
Bonds and Notes Authorized But Not Issued					\$ 9,349,860	\$ 359,860		

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

FINANCIAL POSITION AS A WHOLE (continued)

In addition to the funds noted in the chart on the preceding page, the City maintains a separate accounting of fixed assets in accordance with accounting practices prescribed by the Division. As of December 31, 2013 and 2012, the City has fixed assets, recorded at historical cost, of \$201,818,719 and \$90,350,992, respectively. The increase is due to the assumption of fixed assets as a result of the dissolution of the Bayonne Local Redevelopment Authority during 2013. See Note O for more detail.

CURRENT FUND FINANCIAL ANALYSIS

Current Fund Expenditures and Charges by Function

	Year Ended December 31,		Change Increase (Decrease)	
	2013	2012	Dollar	Percentage
General Government	\$ 29,406,517	\$ 32,207,148	\$ (2,800,631)	(8.7) %
Sanitation, Health and Welfare	6,324,000	6,370,300	(46,300)	(0.7)
Public Safety	42,966,000	41,458,000	1,508,000	3.6
Public Works, Parks and Recreation	8,032,500	7,444,500	588,000	7.9
Contingent, Deferred Charges & Statutory	15,769,000	12,902,800	2,866,200	22.2
Shared Service Agreements	131,799	208,201	(76,402)	(36.7)
Public and Private Programs	5,100,277	3,554,199	1,546,078	43.5
Other Special Items	675,834	1,990,800	(1,314,966)	(66.1)
Capital Improvements	390,000	1,615,000	(1,225,000)	(75.9)
Debt Service	21,901,530	22,641,241	(739,711)	(3.3)
Reserve for Uncollected Taxes	3,000,000	800,000	2,200,000	275.0
Total Budgeted Appropriations	133,697,457	131,192,189	2,505,268	1.9
Non-Budget Expenditures	4,250,236	3,082,997	1,167,239	37.9
Total Expenditures and Charges	\$ 137,947,693	\$ 134,275,186	\$ 3,672,507	2.7

Significant changes from the prior year, as identified above, are as follows:

- Contingent, deferred charges and statutory expenditures increased due to emergency appropriations passed for unforeseeable expenses related to Superstorm Sandy and the dissolution of the Bayonne Local Redevelopment Authority (BLRA) that had to be budgeted during 2013.
- Shared service agreements decreased due to a reduction in the agreement with the BLRA.
- Public and private programs increased due to a new 2012 SAFER grant received during 2013.

**CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

CURRENT FUND FINANCIAL ANALYSIS (continued)

- Other special items decreased due to an emergency appropriation adopted in 2012 and recorded as a deferred charge in 2013.
- Capital improvement fund decreased due to management decisions of the City.
- Reserve for uncollected taxes increased due to calculation based on tax information.

Current Fund Realized Revenues and Other Credits to Income by Source

	Year Ended December 31,		Change Increase (Decrease)	
	2013	2012	Dollar	Percentage
Budgeted Operating Revenues:				
Fund Balance	\$ 1,785,000	\$ 695,000	\$ 1,090,000	156.8 %
Local Revenues	11,070,119	6,734,222	4,335,897	64.4
State Aid	9,330,965	9,429,879	(98,914)	(1.0)
Shared Service Agreements	131,799	208,201	(76,402)	(36.7)
Public and Private Programs	5,444,098	3,274,999	2,169,099	66.2
Other Special Items	31,667,291	33,648,318	(1,981,027)	(5.9)
Delinquent Taxes	279,390	38,660	240,730	622.7
Local Tax for Municipal Purposes	80,001,589	76,038,435	3,963,154	5.2
Subtotal	139,710,251	130,067,714	9,642,537	7.4
Non-Budget Revenues	2,953,069	2,045,915	907,154	44.3
Total Realized Revenues	142,663,320	132,113,629	10,549,691	
Other Credits to Income	3,044,883	2,297,443	747,440	32.5
Lapsed Appropriation Reserves	1,021,705	262,500	759,205	289.2
Total Realized Revenues and Other Credits to Income	<u>\$ 146,729,908</u>	<u>\$ 134,673,572</u>	<u>\$ 12,056,336</u>	9.0

Significant changes from the prior year, as identified above, are as follows:

- 2013 local revenues increased due to additional payments in lieu of taxes (PILOTs) for the Port Authority of New York and New Jersey.
- 2013 public and private programs increased due to a 2012 SAFER grant received during 2013.
- Non-budget revenues increased due to new PILOTs that were not anticipated during 2013.
- Lapsed appropriation reserves increased due to a higher balance reserved from the 2012 budget.
- The use of surplus increased due to management decisions of the City.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

CURRENT FUND FINANCIAL ANALYSIS (continued)

A summary of the result of operations in the Current Fund, per the revenue and expenditure tables preceding, is as follows:

Results of Current Fund Operations	
Total Revenues	\$ 146,729,908
Less: Fund Balance Utilized as Budget Revenues	<u>1,785,000</u>
Total Revenues, Net of Fund Balance Utilized	144,944,908
Less: Total Expenditures and Charges	<u>137,947,693</u>
Results of Current Year Operations	6,997,215
Add: Emergencies to be Raised in Future Budgets	550,000
Fund Balance at December 31, 2012	<u>8,799,684</u>
Fund Balance at December 31, 2013	<u><u>\$ 16,346,899</u></u>

ANALYSIS OF BUDGET VS. ACTUAL

The following table represents revenues anticipated and budgeted appropriations for the year ended December 31, 2013, as well as the actual results for all items budgeted. Non-budgeted revenues and expenditures are not included on the following table.

Comparison of Budget vs. Actual			
	Budgeted	Actual	Variance
Budgeted Appropriations:			
Operations within "CAPS"	\$ 97,368,017	\$ 95,768,436	\$ 1,599,581
Operations excluded from "CAPS"			
Other Operations	2,610,000	2,558,912	51,088
Shared Service Agreements	131,799	131,799	-
Public and Private Programs	5,776,111	5,640,512	135,599
Capital Improvements	390,000	390,000	-
Debt Service	21,901,530	21,767,086	134,444
Deferred Charges	2,520,000	2,073,504	446,496
Reserve for Uncollected Taxes	<u>3,000,000</u>	<u>3,000,000</u>	-
	<u>\$ 133,697,457</u>	<u>\$ 131,330,249</u>	<u>\$ 2,367,208</u>
Appropriations Cancelled	<u>134,444</u>	<u>-</u>	<u>134,444</u>
	<u><u>\$ 133,563,013</u></u>	<u><u>\$ 131,330,249</u></u>	<u><u>\$ 2,232,764</u></u> (1)

The item noted as "(1)" in the above budget table represent amounts "reserved", or budgeted appropriations that will be available for expenditure in 2014. The difference between appropriations budgeted, before cancellations of \$133,697,457 and anticipated revenues of \$133,147,457 is the amount of emergency appropriations adopted during 2013 for BLRA dissolution related expenditures of \$550,000.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

ANALYSIS OF BUDGET VS. ACTUAL (continued)

Comparison of Budget vs. Actual			
	Budgeted	Actual	Variance
Anticipated Revenues:			
Fund Balance Utilized	\$ 1,785,000	\$ 1,785,000	\$ -
Miscellaneous Revenue Anticipated	52,884,202	57,644,272	4,760,070
Receipts from Delinquent Taxes	72,000	279,390	207,390
Local Tax for Municipal Purposes	78,406,255	80,001,589	1,595,334
Total Anticipated Revenues	\$ 133,147,457	\$ 139,710,251	\$ 6,562,794

Miscellaneous revenue collections exceeded amounts anticipated by \$6,562,794. Local revenues exceeded amounts anticipated by \$4,697,353 and other special items realized exceeded budgeted amounts by \$62,717. Major contributors included \$139,475 and \$4,526,126 collected for fees and permits and Port Authority PILOT revenues, respectively, over the amounts anticipated to support the budget.

Collections of current taxes exceeded budgeted amounts by \$1,595,334.

MUNICIPAL DEBT ADMINISTRATION

The following table summarizes the changes in capital debt for the year ending December 31, 2013:

	2013
Debt Issued and Outstanding	\$ 276,211,100
Authorized but not Issued	9,349,860
Total Debt Issued and Authorized but not Issued	\$ 285,560,960

The City's outstanding debt consists of Bond Anticipation Notes of \$75,087,041, School Promissory Notes of \$7,347,959, General Capital Bonds of \$110,158,212, School Bonds of \$79,833,211, Parking Revenue Bonds of \$31,805,000, Green Trust Loans of \$305,411 and Demolition Loans of \$299,266. All such debt is described in further detail in Note D of the notes to financial statements.

The City also has outstanding at December 31, 2013 Tax Anticipation Notes totaling \$8,000,000. This classification of debt does not affect the City's available Debt Margin.

**CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)**

MUNICIPAL DEBT ADMINISTRATION (continued)

In addition, the City still has on its books debt authorized but not issued of \$9,349,860. The purpose of these authorizations are for various purposes, including fiscal year adjustment bonds, school improvements and refunding bonds, acquisition of land, refunding tax appeals, demolition of unsafe buildings, various capital improvements and the dissolution of the BLRA.

COMPONENT UNITS

Had this report been prepared in conformity with GAAP, the financial statements of the Bayonne Board of Education, Bayonne Housing Authority and Bayonne Municipal Utilities Authority would have been discretely presented with the financial statements of the City, the primary government or oversight entity. These financial statements are prepared in accordance with accounting practices as prescribed by the Division and, accordingly, do not include the financial statements of its component units.

CONTACTING THE CITY'S CHIEF FINANCIAL OFFICER

This financial report is designed to provide the citizens and taxpayers of the City of Bayonne with a general overview of the City's finances and to demonstrate the City's accountability for the appropriations it budgets and grants, state aid and taxes levied that it receives. If you have any questions about this report or need additional information, you may contact the Chief Financial Officer at 630 Avenue C, Bayonne, New Jersey, 07002 or at (201) 858-6047.

BASIC FINANCIAL STATEMENTS

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2012)

COMBINED BALANCE SHEETS - REGULATORY BASIS

	Current Fund	Federal and State Grants Fund	Trust Funds (1)	General Capital Fund	General Fixed Assets	Parking Utility Fund		Comparative Totals (Memorandum Only)	
						Operating	Capital	December 31, 2013	December 31, 2012
<u>Assets:</u>									
Cash and Cash Equivalents	\$ 38,518,383	\$ -	\$ 23,911,776	\$ 1,791,615	\$ -	\$ 951,453	\$ 945,778	\$ 66,119,005	\$ 46,145,922
Investments	-	-	-	-	-	-	-	-	-
Intergovernmental Receivables	3,517,019	-	-	-	-	-	-	3,517,019	3,438,533
Grants Receivable	-	9,327,480	2,979,408	1,521,827	-	-	-	13,828,715	17,816,991
Other Receivables	-	-	-	-	-	-	-	-	31,268
Interfunds Receivable (Unreserved)	-	2,769,090	40	200,000	-	-	329,337	3,298,467	209,887
Receivables with Full Reserves:									
Delinquent Property Taxes	241,657	-	-	-	-	-	-	241,657	562,173
Tax Title Liens	581,664	-	-	-	-	-	-	581,664	546,136
Property Acquired for Taxes at Assessed Valuation	6,474,000	-	-	-	-	-	-	6,474,000	6,474,000
Revenue Accounts Receivable	2,233,732	-	-	-	-	-	-	2,233,732	1,674,545
Interfunds Receivable	125,564	-	-	-	-	-	-	125,564	1,369,502
Other Receivables	-	-	-	-	-	-	-	-	-
Unamortized Debt Issuance	-	-	-	-	-	-	-	-	81,925
Deferred Charges	550,000	-	-	282,380,960	-	-	-	282,930,960	214,498,767
Fixed Capital	-	-	-	-	-	-	5,354,861	5,354,861	5,354,861
Fixed Capital Authorized and Uncompleted	-	-	-	-	-	-	1,445,483	1,445,483	1,445,483
Fixed Assets:									
Land	-	-	-	-	166,097,300	-	-	166,097,300	54,542,400
Building	-	-	-	-	10,233,265	-	-	10,233,265	10,233,265
Improvements	-	-	-	-	4,817,988	-	-	4,817,988	4,817,988
Machinery, Equipment and Other	-	-	-	-	20,670,166	-	-	20,670,166	20,416,310
Total Assets	\$ 52,242,019	\$ 12,096,570	\$ 26,891,224	\$ 285,894,402	\$ 201,818,719	\$ 951,453	\$ 8,075,459	\$ 587,969,846	\$ 389,659,956

(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, 2013
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2012)

COMBINED BALANCE SHEETS - REGULATORY BASIS

	Current Fund	Federal and State Grants Fund	Trust Funds (1)	General Capital Fund	General Fixed Assets	Parking Utility Fund		Comparative Totals (Memorandum Only)	
						Operating	Capital	December 31, 2013	December 31, 2012
<u>Liabilities, Reserves and Fund Balance:</u>									
Current Liabilities and Reserves:									
Notes Payable	\$ 8,000,000	\$ -	\$ -	\$ 82,435,000	\$ -	\$ -	\$ -	\$ 90,435,000	\$ 41,947,504
Bonds Payable - Current Portion	-	-	-	7,930,903	-	-	160,000	8,090,903	7,868,819
Loans Payable - Current Portion	-	-	-	137,961	-	-	-	137,961	136,486
Prepaid Taxes and Overpayments	3,568,244	-	-	-	-	-	-	3,568,244	4,204,738
Contracts and Accounts Payable	1,074	-	16,418	616,387	-	-	-	633,879	220,840
Cash Overdraft	-	-	19,015	-	-	-	-	19,015	-
Intergovernmental Payables:									
Bayonne Board of Education	-	-	-	-	-	-	450,000	450,000	450,000
State of New Jersey	34,313	-	32,834	-	-	-	-	67,147	22,346
Other Payables and Accruals	-	-	-	-	-	6,787	-	6,787	6,787
Taxes Payable:									
County of Hudson	13,153	-	-	-	-	-	-	13,153	50,832
Special Improvement Districts	253,388	-	-	-	-	-	-	253,388	83,169
Interfunds Payable	2,769,130	-	325,237	327	-	329,337	-	3,424,031	1,919,389
Appropriation Reserves	2,232,764	-	-	-	-	161,251	-	2,394,015	4,312,818
Improvement Authorizations	-	-	-	9,123,932	-	-	489,590	9,613,522	1,784,900
Reserve for:									
Encumbrances	821,360	899,957	-	-	-	7,857	-	1,729,174	3,480,146
Other Expenditures	8,410,633	-	23,737,287	1,919,628	-	-	335,518	34,403,066	16,699,160
Grant Expenditures	-	11,196,613	2,760,433	-	-	-	-	13,957,046	12,025,658
Retirement of Debt	-	-	-	626,596	-	-	-	626,596	626,596
Receivables and Other Assets	9,656,617	-	-	403,480	-	-	-	10,060,097	10,626,356
Noncurrent Liabilities:									
Loans Payable	-	-	-	466,716	-	-	-	466,716	604,677
Bonds Payable	-	-	-	182,060,520	-	-	3,020,000	185,080,520	179,946,421
Total Liabilities and Reserves	35,760,676	12,096,570	26,891,224	285,721,450	-	505,232	4,455,108	365,430,260	287,017,642
Reserve for Amortization	-	-	-	-	-	-	2,174,861	2,174,861	2,019,861
Reserve for Deferred Amortization	-	-	-	-	-	-	1,445,483	1,445,483	1,445,483
Investments in Fixed Assets	-	-	-	-	201,818,719	-	-	201,818,719	90,009,963
Fund Balance	16,481,343	-	-	172,952	-	446,221	7	17,100,523	9,167,007
Total Liabilities, Reserves and Fund Balance	\$ 52,242,019	\$ 12,096,570	\$ 26,891,224	\$ 285,894,402	\$ 201,818,719	\$ 951,453	\$ 8,075,459	\$ 587,969,846	\$ 389,659,956
Bonds and Notes Authorized But Not Issued	-	-	-	\$ 9,349,860	-	-	-	-	\$ 359,860

(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 YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS

	Current Fund		General Capital Fund		Parking Utility Fund			
	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2013	Transition Year Ended Dec. 31, 2012	Operating		Capital	
					Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012
<u>Revenue and Other Income Realized</u>								
Fund Balance Utilized	\$ 1,785,000	\$ 695,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous Revenues Anticipated	57,644,272	53,295,619	-	-	1,345,583	1,347,184	-	-
Receipts from Delinquent Taxes	279,390	38,660	-	-	-	-	-	-
Receipts from Current Taxes	166,980,742	162,559,655	-	-	-	-	-	-
Non-Budget Revenues	2,953,069	2,045,915	-	-	-	-	-	-
Other Credits to Income:								
Unexpended Balance of Appropriation Reserves	1,021,705	262,500	-	-	-	-	-	-
Improvement Authorizations Cancelled	-	-	-	-	-	-	-	-
Prior Year Receivables Realized	1,674,545	1,884,449	-	-	-	-	-	-
Prior Year Interfunds Returned	1,369,502	150,017	-	-	-	-	-	-
Cancellation of Reserves	-	-	-	-	-	-	-	-
Grant Adjustments	-	-	-	-	-	-	-	-
Adjustment to County Tax Payable	-	-	-	-	-	-	-	-
Sr. Citizens' and Veterans' Administrative Payments of Prior Years	-	-	-	-	-	-	-	-
Other Credits to Income	836	262,977	-	-	334,162	49,037	7	-
	<u>233,709,061</u>	<u>221,194,792</u>	<u>-</u>	<u>-</u>	<u>1,679,745</u>	<u>1,396,221</u>	<u>7</u>	<u>-</u>
<u>Expenditures</u>								
Budget and Emergency Appropriations:								
Operations:								
Salaries and Wages	\$ 54,381,900	\$ 52,223,800	\$ -	\$ -	\$ 563,000	\$ 610,000	\$ -	\$ -
Other Expenses	38,256,027	41,010,348	-	-	782,875	595,000	-	-
Deferred Charges & Statutory Expenditures	13,248,000	12,901,800	-	-	-	111,000	-	-
Capital Improvements	390,000	1,615,000	-	-	-	-	-	-
Debt Service	21,767,086	22,310,511	-	-	-	(374)	-	-
Deferred Chages	2,520,000	-	-	-	-	-	-	-
Reserve for Uncollected Taxes	3,000,000	800,000	-	-	-	-	-	-
Special District Taxes	290,000	290,000	-	-	-	-	-	-

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS

	Current Fund		General Capital Fund		Parking Utility Fund			
	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2013	Transition Year Ended Dec. 31, 2012	Operating		Capital	
					Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012
<u>Expenditures (continued)</u>								
County Taxes	\$ 27,865,805	\$ 28,574,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amount Due County for Added and Omitted Taxes	13,153	50,832	-	-	-	-	-	-
Local District School Tax	58,810,195	57,606,223	-	-	-	-	-	-
Interfund Advances	125,564	1,369,502	-	-	-	247	-	-
Revenue Accounts Receivable Reserved	2,233,732	1,674,545	-	-	-	-	-	-
Other Receivable Reserved	-	-	-	-	-	-	-	-
Refund of Prior Year Revenues	12,156	1,872	-	-	-	-	-	-
Other Charges to Income	1,878,784	37,078	-	-	95	13,716	81,925	5,650
	<u>224,792,402</u>	<u>220,465,676</u>	<u>-</u>	<u>-</u>	<u>1,345,970</u>	<u>1,329,589</u>	<u>81,925</u>	<u>5,650</u>
Excess in Revenue	\$ 8,916,659	\$ 729,116	\$ -	\$ -	\$ 333,775	\$ 66,632	\$ -	(5,650)
Deficit in Revenue	-	-	-	-	-	-	81,918	-
Adjustments to Income before Fund Balance:								
Expenditures Included Above Which are by Statute								
Deferred Charges to Budget of Succeeding Year								
Special Emerg. Appropriation - Superstorm Sandy	-	1,970,000	-	-	-	-	-	-
Emergency Appropriation - BLRA Dissolution	550,000	-	-	-	-	-	-	-
Statutory Excess to Fund Balance	9,466,659	2,699,116	-	-	333,775	66,632	(81,918)	(5,650)
Fund Balance, Beginning	8,799,684	6,795,568	172,952	172,952	112,446	45,814	81,925	87,575
	18,266,343	9,494,684	172,952	172,952	446,221	112,446	7	81,925
Decreased by:								
Utilized as Anticipated Revenue	1,785,000	695,000	-	-	-	-	-	-
Fund Balance, Ending	<u>\$ 16,481,343</u>	<u>\$ 8,799,684</u>	<u>\$ 172,952</u>	<u>\$ 172,952</u>	<u>\$ 446,221</u>	<u>\$ 112,446</u>	<u>\$ 7</u>	<u>\$ 81,925</u>

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 2013

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS - BUDGET VS. ACTUAL

	Current Fund			Parking Utility Operating Fund		
	Modified Budget	Actual	Variance	Modified Budget	Actual	Variance
<u>Revenue and Other Income Realized</u>						
Fund Balance Utilized	\$ 1,785,000	\$ 1,785,000	\$ -	\$ -	\$ -	\$ -
Miscellaneous Revenues Anticipated	52,884,202	57,644,272	4,760,070	1,346,000	1,345,583	(417)
Receipts from Delinquent Taxes	72,000	279,390	207,390	-	-	-
Receipts from Current Taxes - Net of Taxes for County, School District and Special Improvement District	78,406,255	80,001,589	1,595,334	-	-	-
Non-Budget Revenues	-	2,953,069	2,953,069	-	-	-
Other Credits to Income:						
Unexpended Balance of Appropriation Reserves	-	1,021,705	1,021,705	-	-	-
Prior Year Receivables Realized	-	1,674,545	1,674,545	-	-	-
Prior Year Interfunds Returned	-	1,369,502	1,369,502	-	-	-
Other Credits to Income	-	836	836	-	334,162	334,162
	<u>\$ 133,147,457</u>	<u>146,729,908</u>	<u>13,582,451</u>	<u>\$ 1,346,000</u>	<u>1,679,745</u>	<u>333,745</u>
<u>Expenditures</u>						
Budget and Emergency Appropriations:						
Operations:						
Salaries and Wages	\$ 54,381,900	54,381,900	-	\$ 563,000	563,000	-
Other Expenses	38,256,027	38,256,027	-	376,000	376,000	-
Deferred Charges & Statutory Expenditures	15,218,000	15,768,000	550,000	89,000	89,000	-
Capital Improvements	390,000	390,000	-	-	-	-
Debt Service	21,901,530	21,767,086	(134,444)	318,000	317,875	(125)
Reserve for Uncollected Taxes	3,000,000	3,000,000	-	-	-	-
	<u>133,147,457</u>	<u>133,563,013</u>	<u>415,556</u>	<u>1,346,000</u>	<u>1,345,875</u>	<u>(125)</u>

See Accompanying Notes to Financial Statements

**CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 2013**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS - BUDGET VS. ACTUAL**

	Current Fund			Parking Utility Operating Fund		
	Modified Budget	Actual	Variance	Modified Budget	Actual	Variance
<u>Expenditures (continued)</u>						
Interfund Advances	\$ -	\$ 125,564	\$ 125,564	\$ -	\$ -	\$ -
Revenue Accounts Receivable Reserved	-	2,233,732	2,233,732	-	-	-
Other Receivables Reserved	-	-	-	-	-	-
Refund of Prior Year Revenues	-	12,156	12,156	-	-	-
Other Charges to Income	-	1,878,784	1,878,784	-	95	95
	<u>\$ 133,147,457</u>	<u>137,813,249</u>	<u>4,665,792</u>	<u>\$ 1,346,000</u>	<u>1,345,970</u>	<u>(30)</u>
Excess in Revenue		\$ 8,916,659	\$ 8,916,659		\$ 333,775	\$ 333,775
Adjustments to Income before Fund Balance:						
Expenditures Included Above Which are by Statute						
Deferred Charges to Budget of Succeeding Year						
Emergency Appropriation - BLRA Dissolution		550,000	550,000		-	-
Statutory Excess to Fund Balance		9,466,659	9,466,659		333,775	333,775
Fund Balance, January 1		8,799,684	8,799,684		112,446	112,446
		18,266,343	18,266,343		446,221	446,221
Less: Utilized as Anticipated Revenue		1,785,000	1,785,000		-	-
Fund Balance, December 31		<u>\$ 16,481,343</u>	<u>\$ 16,481,343</u>		<u>\$ 446,221</u>	<u>\$ 446,221</u>

NOTES TO FINANCIAL STATEMENTS

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

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 Housing Authority

Bayonne Municipal Utilities Authority

Audit reports of the component units are available at the offices of 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, 2013

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.

Parking Utility Fund – is used to account for operations and acquisition of capital facilities of the City owned Parking Utility. The Utility Operating Fund records revenues and expenditures applicable to the general operation of the program to provide parking management services in the City. The Utility Capital Fund is used to account for capital acquisitions and improvements used to support the City's parking management functions, and the related debt issued to finance such acquisitions and improvements.

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

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DESCRIPTION OF FUNDS (continued)

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.

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.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

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.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

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.

Fixed Capital and Fixed Capital Authorized and Uncompleted – The full amount of an authorized Utility Capital project or acquisition is recorded as Fixed Capital Authorized and Uncompleted, until that time when the authorized funds are used to purchase the acquisition or the capital project is completed, when it then is reclassified as Fixed Capital.

Reserve for Amortization and Deferred Amortization – The funded amount of authorized Utility Capital authorizations are recorded upon ordinance adoption as a Reserve for Deferred Amortization. Principal payments on bonds or pay-downs on notes issued to finance these authorizations are amortized to the reserve for amortization if the project is completed or the deferred amortization if the project is not completed. Upon the completion of capital projects or acquisition of capital assets authorized, the reserve for deferred amortization is reclassified as reserve for amortization.

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.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

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.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

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.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

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. These procedures include statutory deadlines of: February 20 for introduction and approval and March 20 for adoption. 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.

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.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

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.

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.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIC FINANCIAL STATEMENTS (Continued)

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.

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.

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, 2013

NOTE B. CASH, CASH EQUIVALENTS AND INVESTMENTS

DEPOSITS

Cash and cash equivalents on deposit as of the years ended December 31, 2013 and 2012 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.

As of December 31, 2013, 58.3% of the City's deposits were with one financial institution and 26.6% with another, for a total of 84.9% of the City's deposits with two financial institutions. The City's deposits of cash and cash equivalents at December 31, 2013 are summarized in the following table.

Insured - FDIC	\$ 1,265,208
Insured - GUDPA	65,915,143
New Jersey Cash Management Fund	<u>5,792</u>
	<u>\$ 67,186,143</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, 2013, 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 December 31, 2013 are known to be held in foreign currency.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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 known to be denominated in foreign currency as of December 31, 2013 and 2012.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

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 New Jersey Cash Management Fund.

The City’s investments at December 31, 2013 are presented as follows:

Investment Type	Fair Value*	Investment Maturities (in Years)			
		< 1	1 - 5	6 - 10	> 10
Government Investment Pools	\$ 5,792	\$ 5,792	\$ -	\$ -	\$ -
	<u>\$ 5,792</u>	<u>\$ 5,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Government Investment Pools consist of investments in the New Jersey Cash Management Fund, MBIA Municipal Investors Service Corporation and NJ Asset Rebate and Management Program (NJARM). 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, 2013

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, 2013 and 2012, the City had balances of \$5,792, and \$5,789, respectively, in the New Jersey Cash Management Fund. These balances represent less than 1%, each year, of total deposits and investments at December 31, 2013 and 2012.

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, 2013 and 2012, the City had balances of \$-0- and \$2,771,687, respectively, in the MBIA Government Investment Pool. These balances represent 0% and 5.9%, respectively, of total deposits and investments at December 31, 2013 and 2012.

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, 2013 and 2012, the City had balances of \$-0- and \$3,255, respectively, in the NJARM Program. These balances represent less than 1%, each year, of total deposits and investments at December 31, 2013 and 2012.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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

INVESTMENTS (continued)

Money Market Accounts – As of December 31, 2013 and 2012, the City’s Parking Utility Fund invested \$945,778 and \$1,227,088, respectively, in FDIC-insured money market “buckets”. Due to their liquidity, these funds are considered cash and cash equivalents on the City’s financial statements.

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:

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, 2013 and 2012, the City had no school taxes payable. The school tax levy collected by the City during the year ended December 31, 2013 and 2012, amounted to \$58,810,195 and \$57,657,055, respectively.

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, 2013 and 2012, the City had County taxes payable of \$13,153 and \$50,832, respectively. The total County tax levied to City taxpayers during the year ended December 31, 2013 and 2012 amounted to \$27,878,958 and \$28,574,165, respectively.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE C. PROPERTY TAXES (continued)

PROPERTY TAX CALENDAR (continued)

Special Improvement District -The City is responsible for levying, collecting and remitting Special Improvement District (SID) taxes. 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, 2013 and 2012, the City had Special Improvement District taxes payable of \$253,388 and \$83,169, respectively.The amount of Special Improvement District Tax levied and collected by the City amounted to \$290,000, each year, during the year ended December 31, 2013 and 2012.

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 year ended December 31, 2013 and 2012, the budgeted reserve for uncollected taxes was \$3,000,000 and \$800,000, respectively.

Delinquent Taxes and Tax Title Liens - As described in 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, 2013 and 2012, property taxes receivable were \$241,657 and \$562,173, respectively and tax title liens receivable were \$581,664 and \$546,136, respectively.

Property Acquired by Tax Title Lien Liquidation – In lieu of a traditional tax sale, the City once again conducted a bulk levy sale and sold the balance due of its tax levy for the fiscal year ended December 31, 2013 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 \$172,250. 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 year ended December 31, 2013 and 2012. The value of properties acquired by tax title lien liquidation as of December 31, 2013 and 2012 was \$6,474,000, each year.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE C. PROPERTY TAXES (continued)

PROPERTY TAXES RECEIVABLE (continued)

Prepaid Taxes - Taxes collected in advance are recorded as cash liabilities in the financial statements. Prepaid taxes as of December 31, 2013 and 2012 were \$556,558 and \$571,935, 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, 2013 and 2012 were \$3,011,686 and \$3,632,803, 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.

At December 31, 2013 and 2012, the City's statutory debt is summarized as follows:

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT		
	Dec. 31, 2013	Dec. 31, 2012
<u>Issued:</u>		
General:		
Fiscal Year Adjustment Bonds	\$ 1,300,000	\$ 1,905,000
General Serial Bonds	108,858,212	96,703,429
Green Acres Trust Loan	305,411	343,564
Demolition Loan	299,266	397,599
Bond Anticipation Notes	75,087,041	19,401,338
Self-Liquidating Purposes:		
Parking Revenue Bonds	3,180,000	3,335,000
School:		
School Serial Bonds	79,833,211	85,871,811
School Promissory Notes	7,347,959	7,546,166
Gross Statutory Debt Issued	276,211,100	215,503,907
Less Statutory Deductions to Debt Limit:		
Bonds and Notes for School Purposes	(87,181,170)	(93,417,977)
NJSA 40:2-52 Refunding Bonds - Pension Refunding	(15,470,000)	(15,620,000)
Self-Liquidating Purposes	(3,180,000)	(3,335,000)
Funds Held to Pay Bonds and Notes	(626,596)	(626,596)
Net Debt Issued	169,753,334	102,504,334
<u>Authorized but not Issued:</u>		
General:		
Fiscal Year Adjustment Bond Refunding	27,293	27,293
General Improvements	3,371,937	331,937
General Refunding Bonds	2,250,000	-
School Improvements	3,700,630	630
Gross Authorized but not Issued	9,349,860	359,860
Less Statutory Deductions:		
Applicable for School Purposes	(3,700,630)	(630)
Net Debt Authorized but Not Issued	5,649,230	359,230
Net Bonds and Notes Issued and Authorized but not Issued	\$ 175,402,564	\$ 102,863,564

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

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	<u>\$ 8,000,000</u>	<u>\$ 15,000,000</u>
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The City's long-term debt is summarized below:

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Issued</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Due by</u> <u>Dec. 31, 2014</u>
<u>General Capital Fund:</u>					
Fiscal Year Adjustment Bonds	\$ 1,905,000	\$ -	\$ 605,000	\$ 1,300,000	\$ 635,000
General Serial Bonds	96,703,429	13,225,000	1,070,217	108,858,212	1,295,077
School Serial Bonds	85,871,811	-	6,038,600	79,833,211	6,000,826
Green Acres Trust Loan	343,564	-	38,153	305,411	38,920
Demolition Loan	397,599	-	98,333	299,266	99,041
<u>Parking Utility Capital Fund:</u>					
Parking Revenue Bonds	<u>3,335,000</u>	<u>-</u>	<u>155,000</u>	<u>3,180,000</u>	<u>160,000</u>
	<u>\$ 188,556,403</u>	<u>\$ 13,225,000</u>	<u>\$ 8,005,303</u>	<u>\$ 193,776,100</u>	<u>\$ 8,228,864</u>

Debt Refunding

During the year ended December 31, 2013, the City renewed or refunded School Promissory Notes and Bond Anticipation 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. School Promissory Notes and Bond Anticipation Notes are more fully discussed herein.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

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. During the year ended December 31, 2013 and 2012, the State of New Jersey paid \$7,158,069 and \$7,142,081, respectively 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, 2013a fiscal year adjustment refunding bond. The following table is a summary of the activity for such debt during the year ended December 31, 2013 and the short term liability for each issue:

Summary of Fiscal Year Adjustment Refunding Bond Activity				
Description	Balance Dec. 31, 2012	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
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%	\$ 1,905,000	\$ 605,000	\$ 1,300,000	\$ 635,000
	\$ 1,905,000	\$ 605,000	\$ 1,300,000	\$ 635,000

General Serial Bonds Payable

The City has outstanding at December 31, 2013 various general serial bond debt issues. The following table is a summary of the activity for such debt during the year ended December 31, 2013 and the short-term liability for each issue:

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

Summary of General Serial Bonds Activity					
Description	Balance Dec. 31, 2012	Increase	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
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%	\$ 15,620,000	\$ -	\$ 150,000	\$ 15,470,000	\$ 220,000
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%	5,118,429	-	475,217	4,643,212	450,077
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%	8,650,000	-	315,000	8,335,000	370,000
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%	67,315,000		130,000	67,185,000	145,000
Redevelopment Agency Revenue Bonds					
Issued 8/15/2013 for \$13,225,000					
Maturing annually from 2014 to 2038					
Bearing variable interest rates ranging from 5.4% to 7.625%	-	13,225,000	-	13,225,000	210,000
	<u>\$ 96,703,429</u>	<u>\$ 13,225,000</u>	<u>\$ 1,070,217</u>	<u>\$ 108,858,212</u>	<u>\$ 1,395,077</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, 2013

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

School Serial Bonds Payable

The City has outstanding at December 31, 2013 various school serial bond debt issues. The following table is a summary of the activity for such debt during the year ended December 31, 2013 and the short term liability for each issue:

Summary of School Serial Bonds Activity				
Description	Balance Dec. 31, 2012	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
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	\$ 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%	3,434,147	400,062	3,034,085	374,802
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%	11,182,664	1,148,538	10,034,126	1,101,024
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%	40,709,000	2,300,000	38,409,000	2,500,000
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%	15,386,000	100,000	15,286,000	100,000
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%	8,780,000	780,000	8,000,000	820,000
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%	1,310,000	1,310,000	-	-
	<u>\$ 85,871,811</u>	<u>\$ 6,038,600</u>	<u>\$ 79,833,211</u>	<u>\$ 6,000,826</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE D.MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

Parking Utility Capital Fund - Revenue Bonds Payable

On June 15, 2007, the Bayonne Parking Authority issued \$4,000,000 of Parking Revenue Bonds, Series 2007 to provide funds to refund and redeem a \$4,000,000 project note, fund a bond service fund and pay costs of issuance and delivery of the bonds. The following table is a summary of the activity for such debt during the year ended December 31, 2013 and the short term liability for each issue:

Summary of Parking Revenue Bond Activity				
Description	Balance Dec. 31, 2012	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
Parking Revenue Bonds				
Issued 6/15/2007 for \$4,000,000				
Maturing annually from 2007 to 2027				
Bearing an interest rate of 5%	\$ 3,335,000	\$ 155,000	\$ 3,180,000	\$ 160,000
	<u>\$ 3,335,000</u>	<u>\$ 155,000</u>	<u>\$ 3,180,000</u>	<u>\$ 160,000</u>

The Parking Utility Fund had an excess in revenues for the year ended December 31, 2013 and therefore qualifies as self-liquidating. That calculation is provided below. An excess in revenues allows the entire amount of Parking Revenue Bonds outstanding, \$3,180,000, to be deducted from the gross debt of the City.

