

CITY OF BAYONNE

STATE OF NEW JERSEY

NEW JERSEY COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

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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, 2015

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 the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and New Jersey OMB Circular 15-08, 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.

The Department of Public Safety, under supervision of Robert Kubert (commencing 7/1/14), consists of the Police and Fire Departments.

The Police Department is under the supervision of Police Chief 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.

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.

Background (continued)

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.

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.

Background (continued)

Bergen Point District

Located at the City's southwest corner on Newark Bay and the Kill Van Kull, Bergen Point covers an area of 138 acres. Firms in this district are comprised of smaller metals and chemical manufacturing firms and light industry. Land for expansion of existing firms is limited, with the exception of 57 acre Texaco Tract. Texaco has moved its facilities from Bayonne. Texaco has cleared and cleaned the area under the guidance of ECRA prior to the sale of the 57 acres.

Port Jersey District

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

Constable Hook District

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

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.

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

Background (continued)

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

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, ZurabTseretelli. 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.

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.

Background (continued)

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.

Financial Information (continued)

Accounting

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

Description of Funds

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

The accounting policies of the City of Bayonne conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the Division). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds.

Under this method of accounting, the City accounts for its financial transactions through the following separate funds, which differ from the fund structure required by GAAP.

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

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

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

Financial Information (continued)

Description of Funds(continued)

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.

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.

Financial Information (continued)

Basis of Accounting (continued)

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.

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.

Financial Information (continued)

Basis of Accounting (continued)

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.

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.

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

Budget (continued)

amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by June 30 of that year. The budget also must provide for any cash deficits of the prior year.

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

Appropriation "CAPS"

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

Tax Levy "CAPS"

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

Deferral of Current Expenses

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

Budget Transfers

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

Budget Process

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

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 "NJIIIF") for the provision of property and casualty insurance coverage. The NJIIF 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 & Tomkins, LLC was selected to fulfill this requirement, and a copy of the auditors' report on the general-purpose financial

Annual Independent Audit (continued)

statements and combining individual fund statements and schedules, is included in the financial section of this report. The audit, conforming to the Division’s “Requirements of Audit,” includes recommendations for improvement of the City’s financial procedures and must be filed with the Director of the Division, within six (6) months after the close of each fiscal year. The Clerk of the City must publish a synopsis of the audit report, together with all recommendations made, in a local newspaper within 30 days after receipt thereof.

Acknowledgments

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Terrence Malloy", with a long, sweeping flourish extending to the right.

Terrence Malloy
Chief Financial Officer
City of Bayonne

CITY OF BAYONNE
ROSTER OF OFFICIALS
December 31, 2015

Roster of Officials

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
James Davis	Mayor	
Sharon Ashe-Nadrowski	Council President	
Juan M. Perez	Council Member At-Large	
Thomas Cotter	First Ward Council Member	
Salvatore Gullace	Second Ward Council Member	
Gary LaPelusa, Sr.	Third Ward Council Member	
Joseph DeMarco	Business Administrator	
Terrence Malloy	Municipal Controller and Chief Financial Officer	\$150,000
Robert F. Sloan	City Clerk	
JoAnne Sisk	Tax Collector	\$320,000
Janet Convery	Treasurer / Comptroller	\$150,000
Joseph G. Nichols	Tax Assessor	
Robert Wondolowski	Municipal Services Department Director	
Robert Kubert	Public Safety Director	
Jay Coffey	Corporation Counsel	
Frank T. Carpenter III	Presiding Municipal Court Judge	\$150,000
Cheryl Scott Cashman	Municipal Court Judge	\$150,000
Genevieve Michane	Court Administrator	
Gregory J. Rogers	Fire Chief	
Drew Niekrasz	Police Chief	
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 & TOMKINS, LLC

Certified Public Accountants

Matthew A. Donohue, CPA
Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA

310 Broadway
Bayonne, NJ 07002
(201) 437-9000
Fax: (201) 437-1432
E-Mail: dgd@dgdcpas.com

Linda P. Kish, CPA, RMA
Mark W. Bednarz, CPA, RMA
Jason R. Gironda, CPA

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, 2015 (with comparative totals as of December 31, 2014), 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, 2015 (with comparative totals for the year ended December 31, 2014), 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, 2015 (with comparative totals for the year ended December 31, 2014), 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, 2015 (with comparative totals as of December 31, 2014), 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, 2015 (with comparative totals as of December 31, 2014), 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.

Emphasis of Matter Regarding One-Time Revenues

The City has relied on many one-time revenues and structural imbalance offsets to balance their budget. It is anticipated that sales of other properties will replace these sources in future years.

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 and the schedule of expenditures of state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and N.J. Office of Management and Budget Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively. The supplementary data section, general comments, comments and recommendations, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are also presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplementary data section, general comments, comments and recommendations, schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 directly 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. In our opinion, the supplementary data section, general comments, comments and recommendations, schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section 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 January 30, 2017, 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.



DONOHUE, GIRONDA,
DORIA & TOMKINS, LLC

Certified Public Accountants



FREDERICK J. TOMKINS

Registered Municipal Accountant #327

Bayonne, New Jersey
January 30, 2017

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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, 2015. 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, 2015 and 2014 are as follows:

- Fund balance in the Current Fund was \$5,280,007 and \$5,067,253, respectively, as of December 31, 2015 and 2014. The City's Current Fund operations resulted in a net increase to fund balance of \$212,754 for the year ended December 31, 2015 and a net decrease to fund balance of \$11,414,090 for the year ended December 31, 2014.
- Total realized revenues and credits to income to the City's Current Fund amounted to \$230,677,898 for the year ended December 31, 2015 and \$246,851,442 for the year ended December 31, 2014. Net of County, School and Special Improvement District taxes collected and non-revenue credits to income, realized revenues to the Current Fund amounted to \$134,569,339 for the year ended December 31, 2015 and \$155,850,257 for the year ended December 31, 2014.
- Budgeted Current Fund appropriations, net of cancellations, for the year ended December 31, 2015 and 2014 were \$132,101,057 and \$151,456,260, 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, 2014 lapsed to operations in the amount of \$2,247,007. Unexpended budget appropriations from the budget of the year ended December 31, 2015 will not lapse to operations until the year ended December 31, 2016, but are set aside in the current year as appropriation reserves in the amount of \$2,304,820.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

FINANCIAL HIGHLIGHTS (continued)

- Included in the budgeted, or anticipated, revenues for the year ended December 31, 2015 and 2014 is the amount to be raised by taxation in support of the municipal budget in the amounts of \$80,628,755 and \$78,385,996, 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, 2015 and 2014: local school district taxes in the amount of \$60,283,361 and \$59,392,474, respectively, County of Hudson taxes in the amount of \$28,73,549 and \$27,696,235, 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, 2015 and 2014 was \$586,268 and \$560,530, respectively, an increase of \$25,738 and \$114,309, respectively.
- During the year ended December 31, 2015, the City's Parking Utility Operating Fund realized total revenues of \$1,594,930, or \$1,594,930 net of non-revenue credits to income.
- Budgeted Parking Utility Operating Fund appropriations, net of cancellations, for the year ended December 31, 2015 was \$1,376,750. During the current year, appropriations that were not paid or charged and which remained from the adopted budget of the year ended December 31, 2013 lapsed to operations in the amount of \$106,548. 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, 2015 will not lapse to operations until the year ended December 31, 2016, but are set aside in the current year as appropriation reserves in the amount of \$127,178.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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, 2015 and 2014:

	Current Fund (incl. State & Fed Grant Fund)		Trust Fund		General Capital Fund		Parking Utility Fund (Combined Operating and Capital)	
	2015	2014	2015	2014	2015	2014	2015	2014
<u>Assets:</u>								
Cash and Cash Equivalents	\$ 22,098,339	\$ 18,325,057	\$ 8,477,803	\$ 8,366,521	\$ 3,959,239	\$ 17,987,233	\$ 1,797,859	\$ 1,876,548
Taxes and Liens Receivable	1,402,912	1,459,391	-	-	-	-	-	-
Property Acquired for Taxes at Assessed Valuation	6,474,000	6,474,000	-	-	-	-	-	-
Grants and Other								
Intergovernmental Receivables	8,924,326	24,734,048	3,818,944	3,701,753	2,344,217	1,219,217	-	-
Other Receivables	2,613,632	4,892,019	-	-	-	353,734	431,807	451,836
Unamortized Debt Issuance	-	-	-	-	-	-	-	-
Deferred Charges	202,391	257,036	-	-	255,746,439	268,642,610	-	-
Fixed Capital	-	-	-	-	-	-	5,354,861	5,354,861
Fixed Capital Authorized and Uncompleted	-	-	-	-	-	-	1,445,483	1,445,483
Total Assets	\$ 41,715,600	\$ 56,141,551	\$ 12,296,747	\$ 12,068,274	\$ 262,049,895	\$ 288,202,794	\$ 9,030,010	\$ 9,128,728
<u>Liabilities, Reserves and Fund Balance:</u>								
Bonds, Notes and Loans Payable	\$ -	\$ -	\$ -	\$ -	\$ 248,696,693	\$ 261,542,750	\$ 2,855,000	\$ 3,020,000
Other Liabilities and Special Funds	27,643,276	39,677,732	12,296,747	12,068,274	3,395,474	17,625,693	1,389,500	1,353,757
Improvement Authorizations	-	-	-	-	9,784,133	8,860,756	253,891	414,090
Reserve for Certain Receivables	8,792,317	11,396,566	-	-	-	-	-	-
Reserve for Amortization	-	-	-	-	-	-	2,499,861	2,334,861
Reserve for Deferred Amortization	-	-	-	-	-	-	1,445,483	1,445,483
Fund Balance	5,280,007	5,067,253	-	-	173,595	173,595	586,275	560,537
Total Liabilities, Reserves and Fund Balance	\$ 41,715,600	\$ 56,141,551	\$ 12,296,747	\$ 12,068,274	\$ 262,049,895	\$ 288,202,794	\$ 9,030,010	\$ 9,128,728
Bonds and Notes Authorized But Not Issued					\$ 7,049,746	\$ 7,099,860		

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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, 2015 and 2014, the City has fixed assets, recorded at historical cost, of \$202,345,502 and \$202,345,502, respectively. See Note O for more detail.

CURRENT FUND FINANCIAL ANALYSIS

Current Fund Expenditures and Charges by Function

	Year Ended December 31,		Change Increase (Decrease)	
	2015	2014	Dollar	Percentage
General Government	\$ 30,283,410	\$ 31,506,681	\$ (1,223,271)	(3.9) %
Sanitation, Health and Welfare	6,502,239	6,719,000	(216,761)	(3.2)
Public Safety	43,866,270	44,238,550	(372,280)	(0.8)
Public Works, Parks and Recreation	9,143,240	8,992,500	150,740	1.7
Contingent, Deferred Charges & Statutory	14,201,145	13,718,650	482,495	3.5
Shared Service Agreements	120,000	120,000	-	0.0
Public and Private Programs	2,471,953	20,197,439	(17,725,486)	(87.8)
Other Special Items	60,202	65,860	(5,658)	(8.6)
Capital Improvements	-	200,000	(200,000)	(100.0)
Debt Service	22,852,598	22,977,580	(124,982)	(0.5)
Reserve for Uncollected Taxes	2,600,000	2,720,000	(120,000)	(4.4)
Total Budgeted Appropriations	132,101,057	151,456,260	(19,355,203)	(12.8)
Non-Budget Expenditures	2,637,005	4,530,563	(1,893,558)	(41.8)
Total Expenditures and Charges	<u>\$ 134,738,062</u>	<u>\$ 155,986,823</u>	<u>\$ (21,248,761)</u>	(13.6)

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

- Public and private programs decreased due to TIGER grant, Port Authority Grant and EDA grants received during 2014.
- Capital improvement fund decreased due to management decisions of the City.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

CURRENT FUND FINANCIAL ANALYSIS (continued)

Current Fund Realized Revenues and Other Credits to Income by Source

	Year Ended December 31,		Change Increase (Decrease)	
	2015	2014	Dollar	Percentage
Budgeted Operating Revenues:				
Fund Balance	\$ 6,421,172	\$ 14,900,000	\$ (8,478,828)	(56.9) %
Local Revenues	10,374,610	10,286,681	87,929	0.9
State Aid	8,829,801	9,032,464	(202,663)	(2.2)
Shared Service Agreements	-	120,000	(120,000)	(100.0)
Public and Private Programs	2,186,618	19,715,136	(17,528,518)	(88.9)
Other Special Items	22,197,506	19,505,006	2,692,500	13.8
Delinquent Taxes	40,182	68,683	(28,501)	(41.5)
Local Tax for Municipal Purposes	<u>82,393,735</u>	<u>79,952,344</u>	<u>2,441,391</u>	3.1
Subtotal	132,443,624	153,580,314	(21,136,690)	(13.8)
Non-Budget Revenues	<u>2,125,715</u>	<u>2,269,943</u>	<u>(144,228)</u>	(6.4)
Total Realized Revenues	134,569,339	155,850,257	(21,280,918)	
Other Credits to Income	4,555,642	2,387,930	2,167,712	90.8
Lapsed Appropriation Reserves	<u>2,247,007</u>	<u>1,234,546</u>	<u>1,012,461</u>	82.0
Total Realized Revenues and Other Credits to Income	<u>\$ 141,371,988</u>	<u>\$ 159,472,733</u>	<u>\$ (18,100,745)</u>	(11.4)

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

- Fund Balance decreased due to management decisions of the City.
- Public and private programs decreased due to TIGER grant, Port Authority Grant and EDA grants received during 2014.
- Delinquent taxes decreased due to less prior year taxes outstanding.
- Other credits to income decreased due to less interfunds returned during 2015.
- Lapsed appropriation reserves increased due to a higher balance reserved from the 2014 budget.

**CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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	\$ 141,371,988
Less: Fund Balance Utilized as Budget Revenues	<u>6,421,172</u>
Total Revenues, Net of Fund Balance Utilized	134,950,816
Less: Total Expenditures and Charges	<u>134,738,062</u>
Results of Current Year Operations	212,754
Add: Emergencies to be Raised in Future Budgets	-
Fund Balance at December 31, 2014	<u>5,067,253</u>
Fund Balance at December 31, 2015	<u><u>\$ 5,280,007</u></u>

ANALYSIS OF BUDGET VS. ACTUAL

The following table represents revenues anticipated and budgeted appropriations for the year ended December 31, 2015, 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"	\$ 102,126,190	\$ 99,869,576	\$ 2,256,614
Operations excluded from "CAPS"			
Other Operations	1,820,000	1,773,778	46,222
Shared Service Agreements	120,000	120,000	-
Public and Private Programs	2,532,155	2,530,171	1,984
Debt Service	23,162,030	22,852,598	309,432
Deferred Charges	50,114	50,114	-
Reserve for Uncollected Taxes	<u>2,600,000</u>	<u>2,600,000</u>	<u>-</u>
	\$ 132,410,489	\$ 129,796,237	\$ 2,614,252
Appropriations Cancelled	<u>309,432</u>	<u>-</u>	<u>309,432</u>
	<u><u>\$ 132,101,057</u></u>	<u><u>\$ 129,796,237</u></u>	<u><u>\$ 2,304,820</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 2016.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

ANALYSIS OF BUDGET VS. ACTUAL (continued)

Comparison of Budget vs. Actual			
	Budgeted	Actual	Variance
Anticipated Revenues:			
Fund Balance Utilized	\$ 6,421,172	\$ 6,421,172	\$ -
Miscellaneous Revenue Anticipated	45,150,562	43,588,535	(1,562,027)
Receipts from Delinquent Taxes	210,000	40,182	(169,818)
Local Tax for Municipal Purposes	80,628,755	82,393,735	1,764,980
Total Anticipated Revenues	\$ 132,410,489	\$ 132,443,624	\$ 33,135

Miscellaneous revenue collections exceeded amounts anticipated by \$33,135. Local revenues were under-budgeted by \$94,681 and other special items realized were under-budgeted by \$1,347,346. Collections of current taxes exceeded budgeted amounts by \$1,764,980

MUNICIPAL DEBT ADMINISTRATION

The following table summarizes the changes in capital debt for the year ending December 31, 2015:

	2015
Debt Issued and Outstanding	\$ 251,551,693
Authorized but not Issued	7,049,746
Total Debt Issued and Authorized but not Issued	\$ 258,601,439

The City's outstanding debt consists of Bond Anticipation Notes of \$58,020,000, General Capital Bonds of \$114,853,257, School Bonds of \$75,496,174, Parking Revenue Bonds of \$2,855,000, Green Trust Loans of \$226,791 and Demolition Loans of \$100,471. All such debt is described in further detail in Note D of the notes to financial statements.

The City did not have any Tax Anticipation Notes outstanding at December 31, 2015. 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, 2015
(UNAUDITED)**

MUNICIPAL DEBT ADMINISTRATION (continued)

In addition, the City still has on its books debt authorized but not issued of \$7,049,746. 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, 2015
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

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, 2015	December 31, 2014
<u>Assets:</u>									
Cash and Cash Equivalents	\$ 22,098,339	\$ -	\$ 8,477,803	\$ 3,959,239	\$ -	\$ 1,190,250	\$ 607,609	\$ 36,333,240	\$ 46,555,359
Intergovernmental Receivables	2,888,631	-	-	-	-	-	-	2,888,631	3,558,976
Grants Receivable	-	6,035,695	3,803,213	2,344,217	-	-	-	12,183,125	26,096,042
Interfunds Receivable (Unreserved)	-	1,698,227	15,731	-	-	-	431,807	2,145,765	2,234,414
Receivables with Full Reserves:									
Delinquent Property Taxes	748,057	-	-	-	-	-	-	748,057	841,686
Tax Title Liens	654,855	-	-	-	-	-	-	654,855	617,705
Property Acquired for Taxes at Assessed Valuation	6,474,000	-	-	-	-	-	-	6,474,000	6,474,000
Revenue Accounts Receivable	789,415	-	-	-	-	-	-	789,415	2,147,315
Interfunds Receivable	125,990	-	-	-	-	-	-	125,990	698,155
Other Receivables	-	-	-	-	-	-	-	-	617,705
Deferred Charges	202,391	-	-	255,746,439	-	-	-	255,948,830	268,899,646
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	-	-	-	-	165,984,900	-	-	165,984,900	165,984,900
Building	-	-	-	-	10,233,265	-	-	10,233,265	10,233,265
Improvements	-	-	-	-	4,817,988	-	-	4,817,988	4,817,988
Machinery, Equipment and Other	-	-	-	-	21,309,349	-	-	21,309,349	21,309,349
Total Assets	\$ 33,981,678	\$ 7,733,922	\$ 12,296,747	\$ 262,049,895	\$ 202,345,502	\$ 1,190,250	\$ 7,839,760	\$ 527,437,754	\$ 567,886,849

(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, 2015
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

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, 2015	December 31, 2014
<u>Liabilities, Reserves and Fund Balance:</u>									
<u>Current Liabilities and Reserves:</u>									
Notes Payable	\$ -	\$ -	\$ -	\$ 58,020,000	\$ -	\$ -	\$ -	\$ 58,020,000	\$ 90,435,000
Bonds Payable - Current Portion	-	-	-	9,000,133	-	-	195,000	9,195,133	8,090,903
Loans Payable - Current Portion	-	-	-	120,620	-	-	-	120,620	137,961
Prepaid Taxes, PILOTS and Overpayments	3,726,478	-	-	-	-	-	-	3,726,478	3,568,244
Contracts and Accounts Payable	688,623	-	75,519	1,461,135	-	-	-	2,225,277	633,879
Cash Overdraft	-	-	-	-	-	-	-	-	19,015
<u>Intergovernmental Payables:</u>									
Bayonne Board of Education	-	-	-	-	-	-	450,000	450,000	450,000
State of New Jersey	22,222	-	35,898	-	-	-	-	58,120	67,147
Other Payables and Accruals	-	-	-	-	-	44,646	-	44,646	6,787
<u>Taxes Payable:</u>									
County of Hudson	23,387	-	-	-	-	-	-	23,387	13,153
Special Improvement Districts	494,558	-	-	-	-	-	-	494,558	253,388
Interfunds Payable	1,714,098	-	28,535	97,121	-	432,100	-	2,271,854	3,424,031
Appropriation Reserves	2,304,820	-	-	-	-	127,178	-	2,431,998	2,394,015
Improvement Authorizations	-	-	-	9,784,133	-	-	253,891	10,038,024	9,613,522
<u>Reserve for:</u>									
Encumbrances	1,582,091	229,428	-	-	-	58	-	1,811,577	1,729,174
Other Expenditures	9,353,077	-	8,297,827	1,837,218	-	-	335,518	19,823,640	34,403,066
Grant Expenditures	-	7,504,494	3,858,968	-	-	-	-	11,363,462	13,957,046
Retirement of Debt	-	-	-	-	-	-	-	-	626,596
Receivables and Other Assets	8,792,317	-	-	-	-	-	-	8,792,317	10,060,097
<u>Noncurrent Liabilities:</u>									
Loans Payable	-	-	-	206,642	-	-	-	206,642	466,716
Bonds Payable	-	-	-	181,349,298	-	-	-	184,009,298	185,080,520
Total Liabilities and Reserves	28,701,671	7,733,922	12,296,747	261,876,300	-	603,982	2,660,000	315,107,031	365,430,260
Reserve for Amortization	-	-	-	-	-	-	3,894,409	2,499,861	2,174,861
Reserve for Deferred Amortization	-	-	-	-	-	-	1,445,483	1,445,483	1,445,483
Investments in Fixed Assets	-	-	-	-	202,345,502	-	-	202,345,502	201,818,719
Fund Balance	5,280,007	-	-	173,595	-	586,268	7	6,039,877	17,100,523
Total Liabilities, Reserves and Fund Balance	\$ 33,981,678	\$ 7,733,922	\$ 12,296,747	\$ 262,049,895	\$ 202,345,502	\$ 1,190,250	\$ 7,839,760	\$ 527,437,754	\$ 587,969,846
Bonds and Notes Authorized But Not Issued	-	-	-	\$ 7,049,746	-	-	-	-	\$ 9,349,860

(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, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS

	Current Fund		General Capital Fund		Parking Utility Fund		Capital	
	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Revenue and Other Income Realized								
Fund Balance Utilized	\$ 6,421,172	\$ 14,900,000	\$ -	\$ -	\$ 120,000	\$ 70,000	\$ -	\$ -
Miscellaneous Revenues Anticipated	43,588,535	58,659,287	-	-	1,331,242	1,266,121	-	-
Receipts from Delinquent Taxes	40,182	68,683	-	-	-	-	-	-
Receipts from Current Taxes	171,699,645	167,331,053	-	-	-	-	-	-
Non-Budget Revenues	2,125,715	2,269,943	-	-	-	-	-	-
Other Credits to Income:								
Unexpended Balance of Appropriation Reserves	2,247,007	1,234,546	-	-	-	-	-	-
Grant Appropriations Cancelled	4,183,887	-	-	-	-	-	-	-
Premium on Issuance of Debt	-	-	-	643	-	-	-	-
Prior Year Receivables Realized	-	2,233,732	-	-	-	-	-	-
Prior Year Interfunds Returned	51,182	125,564	-	-	-	-	-	-
Other Credits to Income	320,573	28,634	-	-	109,600	143,688	-	-
	230,677,898	246,851,442	-	643	1,560,842	1,479,809	-	-

	Current Fund		General Capital Fund		Parking Utility Fund		Capital	
	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Expenditures								
Budget and Emergency Appropriations:								
Operations:								
Salaries and Wages	\$ 55,946,525	\$ 56,183,500	\$ -	\$ -	\$ 635,000	\$ 620,000	\$ -	\$ -
Other Expenses	32,028,634	31,947,996	-	-	641,750	579,500	-	-
Deferred Charges & Statutory Expenditures	14,151,031	13,168,650	-	-	100,000	96,000	-	-
Appropriations excluded from "CAP"								
Operations:								
Salaries and Wages	639,244	712,578	-	-	-	-	-	-
Other Expenses	3,832,911	22,995,956	-	-	-	-	-	-
Capital Improvements	-	200,000	-	-	-	-	-	-
Debt Service	22,854,067	22,977,580	-	-	-	-	-	-
Deferred Charges	50,114	550,000	-	-	-	-	-	-
Reserve for Uncollected Taxes	2,600,000	2,720,000	-	-	-	-	-	-
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, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS

	Current Fund		General Capital Fund		Operating		Parking Utility Fund		Capital	
	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
County Taxes	\$ 28,709,162	\$ 27,601,355	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amount Due County for Added and Omitted Taxes	23,387	94,880	-	-	-	-	-	-	-	-
Local District School Tax	60,283,361	59,392,474	-	-	-	-	-	-	-	-
Interfund Advances	109,731	698,155	-	-	-	-	-	-	-	-
Revenue Accounts Receivable Reserved	-	2,147,315	-	-	-	-	-	-	-	-
Refund of Prior Year Revenues	-	-	-	-	-	-	-	-	-	-
Refund of Prior Year Taxes	1,425,763	-	-	-	-	-	-	-	-	-
Appropriated Grants Receivable Cancelled	1,100,042	-	-	-	-	-	-	-	-	-
Other Charges to Income	-	1,685,093	-	-	-	-	-	-	-	-
	<u>224,043,972</u>	<u>243,365,532</u>			<u>1,376,750</u>	<u>1,295,500</u>				
Excess in Revenue	\$ 6,633,926	\$ 3,485,910	\$ -	\$ 643	\$ 184,092	\$ 184,309	\$ -	\$ -	\$ -	\$ -
Deficit in Revenue	-	-	-	-	-	-	-	-	-	-
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										
Emergency Appropriation - BLRA Dissolution										
Statutory Excess to Fund Balance	6,633,926	3,485,910	-	643	184,092	184,309	-	-	-	-
Fund Balance, Beginning	5,067,253	16,481,343	173,595	172,952	560,530	446,221	7	7	7	7
	11,701,179	19,967,253	173,595	173,595	744,622	630,530	7	7	7	7
Decreased by:										
Utilized as Anticipated Revenue	6,421,172	14,900,000	-	-	120,000	70,000	-	-	-	-
Fund Balance, Ending	<u>\$ 5,280,007</u>	<u>\$ 5,067,253</u>	<u>\$ 173,595</u>	<u>\$ 173,595</u>	<u>\$ 624,622</u>	<u>\$ 560,530</u>	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ 7</u>

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 2015

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	\$ 6,421,172	\$ 6,421,172	\$ -	\$ 120,000	\$ 120,000	\$ -
Miscellaneous Revenues Anticipated	45,150,562	43,588,535	(1,562,027)	1,256,750	1,331,242	74,492
Receipts from Delinquent Taxes	210,000	40,182	(169,818)	-	-	-
Receipts from Current Taxes - Net of Taxes for County, School District and Special Improvement District	80,628,755	82,393,735	1,764,980	-	-	-
Non-Budget Revenues		2,125,715	2,125,715	-	-	-
Other Credits to Income:						
Unexpended Balance of Appropriation Reserves	-	2,247,007	2,247,007	-	-	-
Grant Appropriations Cancelled	-	4,183,887	4,183,887	-	-	-
Prior Year Interfunds Returned	-	51,182	51,182	-	-	-
Other Credits to Income	-	320,573	320,573	-	109,600	109,600
	<u>\$ 132,410,489</u>	<u>141,371,988</u>	<u>8,961,499</u>	<u>\$ 1,376,750</u>	<u>1,560,842</u>	<u>184,092</u>

Expenditures

Budget and Emergency Appropriations:

Operations:

Salaries and Wages	\$ 56,585,769	56,585,769	-	\$ 635,000	635,000	-
Other Expenses	35,861,545	35,861,545	-	325,000	325,000	-
Deferred Charges & Statutory Expenditures	14,201,145	14,201,145	-	100,000	100,000	-
Debt Service	23,162,030	22,854,067	(307,963)	316,750	316,750	-
Reserve for Uncollected Taxes	2,600,000	2,600,000	-	-	-	-
	<u>132,410,489</u>	<u>132,102,526</u>	<u>(307,963)</u>	<u>1,376,750</u>	<u>1,376,750</u>	<u>-</u>

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 2015
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	\$ -	\$ 109,731	\$ 109,731	\$ -	\$ -	\$ -
Refund of Prior Year Taxes	-	1,425,763	1,425,763	-	-	-
Appropriated Grants Receivable Cancelled	-	1,100,042	1,100,042	-	-	-
Other Charges to Income	-	-	-	-	-	-
	<u>\$ 132,410,489</u>	<u>134,738,062</u>	<u>2,327,573</u>	<u>\$ 1,376,750</u>	<u>1,376,750</u>	<u>-</u>
Excess in Revenue		\$ 6,633,926	\$ 6,633,926		\$ 184,092	\$ 184,092
Fund Balance, January 1		5,067,253	5,067,253		560,530	560,530
		11,701,179	11,701,179		744,622	744,622
Less: Utilized as Anticipated Revenue		6,421,172	6,421,172		120,000	120,000
Fund Balance, December 31		<u>\$ 5,280,007</u>	<u>\$ 5,280,007</u>		<u>\$ 624,622</u>	<u>\$ 624,622</u>

NOTES TO FINANCIAL STATEMENTS

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

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	Special Improvement District

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, 2015

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, 2015

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. Taxes and payments in lieu of taxes collected in advance are recorded as cash liabilities in the financial statements. 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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

NOTE B. CASH, CASH EQUIVALENTS AND INVESTMENTS

DEPOSITS

Cash and cash equivalents on deposit as of the years ended December 31, 2015 and 2014 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, 2015, 49.37% of the City's deposits were with one financial institution and 37.64% with another, for a total of 87.01% of the City's deposits with two financial institutions. The City's deposits of cash and cash equivalents at December 31, 2015 are summarized in the following table.

Insured - FDIC	\$ 1,183,802
Insured - GUDPA	35,809,549
	<u>\$ 36,993,351</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, 2015, 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, 2015 are known to be held in foreign currency.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015 and 2014.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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.

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.

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, 2015 and 2014, the City had balances of \$-0, and \$5,796, respectively, in the New Jersey Cash Management Fund. These balances represent less than 1%, each year, of total deposits and investments at December 31, 2015 and 2014.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

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

INVESTMENTS (continued)

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, 2015 and 2014, the City had balances of \$-0-, respectively, in the MBIA Government Investment Pool. These balances represent 0%, respectively, of total deposits and investments at December 31, 2015 and 2014.

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, 2015 and 2014, the City had balances of \$-0-, respectively, in the NJARM Program. These balances represent 0%, each year, of total deposits and investments at December 31, 2015 and 2014.