Self-Liquidating Utility Calculation	
Total Cash Receipts from Fees, Rents or Other Charges	\$ 1,345,583
Operating and Maintenance Cost	\$ 866,749
Debt Service:	
Interest	162,875
Principal	155,000
	1,184,624
Excess in Revenues	\$ 160,959

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE D.MUNICIPAL DEBT (continued)

LOANS PAYABLE

Demolition Loans Payable

The City has outstanding at December 31, 2013a 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, 2013 and the short term principal liability:

Summary of Demolition Loan Activity				
Description	Balance Dec. 31, 2012	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
Demolition Loan				
Issued 10/23/2006 for \$973,021				
Maturing annually from 2007 to 2016				
Bearing an interest rate of 0.720%	\$ 397,599	\$ 98,333	\$ 299,266	\$ 99,041
	<u>\$ 397,599</u>	<u>\$ 98,333</u>	<u>\$ 299,266</u>	<u>\$ 99,041</u>

Green Trust Loans Payable

The City has outstanding at December 31, 2013 various Green Trust Loans. The following table is a summary of the activity for such debt during the year ended December 31, 2013 and the short term principal liability for each issue:

Summary of Green Trust Loans Activity				
Description	Balance Dec. 31, 2012	Decrease	Balance Dec. 31, 2013	Due by Dec. 31, 2014
1983 Green Trust				
Issued 1998 for \$450,000				
Maturing annually from 1999 to 2018				
Bearing variable interest rates	\$ 145,056	\$ 25,207	\$ 119,849	\$ 25,714
1995 GFB				
Issued 2006 for \$171,000				
Maturing annually from 2007 to 2026				
Bearing variable interest rates	125,257	8,169	117,088	8,333
95GT				
Issued 2006 for \$100,000				
Maturing annually from 2007 to 2026				
Bearing variable interest rates	73,251	4,777	68,474	4,873
	<u>\$ 343,564</u>	<u>\$ 38,153</u>	<u>\$ 305,411</u>	<u>\$ 38,920</u>

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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		Parking Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 635,000	\$ 61,825	\$ 1,295,077	\$ 6,382,057	\$ 6,000,826	\$ 4,160,723	\$ 160,000	\$ 155,000
2015	665,000	33,250	1,474,877	6,356,703	9,173,210	4,067,428	170,000	146,750
2016	-	-	2,159,893	6,320,536	5,960,240	3,841,204	180,000	138,000
2017	-	-	2,610,214	6,415,387	6,014,817	3,734,132	190,000	128,750
2018	-	-	2,380,234	6,325,080	6,395,363	3,747,200	195,000	119,125
2019-2023	-	-	13,602,916	30,128,966	30,902,755	16,032,070	1,145,000	433,625
2024-2028	-	-	18,335,000	22,605,897	10,200,000	3,267,750	1,140,000	117,250
2029-2033	-	-	25,920,000	16,625,323	5,186,000	469,500	-	-
2034-2038	-	-	34,045,000	7,967,603	-	-	-	-
2039-2040	-	-	7,035,000	386,925	-	-	-	-
	<u>\$ 1,300,000</u>	<u>\$ 95,075</u>	<u>\$ 108,858,211</u>	<u>\$ 109,514,477</u>	<u>\$ 79,833,211</u>	<u>\$ 39,320,007</u>	<u>\$ 3,180,000</u>	<u>\$ 1,238,500</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	
	Principal	Interest	Principal	Interest
2014	\$ 38,920	\$ 5,915	\$ 99,041	\$ 2,153
2015	39,701	5,132	99,754	1,441
2016	40,499	4,334	100,471	723
2017	41,314	3,520	-	-
2018	28,153	2,690	-	-
2019-2023	75,930	8,328	-	-
2024-2026	40,895	1,235	-	-
	<u>\$ 305,412</u>	<u>\$ 31,154</u>	<u>\$ 299,266</u>	<u>\$ 4,317</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE D.MUNICIPAL DEBT (continued)

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.

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		December 31, 2012			Notes Issued	Paid Down	December 31, 2013		
Date	Amount	Interest Rate	Maturity Date	Balance			Balance	Maturity Date	Interest Rate
Refunding of Tax Appeals:									
12/9/2003	\$ 3,248,000	2.00%	8/7/2013	\$ 404,709	-	\$ 220,287	\$ 184,422	7/25/2014	2.000%
6/30/2008	2,800,000	2.00%	8/7/2013	1,260,569	-	400,001	860,568	7/25/2014	2.000%
3/31/2011	2,290,000	2.75%	3/30/2012	1,832,000	-	458,000	1,374,000	3/29/2014	1.500%
Acquisition and of Easement of Land:									
5/13/2005	7,000,000	2.00%	8/7/2013	6,499,484	-	88,609	6,410,875	7/25/2014	2.000%
Passive Waterfront Development:									
12/9/2004	500,000	2.00%	8/7/2013	187,744	-	187,744	-		
Citywide Communication Systems:									
3/9/2007	5,075,000	2.00%	8/7/2013	4,006,572	-	534,212	3,472,360	7/25/2014	2.000%
Various Capital Improvements:									
3/9/2007	1,690,000	2.00%	8/7/2013	1,335,260	-	310,444	1,024,816	7/25/2014	2.000%
Bayonne Medical Center:									
11/26/2007	6,200,000	1.43%	8/7/2013	3,875,000	-	850,000	3,025,000	7/25/2014	1.125%
BLRA Dissolution:									
7/25/2013	43,735,000	-	-	-	43,735,000	-	43,735,000	7/25/2014	1.125%
BLRA Dissolution:									
7/25/2013	15,000,000	-	-	-	15,000,000	-	15,000,000	7/25/2014	1.750%
				<u>\$ 19,401,338</u>	<u>\$ 58,735,000</u>	<u>\$ 3,049,297</u>	<u>\$ 75,087,041</u>		

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE D. MUNICIPAL DEBT (continued)

NOTES PAYABLE (continued)

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		December 31, 2012			December 31, 2013			
Date	Amount	Interest Rate	Maturity Date	Balance	Paid Down	New Issues	Maturity Date	Interest Rate
Various School Improvements:								
11/20/2009	\$ 6,632,065	1.50%	8/7/2013	\$ 6,462,012	\$ 170,053	\$ 6,291,959	7/25/2014	1.13%
11/20/2009	1,112,685	1.86%	8/7/2013	1,084,154	28,154	1,056,000	7/25/2014	1.13%
				<u>\$ 7,546,166</u>	<u>\$ 198,207</u>	<u>\$ 7,347,959</u>		

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, 2013:

Balance at December 31, 2012	\$ 15,000,000
Less: Paid During Year	<u>15,000,000</u>
Subtotal	-
Add: Issued During year	<u>8,000,000</u>
Balance at December 31, 2013	<u>\$ 8,000,000</u>

The balance of the tax anticipation notes at year end consists of one issue at 1.93% with a maturity date of February 14, 2014.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE D. MUNICIPAL DEBT (continued)

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2013 and 2012, the City has authorized but not issued bonds and notes of \$38,649,860 and \$359,860, 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, 2013:

	<u>Balance</u> Dec. 31, 2012	<u>Debt</u> Authorized	<u>Bonds/Notes</u> Issued	<u>Balance</u> Dec. 31, 2013
General Improvements	\$ 331,937	\$ 77,250,000	\$ 71,960,000	\$ 5,621,937
Fiscal Year Adjustment Bonds	27,293	-	-	27,293
School Improvements	630	3,700,000	-	3,700,630
	<u>\$ 359,860</u>	<u>\$ 80,950,000</u>	<u>\$ 71,960,000</u>	<u>\$ 9,349,860</u>

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.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 90,881,800	\$ 90,881,800	\$ -
Self-Liquidating Purposes	3,180,000	3,180,000	-
General Bonds and Notes	<u>191,499,160</u>	<u>16,096,596</u>	<u>175,402,564</u>
	<u>\$ 285,560,960</u>	<u>\$ 110,158,396</u>	<u>\$ 175,402,564</u>

Net debt of \$175,402,564 divided by the equalized valuation basis per N.J.S.A. 40A:2-2 as amended, \$5,360,107,444 equals 3.272%.

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

Borrowing Power	
3 1/2% of Equalized Valuation Basis	\$ 187,603,761
Less: Net Debt	<u>175,402,564</u>
Excess Borrowing Power	<u>\$ 12,201,197</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013 and 2012 which were appropriated and included as anticipated revenue in the Current Fund and Parking Utility Operating Fund budgets of the succeeding year were as follows:

	<u>Fund Balance</u> Dec. 31, 2012	<u>Utilized in</u> 2013 Budget	<u>Fund Balance</u> Dec. 31, 2013	<u>Utilized in</u> 2014 Budget
Current Fund	\$ 8,799,684	\$ 1,785,000	\$ 16,481,343	\$ 14,900,000
Capital Fund	172,952	-	172,952	-
Parking Utility Fund:				
Operating	112,446	-	446,221	70,000
Capital	81,925	-	7	-

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

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.

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 year ended December 31, 2013 and 2012, this base salary amount was \$7,800 and \$7,700, respectively. 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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

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.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

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.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

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:

Year Ended	As a Percentage of Base Wages		Amount	
	PFRS	PERS	PFRS	PERS
	Dec. 31, 2013	10.00%	(1)	6.78%
Dec. 31, 2012	10.00%	(2)	6.64%	\$ 3,643,570
Dec. 31, 2011*	10.00%		6.50%	\$ 1,624,472

*Six-month transition year.

- (1) 2013 rates for PERS were 6.64% until July, 2013, after which the rate noted above took effect.
(2) 2012 rates for PERS were 6.50% until July, 2012, after which the rate noted above took effect.

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 CPFPF 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, 2013	\$ 9,511,193	25.1%	\$ 1,799,688	11.6%	\$ 58,214	n/a
Dec. 31, 2012	9,281,416	25.5%	1,734,913	11.3%	76,348	n/a
Dec. 31, 2011	(3)	(3)	(3)	(3)	83,796	n/a

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

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

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 in the amount of \$4,568,624. 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 short term liability of the deferral, payable on April 1, 2013, is \$655,794, consisting of \$572,771 on the PFRS deferral and \$83,023 on the PERS deferral.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

DEFINED CONTRIBUTION RETIREMENT PROGRAM (continued)

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, 2013	21	\$ 9,684	5.5%	\$ 5,282	3.0%
Dec. 31, 2012	11	9,167	5.5%	5,000	3.0%
Dec. 31, 2011	2	4,083	5.5%	2,227	3.0%

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 others by Variable Annuity Life Insurance Company(“VALIC”), AXA Equitable, ING 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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

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.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

POST-EMPLOYMENT BENEFITS PLAN (continued)

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.

As of December 31, 2013 and 2012, the total accumulated absence liability was \$6,443,874 and \$6,847,917, respectively. No funds are reserved for accumulated absences, however, the City budgets compensated absence appropriations annually in the applicable department line items.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

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 "NJIIIF") 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 \$10,000,000.
- Surety bonds for the City Treasurer, Chief Financial Officer, Tax Collector and Municipal Court Judges.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE J. STATE AID RECEIVABLE – QUALIFIED BONDS

The City reverted from a state fiscal year ending June 30 to a calendar year beginning in 2012. The City’s final state fiscal year was the year ended June 30, 2011. The interim period, July 1, 2011 to December 31, 2011, was the City’s six month transition year.

The Division required municipalities reverting to a calendar year to anticipate a full year of State Aid during the six month transition year. The City receives State Aid in two forms: cash payments and qualified bond payments in lieu of direct aid in cash. Qualified bonds are State Aid payments withheld by the State and forwarded directly to paying agents for principal and interest payments on the bonds. During the transition year ended December 31, 2011, the City certified qualified bond maturity 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, the City recognized State Aid revenues in the amount of \$3,357,695 for debt service payments of the succeeding year, resulting in prepaid debt service at year end.

The following schedule summarizes the State Aid received, qualified bond payments applied and the prepaid amounts as of December 31, 2013 and 2012.

STATE AID RECEIVABLE - QUALIFIED BONDS				
	Year Ended Dec. 31, 2013		Year ended Dec. 31, 2012	
Beginning Balance	\$	3,438,533	\$	3,357,695
Add: State Aid (1)		9,330,965		9,429,879
		12,769,498		12,787,574
Less: Received in Cash	\$	2,094,410	\$	2,206,960
Qualified Bond Payments		7,158,069		7,142,081
		9,252,479		9,349,041
Ending Balance	\$	3,517,019	\$	3,438,533

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, 2013

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, 2013:

	Balance,	Activity During Current Year		Balance,
	Dec. 31, 2012	Additions	Deletions	Dec. 31, 2013
Land	\$ 54,542,400	\$ 111,554,900	\$ -	\$ 166,097,300
Buildings	10,233,265	-	-	10,233,265
Improvements	4,817,988	-	-	4,817,988
Machinery, Equipment and Other	20,416,310	569,383	315,527	20,670,166
	<u>\$ 90,009,963</u>	<u>\$ 112,124,283</u>	<u>\$ 315,527</u>	<u>\$ 201,818,719</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.

The addition to Land is due to the dissolution of the BLRA – See Note O for more detail.

NOTE M. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. On November 17, 2012, the City adopted a resolution under N.J.S.A 40A:4-46, approving an emergency appropriation in the amount of \$1,970,000 to provide for extensive damages caused by Superstorm Sandy for which no provision was made in the 2012 budget. Also, On September 18, 2013, the City adopted a resolution under N.J.S.A. 40A:4-46, approving an emergency appropriation in the amount of \$550,000 to provide for continuing professional service contracts relating to the dissolved Bayonne Local Redevelopment Authority for which no provision was made in the 2013 budget. As of December 31, 2013, the following deferred charges are shown on the balance sheets of the Current Fund:

	Balance,	Less:	Add:	Succeeding
	Dec. 31, 2012	2013 Budget Appropriation	Results of Current Year	Budgets
Emergency Authorizations (40A:4-46)				
Superstorm Sandy	\$ 1,970,000	\$ 1,970,000	\$ -	\$ -
Emergency Authorizations (40A:4-46)				
BLRA Dissolution	-	-	550,000	550,000
	<u>\$ 1,970,000</u>	<u>\$ 1,970,000</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

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.

Current Fund and Parking Utility Operating interfunds receivable are fully reserved and recognized as credits to operations in the year the interfunds are received in cash. Interfunds receivable in the Trust Funds, General Capital Fund and Parking Utility Operating Fund are not reserved.

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.

As of and during the year ended December 31, 2013, the Current Fund had the following interfund activity and receivable/payable balances at year end:

	General Capital	HUD Grant Fund	Grants Fund	Other Trust	Utility Operating	Payroll Agency
Interest	\$ 732	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Fees, Overages and Other	-	-	-	-	-	-
Chargebacks	1,941,352	-	(241)	3,704,215	-	-
Current Fund Appropriations	(380,000)	-	(6,914,594)	(554,762)	-	-
Current Fund Anticipated Revenues	-	-	4,808,953	90,000	-	-
Paid from (to) Current Fund	<u>(1,561,806)</u>	<u>(480)</u>	<u>(1,806,209)</u>	<u>(3,337,506)</u>	<u>(247)</u>	<u>(2,475)</u>
	278	(480)	(3,912,091)	(98,053)	(247)	(2,475)
Due from Current Fund at Dec. 31, 2012	-	-	-	-	-	-
Due to Current Fund at Dec. 31, 2012	<u>49</u>	<u>440</u>	<u>1,143,001</u>	<u>223,290</u>	<u>247</u>	<u>2,475</u>
Due to/(from) Current Fund at Dec. 31, 2013	<u>\$ 327</u>	<u>\$ (40)</u>	<u>\$ (2,769,090)</u>	<u>\$ 125,237</u>	<u>\$ -</u>	<u>\$ -</u>
Detail of Balance:						
Interest	\$ 327	\$ -	\$ -	\$ -	\$ -	\$ -
Error in transfer to clear	-	(40)	-	-	-	-
Net Grant Activity	-	-	(2,769,090)	-	-	-
Chargebacks	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,237</u>	<u>-</u>	<u>-</u>
	<u>\$ 327</u>	<u>\$ (40)</u>	<u>\$ (2,769,090)</u>	<u>\$ 125,237</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE N. INTERFUND TRANSACTIONS (continued)

In addition to the Current Fund interfund activity noted on the previous page, the City also had the following interfund activity and balances as of and for the year ended December 31, 2013:

	General Capital	Other Trust Fund
Due to HUD Grants Fund at Dec. 31, 2012	\$ 161,867	\$ 340,000
Line of Credit Reimbursement	(161,867)	-
Paid from to HUD Grants Fund	200,000	(340,000)
Due to HUD Grants Fund at Dec. 31, 2013	\$ 200,000	\$ -
		Utility Capital
Due to Utility Capital Fund at Dec. 31, 2012		\$ 48,020
Paid to Utility Operating Fund		281,317
Due to Utility Capital Fund at Dec. 31, 2013		\$ 329,337

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.

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, 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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE O. RELATED PARTY TRANSACTIONS (continued)

SHARED SERVICE AGREEMENTS (continued)

The Water/Sewer System (continued)

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 begins 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.

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

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.

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.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE O. RELATED PARTY TRANSACTIONS (continued)

SHARED SERVICE AGREEMENTS (continued)

Local Redevelopment Authority (continued)

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 year ended December 31, 2013 and 2012, the City received \$29,800,000 and \$30,500,000, 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 had a “Subsidy Agreement” with the BLRA, which is further described in Note S.

On August 14, 2013, the City adopted an ordinance for the dissolution of the Bayonne Local Redevelopment Authority, appropriating \$75,000,000 and authorizing not to exceed \$75,000,000 principal amount of bonds or notes in connection therewith. Following the direction of the Local Finance Board and after careful examination and analysis, the City has determined that it is in the best interest of the residents of the City to dissolve the Authority.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE O. RELATED PARTY TRANSACTIONS (continued)

SHARED SERVICE AGREEMENTS (continued)

Local Redevelopment Authority (continued)

N.J.S.A. 40A:12A-24 grants a municipality the power to dissolve its redevelopment agency by ordinance, and transfer all of the redevelopment agency's assets, liabilities and responsibilities to itself in accordance with section 20 of the Local Authorities Fiscal Control Law, provided that the ordinance makes adequate provision for the payment of all creditors or obligees of the authority and further makes adequate provision for the assumption of services provided by the authority which are necessary for the health, safety and welfare of the recipients of such services.

The City, as part of the dissolution of the Authority and in connection with the provision for the payment of all creditors or obligees of the Authority, had determined to (i) initially assume the BLRA Recourse Debt and (ii) permanently replace the Authority as "Issuer" of such Non-recourse debt, subject to the rights, responsibilities, obligations and limitation of "Issuer" under each bond resolution, project note resolution, loan agreement, bond, note or mortgage authorizing such Non-recourse debt.

The following accounts of the BLRA have been included in the City's financial statements as of December 31, 2013:

BLRA Cash Accounts	\$	2,060,545
BLRA Land Sale Reserve		744,626
BLRA Reserve		812,694
Cash Reserve for Debt Service		1,341,438
Value of Land to Fixed Assets		111,554,900

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE O. RELATED PARTY TRANSACTIONS (continued)

SHARED SERVICE AGREEMENTS (continued)

Parking Authority (continued)

The BPA was 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 year ended December 31, 2013 and 2012, the City received \$120,000, respectively, for such reimbursements. As of December 31, 2013 and 2012, the City has receivables from the BHA of \$590,400 and \$420,400, 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.

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 year ended December 31, 2013 and 2012, the City's budget included the following debt service requirements of the Board of Education and corresponding anticipated revenues:

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE O. RELATED PARTY TRANSACTIONS (continued)

BAYONNE BOARD OF EDUCATION (continued)

	Year Ended	
	Dec. 31, 2013	Dec. 31, 2012
Debt Service Requirements of the Board of Education:		
Payment of Bond Principal	\$ 6,039,000	\$ 7,189,000
Payment of School Promissory Note Principal	200,000	198,585
Interest on Bonds	4,285,000	4,404,200
Interest on Notes	120,000	149,000
	10,644,000	11,940,785
Less: Applicable Revenues Anticipated		
Regular School Debt Service Aid	501,164	600,078
Balance for Support of Board of Education:		
Addition to Local District School Tax	\$ 10,142,836	\$ 11,340,707

The City has a receivable due from the Board of Education of \$1,137,500, as of December 31, 2013 and 2012. This receivable is part of the revenue accounts receivable identified on the balance sheet and has been fully reserved. Finally the City's Parking Utility Fund has a payable due to the Board of Education of \$450,000 for the acquisition of a parking lot.

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, 2013:

	Balance Dec. 31, 2012	Current Year Accruals	Collections	Balance Dec. 31, 2013
Fines and Costs - Municipal Court	\$ 116,645	\$ 1,964,475	\$ 1,932,288	\$ 148,832
Payments in Lieu of Taxes				
Bayonne Housing Authority	-	350,000	-	350,000
Bayonne Community Action	-	7,000	-	7,000
Reimbursement from:				
Bayonne Housing Authority (1):				
Garbage Contract	240,000	120,000	-	360,000
Dumpsters	5,400	-	-	5,400
Other	100,000	-	-	100,000
Forestry Expenses	75,000	50,000	-	125,000
Bayonne Board of Education (1)	1,137,500	-	-	1,137,500
	\$ 1,674,545	\$ 2,491,475	\$ 1,932,288	\$ 2,233,732

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

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE Q. ECONOMIC DEPENDENCY

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 10% 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	14,312,000
Texaco Downstream Properties, Inc.	13,085,800
Armada Hess Corporation	10,379,000
Morris Bayonne Association I, LLC	9,813,700
South Cove Development, LLC	8,519,700
MPT of Bayonne, LLC	8,000,000
51-53 Hook Road, LLC	7,796,900
	\$ 226,132,900

Peninsula at Bayonne Harbor

As described in Note O, during the year ended December 31, 2013 and 2012, the City received funds totaling \$29,800,000 and \$30,500,000, respectively, from the BLRA. These revenues represented 22% and 24% of the support of the City's budgets for the year ended December 31, 2013 and 2012.

The BLRA funded these payments to the City primarily through the proceeds of various land sales on the Peninsula at Bayonne Harbor. Since the BLRA was dissolved, the City will be receiving annual payments from the Port Authority of \$5,000,000 in 2014 and annual payments of \$5,000,000 from 2015 through 2033, a reduction in funding of \$24,800,000 and \$-0-, respectively, in support of the City's operating budgets.

The City plans to make use of new funding from Spectra Energy, Bayonne Energy Center, new Port Authority PILOTs, fund balance, revenues from the long term lease of the water/sewer system and the continued sale of property and development at the Peninsula at Bayonne Harbor to provide replacement revenues.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE Q. ECONOMIC DEPENDENCY (continued)

Peninsula at Bayonne Harbor (continued)

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.

In the 2014 budget, the City included \$8,850,000 in BMUA concession agreement revenues and budgeted \$14,900,000 in surplus which the City does not believe to be available for the calendar year 2015 budget. Funds remaining from the BMUA public-private partnership agreement will be used to replace this revenue source in calendar year 2015.

State Aid

The City is also a recipient of State Aid. During the year ended December 31, 2013 and 2012, State Aid accounted for 7.0% and 7.4%, 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.

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
2014	\$ 210,000	\$ 535,647
2015	225,000	524,032
2016	235,000	511,645
2017	250,000	498,417
2018	265,000	484,227
2019-2023	1,585,000	2,165,773
2024-2028	2,140,000	1,625,986
2029-2033	2,905,000	883,603
2034	695,000	86,995
	\$ 8,510,000	\$ 7,316,325

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE S. CONTINGENT LIABILITIES

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, 2013, the agreement has never been called upon by the BMUA.

Subsidy Agreement

The City's Interlocal Agreement with the BLRA described in Note O authorized a Subsidy Agreement, which was executed in June of 2003 and ended when the BLRA was dissolved in August of 2013.

Pursuant to the terms of the Subsidy Agreement the City agreed 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;

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE S. CONTINGENT LIABILITIES (continued)

Subsidy Agreement (continued)

(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 was required to 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 were not otherwise available from the BLRA with respect thereto.

If any payment due to the BLRA from the City remained unpaid for 30 days following its due date, the City would have been charged with and would have had to 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 the date the BLRA was dissolved, the agreement was never called upon by the BLRA.

Redeveloper Agreement

On February 20, 2013, the City adopted an ordinance approving a financial instrument and authorizing the execution thereof and other applicable documents related to the issuance by the City of Bayonne of \$17,500,000 Redevelopment Area Bonds (non-recourse to the full faith and credit of the City of Bayonne) and determining various other matters in connection therewith. This ordinance was adopted to assist Prince Holdings of Bayonne Urban Renewal Enterprise, LLC (the “Redeveloper”) in financing the development, design, finance and construction of approximately 250,000 square feet of industrial warehouse space and associated loading docks and parking, infrastructure improvements and related site work (the “Project”). To assist the Redeveloper in financing the Project costs as set forth in the redevelopment agreement, the City, as redevelopment entity, will issue bonds pursuant to the Redevelopment Area Bond Financing Law, N.J.S.A. 40A:12-64, et seq. Pursuant to the Bond Financing Law, the City intends to pledge, to the extent required, the annual service charges paid to the City by the Redeveloper for debt service on the Bonds provided, however, that five percent (5%) of the annual service charges shall not be subject to such pledge in accordance with N.J.S.A. 40A:20-12 (the “County

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE S. CONTINGENT LIABILITIES (continued)

Redeveloper Agreement (continued)

Share”). The City and the Redeveloper have agreed that any portion of the annual service charges paid by the Redeveloper to the City in excess of the amount needed to pay the County Share and Debt Service on the bonds shall be returned to the City and retained and used by the City for any lawful purpose.

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 year ended December 31, 2013, the City renewed previously issued tax refunding notes. Also during the year ended December 31, 2013, the City funded additional appeals by appropriating and expending \$350,000 in the current budget and charging \$1,982,352 to improvement authorizations in the general capital fund.

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.

Affordable Housing

The State has passed legislation which would seize uncommitted affordable housing funds from municipalities. After rounds of appeals and court orders, 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 extent of the City’s Affordable Housing funds subject to seizure by the State,

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE S. CONTINGENT LIABILITIES (continued)

if any, is uncertain. As of December 31, 2013 and 2012, the City had balances of \$1,150,079 and \$1,039,224, respectively, in its Affordable Housing Trust.

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 year ended December 31, 2013 and 2012 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.

As the result of an audit of the City's Community Development Block Grant (CDBG), the U.S. Department of Housing and Urban Development (HUD) notified the City during the transition year ended December 31, 2011 that certain costs of the program would be disallowed. The City was required to re-program an amount equal to the disallowed costs, \$515,601, from the City's own resources and operations.

In addition, documentation supporting the costs of CDBG program's 2012 expenditures were not available for audit review as said documents were seized by federal law enforcement agencies for confidential investigation. As such, our audits questioned \$2,411,226 of combined CDBG and emergency shelter grant expenditures. As of the date of this audit, the City's liability, if any, cannot be determined.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE S. CONTINGENT LIABILITIES (continued)

Litigation (continued)

The following cases have been noted by both outside and City Counsel as having potentially material exposure to the City.

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. Defense counsel filed a motion to dismiss which was granted in part and denied in part. Interrogatories and notices to produce have been exchanged between the parties and certain additional discovery is currently being exchanged while depositions are stayed at this time. The City has placed a settlement value on the case. The demand on the case is \$1.6 million. No monetary counter-offer has been made. The range of potential loss could be between \$30,000 and \$100,000.

Statham v. City of Bayonne, et al- A civil rights matter which includes Title 1983 counts venued in Hudson County. Depositions of all parties have been completed. Discovery end date was September 26, 2014 with a trial date of December 1, 2014. This case settled for \$33,000 in December 2014.

Passaic River Litigation: The City is one of numerous entities named as third parties in an environmental contamination suit, whereas the NJDEP and the NJ Spill Compensation Fund filed original suit with private entities for the release of dioxins in the Passaic River. These private entities in turn filed suit alleging the City, and other public entities along the Passaic River, contributed to the Passaic River and Newark Bay contamination through their alleged release of sewerage containing hazardous substances.

On March 21, 2013 the City approved consent judgment whereby the City would be dismissed from the case for the payment of \$95,000 to the NJDEP. This settlement had to undergo an administrative and legal process subject to objections. In June of 2013, NJDEP entered into a settlement agreement. If this agreement was approved by the court, the Plaintiffs would waive their right to challenge the consent judgment between the NJDEP and the third-party defendants, subject to a number of conditions.

On December 12, 2013, the trial court approved the consent judgment. The consent judgment was affirmed by the appellate division on March 26, 2014. On June 20, 2014, the trial court entered an order removing the settling third party defendants from further financial obligations. The City's liability was limited to \$95,000.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE S. CONTINGENT LIABILITIES (continued)

Litigation (continued)

Bayonne Bay Developers v. City of Bayonne: An entity that has development rights to a tract of land at the peninsula in Bayonne filed suit seeking lost profit. Motions to dismiss on behalf of the City are currently pending before the Court.

This suit was filed against the BLRA, formerly a component unit of the City dissolved by the City in June, 2013. The plaintiff, Bayonne Bay Developers, was the designated developer of certain parcels of the peninsula. Upon the City's sale of certain other parcels of the peninsula to the Port Authority of New York and New Jersey, the plaintiff filed this suit alleging that the BLRA violated New Jersey's Local Redevelopment and Housing Law and breached various provisions of its agreement with the plaintiff by selling the property to the Port Authority. The plaintiff's original suit seeks rescission of the Port Authority Sale, specific performance by the City and compensatory damages, costs and attorney fees, as well as the return of its \$14,000,000 deposit. In turn, the City filed a counterclaim alleging breach of contract, among other things. There is possible exposure for the City in the event Bayonne Bay Developers were to prevail. Discussions amongst the various parties have been ongoing, although at this time the City anticipates continued pursuit of its defense of each matter in the usual course.

Desmond v. City of Bayonne: - a tort claim against the City citing negligence. Plaintiff seeks \$500,000 in damages. All discovery has been exchanged between parties. The City intends to contest the case throughout the litigation process.

In addition, the City, its officers and employees are defendants in a number of lawsuits including, but not limited to, lawsuits alleging employment discrimination and alleged violations of civil rights.

NOTE T. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 25, 2015, the date which the financial statements were available to be issued. Material events are disclosed as follows:

Issuance of Notes

On January 15, 2014, the City passed a resolution authorizing the issuance of not exceeding \$12,000,000 tax anticipation notes. No notes have been issued as of the date of this report.

On March 28, 2014, the City sold \$916,000 of Tax Appeal Refunding Notes at 1.75%. Also, on April 24, 2014, the City sold an additional \$2,250,000 of Tax Appeal Refunding Notes at 1.5%.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE T. SUBSEQUENT EVENTS (continued)

Issuance of Notes (continued)

On July 15, 2014, the City sold the following notes (through the HCIA pooled note financing program):

- \$4,957,000 of County-Guaranteed Pooled Notes at 1.25%
- \$12,444,000 of County-Guaranteed Pooled Notes at 1.30%
- \$45,180,046 of County-Guaranteed Pooled Notes (Federally Taxable) at 0.90%
- \$1,027,469 of County-Guaranteed Pooled Notes (Federally Taxable) at 1.27%

Issuance of Bonds

On July 23, 2014, the City sold \$28,380,000 in School Refunding Bonds at various interest rates ranging from 3% to 5%. These bonds were issued to advance refund a portion of the outstanding principal amount of its \$55,309,000 original amount of school bonds.

On October 30, 2014, the City sold the following bonds:

- \$6,322,000 of Special Assessment Bonds at 3.42%
- \$6,121,000 of School Bonds at 3.29%
- \$1,027,000 of School Bonds (Federally Taxable) at 2.94%

Capital Ordinances

On January 15, 2014, the City adopted a capital improvement ordinance to provide funding for the purchase of various equipment and the repair of various public facilities damages from Superstorm Sandy in the amount of \$1,677,531.

On July 16, 2014, the City adopted a capital improvement ordinance to provide funding for the paving of various streets located within the Urban Enterprise Zone and the Community Development Block Grant eligible districts in the amount of \$155,000.

On October 15, 2014, the City introduced a refunding bond ordinance providing for the refunding of all or a portion of certain school bonds, dated October 24, 2008, certain Bayonne Parking Authority revenue bonds (city guaranteed, Series 2007) and certain Redevelopment Agency Revenue Bonds (Series 2009A), appropriating \$36,500,000 and authorizing the issuance of refunding bonds in one or more series in the aggregate principal amount of not exceeding \$36,500,000 for financing the cost.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE T. SUBSEQUENT EVENTS (continued)

Local Finance Board Applications

On September 17, 2014, the City authorized an application to the Local Finance Board in connection with the City's dissolution of the Bayonne Local Redevelopment Authority that the City has made adequate provision for the assumption of services provided by the Authority which are necessary for the health, safety and welfare of the recipients of such services and to certify the Authority Expenditures in the amount of \$500,000.

Bulk Levy Tax Sale

On June 26, 2014, a resolution was adopted awarding the sale by the City of its property tax levy for the fiscal year ending December 31, 2013 and ratifying, confirming and authorizing certain actions in connection therewith to Pro Cap II, LLC in the amount of \$350,001.

Disagreement with the Board of Education

The City and the Board of Education are in a disagreement over the receipt of certain grant funds by the Board and how they relate to Type I school debt issued by the City. The City believes that the resolution of this disagreement may result in either the City receiving additional funds all of which must be used to reduce the outstanding school debt or the Board may shift the school tax levy between debt service and the general tax levy. Either outcome will have no adverse impact on the City's financial condition.

NOTE U. RESTATEMENT OF BEGINNING BALANCE-TRUST FUND

During the audit of the Community Development Block Grant Trust Fund, it was determined that the prior year ending balances were not correct. The 2012 records were taken by an outside agency and were not complete when returned. Records were adjusted during 2013 to correct the balances from the prior year.

SUPPLEMENTARY DATA SECTION

SUPPLEMENTARY DATA – CURRENT FUND

**CITY OF BAYONNE
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012**

COMPARATIVE SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE

	2013	2012
<u>Assets</u>		
Current Fund:		
Cash and Cash Equivalents	\$ 38,517,208	\$ 35,666,594
Cash - Change Funds	1,175	1,075
Subtotal	38,518,383	35,667,669
Intergovernmental Receivable:		
State Aid	3,517,019	3,438,533
	42,035,402	39,106,202
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes	241,657	562,173
Tax Title Liens	581,664	546,136
Property Acquired for Taxes at Assessed Valuation	6,474,000	6,474,000
Revenue Accounts Receivable	2,233,732	1,674,545
Interfunds Receivable:		
Payroll Agency	-	2,475
Parking Utility Fund	-	247
Community Development	-	440
Other Trust	125,237	223,290
Federal and State Grants Fund	-	1,143,001
Due from Capital Fund	327	49
Total Receivables with Full Reserve	9,656,617	10,626,356
Deferred Charges:		
BLRA Dissolution	550,000	-
Special Emergency Appropriation: Superstorm Sandy	-	1,970,000
Total Deferred Charges	550,000	1,970,000
Total Current Fund Assets	52,242,019	51,702,558
Federal and State Grant Fund:		
Federal and State Grants Receivable	9,327,480	13,963,915
Due from Current Fund	2,769,090	-
Total Federal and State Grant Fund Assets	12,096,570	13,963,915
Total Assets	\$ 64,338,589	\$ 65,666,473

**CITY OF BAYONNE
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012**

COMPARATIVE SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE

	2013	2012
<u>Liabilities, Reserves and Fund Balance</u>		
Current Fund:		
Appropriation Reserves	\$ 2,232,764	\$ 3,911,688
Encumbrances	821,360	746,613
Contracts Payable	1,074	26,420
Interfunds Payable:		
Federal and State Grants Fund	2,769,090	-
Community Development	40	-
Due to State of New Jersey:		
Veteran and Senior Citizen Deductions	34,313	742
Tax Anticipation Notes Payable	8,000,000	15,000,000
Tax Overpayments	3,011,686	3,632,803
Prepaid Taxes	556,558	571,935
Due County for Added and Omitted Taxes	13,153	50,832
Special Improvement District Taxes Payable	253,388	83,169
Reserve for Other	3,579,274	1,077,736
Reserve for UEZ	4,831,359	7,174,580
	26,104,059	32,276,518
Reserve for Receivables	9,656,617	10,626,356
Fund Balance	16,481,343	8,799,684
 Total Current Fund Liabilities, Reserves and Fund Balance	 52,242,019	 51,702,558
 Federal and State Grant Fund:		
Encumbrances Payable	899,957	2,724,240
Interfunds Payable	-	1,143,001
Reserve for Federal and State Grants:		
Appropriated	10,200,767	9,622,510
Unappropriated	995,846	474,164
	12,096,570	13,963,915
 Total Federal and State Grant Fund Liabilities and Reserves	 12,096,570	 13,963,915
 Total Liabilities, Reserves and Fund Balance	 \$ 64,338,589	 \$ 65,666,473

CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012
COMPARATIVE SCHEDULE OF OPERATIONS AND CHANGES IN FUND BALANCE

	<u>Year Ended</u> <u>Dec. 31, 2013</u>	<u>Year Ended</u> <u>Dec. 31, 2012</u>
<u>Revenue and Other Income Realized:</u>		
Fund Balance Utilized	\$ 1,785,000	\$ 695,000
Miscellaneous Revenue Anticipated	57,644,272	53,295,619
Receipts from Delinquent Taxes	279,390	38,660
Receipts from Current Taxes	166,980,742	162,559,655
Non-Budget Revenues	2,953,069	2,045,915
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	1,021,705	262,500
Prior Year Revenue Accounts Receivable Realized	1,674,545	1,644,680
Prior Year Other Receivables Realized	-	239,769
Prior Year Interfunds Returned	1,369,502	150,017
Cancel old outstanding checks	836	-
Adjustment to UEZ Reserve	-	11,170
Tax Overpayment Funded by Ordinance	-	251,807
	<u>233,709,061</u>	<u>221,194,792</u>
<u>Expenditures</u>		
Budgetary and Emergency Appropriations:		
Appropriations within "CAPS"		
Operations		
Salaries and Wages	54,381,900	52,223,800
Other Expenses	29,738,117	29,275,400
Deferred Charges and Statutory Expenditures	13,248,000	12,901,800
Appropriations Excluded from "CAPS"		
Operations		
Other Expenses	8,517,910	11,734,948
Capital Improvements	390,000	1,615,000
Municipal Debt Service	11,129,098	10,370,815
Deferred Charges	2,520,000	-
Type 1 School District Debt	10,637,988	11,939,696
Reserve for Uncollected Taxes	3,000,000	800,000
	<u>133,563,013</u>	<u>130,861,459</u>
County Tax	27,878,958	28,574,165
Local District School Tax	58,810,195	57,657,055
Special Improvement District Tax	290,000	290,000
Interfunds Advanced Originating in Current Year	125,564	1,369,502
Revenue Account Receivables Reserved	2,233,732	1,674,545

**CITY OF BAYONNE
 CURRENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012
 COMPARATIVE SCHEDULE OF OPERATIONS AND CHANGES IN FUND BALANCE**

	<u>Year Ended Dec. 31, 2013</u>	<u>Year Ended Dec. 31, 2012</u>
<u>Expenditures (continued)</u>		
Miscellaneous Adjustments	\$ 66,712	\$ -
Refund of Prior Year Revenues	12,156	1,872
Write off Grant Accounts Receivable	1,809,842	-
Adjustment to Other Receivables	-	9,437
Other Reserves	2,230	27,641
	<u>224,792,402</u>	<u>220,465,676</u>
Excess in Revenue	8,916,659	729,116
Adjustments to Income before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year		
Special Emergency Appropriations		
Superstorm Sandy	<u>550,000</u>	<u>1,970,000</u>
Statutory Excess to Fund Balance	9,466,659	2,699,116
Fund Balance, Beginning of Year	<u>8,799,684</u>	<u>6,795,568</u>
	18,266,343	9,494,684
Decreased by:		
Utilized as Anticipated Revenue	<u>1,785,000</u>	<u>695,000</u>
Fund Balance, End of Year	<u>\$ 16,481,343</u>	<u>\$ 8,799,684</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

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	\$ 1,785,000	\$ -	\$ 1,785,000	\$ -
<u>MISCELLANEOUS REVENUES:</u>				
LOCAL REVENUES				
Licenses:				
Alcoholic Beverage	85,000	-	76,580	(8,420)
Other	170,000	-	179,013	9,013
Fees and Permits	900,000	-	921,529	21,529
Fines and Costs - Municipal Court	1,825,000	-	1,964,475	139,475
Interest and Costs on Taxes	455,000	-	507,681	52,681
Interest on Investments and Deposits	125,000	-	48,577	(76,423)
Payments in Lieu of Taxes:				
Bayonne Housing Authority	350,000	-	350,000	-
Senior Horizons of Bayonne	37,000	-	37,000	-
Port Authority	103,766	-	4,629,892	4,526,126
Bayonne Community Action	7,000	-	7,000	-
Alexan City View	2,040,000	-	2,040,000	-
Platty Kill Manor	180,000	-	180,000	-
Rents - City Owned Property	15,000	-	5,279	(9,721)
Verizon Franchise Fee	80,000	-	123,093	43,093
	<u>6,372,766</u>	<u>-</u>	<u>11,070,119</u>	<u>4,697,353</u>
STATE AID WITHOUT OFFSETTING APPROPRIATIONS				
Consolidated Municipal Property Tax Relief Act	2,316,512	-	2,316,512	-
Energy Receipts Tax (PL 1997, Ch. 162 & 167)	6,513,289	-	6,513,289	-
Additional State School Building Aid Act:				
Regular School Debt Service Aid	501,164	-	501,164	-
	<u>9,330,965</u>	<u>-</u>	<u>9,330,965</u>	<u>-</u>
SHARED SERVICE AGREEMENTS				
Reimbursement from Housing Authority -				
Garbage Contract	120,000	-	120,000	-
Bayonne Local Redevelopment Authority -				
Services for Peninsula at Bayonne Harbor	11,799	-	11,799	-
	<u>131,799</u>	<u>-</u>	<u>131,799</u>	<u>-</u>
PUBLIC AND PRIVATE REVENUES				
State and Federal Grants				
Bayonne Housing Authority Police Grant	179,627	-	179,627	-
Boat Ramp Fees	450	-	450	-
Body Armor Fund	16,262	-	16,262	-
Bureau of Housing Inspection	5,371	44,685	50,056	-
Congregate Meals Program	474,872	2,500	477,372	-
Custom Border Control	10,673	-	10,673	-
USDOJ - Police Reimbursement	5,488	-	5,488	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

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)				
Developer Escrow Reimbursement	\$ 28,138	\$ -	\$ 28,138	\$ -
Drunk Driving Enforcement Fund	4,143	-	4,143	-
2013 Justice Assistance Grant	-	16,515	16,515	-
Municipal Alliance Grant	33,778	-	33,778	-
Older American Act of 1965 - Title III	151,580	1,471	153,051	-
Police Forfeiture Funds	253,119	-	253,119	-
Police Overtime - DMV	76,125	-	76,125	-
Police Salary Reimburseement	35,253	-	35,253	-
Reimbursement - Citywide Communications	24,022	-	24,022	-
Cops in Shops	5,771	-	5,771	-
USDOJ - Bulletproof Vest	812	-	812	-
Hurricane Irene Reimbursement	2,378	-	2,378	-
UASI Training - Fire Dept	45,109	-	45,109	-
Highway Traffic Pedestrian Safety Grant	7,500	-	7,500	-
2012 SAFER Grant	2,828,770	-	2,828,770	-
MLB Grant	8,852	-	8,852	-
Uniform Fire Safety Act	100,000	-	100,000	-
Contribution for Waterfront Access	125,000	-	125,000	-
2011 Port Security Grant	70,000	-	70,000	-
Poster Contest Donations	-	2,300	2,300	-
Donations-16th Street Mural	-	2,176	2,176	-
Emergency Management	-	5,000	5,000	-
2013 Local Aid Safe Streets to Transit	-	205,000	205,000	-
	<u>4,493,093</u>	<u>279,647</u>	<u>4,772,740</u>	<u>-</u>
Other Items				
Private Contributions for Public Events	7,000	-	7,000	-
BHA - Salary Reimbursement	10,000	-	10,000	-
Ground Restoration	85,594	-	85,594	-
Fire Prevention Penalties	5,175	-	5,175	-
Towing Liens	10,741	-	10,741	-
Police O/E Reimbursement	5,106	-	5,106	-
Reimburse Public Works Salaries	1,500	-	1,500	-
K-9 Donation Police Dept	1,090	-	1,090	-
Insurance Reimbursement Hurricane Sandy	524,602	-	524,602	-
Police Dept Donations	20,000	-	20,000	-
Poster Contest Donations	550	-	550	-
	<u>5,164,451</u>	<u>279,647</u>	<u>5,444,098</u>	<u>-</u>
OTHER SPECIAL ITEMS				
BHA-Reimbursement Forestry Expenses	50,000	-	50,000	-
Debt Service Reimbursement-Empire Golf	188,760	-	220,005	31,245
Indirect Cost Reimbursement-UCC	90,000	-	90,000	-
Peninsula at Bayonne Harbor Payment	29,800,000	-	29,800,000	-
FEMA - Hurricane Sandy 2012 Receipt	358,036	-	358,036	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF REVENUES AND OTHER CREDITS TO INCOME

	Adopted Budget	N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
OTHER SPECIAL ITEMS (continued)				
Uniform Fire Code Inspection Fees	\$ 110,000	\$ -	\$ 121,050	\$ 11,050
FEMA - Hurricane Sandy 2013 Receipt	217,778	-	340,582	122,804
Parking Tax	550,000	-	447,618	(102,382)
Spectra Energy	240,000	-	240,000	-
	<u>31,604,574</u>	<u>-</u>	<u>31,667,291</u>	<u>62,717</u>
Total Miscellaneous Revenues	<u>52,604,555</u>	<u>279,647</u>	<u>57,644,272</u>	<u>4,760,070</u>
<u>RECEIPTS FROM DELINQUENT TAXES:</u>	<u>72,000</u>	<u>-</u>	<u>279,390</u>	<u>207,390</u>
Subtotal - General Revenues	<u>54,461,555</u>	<u>279,647</u>	<u>59,708,662</u>	<u>4,967,460</u>
<u>AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET:</u>				
Local Tax Incl. Reserve for Uncollected Taxes	66,527,582	-	68,122,916	1,595,334
Minimum Library Tax	1,735,837	-	1,735,837	-
Addition to Local District School Tax	10,142,836	-	10,142,836	-
Total Amount to be Raised by Taxes	<u>78,406,255</u>	<u>-</u>	<u>80,001,589</u>	<u>1,595,334</u>
Total Budget Revenues	132,867,810	279,647	139,710,251	6,562,794
Non-Budget Revenues	-	-	2,953,069	2,953,069
Total General Revenues	<u>\$ 132,867,810</u>	<u>\$ 279,647</u>	<u>\$ 142,663,320</u>	<u>\$ 9,515,863</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

**SCHEDULE OF REVENUES -
ANALYSIS OF BUDGETED REVENUES**

Allocation of Current Tax Collections:		
Current Year Taxes Collected in Prior Year	\$ 571,935	
Current Year Taxes Collected in Current Year	163,080,834	
State Share of Sr. Citizens' & Veterans' Deductions	<u>327,973</u>	
Current Taxes Realized in Cash		\$ 163,980,742
Add: Appropriation for "Reserve for Uncollected Taxes"		<u>3,000,000</u>
		<u>166,980,742</u>
Allocated to:		
School Taxes	58,810,195	
County Taxes	27,878,958	
Special Improvement District Taxes	<u>290,000</u>	
Total Allocated to School, County and Special District Taxes		<u>86,979,153</u>
Amount for Support of Municipal Budget Appropriations		<u>\$ 80,001,589</u>
Receipts from Delinquent Taxes:		
Delinquent Taxes Collected		\$ 240,333
Tax Title Liens Collected		<u>-</u>
		240,333
Add: Overpayment Adjustments		<u>39,057</u>
Total Receipts from Delinquent Taxes		<u>\$ 279,390</u>
Miscellaneous Revenues Anticipated:		
Accrual per Revenue Accounts Receivable		\$ 42,876,208
State Aid		9,330,965
Other Items		544,603
Other Reserves		119,756
State and Federal Grants		<u>4,772,740</u>
Total Miscellaneous Revenues Anticipated		<u>\$ 57,644,272</u>
<u>FUND BALANCE</u>		<u>\$ 1,785,000</u>
Total Realized Budget Revenues		<u>\$ 139,710,251</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

Miscellaneous Revenue not Anticipated:	
Tax Lien Redemption Monies	\$ 217,391
APV Enterprises	20
Premium on Tax Anticipation Notes	164,057
BPA Interlocal Agreement	1,020
Miscellaneous	2,409
Vendor Refunds	5,664
Restitution - Pedevilano	274
Restitution - Cost of Service	117
Tax Levy Premium	172,250
Municipal Incentive Rebate Program	13,107
Prison Confiscated Money	2,166
Zoning and Planning Reimbursements	50,947
Whittaker Restitution	85
Bayonne Energy PILOT	1,741,331
Spectra Energy PILOT	575,000
Administrative Payment - Sr. Citizen and Veteran Deductions	7,231
	<hr/>
	<u>\$ 2,953,069</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
(A) Operations - within "CAPS"						
Office of the Mayor						
Salaries and Wages	\$ 305,200	\$ 311,400	\$ 310,996	\$ -	\$ 404	\$ -
Other Expenses	14,000	14,000	11,304	-	2,696	-
Planning Board						
Other Expenses	60,000	60,000	17,070	-	42,930	-
Board of Adjustment						
Other Expenses	30,000	30,000	12,502	-	17,498	-
Alcohol Beverage Control						
Other Expenses	1,000	1,000	270	-	730	-
Environmental Commission						
Other Expenses (N.J.S.A. 40:56A-1)	1,000	1,000	-	-	1,000	-
Rent Control Office						
Salaries and Wages	15,000	15,000	15,000	-	-	-
Other Expenses	19,000	19,000	15,470	-	3,530	-
Business Administrator's Office						
Salaries and Wages	440,000	440,000	426,273	-	13,727	-
Other Expenses	433,000	453,000	421,927	3,590	27,483	-
Bayonne Economic Opportunity Foundation						
Other Expenses (N.J.S.A. 40:190-4)	22,500	22,500	22,500	-	-	-
Personnel Department						
Salaries and Wages	79,700	80,200	79,914	-	286	-
Telephone Expenses	150,000	130,000	70,605	101	59,294	-
Municipal Council						
Salaries and Wages	164,000	165,500	165,200	-	300	-
Other Expenses	5,000	5,000	664	-	4,336	-
Budget & Accounting Fees	75,000	75,000	70,000	-	5,000	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
(A) Operations - within "CAPS" - (continued)						
City Clerk's Office						
Salaries and Wages	\$ 285,000	\$ 286,100	\$ 285,386	\$ -	\$ 714	\$ -
Other Expenses	29,000	29,000	23,745	610	4,645	-
Primary & General Elections						
Salaries and Wages	20,000	28,500	28,498	-	2	-
Other Expenses	54,000	54,000	46,441	-	7,559	-
Finance Director's Office						
Salaries and Wages	738,000	738,800	738,659	-	141	-
Tax Assessor						
Salaries and Wages	271,000	230,900	217,186	-	13,714	-
Collection of Taxes						
Salaries and Wages	172,000	222,000	220,837	-	1,163	-
Postage	82,000	82,000	81,354	-	646	-
Planning and Zoning						
Salaries and Wages	330,000	332,500	332,337	-	163	-
Other Expenses	4,900	4,900	2,934	-	1,966	-
Law Department						
Salaries and Wages	555,000	567,500	567,214	-	286	-
Other Expenses	25,000	32,000	29,667	-	2,333	-
Contracts	150,000	198,000	161,614	31,000	5,386	-
Board of Health						
Salaries and Wages	856,000	845,000	844,334	-	666	-
Other Expenses	1,050,000	1,050,000	910,832	10,638	128,530	-
Aid to PAL Day Care Center (NJSA 40:238.14)						
Other Expenses	16,300	16,300	15,696	-	604	-
Medical Services for Employees						
Other Expenses	4,000	4,000	-	-	4,000	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
(A) Operations - within "CAPS" - (continued)						
Bayonne Health Center						
Other Expenses	\$ 4,000	\$ 4,000	\$ 955	\$ -	\$ 3,045	\$ -
Solid Waste Disposal						
Other Expenses	2,900,000	3,100,000	2,818,331	258,375	23,294	-
Solid Waste Collection						
Other Expenses	1,625,000	1,325,000	1,183,257	118,072	23,671	-
Fire Department						
Salaries and Wages (Non-Uniform Personnel)	150,000	145,000	138,710	-	6,290	-
Other Expenses	431,000	431,000	340,455	12,381	78,164	-
Salaries and Wages (Uniform Personnel)	18,525,000	18,725,000	18,684,865	-	40,135	-
Law Enforcement Department						
Non-Uniform Personnel						
Salaries and Wages	2,770,000	2,750,000	2,709,523	-	40,477	-
Other Expenses	13,000	13,000	3,581	-	9,419	-
Uniform Personnel						
Salaries and Wages	21,050,000	20,494,000	20,341,939	-	152,061	-
Other Expenses	400,000	408,000	381,329	4,707	21,964	-
Prosecutor's Office						
Salaries and Wages	48,000	60,500	53,833	-	6,667	-
Department of Public Works / Parks						
Snow Removal						
Salaries and Wages	85,000	85,000	79,432	-	5,568	-
Other Expenses	100,000	100,000	49,381	1,827	48,792	-
Celebration of Public Holidays						
Other Expenses	36,000	48,500	48,500	-	-	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
(A) Operations - within "CAPS" - (continued)						
Swimming Pool						
Salaries and Wages	\$ 125,000	\$ 125,000	\$ 125,000	\$ -	\$ -	\$ -
Other Expenses	46,000	46,000	45,991	-	9	-
Parks & Playgrounds - Recreational						
Salaries and Wages	1,200,000	1,295,000	1,292,117	-	2,883	-
Other Expenses	75,000	82,000	78,766	3,053	181	-
Streets and Road Maintenance						
Salaries and Wages	1,290,000	1,189,000	1,186,064	-	2,936	-
Other Expenses	182,000	182,000	160,285	16,112	5,603	-
Buildings and Grounds						
Salaries and Wages	1,510,000	1,392,000	1,369,351	-	22,649	-
Other Expenses	190,000	201,000	166,214	19,212	15,574	-
Vehicle Maintenance						
Salaries and Wages	685,000	649,000	629,246	-	19,754	-
Other Expenses	290,000	340,000	273,038	12,757	54,205	-
Maintenance of Parks						
Salaries and Wages	1,690,000	1,690,000	1,670,304	-	19,696	-
Other Expenses	59,000	71,000	57,047	1,168	12,785	-
Department of Public Works / Parks						
Other Public Works						
Salaries and Wages	340,000	344,000	342,946	-	1,054	-
Other Expenses	170,000	193,000	142,093	40,296	10,611	-
Public Defender						
Other Expenses	65,000	67,500	61,458	3,542	2,500	-
Bulk Levy Sale Expenses	15,000	15,000	1,924	-	13,076	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
(A) Operations - within "CAPS" - (continued)						
Municipal Court						
Salaries and Wages	\$ 975,000	\$ 1,000,000	\$ 990,841	\$ -	\$ 9,159	\$ -
Other Expenses	83,000	73,000	61,569	6,984	4,447	-
Insurance:N.J.S.A. 40A:4-45.3(00)						
General Liability / Workers Compensation	3,050,000	3,325,000	3,325,000	-	-	-
Employee Group Health	14,660,000	14,980,000	14,865,064	-	114,936	-
Group Insurance Waiver Costs	20,417	20,417	20,417	-	-	-
Homeland Security N.J.S.A. 40A:4-45.3						
Police Salaries and Wages	150,000	150,000	150,000	-	-	-
Fire Salaries and Wages	25,000	25,000	25,000	-	-	-
Unclassified						
Retirement of Liquor Licenses	20,000	20,000	20,000	-	-	-
Gasoline, Oil, Grease, Etc.	425,000	445,000	412,737	-	32,263	-
Older American Program	75,000	75,000	25,400	1,819	47,781	-
Utilities	1,760,000	1,541,000	1,161,990	5,358	373,652	-
Reserve for Tax Appeals	350,000	350,000	350,000	-	-	-
(B) Contingent	1,000	1,000	-	-	1,000	-
	<u>84,120,017</u>	<u>84,120,017</u>	<u>81,990,382</u>	<u>551,602</u>	<u>1,578,033</u>	<u>-</u>
Detail:						
Salaries and Wages	54,848,900	54,381,900	54,021,005	-	360,895	-
Other Expenses	29,271,117	29,738,117	27,969,377	551,602	1,217,138	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	<u>Appropriations</u>		<u>Expended</u>			
	<u>Adopted Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>
(E) Deferred Charges and Statutory Expenditures within "CAPS"						
<u>(2) STATUTORY EXPENDITURES</u>						
Contribution to:						
Public Employees Retirement System	\$ 1,800,000	\$ 1,800,000	\$ 1,799,688	\$ -	\$ 312	\$ -
Social Security System (O.A.S.I.)	1,775,000	1,775,000	1,768,669	-	6,331	-
Consolidated Police & Firemen's Pension Fund	63,000	63,000	58,729	-	4,271	-
Police & Fire Retirement System of NJ	9,515,000	9,515,000	9,511,193	-	3,807	-
Unemployment Insurance	35,000	35,000	35,000	-	-	-
Defined Contribution Retirement Program	9,000	9,000	5,282	-	3,718	-
Municipal Pensions to Employees/Widows	51,000	51,000	47,891	-	3,109	-
	<u>13,248,000</u>	<u>13,248,000</u>	<u>13,226,452</u>	<u>-</u>	<u>21,548</u>	<u>-</u>
(H-1)TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	<u>97,368,017</u>	<u>97,368,017</u>	<u>95,216,834</u>	<u>551,602</u>	<u>1,599,581</u>	<u>-</u>
(A) Operations - Excluded From "CAPS"						
<u>GENERAL GOVERNMENT</u>						
Employee Group Health Insurance	715,000	715,000	715,000	-	-	-
Free Public Library	1,895,000	1,895,000	1,817,966	25,946	51,088	-
	<u>2,610,000</u>	<u>2,610,000</u>	<u>2,532,966</u>	<u>25,946</u>	<u>51,088</u>	<u>-</u>
<u>SHARED SERVICE AGREEMENTS</u>						
Housing Authority-Garbage Removal Contract	120,000	120,000	120,000	-	-	-
BLRA-Services for Peninsula at Bayonne Harbor	11,799	11,799	11,799	-	-	-
	<u>131,799</u>	<u>131,799</u>	<u>131,799</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
<u>PUBLIC AND PRIVATE APPROPRIATIONS</u>						
<u>OFFSET BY REVENUES</u>						
State and Federal Grants						
Hurricane Irene Reimbursement	\$ 2,378	\$ 2,378	\$ 2,378	\$ -	\$ -	\$ -
Bureau of Housing Inspection	5,371	50,056	50,056	-	-	-
Emergency Management Grant	-	5,000	5,000	-	-	-
Boat Ramp Fees	450	450	450	-	-	-
Title III Older Americans Act	483,594	485,065	485,065	-	-	-
Bayonne Housing Authority Police Grant	179,627	179,627	179,627	-	-	-
Congregate Meals Program	474,872	477,372	477,372	-	-	-
Drunk Driving Enforcement Fund	4,143	4,143	4,143	-	-	-
COPS in Shops	5,771	5,771	5,771	-	-	-
Department of Justice - Police Reimbursement	258,607	258,607	258,607	-	-	-
Bulletproof Vest / Office of Justice	812	812	812	-	-	-
Developers Escrow Municipal Reimb.	28,137	28,137	28,137	-	-	-
(NJDMV Police Security) Police Overtime - DMV	76,125	76,125	76,125	-	-	-
Body Armor Fund	16,262	16,262	16,262	-	-	-
Custom Border Control	10,673	10,673	10,673	-	-	-
Police Salary Reimbursement	35,253	35,253	35,253	-	-	-
Municipal Alliance Grant	33,778	33,778	33,778	-	-	-
Reimbursement - Citywide Communications	24,022	24,022	24,022	-	-	-
2012 Edward Byrne Justice Assistance Grant	-	16,515	16,515	-	-	-
Port Security Grant 2011 - US Homeland Security	70,000	70,000	70,000	-	-	-
UASI Training - Fire Department	45,109	45,109	45,109	-	-	-
Highway Traffic Pedestrian Safety	7,500	7,500	7,500	-	-	-
2012 SAFER Grant	2,828,770	2,828,770	2,828,770	-	-	-
MLB Grant	8,852	8,852	8,852	-	-	-
Uniform Fire Safety Code	100,000	100,000	100,000	-	-	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
(A) Operations - Excluded From "CAPS" - (continued)						
<u>PUBLIC AND PRIVATE APPROPRIATIONS</u>						
<u>OFFSET BY REVENUES - (continued)</u>						
Contribution for Waterfront Access	\$ 125,000	\$ 125,000	\$ 125,000	\$ -	\$ -	\$ -
Safe Streets Transit Grant	-	205,000	205,000	-	-	-
State and Federal Grants	4,825,106	5,100,277	5,100,277	-	-	-
Other Items						
Poster Contest Donations	550	2,850	1,800	-	1,050	-
Ground Restoration	85,594	85,594	9,860	30,000	45,734	-
Fire Prevention Penalties	5,175	5,175	-	-	5,175	-
Towing Liens	10,741	10,741	-	-	10,741	-
Bayonne Housing Authority Salary Reimbursement	10,000	10,000	10,000	-	-	-
K-9 Donation Police Dept	1,090	1,090	-	-	1,090	-
Police O/E Reimbursement	5,106	5,106	5,106	-	-	-
Reimburse Public Works Salaries	1,500	1,500	1,500	-	-	-
Insurance Reimbursement - Hurricane Sandy	524,602	524,602	239,201	213,812	71,589	-
Police Department Donations	20,000	20,000	20,000	-	-	-
Donations - 16th Street Mural	-	2,176	1,956	-	220	-
Private Contributions for Public Events	7,000	7,000	7,000	-	-	-
	<u>5,496,464</u>	<u>5,776,111</u>	<u>5,396,700</u>	<u>243,812</u>	<u>135,599</u>	<u>-</u>
Total Operations - Excluded from "CAPS"	<u>8,238,263</u>	<u>8,517,910</u>	<u>8,061,465</u>	<u>269,758</u>	<u>186,687</u>	<u>-</u>
Detail:						
Other Expenses	8,238,263	8,517,910	8,061,465	269,758	186,687	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
(C) Capital Improvements- Excluded From "CAPS"						
Capital Improvement Fund	\$ 380,000	\$ 380,000	\$ 380,000	\$ -	\$ -	\$ -
4th Street Firehouse	10,000	10,000	10,000	-	-	-
Total Capital Improvement-Excluded From "CAPS"	<u>390,000</u>	<u>390,000</u>	<u>390,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
(D) Municipal Debt Service						
Bond Principal	1,676,000	1,676,000	1,675,218	-	-	782
Bond Anticipation and Capital Notes	3,050,000	3,050,000	3,049,297	-	-	703
Interest on Bonds	5,056,000	5,056,000	4,930,578	-	-	125,422
Interest on Notes	593,000	593,000	592,330	-	-	670
Green Trust Loan Program						
Loan Repayments for Principal and Interest	44,835	44,835	44,834	-	-	1
Demolition Loan Program	101,195	101,195	101,194	-	-	1
HCIA Lease Transaction	736,500	736,500	735,647	-	-	853
	<u>11,257,530</u>	<u>11,257,530</u>	<u>11,129,098</u>	<u>-</u>	<u>-</u>	<u>128,432</u>
(E) Deferred Charges-Municipal-Excluded from "CAPS"						
Emergency Authorizations	1,970,000	1,970,000	1,970,000	-	-	-
BLRA Dissolution	-	550,000	103,504	-	446,496	-
Total Deferred Charges-Municipal-Excluded From "CAPS"	<u>1,970,000</u>	<u>2,520,000</u>	<u>2,073,504</u>	<u>-</u>	<u>446,496</u>	<u>-</u>
(H-2) TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES - EXCLUDED FROM "CAPS"	<u>21,855,793</u>	<u>22,685,440</u>	<u>21,654,067</u>	<u>269,758</u>	<u>633,183</u>	<u>128,432</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
(I) Local District School Purposes - Excluded from "CAPS"						
<u>TYPE 1 DISTRICT SCHOOL DEBT</u>						
Payment of Bond Principal	\$ 6,039,000	\$ 6,039,000	\$ 6,038,601	\$ -	\$ -	\$ 399
Payment of Bond Anticipation notes	200,000	200,000	198,207	-	-	1,793
Interest on Bonds	4,285,000	4,285,000	4,284,085	-	-	915
Interest on Notes	120,000	120,000	117,095	-	-	2,905
	<u>10,644,000</u>	<u>10,644,000</u>	<u>10,637,988</u>	<u>-</u>	<u>-</u>	<u>6,012</u>
(O) TOTAL GENERAL APPROPRIATIONS - EXCLUDED FROM "CAPS"	<u>32,499,793</u>	<u>33,329,440</u>	<u>32,292,055</u>	<u>269,758</u>	<u>633,183</u>	<u>134,444</u>
(L) Subtotal General Appropriations	129,867,810	130,697,457	127,508,889	821,360	2,232,764	134,444
(M) Reserve for Uncollected Taxes	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u><u>\$ 132,867,810</u></u>	<u><u>\$ 133,697,457</u></u>	<u><u>\$ 130,508,889</u></u>	<u><u>\$ 821,360</u></u>	<u><u>\$ 2,232,764</u></u>	<u><u>\$ 134,444</u></u>
Budget As Adopted		\$ 132,867,810	\$ -			
Added by N.J.S.A. 40A:4-87		279,647	-			
Special Emergency		550,000	-			
Reserve for Uncollected Taxes		-	3,000,000			
Cash Disbursements		-	115,907,016			
Charges to Reimburse Trust Fund		-	554,762			
Reimbursements from Trust Fund		-	(3,704,216)			
Unemployment Appropriation - Trust Fund		-	35,000			
Deferred Charges		-	2,073,504			
Qualified Bonds Paid by State		-	7,158,069			
Capital Improvement Fund		-	380,000			
State and Federal Grants - Matching Funds		-	332,014			
State and Federal Grants		-	4,772,740			
Subtotal: General Appropriations Budgeted and Paid or Charged		133,697,457	130,508,889			
Appropriations Canceled		134,444	-			
		<u><u>\$ 133,563,013</u></u>	<u><u>\$ 130,508,889</u></u>			