Money Market Accounts – As of December 31, 2015 and 2014, the City's Parking Utility Fund invested \$607,609 and \$747,815, 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:

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE C. PROPERTY TAXES (continued)

PROPERTY TAX CALENDAR (continued)

School Taxes -The City is responsible for levying, collecting and remitting school taxes for the local school district. Monies are forwarded to the school district monthly. Operations is charged for the full amount due to operate the local school district, and is based upon the annual County certification of apportionment of levies. As of December 31, 2015 and 2014, the City had no school taxes payable. The school tax levy collected by the City during the year ended December 31, 2015 and 2014, amounted to \$60,283,361 and \$59,392,474, 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, 2015 and 2014, the City had County taxes payable of \$23,387 and \$94,880, respectively. The total County tax levied to City taxpayers during the year ended December 31, 2015 and 2014 amounted to \$28,732,549 and \$27,696,235, respectively.

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, 2015 and 2014, the City had Special Improvement District taxes payable of \$494,558 and \$364,928, 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, 2015 and 2014.

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, 2015 and 2014, the budgeted reserve for uncollected taxes was \$2,600,000 and \$2,720,000, respectively.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE C. PROPERTY TAXES (continued)

PROPERTY TAXES RECEIVABLE (continued)

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, 2015 and 2014, property taxes receivable were \$748,057 and \$841,686, respectively and tax title liens receivable were \$654,855 and \$617,705, 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, 2015 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 \$401,000. The City continues to collect the taxes and any interest due and forwards those amounts weekly to the purchaser. There were no additional properties acquired by tax title lien liquidation during the year ended December 31, 2015 and 2014. The value of properties acquired by tax title lien liquidation as of December 31, 2015 and 2014 was \$6,474,000, each year.

Prepaid Taxes - Taxes collected in advance are recorded as cash liabilities in the financial statements. Prepaid taxes as of December 31, 2015 and 2014 were \$770,182 and \$681,936, 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, 2015 and 2014 were \$2,956,296 and \$2,859,063, respectively.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

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. As of January 2015, Bayonne Board of Education is now classified as a Type II School District. 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, 2015 and 2014, the City's statutory debt is summarized as follows:

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

SUMMARY OF MUNICIPAL DEBT

	Dec. 31, 2015	Dec. 31, 2014
Issued:		
General:		
Fiscal Year Adjustment Bonds	\$ -	\$ 665,000
General Serial Bonds	114,853,257	113,885,134
Green Acres Trust Loan	226,791	266,491
Demolition Loan	100,471	200,225
Bond Anticipation Notes	58,020,000	59,625,140
Self-Liquidating Purposes:		
Parking Revenue Bonds	2,855,000	3,020,000
School:		
School Serial Bonds	75,496,174	79,751,385
School Promissory Notes	-	7,149,375
Gross Statutory Debt Issued	<u>251,551,693</u>	<u>264,562,750</u>
Less Statutory Deductions to Debt Limit:		
Bonds and Notes for School Purposes	(75,496,174)	(86,900,760)
NJSA 40:2-52 Refunding Bonds - Pension Refunding	(14,980,000)	(15,250,000)
Self-Liquidating Purposes	(2,855,000)	(3,020,000)
Funds Held to Pay Bonds and Notes	<u>(1,341,641)</u>	<u>(6,322,000)</u>
Net Debt Issued	<u>156,878,878</u>	<u>153,069,990</u>
Authorized but not Issued:		
General:		
Fiscal Year Adjustment Bond Refunding	-	27,293
General Improvements	3,349,746	3,371,937
School Improvements	3,700,000	3,700,630
Gross Authorized but not Issued	<u>7,049,746</u>	<u>7,099,860</u>
Less Statutory Deductions:		
Applicable for School Purposes	<u>(3,700,000)</u>	<u>(3,700,630)</u>
Net Debt Authorized but Not Issued	<u>3,349,746</u>	<u>3,399,230</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 160,228,624</u>	<u>\$ 156,469,220</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT (continued)

The City's long-term debt is summarized below:

	Balance Dec. 31, 2014	Issued	Retirements	Balance Dec. 31, 2015	Due by Dec. 31, 2016
<u>General Capital Fund:</u>					
Fiscal Year Adjustment Bonds	\$ 665,000	\$ -	\$ 665,000	\$ -	\$ -
General Serial Bonds	113,885,134	3,020,000	2,051,877	114,853,257	2,659,893
School Serial Bonds	79,751,385	1,639,000	5,894,211	75,496,174	6,340,240
Green Acres Trust Loan	266,491	-	39,700	226,791	40,499
Demolition Loan	200,225	-	99,754	100,471	100,471
<u>Parking Utility Capital Fund:</u>					
Parking Revenue Bonds	3,020,000	50,000	215,000	2,855,000	195,000
	<u>\$ 197,788,235</u>	<u>\$ 4,709,000</u>	<u>\$ 8,965,542</u>	<u>\$ 193,531,693</u>	<u>\$ 9,336,103</u>

Debt Refunding

During the year ended December 31, 2015, 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.

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, 2015 and 2014, the State of New Jersey paid \$7,343,853 and \$7,177,532, respectively of qualified bond interest and principal maturities directly to paying agents on behalf of the City in lieu of State Aid.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE

Fiscal Year Adjustment Refunding Bonds Payable

During the 2015 year, the City paid off the remaining debt with regards to the fiscal year adjustment refunding bond. The following table is a summary of the activity for such debt during the year ended December 31, 2015:

Summary of Fiscal Year Adjustment Refunding Bond Activity			
Description	Balance Dec. 31, 2014	Decrease	Balance Dec. 31, 2015
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%	\$ 665,000	\$ 665,000	\$ -
	\$ 665,000	\$ 665,000	\$ -

General Serial Bonds Payable

The City has outstanding at December 31, 2015 various general serial bond debt issues. The following table is a summary of the activity for such debt during the year ended December 31, 2015 and the short-term liability for each issue:

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

General Serial Bonds Payable (continued)

Summary of General Serial Bonds Activity							
Description	Balance				Balance		Due by
	Dec. 31, 2014	Increase	Decrease	Refunded	Dec. 31, 2015	Dec. 31, 2016	
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%	\$ 15,250,000	\$ -	\$ 270,000	\$ -	\$ 14,980,000	\$ 320,000	
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%	4,193,134	-	424,877	-	3,768,257	399,893	
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%	8,065,000	-	270,000	-	7,795,000	850,000	
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%	67,040,000	-	290,000	-	66,750,000	355,000	
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%	13,015,000	-	220,000	(11,755,000)	1,040,000	235,000	
Special Assessment Bonds							
Issued 11/19/2014 for \$6,322,000							
Maturing annually from 2015 to 2034							
Bearing variable interest rates ranging from 2.25% to 5.00%	6,322,000	-	322,000	-	6,000,000	320,000	
General Obligation Refunding Bonds							
Issued 6/10/2015 for \$3,020,000 plus refunding of Redevelopment Agency Revenue Bonds in amount of \$11,755,000							
Maturing annually from 2015 to 2038							
Bearing variable interest rates ranging from 2.000% to 4.125%	-	3,020,000	255,000	11,755,000	14,520,000	180,000	
	<u>\$ 113,885,134</u>	<u>\$ 3,020,000</u>	<u>\$ 2,051,877</u>	<u>\$ -</u>	<u>\$ 114,853,257</u>	<u>\$ 2,659,893</u>	

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

General Serial Bonds Payable (continued)

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.

School Serial Bonds Payable

The City has outstanding at December 31, 2015 various school serial bond debt issues. The following table is a summary of the activity for such debt during the year ended December 31, 2015 and the short term liability for each issue:

Description	Summary of School Serial Bonds Activity				Balance Dec. 31, 2015	Due by Dec. 31, 2016
	Balance Dec. 31, 2014	Increase	Decrease	Refunded		
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	\$ 410,000
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%	2,659,283	-	355,260	-	2,304,023	369,188
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%	8,933,102	-	1,048,951	-	7,884,151	1,051,052
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%	6,300,000	-	2,700,000	-	3,600,000	315,000
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%	15,186,000	-	300,000	(13,836,000)	1,050,000	325,000

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

School Serial Bonds Payable (continued)

Summary of School Serial Bonds Activity - continued

Description	Balance Dec. 31, 2014	Increase	Decrease	Refunded	Balance Dec. 31, 2015	Due by Dec. 31, 2016
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%	\$ 7,180,000	\$ -	\$ 860,000	\$ -	\$ 6,320,000	\$ 905,000
School Bonds Issued 11/19/2014 for \$6,121,000 Maturing annually from 2015 to 2034 Bearing variable interest rates ranging from 2.25% to 5.00%	6,121,000	-	215,000	-	5,906,000	220,000
School Bonds Issued 11/19/2014 for \$1,027,000 Maturing annually from 2015 to 2021 Bearing variable interest rates ranging from 2.00% to 3.25%	1,027,000	-	140,000	-	887,000	140,000
School Refunding Bonds Issued 8/13/2014 for \$28,380,000 Maturing annually from 2016 to 2025 Bearing variable interest rates ranging from 3.0% to 5.0%	28,380,000	-	-	-	28,380,000	2,505,000
School Bonds (NJ School Bond Reserve Act) Issued 6/10/2015 for \$1,639,000 plus refunding of old School Bonds in amount of \$13,836,000 Maturing annually from 2015 to 2030 Bearing variable interest rates ranging from 2.0% to 5.0%	-	1,639,000	275,000	13,836,000	15,200,000	100,000
	<u>\$ 79,751,385</u>	<u>\$ 1,639,000</u>	<u>\$ 5,894,211</u>	<u>\$ -</u>	<u>\$ 75,496,174</u>	<u>\$ 6,340,240</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE D.MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

Parking Utility Capital Fund - Revenue Bonds Payable

The City has outstanding at December 31, 2015 various Parking Utility Bonds. The following table is a summary of the activity for such debt during the year ended December 31, 2015 and the short term liability for each issue:

Summary of Parking Revenue Bond Activity						
Description	Balance Dec. 31, 2014	Increase	Decrease	Refunded	Balance Dec. 31, 2015	Due by Dec. 31, 2016
Parking Revenue Bonds						
Issued 6/15/2007 for \$4,000,000						
Maturing annually from 2007 to 2027						
Bearing an interest rate of 5%	\$ 3,020,000	\$ -	\$ 170,000	\$ (2,480,000)	\$ 370,000	\$ 180,000
Parking Utility Refunding Bonds						
Issued 6/10/2015 for \$50,000 plus						
refunding of parking revenue bonds						
in amount of \$2,480,000						
Maturing annually from 2015 to 2027						
Bearing variable interest rates ranging						
from 2.0% to 5.0%	-	50,000	45,000	2,480,000	2,485,000	15,000
	<u>\$ 3,020,000</u>	<u>\$ 50,000</u>	<u>\$ 215,000</u>	<u>\$ -</u>	<u>\$ 2,855,000</u>	<u>\$ 195,000</u>

The Parking Utility Fund had an excess in revenues for the year ended December 31, 2015 and therefore qualifies as self-liquidating. That calculation is provided below. An excess in revenues allows the entire amount of Parking Revenue Bonds outstanding, \$2,855,000, to be deducted from the gross debt of the City.

Self-Liquidating Utility Calculation	
Total Cash Receipts from Fees, Rents or Other Charges	\$ 1,326,734
Operating and Maintenance Cost	\$ 932,822
Debt Service:	
Interest	146,750
Principal	170,000
	1,249,572
Excess in Revenues	\$ 77,162

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE D.MUNICIPAL DEBT (continued)

LOANS PAYABLE

Demolition Loans Payable

The City has outstanding at December 31, 2015 a loan agreement with the NJ Department of Community Affairs for the demolition of unsafe buildings. The following table is a summary of the activity for such debt during the year ended December 31, 2015 and the short term principal liability:

Summary of Demolition Loan Activity				
Description	Balance Dec. 31, 2014	Decrease	Balance Dec. 31, 2015	Due by Dec. 31, 2016
Demolition Loan				
Issued 10/23/2006 for \$973,021				
Maturing annually from 2007 to 2016				
Bearing an interest rate of 0.720%				
	\$ 200,225	\$ 99,754	\$ 100,471	\$ 100,471
	<u>\$ 200,225</u>	<u>\$ 99,754</u>	<u>\$ 100,471</u>	<u>\$ 100,471</u>

Green Trust Loans Payable

The City has outstanding at December 31, 2015 various Green Trust Loans. The following table is a summary of the activity for such debt during the year ended December 31, 2015 and the short term principal liability for each issue:

Summary of Green Trust Loans Activity				
Description	Balance Dec. 31, 2014	Decrease	Balance Dec. 31, 2015	Due by Dec. 31, 2016
1983 Green Trust				
Issued 1998 for \$450,000				
Maturing annually from 1999 to 2018				
Bearing variable interest rates				
	\$ 94,135	\$ 26,230	\$ 67,905	\$ 26,757
1995 GFB				
Issued 2006 for \$171,000				
Maturing annually from 2007 to 2026				
Bearing variable interest rates				
	108,755	8,500	100,255	8,671
95GT				
Issued 2006 for \$100,000				
Maturing annually from 2007 to 2026				
Bearing variable interest rates				
	63,601	4,970	58,631	5,071
	<u>\$ 266,491</u>	<u>\$ 39,700</u>	<u>\$ 226,791</u>	<u>\$ 40,499</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

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	General Serial Bonds		School Serial Bonds		Parking Revenue Bonds		Total	Total	
	Dec. 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016		2,659,893	6,257,167	\$ 6,340,240	\$ 3,973,697	\$ 195,000	\$ 119,300	\$ 9,195,133	\$ 10,350,164
2017		3,115,214	6,332,419	6,384,817	3,887,740	205,000	109,750	9,705,031	10,329,909
2018		2,890,234	6,222,412	6,765,362	3,893,719	205,000	104,700	9,860,596	10,220,831
2019		2,965,180	6,131,200	6,810,597	3,747,534	210,000	100,600	9,985,777	9,979,334
2020		3,074,837	6,004,194	7,024,122	3,574,403	220,000	92,200	10,318,959	9,670,797
2021-2025		18,222,900	26,650,048	27,865,036	10,990,331	1,245,000	314,500	47,332,936	37,954,879
2026-2030		22,100,000	19,399,069	12,690,000	2,098,938	575,000	37,600	35,365,000	21,535,607
2031-2035		31,265,000	12,786,862	1,616,000	139,340	-	-	32,881,000	12,926,202
2036-2039		28,560,000	3,881,831	-	-	-	-	28,560,000	3,881,831
		<u>\$ 114,853,258</u>	<u>\$ 93,665,202</u>	<u>\$ 75,496,174</u>	<u>\$ 32,305,702</u>	<u>\$ 2,855,000</u>	<u>\$ 878,650</u>	<u>\$ 193,204,432</u>	<u>\$ 126,849,554</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	Green Trust Loans		Demolition Loan		
	Dec. 31,	Principal	Interest	Principal	Interest
2016		40,500	4,334	100,471	723
2017		41,314	3,520	-	-
2018		28,153	2,690	-	-
2019		14,588	2,264	-	-
2020		14,881	1,971	-	-
2021-2025		79,013	5,245	-	-
2026		8,342	83	-	-
		<u>\$ 226,791</u>	<u>\$ 20,107</u>	<u>\$ 100,471</u>	<u>\$ 723</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2014				December 31, 2015				
		Interest Rate	Maturity Date	Balance	Notes Issued	Paid by Debt Reserved from 2014 Bond Proceeds	Paid Down	Balance	Maturity Date	Interest Rate
Date	Amount									
Refunding of Tax Appeals:										
6/30/2008	2,800,000	1.250%	7/25/2015	460,000	-	-	399,143	60,857	7/6/2016	2.000%
3/31/2011	2,290,000	1.500%	3/27/2015	3,166,000	-	-	908,000	2,258,000	7/6/2016	2.000%
12/22/2015	4,230,000			-	4,230,000	-	-	4,230,000	7/6/2016	1.250%
Acquisition and of Easement of Land:										
5/13/2005	7,000,000	1.300%	1/15/2015	6,322,094	-	6,321,000	1,094	-		
Citywide Communication Systems:										
3/9/2007	5,075,000	1.250%	7/15/2015	3,472,360	-	-	267,189	3,205,171	7/6/2016	2.000%
Various Capital Improvements:										
3/9/2007	1,690,000	1.250%	7/5/2015	1,024,640	-	-	88,668	935,972	7/6/2016	2.000%
7/6/2015	3,780,000			-	3,780,000	-	-	3,780,000	7/6/2016	2.000%
Bayonne Medical Center:										
11/26/2007	6,200,000	90.000%	7/5/2015	2,075,000	-	-	1,000,000	1,075,000	7/6/2016	1.150%
BLRA Dissolution:										
7/25/2013	43,735,000	90.000%	7/15/2015	43,105,046	-	-	630,046	42,475,000	7/6/2016	1.150%
				<u>\$59,625,140</u>	<u>\$8,010,000</u>	<u>\$ 6,321,000</u>	<u>\$ 3,294,140</u>	<u>\$58,020,000</u>		

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

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								
		December 31, 2014				December 31, 2015		
Original Issue		Interest Rate	Maturity Date	Balance	Notes Paid	Balance	Maturity Date	Interest Rate
Date	Amount							
Various School Improvements:								
11/20/2009	\$ 6,632,065	1.30%	1/15/2015	\$ 6,121,906	\$ 6,121,906	\$ -		
11/20/2009	1,112,685	1.27%	1/15/2015	1,027,469	1,027,469	-		
				<u>\$ 7,149,375</u>	<u>\$ 7,149,375</u>	<u>\$ -</u>		
					Paid by Proceeds on Reserve from 2014 Bonds	\$ 7,149,000		
					Paid by Budget Appropriation	375		
						<u>\$ 7,149,375</u>		

Tax Anticipation Notes

Tax anticipation notes are 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. There were no tax anticipation notes issued or outstanding at December 31, 2015 and 2014, respectively.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE D. MUNICIPAL DEBT (continued)

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2015 and 2014, the City has authorized but not issued bonds and notes of \$7,049,746 and \$7,099,860, 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, 2015:

	Balance <u>Dec. 31, 2014</u>	Debt <u>Authorized</u>	Bonds/Notes <u>Issued</u>	Funded by Budget <u>Appropriation</u>	Balance <u>Dec. 31, 2015</u>
General Improvements	\$ 3,371,937	\$ 8,010,000	\$ 8,010,000	\$ 22,191	\$ 3,349,746
Fiscal Year Adjustment Bonds	27,293	-	-	27,293	-
School Improvements	3,700,630	-	-	630	3,700,000
	<u>\$ 7,099,860</u>	<u>\$ 8,010,000</u>	<u>\$ 8,010,000</u>	<u>\$ 50,114</u>	<u>\$ 7,049,746</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	\$ 79,196,174	\$ 79,196,174	\$ -
Self-Liquidating Purposes	2,855,000	2,855,000	-
General Bonds and Notes	<u>176,550,265</u>	<u>16,321,641</u>	<u>160,228,624</u>
	<u>\$ 258,601,439</u>	<u>\$ 98,372,815</u>	<u>\$ 160,228,624</u>

Net debt of \$160,228,624 divided by the equalized valuation basis per N.J.S.A. 40A:2-2 as amended, \$5,230,842,993 equals 3.063%.

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	\$ 183,079,505
Less: Net Debt	<u>160,228,624</u>
Excess Borrowing Power	<u>\$ 22,850,881</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015 and 2014 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, 2014	<u>Utilized in</u> 2015 Budget	<u>Fund Balance</u> Dec. 31, 2015	<u>Utilized in</u> 2016 Budget
Current Fund	\$ 5,067,253	\$ 6,421,173	\$ 5,280,007	\$ 5,000,000
Capital Fund	173,595	-	172,126	-
Parking Utility Fund:				
Operating	560,530	120,000	560,530	180,000
Capital	7	-	7	-

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION

Substantially all City employees participate in the Consolidated Police and Fireman’s Pension Fund (CPFPPF), Public Employees Retirement System (PERS), Police and Fireman’s Retirement System of New Jersey (PFRS) or the Defined Contribution Retirement Program (DCRP), all of which are multiple employer plans sponsored and administered by the State of New Jersey, with the exception of the CPFPPF, which is a single employer plan. The CPFPPF, PERS and PFRS are cost sharing contributory defined benefit public employee retirement systems. The DCRP is a defined contribution plan.

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, 2015

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 3 employees must earn a base salary that is annually adjusted. For the fiscal year ended December 31, 2015 and 2014 this base salary amount was \$8,200 and \$8,100, 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. 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 DRCP. 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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 64. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of their respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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 these pension benefits. State-paid insurance coverage may be obtained after 25 years of service for employees in Tiers 1 through 4 and 30 years of service for Tier 5 employees.

Contributions and Liability

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and their employers. Such contributions may be amended by State legislation. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and non-contributory death benefits. The employee contributions include funding for basic retirement allowances and contributory death benefits. Contributions made by the City and its employees for the previous three years are as follows:

Year Ended December 31,	City Contribution		Base Wages Subject to Contributions	Employee Contributions	
	Amount Paid or Charged	As a Percentage of Base Wages		As a Percentage of Base Wages	Amount Contributed
2015	\$ 2,052,276	0.0%	\$ 16,157,773	7.06% (1)	\$ 1,129,315
2014	1,886,925	11.8%	15,940,214	6.92% (1)	1,091,816
2013	1,814,869	11.7%	15,568,769	6.78% (1)	1,044,720

(1) These rates took effect on July 1

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Contributions and Liability (continued)

The net pension liability was measured as of June 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015 and 2014, the City’s net pension liability for PERS, including the City’s proportionate share, was as follows:

Year Ended June 30,	Proportionate Share		Net Pension Liability
	Rate	Change	
2015	0.22955%	-0.00072%	\$ 51,530,384
2014	0.23027%	0.00001%	43,114,167

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability as of June 30, 2015 and 2014, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

At:	2015		2014	
	Rate	Amount	Rate	Amount
1% Decrease	3.90%	\$ 64,045,962	4.39%	\$ 54,239,090
Current Discount Rate	4.90%	51,530,384	5.39%	43,114,167
1% Increase	5.90%	41,037,414	6.39%	33,772,063

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 and June 30, 2014 measurement dates were determined by actuarial valuations as of July 1, 2014 and 2013, respectively, which were rolled forward to June 30, 2015 and 2014, respectively. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. These actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

	For Measurement Date of:	
	June 30, 2015	June 30, 2014
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.15-4.40%	2.15-4.40%
	based on age	based on age
Thereafter	3.15-5.40%	3.15-5.40%
	based on age	based on age
Investment Rate of Return	7.90%	7.90%

Mortality - For the June 30, 2015 Measurement Date, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements will be.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Actuarial Assumptions (continued)

For the June 30, 2014 Measurement Date, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015 and 2014) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS target asset allocations as of June 30, 2015 and 2014 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Cash	5.00%	6.00%	1.04%	0.80%
U.S. Treasuries	1.75%	*	1.64%	*
Investment Grade Credit	10.00%	*	1.79%	*
Mortgages	2.10%	2.50%	1.62%	2.17%
High Yield Bonds	2.00%	5.50%	4.03%	4.82%
Inflation-Indexed Bonds	1.50%	9.00%	3.25%	3.51%
Broad U.S. Equities	27.25%	25.90%	8.52%	8.22%
Developed Foreign Equities	12.00%	12.70%	6.88%	8.12%
Emerging Market Equities	6.40%	6.50%	10.00%	9.91%
Private Equity	9.25%	8.25%	12.41%	13.02%
Hedge Funds / Absolute Return	12.00%	12.25%	4.72%	4.92%
Real Estate (Property)	2.00%	3.20%	6.83%	5.80%
Commodities	1.00%	2.50%	5.32%	5.35%
Global Debt ex U.S.	3.50%	*	-0.40%	*
REIT	4.25%	*	5.12%	*
Core Bonds	*	1.00%	*	2.49%
Intermediate-Term Bonds	*	11.20%	*	2.26%

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Actuarial Assumptions (continued)

Discount Rate - The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions.

Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Deferred Outflows and Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources for the years ended June 30, 2015 and 2014:

	June 30, 2015			June 30, 2014		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow / Inflow	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow / Inflow
Changes of Assumptions	\$ 5,533,952	\$ -	\$ 5,533,952	\$ 1,320,280	\$ -	\$ 1,320,280
Difference Between Expected and Actual Experience	1,229,334	-	1,229,334	-	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(828,509)	(828,509)	-	(2,502,165)	(2,502,165)
Subtotal	6,763,286	(828,509)	<u>\$ 5,934,777</u>	1,320,280	(2,502,165)	<u>\$ (1,181,885)</u>
Changes in Proportion	1,123,106	-		344,460	-	
	<u>\$ 7,886,392</u>	<u>\$ (828,509)</u>		<u>\$ 1,664,740</u>	<u>\$ (2,502,165)</u>	

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Deferred Outflows and Inflows of Resources (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	1,083,784
2017	1,083,784
2018	1,083,784
2019	1,709,326
2020	974,098
Thereafter	-
	<u>\$ 5,934,777</u>

STATE-MANAGED PENSION PLANS – PFRS

Plan Description and Eligibility

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 as follows:

- 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.

There is no minimum salary requirement to enroll, regardless of tier. 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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

STATE-MANAGED PENSION PLANS – PFRS (continued)

Plan Benefits

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions and Liability

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and their employers. Such contributions may be amended by State legislation. Employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and non-contributory death benefits. The employee contributions include funding for basic retirement allowances and contributory death benefits. Contributions made by the City and its employees for the previous three years are as follows:

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001.

Year Ended December 31,	City Contribution		Base Wages Subject to Contributions	Employee Contributions	
	Amount Paid or Charged	As a Percentage of Base Wages		As a Percentage of Base Wages	Amount Contributed
2015	\$ 10,134,654	26.2%	\$ 38,673,848	10.00%	\$ 3,867,384
2014	9,311,319	24.5%	37,959,957	10.00%	3,795,896
2013	9,511,193	25.5%	37,931,865	10.00%	3,793,185

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

STATE-MANAGED PENSION PLANS – PFRS (continued)

Contributions and Liability (continued)

The amounts contributed on behalf of the City under this legislation are considered to be a special funding situation. As such, the State is treated as a non-employer contributing entity. Since the City does not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability to report in the financial statements of the City related to this legislation. However, the notes to the financial statements of the City must disclose the portion of the State’s total proportionate share of the collective net pension liability that is associated with the City.

At June 30, 2015 and 2014, the City’s net pension liability for PFRS, including the special funding situation described above and changes in the City’s proportionate share, was as follows:

Year Ended June 30,	Unit	City (employer)		Net Pension Liability	State of N.J.	Total
		Proportionate Share			(nonemployer)	
		Rate	Change		On-Behalf of City	
2015	Police & Fire	1.85197%	0.64724%	\$ 197,412,428	\$ 17,312,408	\$ 214,724,836
2014	Police & Fire	1.20473%	0.04656%	\$ 151,543,607	\$ 16,318,699	\$ 167,862,306

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability of the as of June 30, 2015 and 2014, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

At:	2015		2014	
	Rate	Amount	Rate	Amount
1% Decrease	4.79%	\$ 970,478,129	5.32%	\$ 721,043,318
Current Discount Rate	5.79%	736,149,029	6.32%	535,046,021
1% Increase	6.79%	545,074,585	7.32%	381,323,823

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 and June 30, 2014 measurement dates were determined by actuarial valuations as of July 1, 2014 and 2013, respectively, which were rolled forward to June 30, 2015 and 2014, respectively. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. These actuarial valuations used the following actuarial assumptions:

	For Measurement Date of:	
	June 30, 2015	June 30, 2014
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.60-9.48%	3.95-8.62%
	based on age	based on age
Thereafter	3.60-10.48%	4.95-9.62%
	based on age	based on age
Investment Rate of Return	7.90%	7.90%

Mortality - For the June 30, 2015 Measurement Date, mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year 2014 based on Projection Scale BB. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

For the June 30, 2014 Measurement Date, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables with adjustments for mortality improvements from the base year of 2011 based on Projection Scale AA. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Actuarial Assumptions (continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015 and 2014) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate - The discount rate used to measure the total pension liability was 5.79% and 6.32% as of June 30, 2015 and 2014, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Actuarial Assumptions (continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015 and 2014) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS target asset allocations as of June 30, 2015 and 2014 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	June 30,		June 30,	
	2015	2014	2015	2014
Cash	5.00%	6.00%	1.04%	0.80%
U.S. Treasuries	1.75%	*	1.64%	*
Investment Grade Credit	10.00%	*	1.79%	*
Mortgages	2.10%	2.50%	1.62%	2.17%
High Yield Bonds	2.00%	5.50%	4.03%	4.82%
Inflation-Indexed Bonds	1.50%	9.00%	3.25%	3.51%
Broad U.S. Equities	27.25%	25.90%	8.52%	8.22%
Developed Foreign Equities	12.00%	12.70%	6.88%	8.12%
Emerging Market Equities	6.40%	6.50%	10.00%	9.91%
Private Equity	9.25%	8.25%	12.41%	13.02%
Hedge Funds / Absolute Return	12.00%	12.25%	4.72%	4.92%
Real Estate (Property)	2.00%	3.20%	6.83%	5.80%
Commodities	1.00%	2.50%	5.32%	5.35%
Global Debt ex U.S.	3.50%	*	-0.40%	*
REIT	4.25%	*	5.12%	*
Core Bonds	*	1.00%	*	2.49%
Intermediate-Term Bonds	*	11.20%	*	2.26%

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Deferred Outflows and Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the years ended June 30, 2015 and 2014:

	June 30, 2015			June 30, 2014		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow / (Inflow)	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow / (Inflow)
Changes of Assumptions Difference Between Expected and Actual Experience	\$ 36,447,238	\$ -	\$ 36,447,238	\$ 5,689,462	\$ -	\$ 5,689,462
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(1,702,745)	(1,702,745)	-	-	-
	-	(3,435,790)	(3,435,790)	-	(15,464,516)	(15,464,516)
Subtotal	36,447,238	(5,138,535)	<u>\$ 31,308,703</u>	5,689,462	(15,464,516)	<u>\$ (9,775,054)</u>
Changes in Proportion	4,183,382	(2,142,414)		5,186,593	-	
	<u>\$ 40,630,620</u>	<u>\$ (7,280,949)</u>		<u>\$ 10,876,055</u>	<u>\$ (15,464,516)</u>	

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 5,931,841
2017	5,931,841
2018	5,931,841
2019	9,797,970
2020	3,715,209
Thereafter	<u>-</u>
	<u>\$ 31,308,703</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS - GENERAL

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

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

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

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

PERS and PFRS Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – DEFERRAL (continued)

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, 2015, is \$687,204, consisting of \$599,737 on the PFRS deferral and \$87,467 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, 2015

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	Employee Contributions		City Contribution	
	Amount	Rate	Amount	Rate
Dec. 31, 2015	\$ 56,234	5.5%	\$ 30,673	3.0%
Dec. 31, 2014	24,432	5.5%	14,513	3.0%
Dec. 31, 2013	9,684	5.5%	5,282	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. (now called Mass Mutual), the others by Variable Annuity Life Insurance Company (“VALIC”), AXA Equitable, ING (now called VOYA) 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, 2015

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, 2015

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. This legislation expired on 12/31/15 and has not been renewed.