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF CASH AND CASH EQUIVALENTS

Balance: December 31, 2012		\$ 35,666,594
Increased by:		
Miscellaneous Revenues Not Anticipated	\$ 2,953,069	
Taxes Receivable	163,321,167	
State Aid Receivable	2,094,410	
Revenue Accounts Receivable	42,187,631	
Interfunds	18,953,502	
Prepaid Taxes	556,558	
Tax Anticipation Notes	8,000,000	
State Sr. Citizen and Veteran Deductions	361,543	
Reserve for UEZ	61,049	
Tax Overpayments	2,304,341	
Other Reserves	<u>4,061,487</u>	
		<u>244,854,757</u>
		280,521,351
Decreased by:		
Refund of Prior Year Revenues	12,156	
Tax Overpayments	2,925,458	
Contracts Payable	25,346	
Interfunds	14,138,636	
Current Year Budget Appropriations	115,907,016	
Other Reserves	1,108,051	
Appropriation Reserves	3,636,597	
School Taxes Payable	58,810,195	
County Taxes Payable	27,916,637	
Special Improvement District Taxes Payable	119,781	
Tax Anticipation Notes	15,000,000	
Reserve for UEZ	<u>2,404,270</u>	
		<u>242,004,143</u>
Balance: December 31, 2013		<u><u>\$ 38,517,208</u></u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance: Dec. 31, 2012	2013 Levy	Added Taxes	Collections		Canceled	Transfer to Tax Title Liens	Balance: Dec. 31, 2013	
				By Cash Receipts - Net of Refunds Prior Year	By Discounts Current Year				
2012 & Prior	\$ 562,173	\$ -	\$ -	\$ -	\$ 240,333	\$ -	\$ 104,099	\$ -	\$ 217,741
CY 2013	-	165,793,169	165,598	571,935	163,080,834	327,973	1,918,581	35,528	23,916
	<u>\$ 562,173</u>	<u>\$ 165,793,169</u>	<u>\$ 165,598</u>	<u>\$ 571,935</u>	<u>\$ 163,321,167</u>	<u>\$ 327,973</u>	<u>\$ 2,022,680</u>	<u>\$ 35,528</u>	<u>\$ 241,657</u>

Tax Yield:

General Purpose	\$ 165,425,485
Special Improvement District	290,000
Added and Omitted Taxes	77,684
	<u>\$ 165,793,169</u>

Tax Levy:

Local District School Tax (Abstract)	
Levy	\$ 58,810,195
Addition to Local District School Tax	10,142,836
Total Local District School Tax (Abstract)	\$ 68,953,031
County Tax	
County Taxes (Abstract)	27,761,544
County Open Space Taxes	104,261
Added and Omitted County Taxes	13,153
Total County Tax	27,878,958
Special Improvement District Taxes	290,000
Library Tax	1,735,837
Local Tax for Municipal Purposes	
Local Tax for Municipal Purposes (Abstract)	66,527,584
Local Tax for Municipal Levied (Added)	330,075
Add: Additional Tax Levied	77,684
Local Tax for Municipal Purposes Levied	<u>66,935,343</u>
	<u>\$ 165,793,169</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF TAX TITLE LIENS

Balance: December 31, 2012	\$	546,136
Increased by:		
Transfer from Taxes Receivable		35,528
Balance: December 31, 2013	\$	581,664

SCHEDULE OF INTERGOVERNMENTAL RECEIVABLES

Balance: December 31, 2012	\$	3,438,533
Increased by:		
Accrued State Aid		9,330,965
		12,769,498
Decreased by:		
Qualified Bonds Paid by State	\$	7,158,069
Cash Receipts		2,094,410
		9,252,479
Balance: December 31, 2013	\$	3,517,019

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance: Dec. 31, 2012	Current Year Accruals	Collections	Balance: Dec. 31, 2013
Licenses:				
Alcoholic Beverage	\$ -	\$ 76,580	\$ 76,580	\$ -
Other	-	179,013	179,013	-
Fees and Permits	-	921,529	921,529	-
Fines and Costs - Municipal Court	116,645	1,964,475	1,932,288	148,832
Interest and Costs on Taxes	-	507,681	507,681	-
Interest on Investments and Deposits	-	48,577	48,577	-
Payments in Lieu of Taxes:				
Bayonne Housing Authority	-	350,000	-	350,000
Senior Horizons of Bayonne	-	37,000	37,000	-
Port Authority	-	4,629,891	4,629,891	-
Bayonne Community Action	-	7,000	-	7,000
Rents - City Owned Property	-	5,279	5,279	-
Alexan City View	-	2,040,000	2,040,000	-
Platty Kill Manor	-	180,000	180,000	-
Verizon Franchise Fee	-	123,092	123,092	-
Reimbursement from Housing Authority:				
Garbage Contract	240,000	120,000	-	360,000
Dumpsters	5,400	-	-	5,400
Other	100,000	-	-	100,000
Forestry Expenses	75,000	50,000	-	125,000
Bayonne Local Redevelopment Authority -				
Services for Peninsula at Bayonne Harbor	-	11,799	11,799	-
Private Contributions for Public Events	-	7,000	7,000	-
Relocation Assistance Fund	-	-	-	-
Uniform Fire Safety Act	-	-	-	-
Debt Service Reimbursement-Empire Golf	-	220,005	220,005	-
Indirect Cost Reimbursement-UCC	-	90,000	90,000	-
Peninsula at Bayonne Harbor Payment	-	29,800,000	29,800,000	-
Reimbursement - Board of Education	1,137,500	-	-	1,137,500
Reimbursement of Expenses - MUA	-	358,036	358,036	-
Uniform Fire Code Inspection Fees	-	121,050	121,050	-
Bayonne Hospital Recovery	-	-	-	-
FEMA Hurricane Sandy - 2013 Receipt	-	340,582	340,582	-
Parking Tax	-	447,619	447,619	-
Spectra Energy	-	240,000	240,000	-
Total Miscellaneous Revenues	\$ 1,674,545	\$ 42,876,208	\$ 42,317,021	\$ 2,233,732
			\$ 90,000	
			31,659	
			732	
			7,000	
			42,187,631	
			\$ 42,317,022	

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF DEFERRED CHARGES

	Balance: <u>Dec. 31, 2012</u>	<u>Authorized</u>	Budget <u>Appropriations</u>	Balance: <u>Dec. 31, 2013</u>
Special Emergency Appropriation	\$ 1,970,000	\$ -	\$ 1,970,000	\$ -
BLRA Dissolution	<u>-</u>	<u>550,000</u>	<u>-</u>	<u>550,000</u>
	<u>\$ 1,970,000</u>	<u>\$ 550,000</u>	<u>\$ 1,970,000</u>	<u>\$ 550,000</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: December 31, 2012		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
(A) Operations - within "CAPS"					
Office of the Mayor					
Salaries and Wages	\$ 604	\$ -	\$ 4	\$ -	4
Other Expenses	2,726	195	2,921	1,157	1,764
Planning Board					
Other Expenses	57,357	514	57,871	4,594	53,277
Board of Adjustment					
Other Expenses	17,392	-	17,392	4,262	13,130
Alcohol Beverage Control					
Other Expenses	349	-	349	-	349
Environmental Commission					
Other Expenses (N.J.S.A. 40:56A-1)	1,000	-	1,000	-	1,000
Rent Control Office					
Other Expenses	8,313	-	8,313	7,675	638
Business Administrator's Office					
Salaries and Wages	14	-	14	-	14
Other Expenses	80,279	13,456	150,235	81,849	68,386
Personnel Department					
Salaries and Wages	1,220	-	20	-	20
Telephone Expenses	6,670	-	6,670	50	6,620
Municipal Council					
Salaries and Wages	430	-	430	-	430
Other Expenses	3,078	-	3,078	455	2,623
Budget & Accounting Fees	20,000	-	20,000	10,000	10,000

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: December 31, 2012		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
City Clerk's Office					
Salaries and Wages	\$ 1,582	\$ -	\$ 82	\$ -	\$ 82
Other Expenses	1,602	775	4,377	2,705	1,672
Primary & General Elections					
Salaries and Wages	180	-	180	-	180
Other Expenses	12,683	-	5,983	5,875	108
Finance Director's Office					
Salaries and Wages	986	-	86	-	86
Tax Assessor					
Salaries and Wages	2,487	-	87	-	87
Collection of Taxes					
Salaries and Wages	784	-	84	-	84
Postage	249	-	249	-	249
Planning and Zoning					
Salaries and Wages	5,508	-	8	-	8
Other Expenses	344	260	1,604	696	908
Law Department					
Salaries and Wages	1,235	-	35	-	35
Other Expenses	471	807	9,778	8,942	836
Contracts	3,939	786	58,725	56,400	2,325
Board of Health					
Salaries and Wages	9,942	-	1,442	-	1,442
Other Expenses	52,378	42,864	101,242	60,770	40,472

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: December 31, 2012		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
Aid to PAL Day Care Center (NJSA 40:238.14)					
Other Expenses	\$ 16,300	\$ -	\$ 16,300	\$ -	\$ 16,300
Medical Services for Employees					
Other Expenses	4,425	-	4,425	-	4,425
Bayonne Health Center					
Other Expenses	3,841	-	3,841	3,841	-
Solid Waste Disposal					
Other Expenses	395,380	-	395,380	368,578	26,802
Solid Waste Collection					
Other Expenses	829,983	-	829,983	625,833	204,150
Fire Department					
Salaries and Wages (Non-Uniform Personnel)	7,665	-	165	-	165
Other Expenses	24,030	3,927	37,957	37,914	43
Salaries and Wages (Uniform Personnel)	39,240	-	84,240	84,240	-
Law Enforcement Personnel					
Non-Uniform Personnel					
Salaries and Wages	24,343	-	343	-	343
Other Expenses	2,513	-	2,513	460	2,053
Uniform Personnel					
Salaries and Wages	424,447	-	386,947	386,947	-
Other Expenses	90,704	14,083	104,787	74,574	30,213
Department of Public Works / Parks					
Snow Removal					
Salaries and Wages	39,443	-	43	43	-
Other Expenses	5,477	53,820	79,297	78,847	450

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: December 31, 2012		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
Department of Public Works / Parks - (continued)					
Swimming Pool					
Salaries and Wages	\$ 2,210	\$ -	\$ 210	\$ -	\$ 210
Other Expenses	158	-	2,158	2,129	29
Parks & Playgrounds - Recreational					
Salaries and Wages	9,109	-	509	-	509
Other Expenses	2,357	394	8,251	7,693	558
Streets and Road Maintenance					
Salaries and Wages	46,039	-	39	-	39
Other Expenses	48,664	13,928	70,592	70,592	-
Buildings and Grounds					
Salaries and Wages	5,406	-	406	-	406
Other Expenses	21,386	3,182	45,968	44,277	1,691
Vehicle Maintenance					
Salaries and Wages	3,311	-	211	-	211
Other Expenses	6,473	11,482	84,355	83,536	819
Maintenance of Parks					
Salaries and Wages	3,471	-	71	-	71
Other Expenses	3,007	2,238	14,145	13,504	641
Other Public Works					
Salaries and Wages	1,411	-	11	-	11
Other Expenses	1,303	-	11,303	8,885	2,418

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: December 31, 2012		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
Public Defender					
Other Expenses	\$ 6,892	\$ -	\$ 6,892	\$ 5,617	\$ 1,275
Bulk Levy Sale Expenses	13,857	-	13,857	6,400	7,457
Municipal Court					
Salaries and Wages	1,845	-	1,845	-	1,845
Other Expenses	26,787	6,056	32,843	14,513	18,330
Insurance: N.J.S.A. 40A:4-45.3(00)					
Employee Group Health	18,085	-	18,085	18,085	-
Unclassified					
Gasoline, Oil, Grease, Etc.	23,554	129	23,683	23,554	129
Older American Program	23,784	1,724	25,508	8,350	17,158
Utilities	648,694	70,000	600,594	382,057	218,537
(B) Contingent	750	-	750	300	450
(E) Deferred Charges and Statutory Expenditures - within "CAPS"					
<u>(2) STATUTORY EXPENDITURES</u>					
Contribution to:					
Public Employees Retirement System	87	-	87	-	87
Social Security System (O.A.S.I.)	8,979	-	8,979	157	8,822
Consolidated Police & Firemen's Pension Fund	653	-	653	-	653
Police & Fire Retirement System of NJ	584	-	584	-	584
Municipal Pensions to Employees/Widows	1,999	-	1,999	-	1,999

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance: December 31, 2012</u>		<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
	<u>Reserved</u>	<u>Encumbered</u>			
(A) Operations - Excluded from "CAPS"					
<u>GENERAL GOVERNMENT</u>					
Free Public Library	\$ 52,036	\$ 15,994	\$ 68,030	\$ 33,631	\$ 34,399
Hurricane Sandy Emergency	599,154	490,000	1,089,154	882,560	206,594
 <u>SHARED SERVICE AGREEMENTS</u>					
Bayonne Housing Authority					
Garbage Removal Contract	120,000	-	120,000	120,000	-
 <u>PUBLIC AND PRIVATE APPROPRIATIONS</u>					
<u>OFFSET BY REVENUES</u>					
Non-Grants:					
Poster Contest Donations	4,050	-	4,050	4,050	-
Relocation Assistance Fund	4,000	-	4,000	-	4,000
	<u>\$ 3,911,688</u>	<u>\$ 746,614</u>	<u>\$ 4,658,302</u>	<u>\$ 3,636,597</u>	<u>\$ 1,021,705</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Balance: December 31, 2012		\$ -
Increased by 50% of Levy for School Year:		
July 1, 2012 to June 30, 2013	29,113,958	
July 1, 2013 to June 30, 2014	29,696,237	
		58,810,195
Decreased by:		
Cash Disbursements		58,810,195
Balance: December 31, 2013		\$ -

Exhibit A-12

SCHEDULE OF COUNTY TAXES PAYABLE

Balance: December 31, 2012		\$ 50,832
Increased by:		
General County Taxes		
Levied	\$ 27,761,544	
Added and Omitted	13,083	
Open Space Tax		
Levied	104,261	
Added and Omitted	70	
		27,878,958
		27,929,790
Decreased by:		
Cash Disbursements		27,916,637
Balance: December 31, 2013		\$ 13,153

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF SPECIAL IMPROVEMENT DISTRICT TAX PAYABLE

Balance: December 31, 2012	\$	83,169
Increased by:		
2013 Levy		290,000
		373,169
Decreased by:		
Cash Disbursements		119,781
		119,781
Balance: December 31, 2013	\$	253,388

Exhibit A-14

SCHEDULE OF CONTRACTS PAYABLE

Balance: December 31, 2012	\$	26,420
Decreased by:		
Cash Disbursements		25,346
		25,346
Balance: December 31, 2013	\$	1,074

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF PREPAID TAXES

Balance: December 31, 2012	\$ 571,935
Increased by:	
Cash Receipts	556,558
	1,128,493
Decreased by:	
Applied to Current Year Taxes Receivable	571,935
	571,935
Balance: December 31, 2013	\$ 556,558

Exhibit A-16

SCHEDULE OF TAX OVERPAYMENTS

Balance: December 31, 2012	\$ 3,632,803
Increased by:	
Cash Receipts - Current Year Tax	2,304,341
	5,937,144
Decreased by:	
Cash Disbursements	2,925,458
	2,925,458
Balance: December 31, 2013	\$ 3,011,686

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF TAX ANTICIPATION NOTES PAYABLE

Balance: December 31, 2012	\$ 15,000,000
Increased by:	
Issued	8,000,000
	23,000,000
Decreased by:	
Cash Disbursements	15,000,000
	\$ 8,000,000
Balance: December 31, 2013	\$ 8,000,000

Date of Issue	Interest Rate	Maturity Date	Balance Due, Dec. 31, 2013
4/1/2013	1.93%	2/14/2014	\$ 8,000,000

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

Balance: December 31, 2012		\$ 742
Increased by:		
Cash Receipts	\$ 361,543	
Disallowed by Tax Collector: Senior Citizens' Deductions	47,528	
		409,071
		409,813
Decreased by:		
Senior Citizens' Deductions per Tax Billing	72,750	
Veterans' Deductions per Tax Billing	297,000	
Allowed by Tax Collector: Veterans' Deductions	1,750	
Senior Citizens' Deductions	4,000	
		375,500
Balance: December 31, 2013		\$ 34,313

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

Senior Citizens' and Veterans' Deductions		
Per Tax Billing		\$ 369,750
Add: Allowed by Tax Collector		
Senior Citizens' Deductions	\$ 4,000	
Veterans' Deductions	1,750	
		5,750
		375,500
Less: Disallowed by Tax Collector		
Senior Citizens' Deductions		47,528
		\$ 327,972

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR URBAN ENTERPRIZE ZONE FUNDS

Balance: December 31, 2012		\$ 7,174,580
Increased by:		
Cash Receipts		61,049
		7,235,629
Decreased by:		
Cash Disbursements		2,404,270
		\$ 4,831,359
Balance: December 31, 2013		

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVES FOR OTHER

128

	Balance Dec. 31, 2012	Increased by:	Decreased by Charges for:				Balance Dec. 31, 2013
		Cash Receipts	Cash Disbursements	Operations	Budget Revenue	Reimburse/Transfer From Grants	
Reserve for:							
BLRA - Land Sale resale	\$ -	\$ 744,626	\$ -	\$ -	\$ -	\$ -	\$ 744,626
BLRA Reserve	-	1,861,040	1,048,346	-	-	-	812,694
Cash Reserve for Debt Service - BLRA	-	1,341,438	-	-	-	-	1,341,438
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
Tree Replacement Fund	79,642	-	39,533	-	-	-	40,109
Handicapped Zone Fees	2,304	-	-	2,063	-	241	-
Developers Escrow Municipal Reimbursement	-	-	-	-	-	(28,137)	28,137
Fire Department Donations	-	-	-	-	-	(350)	350
9/11 Memorial Trust	5,000	-	-	-	-	-	5,000
Demolition Lien	16,223	-	-	-	-	-	16,223
Fire Prevention Penalties	28,318	-	-	-	-	-	28,318
Defibulator Donation	1,180	-	-	-	-	-	1,180
Towing Liens	10,741	4,450	-	-	10,741	-	4,450
Graffiti Restitution	29	-	-	29	-	-	-
Juvenile Restitution	9	-	-	9	-	-	-
Fire Prevention Poster Contest	550	6,080	-	-	550	-	6,080
Fire Prevention Penalties	5,175	2,415	(650)	-	5,175	-	3,065
Ground Restoration	85,594	24,062	1,500	-	85,594	-	22,562
Contributions - Homeland Security	5,000	-	-	-	-	-	5,000
Hurricane Sandy FEMA Reimbursement	358,036	-	-	-	358,036	-	-
BHA Salary Reimbursement	10,000	-	-	-	10,000	-	-
Reimbursement - Police OE	5,106	-	-	-	5,106	-	-
SID Donations	1,000	-	-	-	-	-	1,000

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVES FOR OTHER

129

	Balance	Increased by:		Decreased by Charges for:			Balance
	Dec. 31, 2012	Cash Receipts	Cash Disbursements	Operations	Budget Revenue	Reimburse/Transfer From Grants	Dec. 31, 2013
Reserve for:							
K-9 Dog Donation	\$ 1,090	\$ -	\$ -	\$ -	\$ 1,090	\$ -	\$ -
Reimbursement - Public Works Salaries	1,500	-	-	-	1,500	-	-
Marquis Smith Restitution	-	129	-	129	-	-	-
Sale of Assets:							
Police Auction	290,069	75,495	20,172	-	-	(728)	346,120
Interest Earned on Grant Accounts:							
Custom Border Control	3,355	1,273	-	-	-	-	4,628
Dept. of Justice - Equitable Sharing Funds	6,554	474	-	-	-	-	7,028
Energy Efficiency Grant	653	5	-	-	-	-	658
	<u>\$ 1,077,736</u>	<u>\$ 4,061,487</u>	<u>\$ 1,108,901</u>	<u>\$ 2,230</u>	<u>\$ 477,792</u>	<u>\$ (28,974)</u>	<u>\$ 3,579,274</u>
		Cash Disbursements	\$ 1,108,051				
		Due to Trust	850				
			<u>\$ 1,108,901</u>				

CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Program	Balance Dec. 31, 2012	Current Year Awards		Cash Receipts	Transfer from Unappropriated Reserve	Adjustments / Cancellation	Balance Dec. 31, 2013
		Original Budget	Added by NJSA 40A:4-87				
2007 Municipal Aid Program - Various Streets	\$ 87,569	\$ -	\$ -	\$ -	\$ -	\$ 87,569	\$ -
2012 SAFER Grant		2,828,770		589,773			2,238,997
2013 Local Aid Safe Streets to Transit Program			205,000				205,000
AIG Settlement	333					333	-
ANJEC Green Plan	15,000					15,000	-
Anti Abuse Act of 1986	29,523						29,523
Baker Residential Homes-Park	150,000						150,000
Bayonne Comprehensive Grant	40,500						40,500
Bayonne Housing Authority Police Grant	-	179,627			179,627		-
Bayonne Wayfinding - FY05	100,000					100,000	-
Bayonne Wayfinding Grant 2006	100,000					100,000	-
Bayonne Wayfinding Program IV	35,175					35,175	-
BHA - 35 Plus	10,000						10,000
Boat Ramp Fees	-	450			450		-
Body Armor Fund	-	16,262			16,262		-
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	-
Bulletproof Vest Grant	-	812			812		-
Bureau of Housing Inspection	-	5,371	44,685		50,056		-
CASCHEM Waterfront Park	3,750					3,750	-
Clean Communities Program	-						-
Comprehensive Traffic Safety Grant	13,700					13,700	-
Congregate Meals Program	560,823	474,872	2,500	741,324			296,871
Contribution for Waterfront Access		125,000		125,000			-
COPS Ahead Grant - Supplemental Universal Hiring	94,699						94,699
COPS Ahead Grant (95-CCWX-0097)	118,413						118,413
COPS in Shops	-	5,771			5,771		-

CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Program	Balance Dec. 31, 2012	Current Year Awards		Cash Receipts	Transfer from Unappropriated Reserve	Adjustments / Cancellation	Balance Dec. 31, 2013
		Original Budget	Added by NJSA 40A:4-87				
COPS More 2002 (02-CMWX-0173)	\$ 9,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,469
COPS Technology Grant - 2010	24						24
Custom Border Patrol	-	10,673			10,673		-
Department of Justice - Police S&W	16,017					16,017	-
Department of Justice Grant	125,719						125,719
Department of Justice OE/Federal Forfeiture Funds	-	258,607			258,607		-
Department of Justice Reimbursement Police Dept. III	10,203						10,203
Developer's Escrow Municipal Reimbursement	-	28,138			28,138		-
Donation - Empire Golf	172,000					172,000	-
Donation - Independence Day Celebration	20,000					20,000	-
Donations - Poster Contest			2,300			2,300	-
Donations - Walmart - 16th St Mural			2,176			2,176	-
DOT Discretionary Grant	153,223					153,223	-
DOT FY 2009 Grant	561,668					561,668	-
DOT Grant - Ave C Paving	347,933			5,589			342,344
DOT Paving Grant - FY 2011	397,524						397,524
DOT Paving Grant - FY 2012	401,500						401,500
DOT Pedestrian Bridge Grant	550,000						550,000
Drunk Driving Enforcement Grant	-	4,143			4,143		-
Edward Byrne Justice Assistance Grant	130,747			130,747			-
Emergency Management Grant	-		5,000	5,000			-
EPA Brownfields Grant	266,966						266,966
Fire House Construction Grant	3,210,742			2,813,155			397,587
FY2001 Transportation Trust Fund	50,000					50,000	-
Green Acres Grant	750,000						750,000
Ground Restoration	2,026					2,026	-
H1N1 Grant	33,644					33,644	-
Hazardous Discharge Site Grant	95,157					95,157	-

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CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Program	Balance Dec. 31, 2012	Current Year Awards		Cash Receipts	Transfer from Unappropriated Reserve	Adjustments / Cancellation	Balance Dec. 31, 2013
		Original Budget	Added by NJSA 40A:4-87				
Hazardous Discharge Site Remediation Muni. Grant	\$ 378,484	\$ -	\$ -	\$ -	\$ -	\$ 378,484	\$ -
Hazardous Discharge Site Remediation Muni. Grant #2	350,408					350,408	-
Hazardous Site Discharge Standard Tank '04	500					500	-
Hazmat Response Reimbursement	3,830					3,830	-
Hazmat Site Remediation Grant	13,848					13,848	-
Highway Traffic Pedestrian Grant		7,500			7,500		-
Home Delivered Meals	10,000						10,000
Homeland Security Grant	45,000					45,000	-
Homeland Security Grant - 2012	25,000						25,000
Hook Road Improvement	40,403						40,403
Hudson County Cultural & Heritage Affairs Grant	17,022						17,022
Hudson County Open Space Trust Fund	600,000			169,960			430,040
Hudson County Open Space Trust Fund - Museum	240,000						240,000
Hudson County Records Management/Paris Grant	25,000						25,000
Hurricane Irene Reimbursement	-	2,378			2,378		-
Individuals with Disabilities Program	420					420	-
Justice Assistance Grant Program - 2011	24,514						24,514
Justice Assistance Grant Program - 2012	19,208						19,208
Justice Assistance Grant Program - 2013			16,515				16,515
Justice Assistance Grant Program (JAG)	76						76
KABOOM Grant	9,000						9,000
Law Enforcement Block Grant II	27,107						27,107
Livable Communities-ADA	60,000					60,000	-
Local Bikeway Program	300,000					300,000	-
Local Bikeway Program FY05	162,500					162,500	-
Medication Management Grant	24,459						24,459
MLB Association Grant		8,852		8,852			-
MUA West Side Passive Park	271,618						271,618

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Program	Balance Dec. 31, 2012	Current Year Awards		Cash Receipts	Transfer from Unappropriated Reserve	Adjustments / Cancellation	Balance Dec. 31, 2013
		Original Budget	Added by NJSA 40A:4-87				
Municipal Alliance Grant	\$ -	\$ 33,778	\$ -	\$ -	\$ 33,778	\$ -	\$ -
NJ Tree Foundation	1,500						1,500
Older American Act of 1965	208,433	151,580	1,471	243,677	-	-	117,807
Physical Health Program	25,000					25,000	-
Police OT - DMV		76,125				76,125	-
Police Salary Reimbursement	-	35,253				35,253	-
Port Security Grant	22,500						22,500
Port Security Grant - 2010	398,100			132,680			265,420
Port Security Grant - 2011	815,000	70,000					885,000
Reimbursement - USDA	79,284					79,284	-
Reimbursement City Wide Communications System	-	24,022				24,022	-
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	-
Tree Replacement Funds	9,897			9,897			-
UASI Training - Fire Department	-	45,109				45,109	-
Uniform Fire Safety Act		100,000				100,000	-
US Dept. of Justice- DEA -Police OT	119,952						119,952
USA Swimming Foundation	23,022					23,022	-
	<u>\$ 13,963,915</u>	<u>\$ 4,493,093</u>	<u>\$ 279,647</u>	<u>\$ 4,975,654</u>	<u>\$ 878,704</u>	<u>\$ 3,554,817</u>	<u>\$ 9,327,480</u>
			\$ 4,493,093		Due to Current	\$ 4,476	
			279,647		Cancellation of Receivables	3,550,341	
			<u>\$ 4,772,740</u>			<u>\$ 3,554,817</u>	

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**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

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	Balance: December 31, 2012		Current Year Awards	Matching Funds	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2013	
	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	21,308	-				59		21,367
Law Enforcement Block Grant IX	49,918	-						49,918
COPS More (Technology)	4,742	-						4,742
COPS More (Grant Equipment)	-	-						-
COPS Technology	24	-						24
COPS Technology	445,092	-						445,092
COPS Universal Hiring Supplemental	305,833	-						305,833
COPS in Shops	28,364	-	5,771					34,135
COPS - Secure Our Schools (SOS)	62,245	-						62,245
Reimbursement of Police Salaries	-	-	35,253		35,253			-
Edward Byrne Justice Assistance Grant	40,754	-			40,754			-
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	125,614	-			73,314		19,388	32,912
Justice Assistance Grant - 2011	95	-						95
Justice Assistance Grant - 2012	19,208	-						19,208
Justice Assistance Grant - 2013	-	-	16,515					16,515
Byrne Formula / Community Partnership	27,674	-						27,674
Anti-Abuse Act of 1986	9,266	-						9,266
Domestic Violence Response Team	8,791	-						8,791
Police Vests or Bulletproof Armored Vests	37,401	-	812					38,213
Passed through USA Swimming Foundation								
Swimming Foundation Grant	21,064	-				(21,064)		-
Occupation Protection Project	8,634	-						8,634
Fire Station Construction - ARRA	5,308	2,554,895			1,758,776		801,408	19
Assistance to Firefighters Grant - ARRA	68,599	-						68,599
Assistance to Firefighters Grant - ARRA	5,901	20,172			20,672			5,401
Assistance to Firefighters Grant - ARRA	38	-						38

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: December 31, 2012		Current Year Awards	Matching Funds	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2013	
	Reserved	Encumbered					Encumbered	Reserved
FEDERAL GRANTS (continued)								
Federal Equitable Sharing:								
Drug Enforcement Agency	\$ 163,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,031
Drug Enforcement Agency	42,119	-						42,119
Reimbursement Police Department	72,183	8,775	258,607		84,700		9,406	245,459
Reimbursement Police Department	67,383	-						67,383
Reimbursement Police Department - S&W	-	-						-
2009 Port Security Grant	7,380	12,688			16,989			3,079
2011 Port Security Grant	815,000	-	70,000		44,053			840,947
Port Security Grant	296,905	-			12,500		4,999	279,406
Buffer Zone Protection Grant	49,992	-				(49,992)		-
Enhanced 911 General Assistance	5,464	-				(5,464)		-
Enhanced 911 General Assistance	615	-				(615)		-
Enhanced 911 Grant 2008	42,513	-						42,513
Customs and Border Control	16,855	65,732	10,673		43,432		4,489	45,339
UASI Training Reimbursement Fund	-	-	45,109					45,109
State Homeland Security Act	25,000	-				(25,000)		-
2012 Homeland Security Port Grant	25,000	-						25,000
Hook Road Improvement	92,624	-						92,624
EPA BrownFields Grant	268,150	-						268,150
NJ Inoperability Project Program	-	32,189					32,189	-
New Jersey Department of Transportation								
2009 Grant	187,692	-				(187,692)		-
Avenue C Paving	321,520	-			77,629			243,891
Paving Grant	-	-						-
Municipal Aid - Various Streets	86,755	62				(86,755)	62	-
New Jersey Department of Transportation								
Transportation Trust Fund - Discretionary Aid	87,559	-				(87,559)		-
Transportation Enhancement Program								
Phase I - Broadway Bayonne Streetscape	29,903	10,965				(29,903)	10,965	-
Phase II - Broadway Bayonne Streetscape	125,438	-				(125,438)		-
Phase III - Broadway Bayonne Streetscape	4,192	619				(4,192)	619	-
Phase IV - Broadway Bayonne Streetscape	-	1,540					1,540	-
Streetscape Program	-	254					254	-

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**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: December 31, 2012		Current Year Awards	Matching Funds	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2013	
	Reserved	Encumbered					Encumbered	Reserved
FEDERAL GRANTS (continued)								
New Jersey Department of Transportation (Continued)								
Pedestrian Bridge	\$ 514,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 514,028
Safe Routes to School Program	287,812	-	-	-	-	-	-	287,812
Bayonne Wayfinding Program	50,175	-	-	-	-	(50,175)	-	-
Settlement of Bid Bond Default-Street Paving	43,983	-	-	-	-	(43,983)	-	-
FY 11 DOT Paving Grant	163,543	-	-	-	-	-	-	163,543
Federal Emergency Management Agency								
FY 2012 SAFER Grant	-	-	2,828,770	-	1,006,117	-	-	1,822,653
Click it or Ticket	7,550	-	-	-	-	(7,550)	-	-
Occupant Protection Project/Make it Click 2001	4,017	-	-	-	-	(4,017)	-	-
Family Planning Services	8,254	-	-	-	-	(8,254)	-	-
Bayonne Comprehensive Community Grant	46,000	-	-	-	-	-	-	46,000
H1N1 Grant	33,644	-	-	-	-	(33,644)	-	-
Area Plan Grant - Older American Act	168,764	-	153,051	332,014	417,088	-	200	236,541
Congregate Meals Program	60,000	-	477,372	-	444,424	-	1,527	91,421
BHA - 35 Plus	10,000	-	-	-	-	-	-	10,000
Home Delivered Meals	10,000	-	-	-	10,000	-	-	-
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
Hurricane Irene Reimbursement	-	-	2,378	-	-	(2,378)	-	-
Energy Efficiency Block Grant - ARRA	2	6,154	-	-	(790)	-	-	6,946
Total Federal Grants	\$ 5,637,134	\$ 2,714,849	\$ 3,909,311	\$ 332,014	\$ 4,084,911	\$ (800,616)	\$ 887,850	\$ 6,819,931
STATE AND LOCAL GRANTS								
New Jersey Redevelopment Agency:								
Standard Tank Remediation Grant II	\$ 27,641	\$ 7,703	\$ -	\$ -	\$ -	\$ (27,641)	\$ 7,703	\$ -
Standard Tank Remediation Grant	25,000	1,688	-	-	-	(25,000)	1,688	-
Standard Tank Remediation Grant	6,064	-	-	-	-	(6,064)	-	-
Bureau of Housing Inspection	-	-	50,056	-	-	-	-	50,056