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, 2015 and 2014, the total accumulated absence liability was \$5,993,838 and \$7,019,629, 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, 2015

NOTE I. RISK MANAGEMENT

Insurance Coverage

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

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

On August 17, 2011, the City authorized participation in and the execution of an Indemnity and Trust Agreement with the New Jersey Intergovernmental Insurance Fund (the "NJIIF") for the provision of property and casualty insurance coverage. 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 coverage, 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, 2015

NOTE J. STATE AID RECEIVABLE – QUALIFIED BONDS

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, 2015 and 2014.

STATE AID RECEIVABLE - QUALIFIED BONDS			
		Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014
Beginning Balance		\$ 3,558,976	\$ 3,517,019
Add: State Aid (1)		8,829,801	9,032,464
		12,388,777	12,549,483
Less Received in Cash	\$ 2,156,293		\$ 1,812,975
Qualified Bond Payments	7,343,853		7,177,532
		9,500,146	8,990,507
Ending Balance		\$ 2,888,631	\$ 3,558,976

NOTE K. CLEARING ACCOUNT

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

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, 2015:

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE L. FIXED ASSETS (continued)

	Balance, Dec. 31, 2014	Balance, Dec. 31, 2015
Land	\$ 165,984,900	\$ 165,984,900
Buildings	10,233,265	10,233,265
Improvements	4,817,988	4,817,988
Machinery, Equipment and Other	21,309,349	21,309,349
	\$ 202,345,502	\$ 202,345,502

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 City did not update their internal fixed asset ledger for the year ending December 31, 2015.

NOTE M. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

There were certain capital ordinances that were not funded and prior year bills that were not appropriated for. As of December 31, 2015, the following deferred charges are shown on the balance sheets of the Current Fund:

	Balance, Dec. 31, 2014	Less: 2015 Budget Appropriation	Add: Results of Current Year	Succeeding Budgets
Loans Payable-Prior Year	\$ 202,391	\$ -	\$ -	\$ 202,391
Funding Various Capital Ordinances	50,114	50,114	-	-
Prior Year Bills	4,531	4,531	-	-
	\$ 257,036	\$ 54,645	\$ -	\$ 202,391

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015, the Current Fund had the following interfund activity and receivable/payable balances at year end:

	<u>General Capital</u>	<u>HUD Grant Fund</u>	<u>Grants Fund</u>	<u>Other Trust</u>	<u>Utility Operating</u>	<u>TaxLien Redemption Trust</u>	<u>Payroll Agency Fund</u>	<u>Insurance</u>	<u>Dog Trust</u>
Balance: December 31, 2014	\$ 630,071	\$ 20,267	\$(1,428,844)	\$ 30,915	\$ (36)	\$ -	\$ -	\$ -	\$16,902
Increased by:									
Grants Appropriation	-	-	2,126,416	-	-	-	-	-	-
Statutory Excess	-	-	-	-	-	-	-	-	11,629
Appropriation Cancelled	-	-	4,183,887	-	-	-	-	-	-
Interest Earned	5,783	-	-	-	-	-	-	-	-
Revenue Realized	-	-	-	120,000	-	-	-	-	-
Cash Disbursements	<u>16,124,858</u>	<u>132,921</u>	<u>12,814,130</u>	<u>29,403,094</u>	<u>577,840</u>	<u>5,270,368</u>	<u>410,735</u>	<u>2</u>	<u>-</u>
	<u>16,760,712</u>	<u>153,188</u>	<u>17,695,589</u>	<u>29,554,009</u>	<u>577,804</u>	<u>5,270,368</u>	<u>410,735</u>	<u>2</u>	<u>28,531</u>
Decreased by:									
Interfund Revenue	630,714	-	-	-	-	-	-	-	-
Grant Revenue	-	-	2,126,416	-	-	-	-	-	-
Budget Appropriation - Matching	-	-	345,537	-	-	-	-	-	-
Receivable Cancelled	-	-	1,100,042	-	-	-	-	-	-
Reserve for Other	-	-	511	-	-	-	-	-	-
Budget Charge for Additional Note Payment	1,469	-	-	-	-	-	-	-	-
Cash Receipts	<u>16,031,411</u>	<u>157,230</u>	<u>15,821,310</u>	<u>29,565,838</u>	<u>577,474</u>	<u>5,270,366</u>	<u>410,728</u>	<u>-</u>	<u>-</u>
	<u>16,663,594</u>	<u>157,230</u>	<u>19,393,816</u>	<u>29,565,838</u>	<u>577,474</u>	<u>5,270,366</u>	<u>410,728</u>	<u>-</u>	<u>-</u>
Balance: December 31, 2015	<u>\$ 97,118</u>	<u>\$ (4,042)</u>	<u>\$(1,698,227)</u>	<u>\$ (11,829)</u>	<u>\$ 330</u>	<u>\$ 2</u>	<u>\$ 7</u>	<u>\$ 2</u>	<u>\$28,531</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015:

	General Capital
Due to HUD Grants Fund at Dec. 31, 2014	\$ 353,734
Reimburse CDBG	353,737
Due to Capital Fund Fund at Dec. 31, 2015	\$ (3)
	Utility Capital
Due to Utility Capital Fund at Dec. 31, 2014	\$ 451,800
Paid to Utility Operating Fund	140,206
Improvement Authorization	(160,199)
Due to Utility Capital Fund at Dec. 31, 2015	\$ 431,807

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, 2015

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. During 2014, the City received an \$8,850,000 concession fee from the BMUA/KKR public/private partnership transaction. During 2015, the City budgeted and received \$11,237,000 as final payment of the concession agreement. The 2016 budget will include funds from BLRA land sales – mostly from Harbor Station North sale of properties – to replace the revenues.

In December 2012, the City of Bayonne and the Bayonne MUA entered into a Concession Agreement with Bayonne Joint Venture, LLC ("BJV"), a for-profit entity, whereby BJV acquired a 40 year concession to use, operate, manage, construct, maintain and improve its water system. As such, BJV is responsible for all expenses of operations of the Bayonne water system, including payments to the Commission of its share of the operating expenses and debt service on behalf of Bayonne. Nonetheless, under its water supply agreement, the City of Bayonne remains responsible to the Commission in case of any shortfall of operating or debt service payments from BJV.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE O. RELATED PARTY TRANSACTIONS (continued)

SHARED SERVICE AGREEMENTS (continued)

Local Redevelopment Authority

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

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.

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

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE O. RELATED PARTY TRANSACTIONS (continued)

SHARED SERVICE AGREEMENTS (continued)

Local Redevelopment Authority (continued)

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.

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.

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.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE O. RELATED PARTY TRANSACTIONS (continued)

SHARED SERVICE AGREEMENTS (continued)

Parking Authority (continued)

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

The BPA 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, 2015 and 2014, the City received \$120,000, respectively, for such reimbursements. As of December 31, 2015 and 2014, the City has receivables from the BHA of \$395,400 and \$590,400, 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

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE O. RELATED PARTY TRANSACTIONS (continued)

BAYONNE BOARD OF EDUCATION (continued)

received from the State of New Jersey. As of January 2015, Bayonne Board of Education is now classified as a Type II School District. For the year ended December 31, 2015 and 2014, the City's budget included the following debt service requirements of the Board of Education and corresponding anticipated revenues:

	Year Ended	
	Dec. 31, 2015	Dec. 31, 2014
Debt Service Requirements of the Board of Education:		
Payment of Bond Principal	\$ 5,900,000	\$ 6,001,000
Payment of School Promissory Note Principal	-	200,000
Interest on Bonds	3,790,000	4,161,000
Interest on Notes	47,000	138,000
	9,737,000	10,500,000
Less: Applicable Revenues Anticipated		
Regular School Debt Service Aid	-	202,663
Balance for Support of Board of Education:		
Addition to Local District School Tax	\$ 9,737,000	\$ 10,297,337

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 year ended December 31, 2015:

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE P. REVENUE ACCOUNTS RECEIVABLE (continued)

	Balance Dec. 31, 2014	Current Year Accruals	Collections	Cancelled	Balance Dec. 31, 2015
Fines and Costs - Municipal Court	\$ 150,582	\$ 1,944,746	\$ 1,944,746	\$ -	\$ 150,582
Payments in Lieu of Taxes					
Bayonne Housing Authority	350,000	604,051	604,051	-	350,000
BHA Post Road Gardens	57,192	-	-	-	57,192
Senior Horizons of Bayonne	49,641	59,411	59,411	-	49,641
Bayonne Community Action	7,000	7,819	7,819	-	7,000
Reimbursement from:					
Bayonne Housing Authority (1):					
Garbage Contract	115,000	-	-	115,000	-
Dumpsters	5,400	-	-	5,400	-
Other	100,000	-	-	100,000	-
Forestry Expenses	175,000	-	-	-	175,000
Bayonne Board of Education (1)	1,137,500	-	-	1,137,500	-
	<u>\$ 2,147,315</u>	<u>\$ 2,616,027</u>	<u>\$ 2,616,027</u>	<u>\$ 1,357,900</u>	<u>\$ 789,415</u>

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

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	\$ 118,102,000
Bayonne Auto Terminal, LLC	23,095,700
Gordon Terminal Service Company of NJ, Inc	13,383,500
Texaco Downstream Properties, Inc.	13,085,800
Exxon Corporation	12,440,000
NJIND Hook Road, LLC	9,000,000
MPT of Bayonne, LLC	8,000,000
Buckeye Bayonne Terminal, LLC	7,800,000
South Cove Development, LLC	7,294,100
ALD Realty	7,148,050
	<u>\$ 219,349,150</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE Q. ECONOMIC DEPENDENCY (continued)

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 2015 and annual payments of \$5,000,000 from 2016 through 2033.

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.

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 2015 budget, the City included the balance of \$11,237,000 in BMUA concession agreement revenues, a \$2,800,000 Capital Growth Transaction, which is a one-time revenue, and budgeted \$6,000,000 in surplus which the City believes will be regenerated through its 2015 operations. It is anticipated that sales of other properties will be used to replace this revenue source in calendar year 2016.

State Aid

The City is also a recipient of State Aid. During the year ended December 31, 2015 and 2014, State Aid accounted for 5.7% and 6.6%, respectively, of the support the City's budget. Significant changes in State Aid policy, in conjunction with legislation capping increases to the tax levy, could further impact the City's operations.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE R. LEASE/LOAN 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. On June 24, 2015 the City refunded the remaining \$8,300,000 and entered into a new financing lease with the Hudson County Improvement Authority in the amount of \$8,850,000. The minimum future lease payments are as follows:

Year Ended December 31,	<u>Principal</u>	<u>Interest</u>
2016	\$ 350,000	\$ 345,837
2017	325,000	376,150
2018	330,000	366,400
2019	340,000	356,500
2020	355,000	346,300
2021-2025	1,980,000	1,507,781
2026-2030	2,450,000	1,032,862
2031-2035	2,450,000	337,819
	<u>\$ 8,580,000</u>	<u>\$ 4,669,649</u>

On May 15, 2012, the City entered into a loan agreement with the Bayonne City Federal Credit Union for a fire truck. The loan was in the amount of \$177,027.51 bearing an interest rate of 5.25% for 10 years. The minimum future loan payments are as follows:

Year Ended December 31,	<u>Principal</u>	<u>Interest</u>
2016	\$ 16,666	\$ 6,125
2017	17,581	5,211
2018	18,526	4,265
2019	19,522	3,269
2020	20,565	22,226
2021-2022	31,051	1,236
	<u>\$ 123,911</u>	<u>\$ 42,332</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE R. LEASE/LOAN COMMITMENTS (continued)

On August 9, 2012, the City entered into a loan agreement with the Bayonne City Federal Credit Union for a rescue vessel. The loan was in the amount of \$77,186.80 bearing an interest rate of 5.25% for 10 years. The minimum future loan payments are as follows:

Year Ended December 31,	Principal	Interest
2016	\$ 7,177	\$ 2,768
2017	7,571	2,373
2018	7,979	1,966
2019	8,408	1,537
2020	8,856	1,088
2021-2022	15,837	737
	\$ 55,828	\$ 10,469

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, 2015, the agreement has never been called upon by the BMUA.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE S. CONTINGENT LIABILITIES (continued)

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;

(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.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE S. CONTINGENT LIABILITIES (continued)

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 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, 2015, the City renewed previously issued tax refunding notes. Also during the year ended December 31, 2015, the City funded additional appeals by appropriating and expending \$200,000 in the current budget and charging \$2,772,747 to improvement authorizations in the general capital fund.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE S. CONTINGENT LIABILITIES (continued)

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, if any, is uncertain. As of December 31, 2014 and 2013, the City had balances of \$1,196,646 and \$1,150,079, 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, 2015 were subject to the Uniform Guidance and NJ OMB Circular 15-08 and 2014 were subject to U.S. OMB Circular A-133 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.

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.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE S. CONTINGENT LIABILITIES (continued)

Grant Programs (continued)

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.

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. Paper discovery was concluded under the direct supervision of the Court. Deposition discovery was commenced and has not yet been concluded. The demand on the case is \$1.6 million. No monetary counter-offer has been made but this matter has been stayed while the parties explore a possible settlement. The range of potential loss could be between \$30,000 and \$100,000, however, as a result of extensive investigation and thereafter the taking of the Plaintiff's deposition, the Plaintiff was unable to prove/establish any present or future loss. This case was settled in December 2015. The City contributed \$150,000 toward the settlement, which will be billed to the City by the NJIIF in the normal course of 2016.

Suarez v. City of Bayonne – this matter involves claims of excessive force and failure to provide medical treatment against the City of Bayonne and two individual officers employed by the City. The matter was scheduled for an in person settlement conference before a judge on January 6, 2016, however, nothing was resolved from the hearing. No monetary estimate of settlement has been provided at this time.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE S. CONTINGENT LIABILITIES (continued)

Litigation (continued)

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 January 30, 2017 the date which the financial statements were available to be issued. Material events are disclosed as follows:

Issuance of Notes

On January 20, 2016, the City adopted a refunding bond ordinance providing for the refunding of certain outstanding general improvement bonds of the City dated June 24, 2009 and school bonds of the City dated December 22, 2004 to provide debt service savings and authorized the issuance of not to exceed \$80,000,000 aggregate principal amount of general obligation refunding bonds of the City.

On March 22, 2016 the City sold \$66,000,000 qualified general improvement refunding bonds at various interest rates ranging from 2% to 5%. These bonds were issued to advance refund and redeem a portion of certain outstanding general improvement bonds of the City dated June 24, 2009.

On March 22, 2016, the City also sold \$3,425,000 school refunding bonds at various interest rates ranging from 2% to 4%. These bonds were issued to advance refund and redeem a portion of school bonds of the City dated December 15, 2004.

On March 16, 2016, the City adopted a capital improvement ordinance to provide for funding for the improvement of Clark park in the amount of \$390,000. Funding to be provided through the Community Development Block Grant in the amount of \$190,000 and Developers Contribution Fund in the amount of \$200,000.

On April 20, 2016, the City adopted a resolution authorizing the issuance of not to exceed \$12,000,000 tax anticipation notes. \$10,000,000 of notes were issued on July 6, 2016 maturing September 6, 2016. The notes shall bear interest at the rate of 1.98% per annum.

On April 20, 2016, the City adopted a capital improvement ordinance to provide funding for the improvement of 16th street park in the amount of \$600,000. Funding be provided by FEMA grant #4572 in the amount of \$540,000 and capital fund balance in the amount of \$60,000.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE T. SUBSEQUENT EVENTS (continued)

On June 17, 2016 the City sold the following notes (through the HCIA pooled note financing program):

- \$27,042,000 of County-Guaranteed Pooled Notes at 2.00%
- \$48,845,000 of County-Guaranteed Pooled Notes (Federally Taxable) at 2.50%

On December 14, 2016, a bond ordinance was adopted providing for the acquisition of and the payment of a portion of the purchase price of real property and various 2016 capital improvements appropriating \$4,730,000 therefore and authorizing the issuance of \$4,500,000 bonds or notes of the City to finance part of the costs thereof.

SUPPLEMENTARY DATA – CURRENT FUND

CITY OF BAYONNE
CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014

COMPARATIVE SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE

	2015	2014
<u>Assets</u>		
Current Fund:		
Cash and Cash Equivalents	\$ 22,097,289	\$ 18,324,007
Cash - Change Funds	1,050	1,050
Subtotal	22,098,339	18,325,057
Intergovernmental Receivable:		
State Aid	2,888,631	3,558,976
	24,986,970	21,884,033
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes	748,057	841,686
Tax Title Liens	654,855	617,705
Property Acquired for Taxes at Assessed Valuation	6,474,000	6,474,000
Revenue Accounts Receivable	789,415	2,147,315
Other Accounts Receivable	-	421,618
Interfunds Receivable:		
Dog License Trust Fund	28,531	16,902
Insurance Trust Fund	2	-
Tax Lien Redemption Trust Fund	2	-
Housing and Urban Development Grant Trust Fund	-	20,267
Other Trust Fund	-	30,915
Payroll Agency Fund	7	-
Due from Capital Fund	97,118	630,071
Parking Utility Fund	330	-
Total Receivables with Full Reserve	8,792,317	11,200,479
Deferred Charges:		
Loans Payable-Prior Year	202,391	202,391
Fund Old Capital Ordinances	-	50,114
Prior Year Bills	-	4,531
Total Deferred Charges	202,391	257,036
Total Current Fund Assets	33,981,678	33,341,548
Federal and State Grant Fund:		
Federal and State Grants Receivable	6,035,695	21,175,072
Due from Current Fund	1,698,227	1,428,844
Total Federal and State Grant Fund Assets	7,733,922	22,603,916
Total Assets	\$ 41,715,600	\$ 55,945,464

CITY OF BAYONNE
CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014

COMPARATIVE SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE

	<u>2015</u>	<u>2014</u>
<u>Liabilities, Reserves and Fund Balance</u>		
Current Fund:		
Appropriation Reserves	\$ 2,304,820	\$ 3,328,437
Encumbrances	1,582,091	1,470,979
Contracts Payable	688,623	727,342
Interfunds Payable:		
Federal and State Grants Fund	1,698,227	1,428,844
Other Trust Fund	11,829	-
Housing and Urban Development Grant Fund	4,042	-
Parking Utility Fund	-	36
Due to State of New Jersey:		
Veteran and Senior Citizen Deductions	22,222	15,810
Tax Overpayments	2,956,296	2,859,063
Prepaid Taxes	770,182	681,936
Prepaid PILOT	-	754,354
Due County for Added and Omitted Taxes	23,387	94,880
Special Improvement District Taxes Payable	494,558	364,928
Reserve for Other	3,528,527	731,108
Reserve for Urban Enterprise Funds	5,824,550	4,616,099
	<u>19,909,354</u>	<u>17,073,816</u>
Reserve for Receivables	8,792,317	11,200,479
Fund Balance	<u>5,280,007</u>	<u>5,067,253</u>
Total Current Fund Liabilities, Reserves and Fund Balance	<u>33,981,678</u>	<u>33,341,548</u>
Federal and State Grant Fund:		
Encumbrances Payable	229,428	1,417,495
Reserve for Federal and State Grants:		
Appropriated	6,909,099	20,246,371
Unappropriated	595,395	940,050
	<u>7,733,922</u>	<u>22,603,916</u>
Total Federal and State Grant Fund Liabilities and Reserves	<u>7,733,922</u>	<u>22,603,916</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 41,715,600</u>	<u>\$ 55,945,464</u>

CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
COMPARATIVE SCHEDULE OF OPERATIONS AND CHANGES IN FUND BALANCE

	<u>Year Ended</u> <u>Dec. 31, 2015</u>	<u>Year Ended</u> <u>Dec. 31, 2014</u>
<u>Revenue and Other Income Realized:</u>		
Fund Balance Utilized	\$ 6,421,172	\$ 14,900,000
Miscellaneous Revenue Anticipated	43,588,535	58,659,287
Receipts from Delinquent Taxes	40,182	68,683
Receipts from Current Taxes	171,699,645	167,331,053
Non-Budget Revenues	2,125,715	2,269,943
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	2,247,007	1,234,546
Dog License Trust Fund Statutory Excess	11,629	-
Prior Year Revenue Accounts Receivable Realized	-	2,233,732
Grant Appropriations Cancelled	4,183,887	-
Prior Year Interfunds Returned	51,182	125,564
Reserves for Other Cancelled	46,152	-
Cancelled old outstanding checks	261,660	9,036
Miscellaneous Adjustments	1,132	19,598
	<u>230,677,898</u>	<u>246,851,442</u>
<u>Expenditures</u>		
Budgetary and Emergency Appropriations:		
Appropriations within "CAPS"		
Operations		
Salaries and Wages	55,946,525	56,183,500
Other Expenses	32,028,634	31,947,996
Deferred Charges and Statutory Expenditures	14,151,031	13,168,650
Appropriations Excluded from "CAPS"		
Operations		
Salaries and Wages	639,244	712,578
Other Expenses	3,832,911	22,995,956
Capital Improvements	-	200,000
Municipal Debt Service	13,163,184	12,479,728
Deferred Charges	50,114	550,000
Type 1 School District Debt	9,690,883	10,497,852
Reserve for Uncollected Taxes	2,600,000	2,720,000
	<u>132,102,526</u>	<u>151,456,260</u>
County Tax	28,732,549	27,696,235
Local District School Tax	60,283,361	59,392,474
Special Improvement District Tax	290,000	290,000
Interfunds Advanced Originating in Current Year	109,731	698,155
Revenue Account Receivables Reserved	-	2,147,315

CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
COMPARATIVE SCHEDULE OF OPERATIONS AND CHANGES IN FUND BALANCE

	<u>Year Ended</u> <u>Dec. 31, 2015</u>	<u>Year Ended</u> <u>Dec. 31, 2014</u>
Refund of Prior Year Taxes	1,425,763	-
Refund of Prior Year Revenues	-	285,155
Appropriated Grants Receivable Cancelled	1,100,042	-
Other Charges to Income		
Contracts Payable	-	645,593
Prepaid PILOT	-	754,345
	<u>224,043,972</u>	<u>243,365,532</u>
Excess in Revenue	6,633,926	3,485,910
Fund Balance, Beginning of Year	<u>5,067,253</u>	<u>16,481,343</u>
	11,701,179	19,967,253
Decreased by:		
Utilized as Anticipated Revenue	<u>6,421,172</u>	<u>14,900,000</u>
Fund Balance, End of Year	<u>\$ 5,280,007</u>	<u>\$ 5,067,253</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

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	\$ 6,421,172	\$ -	\$ 6,421,172	\$ -
<u>MISCELLANEOUS REVENUES:</u>				
LOCAL REVENUES				
Licenses:				
Alcoholic Beverage	78,000	-	76,266	(1,734)
Other	169,000	-	150,102	(18,898)
Fees and Permits	944,000	-	1,075,291	131,291
Fines and Costs - Municipal Court	1,859,000	-	1,944,746	85,746
Interest and Costs on Taxes	450,000	-	333,545	(116,455)
Interest on Investments and Deposits	56,000	-	36,863	(19,137)
Payments in Lieu of Taxes:				
Bayonne Housing Authority	290,000	-	604,051	314,051
Senior Horizons of Bayonne	37,000	-	59,411	22,411
Port Authority	2,360,000	-	2,919,808	559,808
Bayonne Community Action	6,750	-	7,819	1,069
Bayonne Energy Center	2,150,000	-	1,508,445	(641,555)
Alexan City View	1,600,000	-	1,106,455	(493,545)
Platty Kill Manor	180,000	-	180,000	-
Rents - City Owned Property	42,000	-	124,267	82,267
Verizon Franchise Fee	247,541	-	247,541	-
	<u>10,469,291</u>	<u>-</u>	<u>10,374,610</u>	<u>(94,681)</u>
STATE AID WITHOUT OFFSETTING APPROPRIATIONS				
Consolidated Municipal Property Tax Relief Act	1,922,857	-	1,922,857	-
Energy Receipts Tax (PL 1997, Ch. 162 & 167)	6,906,944	-	6,906,944	-
	<u>8,829,801</u>	<u>-</u>	<u>8,829,801</u>	<u>-</u>
SHARED SERVICE AGREEMENTS				
Housing Authority Garbage Contract	120,000	-	-	(120,000)
	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>(120,000)</u>
PUBLIC AND PRIVATE REVENUES				
Federal Grants:				
Reimbursement of Police Salaries	54,619	-	54,619	-
Bullet Proof Vests	1,072	40,373	41,445	-
Assistance to Firefighters Grant - ARRA	-	45,455	45,455	-
Federal Equitable Sharing -				
Reimbursement Police Department	82,289	-	82,289	-
2015 Port Security Grant	-	25,000	25,000	-
Customs and Border Control	119,358	55,570	174,928	-
UASI Training Reimbursement Fund	129,970	-	129,970	-
Area Plan Grant -				
Older American Act of 1965 - Title III	147,264	-	147,264	-
Congregate Meals Program	469,124	-	469,124	-
Home Delivered Meals	-	10,000	10,000	-
Emergency Management Assistance	-	10,000	10,000	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

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)				
State Grants:				
Bureau of Housing Inspection	66,858	-	66,858	-
Municipal Alliance Grant	30,942	54,448	85,390	-
Municipal Aid Grant	-	327,592	327,592	-
ESL Grant Cruise Foundation	-	5,000	5,000	-
Body Armor Replacement Fund	-	30,494	30,494	-
Pedestrian Safety Enforcement and Education	9,400	-	9,400	-
Drunk Driving Enforcement Fund	5,760	-	5,760	-
Police Overtime - DMV	139,715	-	139,715	-
Bayonne Housing Authority Police Grant	260,085	-	260,085	-
Reimbursement - Citywide Communications	-	6,028	6,028	-
	<u>1,516,456</u>	<u>609,960</u>	<u>2,126,416</u>	<u>-</u>
Other Items:				
Private Contributions for Public Events	500	-	500	-
Ground Restoration	40,894	-	40,894	-
NJ Turnpike Shuttle Service	1,620	-	1,620	-
Donation-Recreation Department	4,939	-	4,939	-
Poster Contest Donations	12,249	-	12,249	-
	<u>1,576,658</u>	<u>609,960</u>	<u>2,186,618</u>	<u>-</u>
OTHER SPECIAL ITEMS				
Royal Carribean Cruise Port	1,100,000	-	-	(1,100,000)
BHA-Reimbursement Forestry Expenses	50,000	-	-	(50,000)
Debt Service Reimbursement-Empire Golf	185,000	-	216,998	31,998
Indirect Cost Reimbursement-UCC	120,000	-	120,000	-
Uniform Fire Code Inspection Fees	105,000	-	110,976	5,976
Parking Tax	485,000	-	534,919	49,919
Spectra Energy	2,135,000	-	1,860,326	(274,674)
Port Authority Land Payment	5,000,000	-	5,000,000	-
BMUA Concession Fee	11,237,000	-	11,237,179	179
Capital Growth Transaction	2,378,828	-	2,378,828	-
Uniform Fire Safety Act	115,070	-	104,326	(10,744)
Public Works Reimbursement	3,240	-	3,240	-
Interfund Receivable - Due from Capital Fund	630,714	-	630,714	-
	<u>23,544,852</u>	<u>-</u>	<u>22,197,506</u>	<u>(1,347,346)</u>
Total Miscellaneous Revenues	<u>44,540,602</u>	<u>609,960</u>	<u>43,588,535</u>	<u>(1,562,027)</u>
RECEIPTS FROM DELINQUENT TAXES:	<u>210,000</u>	<u>-</u>	<u>40,182</u>	<u>(169,818)</u>
Subtotal - General Revenues	<u>\$ 51,171,774</u>	<u>\$ 609,960</u>	<u>\$ 50,049,889</u>	<u>\$ (1,731,845)</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET:				
Local Tax Incl. Reserve for Uncollected Taxes	69,121,442	-	70,886,422	1,764,980
Minimum Library Tax	1,770,313	-	1,770,313	-
Addition to Local District School Tax	9,737,000	-	9,737,000	-
Total Amount to be Raised by Taxes	<u>80,628,755</u>	<u>-</u>	<u>82,393,735</u>	<u>1,764,980</u>
Total Budget Revenues	<u>131,800,529</u>	<u>609,960</u>	<u>132,443,624</u>	<u>33,135</u>
Non-Budget Revenues	<u>-</u>	<u>-</u>	<u>2,125,715</u>	<u>2,125,715</u>
Total General Revenues	<u>\$ 131,800,529</u>	<u>\$ 609,960</u>	<u>\$ 134,569,339</u>	<u>\$ 2,158,850</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Allocation of Current Tax Collections:		
Current Year Taxes Collected in Prior Year	\$ 681,936	
Current Year Taxes Collected in Current Year	168,108,080	
State Share of Sr. Citizens' & Veterans' Deductions	<u>309,629</u>	
Current Taxes Realized in Cash		\$ 169,099,645
Add: Appropriation for "Reserve for Uncollected Taxes"		<u>2,600,000</u>
		<u>171,699,645</u>
Allocated to:		
School Taxes	60,283,361	
County Taxes	28,732,549	
Special Improvement District Taxes	<u>290,000</u>	
Total Allocated to School, County and Special District Taxes		<u>89,305,910</u>
Amount for Support of Municipal Budget Appropriations		<u>\$ 82,393,735</u>
Receipts from Delinquent Taxes:		
Delinquent Taxes Collected		\$ 40,182
Tax Title Liens Collected		<u>-</u>
Total Receipts from Delinquent Taxes		<u>\$ 40,182</u>
Miscellaneous Revenues Anticipated:		
Accrual per Revenue Accounts Receivable		\$ 32,632,318
State Aid		8,829,801
State and Federal Grants		<u>2,126,416</u>
Total Miscellaneous Revenues Anticipated		<u>\$ 43,588,535</u>
<u>FUND BALANCE</u>		<u>\$ 6,421,172</u>
Total Realized Budget Revenues		<u>\$ 132,443,624</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Miscellaneous Revenue not Anticipated:	
Port Authority Reimbursement	\$ 844,445
Vendor Refunds	87
Restitution - Pedevilano	468
Fidelco	50,000
Delinquent Tax Municipal Lien	618
Purchase Easement 301.02	20,000
Tagliareni PILOT	21,982
Silk Lofts	42,468
5 Year PILOTS	82,196
NJ Turnpike Shuttle Service Reimbursement	2,430
Temporary Fire House Reimbursement	155
Reimbursement Public Works Salaries	27,180
FSA Vantage Point	13,758
Bond Refinancing Savings	129,703
Tax Levy Premium	401,000
Refund for Sales Tax Credit	478
Municipal Incentive Rebate Program	6,743
Premium on Note Sale	116,048
Hurricane Sandy-FEMA	110,055
Prince Holding PILOT	155,000
Homestead Rebate Mailing	2,201
Various Unanticipated PILOT Payments	77,498
Cashier Unallocated	35
Miscellaneous	14,846
Administrative Payment - Sr. Citizen and Veteran Deductions	6,321
	<u>\$ 2,125,715</u>

CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Paid or Charged	Expended		
	Adopted Budget	Budget After Modification		Encumbered	Reserved	Cancelled
(A) Operations - within "CAPS"						
Office of the Mayor						
Salaries and Wages	\$ 360,000	\$ 360,000	\$ 359,771	\$ -	\$ 229	\$ -
Other Expenses	14,000	14,000	13,618	361	21	-
Planning Board						
Other Expenses	50,000	45,000	16,813	3,194	24,993	-
Board of Adjustment						
Other Expenses	28,000	28,000	14,403	2,500	11,097	-
Alcohol Beverage Control						
Other Expenses	1,000	1,000	289	-	711	-
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	6,433	12,530	37	-
Business Administrator's Office						
Salaries and Wages	525,000	467,000	464,740	-	2,260	-
Other Expenses	785,000	967,000	854,989	71,129	40,882	-
Bayonne Economic Opportunity Foundation						
Other Expenses (N.J.S.A. 40:190-4)	22,500	22,500	22,500	-	-	-
Personnel Department						
Salaries and Wages	85,000	88,325	87,739	-	586	-
Telephone Expenses	125,000	125,000	107,496	13,168	4,336	-
Municipal Council						
Salaries and Wages	166,000	163,000	161,430	-	1,570	-
Other Expenses	4,000	4,000	1,826	186	1,988	-
Budget & Accounting Fees	75,000	65,000	65,000	-	-	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			Cancelled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
(A) Operations - within "CAPS" - (continued)						
City Clerk's Office						
Salaries and Wages	\$ 299,000	\$ 323,000	\$ 322,429	-	\$ 571	-
Other Expenses	32,000	42,000	34,709	120	7,171	-
Primary & General Elections						
Salaries and Wages	30,000	20,000	17,677	-	2,323	-
Other Expenses	55,000	55,000	46,245	-	8,755	-
Finance Director's Office						
Salaries and Wages	777,000	807,000	803,929	-	3,071	-
Tax Assessor						
Salaries and Wages	213,000	216,500	215,744	-	756	-
Collection of Taxes						
Salaries and Wages	245,000	255,000	252,304	-	2,696	-
Postage	85,000	85,000	84,842	-	158	-
Planning and Zoning						
Salaries and Wages	385,000	423,000	422,623	-	377	-
Other Expenses	4,500	6,500	5,969	-	531	-
Law Department						
Salaries and Wages	645,000	636,000	635,964	-	36	-
Other Expenses	32,000	32,000	29,273	183	2,544	-
Contracts	220,000	148,000	77,580	57,420	13,000	-
Board of Health						
Salaries and Wages	835,000	735,000	734,192	-	808	-
Other Expenses	487,264	387,239	188,300	56,615	142,324	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Cancelled
(A) Operations - within "CAPS" - (continued)						
Bayonne Health Center	\$ 4,000	\$ 4,000	\$ 3,797	\$ 178	\$ 25	\$ -
Other Expenses						
Solid Waste Disposal	3,500,000	3,500,000	3,000,062	449,551	50,387	-
Other Expenses						
Solid Waste Collection	1,850,000	1,876,000	1,773,100	102,547	353	-
Other Expenses						
Fire Department						
Salaries and Wages (Non-Uniform Personnel)	180,000	155,000	154,493	-	507	-
Other Expenses	410,000	370,000	252,292	27,709	89,999	-
Salaries and Wages (Uniform Personnel)	19,950,000	19,991,000	19,972,123	-	18,877	-
Uniform Fire Safety Act	115,070	115,070	115,070	-	-	-
Law Enforcement Department						
Non-Uniform Personnel						
Salaries and Wages	3,000,000	3,005,000	3,001,416	-	3,584	-
Other Expenses	13,000	13,000	8,390	-	4,610	-
Uniform Personnel						
Salaries and Wages	19,950,000	19,620,700	18,446,794	-	1,173,906	-
Other Expenses	520,000	520,000	484,512	24,452	11,036	-
Prosecutor's Office						
Salaries and Wages	60,000	5,000	1,077	-	3,923	-
Department of Public Works / Parks						
Snow Removal						
Salaries and Wages	165,000	170,000	165,000	-	5,000	-
Other Expenses	200,000	205,000	178,315	5,031	21,654	-
Celebration of Public Holidays						
Other Expenses	36,000	36,000	35,150	-	850	-

CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Cancelled
(A) Operations - within "CAPS" - (continued)						
Swimming Pool						
Salaries and Wages	\$ 127,000	\$ 127,000	\$ 127,000	-	\$ -	-
Other Expenses	46,000	46,000	45,638	-	362	-
Parks & Playgrounds - Recreational						
Salaries and Wages	1,365,000	1,470,000	1,444,724	-	25,276	-
Other Expenses	90,000	124,000	120,302	3,691	7	-
Streets and Road Maintenance						
Salaries and Wages	1,250,000	1,230,000	1,215,462	-	14,538	-
Other Expenses	235,000	185,000	151,392	32,952	656	-
Buildings and Grounds						
Salaries and Wages	1,440,000	1,450,000	1,447,526	-	2,474	-
Other Expenses	200,000	253,000	220,863	31,717	420	-
Vehicle Maintenance						
Salaries and Wages	660,000	585,000	575,708	-	9,292	-
Other Expenses	335,000	452,000	347,929	101,156	2,915	-
Maintenance of Parks						
Salaries and Wages	1,825,000	1,996,000	1,990,306	-	5,694	-
Other Expenses	72,000	82,000	75,125	4,861	2,014	-
Department of Public Works / Parks						
Other Public Works						
Salaries and Wages	360,000	408,000	405,335	-	2,665	-
Other Expenses	175,000	321,000	146,565	162,746	11,689	-
Public Works Reimbursement	3,240	3,240	3,240	-	-	-
Public Defender						
Other Expenses	65,000	71,500	65,442	5,833	225	-
Bulk Levy Sale Expenses	15,000	15,000	6,391	-	8,609	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Cancelled
(A) Operations - within "CAPS" - (continued)						
Municipal Court						
Salaries and Wages	\$ 1,050,000	\$ 1,050,000	\$ 1,027,861	-	\$ 22,139	\$ -
Other Expenses	72,000	73,000	69,885	3,041	74	-
Insurance: N.J.S.A. 40A:4-45.3(00)						
General Liability / Workers Compensation	3,170,000	3,070,000	2,970,000	-	100,000	-
Employee Group Health	16,362,200	16,337,200	16,175,624	1,587	159,989	-
Group Insurance Waiver Costs	59,916	59,916	59,916	-	-	-
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.	470,000	450,000	266,611	-	183,389	-
Older American Program	58,469	38,469	18,276	10,182	10,011	-
Utilities	1,540,000	1,540,000	1,283,012	256,988	-	-
Reserve for Tax Appeals	200,000	200,000	200,000	-	-	-
	1,000	1,000	-	-	1,000	-
(B) Contingent	88,015,159	87,975,159	84,290,551	1,441,628	2,242,980	-

Detail:

Salaries and Wages	56,137,000	55,946,525	54,643,367	-	1,303,158	-
Other Expenses	31,878,159	32,028,634	29,647,184	1,441,628	939,822	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Cancelled
(E) Deferred Charges and Statutory Expenditures within "CAPS"						
<u>(1) DEFERRED CHARGES</u>						
Prior Year's Bills	4,531	4,531	4,531	-	-	-
	4,531	4,531	4,531	-	-	-
<u>(2) STATUTORY EXPENDITURES</u>						
Contribution to:						
Public Employees Retirement System	\$ 1,965,000	\$ 1,965,000	\$ 1,963,155	\$ -	\$ 1,845	\$ -
Social Security System (O.A.S.I.)	1,875,000	1,915,000	1,905,854	-	9,146	-
Consolidated Police & Firemen's Pension Fund	10,500	10,500	10,011	-	489	-
Police & Fire Retirement System of NJ	10,135,000	10,135,000	10,134,691	-	309	-
Unemployment Insurance	50,000	50,000	50,000	-	-	-
Defined Contribution Retirement Program	27,000	32,000	30,673	-	1,327	-
Municipal Pensions to Employees/Widows	44,000	39,000	38,482	-	518	-
	14,106,500	14,146,500	14,132,866	-	13,634	-
(H-1) TOTAL GENERAL APPROPRIATIONS	102,126,190	102,126,190	98,427,948	1,441,628	2,256,614	-
FOR MUNICIPAL PURPOSES WITHIN "CAPS"						
(A) Operations - Excluded From "CAPS"						
<u>GENERAL GOVERNMENT</u>						
Free Public Library	1,820,000	1,820,000	1,741,648	32,130	46,222	-
	1,820,000	1,820,000	1,741,648	32,130	46,222	-
<u>SHARED SERVICE AGREEMENTS</u>						
Housing Authority-Garbage Removal Services	120,000	120,000	11,667	108,333	-	-
	120,000	120,000	11,667	108,333	-	-

CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Cancelled
<u>PUBLIC AND PRIVATE APPROPRIATIONS</u>						
<u>OFFSET BY REVENUES</u>						
Federal Grants:						
Reimbursement of Police Salaries	54,619	54,619	54,619	-	-	-
Bullet Proof Vests	1,072	41,445	41,445	-	-	-
Assistance to Firefighters Grant - ARRA	-	45,455	45,455	-	-	-
Federal Equitable Sharing -						
Reimbursement Police Department	82,289	82,289	82,289	-	-	-
2015 Port Security Grant	-	25,000	25,000	-	-	-
Customs and Border Control	119,358	174,928	174,928	-	-	-
UASI Training Reimbursement Fund	129,970	129,970	129,970	-	-	-
Area Plan Grant -						
Older American Act of 1965 - Title III	485,065	485,065	485,065	-	-	-
Congregate Meals Program	469,124	469,124	469,124	-	-	-
Home Delivered Meals	-	10,000	10,000	-	-	-
Emergency Management Assistance	-	10,000	10,000	-	-	-
State Grants:						
Bureau of Housing Inspection	66,858	66,858	66,858	-	-	-
Municipal Alliance Grant	38,678	93,126	93,126	-	-	-
Municipal Aid Grant	-	327,592	327,592	-	-	-
ESL Grant Cruise Foundation	-	5,000	5,000	-	-	-
Body Armor Replacement Fund	-	30,494	30,494	-	-	-
Pedestrian Safety Enforcement and Education	9,400	9,400	9,400	-	-	-
Drunk Driving Enforcement Fund	5,760	5,760	5,760	-	-	-
Police Overtime - DMV	139,715	139,715	139,715	-	-	-
Bayonne Housing Authority Police Grant	260,085	260,085	260,085	-	-	-
Reimbursement - Citywide Communications	-	6,028	6,028	-	-	-
Other Items:						

**CITY OF BAYONNE
 CURRENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Paid or Charged	Expended		
	Adopted Budget	Budget After Modification		Encumbered	Reserved	Cancelled
Private Contributions for Public Events	500	500	500	-	-	-
Ground Restoration	40,894	40,894	40,894	-	-	-
NJ Turnpike Shuttle Service	1,620	1,620	1,620	-	-	-
Donation-Recreation Department	4,939	4,939	4,939	-	-	-
Poster Contest Donations	12,249	12,249	10,265	-	1,984	-
	<u>1,922,195</u>	<u>2,532,155</u>	<u>2,530,171</u>	<u>-</u>	<u>1,984</u>	<u>-</u>
Total Operations - Excluded from "CAPS"	3,862,195	4,472,155	4,283,486	140,463	48,206	-
Detail:						
Salaries and Wages	593,789	639,244	639,244	-	-	-
Other Expenses	3,268,406	3,832,911	3,644,242	140,463	48,206	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			Cancelled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
(D) Municipal Debt Service						
Bond Principal	2,462,000	2,732,000	2,716,877	-	-	15,123
Bond Anticipation and Capital Notes	3,295,000	3,295,000	3,294,140	-	-	860
Interest on Bonds	6,200,000	5,930,000	5,807,248	-	-	122,752
Interest on Notes	585,000	585,000	562,350	-	-	22,650
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	737,000	737,000	636,541	-	-	100,459
	<u>13,425,030</u>	<u>13,425,030</u>	<u>13,163,184</u>	<u>-</u>	<u>-</u>	<u>261,846</u>
(E) Deferred Charges-Municipal-Excluded from "CAPS"						
Funding for Various Capital Ordinances	50,114	50,114	50,114	-	-	-
Total Deferred Charges-Municipal-Excluded From "CAPS"	<u>50,114</u>	<u>50,114</u>	<u>50,114</u>	<u>-</u>	<u>-</u>	<u>-</u>
(H-2) TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES - EXCLUDED FROM "CAPS"	<u>17,337,339</u>	<u>17,947,299</u>	<u>17,496,784</u>	<u>140,463</u>	<u>48,206</u>	<u>261,846</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF EXPENDITURES AND OTHER CHARGES TO INCOME

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Cancelled
(I) Local District School Purposes - Excluded from "CAPS" <u>TYPE 1 DISTRICT SCHOOL DEBT</u>						
Payment of Bond Principal	\$ 5,620,000	\$ 5,900,000	\$ 5,894,210	\$ -	\$ -	\$ 5,790
Interest on Bonds	4,070,000	3,790,000	3,749,981	-	-	40,019
Interest on Notes	47,000	47,000	46,692	-	-	308
	<u>9,737,000</u>	<u>9,737,000</u>	<u>9,690,883</u>	<u>-</u>	<u>-</u>	<u>46,117</u>
(O) TOTAL GENERAL APPROPRIATIONS - EXCLUDED FROM "CAPS"	27,074,339	27,684,299	27,187,667	140,463	48,206	307,963
(L) Subtotal General Appropriations	129,200,529	129,810,489	125,615,615	1,582,091	2,304,820	307,963
(M) Reserve for Uncollected Taxes	2,600,000	2,600,000	2,600,000	-	-	-
TOTAL GENERAL APPROPRIATIONS	<u>\$ 131,800,529</u>	<u>\$ 132,410,489</u>	<u>\$ 128,215,615</u>	<u>\$ 1,582,091</u>	<u>\$ 2,304,820</u>	<u>\$ 307,963</u>
Budget As Adopted	\$ 131,800,529		\$ -			
Added by N.J.S.A. 40A:4-87	609,960		-			
Reserve for Uncollected Taxes	-		2,600,000			
Deferred Charges	-		54,645			
Qualified Bonds Paid by State	-		7,343,853			
Due to Capital: Deficiency in Proceeds to Pay Notes Charged to Budget			1,469			
State and Federal Grants - Matching Funds	-		345,537			
State and Federal Grants	-		2,126,416			
Cash Disbursements	-		115,743,695			
Subtotal: General Appropriations Budgeted and Paid or Charged	132,410,489		128,215,615	-		
Appropriations Cancelled	307,963		-			
	<u>\$ 132,102,526</u>		<u>\$ 128,215,615</u>			

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF CASH AND CASH EQUIVALENTS

Balance: December 31, 2014		\$ 18,324,007
Increased by Cash Receipts:		
Write Off Old Outstanding Checks	\$ 261,660	
Miscellaneous Adjustments	1,132	
Miscellaneous Revenues Not Anticipated	2,125,715	
Taxes Receivable	166,722,499	
State Aid Receivable	2,156,293	
Revenue Accounts Receivable	31,729,057	
Other Accounts Receivable	-	
Interfunds	67,834,357	
Prepaid Taxes	770,182	
Tax Overpayments	2,956,296	
State Sr. Citizen and Veteran Deductions	316,041	
Reserve for Urban Enterprise Zone Funds	2,142,120	
Reserves for Other	3,906,167	
	<hr/>	280,921,519
		<hr/>
		299,245,526
Decreased by Cash Disbursements:		
Refund of Prior Year Revenues		
Current Year Budget Appropriations	115,743,695	
Interfunds	64,733,967	
Appropriation Reserves	2,552,409	
School Taxes Payable	60,283,361	
County Taxes Payable	28,804,042	
Special Improvement District Taxes Payable	160,370	
Contracts Payable	38,719	
Tax Overpayments	2,859,063	
Reserve for Urban Enterprise Zone Funds	933,669	
Reserves for Other	1,038,942	
	<hr/>	277,148,237
		<hr/>
		\$ 22,097,289
		<hr/> <hr/>
Balance: December 31, 2015		<hr/> <hr/>

CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance: Dec. 31, 2014	2015 Levy	Added Taxes	Collections			Cancelled	Transfer to Tax Title Liens	Balance: Dec. 31, 2015
				By Cash Receipts - Prior Year	Net of Refunds Current Year	By Discounts Allowed			
2014 & Prior	\$ 841,686	\$ -	\$ 13,784	\$ -	\$ (1,385,581)	\$ -	\$ 1,788,181	\$ -	\$ 452,870
CY 2015	\$ -	\$ 169,948,441	\$ 124,470	\$ 681,936	\$ 168,108,080	\$ 309,629	\$ 640,929	\$ 37,150	\$ 295,187
	\$ 841,686	\$ 169,948,441	\$ 138,254	\$ 681,936	\$ 166,722,499	\$ 309,629	\$ 2,429,110	\$ 37,150	\$ 748,057
Tax Yield:									
General Purpose				\$ 169,658,441					
Special Improvement District				290,000					
Added and Omitted Taxes				138,254					\$ 170,086,695
Tax Levy:									
Local District School Tax (Abstract)									
Levy			\$ 60,283,361						
Addition to Local District School Tax			9,737,000						
Total Local District School Tax (Abstract)			\$ 70,020,361						
County Tax									
County Taxes (Abstract)			28,440,609						
County Open Space Taxes			268,553						
Added and Omitted County Taxes			23,387						
Total County Tax			28,732,549						
Special Improvement District Taxes			290,000						
Library Tax			1,770,313						
Local Tax for Municipal Purposes									
Local Tax for Municipal Purposes (Abstract)			69,121,442						
Local Tax for Municipal Levied (Added)			114,867						
Add: Omitted Taxes			37,163						
Local Tax for Municipal Purposes Levied			69,273,472						\$ 170,086,695

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF TAX TITLE LIENS

Balance: December 31, 2014	\$	617,705
Increased by:		
Transfer from Taxes Receivable		37,150
Balance: December 31, 2015	\$	654,855

SCHEDULE OF INTERGOVERNMENTAL RECEIVABLES - STATE AID

Balance: December 31, 2014	\$	3,558,976
Increased by:		
Accrued State Aid		8,829,801
		12,388,777
Decreased by:		
Qualified Bonds Paid by State	\$	7,343,853
Cash Receipts		2,156,293
		9,500,146
Balance: December 31, 2015	\$	2,888,631

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance: Dec. 31, 2014	Current Year Accruals	Collections	Cancelled	Balance: Dec. 31, 2015
Local Revenues:					
Licenses:					
Alcoholic Beverage	\$ -	\$ 76,266	\$ 76,266	\$ -	\$ -
Other	-	150,102	150,102	-	-
Fees and Permits	-	1,075,291	1,075,291	-	-
Fines and Costs - Municipal Court	150,582	1,944,746	1,944,746	-	150,582
Interest and Costs on Taxes	-	333,545	333,545	-	-
Interest on Investments and Deposits	-	36,863	36,863	-	-
Payments in Lieu of Taxes:					
Bayonne Housing Authority	350,000	604,051	604,051	-	350,000
BHA Post Road Gardens	57,192	-	-	-	57,192
Senior Horizons of Bayonne	49,641	59,411	59,411	-	49,641
Port Authority	-	2,919,808	2,919,808	-	-
Bayonne Community Action	7,000	7,819	7,819	-	7,000
Bayonne Energy Center	-	1,508,445	1,508,445	-	-
Alexan City View	-	1,106,455	1,106,455	-	-
Platty Kill Manor	-	180,000	180,000	-	-
Rents - City Owned Property	-	124,267	124,267	-	-
Verizon Franchise Fee	-	247,541	247,541	-	-
Reimbursement from Housing Authority:					
Garbage Contract	115,000	-	-	115,000	-
Dumpsters	5,400	-	-	5,400	-
Other	100,000	-	-	100,000	-
Forestry Expenses	175,000	-	-	-	175,000
	<u>1,009,815</u>	<u>10,374,610</u>	<u>10,374,610</u>	<u>220,400</u>	<u>789,415</u>
Private Revenues:					
Private Contributions for Public Events	-	500	500	-	-
Ground Restoration	-	40,894	40,894	-	-
NJ Turnpike Shuttle Service	-	1,620	1,620	-	-
Donation-Recreation Department	-	4,939	4,939	-	-
Poster Contest Donations	-	12,249	12,249	-	-
	<u>-</u>	<u>60,202</u>	<u>60,202</u>	<u>-</u>	<u>-</u>
Other Special Items:					
Debt Service Reimbursement-Empire Golf	-	216,998	216,998	-	-
Indirect Cost Reimbursement-UCC	-	120,000	120,000	-	-
Reimbursement - Board of Education	1,137,500	-	-	1,137,500	-
Uniform Fire Code Inspection Fees	-	110,976	110,976	-	-
Parking Tax	-	534,919	534,919	-	-
Spectra Energy	-	1,860,326	1,860,326	-	-
Port Authority Land Payment	-	5,000,000	5,000,000	-	-
BMUA Concession Fee	-	11,237,179	11,237,179	-	-
Capital Growth Transaction	-	2,378,828	2,378,828	-	-
Uniform Fire Safety Act	-	104,326	104,326	-	-
Public Works Reimbursement	-	3,240	3,240	-	-
Interfund Receivable - Due from Capital Fund	-	630,714	630,714	-	-
	<u>1,137,500</u>	<u>22,197,506</u>	<u>22,197,506</u>	<u>1,137,500</u>	<u>-</u>
Total Miscellaneous Revenues	<u>\$ 2,147,315</u>	<u>\$ 32,632,318</u>	<u>\$ 32,632,318</u>	<u>\$ 1,357,900</u>	<u>\$ 789,415</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF OTHER ACCOUNTS RECEIVABLE

	Balance: Dec. 31, 2014	Due from Federal and State Grant Fund	Cancelled	Balance: Dec. 31, 2015
BMUA West Side Passive Park	\$ 271,618	\$ -	\$ 271,618	\$ -
Baker Residential Homes-Park	150,000	-	150,000	-
	<u>\$ 421,618</u>	<u>\$ -</u>	<u>\$ 421,618</u>	<u>\$ -</u>

Exhibit A-10

SCHEDULE OF DEFERRED CHARGES

	Balance: Dec. 31, 2014	Authorized	Budget Appropriations	Balance: Dec. 31, 2015
Loans Payable-Prior Year	\$ 202,391	\$ -	\$ -	\$ 202,391
Fund Capital Ordinances	50,114	-	50,114	-
Prior Year Bills	4,531	-	4,531	-
	<u>\$ 257,036</u>	<u>\$ -</u>	<u>\$ 54,645</u>	<u>\$ 202,391</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: December 31, 2014		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
(A) Operations - within "CAPS"					
Office of the Mayor					
Salaries and Wages	\$ 744	\$ -	\$ 744	\$ -	\$ 744
Other Expenses	39	542	581	513	68
Planning Board					
Other Expenses	31,366	3,707	35,073	1,367	33,706
Board of Adjustment					
Other Expenses	10,942	1,878	12,820	1,878	10,942
Alcohol Beverage Control					
Other Expenses	211	-	211	-	211
Environmental Commission					
Other Expenses (N.J.S.A. 40:56A-1)	1,000	-	1,000	-	1,000
Rent Control Office					
Other Expenses	625	1,310	4,935	4,375	560
Business Administrator's Office					
Salaries and Wages	619	-	619	(1,030)	1,649
Other Expenses	25,522	32,376	204,898	185,959	18,939
Personnel Department					
Salaries and Wages	310	-	310	-	310
Telephone Expenses	12,113	2,369	14,482	2,424	12,058
Municipal Council					
Salaries and Wages	374	-	374	-	374
Other Expenses	696	-	696	135	561
Budget & Accounting Fees	10,000	-	10,000	5,000	5,000
City Clerk's Office					
Salaries and Wages	1,460	-	1,460	-	1,460
Other Expenses	1,285	444	1,729	1,507	222
Primary & General Elections					
Salaries and Wages	67,880	-	17,880	16,953	927
Other Expenses	106,957	2,610	15,567	-	15,567
Finance Director's Office					
Salaries and Wages	3,265	-	3,265	-	3,265
Tax Assessor					
Salaries and Wages	9,427	-	9,427	(1,026)	10,453
Collection of Taxes					
Salaries and Wages	1,034	-	1,034	-	1,034
Postage	66	-	66	-	66
Planning and Zoning					
Salaries and Wages	5,728	-	5,728	117	5,611
Other Expenses	1,812	83	1,895	125	1,770
Law Department					
Salaries and Wages	8,166	-	8,166	(500)	8,666
Other Expenses	856	1,822	2,678	2,450	228
Contracts	36,515	59,021	95,536	34,131	61,405
Board of Health					
Salaries and Wages	25,751	-	5,751	-	5,751
Other Expenses	8,039	97,366	151,405	98,998	52,407
Aid to PAL Day Care Center (NJSA 40:238.14)					
Other Expenses	16,300	-	16,300	-	16,300
Medical Services for Employees					
Other Expenses	2,188	812	3,000	812	2,188
Bayonne Health Center					
Other Expenses	294	95	389	98	291

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF APPROPRIATION RESERVES

	Balance: December 31, 2014		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
(A) Operations - within "CAPS" (Continued)					
Solid Waste Disposal					
Other Expenses	\$ 3,499	\$ 332,550	\$ 336,049	\$ 273,037	\$ 63,012
Solid Waste Collection					
Other Expenses	106,013	55,500	161,513	161,513	-
Fire Department					
Salaries and Wages (Non-Uniform Personnel)	4,370	-	4,370	-	4,370
Other Expenses	27,079	19,640	46,719	43,408	3,311
Salaries and Wages (Uniform Personnel)	24,955	-	24,955	24,955	-
Law Enforcement Department					
Non-Uniform Personnel					
Salaries and Wages	2,998	-	2,998	-	2,998
Uniform Personnel					
Salaries and Wages	1,721,311	-	1,721,311	670,699	1,050,612
Other Expenses	11,440	34,092	65,532	62,524	3,008
Prosecutor's Office					
Salaries and Wages	6,204	7,500	13,704	-	13,704
Department of Public Works / Parks					
Snow Removal					
Salaries and Wages	5,000	-	5,000	5,000	-
Other Expenses	60,016	19,031	79,047	78,782	265
Swimming Pool					
Other Expenses	8,767	-	8,767	-	8,767
Parks & Playgrounds - Recreational					
Salaries and Wages	16,386	-	6,386	-	6,386
Other Expenses	2,535	2,720	7,255	7,221	34
Streets and Road Maintenance					
Salaries and Wages	2,926	-	2,926	-	2,926
Other Expenses	5,638	87,087	92,725	75,612	17,113
Buildings and Grounds					
Salaries and Wages	19,296	-	4,296	-	4,296
Other Expenses	11,539	24,058	49,597	48,733	864
Vehicle Maintenance					
Salaries and Wages	219	-	219	-	219
Other Expenses	35,468	48,666	117,134	107,955	9,179
Maintenance of Parks					
Salaries and Wages	20,135	-	4,135	-	4,135
Other Expenses	9,472	13,157	22,629	20,707	1,922
Department of Public Works / Parks					
Other Public Works					
Salaries and Wages	1,926	-	1,926	-	1,926
Other Expenses	677	36,637	38,814	34,460	4,354
Public Defender					
Other Expenses	75	5,833	5,908	5,833	75
Bulk Levy Sale Expenses	-	10,002	10,002	1,470	8,532
Municipal Court					
Salaries and Wages	39,318	-	39,318	-	39,318
Other Expenses	2,281	6,913	9,194	8,413	781
Insurance:N.J.S.A. 40A:4-45.3(00)					
Employee Group Health	199,971	-	199,971	-	199,971

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance: December 31, 2014</u>		<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
	<u>Reserved</u>	<u>Encumbered</u>			
(A) Operations - within "CAPS" (Continued)					
Unclassified					
Gasoline, Oil, Grease, Etc.	\$ 37,475	\$ -	\$ 37,475	\$ 26,798	\$ 10,677
Older American Program	38,041	2,784	40,825	10,877	29,948
Utilities	44,299	332,931	377,230	337,183	40,047
Professional Services-PBH	4,738	83,301	88,039	59,133	28,906
(B) Contingent	1,000	-	1,000	-	1,000
(E) Statutory Expenditures within "CAPS"					
<u>(2) STATUTORY EXPENDITURES</u>					
Contribution to:					
Public Employees Retirement System	39,825	-	13,825	13,825	-
Social Security System (O.A.S.I.)	10,960	-	10,960	-	10,960
Consolidated Police & Firemen's Pension Fund	108	-	108	-	108
Police & Fire Retirement System of NJ	46,581	-	11,081	-	11,081
Unemployment Insurance	3,000	-	3,000	3,000	-
Defined Contribution Retirement Program	487	-	487	-	487
Municipal Pensions to Employees/Widows	4,107	-	4,107	-	4,107
(A) Operations - Excluded From "CAPS"					
<u>GENERAL GOVERNMENT</u>					
Free Public Library	343,325	24,142	367,467	76,243	291,224
<u>SHARED SERVICE AGREEMENTS</u>					
Housing Authority-Garbage Removal Contract	-	120,000	120,000	30,000	90,000
<u>PRIVATE APPROPRIATIONS</u>					
<u>OFFSET BY REVENUES</u>					
Other Items					
Tree Replacement Fund	13,263	-	13,263	10,612	2,651
Private Contributions for Public Events	130	-	130	130	-
	<u>\$ 3,328,437</u>	<u>\$ 1,470,979</u>	<u>\$ 4,799,416</u>	<u>\$ 2,552,409</u>	<u>\$ 2,247,007</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Balance: December 31, 2014		\$ -
Increased by 50% of Levy for School Year:		
July 1, 2014 to June 30, 2015	\$ 29,696,237	
July 1, 2015 to June 30, 2016	<u>30,587,124</u>	
		<u>60,283,361</u>
		60,283,361
Decreased by:		
Cash Disbursements		<u>60,283,361</u>
Balance: December 31, 2015		<u><u>\$ -</u></u>

Exhibit A-13

SCHEDULE OF COUNTY TAXES PAYABLE

Balance: December 31, 2014		\$ 94,880
Increased by:		
General County Taxes		
Levied	\$ 28,440,609	
Added and Omitted	23,387	
Open Space Tax		
Levied	268,553	
Added and Omitted	<u>-</u>	
		<u>28,732,549</u>
		28,827,429
Decreased by:		
Cash Disbursements		<u>28,804,042</u>
Balance: December 31, 2015		<u><u>\$ 23,387</u></u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF SPECIAL IMPROVEMENT DISTRICT TAX PAYABLE

Balance: December 31, 2014	\$	364,928
Increased by:		
2015 Levy		290,000
		654,928
Decreased by:		
Cash Disbursements		160,370
		160,370
Balance: December 31, 2015	\$	494,558

Exhibit A-15

SCHEDULE OF CONTRACTS PAYABLE

Balance: December 31, 2014	\$	727,342
Decreased by:		
Cash Disbursements		38,719
		38,719
Balance: December 31, 2015	\$	688,623

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF PREPAID TAXES

Balance: December 31, 2014	\$ 681,936
Increased by:	
Cash Receipts	770,182
	1,452,118
Decreased by:	
Applied to Current Year Taxes Receivable	681,936
	770,182
Balance: December 31, 2015	\$ 770,182

Exhibit A-17

SCHEDULE OF TAX OVERPAYMENTS

Balance: December 31, 2014	\$ 2,859,063
Increased by:	
Cash Receipts - Current Year Tax	2,956,296
	5,815,359
Decreased by:	
Cash Disbursements	2,859,063
	2,859,063
Balance: December 31, 2015	\$ 2,956,296

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF PREPAID PILOT

Balance: December 31, 2014	\$	754,354
Decreased by:		
Miscellaneous Revenue Anticipated		754,354
Balance: December 31, 2015	\$	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Balance: December 31, 2014		\$ 15,810
Increased by:		
Cash Receipts	\$ 316,041	
Disallowed by Tax Collector:		
Senior Citizens' Deductions	15,662	
Veterans' Deductions	500	
		332,203
		348,013
Decreased by:		
Senior Citizens' Deductions per Tax Billing	45,791	
Veterans' Deductions per Tax Billing	270,250	
Allowed by Tax Collector:		
Senior Citizens' Deductions	7,000	
Veterans' Deductions	2,750	
		325,791
Balance: December 31, 2015		\$ 22,222

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

Senior Citizens' and Veterans' Deductions		
Per Tax Billing		\$ 316,041
Add: Allowed by Tax Collector		
Senior Citizens' Deductions	\$ 7,000	
Veterans' Deductions	2,750	
		9,750
		325,791
Less: Disallowed by Tax Collector		
Senior Citizens' Deductions	15,662	
Veterans' Deductions	500	
		16,162
		\$ 309,629

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF RESERVE FOR URBAN ENTERPRIZE ZONE FUNDS

Balance: December 31, 2014	\$ 4,616,099
Increased by:	
Cash Receipts	<u>2,142,120</u>
	6,758,219
Decreased by:	
Cash Disbursements	<u>933,669</u>
Balance: December 31, 2015	<u><u>\$ 5,824,550</u></u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE OF RESERVES FOR OTHER**

	Balance Dec. 31, 2014	Increased by:		Decreased by Charges for:			Balance Dec. 31, 2015
		Cash Receipts	Cash Disbursements	Cancelled to Operations	Budget Revenue	Transfer to Grants	
Reserve for:							
BLRA Reserve	\$ 646	\$ 734,318	\$ 733,882	\$ -	\$ -	\$ -	\$ 1,082
Title 39 Fines	16,435	-	-	16,435	-	-	-
Arthur Kill Trust	15,000	-	-	15,000	-	-	-
Brady's Dock	3,189	-	-	3,189	-	-	-
MOT Service Fund	6,910	-	-	-	-	-	6,910
Fire Prevention Poster Contest	1,430	-	840	-	-	-	590
Towing Liens	4,450	-	-	-	-	-	4,450
Tree Replacement Fund	31,509	-	-	-	-	-	31,509
Developers Escrow Municipal Reimbursement	28,137	-	28,137	-	-	-	-
SID Donations	1,000	-	-	1,000	-	-	-
Recreation Donations	177	-	-	177	-	-	-
Reserve for County Share of PILOT	150,000	140,500	119,405	-	-	-	171,095
Fire Department Donations	350	-	-	350	-	-	-
9/11 Memorial Trust	5,000	-	-	5,000	-	-	-
Demolition Lien	16,223	-	-	-	-	-	16,223
Fire Prevention Penalties	31,383	-	-	-	-	-	31,383
Defibulator Donation	1,180	-	-	-	-	-	1,180
Ground Restoration	38,562	-	38,562	-	-	-	-
Contributions - Homeland Security	5,000	-	-	-	-	-	5,000
School Debt Service	-	2,936,124	-	-	-	-	2,936,124
Unappropriated Reserves:							
Towing Liens	4,700	3,150	-	-	-	-	7,850
Ground Restoration	6,875	10,931	-	-	10,894	-	6,912
Fire Prevention Poster Contest	7,220	12,029	-	-	12,249	-	7,000
Fire Prevention Penalties	16,804	2,250	-	-	-	-	19,054
Certificates of Occupancy Fees	900	-	-	900	-	-	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF RESERVES FOR OTHER

	Balance Dec. 31, 2014	Increased by:		Decreased by Charges for:			Balance Dec. 31, 2015
		Cash Receipts	Cash Disbursements	Cancelled to Operations	Budget Revenue	Transfer to Grants	
Child Abuse Prevention	\$ 947	\$ 575	\$ -	\$ 947	\$ -	\$ -	\$ 575
Minds in Motion	1,875	-	-	1,875	-	-	-
Tree Replacement Fund	21,221	27,285	-	-	-	-	48,506
Boat Ramp Fees	600	-	-	600	-	-	-
Bayonne Defibrillator	-	5,000	-	-	-	-	5,000
Sale of Assets:							
Police Auction	299,304	33,455	118,116	-	-	-	214,643
Interest Earned on Grant Accounts:							
Custom Border Control	5,902	420	-	-	-	-	6,322
Dept. of Justice - Equitable Sharing Funds	7,500	109	-	-	-	511	7,098
Energy Efficiency Grant	679	21	-	679	-	-	21
	<u>\$ 731,108</u>	<u>\$ 3,906,167</u>	<u>\$ 1,038,942</u>	<u>\$ 46,152</u>	<u>\$ 23,143</u>	<u>\$ 511</u>	<u>\$ 3,528,527</u>

CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Program	Balance Dec. 31, 2014	Current Year Awards		Cash Receipts	Transfer from Unappropriated Reserve	Adjustments / Cancellation	Balance Dec. 31, 2015
		Original Budget	Added by NJSA 40A:4-87				
2012 SAFER Grant	\$ 870,006	\$ -	\$ -	\$ 829,877	\$ -	\$ -	\$ 40,129
2013 Local Aid Safe Streets to Transit Program	205,000	-	-	-	-	-	205,000
2015 Municipal Aid Program	-	-	327,592	-	-	-	327,592
Assistance to Firefighter Grant	-	-	45,455	-	-	-	45,455
Bayonne Housing Authority Police Grant	-	260,085	-	-	260,085	-	-
Body Armor Fund	-	-	30,494	-	30,494	-	-
FEMA Assistance to Firefighters Grant- 2013	295,291	-	-	266,186	-	-	29,105
Bureau of Housing Inspection	-	66,858	-	-	66,858	-	-
Green Communities Forestry Grant	3,000	-	-	-	-	-	3,000
Congregate Meals Program	404,348	469,124	-	238,862	-	-	634,610
COPS More 2002 (02-CMWX-0173)	9,469	-	-	-	-	9,469	-
Custom Border Patrol	-	119,358	55,570	-	174,928	-	-
Department of Justice Grant	12,096	-	-	-	-	12,096	-
Department of Justice OE/Federal Forfeiture Funds	-	82,289	-	-	82,289	-	-
DOT FY 2014 Grant	85,970	-	-	-	-	-	85,970
DOT Grant - Ave C Paving	342,344	-	-	-	-	342,344	-
DOT Paving Grant - FY 2012	300,061	-	-	-	-	-	300,061
DOT Pedestrian Bridge Grant	550,000	-	-	-	-	-	550,000
Drunk Driving Enforcement Grant	-	5,760	-	-	5,760	-	-
Department of Justice Bullet Proof Vest	-	1,072	40,373	-	41,445	-	-
Emergency Management Grant	-	-	10,000	10,000	-	-	-
ESL Grant Cruise Foundation	-	-	5,000	5,000	-	-	-
Green Acres Grant	750,000	-	-	-	-	500,000	250,000
Home Delivered Meals	10,000	-	10,000	-	-	-	20,000
Hudson County Cultural & Heritage Affairs Grant	17,022	-	-	-	-	17,022	-
Hudson County Open Space Trust Fund	430,020	-	-	41,074	-	-	388,946
Hudson County Open Space Trust Fund - Museum	240,000	-	-	44,417	-	-	195,583
Hudson County Records Management/Paris Grant	25,000	-	-	-	-	25,000	-
Justice Assistance Grant Program - 2011	95	-	-	-	-	95	-
Justice Assistance Grant Program - 2012	19,208	-	-	16,715	-	-	2,493

CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Program	Balance Dec. 31, 2014	Current Year Awards		Cash Receipts	Transfer from Unappropriated Reserve	Adjustments / Cancellation	Balance Dec. 31, 2015
		Original Budget	Added by NJSA 40A:4-87				
Justice Assistance Grant Program - 2013	\$ 16,515	\$ -	\$ -	-	-	\$ 16,515	\$ -
Justice Assistance Grant Program - 2014	15,715	-	-	-	-	-	15,715
Justice Assistance Grant Program (JAG)	76	-	-	-	-	-	76
KABOOM Grant	9,000	-	-	-	-	9,000	-
Municipal Alliance Grant	-	30,942	54,448	-	85,390	-	-
Older American Act of 1965	144,820	147,264	-	144,820	147,264	-	-
Pedestrian Safety Grant	-	9,400	-	-	9,400	-	-
Police OT - DMV	-	139,715	-	-	139,715	-	-
Police Salary Reimbursement	-	54,619	-	-	54,619	-	-
Port Authority Grant	2,000,000	-	-	-	-	-	2,000,000
Port Security Grant	22,500	-	-	-	-	22,500	-
Port Security Grant - 2010	255,342	-	-	255,342	-	-	-
Port Security Grant - 2011	840,947	-	-	840,947	-	-	-
Port Security Grant - 2014	25,000	-	-	-	-	-	-
Port Security Grant - 2015	-	-	25,000	-	-	-	25,000
Reimbursement City Wide Communications System	-	-	6,028	6,028	-	-	-
Safe Routes to Schools Program	300,000	-	-	-	-	-	300,000
TIGER Grant	9,039,560	-	-	8,447,600	-	-	591,960
UASI Training - Fire Department	-	129,970	-	-	129,970	-	-
US Dept. of Justice- DEA -Police OT	119,952	-	-	184	-	119,768	-
US Dept. of Commerce-EDA Grant	3,816,715	-	-	3,790,482	-	26,233	-
	\$ 21,175,072	\$ 1,516,456	\$ 609,960	\$ 14,937,534	\$ 1,228,217	\$ 1,100,042	\$ 6,035,695

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: December 31, 2014		Current Year Awards	Matching Funds	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2015	
	Reserved	Encumbered					Encumbered	Reserved
FEDERAL GRANTS	\$	23,810	\$	\$	-	\$	\$	23,810
Law Enforcement Block Grant II		21,581	-	-	-	214	-	21,795
Law Enforcement Block Grant III		49,918	-	-	-	-	-	49,918
Law Enforcement Block Grant IX		4,742	-	-	-	(4,742)	-	-
COPS More (Technology)		445,092	-	-	-	-	-	445,092
COPS Technology		305,833	-	-	-	(305,833)	-	-
COPS Universal Hiring Supplemental		62,245	-	-	-	-	-	62,245
COPS - Secure Our Schools (SOS)		-	54,619	-	54,619	-	-	-
Reimbursement of Police Salaries		19,611	-	-	-	(19,611)	-	-
Justice Assistance Grant - 2009		76	-	-	-	-	-	76
Justice Assistance Grant - Annual Round		15,781	-	-	-	-	-	15,781
Justice Assistance Grant		95	-	-	-	(95)	-	-
Justice Assistance Grant - 2011		19,208	-	-	-	(19,208)	-	-
Justice Assistance Grant - 2012		5,757	-	-	-	-	-	5,757
Justice Assistance Grant - 2013		9	15,706	-	15,706	-	-	9
Justice Assistance Grant - 2014		27,674	-	-	-	(27,674)	-	-
Byrne Formula / Community Partnership		2,359	41,445	-	37,663	-	-	41,995
Bulletproof Vests		7,654	225,235	-	123,500	-	109,389	-
Fire Station Construction - ARRA		-	45,455	-	231,486	-	10,153	45,455
Assistance to Firefighters Grant - ARRA		295,291	-	-	-	(68,599)	-	53,652
Assistance to Firefighters Grant - ARRA		68,599	-	-	-	(5,401)	-	-
Assistance to Firefighters Grant - ARRA		5,401	-	-	-	-	-	-
Assistance to Firefighters Grant - ARRA		163,032	-	-	-	-	-	163,032
Drug Enforcement Agency		42,119	-	-	-	-	-	42,119
Drug Enforcement Agency		69,022	1,812	82,289	103,875	511	450	49,309
Reimbursement Police Department		67,383	-	-	-	(67,383)	-	-
Reimbursement Police Department		102,861	-	-	-	-	-	102,861
2011 Port Security Grant		25,000	-	-	18,575	-	-	6,425
2014 Port Security Grant		-	25,000	-	-	-	-	25,000
2015 Port Security Grant		-	-	-	-	-	-	-
Port Security Grant		83,594	-	-	-	-	-	83,594
Port Authority Grant-Relocate Certain Parks		1,973,724	-	-	68,444	-	36,736	1,868,544
Enhanced 911 Grant 2008		42,513	-	-	-	-	-	42,513
Customs and Border Control		55,847	174,928	-	130,735	-	5,584	94,456

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: December 31, 2014		Current Year Awards	Matching Funds	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2015	
	Reserved	Encumbered					Encumbered	Reserved
FEDERAL GRANTS (Continued)								
UASI Training Reimbursement Fund	\$ 98,960	\$ -	\$ 129,970	\$ -	\$ 228,930	\$ -	\$ -	\$ -
2012 Homeland Security Port Grant	2,617	-	-	-	-	-	-	2,617
FY2012 TIGER Discretionary Grant	9,039,560	-	-	-	8,447,600	(2,346,858)	-	591,960
US Dept of Commerce - EDA Grant	2,346,858	-	-	-	-	(232,181)	-	-
Avenue C Paving	243,891	-	-	-	11,710	-	-	-
Municipal Aid - Various Streets	-	62	-	-	-	-	62	-
Pedestrian Bridge	514,027	-	-	-	-	-	-	514,027
Safe Routes to School Program	287,812	-	-	-	-	-	-	287,812
FY 2012 SAFER Grant	903,518	-	-	-	368,064	-	-	535,454
Area Plan Grant - Older American Act	312,447	558	147,264	337,801	386,710	-	900	410,460
Congregate Meals Program	73,804	15,005	469,124	-	441,101	-	52,642	64,190
Home Delivered Meals	-	-	10,000	-	-	-	-	10,000
Emergency Management Assistance	-	-	10,000	-	-	-	-	10,000
Energy Efficiency Block Grant - ARRA	2,836	-	-	-	-	-	-	2,836
Total Federal Grants	17,832,161	294,232	1,190,094	337,801	10,668,718	(3,096,860)	215,916	5,672,794
STATE AND LOCAL GRANTS								
Balanced Housing -								
Bureau of Housing Inspection	56,679	-	66,858	-	66,858	-	-	56,679
Municipal Alliance Grant	639,488	-	85,390	7,736	-	-	-	732,614
Municipal Aid Grant	-	-	327,592	-	327,592	-	-	-
ESL Grant Cruise Foundation	-	-	5,000	-	-	-	-	5,000
Body Armor Replacement Fund	53,742	-	30,494	-	37,705	-	1,809	44,722
George Foreman Grant	28	-	-	-	-	-	-	28
Pedestrian Safety Enforcement and Education	72,926	-	9,400	-	2,060	-	-	80,266
Drunk Driving Enforcement Fund	1,417	165	5,760	-	6,350	-	358	634
Clean Communities Act	201,998	-	-	-	196,256	-	-	5,742
Green Acres Grant	500,000	-	-	-	-	(500,000)	-	-

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	Balance: December 31, 2014		Current Year Awards	Matching Funds	Paid or Charged	Program Income/ Transfers / Cancellation	Balance: December 31, 2015	
	Reserved	Encumbered					Encumbered	Reserved
STATE AND LOCAL GRANTS (Continued)								
Green Communities Forestry Grant	\$ -	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000
FY 14 NJDOT Aid-Various Streets	-	1,704	-	-	-	-	1,704	-
Safe Streets to Transit Program	185,000	5,715	-	-	-	-	5,715	185,000
Police Overtime - DMV	-	-	139,715	-	139,715	-	-	-
Open Space Trust Fund	-	1,109,318	-	-	1,105,392	-	3,926	-
Open Space Trust Fund - Museum	70,998	-	-	-	-	-	-	70,998
County of Hudson - Police Forfeiture Funds	37,849	3,361	-	-	3,399	-	-	37,811
440 Corridor Redevelopment Grant	318,552	-	-	-	-	(318,552)	-	-
Contribution for Public Waterfront Access	250,000	-	-	-	-	(250,000)	-	-
Bayonne Housing Authority Police Grant	560	-	260,085	-	260,085	-	-	560
Parking Utility Reimbursement -	-	-	-	-	-	-	-	-
City Wide Communications	-	-	6,028	-	-	-	-	6,028
Pet Smart Charities	7,223	-	-	-	-	-	-	7,223
KABOOM Grant	9,000	-	-	-	-	(9,000)	-	-
Library Cultural Grant	8,750	-	-	-	-	(8,750)	-	-
Total State and Local Grants	2,414,210	1,123,263	936,322	7,736	2,145,412	(1,086,302)	13,512	1,236,305
	\$ 20,246,371	\$ 1,417,495	\$ 2,126,416	\$ 345,537	\$ 12,814,130	\$ (4,183,162)	\$ 229,428	\$ 6,909,099

**CITY OF BAYONNE
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF UNAPPROPRIATED GRANT FUNDS

	Balance Dec. 31, 2014	Cash Receipts	Amount Budgeted	Balance Dec. 31, 2015
<u>FEDERAL GRANTS</u>				
Department of Justice -				
Reimbursement - Federal Forfeiture Fund \$	12,598	\$ 71,406	\$ 82,289	\$ 1,715
Police Reimbursement Salaries	54,619	45,464	54,619	45,464
Older Americans Act	-	235,344	147,264	88,080
Custom Border Patrol	119,359	66,041	174,928	10,472
Bulletproof Vest Grant Office	1,072	40,373	41,445	-
UASI Training - Fire Dept	102,506	54,015	102,506	54,015
Port Security Grant	-	184	-	184
2011 Port Security Grant	-	2,342	-	2,342
<u>STATE GRANTS</u>				
Municipal Alliance Grant	45,942	54,448	85,390	15,000
Body Armor Fund	14,755	15,739	30,494	-
State and Local Housing Inspection	57,326	44,968	66,858	35,436
Drunk Driving Enforcement Fund	5,760	5,616	5,760	5,616
Pedestrian Safety Grant	9,400	-	9,400	-
Police Overtime-Motor Vehicles	107,090	141,375	139,715	108,750
Clean Communities Grant	-	106,247	-	106,247
Uniform Fire Safety Code	115,070	-	-	115,070
<u>OTHER</u>				
Bayonne Housing Authority	267,089	-	260,085	7,004
UASI Training - Fire Dept (Union County)	27,464	-	27,464	-
	<u>\$ 940,050</u>	<u>\$ 883,562</u>	<u>\$ 1,228,217</u>	<u>\$ 595,395</u>

SUPPLEMENTARY DATA – TRUST FUNDS

CITY OF BAYONNE
TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014

SCHEDULE OF ASSETS, LIABILITIES AND RESERVES - ALL TRUST FUNDS

	Totals						
	Dog License	Insurance	Tax Lien Redemption	Housing and Urban Development Grant Fund	Other	December 31, 2015	December 31, 2014
<u>Assets</u>							
Cash and Cash Equivalents	\$ 75,607	\$ 644,346	\$ 127,395	\$ 69,436	\$ 7,561,019	\$ 8,477,803	\$ 8,366,521
Interfunds Receivable	-	-	-	4,045	11,686	15,731	-
Grants Receivable:							
CDBG	-	-	-	3,785,487	-	3,785,487	3,701,753
Emergency Shelter	-	-	-	17,726	-	17,726	-
	<u>\$ 75,607</u>	<u>\$ 644,346</u>	<u>\$ 127,395</u>	<u>\$ 3,876,694</u>	<u>\$ 7,572,705</u>	<u>\$ 12,296,747</u>	<u>\$ 12,068,274</u>
<u>Liabilities, Reserves and Fund Balance</u>							
Cash Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfunds Payable	28,531	2	2	-	-	28,535	421,818
Accounts Payable	-	-	-	-	75,519	75,519	100,267
Due to State of New Jersey	763	-	-	-	35,135	35,898	25,376
Reserve for:							
Dog Fund Expenditures	46,313	-	-	-	-	46,313	42,321
Insurance Fund Expenditures	-	644,344	-	-	-	644,344	338,679
Tax Lien Redemption	-	-	127,393	-	-	127,393	222,827
Grant Expenditures	-	-	-	3,858,968	-	3,858,968	3,465,892
Other Expenditures	-	-	-	17,726	7,462,051	7,479,777	7,451,094
	<u>\$ 75,607</u>	<u>\$ 644,346</u>	<u>\$ 127,395</u>	<u>\$ 3,876,694</u>	<u>\$ 7,572,705</u>	<u>\$ 12,296,747</u>	<u>\$ 12,068,274</u>

**CITY OF BAYONNE
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2014	\$ 59,954	\$ 338,679	\$ 222,827	\$ 138,140	\$ 7,606,921
Cash Receipts:					
Interfunds	-	2	2	90,620	29,679,737
Surcharges Due to State	2,500	-	-	-	82,090
Reserve for Expenditures	18,345	3,711,827	-	81,903	34,974,137
Grants Receivable	-	-	-	1,396,746	-
Program Income	-	-	-	-	-
Other Reserves	-	-	9,880,986	-	-
	<u>20,845</u>	<u>3,711,829</u>	<u>9,880,988</u>	<u>1,569,269</u>	<u>64,735,964</u>
Cash Disbursements:					
Surcharges Due to State	2,468	-	-	-	71,600
Reserve for Expenditures	2,724	3,406,162	-	1,178,130	34,847,503
Interfunds	-	-	-	459,843	29,862,763
Other Reserves	-	-	9,976,420	-	-
	<u>5,192</u>	<u>3,406,162</u>	<u>9,976,420</u>	<u>1,637,973</u>	<u>64,781,866</u>
Balance: December 31, 2015	<u>\$ 75,607</u>	<u>\$ 644,346</u>	<u>\$ 127,395</u>	<u>\$ 69,436</u>	<u>\$ 7,561,019</u>

**CITY OF BAYONNE
TRUST FUNDS - ANIMAL CONTROL TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Balance: December 31, 2014	\$	731
Increased by:		
State License Fees Collected		2,500
		3,231
Decreased by:		
Cash Disbursements		2,468
		763
Balance: December 31, 2015	\$	763

Exhibit B-3

SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance: December 31, 2014	\$	42,321
Increased by:		
Dog License Fees Collected		18,345
		60,666
Decreased by:		
Statutory Excess Due to Current	\$	11,629
Cash Disbursements		2,724
		14,353
Balance: December 31, 2015	\$	46,313

License Fees Collected	
Year Ended,	Amount
Dec. 31, 2014	\$ 22,075
Dec. 31, 2013	24,238
	\$ 46,313

**CITY OF BAYONNE
TRUST FUNDS - ANIMAL CONTROL TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF DUE TO CURRENT FUND - ANIMAL CONTROL

Balance: December 31, 2014	\$	16,902
Increased by:		
Statutory Excess Due to Current		<u>11,629</u>
Balance: December 31, 2015	\$	<u><u>28,531</u></u>

**CITY OF BAYONNE
TRUST FUNDS - INSURANCE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF RESERVE FOR INSURANCE EXPENDITURES

	Balance: Dec. 31, 2014	Cash Receipts	Cash Disbursements	Balance: Dec. 31, 2015
Disability	\$ 83,057	\$ 15,309	\$ -	\$ 98,366
Employee Benefits	88,805	61,483	-	150,288
Unemployment Insurance	59,331	261,414	45,817	274,928
Workers' Compensation	46,520	2,086,189	2,068,127	64,582
Auto and General Liability Insurance	60,966	1,287,432	1,292,218	56,180
	<u>\$ 338,679</u>	<u>\$ 3,711,827</u>	<u>\$ 3,406,162</u>	<u>\$ 644,344</u>
Current Fund Appropriation		\$ 50,000		
Other Cash Receipts		<u>3,661,827</u>		
		<u>\$ 3,711,827</u>		

**CITY OF BAYONNE
TRUST FUNDS - INSURANCE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF DUE TO CURRENT FUND

Balance: December 31, 2014	\$ -
Increased by:	
Interest due to current	<u>2</u>
Balance: December 31, 2015	<u><u>\$ 2</u></u>

**CITY OF BAYONNE
TRUST FUNDS - TAX LIEN REDEMPTION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF RESERVE FOR TAX LIEN REDEMPTION

Balance: December 31, 2014	\$ 222,827
Increased by:	
Cash Receipts	9,880,986
	10,103,813
Decreased by:	
Cash Disbursements	9,976,420
	9,976,420
Balance: December 31, 2015	\$ 127,393

Exhibit B-8

SCHEDULE OF DUE TO CURRENT FUND

Balance: December 31, 2014	\$ -
Increased by:	
Interest due to current	2
	2
Balance: December 31, 2015	\$ 2

**CITY OF BAYONNE
TRUST FUNDS - HOUSING AND URBAN DEVELOPMENT GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF GRANTS RECEIVABLE

	<u>Total</u>	<u>Emergency Shelter</u>	<u>CDBG</u>
Balance: December 31, 2014	\$ 3,701,753	\$ -	\$ 3,701,753
Increased by:			
Authorizations	1,498,206	-	1,498,206
Reclass	-	17,726	(17,726)
	<u>5,199,959</u>	<u>17,726</u>	<u>5,182,233</u>
Decreased by:			
Cash Receipts	<u>1,396,746</u>	<u>-</u>	<u>1,396,746</u>
Balance: December 31, 2015	<u><u>\$ 3,803,213</u></u>	<u><u>\$ 17,726</u></u>	<u><u>\$ 3,785,487</u></u>

CITY OF BAYONNE
TRUST FUNDS - HOUSING AND URBAN DEVELOPMENT GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF INTERFUNDS RECEIVABLE/(PAYABLE)

	<u>Total</u>	<u>Capital Fund</u>	<u>Current Fund</u>
Balance: December 31, 2014	\$ (374,001)	\$ (353,734)	\$ (20,267)
Increased/Decreased by:			
Due for Salary and Related Charges	51,124	-	51,124
Cash Disbursements	459,843	353,737	106,106
	<u>510,967</u>	<u>353,737</u>	<u>157,230</u>
Increased/Decreased by:			
Grants Receivable	42,301	-	42,301
Cash Receipts	90,620	-	90,620
	<u>132,921</u>	<u>-</u>	<u>132,921</u>
Balance: December 31, 2015	<u>\$ 4,045</u>	<u>\$ 3</u>	<u>\$ 4,042</u>

Exhibit B-11

SCHEDULE OF RESERVE FOR GRANT EXPENDITURES

	<u>Total</u>	<u>Emergency Shelter</u>	<u>CDBG</u>
Balance: December 31, 2014	\$ 3,465,892	\$ -	\$ 3,465,892
Increased by:			
Program Income - Returned Funds	81,903	-	81,903
	-	17,726	(17,726)
	51,124	-	51,124
Authorizations	1,498,206	-	1,498,206
	<u>1,631,233</u>	<u>17,726</u>	<u>1,613,507</u>
Decreased by:			
Due to Current Fund	42,301	-	42,301
Cash Disbursements	1,178,130	-	1,178,130
	<u>1,220,431</u>	<u>-</u>	<u>1,220,431</u>
Balance: December 31, 2015	<u>\$ 3,876,694</u>	<u>\$ 17,726</u>	<u>\$ 3,858,968</u>

**CITY OF BAYONNE
TRUST FUNDS - OTHER TRUST
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF DUE TO/(FROM) CURRENT FUND

Balance: December 31, 2014	\$ 30,915
Increased by:	
Receipts Deposited in Trust by Error	13,979
Write off old outstanding checks and PY adjustment	6,446
Budget Revenue - UCC Fees	120,000
Cash Receipts	29,679,737
	<u>29,820,162</u>
Decreased by:	
Cash Disbursements	29,862,763
	<u>29,862,763</u>
Balance: December 31, 2015	<u>\$ (11,686)</u>

**CITY OF BAYONNE
TRUST FUNDS - OTHER TRUST
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF ACCOUNTS PAYABLE

Balance: December 31, 2014	\$ 100,267
Increased by:	
Charges to Miscellaneous Reserves	75,519
	175,786
Decreased by:	
Prior Year Accounts Payable	100,267
	100,267
Balance: December 31, 2015	\$ 75,519

Exhibit B-14

SCHEDULE OF DUE TO STATE OF NEW JERSEY

	Total	Marriage Licenses	DCA Fees
Balance: December 31, 2014	\$ 24,645	\$ 6,895	\$ 17,750
Increased by:			
Cash Receipts	82,090	10,345	71,745
	106,735	17,240	89,495
Decreased by:			
Cash Disbursements	71,600	10,500	61,100
	71,600	10,500	61,100
Balance: December 31, 2015	\$ 35,135	\$ 6,740	\$ 28,395