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: December 31, 2012		Current Year Awards	Matching Funds	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2013	
	Reserved	Encumbered					Encumbered	Reserved
STATE AND LOCAL GRANTS (continued)								
Smart Future Grant	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ (60,000)	\$ -	\$ -
Livable Communities Grant - ADA	60,000	-				(60,000)		
Municipal Alliance Grant	501,003	-	33,778					534,781
Hazardous Materials Emissions Permit	7,000	-				(7,000)		
Body Armor Replacement Fund	36,158	-	16,262		18,197			34,223
George Foreman Grant	3	-						3
Pedestrian Safety Enforcment and Education	57,049	-	7,500					64,549
Unregistered Vehicle Program	30,711	-				(30,711)		
Drunk Driving Enforcement Fund	6,235	-	4,143		6,638		1,217	2,523
Hepatitis B Grant	5,000	-				(5,000)		
Physical Health Program	752	-				(752)		
Smokeless Tobacco	49,910	-				(49,910)		
Alcohol Education and Rehabilitation	26,710	-						26,710
Tobacco Age of Sale Enforcement	3,770	-				(3,770)		
Library Archive Collection Fund	378	-				(378)		
Clean Communities Act	78,400	-			37,221			41,179
Recycling Tonnage Grant	15,726	-				(15,726)		
Green Acres Grant	500,000	-						500,000
Hazardous Discharge Site Remediation (HDSR)								
HDSR Municipal Grant	378,484	-				(378,484)		
HDSR Municipal Grant #2	31,856	-				(31,856)		
Hazardous Discharge Site	86,029	-				(86,029)		
Hazardous Discharge Site	72,760	-				(72,760)		
Hazmat Site Remediation Grant	5,247	-				(5,247)		
Department of Transportation								
Local Bikeway Program	51,771	-				(51,771)		
Safe Streets to Transit Program			205,000					205,000
Police Overtime - DMV	-	-	76,125		76,125			
Passed Through County of Hudson:								
Open Space Trust Fund	1,188,466	-						1,188,466
Open Space Trust Fund - Museum	70,998	-						70,998
Passed through Bayonne Municipal Utilities Authority:								
West Side Passive Park	9,313	-				(9,313)		

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: December 31, 2012		Current Year Awards	Matching Funds	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2013	
	Reserved	Encumbered					Encumbered	Reserved
STATE AND LOCAL GRANTS (continued)								
Police Auction Fund	\$ 30,401	\$ -	\$ -	\$ -	\$ 28,174	\$ (728)	\$ 1,499	\$ -
County of Hudson - Police Forfeiture Funds	51,523	-			1,525			49,998
Association of NJ Environmental Commissions (ANJEC)								
Land Use Planning Grants	1,744	-				(1,744)		-
440 Corridor Redevelopment Grant	318,552	-						318,552
Bayonne MUA Reimburse Police Vehicles	-	-						-
Bayonne Housing Authority Police Grant	-	-	179,627		179,627			-
Code Enforcement Program-Salaries and Wages	8,502	-				(8,502)		-
Developers' Escrow Municipal Reimbursement	-	-	28,138			(28,138)		-
Boat Ramp Fees	-	-	450			(450)		-
Eyeglass Service-Hudson County Elderly Program	195	-						195
Bench Plaque Donations	1,750	-						1,750
Faith Based Grant	8,750	-						8,750
Lite Air Packs	600	-						600
Contributions - Arson Equipment	1,395	-						1,395
Dogtopia - K-9 Unit	185	-				(185)		-
Fire Museum Donations	500	-				(500)		-
Contribution for Public Waterfront Access	125,000	-	125,000					250,000
New Jersey Tree Foundation	1,500	-						1,500
Fire Department Donations	350	-				(350)		-
Reimbursements - City Wide Communications	7,419	-	24,022		31,441			-
Special Purpose Grant - Museum	1,031	-				(1,031)		-
Handicap Zone Fees	-	-						-
Fire Digitizer Donation	500	-						500
Pet Smart Charities	15,297	-			3,939			11,358
KABOOM Grant	9,000	-						9,000
Safe and Secure Grant	-	-						-
GAAP Pilot Program Grant	-	-						-
Library Cultural Grant	8,750	-						8,750
Library Cultural Heritage Grant	-	-						-
Donation - 16th Street Mural	-	-	2,176			(2,176)		-
Donation - Poster Contest	-	-	2,300			(2,300)		-

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**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: December 31, 2012		Current Year Awards	Matching Funds	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2013	
	Reserved	Encumbered					Encumbered	Reserved
STATE AND LOCAL GRANTS (continued)								
Uniform Fire Safety Code (LEA)	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -	\$ -
MLB Grant			8,852		8,852			
Total State and Local Grants	<u>3,985,378</u>	<u>9,391</u>	<u>863,429</u>	<u>-</u>	<u>491,739</u>	<u>(973,516)</u>	<u>12,107</u>	<u>3,380,836</u>
	<u>\$ 9,622,512</u>	<u>\$ 2,724,240</u>	<u>\$ 4,772,740</u>	<u>\$ 332,014</u>	<u>\$ 4,576,650</u>	<u>\$ (1,774,132)</u>	<u>\$ 899,957</u>	<u>\$ 10,200,767</u>
				Total expended	\$ 4,584,355			
				Due to Current	<u>7,705</u>			
					<u>\$ 4,576,650</u>			
						Due to Current	\$ (33,692)	
						Cancellations	(1,740,499)	
						Program Income	<u>59</u>	
							<u>\$ (1,774,132)</u>	

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF UNAPPROPRIATED GRANT FUNDS

	Balance Dec. 31, 2012	Cash Receipts	Amount Budgeted	Cancelled	Balance Dec. 31, 2013
<u>STATE GRANTS</u>					
Municipal Alliance Grant	\$ 33,778	\$ 104,707	\$ 33,778		\$ 104,707
Body Armor Fund	16,262	20,365	16,262		20,365
Reimbursement City-Wide					
Communication System	8,878	15,144	24,022		-
State and Local Housing Inspection	5,909				5,909
Drunk Driving Enforcement Fund	4,143		4,143		-
Pedestrian Safety Grant	-	9,377			9,377
Police Overtime-Motor Vehicles	10,875	119,625	76,125		54,375
Bureau of Housing Inspection	5,371	45,399	50,056		714
Clean Communities Grant		93,029			93,029
Tree Replacement Funds		13,263			13,263
Uniform Fire Safety Code		113,875	100,000		13,875
<u>FEDERAL GRANTS</u>					
Department of Justice -					
Reimbursement - Federal Forfeiture Fun	5,488	309,881	258,607		56,762
Police Reimbursement Salaries	35,253	25,814	35,253		25,814
Highway Traffic Pedestrian Grant	7,500		7,500		-
COPS in Shops	5,771		5,771		-
Custom Border Patrol	-	16,692	10,673		6,019
Bulletproof Vest Grant Office	812		812		-
UASI Training - Fire Dept	45,109	53,851	45,109		53,851
Universal Hiring Grant	77,911				77,911
Hurricane Irene Reimbursement	2,378		2,378		-
<u>OTHER</u>					
Bayonne Housing Authority	179,627	458,625	179,627		458,625
Boat Ramp Fees	450	225	450		225
Developer's Escrow-Reimbursement	28,138		28,138		-
George Foreman Grant	-	25			25
Women's Health Fund	10			10	-
Private Contributions for Public Events	500	7,500	7,000		1,000
	<u>\$ 474,163</u>	<u>\$ 1,407,397</u>	<u>\$ 885,704</u>	<u>\$ 10</u>	<u>\$ 995,846</u>
Current Fund Non-Grant Revenue			\$ 7,000		
Grants Receivable			<u>878,704</u>		
			<u>\$ 885,704</u>		

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SUPPLEMENTARY DATA – TRUST FUNDS

**CITY OF BAYONNE
TRUST FUNDS
AS OF DECEMBER 31, 2013 AND 2012**

SCHEDULE OF ASSETS, LIABILITIES AND RESERVES - ALL TRUST FUNDS

	<u>Dog License</u>	<u>Insurance</u>	<u>Tax Lien Redemption</u>	<u>Housing and Urban Development Grant Fund</u>	<u>Other</u>	<u>Totals</u>	
						<u>December 31, 2013</u>	<u>December 31, 2012 (as restated)</u>
<u>Assets</u>							
Cash and Cash Equivalents	\$ 39,570	\$ 395,744	\$ 113,772	\$ -	\$ 23,362,690	\$ 23,911,776	\$ 6,515,747
Other Receivables	-	-	-	-	-	-	31,268
Interfunds Receivable	-	-	-	40	-	40	-
Grants Receivable:							
CDBG	-	-	-	2,958,019	-	2,958,019	2,974,337
Emergency Shelter	-	-	-	21,389	-	21,389	136,298
	<u>\$ 39,570</u>	<u>\$ 395,744</u>	<u>\$ 113,772</u>	<u>\$ 2,979,448</u>	<u>\$ 23,362,690</u>	<u>\$ 26,891,224</u>	<u>\$ 9,657,650</u>
<u>Liabilities, Reserves and Fund Balance</u>							
Cash Overdraft	\$ -	\$ -	\$ -	\$ 19,015	\$ -	\$ 19,015	\$ -
Interfunds Payable				200,000	125,237	325,237	725,597
Accounts Payable	-	-	-	-	16,418	16,418	34,810
Due to State of New Jersey	539	-	-	-	32,295	32,834	21,604
Reserve for:							
Dog Fund Expenditures	39,031	-	-	-	-	39,031	19,573
Insurance Fund Expenditures	-	395,744	-	-	-	395,744	274,562
Tax Lien Redemption	-	-	113,772	-	-	113,772	309,574
Grant Expenditures	-	-	-	2,760,433	-	2,760,433	2,304,890
Other Expenditures	-	-	-	-	23,188,740	23,188,740	5,967,040
	<u>\$ 39,570</u>	<u>\$ 395,744</u>	<u>\$ 113,772</u>	<u>\$ 2,979,448</u>	<u>\$ 23,362,690</u>	<u>\$ 26,891,224</u>	<u>\$ 9,657,650</u>

**CITY OF BAYONNE
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF CASH AND CASH EQUIVALENTS - ALL TRUST FUNDS

	Dog License	Insurance	Tax Lien Redemption	Housing and Urban Development Grant Fund	Other
Balance: December 31, 2012	\$ 20,061	\$ 274,562	\$ 309,574	\$ 5,294	\$ 5,906,256
Cash Receipts:					
Interfunds	-	-	-	593,035	7,632,930
Surcharges Due to State	3,296	-	-	-	109,199
Reserve for Expenditures	24,238	3,804,389	-	147,773	56,232,401
Other Expenditures	-	-	-	-	8
Grants Receivable	-	-	-	1,606,655	-
Other Reserves	-	-	6,508,335	-	-
	<u>27,534</u>	<u>3,804,389</u>	<u>6,508,335</u>	<u>2,347,463</u>	<u>63,974,538</u>
Cash Disbursements:					
Surcharges Due to State	3,245	-	-	-	98,020
Reserve for Expenditures	4,780	3,611,079	-	-	35,691,397
Other Expenditures	-	72,128	-	-	-
Interfunds	-	-	217,391	933,515	10,677,096
Other Reserves	-	-	6,486,746	1,438,257	51,591
	<u>8,025</u>	<u>3,683,208</u>	<u>6,704,137</u>	<u>2,371,772</u>	<u>46,518,104</u>
Balance: December 31, 2013	<u>\$ 39,570</u>	<u>\$ 395,744</u>	<u>\$ 113,772</u>	<u>\$ (19,015)</u>	<u>\$ 23,362,690</u>

**CITY OF BAYONNE
TRUST FUNDS - ANIMAL CONTROL TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

Balance: December 31, 2012	\$	488
Increased by:		
State License Fees Collected		3,296
		3,784
Decreased by:		
Cash Disbursements		3,245
		3,245
Balance: December 31, 2013	\$	539

Exhibit B-3

SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance: December 31, 2012	\$	19,573
Increased by:		
Dog License Fees Collected		24,238
		43,811
Decreased by:		
Cash Disbursements		4,780
		4,780
Balance: December 31, 2013	\$	39,031

License Fees Collected	
Year Ended,	Amount
Dec. 31, 2012	\$ 18,083
Dec. 31, 2011	20,948
	\$ 39,031

**CITY OF BAYONNE
TRUST FUNDS - INSURANCE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR INSURANCE EXPENDITURES

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	Balance: Dec. 31, 2012	Cash Receipts	Cash Disbursements		Balance: Dec. 31, 2013
			Insurance Expenditures	Reimburse Current Fund	
Disability	\$ 54,218	\$ 14,288	\$ -	\$ -	\$ 68,506
Employee Benefits	740	41,605	-	-	42,345
Unemployment Insurance	120,697	49,000	51,451	-	118,246
Workers' Compensation	60,467	1,879,638	1,875,318	-	64,788
Auto and General Liability Insurance	38,440	1,819,858	1,684,311	72,128	101,859
	\$ 274,562	\$ 3,804,389	\$ 3,611,079	\$ 72,128	\$ 395,744
Current Fund Appropriation		\$ 35,000			
Other Cash Receipts		3,769,389			
		\$ 3,804,389			

**CITY OF BAYONNE
TRUST FUNDS - TAX LIEN REDEMPTION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR TAX LIEN REDEMPTION

Balance: December 31, 2012		\$ 309,574
Increased by:		
Cash Receipts		6,508,335
		6,817,909
Decreased by:		
Cash Disbursements	\$ 6,486,746	
Disbursed to Current Fund	217,391	
	6,704,137	
Balance: December 31, 2013		\$ 113,772

CITY OF BAYONNE
TRUST FUNDS - HOUSING AND URBAN DEVELOPMENT GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

SCHEDULE OF GRANTS RECEIVABLE

	<u>Total</u>	<u>Emergency Shelter</u>	<u>CDBG</u>
Balance: December 31, 2012	\$ 2,770,635	\$ 136,298	\$ 2,634,337
Increased by:			
Authorizations	1,615,428	-	1,615,428
Due to Capital	200,000	-	200,000
	<u>4,586,063</u>	<u>136,298</u>	<u>4,449,765</u>
Decreased by:			
Cash Receipts	<u>1,606,655</u>	<u>114,909</u>	<u>1,491,746</u>
Balance: December 31, 2013	<u><u>\$ 2,979,408</u></u>	<u><u>\$ 21,389</u></u>	<u><u>\$ 2,958,019</u></u>

Exhibit B-7

SCHEDULE OF OTHER RECEIVABLES

Balance: December 31, 2012	\$ 31,268
Decreased by:	
Cancellation of Receivables	<u>31,268</u>
Balance: December 31, 2013	<u><u>\$ -</u></u>

**CITY OF BAYONNE
TRUST FUNDS - HOUSING AND URBAN DEVELOPMENT GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF INTERFUNDS RECEIVABLE/(PAYABLE)

	<u>Total</u>	<u>Capital Fund</u>	<u>Current Fund</u>	<u>Other Trust Fund</u>
Balance: December 31, 2012	\$ (502,307)	\$ (161,867)	\$ (440)	\$ (340,000)
Increased by:				
Charge to Capital Ordinance	161,867	161,867		
Cash Disbursements	933,515		593,515	340,000
	<u>593,075</u>	<u>-</u>	<u>593,075</u>	<u>-</u>
Decreased by:				
Grants Receivable	200,000	200,000		
Cash Receipts	593,035		593,035	
	<u>593,035</u>	<u>200,000</u>	<u>593,035</u>	
Balance: December 31, 2013	<u>\$ (199,960)</u>	<u>\$ (200,000)</u>	<u>\$ 40</u>	<u>\$ -</u>
Interfunds Receivable	\$ 40	\$ -	\$ 40	\$ -
Interfunds Payable	<u>(200,000)</u>	<u>(200,000)</u>		<u>-</u>
	<u>\$ (199,960)</u>	<u>\$ (200,000)</u>	<u>\$ 40</u>	<u>\$ -</u>

Exhibit B-9

SCHEDULE OF RESERVE FOR GRANT EXPENDITURES

	<u>Total</u>	<u>Emergency Shelter</u>	<u>CDBG</u>
Balance: December 31, 2012	\$ 2,304,890	\$ 136,298	\$ 2,168,592
Increased by:			
Program Income - Returned Funds	147,773	-	147,773
Adjustment	130,599	-	130,599
Authorizations	1,615,428	-	1,615,428
	<u>1,893,800</u>	<u>-</u>	<u>1,893,800</u>
Decreased by:			
Accounts Payable	1,438,257	114,909	1,323,348
	<u>1,438,257</u>	<u>114,909</u>	<u>1,323,348</u>
Balance: December 31, 2013	<u>\$ 2,760,433</u>	<u>\$ 21,389</u>	<u>\$ 2,739,044</u>

CITY OF BAYONNE
TRUST FUNDS - HOUSING AND URBAN DEVELOPMENT GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

SCHEDULE OF ACCOUNTS PAYABLE

Balance: December 31, 2012		\$ -
Increased by Charges to Reserve for:		
Emergency Shelter Grant	\$ 114,909	
Community Development Block Grant	<u>1,323,348</u>	
		<u>1,438,257</u>
		1,438,257
Decreased by:		
Cash Disbursements		<u>1,438,257</u>
Balance: December 31, 2013		<u><u>\$ -</u></u>

**CITY OF BAYONNE
TRUST FUNDS - OTHER TRUST
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF DUE FROM INTERFUNDS RECEIVABLE / (PAYABLE)

	Total	Current Fund	HUD Grant Fund
Balance: December 31, 2012	\$ 116,710	\$ (223,290)	\$ 340,000
Increased by:			
Reimbursements	554,763	554,763	-
Cash Disbursements	10,677,094	10,677,094	-
	<u>11,348,567</u>	<u>11,008,567</u>	<u>340,000</u>
Decreased by:			
Cancellation of Reserve	15,000	15,000	-
Budget Revenue - UCC Fees	90,000	90,000	-
Certificate of Occupancy Revenues	31,659	31,659	-
Reimburse Budget	3,704,215	3,704,215	-
Cash Receipts	7,632,930	7,292,930	340,000
	<u>11,473,804</u>	<u>11,133,804</u>	<u>340,000</u>
Balance: December 31, 2013	<u>\$ (125,237)</u>	<u>\$ (125,237)</u>	<u>\$ -</u>
Interfunds Receivable	\$ -	\$ -	\$ -
Interfunds Payable	<u>125,237</u>	<u>125,237</u>	<u>-</u>
	<u>\$ 125,237</u>	<u>\$ 125,237</u>	<u>\$ -</u>

**CITY OF BAYONNE
TRUST FUNDS - OTHER TRUST
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF ACCOUNTS PAYABLE

Balance: December 31, 2012	\$ 34,810
Increased by:	
Charges to Miscellaneous Reserves	16,418
	51,228
Decreased by:	
Prior Year Accounts Payable	34,810
	34,810
Balance: December 31, 2013	\$ 16,418

Exhibit B-13

SCHEDULE OF DUE TO STATE OF NEW JERSEY

	Total	Marriage Licenses	Civil Unions	DCA Fees
Balance: December 31, 2012	\$ 21,116	\$ 2,728	\$ -	\$ 18,388
Increased by:				
Cash Receipts	109,199	12,960	125	96,114
	130,315	15,688	125	114,502
Decreased by:				
Cash Disbursements	98,020	9,125	125	88,770
	98,020	9,125	125	88,770
Balance: December 31, 2013	\$ 32,295	\$ 6,563	\$ -	\$ 25,732

**CITY OF BAYONNE
TRUST - OTHER
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF MISCELLANEOUS RESERVES

Description	Balance: Dec. 31, 2012	Cash Receipts	Transfers and Adjustments	Cash Disbursements	Accounts Payable	Balance: Dec. 31, 2013
Cash Performance Bonds	\$ 1,105,349	\$ 990,369	\$ -	\$ 113,606	\$ -	\$ 1,982,112
Recycling Program	230,500	727,241	-	545,979	6,365	405,397
Police Reimbursements	261,205	3,729,541	-	3,315,756	-	674,990
Building Fines	742,494	166,426	-	12,106	3,035	893,779
Refund to Lien Buyers	1,386	-	-	-	-	1,386
Altha Real Estate	6,480	-	-	-	-	6,480
Contribution-Older American	145,772	44,808	-	44,078	7,019	139,483
Law Enforcement Trust Fund	31,259	20,628	-	11,315	-	40,572
Construction Deposits	15,000	-	(15,000)	-	-	-
Unclaimed Funds	12,245	-	-	-	-	12,245
Certificate of Occupation Fees	30,744	915	-	31,659	-	-
Reserve for Developer's Escrow	857,836	381,371	-	200,124	-	1,039,083
UCC Dedication by Rider	51,485	2,130,317	(51,591)	1,010,298	-	1,119,913
Affordable Housing Trust	1,039,324	117,298	-	6,543	-	1,150,079
Various Escrow Accounts	52,823	-	-	-	-	52,823
Fire Prevention Dedication Penalty	13,018	5,175	-	1,500	-	16,693
Reserve for POAA	46,860	38,507	-	6,615	-	78,752
Library State Aid	41,347	27,611	-	18,199	-	50,759
FSA Vantage Point	10,568	59,813	-	60,877	-	9,504
Library Fines and Fees	47,882	21,661	-	16,352	-	53,191
UCC Salary Reimbursement	172	-	-	172	-	-
Chapter 25th Street/Sidewalk	19,500	25,500	-	-	-	45,000
Payroll Deduction	896,777	33,581,573	-	33,434,153	-	1,044,197
Elevator Inspection Fee	306,939	61,489	-	368,428	-	-

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**CITY OF BAYONNE
TRUST - OTHER
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF MISCELLANEOUS RESERVES

Description	Balance: Dec. 31, 2012	Cash Receipts	Transfers and Adjustments	Cash Disbursements	Accounts Payable	Balance: Dec. 31, 2013
Employee Health Benefits	\$ -	\$ 430,672	\$ -	\$ 319,426	\$ -	\$ 111,246
Whittaker Restitution	85	-	-	85	-	-
BLRA Escrow	-	14,261,058	-	-	-	14,261,058
Other	(10)	-	8	-	-	(2)
	<u>\$ 5,967,040</u>	<u>\$ 56,821,973</u>	<u>\$ (66,583)</u>	<u>\$ 39,517,271</u>	<u>\$ 16,419</u>	<u>\$ 23,188,740</u>
Other Cash Activity		\$ 56,232,401	\$ (51,583)	\$ 35,691,397		
Accounts Payable		34,810	-	-		
Interfund - Current Fund:						
Budgeted Revenue - UCC Fees		-	-	90,000		
Certificate of Occupancy Revenues		-	-	31,659		
Cancellation of Reserve		-	(15,000)	-		
Budget Reimbursements		554,762	-	3,704,215		
		<u>\$ 56,821,973</u>	<u>\$ (66,583)</u>	<u>\$ 39,517,271</u>		

SUPPLEMENTARY DATA – CAPITAL FUND

**CITY OF BAYONNE
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2013 AND 2012**

SCHEDULE OF ASSETS, LIABILITIES AND RESERVES

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 1,791,615	\$ 2,155,020
Grants Receivable	1,521,827	1,118,347
Interfunds Receivable - HUD Grants Trust Fund	200,000	161,867
Deferred Charges to Future Taxation:		
Funded	190,596,100	185,221,403
Unfunded	91,784,860	27,307,364
Total Assets	\$ 285,894,402	\$ 215,964,001
 <u>Liabilities, Reserves and Fund Balance</u>		
Fiscal Year Adjustment Bonds Payable	\$ 1,300,000	\$ 1,905,000
General Serial Bonds Payable	108,858,212	96,703,429
School Serial Bonds Payable	79,833,211	85,871,811
Green Trust Loan Payable	305,411	343,564
Demolition Loan Payable	299,266	397,599
Bond Anticipation Notes Payable	75,087,041	19,401,338
School Promissory Notes Payable	7,347,959	7,546,166
Improvement Authorizations:		
Funded	1,168,866	347,892
Unfunded	7,955,066	947,418
Contracts Payable	616,387	159,610
Interfunds Payable - Current Fund	327	49
Capital Improvement Fund	620,577	1,540,577
Reserve for Capital Improvements-Veteran's Stadium	25,000	-
Reserve for Capital Improvements-Hurricane Sandy	1,677,531	-
Reserve for Debt Retirement	626,596	626,596
	<u>285,721,450</u>	<u>215,791,049</u>
Fund Balance	<u>172,952</u>	<u>172,952</u>
Total Liabilities, Reserves and Fund Balance	\$ 285,894,402	\$ 215,964,001

There were Bonds and Notes Authorized But Not Issued of \$9,349,860 and \$359,860 at December 31, 2013 and 2012, respectively

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF FUND BALANCE

Balance: December 31, 2013 and 2012

\$ 172,952

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

ANALYSIS OF CASH AND INVESTMENTS

	Balance Dec. 31, 2012	Receipts	Disbursements		Transfers		Balance, Dec. 31, 2013
			Improvement Authorizations	Miscellaneous	From	To	
Capital Improvement Fund	\$ 1,540,577	\$ 380,000	\$ -	\$ -	\$ 1,300,000	\$ -	\$ 620,577
Due to (from) Current Fund	49	1,942,084	-	1,941,806	-	-	327
Due to (from) CDBG Trust	(161,867)	161,867	-	200,000	-	-	(200,000)
Grants Receivable	(1,118,347)	-	-	-	403,480	-	(1,521,827)
Contracts Payable	159,610	854,530	-	397,753	-	-	616,387
Reserve for Debt Retirement	626,596	-	-	-	-	-	626,596
Reserve for Veteran's Stadium Improvements	-	25,000	-	-	-	-	25,000
Reserve for Hurricane Sandy Improvements	-	1,677,531	-	-	-	-	1,677,531
Fund Balance	172,952	-	-	-	-	-	172,952
Improvement Authorizations:							
O-93-33 Acquisition of Land	(15,318)	-	-	-	-	-	(15,318)
O-95-39 Various School Building Improvements	(300)	-	-	-	-	-	(300)
O-96-02 Refunding of Tax Appeals	(560)	-	-	-	-	-	(560)
O-99-14 Various Capital Improvements	63,324	-	-	-	-	-	63,324
O-99-31 Demolition of Unsafe Buildings	(6,313)	-	-	-	-	-	(6,313)
O-01-12 Various Capital Improvements	(27,293)	-	-	-	-	-	(27,293)
O-03-24 Various Capital Improvements	19,568	-	5,576	-	-	-	13,992
O-03-32 Various Capital Improvements	(330)	-	-	-	-	-	(330)
O-04-02 Acquisition of an Easement in Land	69,342	-	-	-	-	-	69,342
O-07-02 Various Infrastructure Improvements	151,781	-	-	-	-	-	151,781
O-07-43 Bayonne Medicare Center	28,383	-	-	-	-	-	28,383
O-11-02 Refunding of Tax Appeals	388,166	-	388,166	-	-	-	-
O-12-39 Street Paving / Public Works Vehicles	265,000	-	228,400	-	-	-	36,600
O-13-07 Various Capital Improvements	-	-	245,050	-	-	1,100,000	854,950
O-13-13 Refunding of Tax Appeals	-	-	1,594,186	-	-	-	(1,594,186)
O-13-26 Reconstruction/Paving Various Streets	-	-	403,480	-	-	403,480	-
O-13-31 Paving of Various Streets	-	-	-	-	-	200,000	200,000
	<u>\$ 2,155,020</u>	<u>\$ 5,041,012</u>	<u>\$ 2,864,858</u>	<u>\$ 2,539,559</u>	<u>\$ 1,703,480</u>	<u>\$ 1,703,480</u>	<u>\$ 1,791,615</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

ANALYSIS OF CASH AND CASH EQUIVALENTS ENDING BALANCE

	Balance, Dec. 31, 2013	Balance Sheet Accounts	Improvement Authorizations		Deferred Charges To	Notes Issued
			Funded	Unfunded	Future Taxation Unfunded	
Capital Improvement Fund	\$ 620,577	\$ 620,577	\$ -	\$ -	\$ -	\$ -
Due to (from) Current Fund	327	327	-	-	-	-
Due to (from) CDBG Trust	(200,000)	(200,000)	-	-	-	-
Grants Receivable	(1,521,827)	(1,521,827)	-	-	-	-
Contracts Payable	616,387	616,387	-	-	-	-
Reserve for Debt Retirement	626,596	626,596	-	-	-	-
Reserve for Capital Improvements-Veteran's Stadium	25,000	25,000	-	-	-	-
Reserve for Capital Improvements-Hurricane Sandy	1,677,531	1,677,531	-	-	-	-
Fund Balance	172,952	172,952	-	-	-	-
Improvement Authorizations:						
O-93-33 Acquisition of Land	(15,318)	-	-	-	(15,318)	-
O-95-39 Various Improvements to School Buildings	(300)	-	-	-	(300)	-
O-96-02 Refunding of Tax Appeals	(560)	-	-	-	(184,982)	184,422
O-99-14 Various Capital Improvements	63,324	-	63,324	-	-	-
O-99-31 Demolition of Unsafe Buildings	(6,313)	-	-	309,213	(315,526)	-
O-01-12 Various Capital Improvements	(27,293)	-	-	-	(27,293)	-
O-03-24 Various Capital Improvements	13,992	-	13,992	533	(533)	-
O-03-32 Various Capital Improvements	(330)	-	-	-	(330)	-
O-04-02 Acquisition of an Easement in Land	69,342	-	-	69,342	(6,410,875)	6,410,875
O-06-35 Citywide Communication Systems	-	-	-	-	(3,472,360)	3,472,360
Improvement Authorizations (continued):						
O-07-02 Various Infrastructure Improvements	\$ 151,781	\$ -	\$ -	\$ 151,781	\$ (1,024,816)	\$ 1,024,816

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**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

ANALYSIS OF CASH AND CASH EQUIVALENTS ENDING BALANCE

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	Balance, Dec. 31, 2013	Balance Sheet Accounts	Improvement Authorizations		Deferred Charges To Future Taxation Unfunded	Notes Issued
			Funded	Unfunded		
O-07-43 Bayonne Medicare Center	28,383	-	-	28,383	(3,025,000)	3,025,000
O-07-44 Refunding Tax Appeals	-	-	-	-	(860,568)	860,568
O-09-23 Various School Improvements	-	-	-	-	(7,347,959)	7,347,959
O-11-02 Refunding of Tax Appeals	-	-	-	-	(1,374,000)	1,374,000
O-12-39 Street Paving / Public Works Vehicles	36,600	-	36,600	-	-	-
O-13-03 School Refunding Bonds	-	-	-	3,700,000	(3,700,000)	-
O-13-07 Various Capital Improvements	854,950	-	854,950	-	-	-
O-13-13 Refunding of Tax Appeals	(1,594,186)	-	-	655,814	(2,250,000)	-
O-13-23 BLRA Dissolution	-	-	-	3,040,000	(61,775,000)	58,735,000
O-13-31 Paving of Various Streets	200,000	-	200,000	-	-	-
	<u>\$ 1,791,615</u>	<u>\$ 2,017,543</u>	<u>\$ 1,168,866</u>	<u>\$ 7,955,066</u>	<u>\$ (91,784,860)</u>	<u>\$ 82,435,000</u>
					Bond Anticipation Notes	\$ 75,087,041
					School Promissory Notes	7,347,959
						<u>\$ 82,435,000</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance: December 31, 2012		\$ 185,221,403
Increased By:		
General Serial Bonds		<u>13,225,000</u>
		198,446,403
Decreased by Payments for:		
General Serial Bonds Payable	\$ 1,070,217	
Fiscal Year Adjustment Bonds	605,000	
School Serial Bonds	6,038,600	
State Loans Payable:		
Green Trust Loans	38,153	
Demolition Loans	<u>98,333</u>	
		<u>7,850,303</u>
Balance: December 31, 2013		<u><u>\$ 190,596,100</u></u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ordinance Number	Improvement Description	Balance Dec. 31, 2012	Improvement Authorizations	Notes Issued	Paid by Budget Appropriation	Balance Dec. 31, 2013	Analysis of Ending Balance		Non-Financed Improvement Authorizations	
							Notes Payable	Bonds & Notes Authorized But Not Issued	Expended	Unexpended
City Improvements:										
O-93-33	Acquisition of Land	\$ 15,318	\$ -	\$ -	\$ -	\$ 15,318	\$ -	\$ 15,318	\$ 15,318	\$ -
O-96-02	Refunding of Tax Appeals	405,269	-	-	220,287	184,982	184,422	560	560	-
O-99-31	Demolition of Unsafe Buildings	315,526	-	-	-	315,526	-	315,526	6,313	309,213
O-00-43	Various Capital Improvements	-	-	-	-	-	-	-	-	-
O-01-12	Various Capital Improvements	27,293	-	-	-	27,293	-	27,293	27,293	-
O-02-37	Refunding of Certain Unfunded Pension Liabilities	-	-	-	-	-	-	-	-	-
O-02-45	Local Aid for Street Improvements	-	-	-	-	-	-	-	-	-
O-03-24	Various School Improvements	533	-	-	-	533	-	533	-	533
O-04-02 /										
O-06-01	Acquisition / Easement of Land	6,499,484	-	-	88,609	6,410,875	6,410,875	-	-	-
O-04-10	Waterfront Park Development	187,744	-	-	187,744	-	-	-	-	-
O-06-35	Citywide Communication System	4,006,572	-	-	534,212	3,472,360	3,472,360	-	-	-
O-07-02	Various Capital Improvements	1,335,260	-	-	310,444	1,024,816	1,024,816	-	-	-
O-07-43	Bayonne Medical Center	3,875,000	-	-	850,000	3,025,000	3,025,000	-	-	-
O-07-44	Refunding of Tax Appeals	1,260,569	-	-	400,001	860,568	860,568	-	-	-
O-11-02	Refunding of Tax Appeals	1,832,000	-	-	458,000	1,374,000	1,374,000	-	-	-
O-13-13	Refunding Tax Appeals	-	2,250,000	-	-	2,250,000	-	2,250,000	1,594,186	655,814
O-13-23	BLRA Dissolution	-	3,040,000	58,735,000	-	61,775,000	58,735,000	3,040,000	-	3,040,000
School Improvements:										
O-95-39	Various Improvements to School Buildings	300	-	-	-	300	-	300	300	-
O-03-32	Various School Improvements	330	-	-	-	330	-	330	330	-
O-09-23	Various School Improvements	7,546,166	-	-	198,207	7,347,959	7,347,959	-	-	-
O-13-03	School Refunding Bonds	-	3,700,000	-	-	3,700,000	-	3,700,000	-	3,700,000
		<u>\$ 27,307,364</u>	<u>\$ 8,990,000</u>	<u>\$ 58,735,000</u>	<u>\$ 3,247,504</u>	<u>\$ 91,784,860</u>	<u>\$ 82,435,000</u>	<u>\$ 9,349,860</u>	<u>\$ 1,644,300</u>	<u>\$ 7,705,560</u>
	Bond Anticipation Notes Payable				\$ 3,049,297		\$ 75,087,041			
	School Promissory Notes Payable				198,207		7,347,959			
					<u>\$ 3,247,504</u>		<u>\$ 82,435,000</u>			