**CITY OF BAYONNE
TRUST - OTHER
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE OF MISCELLANEOUS RESERVES**

Description	Balance:		Cash		Accounts Payable	Balance:	
	Dec. 31, 2014		Receipts	Disbursements		Dec. 31, 2015	
Cash Performance Bonds	\$ 1,829,222	\$	259,870	\$ 397,256		\$	1,691,836
Recycling Program	120,404		124,999	23,105	2,019		220,279
Police Reimbursements	9,853		5,683,449	5,693,122			180
Building Fines	1,020,166		97,859	77,398	12,756		1,027,871
Refund to Lien Buyers	1,386		-	-	-		1,386
Altha Real Estate	-		-	-	-		-
Contribution-Older American	125,229		35,444	45,711	10,630		104,332
Law Enforcement Trust Fund	16,927		24,793	-	-		41,720
Unclaimed Funds	12,245		-	-	-		12,245
Reserve for Developer's Escrow	756,282		346,023	451,385	22,456		628,464
UCC Dedication by Rider	796,369		1,457,929	1,187,633	27,658		1,039,007
Affordable Housing Trust	1,196,646		3,504	65,838	-		1,134,312
Various Escrow Accounts	52,823		-	-	-		52,823
Fire Prevention Dedication Penalty	30,191		13,400	750	-		42,841
Reserve for POAA	113,088		41,954	14,244	-		140,798
Library State Aid	69,562		22,048	50,372	-		41,238
FSA Vantage Point	13,036		723	13,759	-		-
FSA Flex	10,622		123,326	119,643	-		14,305
Library Fines and Fees	6,654		15,573	4,125	-		18,102
Chapter 25th Street/Sidewalk	58,500		22,500	9,000	-		72,000
Payroll Deduction	1,146,130		24,576,895	24,870,135	-		852,890
Elevator Inspection Fee	65,760		59,276	-	-		125,036

**CITY OF BAYONNE
 TRUST - OTHER
 FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF MISCELLANEOUS RESERVES

Description	Balance:		Cash		Accounts Payable	Balance:	
	Dec. 31, 2014	Cash Receipts	Disbursements	Dec. 31, 2015			
Employee Health Benefits	\$ -	\$ 2,164,739	\$ 1,964,452	\$ 200,287			
Police Donation Fund	-	100	-	100			
Other	(1)			(1)			
	<u>\$ 7,451,094</u>	<u>\$ 35,074,404</u>	<u>\$ 34,987,928</u>	<u>\$ 75,519</u>			<u>\$ 7,462,051</u>
Other Cash Activity		\$ 34,974,137	\$ 34,847,503				
Accounts Payable		100,267	-				
Interfund - Current Fund:							
Receipts Deposited in Trust in Error		-	13,979				
Write Off Old Outstanding Checks and P		-	6,446				
Budgeted Revenue - UCC Fees		-	120,000				
		<u>\$ 35,074,404</u>	<u>\$ 34,987,928</u>				

SUPPLEMENTARY DATA – CAPITAL FUND

**CITY OF BAYONNE
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2015 AND 2014**

SCHEDULE OF ASSETS, LIABILITIES AND RESERVES

	2015	2014
<u>Assets</u>		
Cash and Cash Equivalents	\$ 3,959,239	\$ 17,987,233
Grants Receivable	2,344,217	1,219,217
Interfunds Receivable - HUD Grants Trust Fund	-	353,734
Deferred Charges to Future Taxation:		
Funded	190,676,693	194,768,235
Unfunded	65,069,746	73,874,375
	\$ 262,049,895	\$ 288,202,794
Total Assets	\$ 262,049,895	\$ 288,202,794
<u>Liabilities, Reserves and Fund Balance</u>		
Fiscal Year Adjustment Bonds Payable	\$ -	\$ 665,000
General Serial Bonds Payable	114,853,257	113,885,134
School Serial Bonds Payable	75,496,174	79,751,385
Green Trust Loan Payable	226,791	266,491
Demolition Loan Payable	100,471	200,225
Bond Anticipation Notes Payable	58,020,000	59,625,140
School Promissory Notes Payable	-	7,149,375
Improvement Authorizations:		
Funded	537,187	1,520,815
Unfunded	9,246,946	7,339,941
Contracts Payable	1,461,135	1,493,539
Interfunds Payable - Current Fund	97,118	630,071
Interfunds Payable - HUD Grants Trust Fund	3	-
Capital Improvement Fund	470,577	665,577
Reserve for Capital Improvements-Veteran's Stadium	25,000	25,000
Reserve for Debt Service-BLRA	1,341,641	1,341,506
Reserve for Retirement of Debt	-	13,470,000
	261,876,300	288,029,199
Fund Balance	173,595	173,595
Total Liabilities, Reserves and Fund Balance	\$ 262,049,895	\$ 288,202,794

There were Bonds and Notes Authorized But Not Issued of \$7,049,746 and \$7,099,860 at December 31, 2015 and 2014, respectively

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF FUND BALANCE

Balance: December 31, 2015 and 2014

\$ 173,595

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

ANALYSIS OF CASH AND INVESTMENTS

	Balance Dec. 31, 2014	Cash		Cash Disbursements	Transfers		Balance, Dec. 31, 2015
		Receipts	Disbursements		From	To	
Capital Improvement Fund	\$ 665,577	\$ -	\$ -	-	\$ 195,000	\$ -	\$ 470,577
Due to (from) Current Fund	630,071	5,645,143	929,593	-	8,010,000	2,761,497	97,118
Due to (from) CDBG Trust	(353,734)	-	-	-	-	353,737	3
Grants Receivable	(1,219,217)	-	-	-	1,125,000	-	(2,344,217)
Contracts Payable	1,493,539	-	5,334,349	-	-	5,301,945	1,461,135
Reserve for Debt Retirement	13,470,000	-	13,470,000	-	-	-	-
Reserve for Debt Service - BLRA	1,341,506	135	-	-	-	-	1,341,641
Reserve for Veteran's Stadium Improvements	25,000	-	-	-	-	-	25,000
Fund Balance	173,595	-	-	-	-	-	173,595
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	10,556	-	-	24,000	-	49,880
O-99-31 Demolition of Unsafe Buildings	(6,313)	6,313	-	-	36,000	-	(36,000)
O-01-12 Various Capital Improvements	(27,293)	27,293	-	-	-	-	-
O-03-24 Various Capital Improvements	13,992	-	-	-	-	-	13,992
O-03-32 Various Capital Improvements	(330)	330	-	-	-	-	-
O-04-02 Acquisition of an Easement in Land	12,568	-	-	-	-	-	12,568
O-07-02 Various Infrastructure Improvements	147,193	-	-	-	-	-	147,193
O-07-43 Bayonne Medicare Center	19,832	-	-	-	11,250	-	8,582
O-12-39 Street Paving / Public Works Vehicles	36,600	-	-	-	-	-	36,600
O-13-13 Refunding of Tax Appeals	123,170	-	-	-	11,250	-	111,920
O-13-31 Paving of Various Streets	200,000	-	-	-	200,000	-	-
Purchase of Various Equipment and Repair of Various Public Facilities-Sandy	1,039,331	-	-	-	1,039,331	-	-
O-14-21 Paving of Various Streets-CDBG	155,000	-	-	-	155,000	-	-

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

ANALYSIS OF CASH AND INVESTMENTS

	Balance Dec. 31, 2014	Cash		Cash Disbursements	Transfers		Balance, Dec. 31, 2015
		Receipts	-		From	To	
O-15-16 Various Capital Improvements	\$ -	\$ -	\$ -	\$ 3,477,998	\$ 3,975,000	\$ 497,002	\$ 497,002
O-15-23 Various Capital Improvements	-	-	-	700,853	1,125,000	424,147	424,147
O-15-29 Refunding of Tax Appeals	-	-	-	2,761,497	4,230,000	1,468,503	1,468,503
	<u>\$ 17,987,233</u>	<u>\$ 5,705,948</u>		<u>\$ 17,747,179</u>	<u>\$ 17,747,179</u>	<u>\$ 3,959,239</u>	<u>\$ 3,959,239</u>

CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

ANALYSIS OF CASH AND CASH EQUIVALENTS ENDING BALANCE

	Balance, Dec. 31, 2015	Balance Sheet Accounts	Improvement Authorizations		Deferred Charges To Future Taxation Unfunded	Bond Anticipation Notes
			Funded	Unfunded		
Capital Improvement Fund	\$ 470,577	\$ 470,577	\$ -	\$ -	\$ -	\$ -
Due to (from) Current Fund	97,118	97,118	-	-	-	-
Due to (from) CDBG Trust	3	3	-	-	-	-
Grants Receivable	(2,344,217)	(2,344,217)	-	-	-	-
Contracts Payable	1,461,135	1,461,135	-	-	-	-
Reserve for Debt Retirement	-	-	-	-	-	-
Reserve for Debt Service-BLRA	1,341,641	1,341,641	-	-	-	-
Reserve for Capital Improvements-Veteran's Stadium	25,000	25,000	-	-	-	-
Fund Balance	173,595	173,595	-	-	-	-
Improvement Authorizations:						
O-99-14 Various Capital Improvements	49,880	-	49,880	-	-	-
O-99-31 Demolition of Unsafe Buildings	(36,000)	-	-	273,213	(309,213)	-
O-01-12 Various Capital Improvements	-	-	-	-	-	-
O-03-24 Various Capital Improvements	13,992	-	13,992	533	(533)	-
O-04-02 Acquisition of an Easement in Land	12,568	-	12,568	-	-	-
O-06-35 Citywide Communication Systems	-	-	-	-	-	-
O-07-02 Various Infrastructure Improvements	147,193	-	-	147,193	(3,205,171)	3,205,171
O-07-43 Bayonne Medicare Center	8,582	-	-	8,582	(935,972)	935,972
O-07-44 Refunding Tax Appeals	-	-	-	-	(1,075,000)	1,075,000
					(60,857)	60,857

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

ANALYSIS OF CASH AND CASH EQUIVALENTS ENDING BALANCE

	Balance, Dec. 31, 2015	Balance Sheet		Improvement Authorizations		Deferred Charges To Future Taxation Unfunded	Bond Anticipation Notes
		Accounts	Funded	Unfunded	Unfunded		
Improvement Authorizations (continued):							
O-11-02 Refunding of Tax Appeals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (458,000)	\$ 458,000
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-13-13 Refunding of Tax Appeals	111,920	-	-	111,920	(1,800,000)	-	1,800,000
O-13-23 BLRA Dissolution	-	-	-	3,040,000	(45,515,000)	-	42,475,000
O-15-16 Various Capital Improvements	497,002	-	-	497,002	(3,780,000)	-	3,780,000
O-15-23 Various Capital Improvements	424,147	-	424,147	-	-	-	-
O-15-29 Refunding of Tax Appeals	1,468,503	-	-	1,468,503	(4,230,000)	-	4,230,000
	<u>\$ 3,959,239</u>	<u>\$ 1,224,852</u>	<u>\$ 537,187</u>	<u>\$ 9,246,946</u>	<u>\$ (65,069,746)</u>		<u>\$ 58,020,000</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance: December 31, 2014		\$ 194,768,235
Increased By:		
General Serial Bonds	\$ 3,020,000	
School Serial Bonds	<u>1,639,000</u>	
		<u>4,659,000</u>
		199,427,235
Decreased by Payments for:		
General Serial Bonds Payable	2,051,877	
Fiscal Year Adjustment Bonds	665,000	
School Serial Bonds	5,894,211	
State Loans Payable:		
Green Trust Loans	39,700	
Demolition Loans	<u>99,754</u>	
		<u>8,750,542</u>
Balance: December 31, 2015		<u><u>\$ 190,676,693</u></u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ordinance Number	Improvement Description	Balance Dec. 31, 2014	Increased by Improvement Authorizations	Decreased by Notes Paid with Reserve Funds	Decreased by Funded by Budget Appropriation	Decreased by Paid by Budget Appropriation	Balance Dec. 31, 2015	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
O-96-02	Refunding of Tax Appeals	560	-	-	560	-	-	-	-	-	-	-
O-99-31	Demolition of Unsafe Buildings	315,526	-	-	6,313	-	309,213	-	309,213	-	36,000	273,213
O-01-12	Various Capital Improvements	27,293	-	-	27,293	-	-	-	-	-	-	-
O-03-24	Various School Improvements	533	-	-	-	-	533	-	533	-	-	533
O-04-02 /												
O-06-01	Acquisition / Easement of Land	6,322,094	-	6,321,000	-	1,094	-	-	-	-	-	-
O-06-35	Citywide Communication System	3,472,360	-	-	-	2,671,189	3,205,171	3,205,171	-	-	-	-
O-07-02	Various Capital Improvements	1,024,640	-	-	-	88,668	935,972	935,972	-	-	-	-
O-07-43	Bayonne Medical Center	2,075,000	-	-	-	1,000,000	1,075,000	1,075,000	-	-	-	-
O-07-44	Refunding of Tax Appeals	460,000	-	-	-	399,143	60,857	60,857	-	-	-	-
O-11-02	Refunding of Tax Appeals	916,000	-	-	-	458,000	458,000	458,000	-	-	-	-
O-13-13	Refunding Tax Appeals	2,250,000	-	-	-	450,000	1,800,000	1,800,000	-	-	-	-
O-13-23	BLRA Dissolution	46,145,046	-	-	-	630,046	45,515,000	42,475,000	3,040,000	-	-	3,040,000
O-15-16	Various Capital Improvements	-	3,780,000	-	-	-	3,780,000	3,780,000	-	-	-	-
O-15-29	Refunding of Tax Appeals	-	4,230,000	-	-	-	4,230,000	4,230,000	-	-	-	-
School Improvements:												
O-95-39	Various Improvements to School Buildings	300	-	-	300	-	-	-	-	-	-	-
O-03-32	Various School Improvements	330	-	-	330	-	-	-	-	-	-	-
O-09-23	Various School Improvements	7,149,375	-	7,149,000	-	375	-	-	-	-	-	-
O-13-03	School Refunding Bonds	3,700,000	-	-	-	-	3,700,000	-	3,700,000	-	-	3,700,000
		<u>\$ 73,874,375</u>	<u>\$ 8,010,000</u>	<u>\$ 13,470,000</u>	<u>\$ 50,114</u>	<u>\$ 3,294,515</u>	<u>\$ 65,069,746</u>	<u>\$ 58,020,000</u>	<u>\$ 7,049,746</u>	<u>\$ 36,000</u>	<u>\$ 7,013,746</u>	

Bond Anticipation Notes Payable \$ 3,294,140
 School Promissory Notes Payable 375
\$ 3,294,515

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF GRANTS RECEIVABLE

	Balance Dec. 31, 2014	Current Year Grant Awards	Balance Dec. 31, 2015
New Jersey Department of Transportation			
2005 (and prior) Awards	\$ 329,347	\$ -	\$ 329,347
O-13-26: Paving of Various Streets	100,870	-	100,870
Green Acres Trust			
2006 (and prior) Awards	767,000	-	767,000
O-15-23: Veterans Stadium	-	500,000	500,000
Community Development Block Grant			
2001 (and prior) Awards	22,000	-	22,000
Hudson County Open Space			
O-15-23: ADA Park at 16th Street Park	-	250,000	250,000
O-15-23: ADA Equipment at Clark Park	-	375,000	375,000
	<u>\$ 1,219,217</u>	<u>\$ 1,125,000</u>	<u>\$ 2,344,217</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE OF GENERAL SERIAL BONDS PAYABLE**

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Increase	Paid By Budget Appropriation	Bonds Refunded	Balance Dec. 31, 2015
	Date	Amount	Maturity Date	Principal Amount						
Early Retirement Incentive Program Refunding Bonds	1/15/2003	\$ 15,795,000	1/15/2016	\$ 320,000	5.050%	\$ 15,250,000	\$ -	\$ 270,000	\$ -	\$ 14,980,000
			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%						
Capital Appreciation Bonds	7/3/2003	6,123,000	7/1/2016	399,893	4.540%	4,193,134	-	424,877	-	3,768,257
			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	8/1/2016	850,000	5.000%	8,065,000	-	270,000	-	7,795,000
			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, 2015**

SCHEDULE OF GENERAL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturity Date	Maturities of Bonds Outstanding December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Increase	Paid By Budget Appropriation	Bonds Refunded	Balance Dec. 31, 2015
	Date	Amount		Principal Amount	Rate						
General Improvement Infrastructure Bond	6/24/2009	\$ 67,625,000	7/1/2016	\$ 355,000	5.000%	\$ 67,040,000	\$ -	\$ 290,000	\$ -	\$ 66,750,000	
			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%							
Redevelopment Agency Revenue Bond	8/15/2013	13,225,000	4/1/2016	235,000	6.375%	13,015,000	-	220,000	(11,755,000)	1,040,000	
			4/1/2017	250,000	6.375%						
			4/1/2018	270,000	6.375%						
			4/1/2019	285,000	6.375%						

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF GENERAL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturity Date	Maturities of Bonds Outstanding December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Increase	Paid By Budget Appropriation	Bonds Refunded	Balance Dec. 31, 2015
	Date	Amount		Principal Amount	Amount						
Special Assessment Bonds	11/19/2014	\$ 6,322,000	11/15/2016	\$ 320,000	5.000%	\$ 6,322,000	-	\$ 322,000	-	\$ 6,000,000	
			11/15/2017	320,000	5.000%						
			11/15/2018	320,000	5.000%						
			11/15/2019	315,000	5.000%						
			11/15/2020	315,000	5.000%						
			11/15/2021	315,000	5.000%						
			11/15/2022	315,000	2.250%						
			11/15/2023	315,000	2.500%						
			11/15/2024	315,000	2.750%						
			11/15/2025	315,000	3.000%						
			11/15/2026	315,000	3.000%						
			11/15/2027	315,000	3.000%						
			11/15/2028	315,000	3.125%						
			11/15/2029	315,000	3.125%						
			11/15/2030	315,000	3.250%						
			11/15/2031	315,000	3.375%						
			11/15/2032	315,000	3.500%						
			11/15/2033	315,000	3.500%						
			11/15/2034	315,000	3.500%						
General Obligation Refunding Bonds	6/10/2015	14,775,000	8/1/2016	180,000	2.000%	-	3,020,000	255,000	11,755,000	14,520,000	
			8/1/2017	185,000	2.000%						
			8/1/2018	190,000	2.000%						
			8/1/2019	190,000	2.000%						
			8/1/2020	495,000	4.000%						
			8/1/2021	510,000	4.000%						
			8/1/2022	535,000	4.000%						
			8/1/2023	555,000	5.000%						
			8/1/2024	580,000	5.000%						
			8/1/2025	610,000	5.000%						
			8/1/2026	635,000	5.000%						
			8/1/2027	665,000	4.000%						
			8/1/2028	690,000	4.000%						
			8/1/2029	715,000	4.000%						
			8/1/2030	740,000	4.000%						
			8/1/2031	775,000	4.000%						
			8/1/2032	800,000	4.000%						

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE OF GENERAL SERIAL BONDS PAYABLE**

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2015				Interest Rate	Balance Dec. 31, 2014	Increase	Paid By Budget Appropriation	Bonds Refunded	Balance Dec. 31, 2015
	Date	Amount	Maturity Date	Principal Amount	Rate	Balance Dec. 31, 2014						
General Obligation			8/1/2033	\$ 830,000	4.000%							
Refunding Bonds (continued)			8/1/2034	860,000	4.000%							
			8/1/2035	895,000	4.000%							
			8/1/2036	925,000	4.125%							
			8/1/2037	960,000	4.125%							
			8/1/2038	1,000,000	4.125%							
							\$ 113,885,134	\$ 3,020,000	\$ 2,051,877	-	\$ 114,853,257	

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF FISCAL YEAR ADJUSTMENT BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2015			Interest Rate	Balance Dec. 31, 2014	Paid By Budget Appropriation	Balance Dec. 31, 2015
	Date	Amount	Maturity Date	Principal Amount	Balance Dec. 31, 2014				
Fiscal Year Adjustment Refunding Bonds, Series 2003	4/1/2003	\$ 4,100,000	n/a	n/a	n/a	n/a	\$ 665,000	\$ 665,000	\$ -
							<u>\$ 665,000</u>	<u>\$ 665,000</u>	<u>\$ -</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE OF SCHOOL SERIAL BONDS PAYABLE**

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Increase	Paid By Budget Appropriation	Bonds Refunded	Balance Dec. 31, 2015
	Date	Amount	Maturity Date	Principal Amount						
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	02/15/2016	369,188	4.488%	2,659,283	-	355,260	-	2,304,023
			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%					
Capital Appreciation Bonds	07/03/2003	12,381,097	07/01/2016	1,051,052	4.340%	8,933,102	-	1,048,951	-	7,884,151
			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	07/15/2016	315,000	4.250%	6,300,000	-	2,700,000	-	3,600,000
			07/15/2017	315,000	4.250%					
			07/15/2018	335,000	4.250%					
			07/15/2019	335,000	4.250%					
			07/15/2020	360,000	4.300%					
			07/15/2021	360,000	4.380%					
			07/15/2022	380,000	4.400%					
			07/15/2023	380,000	4.500%					
			07/15/2024	400,000	4.500%					
			07/15/2025	420,000	4.500%					

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE OF SCHOOL SERIAL BONDS PAYABLE**

Purpose	Original Issue		Maturity Date	Maturities of Bonds Outstanding December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Increase	Paid By Budget Appropriation	Bonds Refunded	Balance Dec. 31, 2015
	Date	Amount		Maturity Date	Principal Amount						
School Bonds (NJ School Bond Reserve Act P.L. 1980, c. 72)	10/24/2008	\$ 15,636,000	08/01/2016 08/01/2017 08/01/2018	\$ 325,000 350,000 375,000	6.000% 6.000% 6.000%	\$ 15,186,000	\$ -	\$ 300,000	\$ (13,836,000)	\$ 1,050,000	
Early Retirement Incentive Funding Bonds	05/07/2009	10,920,000	06/01/2016 06/01/2017 06/01/2018 06/01/2019 06/01/2020 06/01/2021	905,000 960,000 1,015,000 1,080,000 1,145,000 1,215,000	5.750% 5.750% 6.250% 6.250% 6.250% 6.250%	7,180,000	-	860,000	-	6,320,000	
School Bonds, Series 2014B	11/19/2014	6,121,000	11/15/2016 11/15/2017 11/15/2018 11/15/2019 11/15/2020 11/15/2021 11/15/2022 11/15/2023 11/15/2024 11/15/2025 11/15/2026 11/15/2027 11/15/2028 11/15/2029 11/15/2030 11/15/2031 11/15/2032 11/15/2033 11/15/2034	220,000 225,000 235,000 240,000 250,000 255,000 270,000 280,000 290,000 305,000 320,000 330,000 345,000 355,000 370,000 385,000 395,000 410,000 426,000	4.000% 5.000% 5.000% 5.000% 5.000% 4.000% 2.250% 2.500% 3.000% 3.000% 3.000% 3.000% 3.000% 3.125% 3.125% 3.250% 3.250% 3.375% 3.500%	6,121,000	-	215,000	-	5,906,000	

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF SCHOOL SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturity Date	Maturities of Bonds Outstanding December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Increase	Paid By		Bonds Refunded	Balance Dec. 31, 2015
	Date	Amount		Principal Amount	Amount				Budget Appropriation	\$		
School Bonds, Series 2014C (Federally Taxable)	11/19/2014	\$ 1,027,000	11/15/2016 11/15/2017 11/15/2018 11/15/2019 11/15/2020 11/15/2021	\$ 140,000 140,000 145,000 150,000 155,000 157,000	2.000% 3.000% 3.000% 3.000% 3.000% 3.250%	\$ 1,027,000	\$ -	\$ 140,000	\$ -	\$ -	\$ 887,000	
School Refunding Bonds	08/13/2014	28,380,000	07/15/2016 07/15/2017 07/15/2018 07/15/2019 07/15/2020 07/15/2021 07/15/2022 07/15/2023 07/15/2024 07/15/2025	2,505,000 2,485,000 2,650,000 2,640,000 2,800,000 2,800,000 2,995,000 3,005,000 3,180,000 3,320,000	3.000% 4.000% 4.000% 4.000% 4.000% 5.000% 5.000% 5.000% 4.000% 3.000%	28,380,000	-	-	-	-	28,380,000	
School Refunding Bonds (NJ School Bond Reserve Act P.L. 1980, c. 72)	06/10/2015	15,475,000	8/1/2016 8/1/2017 8/1/2018 8/1/2019 8/1/2020 8/1/2021 8/1/2022 8/1/2023 8/1/2024 8/1/2025 8/1/2026 8/1/2027 8/1/2028 8/1/2029 8/1/2030	100,000 105,000 105,000 505,000 510,000 535,000 560,000 585,000 610,000 615,000 865,000 2,360,000 2,565,000 2,760,000 2,420,000	2.000% 2.000% 2.000% 5.000% 5.000% 5.000% 5.000% 5.000% 5.000% 5.000% 5.000% 3.750% 3.750% 5.000% 5.000%	-	1,639,000	275,000	13,836,000	15,200,000		
						\$ 79,751,385	\$ 1,639,000	\$ 5,894,211	\$ -	\$ 75,496,174		

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF GREEN TRUST LOANS PAYABLE

Description of Loan	Original Issue		Maturities of Bonds Outstanding December 31, 2015			Paid By Budget Appropriation	Balance Dec. 31, 2014	Balance Dec. 31, 2015
	Date	Amount	Date	Interest	Principal			
1983 Green Trust	1998	\$ 450,000	3/9/2016	\$ 679	\$ 13,312	\$ 26,230	\$ 94,135	\$ 67,905
			9/9/2016	546	13,445			
			3/9/2017	411	13,580			
			9/9/2017	276	13,715			
		3/9/2018	139	13,853				
1995 GFB	2006	171,000	2/9/2016	1,003	4,314	8,500	108,755	100,255
			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			
			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				

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF GREEN TRUST LOANS PAYABLE

Description of Loan	Original Issue		Maturities of Bonds Outstanding December 31, 2015			Balance Dec. 31, 2014	Paid By Budget Appropriation	Balance Dec. 31, 2015
	Date	Amount	Date	Interest	Principal			
95GT	2006	\$ 100,000	2/10/2016	\$ 586	\$ 2,523	\$ 63,601	\$ 4,970	\$ 58,631
			8/10/2016	561	2,548			
			2/10/2017	536	2,575			
			8/10/2017	510	2,599			
			2/10/2018	484	2,625			
			8/10/2018	458	2,652			
			2/10/2019	431	2,678			
			8/10/2019	404	2,705			
			2/10/2020	377	2,732			
			8/10/2020	350	2,759			
			2/10/2021	322	2,787			
			8/10/2021	295	2,815			
			2/10/2022	266	2,843			
			8/10/2022	238	2,871			
			2/10/2023	209	2,900			
			8/10/2023	180	2,929			
			2/10/2024	151	2,958			
			8/10/2024	121	2,988			
			2/10/2025	91	3,018			
			8/10/2025	61	3,048			
			2/10/2026	31	3,078			
						\$ 266,491	\$ 39,700	\$ 226,791

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE OF DEMOLITION LOAN PAYABLE**

Description of Loan	Original		Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2014	Paid By		Balance Dec. 31, 2015
	Date of Issue	Amount	Date	Amount			Budget Appropriation		
Demolition Loan	10/23/2006	\$ 450,000	10/23/2016	100,471	0.720%	\$ 200,225	\$ 99,754	\$ 100,471	
						\$ 200,225	\$ 99,754	\$ 100,471	

CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF GENERAL BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Purpose	Date of Issue	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2014	New Issues	Refunded	Paid from 2014 Bond Proceeds Reserved	Paid by Budget Appropriation/Proceeds	Balance Dec. 31, 2015
HCIA Tax-Exempt County-Guaranteed Pooled Notes, Series 2014 U-1A (Local Unit Loan Program)												
O-06-35	Citywide Communication Systems	03/09/2007	\$ 5,075,000	06/08/2014	07/15/2015	1.250%	\$ 3,472,360	\$ -	\$ (3,205,171)	\$ -	\$ 267,189	\$ -
O-07-02	Various Capital Improvements	03/09/2007	1,690,000	06/08/2014	07/15/2015	1.250%	1,024,640	-	(935,972)	-	88,668	-
O-07-44	Refunding Tax Appeals	06/30/2008	2,800,000	06/08/2014	07/15/2015	1.250%	460,000	-	(60,857)	-	399,143	-
			4,957,000				4,957,000	-	(4,202,000)	-	755,000	-
HCIA Tax-Exempt County-Guaranteed Pooled Notes, Series 2014 U-1B (Local Unit Loan Program)												
O-04-02 /												
O-06-01	Acquisition / Easement of Land	05/13/2005	7,000,000	06/18/2014	01/15/2015	1.300%	6,322,094	-	-	6,321,000	1,094	-
							6,322,094	-	-	6,321,000	1,094	-
HCIA Federally Taxable County-Guaranteed Pooled Notes, Series 2014 U-2A (Local Unit Loan Program)												
O-07-43	Bayonne Medical Center	11/26/2007	6,200,000	07/15/2014	07/15/2015	0.900%	2,075,000	-	(1,075,000)	-	1,000,000	-
O-13-23	BLRA Dissolution	07/25/2013	58,735,000	07/15/2014	07/15/2015	0.900%	43,105,046	-	(42,475,000)	-	630,046	-
							45,180,046	-	(43,550,000)	-	1,630,046	-
Tax Appeal Refunding Notes												
O-11-02	Refunding Tax Appeals	03/31/2011	2,290,000	03/28/2014	03/27/2015	1.750%	916,000	-	(458,000)	-	458,000	-
O-13-13	Refunding Tax Appeals	04/24/2014	2,250,000	04/24/2014	03/27/2015	1.500%	2,250,000	-	(1,800,000)	-	450,000	-
							3,166,000	-	(2,258,000)	-	908,000	-
HCIA Tax-Exempt County-Guaranteed Pooled Notes, Series 2015 X-1A (Local Unit Loan Program)												
O-06-35	Citywide Communication Systems	03/09/2007	5,075,000	06/17/2015	07/06/2016	2.000%	-	-	3,205,171	-	-	3,205,171
O-07-02	Various Capital Improvements	03/09/2007	1,690,000	06/17/2015	07/06/2016	2.000%	-	-	935,972	-	-	935,972
O-07-44	Refunding Tax Appeals	06/30/2008	2,800,000	06/17/2015	07/06/2016	2.000%	-	-	60,857	-	-	60,857
O-15-16	Various Capital Improvements	07/06/2015	3,780,000	06/17/2015	07/06/2016	2.000%	-	3,780,000	-	-	-	3,780,000
							-	3,780,000	4,202,000	-	-	7,982,000
HCIA Federally Taxable County-Guaranteed Pooled Notes, Series 2015 X-2A (Local Unit Loan Program)												
O-07-43	Bayonne Medical Center	11/26/2007	6,200,000	07/06/2015	07/06/2016	1.150%	-	-	1,075,000	-	-	1,075,000
O-13-23	BLRA Dissolution	07/25/2013	58,735,000	07/06/2015	07/06/2016	1.150%	-	-	42,475,000	-	-	42,475,000
							-	-	43,550,000	-	-	43,550,000
Tax Appeal Refunding Notes												
O-11-02	Refunding Tax Appeals	03/31/2011	2,290,000	06/17/2015	07/06/2016	2.000%	-	-	458,000	-	-	458,000
O-13-13	Refunding Tax Appeals	04/24/2014	2,250,000	06/17/2015	07/06/2016	2.000%	-	-	1,800,000	-	-	1,800,000
O-15-29	Refunding Tax Appeals	12/22/2015	4,230,000	12/02/2015	07/06/2016	1.250%	-	4,230,000	-	-	-	4,230,000
							-	4,230,000	2,258,000	-	-	6,488,000
							\$ 59,625,140	\$ 8,010,000	\$ -	\$ 6,321,000	\$ 3,294,140	\$ 58,020,000

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF SCHOOL PROMISSORY NOTES PAYABLE

Ordinance Number	Purpose	Original				Interest Rate	Balance Dec. 31, 2014	Notes Paid	Balance Dec. 31, 2015
		Date of Issue	Amount	Date of Issue	Maturity Date				
HCIA Tax-Exempt County-Guaranteed Pooled Notes, Series 2014 U-1B (Local Unit Loan Program)									
O-09-23	Various School Improvements	11/20/2009	6,632,065	07/25/2014	01/15/2015	1.30%	\$ 6,121,906	\$ 6,121,906	\$ -
HCIA Federally Taxable County-Guaranteed Pooled Notes, Series 2014 U-2B (Local Unit Loan Program)									
O-09-23	Various School Improvements	11/20/2009	1,112,685	07/25/2014	01/15/2015	1.27%	1,027,469	1,027,469	-
							<u>\$ 7,149,375</u>	<u>\$ 7,149,375</u>	<u>\$ -</u>
							Paid by Proceeds on Reserve from 2014 Bonds \$ 7,149,000 Paid by Budget Appropriation 375 <u>\$ 7,149,375</u>		

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Description	Ordinance		Balance: December 31, 2014		Current Year Authorizations	Paid or Charged	Balance: December 31, 2015	
		Date	Amount	Funded	Unfunded			Funded	Unfunded
O-99-14	Various Capital Improvements	06/17/1999	1,025,000	\$ 63,324	\$ -	\$ -	\$ 13,444	\$ 49,880	\$ -
O-99-31	Demolition of Unsafe Buildings	09/29/1999	600,000	-	309,213	-	36,000	-	273,213
O-03-24	Various Capital Improvements	08/20/2003	2,717,000	13,992	533	-	-	13,992	533
O-04-02	Acquisition of an Easement in L and	01/21/2004	4,500,000	12,568	-	-	-	12,568	-
O-07-02	Various Capital Improvements	01/24/2007	1,775,000	-	147,193	-	-	-	147,193
O-07-43	Bayonne Medical Center	10/23/2007	6,200,000	-	19,832	-	11,250	-	8,582
O-12-39	Street Paving / Public Works Vehicles	12/12/2012	265,000	36,600	-	-	-	36,600	-
O-13-03	School Refunding Bonds	02/20/2013	33,000,000	-	3,700,000	-	-	-	3,700,000
O-13-13	Refunding Tax Appeals	05/22/2013	2,250,000	-	123,170	-	11,250	-	111,920
O-13-23	BLRA Dissolution	08/14/2013	75,000,000	-	3,040,000	-	-	-	3,040,000
O-13-31	Paving of Various Streets-CDBG	09/18/2013	200,000	200,000	-	-	200,000	-	-
O-14-01	Purchase of Various Equipment and Repair of Various Public Facilities-Sandy Damages	01/15/2014	1,677,531	1,039,331	-	-	1,039,331	-	-
O-14-21	Paving of Various Streets-CDBG	07/16/2014	155,000	155,000	-	-	155,000	-	-
O-15-16	Various Capital Improvements	05/20/2015	3,975,000	-	-	3,975,000	3,477,998	-	497,002
O-15-23	Various Capital Improvements	07/22/2015	1,125,000	-	-	1,125,000	700,853	424,147	-
O-15-29	Refunding Tax Appeals	09/16/2015	4,230,000	-	-	4,230,000	2,761,497	-	1,468,503
				<u>\$ 1,520,815</u>	<u>\$ 7,339,941</u>	<u>\$ 9,330,000</u>	<u>\$ 8,406,623</u>	<u>\$ 537,187</u>	<u>\$ 9,246,946</u>
	Capital Improvement Fund					\$ 195,000	\$ 2,761,497		Reimbursement to Current
	Intergovernmental Receivables					1,125,000	353,737		Reimbursement to CDBG
	Deferred Charges Unfunded					8,010,000	(10,556)		Cash Receipts
						<u>-</u>	<u>5,301,945</u>		Contracts Payable
						<u>\$ 9,330,000</u>	<u>\$ 8,406,623</u>		

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance: December 31, 2014	\$ 665,577
Decreased by Authorizations:	
Ordinance No. O-15-16: Various Capital Improvements	<u>195,000</u>
Balance: December 31, 2015	<u><u>\$ 470,577</u></u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF RESERVE FOR RETIREMENT OF DEBT

Balance: December 31, 2014		\$ 13,470,000
Decreased by Payment of:		
Bond Anticipation Notes Payable	\$ 6,321,000	
School Promissary Notes Payable	7,149,000	
	13,470,000	13,470,000
Balance: December 31, 2015		\$ -

SCHEDULE OF CONTRACTS PAYABLE

Balance: December 31, 2014		\$ 1,493,539
Increased by:		
Contracts Payable		5,301,945
		6,795,484
Decreased by:		
Cash Disbursements		5,334,349
Balance: December 31, 2015		\$ 1,461,135

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF INTERFUNDS (PAYABLE) / RECEIVABLE

	HUD Grants Trust Fund	Current Fund
Balance: December 31, 2014	\$ 353,734	\$ (630,071)
Increased by Debits:		
Deficiency in Reserve Funds Charged to Current Fund Budget:		
Bond Anticipation Notes	-	1,094
School Promissary Notes	-	375
Deferred Charges Funded by		
Current Fund Budget Appropriation	-	50,114
Bond Anticipation Notes Issued	-	8,010,000
Interest Payment Due from Current	-	87,410
Cash Disbursements	-	790,600
	-	8,939,593
Decreased by Credits:		
Reimburse Current - Tax Refunds		
Funded by Ordinance	-	2,761,497
Reimburse CDBG	353,737	-
Interest Earned	-	5,783
Cash Receipts	-	5,639,360
	353,737	8,406,640
Balance: December 31, 2015	\$ (3)	\$ (97,118)

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Description	Balance Dec. 31, 2014	Debt Authorized	Funded by Budget Appropriation	Notes Issued	Balance Dec. 31, 2015
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	-	6,313	-	309,213
O-03-24	Various Capital Improvements	533	-	-	-	533
O-13-23	LRA Dissolution	3,040,000	-	-	-	3,040,000
O-15-16	Various Capital Improvements	-	3,780,000	-	3,780,000	-
O-15-29	Refunding of Tax Appeals	-	4,230,000	-	4,230,000	-
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>\$ 7,099,860</u>	<u>\$ 8,010,000</u>	<u>\$ 50,114</u>	<u>\$ 8,010,000</u>	<u>\$ 7,049,746</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENTS - VETERAN'S STADIUM

Balance: December 31, 2015 and 2014	<u>\$ 25,000</u>
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SCHEDULE OF RESERVE FOR DEBT SERVICE-BLRA

Balance: December 31, 2014	\$ 1,341,506
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Increased by:	
Interest Earned	<u>135</u>

Balance: December 31, 2015	<u>\$ 1,341,641</u>
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SUPPLEMENTARY DATA - PARKING UTILITY FUND

CITY OF BAYONNE
PARKING UTILITY FUND
AS OF DECEMBER 31, 2014 AND 2013

SCHEDULE OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Operating Fund:		
Cash and Cash Equivalents	\$ 1,190,250	\$ 1,128,733
Due from Current	-	36
Total Utility Operating Fund Assets	<u>1,190,250</u>	<u>1,128,769</u>
Capital Fund:		
Cash and Cash Equivalents	607,609	747,815
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	<u>431,807</u>	<u>451,800</u>
Total Utility Capital Fund Assets	<u>7,839,760</u>	<u>7,999,959</u>
Total Utility Fund Assets	<u>\$ 9,030,010</u>	<u>\$ 9,128,728</u>
 <u>Liabilities, Reserves and Fund Balance</u>		
Operating Fund:		
Appropriation Reserves	\$ 127,178	\$ 109,954
Reserve for Encumbrances	58	193
Accrued Interest on Bonds	44,646	6,292
Interfunds Payable:		
Parking Utility Capital Fund	431,807	451,800
Due to Current	<u>293</u>	<u>-</u>
	<u>603,982</u>	<u>568,239</u>
Fund Balance	<u>586,268</u>	<u>560,530</u>
Total Utility Operating Fund Liabilities, Reserves and Fund Balance	<u>1,190,250</u>	<u>1,128,769</u>

CITY OF BAYONNE
PARKING UTILITY FUND
AS OF DECEMBER 31, 2014 AND 2013

SCHEDULE OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE

	<u>2015</u>	<u>2014</u>
<u>Liabilities, Reserves and Fund Balance</u>		
Capital Fund:		
Parking Revenue Serial Bonds Payable	\$ 2,855,000	\$ 3,020,000
Improvement Authorizations - Funded	253,891	414,090
Due to Bayonne Board of Education	450,000	450,000
Bond Reserve Fund	335,518	335,518
Reserve for Amortization	2,499,861	2,334,861
Reserve for Deferred Amortization	1,445,483	1,445,483
	<u>7,839,753</u>	<u>7,999,952</u>
Fund Balance	<u>7</u>	<u>7</u>
Total Utility Capital Fund Liabilities, Reserves and Fund Balance	<u>7,839,760</u>	<u>7,999,959</u>
Total Utility Fund Liabilities, Reserves and Fund Balance	<u>\$ 9,030,010</u>	<u>\$ 9,128,728</u>

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF OPERATIONS AND CHANGES IN FUND BALANCE

<u>Revenue and Other Income Realized</u>	
Fund Balance Utilized	\$ 120,000
Parking Fees	1,092,350
Ticket Revenues	234,384
Interest on Investments and Deposits	4,508
Other Credits to Income:	
Lapse of 2014 Appropriation Reserves	106,548
Miscellaneous Adjustment	3,052
	<u>1,560,842</u>
 <u>Expenditures</u>	
Budget Appropriations	
Operating	960,000
Debt Service	316,750
Statutory Expenditures	100,000
	<u>1,376,750</u>
Accrued Interest Adjustment	38,354
	<u>1,415,104</u>
Statutory Excess to Fund Balance	145,738
Fund Balance, January 1	560,530
	<u>706,268</u>
Decreased by:	
Utilized as Anticipated Revenue	120,000
	<u>120,000</u>
Fund Balance, December 31	<u><u>\$ 586,268</u></u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF FUND BALANCE

Balance: December 31, 2015 and 2014

\$ 7

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF REVENUES

	Adopted Budget	Realized	Excess (Deficit)
Operating Surplus Anticipated	\$ 120,000	\$ 120,000	\$ -
Parking Fees	1,040,250	1,092,350	52,100
Ticket Revenues	215,000	234,384	19,384
Interest on Investments and Deposits	1,500	4,508	3,008
Total Budget Revenues	<u>1,256,750</u>	<u>1,331,242</u>	<u>74,492</u>
Non-Budget Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total Parking Utility Revenues	<u><u>\$ 1,376,750</u></u>	<u><u>\$ 1,451,242</u></u>	<u><u>\$ 74,492</u></u>

CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF EXPENDITURES

	Appropriations		Paid or Charged	Expended		Cancelled
	Adopted Budget	Budget After Modification		Encumbered	Reserved	
Operating:						
Salaries and Wages	\$ 635,000	\$ 635,000	\$ 633,991	\$ -	\$ 1,009	\$ -
Other Expenses	140,000	140,000	91,822	58	48,120	-
Group Insurance	120,000	120,000	110,674	-	9,326	-
Other Insurance	65,000	65,000	-	-	65,000	-
	<u>960,000</u>	<u>960,000</u>	<u>836,487</u>	<u>58</u>	<u>123,455</u>	<u>-</u>
Debt Service:						
Bond Principal	170,000	170,000	170,000	-	-	-
Interest on Bonds	146,750	146,750	146,750	-	-	-
	<u>316,750</u>	<u>316,750</u>	<u>316,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Statutory Expenditures:						
Public Employees Retirement System	70,000	70,000	70,000	-	-	-
Social Security (O.A.S.I.)	26,000	26,000	22,277	-	3,723	-
Unemployment Compensation Insurance	4,000	4,000	4,000	-	-	-
	<u>100,000</u>	<u>100,000</u>	<u>96,277</u>	<u>-</u>	<u>3,723</u>	<u>-</u>
Total Parking Utility Appropriations	<u>\$ 1,376,750</u>	<u>\$ 1,376,750</u>	<u>\$ 1,249,514</u>	<u>\$ 58</u>	<u>\$ 127,178</u>	<u>\$ -</u>

CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE OF EXPENDITURES

	Appropriations		Expended		
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved
Budget as Adopted	\$ 1,376,750		\$ -		
Cash Disbursements	-		1,211,160		
Accrued Interest at Dec. 31, 2014	-		(6,292)		
Accrued Interest at Dec. 31, 2015	-		44,646		
	<u>\$ 1,376,750</u>		<u>\$ 1,249,514</u>		
					Cancelled

Budget as Adopted
 Cash Disbursements
 Accrued Interest at Dec. 31, 2014
 Accrued Interest at Dec. 31, 2015

**CITY OF BAYONNE
PARKING UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF CASH AND CASH EQUIVALENTS

	<u>Operating</u>	<u>Capital</u>
Balance: December 31, 2014	\$ 1,128,733	\$ 747,815
Increased by Receipts:		
Parking Utility Revenues	\$ 1,331,242	\$ -
Interfund Advances	140,206	-
Expenditures paid by Current	577,840	-
Miscellaneous Adjustment	3,052	-
	<u>2,052,340</u>	<u>-</u>
	3,181,073	747,815
Decreased by Disbursements:		
Budget Appropriations	1,376,750	-
Appropriations Reserves	(127,178)	-
Encumbrances	(58)	-
2014 Appropriation Reserves Paid	3,599	-
Improvement Authorization Paid or charged	160,199	-
Interfunds Returned	577,511	140,206
	<u>1,990,823</u>	<u>140,206</u>
Balance: December 31, 2015	<u><u>\$ 1,190,250</u></u>	<u><u>\$ 607,609</u></u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

ANALYSIS OF PARKING UTILITY CAPITAL CASH AND CASH EQUIVALENTS

	Balance December 31, 2014	Disbursements		Transfers		Balance December 31, 2015	Analysis of Ending Balance	
		Miscellaneous	From	To	Balance Sheet Account		Improvement Authorizations - Funded	
Due from Parking Utility Operating	\$ (451,800)	\$ 140,206	\$ -	\$ 160,199	\$ (431,807)	\$ -		
Due to Bayonne Board of Education	450,000	-	-	-	450,000	-		
Bond Reserve Fund	335,518	-	-	-	335,518	-		
Fund Balance	7	-	-	-	7	-		
Improvement Authorizations:	414,090	-	160,199	-	253,891	-		253,891
2007 Construction Projects	\$ 747,815	\$ 140,206	\$ 160,199	\$ 160,199	\$ 607,609	\$ 353,718	\$ 253,891	\$ 253,891

CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE OF APPROPRIATION RESERVES

	Balance: December 31, 2014					
	Reserved	Encumbered	Balance after Transfers	Paid or Charged	Balance Lapsed	
Operating:						
Salaries and Wages	\$ 1,150	-	\$ 1,150	-	\$ 1,150	
Other Expenses	39,234	193	39,427	3,599	35,828	
Group Insurance	63,947	-	63,947	-	63,947	
Other Insurance	-	-	-	-	-	
	<u>104,331</u>	<u>193</u>	<u>104,524</u>	<u>3,599</u>	<u>100,925</u>	
Debt Service:						
Bond Principal	-	-	-	-	-	
Interest on Bonds	-	-	-	-	-	
	-	-	-	-	-	
Statutory Expenditures:						
Public Employees Retirement System	-	-	-	-	-	
Social Security (O.A.S.I.)	5,623	-	5,623	-	5,623	
Unemployment Compensation Insurance	-	-	-	-	-	
	<u>5,623</u>	<u>-</u>	<u>5,623</u>	<u>-</u>	<u>5,623</u>	
Total Parking Utility Appropriations	<u>\$ 109,954</u>	<u>\$ 193</u>	<u>\$ 110,147</u>	<u>\$ 3,599</u>	<u>\$ 106,548</u>	

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF ACCRUED INTEREST

Balance: December 31, 2014	\$ 6,292
Increased by Receipts:	
Current Year Interest Accrual	44,646
	50,938
Decreased by Disbursements:	
Prior Year Interest Accrual	6,292
	6,292
Balance: December 31, 2015	\$ 44,646

Principal Outstanding Dec. 31, 2015	Interest Rate	From	To	Period	Amount
\$ 370,000	5%	12/15/2015	12/31/2015	1/2 Month	\$ 771
2,485,000	2%	8/1/2015	12/31/2015	5 Months	43,875
					\$ 44,646

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF INTERFUNDS (RECEIVABLE)/PAYABLE

	<u>Total</u>	<u>Current Fund</u>	<u>Utility Capital</u>
Balance: December 31, 2014	\$ 451,764	\$ (36)	\$ 451,800
Increased by:			
Expenditures Paid by Current	577,840	577,840	-
Cash Disbursed	140,206	-	140,206
	<u>1,169,810</u>	<u>577,804</u>	<u>592,006</u>
Decreased by:			
Improvement Authorization Paid or Charged	160,199	-	160,199
Cash Disbursements	577,511	577,511	-
	<u>577,511</u>	<u>577,511</u>	<u>-</u>
Balance: December 31, 2015	<u>\$ 432,100</u>	<u>\$ 293</u>	<u>\$ 431,807</u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF FIXED CAPITAL

	Balance December 31, 2015	Balance December 31, 2014
	<hr/>	<hr/>
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
	<hr/>	<hr/>
	<u>\$ 5,354,861</u>	<u>\$ 5,354,861</u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>Improvement Description</u>	<u>Date</u>	<u>Balance December 31, 2015</u>	<u>Balance December 31, 2014</u>
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		<u>335,518</u>	<u>335,518</u>
		<u>\$ 1,445,483</u>	<u>\$ 1,445,483</u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Ordinance Date	Amount	Balance: December 31, 2014		Paid or Charged	Balance: December 31, 2015	
			Funded	Due to Board of Education		Due to Board of Education	Funded
Construction Projects	2007	\$ 4,000,000	\$ 414,090	\$ 450,000	\$ 160,199	\$ 450,000	\$ 253,891
			\$ 414,090	\$ 450,000	\$ 160,199	\$ 450,000	\$ 253,891

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF RESERVE FOR AMORTIZATION

Balance: December 31, 2014	\$ 2,334,861
Increased by:	
Serial Bond Principal Amortization	215,000
	<u>2,549,861</u>
Decreased by:	
Issuance of new bonds	50,000
	<u>50,000</u>
Balance: December 31, 2015	<u>\$ 2,499,861</u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

<u>Improvement Description</u>	<u>Date</u>	<u>Balance December 31, 2015</u>	<u>Balance December 31, 2014</u>
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		<u>335,518</u>	<u>335,518</u>
		<u>\$ 1,445,483</u>	<u>\$ 1,445,483</u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF PARKING REVENUE SERIAL BONDS PAYABLE

Purpose	Original Issue		Maturities of Bonds Outstanding December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Increase	Bonds Refunded	Paid By Budget Appropriation	Balance Dec. 31, 2015
	Date	Amount	Maturity Date	Principal Amount						
Parking Revenue Bonds, Series 2007	6/15/2007	\$ 4,000,000	6/15/2016 6/15/2017	\$ 180,000 190,000	5.000% 5.000%	\$ 3,020,000	\$ -	\$ (2,480,000)	\$ 170,000	\$ 370,000
Parking Utility Refunding Bonds, Series 2015	6/10/2015	2,530,000	8/1/2016 8/1/2017 8/1/2018 8/1/2019 8/1/2020 8/1/2021 8/1/2022 8/1/2023 8/1/2024 8/1/2025 8/1/2026 8/1/2027	15,000 15,000 205,000 210,000 220,000 230,000 235,000 245,000 260,000 275,000 280,000 295,000	2.000% 2.000% 2.000% 4.000% 4.000% 4.000% 4.000% 5.000% 5.000% 5.000% 5.000% 4.000%	\$ -	\$ 50,000	\$ 2,480,000	\$ 45,000	\$ 2,485,000
						\$ 3,020,000	\$ 50,000	\$ -	\$ 215,000	\$ 2,855,000

SUPPLEMENTARY DATA – GENERAL FIXED ASSETS

**CITY OF BAYONNE
GENERAL FIXED ASSETS
AS OF DECEMBER 31, 2015 AND 2014**

SCHEDULE OF GENERAL FIXED ASSETS

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Land	\$ 165,984,900	\$ 165,984,900
Buildings	10,233,265	10,233,265
Improvements	4,817,988	4,817,988
Machinery, Equipment & Other	<u>21,309,349</u>	<u>21,309,349</u>
	<u>\$ 202,345,502</u>	<u>\$ 202,345,502</u>
<u>Investment in Fixed Assets</u>		
Investment in General Fixed Assets	<u>\$ 202,345,502</u>	<u>\$ 202,345,502</u>

**CITY OF BAYONNE
GENERAL FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015**

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY CLASS

	Balance <u>Dec. 31, 2014</u>	Balance <u>Dec. 31, 2015</u>
Land	\$ 165,984,900	\$ 165,984,900
Buildings	10,233,265	10,233,265
Improvements	4,817,988	4,817,988
Machinery, Equipment & Other	<u>21,309,349</u>	<u>21,309,349</u>
	<u>\$ 202,345,502</u>	<u>\$ 202,345,502</u>

SUPPLEMENTARY DATA - PAYROLL AGENCY FUND

**CITY OF BAYONNE
PAYROLL AGENCY FUND
AS OF DECEMBER 31, 2015 AND 2014**

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	2015	2014
<u>Assets</u>		
Cash	\$ 7	\$ -
Total Assets	\$ 7	\$ -
<u>Liabilities</u>		
Due to Current Fund	\$ 7	\$ -
Total Liabilities	\$ 7	\$ -

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

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Matthew A. Donohue, CPA
Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA

310 Broadway
Bayonne, NJ 07002
(201) 437-9000
Fax: (201) 437-1432
E-Mail: dgd@dgdcpas.com

Linda P. Kish, CPA, RMA
Mark W. Bednarz, CPA, RMA
Jason R. Gironda, CPA

**INDEPENDENT AUDITOR'S 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***

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, 2015 (with comparative totals as of December 31, 2014), 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, 2015 (with comparative totals for the year ended December 31, 2014), 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, 2015 (with comparative totals for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 30, 2017.

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 special purpose framework 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 2015-003 through 2015-008, 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 findings 2015-001 and 2015-002, to be a 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-002.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DONOHUE, GIRONDA,
DORIA & TOMKINS, LLC

Certified Public Accountants



FREDERICK L. TOMKINS

Registered Municipal Accountant #327

Bayonne, New Jersey
January 30, 2017

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

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

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 *OMB Compliance Supplement* and the *N.J. OMB State 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, 2015. 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and N.J. OMB Circular 15-08 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 2015-003, and 2015-006 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 2015-004 for Subrecipient Monitoring, 2015-005 for Financial Reporting, 2015-006 for Reporting, and 2015-007 for Cash Management.

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, 2015.

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 each major federal and 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 the Uniform Guidance and N.J. OMB Circular 15-08, 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 2015-003 through 2015-008, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2015-001 and 2015-002, to be a significant deficiencies.

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 the Uniform Guidance and N.J. OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



DONOHUE, GIRONDA,
DORIA & TOMKINS, LLC
Certified Public Accountants



FREDERICK J. TOMKINS
Registered Municipal Accountant #327

Bayonne, New Jersey
January 30, 2017

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Department and Program	Federal CFDA Number	State Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2014	Budget Appropriations	Paid or Charged	Prog. Income/ Canceled Reappropriated	Funds Available Dec. 31, 2015	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	-	21,581	-	-	214	21,795	419
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						-	95,309	-	-	214	95,523	-
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 Universal Hiring Supplemental	16.710	*	09/01/2003	08/31/2006	597,089	-	305,833	-	(305,833)	-	-	291,256
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	*	01/01/2015	12/31/2015	45,464	45,464	-	-	-	-	-	45,464
Reimbursement of Police Salaries	16.710	*	01/01/2014	12/31/2014	54,619	45,464	-	54,619	54,619	-	-	54,619
Total COPS Grants						45,464	817,912	54,619	54,619	(310,575)	507,337	-
Justice Assistance Grant - Annual Round	16.738	*	01/01/2009	12/31/2009	31,708	-	76	-	-	-	76	31,632
Justice Assistance Grant - 2014	16.738	2014-H3464-NI-DJ	10/01/2013	09/30/2017	15,715	-	9	-	-	-	9	15,706
Justice Assistance Grant - 2013	16.738	*	01/01/2013	12/31/2013	16,515	-	5,757	-	-	-	5,757	10,758
Justice Assistance Grant - 2012	16.738	*	01/01/2012	12/31/2012	19,208	16,715	19,208	-	(19,208)	-	-	19,208
Justice Assistance Grant - 2011	16.738	*	01/01/2011	12/31/2011	24,514	-	95	-	(95)	-	-	24,514
Justice Assistance Grant - 2009	16.738	*	01/01/2009	12/31/2009	19,611	-	19,611	-	(19,611)	-	-	19,611
Justice Assistance Grant	16.738	*	07/01/2009	06/30/2010	600,000	16,715	15,781	-	-	(38,914)	15,781	584,219
Total Justice Assistance Grants					458,734	-	27,674	-	(27,674)	-	21,623	458,734
Byrne Formula / Community Partnership	16.579	1020-100-384-2005	05/22/2001	05/14/2005		-	27,674	-	-	-	-	-
Total Edward Byrne Memorial Formula Grant Program						-	27,674	-	-	-	-	-
U.S. Department of Justice (continued)												
Federal Equitable Sharing:												
Justice: Reimbursement Police Department	16.unknown		01/01/2015	12/31/2015	\$ 82,289	\$ 71,774	\$ -	\$ 82,289	\$ 33,491	\$ 511	\$ 49,309	\$ 33,491
Justice: Reimbursement Police Department	16.unknown	02-213-41713-2-199	01/01/2014	12/31/2014	56,762	-	56,762	-	56,762	-	-	56,762
Justice: Reimbursement Police Department	16.unknown	02-213-41713-2-199	01/01/2013	12/31/2013	258,607	-	12,259	-	12,259	-	-	258,607
Treasury: Customs and Border Control	16.unknown	02-213-41713-2-199	07/01/2015	06/30/2016	174,928	-	-	174,928	80,472	-	94,456	80,472
Treasury: Customs and Border Control	16.unknown	*	07/01/2014	06/30/2015	6,019	-	6,019	-	6,019	-	-	6,019
Treasury: Customs and Border Control	16.unknown	*	07/01/2013	06/30/2014	10,673	-	10,673	-	10,673	-	-	10,673
Treasury: Customs and Border Control	16.unknown	*	07/01/2012	06/30/2013	15,323	-	15,323	-	15,323	-	-	15,323
Treasury: Customs and Border Control	16.unknown	*	07/01/2011	06/30/2012	500,000	66,041	23,832	-	23,832	-	-	500,000
Total Federal Equitable Sharing Program						137,815	124,868	257,217	238,831	511	143,765	-
Police Vests or Bulletproof Armored Vests	16.606	*	01/01/2015	12/31/2015	41,445	40,373	-	41,445	-	-	41,445	-
Police Vests or Bulletproof Armored Vests	16.607	*	01/01/2013	12/31/2013	812	-	812	-	262	-	550	262
Police Vests or Bulletproof Armored Vests	16.607	*	01/01/2012	12/31/2012	32,357	-	1,547	-	1,547	-	-	32,357
Total Police Vests or Bulletproof Armored Vests						40,373	2,359	41,445	1,809	-	41,995	-
Total U.S. Department of Justice					\$ 240,367	\$ 1,128,659	\$ 553,281	\$ 295,259	\$ (376,438)	\$ 810,243		

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

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Department and Program	Federal CFDA Number	State Account Number	Grant Period		Program or Award Amount	Funds Available		Budget Appropriations	Paid or Charged	Prog. Income/ Canceled Reappropriated	Funds Available Dec. 31, 2015	Cumulative Expenditures
			From	To		Dec. 31, 2014	Dec. 31, 2015					
U.S. Department of Homeland Security												
Assistance to Firefighter Grants (Regular and ARRA)												
	97.044	*	07/01/2015	06/30/2016	\$ 45,455	\$ -	\$ 45,455	\$ -	\$ -	\$ -	\$ 45,455	\$ -
FEMA-Assistance to Firefighters Grant	97.115	*	07/01/2009	06/30/2010	3,567,491	-	7,654	7,654	-	-	-	3,567,491
FEMA-Fire Station Construction - ARRA	97.044	EMW-2013-FO-04777	06/25/2014	06/24/2015	295,291	266,186	295,291	241,639	-	-	53,652	241,639
FEMA-Assistance to Firefighters Grant	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	-	5,401	-	-	(5,401)	-	214,599
Emergency Management Assistance					10,000	10,000	10,000	-	-	-	10,000	-
Total FEMA Assistance to Firefighter Grants (Regular and ARRA) **					276,186	376,945	55,455	249,293	(74,000)	109,107		
Passed Through Port Authority of NY & NJ												
Port Authority Grant-Relocate Certain Parks	97.unknown	*	04/07/2014	*	2,000,000	-	1,973,724	-	105,180	-	1,868,544	131,456
Port Security Grant Program												
Foam Tanker	97.056	2011-PU-K00254	08/06/2012	*	685,000	840,947	102,861	-	-	-	102,861	582,139
Port Security Grant Program FY15	97.056	EMW-2014-PU-00567-S01	09/23/2014	*	25,000	-	25,000	-	-	-	25,000	-
Port Security Grant Program FY14	97.056	EMW-2012-PU-00385	01/01/2012	12/31/2012	25,000	2,342	25,000	18,575	-	-	6,425	18,575
Port Security Grant Program	97.056	*	01/01/2011	12/31/2011	398,100	255,342	83,594	-	-	-	2,617	22,383
Total Port Security Grant Programs					1,098,631	2,187,796	25,000	123,755	-	-	83,594	314,506
U.S. Department of Homeland Security (Continued)												
Passed Through NJ Department of Law and Public Safety												
Hurricane Sandy Public Assistance	97.036	066-1200-100-A92	07/01/2014	06/30/2015	110,055	-	-	-	-	-	-	-
UASI Training Reimbursement Fund	97.067	066-1200-100-975	01/01/2015	12/31/2015	129,970	-	129,970	129,970	-	-	-	129,970
UASI Training Reimbursement Fund	97.067	066-1200-100-975	01/01/2013	12/31/2013	53,851	54,015	53,851	53,851	-	-	53,851	53,851
UASI Training Reimbursement Fund	97.067	066-1200-100-975	01/01/2012	12/31/2012	45,109	829,877	903,518	45,109	-	-	53,454	45,109
FEMA-FY 2012 SAFER Grant	97.083	*	04/07/2013	04/06/2016	2,828,770	-	-	368,064	-	-	-	2,293,316
Total U.S. Department of Homeland Security					\$ 2,368,764	\$ 3,567,219	\$ 210,425	\$ 970,042	\$ (74,000)	\$ (74,000)	\$ 2,733,602	
U.S. Department of Commerce												
BLRA-EDA Grant	11.unknown	*	09/23/2010	05/17/2014	\$ 7,600,000	\$ 3,790,482	\$ 2,346,858	\$ -	\$ (2,346,858)	\$ -	\$ -	\$ -
Total U.S. Department of Commerce					\$ 3,790,482	\$ 2,346,858	\$ -	\$ -	\$ (2,346,858)	\$ -	\$ -	\$ -
U.S. Department of Transportation												
FY 2012 TIGER Discretionary Grant **												
Pass through State of New Jersey Department of Transportation												
New Jersey Transportation Trust Fund Authority Act:												
Avenue C Paving	20.205	078-6300-480	10/01/2009	09/30/2010	1,293,000	-	243,891	-	11,710	(232,181)	-	1,060,819
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
Total Highway Planning and Construction Grants					8,447,600	10,085,291	-	8,459,310	(232,181)	-	1,393,800	
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					\$ 8,447,600	\$ 10,127,804	\$ -	\$ 8,459,310	\$ (232,181)	\$ -	\$ 1,436,313	
Total U.S. Department of Transportation					\$ 8,447,600	\$ 10,127,804	\$ -	\$ 8,459,310	\$ (232,181)	\$ -	\$ 1,436,313	