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**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF GRANTS RECEIVABLE

	<u>Balance Dec. 31, 2012</u>	<u>New Grants Awarded</u>	<u>Balance Dec. 31, 2013</u>
New Jersey Department of Transportation	\$ 329,347	\$ 403,480	\$ 732,827
Green Trust	767,000	-	767,000
Community Development Block Grant	<u>22,000</u>	<u>-</u>	<u>22,000</u>
	<u>\$ 1,118,347</u>	<u>\$ 403,480</u>	<u>\$ 1,521,827</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF GENERAL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Balance Dec. 31, 2012	Increase	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Maturity Date	Principal Amount	Interest Rate				
Early Retirement Incentive Program Refunding Bonds	1/15/2003	\$ 15,795,000	1/15/2014	\$ 220,000	5.050%	\$ 15,620,000	\$ -	\$ 150,000	\$ 15,470,000
			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 YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF GENERAL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Balance Dec. 31, 2012	Increase	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Maturity Date	Principal Amount	Interest Rate				
Capital Appreciation Bonds	7/3/2003	\$ 6,123,000	7/1/2014	\$ 450,077	4.210%	\$ 5,118,429	\$ -	\$ 475,217	\$ 4,643,212
			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	8/1/2014	270,000	5.000%	8,650,000	-	315,000	8,335,000
			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%				
			8/1/2023	650,000	5.000%				
			8/1/2024	650,000	5.000%				
			8/1/2025	1,495,000	5.000%				

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF GENERAL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Balance Dec. 31, 2012	Increase	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Maturity Date	Principal Amount	Interest Rate				
General Improvement Infrastructure Bond	6/24/2009	\$ 67,625,000	7/1/2014	\$ 145,000	5.000%	\$ 67,315,000	\$ -	\$ 130,000	\$ 67,185,000
			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%				
			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%							

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF GENERAL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Balance Dec. 31, 2012	Increase	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Maturity Date	Principal Amount	Interest Rate				
Redevelopment Agency Revenue Bond	8/15/2013	\$ 13,225,000	4/1/2014	\$ 210,000	5.400%	\$ -	\$ 13,225,000	\$ -	\$ 13,225,000
			4/1/2015	220,000	6.375%				
			4/1/2016	235,000	6.375%				
			4/1/2017	250,000	6.375%				
			4/1/2018	270,000	6.375%				
			4/1/2019	285,000	6.375%				
			4/1/2020	305,000	7.125%				
			4/1/2021	325,000	7.125%				
			4/1/2022	350,000	7.125%				
			4/1/2023	375,000	7.125%				
			4/1/2024	400,000	7.125%				
			4/1/2025	430,000	7.375%				
			4/1/2026	460,000	7.375%				
			4/1/2027	495,000	7.375%				
			4/1/2028	530,000	7.375%				
			4/1/2029	570,000	7.375%				
			4/1/2030	610,000	7.625%				
			4/1/2031	660,000	7.625%				
			4/1/2032	710,000	7.625%				
			4/1/2033	760,000	7.625%				
4/1/2034	820,000	7.625%							
4/1/2035	885,000	7.625%							
4/1/2036	950,000	7.625%							
4/1/2037	1,020,000	7.625%							
4/1/2038	1,100,000	7.625%							
						<u>\$ 96,703,429</u>	<u>\$ 13,225,000</u>	<u>\$ 1,070,217</u>	<u>\$ 108,858,212</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF FISCAL YEAR ADJUSTMENT BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2013		Interest Rate	Balance Dec. 31, 2012	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Maturity Date	Principal Amount				
Fiscal Year Adjustment	4/1/2003	\$ 4,100,000	1/5/2014	\$ 635,000	4.500%	\$ 1,905,000	\$ 605,000	\$ 1,300,000
Refunding Bonds, Series 2003			1/5/2015	665,000	5.000%			
						\$ 1,905,000	\$ 605,000	\$ 1,300,000

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF SCHOOL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Balance Dec. 31, 2012	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Maturity Date	Principal Amount	Interest Rate			
School Refunding Bonds	10/15/1998	\$ 13,225,000	05/01/2014	\$ 1,105,000	5.000%	\$ 1,105,000	\$ -	\$ 1,105,000
School Refunding Bonds	04/01/2003	3,965,000	01/15/2016	410,000	5.000%	3,965,000	-	3,965,000
			01/15/2017	435,000	5.000%			
			01/15/2018	455,000	5.250%			
			01/15/2019	480,000	5.250%			
			01/15/2020	505,000	5.500%			
			01/15/2021	530,000	5.500%			
			01/15/2022	560,000	5.500%			
			01/15/2023	590,000	5.500%			
Capital Appreciation Bonds	02/15/2003	4,753,739	02/15/2014	374,802	4.298%	3,434,147	400,062	3,034,085
			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 YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF SCHOOL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Balance Dec. 31, 2012	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Maturity Date	Principal Amount	Interest Rate			
Capital Appreciation Bonds	07/03/2003	\$ 12,381,097	07/01/2014	\$ 1,101,024	4.010%	\$ 11,182,664	\$ 1,148,538	\$ 10,034,126
			07/01/2015	1,048,950	4.170%			
			07/01/2016	1,051,052	4.340%			
			07/01/2017	999,640	4.460%			
			07/01/2018	1,100,580	4.560%			
			07/01/2019	1,050,637	4.660%			
			07/01/2020	989,235	4.750%			
			07/01/2021	935,966	4.840%			
			07/01/2022	875,614	4.910%			
			07/01/2023	881,427	4.960%			
School Bonds	12/15/2004	55,309,000	07/15/2014	2,500,000	4.250%			
			07/15/2015	6,609,000	4.25%/5%			
			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%			
			07/15/2022	3,500,000	4.400%			
			07/15/2023	3,500,000	4.500%			
			07/15/2024	3,700,000	4.500%			

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF SCHOOL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Interest Rate	Balance Dec. 31, 2012	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Maturity Date	Principal Amount					
School Bonds (NJ School Bond Reserve Act P.L. 1980, c. 72)	10/24/2008	\$ 15,636,000	08/01/2014	\$ 100,000	6.000%	\$ 15,386,000	\$ 100,000	\$ 15,286,000	
			08/01/2015	300,000	6.000%				
			08/01/2016	325,000	6.000%				
			08/01/2017	350,000	6.000%				
			08/01/2018	375,000	6.000%				
			08/01/2019	400,000	6.000%				
			08/01/2020	400,000	6.000%				
			08/01/2021	425,000	6.000%				
			08/01/2022	450,000	6.000%				
			08/01/2023	475,000	6.000%				
			08/01/2024	500,000	6.000%				
			08/01/2025	500,000	6.000%				
			08/01/2026	750,000	6.000%				
			08/01/2027	2,250,000	6.000%				
			08/01/2028	2,500,000	6.000%				
			08/01/2029	2,750,000	6.000%				
			08/01/2030	2,436,000	6.250%				

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF SCHOOL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Balance Dec. 31, 2012	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Maturity Date	Principal Amount	Interest Rate			
Early Retirement Incentive Funding Bonds	05/07/2009	\$ 10,920,000	06/01/2014	\$ 820,000	4.954%	\$ 8,780,000	\$ 780,000	\$ 8,000,000
			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	03/09/2010	8,880,000				1,310,000	1,310,000	-
						<u>\$ 85,871,811</u>	<u>\$ 6,038,600</u>	<u>\$ 79,833,211</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF GREEN TRUST LOANS PAYABLE

Description of Loan	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Balance Dec. 31, 2012	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Date	Interest	Principal			
1983 Green Trust	1998	\$ 450,000	3/9/2014	\$ 1,198	\$ 12,793	\$ 145,056	\$ 25,207	\$ 119,849
			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			
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						
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						

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF GREEN TRUST LOANS PAYABLE

Description of Loan	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Balance Dec. 31, 2012	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Date	Interest	Principal			
1995 GFB (continued)			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	2/10/2014	685	2,424	73,251	4,777	68,474
			8/10/2014	661	2,449			
			2/10/2015	636	2,473			
			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			

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF GREEN TRUST LOANS PAYABLE

Description of Loan	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Balance	Paid By	Balance
	Date	Amount	Date	Interest	Principal	Dec. 31, 2012	Budget Appropriation	Dec. 31, 2013
95GT			2/10/2019	\$ 431	\$ 2,678	\$ -	\$ -	\$ -
(continued)			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			
						\$ 343,564	\$ 38,153	\$ 305,411

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF DEMOLITION LOAN PAYABLE

Description of Loan	Original		Maturities of Bonds Outstanding			Interest Rate	Balance Dec. 31, 2012	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date of Issue	Amount	Date	December 31, 2013 Amount					
Demolition Loan	10/23/2006	\$ 450,000	10/23/2014	\$ 99,041	0.720%	\$ 397,599	\$ 98,333	\$ 299,266	
			10/23/2015	99,754	0.720%				
			10/23/2016	100,471	0.720%				
						<u>\$ 397,599</u>	<u>\$ 98,333</u>	<u>\$ 299,266</u>	

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

Exhibit C-11

SCHEDULE OF GENERAL BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Purpose	Original		Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2012	New Issues	Refunded	Paid by Budget Appropriation	Balance Dec. 31, 2013
		Date of Issue	Amount								
HCIA Tax-Exempt County-Guaranteed Pooled Notes, Series 2012 M-1 (Local Unit Loan Program)											
O-07-02	Various Capital Improvements	03/09/2007	\$ 1,690,000	08/07/2012	08/07/2013	1.500%	\$ 1,335,260	\$ -	\$ (1,024,816)	\$ 310,444	\$ -
O-06-35	Citywide Communication Systems	03/09/2007	5,075,000	08/07/2012	08/07/2013	1.500%	4,006,572	-	(3,472,360)	534,212	-
O-04-10	Passive Waterfront Development	12/09/2004	500,000	08/07/2012	08/07/2013	1.500%	187,744	-	-	187,744	-
O-04-02 / O-06-01	Acquisition / Easement of Land	05/13/2005	7,000,000	08/07/2012	08/07/2013	1.500%	6,499,484	-	(6,410,875)	88,609	-
O-07-44	Refunding Tax Appeals	06/30/2008	2,800,000	08/07/2012	08/07/2013	1.500%	1,260,569	-	(860,568)	400,001	-
O-96-02	Refunding of Tax Appeals	12/09/2003	3,248,000	08/07/2012	08/07/2013	1.500%	404,709	-	(184,422)	220,287	-
HCIA Federally Taxable County-Guaranteed Pooled notes, Series 2012 M-2 (Local Unit Loan Program)											
O-07-43	Bayonne Medical Center	11/26/2007	6,200,000	08/07/2012	08/07/2013	1.860%	3,875,000	-	(3,025,000)	850,000	-
HCIA Tax-Exempt County-Guaranteed Pooled Notes, Series 2013 Q-1 (Local Unit Loan Program)											
O-96-02	Refunding of Tax Appeals	12/09/2003	3,248,000	07/25/2013	07/25/2014	2.000%	-	-	184,422	-	184,422
O-04-02 / O-06-01	Acquisition / Easement of Land	05/13/2005	7,000,000	07/25/2013	07/25/2014	2.000%	-	-	6,410,875	-	6,410,875
O-06-35	Citywide Communication Systems	03/09/2007	5,075,000	07/25/2013	07/25/2014	2.000%	-	-	3,472,360	-	3,472,360
O-07-02	Various Capital Improvements	03/09/2007	1,690,000	07/25/2013	07/25/2014	2.000%	-	-	1,024,816	-	1,024,816
O-07-44	Refunding Tax Appeals	06/30/2008	2,800,000	07/25/2013	07/25/2014	2.000%	-	-	860,568	-	860,568
							17,569,338	-	(3,025,000)	2,591,297	11,953,041
HCIA Federally Taxable County-Guaranteed Pooled Notes, Series 2013 Q-2 (Local Unit Loan Program)											
O-07-43	Bayonne Medical Center	11/26/2007	6,200,000	07/25/2013	07/25/2014	1.125%	-	-	3,025,000	-	3,025,000
O-13-23	BLRA Dissolution	07/25/2013	58,735,000	07/25/2013	07/25/2014	1.125%	-	43,735,000	-	-	43,735,000
							-	43,735,000	3,025,000	-	46,760,000
HCIA Federally Taxable Bond Anticipation Note											
O-13-23	BLRA Dissolution	09/20/2013	15,000,000	09/20/2013	07/25/2014	1.750%	-	15,000,000	-	-	15,000,000
							-	15,000,000	-	-	15,000,000
Tax Appeal Refunding Notes											
O-11-02	Refunding Tax Appeals	03/31/2011	2,290,000	03/30/2013	03/29/2014	1.500%	-	-	1,374,000	-	1,374,000
O-11-02	Refunding Tax Appeals	03/31/2011	2,290,000	03/30/2012	03/29/2013	2.750%	1,832,000	-	(1,374,000)	458,000	-
							1,832,000	-	-	458,000	1,374,000
							\$ 19,401,338	\$ 58,735,000	\$ -	\$ 3,049,297	\$ 75,087,041

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF SCHOOL PROMISSORY NOTES PAYABLE

Ordinance Number	Purpose	Original		Date of Issue	Maturity Date	Interest Rate	Balance Dec. 31, 2012	Refunded	Paid by Budget Appropriation	Balance Dec. 31, 2013
		Date of Issue	Amount							
HCIA Tax-Exempt County-Guaranteed Pooled Notes, Series 2012 M-1 (Local Unit Loan Program)										
O-09-23	Various School Improvements	11/20/2009	6,632,065	08/07/2012	08/07/2013	1.50%	\$ 6,462,012	\$ (6,291,959)	\$ 170,053	\$ -
HCIA Federally Taxable County-Guaranteed Pooled Notes, Series 2012 M-2 (Local Unit Loan Program)										
O-09-23	Various School Improvements	11/20/2009	1,112,685	08/07/2012	08/07/2013	1.86%	1,084,154	(1,056,000)	28,154	-
HCIA Tax-Exempt County-Guaranteed Pooled Notes, Series 2013 Q-1 (Local Unit Loan Program)										
O-09-23	Various School Improvements	11/20/2009	6,632,065	07/25/2013	07/25/2014	1.13%	-	6,291,959	-	6,291,959
HCIA Federally Taxable County-Guaranteed Pooled Notes, Series 2013 Q-2 (Local Unit Loan Program)										
O-09-23	Various School Improvements	11/20/2009	1,112,685	07/25/2013	07/25/2014	1.13%	-	1,056,000	-	1,056,000
							<u>\$ 7,546,166</u>	<u>\$ -</u>	<u>\$ 198,207</u>	<u>\$ 7,347,959</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Description	Ordinance		Balance: December 31, 2012		Current Year Authorizations	Paid or Charged	Balance: December 31, 2013	
		Date	Amount	Funded	Unfunded			Funded	Unfunded
O-99-14	Various Capital Improvements	06/17/1999	1,025,000	\$ 63,324	\$ -	\$ -	\$ -	\$ 63,324	\$ -
O-99-31	Demolition of Unsafe Buildings	09/29/1999	600,000	-	309,213	-	-	-	309,213
O-03-24	Various Capital Improvements	08/20/2003	2,717,000	19,568	533	-	5,576	13,992	533
O-04-02	Acquisition of an Easement in Land	01/21/2004	4,500,000	-	69,342	-	-	-	69,342
O-07-02	Various Capital Improvements	01/24/2007	1,775,000	-	151,781	-	-	-	151,781
O-07-43	Bayonne Medical Center	10/23/2007	6,200,000	-	28,383	-	-	-	28,383
O-11-02	Refunding Tax Appeals	01/19/2011	2,290,000	-	388,166	-	388,166	-	-
O-12-39	Street Paving / Public Works Vehicles	12/12/2012	265,000	265,000	-	-	228,400	36,600	-
O-13-03	School Refunding Bonds	02/20/2013	33,000,000	-	-	3,700,000	-	-	3,700,000
O-13-07	Various Capital Improvements	03/20/2013	1,100,000	-	-	1,100,000	245,050	854,950	-
O-13-13	Refunding Tax Appeals	05/22/2013	2,250,000	-	-	2,250,000	1,594,186	-	655,814
O-13-23	BLRA Dissolution	08/14/2013	75,000,000	-	-	3,040,000	-	-	3,040,000
O-13-26	Reconstruction and Paving of Various Streets	08/14/2013	403,480	-	-	403,480	403,480	-	-
O-13-31	Paving of Various Streets-CDBG	09/18/2013	200,000	-	-	200,000	-	200,000	-
				<u>\$ 347,892</u>	<u>\$ 947,418</u>	<u>\$ 10,693,480</u>	<u>\$ 2,864,858</u>	<u>\$ 1,168,866</u>	<u>\$ 7,955,066</u>
						Capital Improvement Fund	\$ 1,703,480		
						Deferred Charges Unfunded	<u>5,290,000</u>		
							<u>\$ 6,993,480</u>		

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance: December 31, 2012		\$ 1,540,577
Increased by:		
Budget Appropriations		380,000
		1,920,577
Decreased by Authorizations:		
Ordinance No. O-13-07: Various Capital Improvements	\$ 1,100,000	
Ordinance No. O-13-31: Paving of Various Streets	200,000	
	1,300,000	1,300,000
Balance: December 31, 2013		\$ 620,577

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR RETIREMENT OF DEBT

Balance: December 31, 2013 and 2012	<u><u>\$ 626,596</u></u>
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Exhibit C-16

SCHEDULE OF CONTRACTS PAYABLE

Balance: December 31, 2012	\$ 159,610
Increased by:	
Contracts Payable	<u>854,530</u>
	<u>1,014,140</u>
Decreased by:	
Cash Disbursements	<u>397,753</u>
Balance: December 31, 2013	<u><u>\$ 616,387</u></u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF INTERFUNDS RECEIVABLE / (PAYABLE)

	<u>Total</u>	<u>HUD Grants Trust Fund</u>	<u>Current Fund</u>
Balance: December 31, 2012	\$ 161,818	\$ 161,867	\$ (49)
Increased by Debits:			
Capital Improvement Fund Appropriation	380,000	-	380,000
Reimburse CDBG Line of Credit	200,000	200,000	-
Cash Disbursements	1,941,806	-	1,941,806
	<u>2,521,806</u>	<u>200,000</u>	<u>2,321,806</u>
Decreased by Debits:			
Reimburse Current - Tax Refunds	1,941,352	-	1,941,352
Interest Earned	732	-	732
Cash Receipts	541,867	161,867	380,000
	<u>2,483,951</u>	<u>161,867</u>	<u>2,322,084</u>
Balance: December 31, 2013	<u>\$ 199,673</u>	<u>\$ 200,000</u>	<u>\$ (327)</u>
Interfunds Receivables	\$ 200,000	\$ 200,000	\$ -
Interfunds Payable	(327)	-	(327)
	<u>\$ 199,673</u>	<u>\$ 200,000</u>	<u>\$ (327)</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Description	Balance Dec. 31, 2012	Debt Authorized	Bonds/Notes Issued	Balance Dec. 31, 2013
General Improvements:					
O-93-33	Acquisition of Land	\$ 15,318	\$ -	\$ -	\$ 15,318
O-96-02	Refunding of Tax Appeals	560	-	-	560
O-99-31	Demolition of Unsafe Buildings	315,526	-	-	315,526
O-03-24	Various Capital Improvements	533	-	-	533
O-13-13	Refunding of Tax Appeals	-	2,250,000	-	2,250,000
O-13-23	LRA Dissolution	-	75,000,000	71,960,000	3,040,000
Fiscal Year Adjustment Bonds					
O-01-12	Refunded Fiscal Year Adjustment Bonds	27,293	-	-	27,293
School Improvements:					
O-95-39	Various Improvements to School Buildings	300	-	-	300
O-03-32	Various School Improvements	330	-	-	330
O-13-03	School Refunding Bonds	-	3,700,000	-	3,700,000
		<u>\$ 359,860</u>	<u>\$ 80,950,000</u>	<u>\$ 71,960,000</u>	<u>\$ 9,349,860</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR VETERAN'S STADIUM IMPROVEMENTS

Balance: December 31, 2012	\$	-
Increased by:		
Cash received from Vendor		25,000
Balance: December 31, 2013	\$	25,000

SCHEDULE OF RESERVE FOR HURRICANE SANDY IMPROVEMENTS

Balance: December 31, 2012	\$	-
Increased by:		
Insurance funds received from NJIIF		1,677,531
Balance: December 31, 2013	\$	1,677,531

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SUPPLEMENTARY DATA - PARKING UTILITY FUND

CITY OF BAYONNE
PARKING UTILITY FUND
AS OF DECEMBER 31, 2013 AND 2012

SCHEDULE OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Operating Fund:		
Cash and Cash Equivalents	\$ 951,453	\$ 577,923
Total Utility Operating Fund Assets	<u>951,453</u>	<u>577,923</u>
Capital Fund:		
Cash and Cash Equivalents	945,778	1,227,088
Unamortized Debt Issuance	-	81,925
Fixed Capital	5,354,861	5,354,861
Fixed Capital Authorized and Uncompleted	1,445,483	1,445,483
Due from Parking Utility Operating Fund	329,337	48,020
Total Utility Capital Fund Assets	<u>8,075,459</u>	<u>8,157,377</u>
Total Utility Fund Assets	<u>\$ 9,026,912</u>	<u>\$ 8,735,300</u>
 <u>Liabilities, Reserves and Fund Balance</u>		
Operating Fund:		
Appropriation Reserves	\$ 161,251	\$ 401,130
Reserve for Encumbrances	7,857	9,293
Accrued Interest on Bonds	6,787	6,787
Interfunds Payable:		
Current Fund	-	247
Parking Utility Capital Fund	329,337	48,020
	<u>505,232</u>	<u>465,477</u>
Fund Balance	<u>446,221</u>	<u>112,446</u>
Total Utility Operating Fund Liabilities, Reserves and Fund Balance	<u>951,453</u>	<u>577,923</u>

CITY OF BAYONNE
PARKING UTILITY FUND
AS OF DECEMBER 31, 2013 AND 2012

SCHEDULE OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE

	<u>2013</u>	<u>2012</u>
<u>Liabilities, Reserves and Fund Balance</u>		
Capital Fund:		
Parking Revenue Serial Bonds Payable	\$ 3,180,000	\$ 3,335,000
Improvement Authorizations - Funded	489,590	489,590
Due to Bayonne Board of Education	450,000	450,000
Bond Reserve Fund	335,518	335,518
Reserve for Amortization	2,174,861	2,019,861
Reserve for Deferred Amortization	1,445,483	1,445,483
	<u>8,075,452</u>	<u>8,075,452</u>
Fund Balance	<u>7</u>	<u>81,925</u>
Total Utility Capital Fund Liabilities, Reserves and Fund Balance	<u>8,075,459</u>	<u>8,157,377</u>
Total Utility Fund Liabilities, Reserves and Fund Balance	<u><u>\$ 9,026,912</u></u>	<u><u>\$ 8,735,300</u></u>

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF OPERATIONS AND CHANGES IN FUND BALANCE

<u>Revenue and Other Income Realized</u>	
Parking Fees	\$ 1,105,543
Ticket Revenues	238,655
Interest on Investments and Deposits	1,385
Other Credits to Income:	
Lapse of 2012 Appropriation Reserves	334,162
	<u>1,679,745</u>
 <u>Expenditures</u>	
Budget Appropriations	
Operating	939,000
Debt Service	317,875
Statutory Expenditures	89,000
	<u>1,345,875</u>
Other Charges	95
	<u>1,345,970</u>
Statutory Excess to Fund Balance	333,775
Fund Balance, January 1	<u>112,446</u>
Fund Balance, December 31	<u>\$ 446,221</u>

**CITY OF BAYONNE
 PARKING UTILITY CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF FUND BALANCE

Balance: December 31, 2012	\$	81,925
Increased by:		
Cash adjustment		7
		81,932
Decreased by:		
Amortization of Debt Issuance Costs		81,925
		81,925
Balance: December 31, 2013	\$	7

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF REVENUES

	Adopted Budget	Realized	Excess (Deficit)
Parking Fees	\$ 1,106,000	\$ 1,105,543	\$ (457)
Ticket Revenues	239,000	238,655	(345)
Interest on Investments and Deposits	1,000	1,385	385
Fund Balance	-	-	-
Total Parking Utility Revenues	<u>\$ 1,346,000</u>	<u>\$ 1,345,583</u>	<u>\$ (417)</u>

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Cancelled
Operating:						
Salaries and Wages	\$ 563,000	\$ 563,000	\$ 558,846	\$ -	\$ 4,154	\$ -
Other Expenses	193,000	193,000	90,264	7,858	94,878	-
Group Insurance	130,000	130,000	70,608	-	59,392	-
Other Insurance	53,000	53,000	53,000	-	-	-
	<u>939,000</u>	<u>939,000</u>	<u>772,718</u>	<u>7,858</u>	<u>158,424</u>	<u>-</u>
Debt Service:						
Bond Principal	155,000	155,000	155,000	-	-	-
Interest on Bonds	163,000	163,000	162,875	-	-	125
	<u>318,000</u>	<u>318,000</u>	<u>317,875</u>	<u>-</u>	<u>-</u>	<u>125</u>
Statutory Expenditures:						
Public Employees Retirement System	61,000	61,000	60,911	-	89	-
Social Security (O.A.S.I.)	24,000	24,000	21,262	-	2,738	-
Unemployment Compensation Insurance	4,000	4,000	4,000	-	-	-
	<u>89,000</u>	<u>89,000</u>	<u>86,173</u>	<u>-</u>	<u>2,827</u>	<u>-</u>
Total Parking Utility Appropriations	<u>\$ 1,346,000</u>	<u>\$ 1,346,000</u>	<u>\$ 1,176,766</u>	<u>\$ 7,858</u>	<u>\$ 161,251</u>	<u>\$ 125</u>

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF EXPENDITURES

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Cancelled
Budget as Adopted		\$ 1,346,000	\$ -			
Cash Disbursements		-	1,176,766			
Accrued Interest at Dec. 31, 2012		-	(6,787)			
Accrued Interest at Dec. 31, 2013		-	6,787			
		<u>1,346,000</u>	<u>\$ 1,176,766</u>			
Appropriations Canceled		125				
		<u>\$ 1,345,875</u>				

**CITY OF BAYONNE
PARKING UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF CASH AND CASH EQUIVALENTS

	<u>Operating</u>	<u>Capital</u>
Balance: December 31, 2012	\$ 577,923	\$ 1,227,088
Increased by Receipts:		
Parking Utility Revenues	\$ 1,345,583	\$ -
Interfund Advances	281,317	-
Miscellaneous Adjustment	<u>-</u>	<u>7</u>
	<u>1,626,900</u>	<u>7</u>
	2,204,823	1,227,095
Decreased by Disbursements:		
Budget Appropriations	1,346,000	-
Appropriations Reserves	(161,251)	-
Encumberances	(7,858)	-
2012 Appropriation Reserves Paid	76,261	281,317
Miscellaneous Adjustment	<u>218</u>	<u>-</u>
	<u>1,253,370</u>	<u>281,317</u>
Balance: December 31, 2013	<u><u>\$ 951,453</u></u>	<u><u>\$ 945,778</u></u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

ANALYSIS OF PARKING UTILITY CAPITAL CASH AND CASH EQUIVALENTS

	Balance December 31, 2012	Disbursements		Transfers		Balance December 31, 2013	Analysis of Ending Balance	
		Improvement Authorizations	Miscellaneous	From	To		Balance Sheet Account	Improvement Authorizations - Funded
Unamortized Debt Issuance	\$ (81,925)	\$ -	\$ -	\$ -	\$ 81,925	\$ -	\$ -	\$ -
Due from Parking Utility Operating	(48,020)	-	-	-	(281,317)	(329,337)	(329,337)	-
Due to Bayonne Board of Education	450,000	-	-	-	-	450,000	450,000	-
Bond Reserve Fund	335,518	-	-	-	-	335,518	335,518	-
Fund Balance	81,925	-	(7)	81,925	-	7	7	-
Improvement Authorizations:								
2007 Construction Projects	489,590	-	-	-	-	489,590	-	489,590
	<u>\$ 1,227,088</u>	<u>\$ -</u>	<u>\$ (7)</u>	<u>\$ 81,925</u>	<u>\$ (199,392)</u>	<u>\$ 945,778</u>	<u>\$ 456,188</u>	<u>\$ 489,590</u>

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
SCHEDULE OF APPROPRIATION RESERVES**

	<u>Balance:December 31, 2012</u>		<u>Balance after Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
	<u>Reserved</u>	<u>Encumbered</u>			
Operating:					
Salaries and Wages	\$ 71,673	\$ -	\$ 71,673	\$ -	\$ 71,673
Other Expenses	76,048	9,293	85,341	66,261	19,080
Group Insurance	89,314	-	89,314	-	89,314
Other Insurance	125,000	-	125,000	-	125,000
	<u>362,035</u>	<u>9,293</u>	<u>371,328</u>	<u>66,261</u>	<u>305,067</u>
Debt Service:					
Bond Principal	-	-	-	-	-
Interest on Bonds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Statutory Expenditures:					
Public Employees Retirement System	319	-	319	-	319
Social Security (O.A.S.I.)	28,776	-	28,776	-	28,776
Unemployment Compensation Insurance	10,000	-	10,000	10,000	-
	<u>39,095</u>	<u>-</u>	<u>39,095</u>	<u>10,000</u>	<u>29,095</u>
Total Parking Utility Appropriations	<u>\$ 401,130</u>	<u>\$ 9,293</u>	<u>\$ 410,423</u>	<u>\$ 76,261</u>	<u>\$ 334,162</u>

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF ACCRUED INTEREST

Balance: December 31, 2012	\$ 6,787
Increased by Receipts:	
Current Year Interest Accrual	6,787
	13,574
Decreased by Disbursements:	
Prior Year Interest Accrual	6,787
	6,787
Balance: December 31, 2013	\$ 6,787

Principal Outstanding Dec. 31, 2013	Interest Rate	From	To	Period	Amount
\$ 3,180,000	5%	12/15/2013	12/31/2013	1/2 Month	\$ 6,787

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF INTERFUNDS PAYABLE

	<u>Total</u>	<u>Current Fund</u>	<u>Utility Capital</u>
Balance: December 31, 2012	\$ 48,267	\$ 247	\$ 48,020
Increased by:			
Cash Receipts	281,317	-	281,317
	<u>329,584</u>	<u>247</u>	<u>329,337</u>
Decreased by:			
Cash Disbursements	247	247	-
	<u>247</u>	<u>247</u>	<u>-</u>
Balance: December 31, 2013	<u>\$ 329,337</u>	<u>\$ -</u>	<u>\$ 329,337</u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF FIXED CAPITAL

	Balance December 31, 2013	Balance December 31, 2012
Parking Lots	\$ 1,308,151	\$ 1,308,151
Parking Lots Improvements	2,401,172	2,401,172
Meters and Equipment	837,599	837,599
Office Equipment	33,206	33,206
Transportation Equipment	319,902	319,902
Capital Projects	454,831	454,831
	<u>\$ 5,354,861</u>	<u>\$ 5,354,861</u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Improvement Description	Date	Balance December 31, 2013	Balance December 31, 2012
Construction Projects	2007	\$ 1,445,483	\$ 1,445,483
		<u>\$ 1,445,483</u>	<u>\$ 1,445,483</u>
Purchase of Parking Lot from Bayonne Board of Education		\$ 450,000	\$ 450,000
Construction Projects		659,965	659,965
Other Reserves		335,518	335,518
		<u>\$ 1,445,483</u>	<u>\$ 1,445,483</u>

**CITY OF BAYONNE
 PARKING UTILITY CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Ordinance		Balance: December 31, 2012		Paid or Charged	Balance: December 31, 2013	
	Date	Amount	Funded	Due to Board of Education		Due to Board of Education	Funded
Construction Projects	2007	\$ 4,000,000	\$ 489,590	\$ 450,000	\$ -	\$ 450,000	\$ 489,590
			<u>\$ 489,590</u>	<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 489,590</u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF RESERVE FOR AMORTIZATION

Balance: December 31, 2012	\$ 2,019,861
Increased by:	
Serial Bond Principal Amortization	<u>155,000</u>
Balance: December 31, 2013	<u><u>\$ 2,174,861</u></u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Improvement Description	Date	Balance December 31, 2013	Balance December 31, 2012
Construction Projects	2007	\$ 1,445,483	\$ 1,445,483
		<u>\$ 1,445,483</u>	<u>\$ 1,445,483</u>
Purchase of Parking Lot from Bayonne Board of Education		\$ 450,000	\$ 450,000
Construction Projects		659,965	659,965
Other Reserves		335,518	335,518
		<u>\$ 1,445,483</u>	<u>\$ 1,445,483</u>

**CITY OF BAYONNE
 PARKING UTILITY CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF PARKING REVENUE SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2013			Balance Dec. 31, 2012	Paid By Budget Appropriation	Balance Dec. 31, 2013
	Date	Amount	Maturity Date	Principal Amount	Interest Rate			
Parking Revenue Bonds, Series 2007	June 15, 2007	\$ 4,000,000	6/15/2014	\$ 160,000	5.000%	\$ 3,335,000	\$ 155,000	\$ 3,180,000
			6/15/2015	170,000	5.000%			
			6/15/2016	180,000	5.000%			
			6/15/2017	190,000	5.000%			
			6/15/2018	195,000	5.000%			
			6/15/2019	205,000	5.000%			
			6/15/2020	220,000	5.000%			
			6/15/2021	230,000	5.000%			
			6/15/2022	240,000	5.000%			
			6/15/2023	250,000	5.000%			
			6/15/2024	265,000	5.000%			
			6/15/2025	280,000	5.000%			
			6/15/2026	290,000	5.000%			
			6/15/2027	305,000	5.000%			
						\$ 3,335,000	\$ 155,000	\$ 3,180,000

SUPPLEMENTARY DATA – GENERAL FIXED ASSETS

**CITY OF BAYONNE
GENERAL FIXED ASSETS
AS OF DECEMBER 31, 2013 AND 2012**

SCHEDULE OF GENERAL FIXED ASSETS

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Land	\$ 166,097,300	\$ 54,542,400
Buildings	10,233,265	10,233,265
Improvements	4,817,988	4,817,988
Machinery, Equipment & Other	<u>20,670,166</u>	<u>20,416,310</u>
	<u>\$ 201,818,719</u>	<u>\$ 90,009,963</u>
 <u>Investment in Fixed Assets</u>		
Investment in General Fixed Assets	<u>\$ 201,818,719</u>	<u>\$ 90,009,963</u>

**CITY OF BAYONNE
GENERAL FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY CLASS

	Balance Dec. 31, 2012	Additions	Deletions	Balance Dec. 31, 2013
Land	\$ 54,542,400	\$ 111,554,900	\$ -	\$ 166,097,300
Buildings	10,233,265	-	-	10,233,265
Improvements	4,817,988	-	-	4,817,988
Machinery, Equipment & Other	20,416,310	569,383	315,527	20,670,166
	<u>\$ 90,009,963</u>	<u>\$ 112,124,283</u>	<u>\$ 315,527</u>	<u>\$ 201,818,719</u>

PAYROLL AGENCY FUND

**CITY OF BAYONNE
PAYROLL AGENCY FUND
AS OF DECEMBER 31, 2013 AND 2012**

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	2013	2012
<u>Assets</u>		
Cash	\$ -	\$ 2,475
Total Assets	\$ -	\$ 2,475
<u>Liabilities</u>		
Due to Current Fund	\$ -	\$ 2,475
Total Liabilities	\$ -	\$ 2,475
Official I Payroll	\$ -	\$ 106
Official II Payroll	-	798
Police and Fire Payroll	-	1,571
	\$ -	\$ 2,475

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

DONOHUE, GIRONDA & DORIA

Certified Public Accountants

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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***

Independent Auditor's Report

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

We have audited, in accordance with the 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"), the accompanying financial statements – regulatory basis of the City of Bayonne, New Jersey (the "City"), which comprise the combined balance sheets – regulatory basis, of each fund and account group as of December 31, 2013 (with comparative totals as of December 31, 2012), the related statement of revenues, expenditures and changes in fund balance – regulatory basis, of the Current Fund, General Capital Fund and Parking Utility Operating and Capital Funds, for the year ended December 31, 2013 (with comparative totals for the year ended December 31, 2012), and the related statement of revenues, expenditures and changes in fund balance – regulatory basis – budget and actual, of the Current Fund and Parking Utility Operating Fund for the year ended December 31, 2013 (with comparative totals for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 25, 2015.

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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding numbers 2013-003, 2013-10 and 2013-11 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding numbers 2013-001 and 2013-02 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 additional instances of noncompliance which are required to be reported under audit requirements prescribed by the Division, and which are described in the accompanying comments and recommendations section of this report.

Purpose of this Report

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



DONOHUE, GIRONDA & DORIA
Certified Public Accountants



FREDERICK J. TOMKINS
Registered Municipal Accountant #327

Bayonne, New Jersey
February 25, 2015

DONOHUE, GIRONDA & DORIA

Certified Public Accountants

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**REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL AND STATE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133 AND NJ OMB CIRCULAR 04-04**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of Bayonne, New Jersey's (the City's) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the New Jersey State Office of Management and Budget's State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the City's major federal and state programs for the year ended December 31, 2013. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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, U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the provisions of the New Jersey State Treasury Circular Letter 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Those standards and U.S. OMB Circular A-133 and NJ OMB Circular 04-04 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 or state 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on the Community Development Block Grant and Emergency Shelter Grant

We were not able to obtain sufficient appropriate audit evidence about the compliance of the City with the Community Development Block Grant and Emergency Shelter Grant as described in finding numbers 2013-003, 2013-10 and 2013-11 regarding allowable costs, nor were we able to satisfy ourselves as to the City's compliance with those requirements by other auditing procedures.

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the Community Development Block Grant as described in finding numbers 2013-004 for Program Income, 2013-005 for Subrecipient Monitoring, 2013-006 for Cash Management, 2013-007 for Financial Reporting, 2013-008 for Special Tests and Provisions and 2013-009 for Reporting and Earmarking.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

Qualified Opinion on the Community Development Block Grant and Emergency Shelter Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grant and Emergency Shelter Grant.

Unmodified Opinion on Each of the Other Major Federal and State Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal and state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs for the year ended December 31, 2013.

Other Matters

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

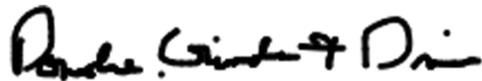
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with U.S. OMB Circular A-133 and NJ OMB Circular 04-04, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2013-003 through 2013-011, to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. OMB Circular A-133 and NJ OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.



DONOHUE, GIRONDA & DORIA
Certified Public Accountants



FREDERICK J. TOMKINS
Registered Municipal Accountant #327

Bayonne, New Jersey
February 25, 2015

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Department and Program	Federal CFDA Number	State Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2012	Budget Appropriations	Paid or Charged	Prog. Income/ Canceled Reappropriated	Funds Available Dec. 31, 2013	Cumulative Expenditures
			From	To								
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	-	21,308	-	-	59	21,367	633
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						-	95,036	-	-	59	95,095	
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	-	24	-	-	-	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	*	01/01/2013	12/31/2013	5,771	-	-	5,771	-	-	5,771	-
COPS in Shops	16.710	*	01/01/2012	12/31/2012	1,214	-	1,214	-	-	-	1,214	-
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	-
Reimbursement of Police Salaries	16.710	*	01/01/2013	12/31/2013	35,253	25,814	-	35,253	35,253	-	-	35,253
Total COPS Grants						25,814	846,300	41,024	35,253	-	852,071	
Edward Byrne Justice Assistance Grant	16.738	*	07/01/2009	06/30/2010	130,747	130,747	40,754	-	40,754	-	-	130,747
Justice Assistance Grant - Annual Round	16.738	*	01/01/2009	12/31/2009	31,708	-	76	-	-	-	76	31,632
Justice Assistance Grant - 2013	16.738	*	01/01/2013	12/31/2013	16,515	-	-	16,515	-	-	16,515	-
Justice Assistance Grant - 2012	16.738	*	01/01/2012	12/31/2012	19,208	-	19,208	-	-	-	19,208	-
Justice Assistance Grant - 2011	16.738	*	01/01/2011	12/31/2011	24,514	-	95	-	-	-	95	24,419
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	-	125,614	-	92,702	-	32,912	567,088
Total Justice Assistance Grants						130,747	205,429	16,515	133,456	-	88,488	
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						-	36,940	-	-	-	36,940	
Pass through State of New Jersey Department of Law and Public Safety:												
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						-	8,791	-	-	-	8,791	
Federal Equitable Sharing:												
Justice:												
Reimbursement Police Department	16.unknown	02-213-41713-2-199	01/01/2013	12/31/2013	258,607	201,845	-	258,607	13,148	-	245,459	13,148
Reimbursement Police Department	16.unknown	02-213-41713-2-199	07/01/2011	06/30/2012	153,388	108,036	72,183	-	72,183	-	-	153,388
Treasury:												
Customs and Border Control	16.unknown	*	07/01/2013	06/30/2014	10,673	-	-	10,673	-	-	10,673	-
Customs and Border Control	16.unknown	*	07/01/2012	06/30/2013	15,323	-	15,323	-	-	-	15,323	-
Customs and Border Control	16.unknown	*	07/01/2011	06/30/2012	500,000	16,692	1,532	-	(17,811)	-	19,343	480,657
Total Federal Equitable Sharing Program						326,573	89,038	269,280	67,520	-	290,798	

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Department and Program	Federal CFDA Number	State Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2012	Budget Appropriations	Paid or Charged	Prog. Income/ Canceled Reappropriated	Funds Available Dec. 31, 2013	Cumulative Expenditures
			From	To								
U.S. Department of Justice (continued)												
Police Vests or Bulletproof Armored Vests	16.607	*	01/01/2013	12/31/2013	\$ 812	\$ -	\$ -	\$ 812	\$ -	\$ -	\$ 812	\$ -
Police Vests or Bulletproof Armored Vests	16.607	*	01/01/2012	12/31/2012	32,357	-	32,357	-	-	-	32,357	-
Police Vests or Bulletproof Armored Vests	16.607	*	01/01/2011	12/31/2011	10,077	-	5,044	-	-	-	5,044	5,033
Total Police Vests or Bulletproof Armored Vests						-	37,401	812	-	-	38,213	
Subtotal U.S. Department of Justice						483,134	1,318,935	327,631	236,229	59	1,410,396	
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	-	21,064	-	-	(21,064)	-	46,936
Total U.S. Department of Justice						\$ 483,134	\$ 1,345,188	\$ 327,631	\$ 236,229	\$ (21,005)	\$ 1,415,585	
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	\$ 2,813,155	\$ 5,308	\$ -	\$ 5,289	\$ -	\$ 19	\$ 3,567,472
FEMA-Assistance to Firefighters Grant - ARRA	97.115	*	07/01/2010	06/30/2011	348,579	-	68,599	-	-	-	68,599	279,980
FEMA-Assistance to Firefighters Grant - ARRA	97.115	*	07/01/2010	06/30/2011	220,000	-	5,901	-	500	-	5,401	214,599
FEMA-Assistance to Firefighters Grant - ARRA	97.115	EMW-2010-FV-04779	07/01/2010	06/30/2011	720,000	-	38	-	-	-	38	719,962
Total FEMA Assistance to Firefighter Grants (Regular and ARRA)						2,813,155	79,846	-	5,789	-	74,057	
Passed Through Port Authority of NY & NJ												
Port Security Grant Program												
WMD / Rescue Vessel	97.056	2009-PU-T9-K019	07/01/2010	06/30/2011	251,250	-	7,380	-	4,301	-	3,079	248,171
Firefighter Marine Pilot Training	97.056	2011-PU-K00254	08/03/2012	*	130,000	-	130,000	-	44,053	-	85,947	44,053
Foam Tanker	97.056	2011-PU-K00254	08/06/2012	*	685,000	-	685,000	-	-	-	685,000	-
Port Security Grant Program-Boat Lift	97.056	2011-PU-K00254	12/14/2012	*	70,000	-	-	70,000	-	-	70,000	-
Port Security Grant Program	97.056	EMW-2012-PU-00385	01/01/2012	12/31/2012	25,000	-	25,000	-	-	-	25,000	-
Port Security Grant Program	97.056	*	01/01/2011	12/31/2011	398,100	132,680	296,905	-	17,499	-	279,406	118,694
Total Port Security Grant Programs						132,680	1,144,285	70,000	65,853	-	1,148,432	
State Homeland Security Act	97.004	*	*	*	45,000	-	25,000	-	-	(25,000)	-	20,000
Passed Through NJ Department of Law and Public Safety												
Emergency Management Assistance	97.042	*	*	*	5,000	5,000	-	5,000	-	-	5,000	-
Buffer Zone Protection Grant	97.078	*	07/01/2006	06/30/2007	49,992	-	49,992	-	-	(49,992)	-	-
UASI Training Reimbursement Fund	97.008	066-1200-100-975	01/01/2013	12/31/2013	53,851	53,851	-	-	-	-	-	-
UASI Training Reimbursement Fund	97.008	066-1200-100-975	01/01/2012	12/31/2012	45,109	-	-	45,109	-	-	45,109	-
FEMA-FY 2012 SAFER Grant **	97.083	*	04/07/2013	04/06/2016	2,828,770	589,773	-	2,828,770	1,006,117	-	1,822,653	1,006,117
FEMA - Hurricane Irene Reimbursement	97.036	*	01/01/2012	*	2,378	-	-	2,378	-	(2,378)	-	-
Total U.S. Department of Homeland Security						\$ 3,594,459	\$ 1,299,123	\$ 2,951,257	\$ 1,077,759	\$ (77,370)	\$ 3,095,251	

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Department and Program	Federal CFDA Number	State Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2012	Budget Appropriations	Paid or Charged	Prog. Income/ Canceled Reappropriated	Funds Available Dec. 31, 2013	Cumulative Expenditures
			From	To								
U.S. Department of Commerce												
Hook Road Improvement	11.unknown	*	09/30/1997	09/30/2002	\$ 92,624	\$ -	\$ 92,624	\$ -	\$ -	\$ -	\$ 92,624	\$ -
Total U.S. Department of Commerce						<u>\$ -</u>	<u>\$ 92,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,624</u>	
U.S. Department of Transportation												
Pass through State of New Jersey Department of Transportation												
New Jersey Transportation Trust Fund Authority Act:												
2007 Municipal Aid Program - Various Streets	20.205	078-6300-480	10/01/2010	09/30/2011	\$ 450,000	\$ -	\$ 86,755	\$ -	\$ -	\$ (86,755)	\$ -	\$ 363,245
2009 Grant	20.205	078-6300-480	10/01/2009	09/30/2010	447,672	-	187,692	-	-	(187,692)	-	259,980
2010 Municipal Aid Program - Bid Bond Default	20.205	078-6300-480	10/01/2009	09/30/2010	43,983	-	43,983	-	-	(43,983)	-	-
Avenue C Paving	20.205	078-6300-480	10/01/2009	09/30/2010	1,293,000	5,589	321,520	-	77,629	-	243,891	1,049,109
Transportation Trust Fund - Discretionary Aid	20.205	078-6300-480	10/01/2003	09/30/2004	200,000	-	87,559	-	-	(87,559)	-	112,441
Transportation Enhancement Program Phase I -												
Broadway Bayonne Streetscape	20.205	078-6300-480	08/01/2000	completion	100,000	-	29,903	-	-	(29,903)	-	70,097
Transportation Enhancement Program Phase II -												
Broadway Bayonne Streetscape	20.205	078-6300-480	08/01/2001	completion	1,000,000	-	125,438	-	-	(125,438)	-	874,562
Transportation Enhancement Program Phase III -												
Broadway Bayonne Streetscape	20.205	078-6300-480	08/01/2003	completion	400,000	-	4,192	-	-	(4,192)	-	395,808
Pedestrian Bridge	20.205	078-6300-480	07/21/2005	completion	550,000	-	514,028	-	-	-	514,028	35,972
Safe Routes to School Program	20.205	078-6300-480	*	*	300,000	-	287,812	-	-	-	287,812	12,188
Bayonne Wayfinding Program	20.205	078-6300-480	07/21/2005	completion	100,000	-	50,175	-	-	(50,175)	-	49,825
2011 Muni. Aid Program-Variou Streets	20.205	078-6300-480	07/01/2010	completion	397,524	-	163,543	-	-	-	163,543	233,981
Total Highway Planning and Construction Grants						<u>5,589</u>	<u>1,902,600</u>	<u>-</u>	<u>77,629</u>	<u>(615,697)</u>	<u>1,209,274</u>	
Enhanced 911 General Assistance	20.615	*	07/01/2006	06/30/2007	55,864	-	5,464	-	-	(5,464)	-	50,400
Enhanced 911 General Assistance	20.615	*	07/01/2005	06/30/2006	55,867	-	615	-	-	(615)	-	55,252
Enhanced 911 Grant 2008	20.615	*	07/01/2008	06/30/2009	55,864	-	42,513	-	-	-	42,513	13,351
Total Enhanced 9-1-1 Grant Program						<u>-</u>	<u>48,592</u>	<u>-</u>	<u>-</u>	<u>(6,079)</u>	<u>42,513</u>	
Pass through State of New Jersey Department of Law and Public Safety												
Highway Safety Cluster												
Comprehensive Traffic Safety Grant	20.609	066-1160-100-142	*	*	27,000	-	27,000	-	-	(27,000)	-	-
Click it or Ticket	20.600	160-100-66-1160-116	03/09/2005	03/08/2006	7,550	-	7,550	-	-	(7,550)	-	-
Occupant Protection Project/Make it Click 2001	20.602	160-100-66-1160-116	03/09/2001	03/08/2002	9,720	-	4,017	-	-	(4,017)	-	5,703
Total Highway Safety Cluster						<u>-</u>	<u>38,567</u>	<u>-</u>	<u>-</u>	<u>(38,567)</u>	<u>-</u>	
Total U.S. Department of Transportation						<u>\$ 5,589</u>	<u>\$ 1,989,759</u>	<u>\$ -</u>	<u>\$ 77,629</u>	<u>\$ (660,343)</u>	<u>\$ 1,251,787</u>	
U.S. Department of Health and Human Services												
Passed through the County of Hudson												
Aging Cluster**												
Area Plan Grant - Older American Act	93.044	Not Applicable	01/01/2013	12/31/2013	\$ 485,065	\$ 50,973	\$ -	\$ 485,065	\$ 248,524	\$ -	\$ 236,541	\$ 248,524
Area Plan Grant - Older American Act	93.044	Not Applicable	01/01/2012	12/31/2012	483,954	192,704	168,764	-	168,764	-	-	483,954
Congregate Housing Program (BHA 35 Plus)	93.044	Not Applicable	01/01/2012	12/31/2012	10,000	-	10,000	-	-	-	10,000	-
Home Delivered Meals	93.053	Not Applicable	01/01/2012	12/31/2012	10,000	-	10,000	-	10,000	-	-	10,000
Congregate Meals Program	93.053	Not Applicable	01/01/2013	12/31/2013	477,372	180,501	-	477,372	385,951	-	91,421	385,951
Congregate Meals Program	93.053	Not Applicable	01/01/2012	12/31/2012	533,371	533,371	60,000	-	60,000	-	-	533,371
Congregate Meals Program	93.053	Not Applicable	01/01/2011	12/31/2011	-	27,452	-	-	-	-	-	-
Total Aging Cluster**						<u>985,001</u>	<u>248,764</u>	<u>962,437</u>	<u>873,239</u>	<u>-</u>	<u>337,962</u>	

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Department and Program	Federal CFDA Number	State Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2012	Budget Appropriations	Paid or Charged	Prog. Income/ Canceled Reappropriated	Funds Available Dec. 31, 2013	Cumulative Expenditures
			From	To								
U.S. Department of Health and Human Services (Conti)												
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	-	-	(33,644)	-	119,355
Family Planning Services Passed through the County of Hudson	93.217	046-4220-100-164	01/01/2009	12/31/2009	422,936	-	8,254	-	-	(8,254)	-	414,682
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						<u>\$ 985,001</u>	<u>\$ 361,121</u>	<u>\$ 962,437</u>	<u>\$ 873,239</u>	<u>\$ (41,898)</u>	<u>\$ 408,421</u>	
U.S. Department of Energy												
Energy Efficiency Block Grant - ARRA	81.128	*	07/01/2009	06/30/2010	\$ 521,900	\$ -	\$ 2	\$ -	\$ (6,944)	\$ -	\$ 6,946	\$ 514,954
Total U.S. Department of Energy						<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ (6,944)</u>	<u>\$ -</u>	<u>\$ 6,946</u>	
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						<u>\$ -</u>	<u>\$ 268,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,150</u>	
U.S. Department of Housing and Urban Development												
CDBG - Entitlement Grants Cluster**												
Community Development Block Grant	14.218	B13MC340101	07/01/2013	06/30/2014	\$ 1,651,428	\$ 772,790	\$ -	\$ 1,651,428	\$ -	\$ -	\$ 1,651,428	\$ -
Community Development Block Grant	14.218	B12MC340101	07/01/2012	06/30/2013	1,492,343	718,956	1,492,343	-	1,023,005	618,278	1,087,616	404,727
Community Development Block Grant	14.218	B11MC340101	07/01/2011	06/30/2012	1,729,276	-	300,343	-	300,343	-	-	1,729,276
Total CDBG - Entitlement Grants Cluster**						<u>1,491,746</u>	<u>1,792,686</u>	<u>1,651,428</u>	<u>1,323,348</u>	<u>618,278</u>	<u>2,739,044</u>	
Emergency Shelter Grant**	14.231	S13MC340003	07/01/2013	06/30/2014	-	-	-	-	-	-	-	-
Emergency Shelter Grant**	14.231	S11MC340003	07/01/2011	06/30/2012	149,751	114,909	136,298	-	114,909	-	21,389	128,362
Total U.S. Department of Housing and Urban Development						<u>\$ 1,606,655</u>	<u>\$ 1,928,984</u>	<u>\$ 1,651,428</u>	<u>\$ 1,438,257</u>	<u>\$ 618,278</u>	<u>\$ 2,760,433</u>	
GRAND TOTAL FEDERAL AWARDS						<u>\$ 6,674,838</u>	<u>\$ 7,293,585</u>	<u>\$ 5,892,753</u>	<u>\$ 3,696,169</u>	<u>\$ (182,338)</u>	<u>\$ 9,307,831</u>	

* Not Available.
**Denotes Major Program.

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

State Department and Program	State Account or Grant Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2012	Budget Appropriations	Paid or Charged	Cancellations/ Transfers	Funds Available Dec. 31, 2013	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	*	*	*	*	-	6,064	-	-	(6,064)	-	*
Standard Tank Remediation Grant	*	10/24/2000	02/15/2001	950,000	-	25,000	-	-	(25,000)	-	925,000
Total Standard Tank Remediation Grants					-	58,705	-	-	(58,705)	-	
Livable Communities Grant - ADA	*	*	*	60,000	-	60,000	-	-	(60,000)	-	-
Total Livable Communities Grants					-	60,000	-	-	(60,000)	-	
Subtotal Department of Community Affairs					-	118,705	-	-	(118,705)	-	
Smart Future Grant	100-022-8070	*	*	60,000	-	60,000	-	-	(60,000)	-	-
Uniform Fire Safety Code	*	01/01/2013	12/31/2013	113,875	113,875	-	100,000	100,000	-	-	100,000
Bureau of Housing Inspection	*	01/01/2013	12/31/2013	50,770	45,399	-	50,056	-	-	50,056	-
Total Department of Community Affairs					<u>\$ 159,274</u>	<u>\$ 178,705</u>	<u>\$ 150,056</u>	<u>\$ 100,000</u>	<u>\$ (178,705)</u>	<u>\$ 50,056</u>	
Governor's Council on Alcoholism and Drug Abuse											
Passed through County of Hudson											
Municipal Alliance Grant	100-082-C001-004	01/01/2013	12/31/2013	\$ 33,778	\$ 33,778	\$ -	\$ 33,778	\$ -	\$ -	\$ 33,778	\$ -
Municipal Alliance Grant	100-082-C001-004	01/01/2012	12/31/2012	48,322	48,322	48,322	-	-	-	48,322	-
Municipal Alliance Grant	100-082-C001-004	01/01/2011	12/31/2011	57,241	22,607	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					<u>\$ 104,707</u>	<u>\$ 501,003</u>	<u>\$ 33,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,781</u>	
Department of Law and Public Safety											
Drunk Driving Enforcement Fund	100-78-64000	01/01/2013	12/31/2013	\$ 4,143	\$ -	\$ -	\$ 4,143	\$ 1,620	\$ -	\$ 2,523	\$ 1,620
Drunk Driving Enforcement Fund	100-78-64000	01/01/2012	12/31/2012	3,424	-	3,424	-	3,424	-	-	3,424
Drunk Driving Enforcement Fund	100-78-64000	01/01/2011	12/31/2011	5,685	-	2,810	-	2,810	-	-	5,685
Total Drunk Driving Enforcement Fund					-	6,234	4,143	7,854	-	2,523	
Body Armor Replacement Fund	066-1020-718-001	06/30/2013	06/30/2014	16,262	16,262	-	16,262	-	-	16,262	-
Body Armor Replacement Fund	066-1020-718-001	06/30/2012	06/30/2013	16,008	4,103	16,008	-	-	-	16,008	-
Body Armor Replacement Fund	066-1020-718-001	06/30/2011	06/30/2012	16,033	-	16,033	-	14,080	-	1,953	14,080
Body Armor Replacement Fund	066-1020-718-001	06/30/2010	06/30/2011	5,627	-	2,117	-	2,117	-	-	5,627
Body Armor Replacement Fund	066-1020-718-001	06/30/2009	06/30/2010	21,522	-	2,000	-	2,000	-	-	21,522
Total Body Armor Replacement Fund					<u>20,365</u>	<u>36,158</u>	<u>16,262</u>	<u>18,197</u>	<u>-</u>	<u>34,223</u>	

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

State Department and Program	State Account or Grant Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2012	Budget Appropriations	Paid or Charged	Cancellations/ Transfers	Funds Available Dec. 31, 2013	Cumulative Expenditures
		From	To								
Department of Law and Public Safety (continued)											
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2013	09/30/2014	\$ 7,500	\$ 7,500	\$ -	\$ 7,500	\$ -	\$ -	\$ 7,500	\$ -
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2012	09/30/2013	6,000	1,877	6,000	-	-	-	6,000	-
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2011	09/30/2012	9,000	-	9,000	-	-	-	9,000	-
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2010	09/30/2011	7,698	-	7,698	-	-	-	7,698	-
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2001	09/30/2002	17,600	-	-	-	-	-	-	17,600
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2004	09/30/2005	16,961	-	-	-	-	-	-	16,961
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2005	09/30/2006	13,295	-	-	-	-	-	-	13,295
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2006	09/30/2007	16,868	-	11,304	-	-	-	11,304	5,564
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2008	09/30/2008	10,570	-	10,570	-	-	-	10,570	-
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2009	09/30/2010	12,477	-	12,477	-	-	-	12,477	-
Total Pedestrian Safety Enforcement and Education					9,377	57,049	7,500	-	-	64,549	
Subtotal Department of Law and Public Safety					29,742	99,441	27,905	26,051	-	101,295	
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					\$ 29,742	\$ 137,152	\$ 27,905	\$ 26,051	\$ (37,711)	\$ 101,295	
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	07/01/2000	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	-	-	(49,910)	26,710	
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	\$ -	\$ -	\$ (59,432)	\$ 26,710	
New Jersey State Library											
Library Archive Collection Fund	*	*	*	\$ 12,135	\$ -	\$ 378	\$ -	\$ -	\$ (378)	\$ -	\$ 11,757
Library Cultural Grant	*	*	*	8,750	-	8,750	-	-	-	8,750	-
Total New Jersey State Library Grants					\$ -	\$ 9,128	\$ -	\$ -	\$ (378)	\$ 8,750	

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 YEAR ENDED DECEMBER 31, 2013

State Department and Program	State Account or Grant Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2012	Budget Appropriations	Paid or Charged	Cancellations/ Transfers	Funds Available Dec. 31, 2013	Cumulative Expenditures
		From	To								
Department of Environmental Protection											
Clean Communities Act	042-4900-765-004	07/01/2012	06/30/2013	\$ 93,029	\$ 93,029	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Clean Communities Act	042-4900-765-004	07/01/2011	06/30/2012	79,236	-	78,400	-	37,221	-	41,179	38,057
Total Clean Communities Act					93,029	78,400	-	37,221	-	41,179	
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
Total Hazardous Discharge Site Remediation (HDSR)					-	574,376	-	-	(574,376)	-	
Subtotal Department of Environmental Protection					93,029	652,776	-	37,221	(574,376)	41,179	
Green Acres Grant	*	01/01/2008	12/31/2008	500,000	-	500,000	-	-	-	500,000	-
Recycling Tonnage Grant	042-4900-752-001	07/01/1995	06/30/1996	15,726	-	15,726	-	-	(15,726)	-	-
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					\$ 93,029	\$ 1,488,554	\$ -	\$ 37,221	\$ (590,102)	\$ 861,231	
Department of State											
Faith Based Grant	*	07/01/2005	06/30/2006	\$ 8,750	\$ -	\$ 8,750	\$ -	\$ -	\$ -	\$ 8,750	\$ -
Total Department of State					\$ -	\$ 8,750	\$ -	\$ -	\$ -	\$ 8,750	
Department of Transportation											
Police Overtime Motor Vehicles	*	01/01/2012	12/31/2012	\$ 130,500	\$ 97,875	\$ -	\$ -	\$ -	\$ -	\$ -	130,500
Police Overtime Motor Vehicles	*	01/01/2013	12/31/2013	76,125	21,750	-	76,125	76,125	-	-	76,125
Safe Streets to Transit				205,000	-	-	205,000	-	-	205,000	-
Local Bikeway Program	*	*	*	*	-	51,771	-	-	(51,771)	-	*
Total Department of Transportation					\$ 119,625	\$ 51,771	\$ 281,125	\$ 76,125	\$ (51,771)	\$ 205,000	
Capital Fund Grants											
Department of Transportation											
FY 2013 Municipal Aid Program**	*	*	*	\$ 403,480	\$ -	\$ -	\$ 403,480	\$ 403,480	-	\$ -	403,480
Total Capital Fund Grants					\$ -	\$ -	\$ 403,480	\$ 403,480	\$ -	\$ -	
GRAND TOTAL STATE FINANCIAL ASSISTANCE					\$ 506,377	\$ 2,461,205	\$ 896,344	\$ 642,877	\$ (918,099)	\$ 1,796,573	

* Not Available.
**Denotes Major Program.

**CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2013**

Department and Program	Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2012	Budget Appropriations	Paid or Charged	Cancellations/ Transfers	Funds Available Dec. 31, 2013	Cumulative Expenditures
		From	To								
County of Hudson Grants:											
County of Hudson Open Space Trust Grants:											
Open Space Trust Fund	*	01/01/2005	12/31/2006	\$ 1,200,000	\$ 169,960	\$ 1,188,466	\$ -	\$ -	\$ -	\$ 1,188,466	\$ 11,534
Open Space Trust Fund - Museum	*	01/01/2009	09/30/2010	340,000	-	70,998	-	-	-	70,998	269,002
Total County of Hudson Open Space Trust Fund					<u>169,960</u>	<u>1,259,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,259,464</u>	
County Law Enforcement Trust Account											
Police Forfeiture Funds	*	07/01/2011	06/30/2012	205,759	-	51,523	-	1,525	-	49,998	155,761
Drug Enforcement Agency	*	*	*	163,031	-	163,031	-	-	-	163,031	-
Drug Enforcement Agency	*	*	*	42,119	-	42,119	-	-	-	42,119	-
Reimbursement Police Department	*	*	*	67,383	-	67,383	-	-	-	67,383	-
Reimbursement - City Wide Communications	*	*	*	24,022	15,144	-	24,022	24,022	-	-	24,022
Reimbursement - City Wide Communications	*	*	*	26,029	-	7,419	-	7,419	-	-	26,029
Total County Law Enforcement Trust Account					<u>15,144</u>	<u>331,475</u>	<u>24,022</u>	<u>32,966</u>	<u>-</u>	<u>322,531</u>	
Subtotal County of Hudson					<u>185,104</u>	<u>1,590,939</u>	<u>24,022</u>	<u>32,966</u>	<u>-</u>	<u>1,581,995</u>	
County of Hudson Elderly Program:											
Eyeglass Service	*	*	*	25,000	-	195	-	-	-	195	24,805
Total County of Hudson Grants					<u>\$ 185,104</u>	<u>\$ 1,591,134</u>	<u>\$ 24,022</u>	<u>\$ 32,966</u>	<u>\$ -</u>	<u>\$ 1,582,190</u>	
Private Contributions and Donations:											
Dr. Pepper Snapple Group - KaBOOM!											
Let's Play Construction Grant	*	07/1/2012	02/21/2013	\$ 9,000	\$ -	\$ 9,000	\$ -	\$ -	\$ -	\$ 9,000	\$ -
Association of NJ Environmental Commissions (ANJEC)											
Land Use Planning Grants	*	07/01/2007	06/30/2008	15,000	-	1,744	-	-	(1,744)	-	13,256
Pet Smart Charities	*	09/30/2012	10/30/2013	16,500	-	15,297	-	3,939	-	11,358	5,142
Fire Department Donations	*	*	*	22,720	-	350	-	-	(350)	-	22,370
Bench Plaque Donations	*	*	*	4,900	-	1,750	-	-	-	1,750	3,150
Contributions - Arson Equipment	*	*	*	1,395	-	1,395	-	-	-	1,395	-
Private Contributions for Public Events	*	*	*	7,500	7,500	-	-	-	-	-	-
Fire Museum Donations	*	*	*	500	-	500	-	-	(500)	-	-
Special Purpose Grant - Museum	*	07/01/2010	06/30/2011	*	-	1,031	-	-	(1,031)	-	*
Contribution for Public Waterfront Access	*	07/01/2010	*	250,000	125,000	125,000	125,000	-	-	250,000	-
George Foreman Grant	*	07/01/2010	06/30/2011	2,498	25	3	-	-	-	3	2,495
Donations - 16th Street Mural	*	1/1/2013	12/31/2013	2,176	-	-	2,176	-	(2,176)	-	-
Donations - Poster Contest	*	1/1/2013	12/31/2013	2,300	-	-	2,300	-	(2,300)	-	-
Dogtopia K9 Unit Donation	*	07/01/2010	06/30/2011	1,085	-	185	-	-	(185)	-	900
MLB Grant	*	*	*	8,852	8,852	-	8,852	8,852	-	-	8,852
Fire Digitizer Donation	*	*	*	500	-	500	-	-	-	500	-
Total Private Contributions and Donations					<u>\$ 141,377</u>	<u>\$ 156,755</u>	<u>\$ 138,328</u>	<u>\$ 12,791</u>	<u>\$ (8,286)</u>	<u>\$ 274,006</u>	

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

Department and Program	Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2012	Budget Appropriations	Paid or Charged	Cancellations/ Transfers	Funds Available Dec. 31, 2013	Cumulative Expenditures
		From	To								
Other Reimbursements:											
Developers' Escrow Municipal Reimbursement Passed through the Bayonne Housing Authority:	*	1/1/2012	12/31/2012	\$ 28,138	\$ -	\$ -	\$ 28,138	\$ -	\$ (28,138)	\$ -	\$ -
Police Grant	*	01/01/2013	12/31/2013	458,625	278,998	-	-	-	-	-	-
Police Grant	*	01/01/2012	12/31/2012	179,627	179,627	-	179,627	179,627	-	-	179,627
Code Enforcement Program - Salaries and Wages	*	*	*	8,502	-	8,502	-	-	(8,502)	-	-
Boat Ramp Fees	*	*	*	450	225	-	450	-	(450)	-	-
Lite Air Packs	*	*	*	600	-	600	-	-	-	600	-
Police Auction Fund	*	07/01/2009	06/30/2010	138,405	-	30,401	-	29,673	(728)	-	137,677
Tree Replacement Funds	*	*	*	23,160	23,160	-	-	-	-	-	23,160
Bayonne Municipal Utilities Authority:											
West Side Passive Park	*	07/01/2000	06/30/2001	350,000	-	9,313	-	-	(9,313)	-	340,687
Total Other Reimbursements					<u>\$ 482,010</u>	<u>\$ 48,816</u>	<u>\$ 208,215</u>	<u>\$ 209,300</u>	<u>\$ (47,131)</u>	<u>\$ 600</u>	
GRAND TOTAL OTHER FINANCIAL ASSISTANCE					<u>\$ 808,491</u>	<u>\$ 1,796,705</u>	<u>\$ 370,565</u>	<u>\$ 255,057</u>	<u>\$ (55,417)</u>	<u>\$ 1,856,796</u>	

* Not Available

CITY OF BAYONNE
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED DECEMBER 31, 2013

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 YEAR ENDED DECEMBER 31, 2013

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 YEAR ENDED DECEMBER 31, 2013**

Section I - Summary of Auditor's Results

Financial Statements

	Unmodified-as prescribed by NJ DLGS Adverse-according to GAAP			
Type of auditors report issued:				
Internal Control over Financial Reporting:	2013-003 2013-010			
1) Material weakness(es) identified?	✓	Yes	2013-011	No
2) Significant deficiency(ies) identified?	✓	Yes	2013-001 2013-002	No
Noncompliance material to basic financial statements noted?	Yes		✓ No	

Federal Awards

Type of auditor's report on compliance for major programs:	Qualified for: CDBG Entitlement Grants Cluster Emergency Shelter Grant			
	Unmodified for all other major Federal program			
Internal Control over Major Programs:	2013-003 through			
1) Material weakness(es) identified?	✓	Yes	2013-011	No
2) Significant deficiency(ies) identified?	Yes		✓ No	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	✓	Yes	2013-003 through 2013-011	No

Identification of major Federal Programs:

CFDA Number	Name of Federal Program or Cluster
93.044 / 93.053	- Aging Cluster
97.083	- FEMA - FY12 SAFER Grant
14.218	- CDBG Entitlement Grants Cluster

**CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

Federal Awards (continued)

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

Auditee qualified as low-risk auditee? Yes ✓ No

State Financial Assistance

Type of auditor's report on compliance for major programs: Unmodified-as prescribed by NJ DLGS
Adverse-according to GAAP

Internal Control over Compliance:

1) Material weakness(es) identified? Yes ✓ No

2) Significant deficiency(ies) identified? Yes ✓ No

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

Identification of major State programs

<u>State Grant Number</u>	<u>Name of State Program</u>
Unavailable	- FY13 Municipal Aid Program

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

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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 2013-001

Significant Deficiency in Internal Control over Financial Reporting

Criteria and Condition:

The City's Schedule of Federal and State Grants Receivable (Exhibit A-21) and Schedule of Reserves for Federal and State Grants - Appropriated (Exhibit A-22) 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	2013	\$ 2,945,190
2	2012	1,336,722
3	2011	902,968
4	2010	1,165,726
5	2009	130,210
6 -9	2004 - 2008	2,255,432
10 and more	Prior to 2004	591,232
		\$ 9,327,480

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

Section II - Schedule of Financial Statement Findings

Finding 2013-001 (continued)

Recommendation:

Although a portion of receivables and reserves were cancelled during 2013, the City should continue to 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 YEAR ENDED DECEMBER 31, 2013

Section II - Schedule of Financial Statement Findings

Finding 2013-002

Significant Deficiency in Internal Control over Financial Reporting

Criteria and Condition:

The Federal and State Grant Fund include items accounted for on the receivable and reserve schedules which are not grants. 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. Where identified, such items were moved from the Schedules of Expenditures of Federal Awards and State Financial Assistance to the Schedule of Expenditures of Other Financial Assistance, however, a complete verification was not performed.

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 YEAR ENDED DECEMBER 31, 2013

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.)

Finding 2013-003:

Material Weakness in Internal Control Over Major Programs and Over Financial Reporting- Allowable Costs

- U.S. Department of Housing and Urban Development
Community Development Block Grant – CFDA No. 14.218
Emergency Shelter Grant – CFDA No. 14.231

Condition: The City was unable to provide adequate and appropriate accounting records as part of a standard financial accounting system. Therefore, we could not verify or reconcile information in IDIS with the City’s internal financial management system.

Criteria: In accordance with 25 CFR 85. 20(b)(2), *Accounting records*, pursuant to 24 CFR 570.502(a)(4), the City and its subrecipients must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations obligations, unobligated balances, assets, liabilities, outlays or expenditures and income.

Cause: The City’s Community Development Office operates its own financial management system which has no connection with the City’s financial and accounting system.

Effect: Lack of adequate and accurate accounting records can lead to inconsistencies in the City’s internal control over its financial reporting and management.

Recommendation: The City should consider integrating the Community Development department into their financial accounting system.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Finding 2013-003: (continued)

Views of Responsible Officials of the City:

Staff has worked with the City's external accountant and has completed the entry of all financial information in the Community Development accounting system. In addition, Community Development policies and procedural manual is now being followed including the sections pertaining to program financial management.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Finding 2013-004:

Material Weakness in Internal Control Over Compliance – Program Income

- U.S. Department of Housing and Urban Development
Community Development Block Grant – CFDA No. 14.218

Condition: The City did not disburse CDBG program income before requests were made for CDBG funds in the United States Treasury Account. The City did not accurately account for program income generated from the use of Community Development Block Grant funds. In addition, loan repayments are not properly monitored or recorded by the City and the program income generated by the loan program is not recycled into the program.

Criteria: 24 CFR Part 85.21, pursuant to 24 CFR 570.502(a)(5) and 24 CFR 570.504(b) requires that the City and subgrantees disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments. 24 CFR Sections 570.500, 570.504 and 570.506 state that the grantee must accurately account for any program income generated from the use of Community Development Block Grant funds and must treat such income as additional grant funds which are subject to all program rules. In addition, in accordance with 24 CFR sections 570.500, 570.501, 570.504, 570.506, and 570.513, the use of income derived from loan payments is subject to program requirements. This carries with it the responsibility for grantees to have loan origination and servicing systems in effect which assures that loans are properly authorized, receivables are properly established, earned income is properly recorded and used, and write-offs of uncollectible amounts are properly authorized.

Cause: The City did not disburse identified program income for payments of program costs/expenses prior to making further cash withdrawals from the U.S. Treasury. The City did not have procedures in place to account for and recycle program income generated by the Community Development Block Grant program. In addition, loan repayments were not recycled and program income generated not recorded.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Finding 2013-004: (continued)

Effect: The City is not in compliance with the program income requirement of the grant. A review of the program income details report for CDBG indicated that the City had a reported balance of CDBG program income on hand. This has been caused, at least in part, by input and administrative issues with the Integrated Disbursement and Information System (IDIS) as it relates to program income and the City's failure to keep accurate accounting records. The effect of this action resulted in unnecessary draws of additional Treasury funds being made.

Recommendation: The City must identify the sources and amounts of previously recorded program income and confirm that the actual program income amount as it has on hand matches with data found in IDIS. It should reconcile the information within the City's financial system and IDIS. Therefore, the City must cease making CDBG program disbursements from the City's Treasury accounts. All disbursements should be made from the City's reported program income, until such time as those funds have been fully exhausted. The City should record all CDBG program income and reprogram these funds to eligible activities under the terms of the grant agreement.

Views of Responsible Officials of the City:

Staff is working on the identification of all program income and sources that had not been reported in IDIS at the time of the audit. All program income will be utilized for activities before any new Treasury payments are requested through IDIS. All new program income is now being properly recorded and will be reprogrammed for eligible activities; the individual previously responsible for this action has been replaced.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Finding 2013-005:

Material Weakness in Internal Control Over Compliance - Subrecipient Monitoring

- U.S. Department of Housing and Urban Development
Community Development Block Grant – CFDA No. 14.218

Condition: The City does not have a formal procedure in place to track A-133 audit reports for its subrecipients. Therefore, the City did not properly monitor and was unable to provide documentation on subrecipient monitoring.

Criteria: Pursuant to OMB Circular A-133, the City is required to maintain and track A-133 audits of its subrecipients.

Cause: The City normally checks subrecipient audit reports, which it receives with CDBG applications. However, it does not perform the necessary monitoring to ensure that subrecipients submit A-133 reports, if required, in accordance with the terms of the subrecipient agreements.

Effect: The City cannot determine if subrecipients were required to have an A-133 audit or provide assurance that subrecipients expended funds in accordance with their agreement with the subrecipient

Recommendation: The City should maintain a tracking system of all its subrecipients, in order to ensure that it obtains copies of their A-133 audit reports if required. In addition, the City must ensure that its subrecipients address any finding(s) in their audit report that may affect the program administered by the Office of Community Development. The City should establish formal procedures for monitoring CDBG subrecipients for compliance with the terms of the grant agreement.

Views of Responsible Officials of the City:

Before any 2014 subrecipient agreements were authorized, staff reviewed agencies to ascertain A-133 status and any findings in the reports.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Finding 2013-006:

Material Weakness in Internal Control Over Compliance – Cash Management

- U.S. Department of Housing and Urban Development
Community Development Block Grant – CFDA No. 14.218

Condition: The City could not provide internal accounting information in order to determine if payments are being made within three business days of the deposit of grant funds.

Criteria: In accordance with 24 CFR 85.20(b)(7), *Cash Management*, pursuant to 24 CFR 570.502(a)(5), the City must have procedures in place for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

Cause: The City does not have a procedure in place to minimize the time elapsing between the transfer of funds and their disbursement.

Effect: The City is not in compliance with Cash Management provisions.

Recommendation: The City must minimize the time elapsing between the transfer of CDBG funds and their disbursement.

Views of Responsible Officials of the City:

The time elapsed issue will be carefully monitored by staff to ensure program compliance with the three business day disbursement rule.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Finding 2013-007:

Material Weakness in Internal Control Over Compliance – Financial Reporting

- U.S. Department of Housing and Urban Development
Community Development Block Grant – CFDA No. 14.218

Condition: The City did not submit quarterly reports for Fiscal Year 2012 or 2013.

Criteria: In accordance with 24 CFR 85.41(c), *Financial Reporting*, pursuant to 24 CFR 570.502(a)(15), HUD recipients and subrecipients shall submit an SF 425, Federal Financial Report, on a quarterly basis, reflecting the federal funds received, disbursed, ending balance(s) by program and related program income received and disbursed.

Cause: The City did not maintain internal controls to ensure timely and accurate submission of quarterly reports as required by HUD regulations.

Effect: The City is not in compliance with the CDBG regulations requiring submission of the Federal Financial Reports.

Recommendation: The City must submit, to HUD, a copy of the policies and procedures put into place to ensure timely and accurate submission of the SF 425 form and submit copies of the missing quarterly reports for FY 2012 and FY 2013.

Views of Responsible Officials of the City:

The quarterly reports are being prepared and will be submitted to HUD. In the future, staff will schedule the reporting document so as to track the quarterly submission due dates. The policy and procedure manual has been revised to include the SF 425 submission.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Finding 2013-008:

Material Weakness in Internal Control Over Compliance – Special Tests and Provisions

- U.S. Department of Housing and Urban Development
Community Development Block Grant – CFDA No. 14.218

Condition: The City did not have adequate checks and balances and was deficient in internal control over financial reporting.

Criteria: In accordance with 24 CFR 85.20(b)(3), *Internal Control*, pursuant to 24 CFR 570.502(a)(15), effective internal controls must be maintained for all grant and subgrant cash, real and personal property and other assets. The City is required to adequately safeguard all such property and must assure that it is used solely for authorized purposes.

Cause: There is no connection between the City’s financial and accounting system and the Community Development Department’s system. The City does not review documentation for accuracy or ensure that the information is entered in Community Development’s system.

Effect: The City does not have efficient internal controls in place to ensure the safeguarding of CDBG funds. Furthermore, that said controls are not consistent with the requirements provided under the Standards for Financial Management 24 CFR part 85.

Recommendation: The City should consider integrating the Community Development department into their financial accounting system to provide more internal controls over CDBG funds.

Views of Responsible Officials of the City:

Data entries have been completed for the Community Development records. Further, the CDBG policy and procedure manual as updated is now being followed.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Finding 2013-009:

Material Weakness in Internal Control Over Compliance – Reporting and Earmarking

- U.S. Department of Housing and Urban Development
Community Development Block Grant – CFDA No. 14.218

Condition: The City did not have internal accounting information available to ensure that the information in IDIS and Comprehensive Annual Performance and Evaluation Report (CAPER) was accurate and complete. Additionally, the CDBG Financial Summary Report submitted showed that the City was over the Administration CAP of 20%.

Criteria: In accordance with 24 CFR 85.20(b)(2), *Accounting records*, pursuant to 24 CFR 570.502(a)(4) and 24 CFR 570.507, the City is required to maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations obligations, unobligated balances, assets, liabilities, outlays or expenditures and income.

Cause: There is no connection between the City’s financial and accounting system and the Community Development Department’s system and the City does not review documentation for accuracy or ensure that the information is entered in Community Development’s system.

Effect: Lack of adequate and accurate accounting records can lead to inconsistencies in the City’s internal control over its financial reporting and management.

Recommendation: The City should adhere to its CDBG policies and procedures manual, which references financial management procedures.

Views of Responsible Officials of the City:

The administrative budget expenditure overage for 2012 was due to the legal issues confronting the CDBG program for the 2012 year. The 2013 program year is not over the 20% threshold for administrative spending. Staff is now following the CDBG policies and procedures manual.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Finding 2013-010:

Noncompliance – Allowable Costs

Material Weakness in Internal Control Over Major Programs and Over Financial Reporting – Allowable Costs

- U.S. Department of Housing and Urban Development
Community Development Block Grant – CFDA No. 14.218

Condition: The City failed to maintain adequate source documentation for its expenditures. Financial files provided by the City for our review lacked paid bills, payrolls and time and attendance records.

Criteria: In accordance with 25 CFR, parts 85.20(b)(3)&(6), *Internal Controls and Source Documentation*, pursuant to 24 CFR 570.502(a)(4), requires the City to maintain the following:

Internal Controls – effective control and accountability must be maintained for all grant and subgrant cash, real and personal property and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

Source Documentation – accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Cause: The City is not following its financial management process as dictated in its CDBG policy and procedure manual, nor does it appear to enforce currently existing general fiscal procedures.

Effect: Lack of adequate source documentation has adversely affected the City's compliance with CDBG financial regulatory and statutory requirements.

Recommendation: Source documentation maintained by the City should include, but not be limited to, cancelled checks, paid bills, payrolls, time and attendance records and contracts in accordance with 2 CFR Part 225. The City must provide HUD with a certification indicating that fiscal policies related to the CDBG program will be expended and followed to ensure compliance with federal financial rules and regulations.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Finding 2013-010: (continued)

Views of Responsible Officials of the City:

The governing body submitted a certification of compliance with 2 CFR Part 225 regulations relative to required source documentation. The CDBG office is maintaining source documentation including cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Finding 2013-011:

Material Weakness in Internal Control Over Major Programs and Over Financial Reporting – Allowable Costs

- U.S. Department of Housing and Urban Development
Community Development Block Grant – CFDA No. 14.218

Condition: Documentation for personnel costs did not include timesheets in accordance with 2 CFR Part 225, or semi-annual certifications.

Criteria: In accordance with 24 CFR Part 507.502(a)(4) and 2 CFR Part 225, salary expenses are required to be accurately tracked.

Cause: The City was unaware of 2 CFR Part 225 requirements on the use of appropriate time sheet or semi-annual certifications.

Effect: Costs incurred by the City are not properly allocable to Federal awards on the basis of beneficial or casual relationship between the expenses incurred and the awards to which they are allocated in accordance with applicable requirements.

Recommendation: The City must discontinue the current practice of using CDBG funds to pay unsupported personnel costs. Additionally, the City must begin to adequately document any personnel costs for which they wish to seek reimbursement from HUD. The City must present a sample bi-annual certification as well as time distribution records for employees if the wages are chargeable to more than one grant source that will be utilized to document personnel expenses to their Community Development staff for approval.

Views of Responsible Officials of the City:

The City has discontinued the practice of using CDBG funds to pay unsupported personnel costs. The City will have available a bi-annual certification and time distribution record for any employee where wages are charged to more than one grant source including the CDBG program.

CITY OF BAYONNE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

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 FS2012-01

Financial Statement Finding

Condition: The City's Schedule of Federal and State Grants Receivable(Exhibit A-21) and Schedule of Reserves for Federal and State Grants - Appropriated (Exhibit A-22) contain grants with outstanding receivable and reserve balances which have been inactive for several years.

Current Year Status: This finding is repeated in the current year as Finding 13-01.

Finding 2012-02

Financial Statement Finding

Condition: The Federal and State Grant Fund include items accounted for on the receivable and reserve schedules which are not grants. The revenues were treated as grants and run through the Federal and State Grant Fund, whereas, the appropriations were treated as non-grants.

Current Year Status: This finding is repeated in the current year as Finding 13-02.

Finding 2012-03

Federal Awards and State Financial Assistance Finding

Condition: The City could not provide supporting documentation for expenditures incurred for the Community Development Block Grant. In addition, we could not determine whether the City is in compliance with the requirements related to rehabilitation projects. This caused questioned costs for Community Development Block Grant in the amount of \$2,397,773 and Emergency Shelter Grant in the amount of \$13,453.

CITY OF BAYONNE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

Status of Prior Year Findings

Finding 2012-03 (continued)

Federal Awards and State Financial Assistance Finding

Current Year Status: Law Enforcement Officials as part of an ongoing investigation have taken possession of financial records maintained by the Community Development Department and still have not returned them, therefore the questioned costs still exist.

Finding 2012-04

Federal Awards and State Financial Assistance Finding

Condition: The City did not accurately account for program income generated from the use of Community Development Block Grant funds. In addition, loan repayments are not properly monitored or recorded by the City and the program income generated by the loan program is not recycled into the program. Also, interest earned on funds on deposit with their financial institution is transferred to the City.

Current Year Status: This finding remains in the current year as Finding13-04 except for the interest being transferred to the City. That portion of the condition is corrected.

Finding 2012-05

Federal Awards and State Financial Assistance Finding

Condition: The City did not properly monitor and was unable to provide documentation on subrecipient monitoring.

Current Year Status: This finding remains in the current year as Finding 13-05.

CITY OF BAYONNE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

Status of Prior Year Findings

Finding 2012-06

Federal Awards and State Financial Assistance Finding

Condition: The City could not provide documentation for compliance with the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).

Current Year Status: This finding has been corrected.

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,												
2013	\$ 29,406,517	\$ 6,324,000	\$ 42,966,000	\$ 8,032,500	\$ 15,769,000	\$ 131,799	\$ 5,100,277	\$ 675,834	\$ 390,000	\$ 21,901,530	\$ 3,000,000	\$133,697,457
2012	32,207,148	6,370,300	41,458,000	7,444,500	12,902,800	208,201	3,554,199	1,990,800	1,615,000	22,641,241	800,000	131,192,189
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

(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,									
2013	\$ 80,001,589	\$ 279,390	\$ 11,070,119	\$ 9,330,965	\$ 131,799	\$ 5,444,098	\$ 33,452,291	\$ 7,019,657	\$ 146,729,908
2012	76,038,435	38,660	6,734,222	9,429,879	208,201	3,274,999	34,343,318	4,605,858	134,673,572
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

(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 YEARS ENDED DECEMBER 31, 2013 AND 2012

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

	Year Ended December 31, 2012		Year Ended December 31, 2012	
	Amount	Percent	Amount	Percent
Revenue and Other Income Realized:				
Miscellaneous Revenue Anticipated	\$ 53,295,619	24.17%	\$ 57,644,272	24.85%
Receipts from Delinquent Taxes	38,660	0.02%	279,390	0.12%
Receipts from Current Taxes	162,559,655	73.72%	166,980,742	72.00%
Miscellaneous Revenue Not Anticipated	2,045,915	0.93%	2,953,069	1.27%
Other Credits to Income	2,559,943	1.16%	4,066,588	1.75%
	<u>220,499,792</u>	<u>100.00%</u>	<u>231,924,061</u>	<u>100.00%</u>
Expenditures:				
Budget Appropriations	130,861,459	59.36%	133,563,013	59.42%
School, County and Special Improvement				
District Taxes	86,521,220	39.24%	86,979,153	38.69%
Other Charges	3,082,997	1.40%	4,250,236	1.89%
	<u>220,465,676</u>	<u>100.00%</u>	<u>224,792,402</u>	<u>100.00%</u>
Change in Operations, net of Surplus Utilized	34,116		7,131,659	
Adjustments to Income: Deferred Charges				
of Budget of Succeeding Year	1,970,000		550,000	
Fund Balance, Beginning of Year	<u>6,795,568</u>		<u>8,799,684</u>	
Fund Balance, December 31	<u>\$ 8,799,684</u>		<u>\$ 16,481,343</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, 2013	7.339	3.034	1.240	3.065
Dec. 31, 2012	7.114	2.853	1.246	3.015
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

* Includes County Open Space.

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, 2013	\$ 581,664	\$ 241,657	\$ 823,321	0.50%
Dec. 31, 2012	546,136	562,173	1,108,309	0.68%
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%

**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, 2013	\$ 165,793,165	\$ 163,980,742	98.91%
Dec. 31, 2012	163,485,249	161,759,655	98.94%
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%

Table 7

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

<u>As of</u>	<u>Amount</u>
Dec. 31, 2013	\$ 6,474,000
Dec. 31, 2012	6,474,000
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

**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 Taxable</u>	<u>Estimated Full Cash Valuation</u>	<u>Percentage of Net Assessed Value To Estimated Full Cash Valuation</u>
Dec. 31, 2013	\$ 2,249,425,125	\$ 5,213,320,757	43.15%
Dec. 31, 2012	2,288,659,464	5,572,966,948	41.07%
Dec. 31, 2011	2,321,613,674	5,762,588,636	40.29%
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%

**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 Current Fund Expenditures	Total Realized Budget Revenue	Ratio of Debt Service to Current Fund Revenue
	Principal	Interest	Total				
Dec. 31,							
2013	\$ 11,836,534	\$ 10,064,996	\$ 21,901,530	\$ 133,563,013	16.40 %	\$ 139,710,251	15.68%
2012	9,258,709	13,382,532	22,641,241	130,861,459	17.30 %	130,067,714	17.41%
2011**	8,328,043	6,031,349	14,359,392	60,131,168	23.88 %	60,256,225	23.83%
June 30,							
2011	8,819,734	10,786,777	19,606,511	128,671,996	15.24 %	128,690,999	15.24%
2010	11,055,314	14,193,089	25,248,403	135,331,952	18.66 %	135,930,864	18.57%
2009	8,660,000	12,150,041	20,810,041	122,328,685	17.01 %	122,577,740	16.98%
2008	7,778,172	9,024,940	16,803,112	121,507,607	13.83 %	123,298,243	13.63%
2007	7,123,710	8,666,279	15,789,989	136,604,488	11.56 %	114,050,785	13.84%
2006	5,207,000	7,632,288	12,839,288	103,608,051	12.39 %	78,135,779	16.43%
2005	3,611,000	3,606,729	7,217,729	89,258,163	8.09 %	97,160,918	7.43%

* 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, 2013**

COMPUTATION OF LEGAL DEBT MARGIN AND OVERLAPPING DEBT

Average Equalized Valuation	<u>\$ 5,360,107,444</u>
Debt Limit - 3 1/2% of Average Equalized Valuation	\$ 187,603,761
Net Debt	<u>175,402,564</u>
Remaining Borrowing Power / Debt Margin	<u>\$ 12,201,197</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 90,881,800	\$ 90,881,800	\$ -
Self-Liquidating Purposes	3,180,000	3,180,000	-
Municipal Debt	<u>191,499,160</u>	<u>16,096,596</u>	<u>175,402,564</u>
Total	<u>\$ 285,560,960</u>	<u>\$ 110,158,396</u>	<u>\$ 175,402,564</u>

Overlapping Debt (Gross):	
County of Hudson (December 31, 2013)	\$ 91,591,634
Hudson County Improvement Authority (December 31, 2013)	60,171,209
Bayonne Municipal Utilities Authority (March 31, 2014)	<u>18,929</u>
	<u>\$ 151,781,772</u>

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 Equalized Valuation	Net Debt	Net Debt Per Capita	Ratio of Net Debt to Equalized Valuation
Dec. 31,								
2013	63,024	\$ 5,360,107,444	\$ 285,560,960	\$ 4,531	5.33%	\$ 175,402,564	\$ 2,783	3.27%
2012	63,024	5,512,364,667	215,863,767	3,425	3.92%	102,863,564	1,632	1.87%
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%

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
2013	9.8	9.1	8.2
2012	11.6	10.3	9.3
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

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

GENERAL SECTION

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2013

**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.

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2013

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

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

- One (1) 4000 gallon mobile foam apparatus
- Traffic controllers-four phase controller assembly
- Transmission repair services
- 2013 paving project
- Collection of Solid Waste
- Lease of beverage and snack machines locations in City Hall
- Recovery services for paper documents and records at City storage facility #2
- Rock Salt
- Collection of Recycling

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 the following resolutions were adopted authorizing the awarding of contracts or agreements for "state contracts" per N.J.S.A. 40A:11-12.

**CITY OF BAYONNE
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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)

- Maintenance of citywide communications
- Service agreement for 9-1-1 Telephone consoles
- Five (5) police vehicles
- Maintenance of City's audiolog recording system - Police Dept
- Maintenance service contract for police department digital fingerprinting software
- Rental of Connect+ 2000 series mailing system
- Sunstream boat lift

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."

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:

- Professional consulting to planning, administration and implementation of the CDBG Program
- Lead base paint inspections/risk assessments
- Counsel to the purchasing department and investigator for employee disciplinary matters
- Attorney for the Zoning Board
- Attorney for the Planning Board
- Attorney for the Ethics Board
- Attorney for the State Tax Courts Appeals
- Public Defender for the Municipal Court
- Real property appraisals and expert testimony for Tax appeals
- Bond counsel/special counsel
- Court Prosecutor
- Mental health services for low income and public assistance
- Animal control services
- Legal services for federal and state grants and funding relative to the City's law enforcement and public safety programs
- Professional planning services
- Professional grant writing and management services
- Collection of Municipal Court debt
- Medical services for uniformed employees
- Engineering services
- Communication, public relations, web hosting and design services, marketing and graphic arts consulting services
- Attorney for the Rent Control Board
- Various Engineering Services
- Auditor
- Arbitration hearings, litigation, negotiations and PERC hearing for various unions and the City
- Environmental and special counsel
- Licensed site remediation professional
- Mental health services for city employees
- Design construction and management services
- Software maintenance services
- Landscape architectural services
- Licensed insurance broker services and products

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2013

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)

There are additional exceptions noted in N.J.S.A. 40A:11-5, et seq., for contracts which may be negotiated and awarded by resolution of the governing body without public advertising for bids. The City has also awarded contracts under other exceptions noted in N.J.S.A. 40A:11-5 including:

- N.J.S.A. 40A:11-5.1(dd), the provision or performance of goods or services for the support or maintenance of proprietary computer hardware and software, except that this provision shall not be utilized to acquire or upgrade non-proprietary hardware or to acquire or update non-proprietary software;
- N.J.S.A. 40A:11-5.1(f), the supplying of any product or the rendering of any service by a public utility, which is subject to the jurisdiction of the Board of Public Utilities or the Federal Energy Regulatory Commission or its successor, in accordance with tariffs and schedules of charges made, charged or exacted, filed with the board or commission, and
- N.J.S.A. 40A:11-5.1(x) The printing of municipal ordinances or other services necessarily incurred in connection with the revision and codification of municipal ordinances.

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**

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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:

- IT, Computer Systems and Network Administrator and Support Services
- Library circulation software services
- Technical support and maintenance of department data management and software

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
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DELINQUENT TAXES AND TAX TITLE LIENS

The City did not hold a traditional tax sale but held a bulk levy tax sale, 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, 2013	11
Dec. 31, 2012	11
Dec. 31, 2011	11
June 30, 2011	11
June 30, 2010	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.

CHANGE ORDERS EXCEEDING 20 PERCENT OF ORIGINALLY AWARDED CONTRACT PRICE

Change orders exceeding the originally awarded contract price by more than 20% are allowed only in limited instances. The authorization process requires a resolution of the governing body and an affidavit of publication for notice in an officially designated newspaper of the entity. The City has certified in its 2014 budget the following change orders which exceeded 20% of the originally awarded contract during 2013:

NONE

**CITY OF BAYONNE
COMMENTS AND RECOMMENDATIONS**

DECEMBER 31, 2013

FINDING 1: There are reserves in the City’s Current Fund which have been inactive for several years. The table below indicates \$217,330 of the \$3,579,274 reserved has had no activity in four years or more.

Years Since Last Activity	Year of Last Activity	Reserve for Other
1 or less	CY 2013	\$ 3,361,944
2	CY 2012	29,318
3	TY 2011 / FY 2011	-
4	FY 2010	-
5	FY 2009	-
6 and more	Prior to FY 2009	188,012
		<u>\$ 3,579,274</u>

This finding is repeated from the prior year.

Recommendation: Although the City wrote off a substantial amount of inactive reserves in the prior year, the City should review the rest of the inactive reserves in its Current Fund for proper follow-up and disposition.

FINDING 2: Testing of the City’s fixed assets inventory revealed that 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 and deletions or transfers. Two items selected for testing from the inventory list were identified as having been discarded in previous years. 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 3: 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.

CITY OF BAYONNE
COMMENTS AND RECOMMENDATIONS

DECEMBER 31, 2013

FINDING 4: During testing of the City's Payments in Lieu of Taxes (PILOTs), we noted two instances in which the PILOT agreement was not on file and the billing amount could not be verified. This finding is repeated from the prior year. There were also four agreements found that no revenues were collected.

Recommendation: The City should make certain all PILOT agreements are on file, billing amounts recalculated annually and revenues collected for each agreement.

FINDING 5: Surety bond coverage was not obtained for the Court Administrator, in accordance with the requirements established by N.J.A.C. 5:30-8.4(a). Surety bond coverage for the Tax Collector did not meet the minimum requirements of N.J.A.C. 5:30-8.3(a).

Recommendation: The City should annually review its projected Tax Levy and obtain the minimum surety bond coverage required under N.J.A.C. 5:30-8.3(a). The City should obtain surety bond coverage for the Court Administrator as required by N.J.A.C. 5:30-8.4(a).

FINDING 6: During expenditure testing, there were many Business Registration Certificates (BRC's) and W-9's unavailable for review, a few instances where purchase orders were dated after the invoice date and vouchers that could not be located.

Recommendation: The City should maintain all vouchers, vendor BRC's and W-9's on file and ready for audit review and assure purchase orders are issued prior to ordering goods or services.

FINDING 7: During bid testing, there were four instances where vendors were paid over the \$36,000 bid threshold and no bid process or state contract was awarded.

Recommendation: Every contract awarded by the City 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 City and to the lowest responsible bidder after public advertising for bids. Documentation of these procedures is to be made available for audit review for all bids required.

**CITY OF BAYONNE
COMMENTS AND RECOMMENDATIONS**

DECEMBER 31, 2013

FINDING 8: During payroll testing, there were twenty-five instances where voluntary deduction documentation was not available for review.

Recommendation: The City should keep all voluntary deduction documentation in each employees personnel file. Archiving these documents makes it difficult to verify during audit procedures.

FINDING 9: The City's departments do not reconcile their permits/licenses issued with the tax collectors monthly cash report.

Recommendation: Every department must maintain ledgers of permits/licenses issued and reconcile them to the monthly reports provided by the tax office. If there are differences, they must be reconciled on a monthly basis.

FINDING 10: The analysis of General Capital Cash includes cash deficits for ordinances that are over 5 years old.

Recommendation: The City should raise funds in the General Capital Fund for old ordinances.

Corrective Action

In accordance with regulations promulgated by the Single Audit Act and the Division of Local Government Services, all municipalities are required to prepare and submit to the Division of Local Government Services, a Corrective Action Plan with regard to audit deficiencies. This plan must be approved by formal resolution of the governing body and submitted within 60 days from the date the audit is received.

Status of Prior Years' Audit Recommendations

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*.

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