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

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Department and Program	Federal CFDA Number	State Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2014	Budget Appropriations	Paid or Charged	Prog. Income/ Canceled Reappropriated	Funds Available Dec. 31, 2015	Cumulative Expenditures
			From	To								
U.S. Department of Health and Human Services												
Passed through the County of Hudson												
Aging Cluster												
	93.044	Not Applicable	01/01/2015	12/31/2015	\$ 147,264	\$ -	\$ -	\$ 147,264	\$ -	\$ -	147,264	-
	93.044	Not Applicable	01/01/2014	12/31/2014	173,377	235,344	173,377	-	-	-	173,377	-
	93.044	Not Applicable	01/01/2013	12/31/2013	153,051	144,820	139,070	-	49,251	-	89,819	63,232
	93.045	Not Applicable	01/01/2015	12/31/2015	10,000	-	10,000	-	-	-	10,000	-
	93.053	Not Applicable	01/01/2015	12/31/2015	469,124	238,862	-	469,124	404,934	-	64,190	404,934
	93.053	Not Applicable	01/01/2014	12/31/2014	466,143	-	73,804	-	73,804	-	-	466,143
						619,026	386,251	626,388	527,989	-	484,650	
						\$ 619,026	\$ 386,251	\$ 626,388	\$ 527,989	\$ -	\$ 484,650	
Total U.S. Department of Health and Human Services												
	81.128	*	07/01/2009	06/30/2010	\$ 521,900	\$ -	\$ 2,836	\$ -	\$ -	\$ -	\$ 2,836	\$ 519,064
						\$ -	\$ 2,836	\$ -	\$ -	\$ -	\$ 2,836	
Total U.S. Department of Energy												
U.S. Department of Housing and Urban Development												
CDBG - Entitlement Grants Cluster**												
	14.218	B15MC340101	07/01/2015	06/30/2016	1,498,206	47,353	-	1,498,206	227,587	81,903	1,352,522	145,684
	14.218	B14MC340101	07/01/2014	06/30/2015	1,526,479	957,659	1,793,681	-	413,769	(388,053)	991,859	534,620
	14.218	B13MC340101	07/01/2013	06/30/2014	1,651,428	391,734	998,775	-	505,999	-	492,776	1,158,652
	14.218	B12MC340101	07/01/2012	06/30/2013	1,492,343	-	673,436	-	21,952	(17,726)	633,758	858,585
	14.218	B11MC340101	07/01/2011	06/30/2012	2,411,530	-	-	-	-	34,319	34,319	2,377,211
	14.218	*	*	*	13,725,741	-	-	-	-	353,734	353,734	13,372,007
						1,396,746	3,465,892	1,498,206	1,169,307	64,177	3,858,968	
	14.231	S11MC340003	07/01/2011	06/30/2012	149,751	-	-	-	-	17,726	17,726	132,025
						\$ 1,396,746	\$ 3,465,892	\$ 1,498,206	\$ 1,169,307	\$ 81,903	\$ 3,876,694	
Total U.S. Department of Housing and Urban Development												
						\$16,862,985	\$ 21,025,519	\$ 2,688,300	\$ 11,421,907	\$ (2,947,574)	\$ 9,344,338	

* Not Available.

**Denotes Major Program.

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

State Department and Program	State Account or Grant Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2014	Budget Appropriations	Paid or Charged	Cancellations/Transfers	Funds Available Dec. 31, 2015	Cumulative Expenditures	
		From	To									
Department of Community Affairs												
Uniform Fire Safety Code	*	01/01/2015	12/31/2015	104,326	104,326	-	-	-	-	-	104,326	
Bureau of Housing Inspection	*	01/01/2015	12/31/2015	66,858	-	-	66,858	10,179	-	56,679	10,179	
Bureau of Housing Inspection	*	01/01/2015	12/31/2015	44,968	44,968	-	-	-	-	-	44,968	
Bureau of Housing Inspection	*	01/01/2014	12/31/2014	6,623	-	6,623	-	6,623	-	-	6,623	
Bureau of Housing Inspection	*	01/01/2013	12/31/2013	50,770	-	50,056	-	50,056	-	-	50,770	
Total Department of Community Affairs				\$ 149,294	\$ 56,679	\$ 66,858	\$ 66,858	\$ 66,858	\$ -	\$ 56,679		
Governor's Council on Alcoholism and Drug Abuse												
Passed through County of Hudson												
Municipal Alliance Grant	100-082-C001-004	07/01/2015	06/30/2016	\$ 85,390	\$ -	\$ -	\$ 85,390	\$ (7,736)	\$ -	\$ 93,126	\$ (7,736)	
Municipal Alliance Grant	100-082-C001-005	07/01/2014	06/30/2015	54,448	54,448	-	-	-	-	-	-	
Municipal Alliance Grant	100-082-C001-004	01/01/2014	06/30/2014	30,642	-	30,642	-	-	-	30,642	-	
Municipal Alliance Grant	100-082-C001-004	01/01/2013	12/31/2013	61,284	-	61,284	-	-	-	61,284	-	
Municipal Alliance Grant	100-082-C001-004	01/01/2012	12/31/2012	63,526	-	63,526	-	-	-	63,526	-	
Municipal Alliance Grant	100-082-C001-004	01/01/2011	12/31/2011	63,526	-	63,526	-	-	-	63,526	-	
Municipal Alliance Grant	100-082-C001-004	01/01/2010	12/31/2010	63,526	-	63,526	-	-	-	63,526	-	
Municipal Alliance Grant	100-082-C001-004	01/01/2009	12/31/2009	78,645	-	78,645	-	-	-	78,645	-	
Municipal Alliance Grant	100-082-C001-004	01/01/2008	12/31/2008	78,645	-	78,645	-	-	-	78,645	-	
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	-	48,370	-	-	-	48,370	34,227	
Total Governor's Council on Alcoholism and Drug Abuse				\$ 54,448	\$ 639,488	\$ 85,390	\$ 85,390	\$ (7,736)	\$ -	\$ 732,614		
(19,317)												
Department of Law and Public Safety												
Drunk Driving Enforcement Fund	100-78-64000	01/01/2015	12/31/2015	\$ 5,616	\$ 5,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Drunk Driving Enforcement Fund	100-78-64000	01/01/2014	12/31/2014	5,760	-	-	5,760	5,126	-	634	5,126	
Drunk Driving Enforcement Fund	100-78-64000	01/01/2013	12/31/2013	4,143	-	1,417	-	1,417	-	-	4,143	
Total Drunk Driving Enforcement Fund				5,616	1,417	5,760	5,760	6,543	-	634		
Body Armor Replacement Fund	066-1020-718-001	01/01/2015	12/31/2015	30,494	15,740	-	30,494	-	-	30,494	(30,494)	
Body Armor Replacement Fund	066-1020-718-001	01/01/2014	12/31/2014	14,755	-	20,365	-	6,137	-	14,228	-	
Body Armor Replacement Fund	066-1020-718-001	01/01/2013	12/31/2013	20,365	-	16,262	-	16,262	-	16,262	6,137	
Body Armor Replacement Fund	066-1020-718-001	01/01/2012	12/31/2012	16,262	-	16,008	-	16,008	-	16,008	16,262	
Body Armor Replacement Fund	066-1020-718-001	01/01/2011	12/31/2011	16,008	-	1,107	-	1,107	-	1,107	16,008	
Body Armor Replacement Fund	066-1020-718-001	01/01/2010	12/31/2010	16,033	-	39,514	-	39,514	-	44,722	16,033	
Total Body Armor Replacement Fund				15,740	53,742	30,494	30,494	39,514	-	44,722		

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, 2015

State Department and Program	State Account or Grant Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2014	Budget Appropriations	Paid or Charged	Cancellations/ Transfers	Funds Available Dec. 31, 2015	Cumulative Expenditures	
		From	To									
Department of Law and Public Safety (continued)												
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2015	09/30/2016	9,400	\$ -	-	9,400	\$ -	-	9,400	-	
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2014	09/30/2015	9,400	-	-	-	-	-	-	-	
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2013	09/30/2014	9,377	-	9,377	-	-	-	9,377	-	
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2012	09/30/2013	7,500	-	6,500	-	-	-	6,500	1,000	
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2011	09/30/2012	6,000	-	6,000	-	-	-	6,000	-	
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2010	09/30/2011	9,000	-	9,000	-	-	-	9,000	-	
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2009	09/30/2010	7,698	-	7,698	-	-	-	7,698	-	
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2008	09/30/2009	16,868	-	11,304	-	-	-	11,304	5,564	
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2007	09/30/2008	10,570	-	10,570	-	-	-	10,570	-	
Pedestrian Safety Enforcement and Education	066-1160-100-112	10/01/2008	09/30/2009	12,477	-	12,477	-	2,060	-	10,417	2,060	
Total Pedestrian Safety Enforcement and Education					-	72,926	9,400	2,060	-	80,266		
Subtotal Department of Law and Public Safety					21,356	128,085	45,654	48,117	-	125,622		
Total Department of Law and Public Safety					\$ 21,356	\$ 128,085	\$ 45,654	\$ 48,117	\$ -	\$ 125,622		
New Jersey State Library											8,750	
Library Cultural Grant	*	*	*	8,750	-	8,750	-	-	(8,750)	\$ -		
Total New Jersey State Library Grants					\$ -	\$ 8,750	\$ -	\$ -	\$ (8,750)	\$ -	8,750	
Department of Environmental Protection												
Clean Communities Act	042-4900-765-004	07/01/2014	06/30/2015	106,247	\$ -	-	-	\$ -	-	\$ -	-	
Clean Communities Act	042-4900-765-004	07/01/2013	06/30/2014	87,407	-	87,407	-	81,665	-	5,742	87,407	
Clean Communities Act	042-4900-765-004	07/01/2012	06/30/2013	93,029	-	93,029	-	93,029	-	-	93,029	
Clean Communities Act	042-4900-765-004	07/01/2011	06/30/2012	79,236	-	21,562	-	21,562	-	-	79,236	
Total Clean Communities Act					106,247	201,998	-	196,256	-	5,742		
Subtotal Department of Environmental Protection					106,247	201,998	-	196,256	-	5,742		
Green Acres Grant	*	01/01/2008	12/31/2008	500,000	-	500,000	-	-	-	500,000	-	
Green Communities Forestry Grant		01/01/2015	12/31/2015	3,000	-	-	-	(3,000)	-	3,000	-	
440 Corridor Redevelopment Grant	*	07/01/2007	06/30/2008	374,484	-	318,552	-	-	(318,552)	-	55,932	
Total Department of Environmental Protection					\$ 106,247	\$ 1,020,550	\$ -	\$ 193,256	\$ (318,552)	\$ 508,742		
Department of State												
Per Capita Library Aid	*	07/01/2015	06/30/2016	22,048	\$ -	-	-	\$ -	-	\$ -	-	
Faith Based Grant	*	07/01/2005	06/30/2006	8,750	-	-	-	-	-	-	8,750	
Total Department of State					\$ 22,048	\$ -	\$ -	\$ -	\$ -	\$ -	8,750	
Department of Transportation												
2015 Municipal Aid - Various Streets	15-480-078-6320	05/12/2015	12/31/2015	327,592	\$ -	-	327,592	\$ 327,592	\$ -	\$ -	327,592	
Police Overtime Motor Vehicles	*	01/01/2015	12/31/2015	139,715	-	-	139,715	139,715	-	-	139,715	
Safe Streets to Transit	*	*	*	205,000	-	185,000	-	-	-	185,000	20,000	

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, 2015

State Department and Program	State Account or Grant Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2014	Budget Appropriations	Paid or Charged	Cancellations/ Transfers	Funds Available Dec. 31, 2015	Cumulative Expenditures
		From	To								
Total Department of Transportation					\$ 141,375	\$ 185,000	\$ 467,307	\$ 467,307	\$ -	\$ 185,000	
Trust Fund Grants											
Department of Environmental Protection											
Recycling Tonnage Grant	042-4900-752-001	07/01/2015	06/30/2016	\$ 95,033	\$ -	\$ -	\$ 95,033	\$ 95,033	\$ -	\$ -	95,033
Total Trust Fund Grants					\$ -	\$ -	\$ 95,033	\$ 95,033	\$ -	\$ -	
Capital Fund Grants											
Department of Transportation											
Green Acres Grant **		01/01/2015	12/31/2015	\$ 500,000	\$ -	\$ -	\$ 463,397	\$ 463,397	\$ -	\$ -	500,000
Total Capital Fund Grants					\$ -	\$ -	\$ 463,397	\$ 463,397	\$ -	\$ -	
GRAND TOTAL STATE FINANCIAL ASSISTANCE					\$ 494,768	\$ 2,038,552	\$ 1,223,639	\$ 1,326,232	\$ (327,302)	\$ 1,608,657	

* Not Available.

**Denotes Major Program.

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

Department and Program	Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2014	Budget Appropriations	Paid or Charged	Cancellations/Transfers	Funds Available Dec. 31, 2015	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	\$ 41,074	-	\$ -	\$ -	\$ -	-	\$ 1,200,000	
Open Space Trust Fund	*	01/01/2015	12/31/2015	625,000	-	-	237,456	237,456	-	-	625,000	
Open Space Trust Fund - Museum	*	01/01/2009	09/30/2010	340,000	44,417	70,998	-	-	-	70,998	269,002	
Total County of Hudson Open Space Trust Fund					85,491	70,998	237,456	237,456	-	70,998		
County Law Enforcement Trust Account												
Police Forfeiture Funds	*	07/01/2011	06/30/2012	205,759	-	37,849	-	38	-	37,811	167,948	
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)	-	67,383	
Reimbursement - City Wide Communications	*	01/01/2014	12/31/2014	8,540	-	-	-	-	-	-	8,540	
Total County Law Enforcement Trust Account					-	310,382	-	38	(67,383)	242,961		
Total County of Hudson Grants					\$ 85,491	\$ 381,380	\$ 237,456	\$ 237,494	\$ (67,383)	\$ 313,959		
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)	\$ -	\$ -	
Pet Smart Charities	*	09/30/2012	10/30/2013	16,500	-	7,223	-	-	-	7,223	9,277	
Contribution for Public Waterfront Access	*	07/01/2010	*	250,000	-	250,000	-	-	(250,000)	-	-	
ESL Grant Cruise Foundation	*	*	*	5,000	5,000	-	5,000	-	-	5,000	-	
George Foreman Grant	*	07/01/2010	06/30/2011	2,498	-	28	-	-	-	28	2,470	
Total Private Contributions and Donations					\$ 5,000	\$ 266,251	\$ 5,000	\$ -	\$ (259,000)	\$ 12,251		

CITY OF BAYONNE
SCHEDULE OF EXPENDITURES OF OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

Department and Program	Account Number	Grant Period		Program or Award Amount	Funds Received	Funds Available Dec. 31, 2014	Budget Appropriations	Paid or Charged	Cancellations/Transfers	Funds Available Dec. 31, 2015	Cumulative Expenditures	
		From	To									
Other Reimbursements:												
Passed through the Bayonne Housing Authority:												
Police Grant	*	01/01/2015	12/31/2015	\$ 260,085	\$ -	-	\$ 260,085	\$ 260,085	\$ -	-	260,085	
Police Grant	*	01/01/2014	12/31/2014	267,089	-	-	-	-	-	-	-	
Police Grant	*	01/01/2013	12/31/2013	458,625	-	560	-	-	-	560	458,065	
Passed through the County of Union:												
UASI Training Reimbursement Fund	*	04/01/2014	05/31/2014	27,464	-	-	-	-	-	-	-	
Passed through the Bayonne Parking Utility	*	*	*	6,028	6,028	-	6,028	-	-	6,028	-	
Citywide Communication System contract	*	*	*	6,028	6,028	560	266,113	260,085	-	6,588	-	
Total Other Reimbursements												
					\$ 96,519	\$ 648,191	\$ 508,569	\$ 497,579	\$ (326,383)	\$ 332,798		
GRAND TOTAL OTHER FINANCIAL ASSISTANCE												

* Not Available

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

FOR THE YEAR ENDED DECEMBER 31, 2015

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Federal awards provided to sub-recipients are treated as expenditures when paid. The City is not utilizing the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance

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

CITY OF BAYONNE
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE B. BASIS OF ACCOUNTING (continued)

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.

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 \$750,000 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, 2015**

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:		
1) Material weakness(es) identified?	<div style="display: flex; justify-content: space-between;"> 2015-003 2015-007 </div> <input checked="" type="checkbox"/> Yes	No
2) Significant deficiency(ies) identified?	<div style="display: flex; justify-content: space-between;"> 2015-001 2015-002 </div> <input checked="" type="checkbox"/> Yes	No
Noncompliance material to basic financial statements noted?	<div style="display: flex; justify-content: space-between;"> 2015-002 </div> <input checked="" type="checkbox"/> Yes	No

Federal Awards

Type of auditor's report on compliance for major programs:	Qualified for: CDBG Entitlement Grants Cluster Emergency Shelter Grant <u>Unmodified for all other major Federal program</u>	
Internal Control over Major Programs:		
1) Material weakness(es) identified?	<div style="display: flex; justify-content: space-between;"> 2015-003 through 2015-008 </div> <input checked="" type="checkbox"/> Yes	No
2) Significant deficiency(ies) identified?	<div style="display: flex; justify-content: space-between;"> 2015-001 </div> <input checked="" type="checkbox"/> Yes	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<div style="display: flex; justify-content: space-between;"> 2015-003 through 2015-008 </div> <input checked="" type="checkbox"/> Yes	No

Identification of major Federal Programs:

CFDA Number	Name of Federal Program or Cluster
20.933	- TIGER Grant
14.218	- CDBG Entitlement Grants Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes ✓ No

**CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section I - Summary of Auditor's Results

(continued)

State Financial Assistance

	Unmodified-as prescribed by NJ DLGS	
Type of auditor's report on compliance for major programs:	Adverse-according to GAAP	
Internal Control over Compliance:		
1) Material weakness(es) identified?	<u>Yes</u>	<u>✓ No</u>
2) Significant deficiency(ies) identified?	<u>✓ Yes</u> 2015-001	<u>No</u>
Any audit findings disclosed that are required to be reported in accordance with NJ OMB 15-08, as amended?	<u>Yes</u>	<u>✓ No</u>

Identification of major State programs

State Grant Number	Name of State Program
15-480-078-6320	- 2015 Municipal Aid - Various Streets
Unavailable	- Green Acres Grant

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

Section II - Schedule of Financial Statement Findings

(This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting.)

Finding 2015-001

Significant Deficiency in Internal Control over Financial Reporting

Criteria and Condition:

The City's Schedule of Federal and State Grants Receivable (Exhibit A-22), Schedule of Reserves for Federal and State Grants - Appropriated (Exhibit A-23), and Schedule of Capital Grants Receivable (Exhibit C-5) 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 old grant receivable and reserve balances for propriety.

Effect:

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

<u>Years</u> <u>Outstanding</u>	<u>Grant year</u>	<u>Receivable for</u> <u>Current Fund</u>	<u>Receivable for</u> <u>Capital Fund</u>
1 or less	2015	\$ 398,047	\$ 1,125,000
2	2014	3,385,360	-
3	2013	245,129	100,800
4	2012	322,554	-
5	2011	195,583	-
6 - 9	2006 -2010	1,239,022	767,000
10 and more	Prior to 2006	250,000	351,347
		<u>\$ 6,035,695</u>	<u>\$ 2,344,147</u>

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

Section II - Schedule of Financial Statement Findings

Finding 2015-001 (continued)

Recommendation:

Although a substantial amount of receivables and reserves were cancelled during 2015, 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, 2015

Section II - Schedule of Financial Statement Findings

Finding 2015-002

Significant Deficiency in Internal control
Noncompliance to Basic Financial Statements

Criteria and Condition:

The City did not obtain surety bond coverage for the Court Administrator, in accordance with the requirements established by N.J.A.C. 5:30-8.4. Surety bond coverage for the Tax Collector did not meet the minimum required by N.J.A.C. 5:30-8.3 and as recommended by N.J.A.C. 5:30-8.2 for the Chief Financial Officer.

Context:

A review of the surety bond coverage indicates that the City does not have coverage for the Court Administrator. The review also indicated that there was insufficient coverage of the Tax collector and Chief Financial Officer.

Cause:

The City did not obtain any surety bond coverage for the Court Administrator. The City is not regularly reviewing its projected tax levy and revenues to obtain the minimum surety bond coverage for the Tax Collector and Chief Financial Officer.

Effect:

The City is not in compliance with N.J.A.C. 5:30-8.2 through N.J.A.C. 5:30-8.4 with regards to surety bond coverage.

Recommendation:

The City should obtain surety bond coverage for the Court Administrator as required by N.J.A.C. 5:30-8.4. The City should annually review its projected tax levy and revenues and obtain the minimum surety bond coverage required under N.J.A.C. 5:30-8.3 and as recommended by N.J.A.C. 5:30-8.2.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

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

(This section identifies audit findings required to be reported by the 2 CFR 200.516(a) and New Jersey OMB Circular 15-08.)

Finding 2015-003:

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 able to provide adequate and appropriate accounting records as part of a standard financial accounting system, however, we could not verify or reconcile information in IDIS with the City’s internal financial management system. This finding is repeated from the prior year.

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, 2015

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

Finding 2015-003: (continued)

Views of Responsible Officials of the City:

The City has hired a new employee who will be responsible for reconciling the Community Development accounting system with IDIS and the City's financial management system. The City is also changing its financial management system as of April 1, 2017.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Finding 2015-004:

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 Subpart F of the Uniform Guidance audit reports for its subrecipients. Therefore, the City did not properly monitor and was unable to provide documentation on subrecipient monitoring. This finding is repeated from the prior year.

Criteria: Pursuant to Subpart F of the Uniform Guidance, the City is required to maintain and track subpart F of the Uniform Guidance 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 subpart F of the Uniform Guidance reports, if required, in accordance with the terms of the subrecipient agreements.

Effect: The City cannot determine if subrecipients were required to have a subpart F of the Uniform Guidance 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 subpart F of the Uniform Guidance 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 2016 subrecipient agreements are authorized, staff will review agencies to ascertain subpart F of the Uniform Guidance status and any findings in the reports.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Finding 2015-005:

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, 2013, 2014 or 2015. This finding is repeated from the prior year.

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, FY 2013, FY14 and FY 2015.

Views of Responsible Officials of the City:

The quarterly reports are being prepared and are being submitted to HUD.

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Finding 2015-006:

Material Weakness in Internal Control Over Compliance – Reporting

- 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. This finding is repeated from the prior year.

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:

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, 2015

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

Finding 2015-007:

Material Weakness in Internal Control Over Major Programs and Over Financial Reporting – Cash Management

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

Condition: The City could not provide information in order to determine if payments are being made within three business days of the deposit of grant funds. This finding is repeated from the prior year.

Criteria: 24 CFR 85.20(b)(7) pursuant to 24 CFR 570.502(a)(5), requires that the City have procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of grantees and subgrantees must be followed whenever advance payment procedures are used. The City must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transaction reports to the awarding agency.

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 unable to demonstrate that the time elapsing between the transfer of CDBG funds and their disbursement have been timely.

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

Views of Responsible Officials of the City:

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

CITY OF BAYONNE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Finding 2015-008:

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
- Department of Transportation Municipal Aid – 15-480-078-6320-AL5-6010
- Department of Transportation Urban Aid – 15-480-078-6320-AL2-6010

Condition: The City failed to provide proof of on-site interviews HUD-11 for the interviews conducted for the Davis Bacon Inspection.

Criteria: In accordance with HUD handbook 1344.1 Rev 2, Chapter 5, Section 5-8 (c) Subsection (3) (4), inspector shall ensure that all of the information requested on the HUD-11 interview form is complete and accurately reflects the project identification, date of interview and employee statements.

Cause: The City did not do on-site visits and therefore could not provide interview documentation.

Effect: Failure to conduct on-site interviews will make it unknown if workers are paid the correct salary.

Recommendation: The City must provide on-site inspection documentation for all future on-site inspections.

Views of Responsible Officials of the City:

An employee of the City will be assigned the responsibility of conducting the required interviews.

CITY OF BAYONNE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

Status of Prior Year Findings

(This section identifies the status of prior-year audit findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 4 of Government Auditing Standards, 2 CFR 200.516(a) and New Jersey OMB Circular 15-08.)

Finding FS2014-001

Financial Statement Finding

Condition: The City's Schedule of Federal and State Grants Receivable (Exhibit A-22) and Schedule of Reserves for Federal and State Grants - Appropriated (Exhibit A-23) 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 2015-001.

Finding 2014-002

Federal Awards and State Financial Assistance Finding

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

Current Year Status: Law Enforcement Officials as part of an ongoing investigation have taken possession of the 2012 and 2013 financial records maintained by the Community Development Department and still have not returned them, therefore the finding still exists. The City did hire a new employee to be responsible for integrating Community Development into their financial accounting system during 2015, however, this finding remains in the current year as Finding 2015-003.

CITY OF BAYONNE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

Status of Prior Year Findings

Finding 2014-003

Federal Awards and State Financial Assistance Finding

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.

Current Year Status: This finding has been corrected.

Finding 2014-004

Federal Awards and State Financial Assistance Finding

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.

Current Year Status: This finding remains in the current year as Finding 2015-004.

Finding 2014-005

Federal Awards and State Financial Assistance Finding

Condition: The City did not submit quarterly reports for Fiscal Year 2012, 2013, or 2014.

Current Year Status: This finding remains in the current year as Finding 2015-005.

Finding 2014-006

Federal Awards and State Financial Assistance Finding

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

Current Year Status: This finding has been corrected.

CITY OF BAYONNE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

Status of Prior Year Findings

Finding 2014-007

Federal Awards and State Financial Assistance Finding

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.

Current Year Status: This finding remains in the current year as Finding 2015-006.

Finding 2014-008

Federal Awards and State Financial Assistance Finding

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

Current Year Status: This finding has been corrected.

Finding 2014-009

Federal Awards and State Financial Assistance Finding

Condition: The City did not file semi-annual Davis-Bacon HUD 4710 report in a timely manner.

Current Year Status: This finding has been corrected.

Finding 2014-010

Federal Awards and State Financial Assistance Finding

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

Current Year Status: This finding remains in the current year as Finding 2015-007.

CITY OF BAYONNE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

Status of Prior Year Findings

Finding 2012-003

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.

Current Year Status: The Department of Housing and Urban Development (HUD) has not issued a management decision or cleared/closed the 2012 program year. This finding will remain until all prior year audits are certified with the Federal Audit Clearinghouse and HUD issues their final management decision.

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,												
2015	\$ 30,183,910	\$ 6,502,239	\$ 43,964,770	\$ 9,143,240	\$ 14,202,145	\$ 120,000	\$ 2,471,953	\$ 60,202	\$ -	\$ 23,162,030	\$ 2,600,000	\$ 132,410,489
2014	31,461,931	6,738,300	44,263,000	8,992,500	13,719,650	120,000	20,197,439	65,860	200,000	23,071,030	2,720,000	151,549,710
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

(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,									
2015	\$ 82,393,735	\$ 40,182	\$ 10,374,610	\$ 8,829,801	\$ -	\$ 2,126,416	\$ 28,618,678	\$ 2,185,917	\$ 134,569,339
2014	79,952,344	68,683	10,286,681	9,032,464	120,000	19,649,276	34,405,006	2,335,803	155,850,257
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

(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, 2015 AND 2014

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

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	Amount	Percent	Amount	Percent
Revenue and Other Income Realized:				
Miscellaneous Revenue Anticipated	\$ 43,588,535	19.44%	\$ 58,659,287	25.29%
Receipts from Delinquent Taxes	40,182	0.02%	68,683	0.03%
Receipts from Current Taxes	171,699,645	76.56%	167,331,053	72.14%
Miscellaneous Revenue Not Anticipated	2,125,715	0.95%	2,269,943	0.98%
Other Credits to Income	6,802,649	3.03%	3,622,476	1.56%
	<u>224,256,726</u>	<u>100.00%</u>	<u>231,951,442</u>	<u>100.00%</u>
Expenditures:				
Budget Appropriations School, County and Special Improvement	132,102,526	58.96%	151,456,260	62.23%
District Taxes	89,305,910	39.86%	87,378,709	35.90%
Other Charges	2,635,536	1.18%	4,530,563	1.86%
	<u>224,043,972</u>	<u>100.00%</u>	<u>243,365,532</u>	<u>100.00%</u>
Change in Operations, Net of Surplus Utilized	212,754		(11,414,090)	
Fund Balance, Beginning of Year	<u>5,067,253</u>		<u>16,481,343</u>	
Fund Balance, December 31	<u>\$ 5,280,007</u>		<u>\$ 5,067,253</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, 2015	7.674	3.206	1.300	3.168
Dec. 31, 2014	7.445	3.064	1.243	3.138
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

* 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, 2015	\$ 654,855	\$ 748,057	\$ 1,402,912	0.83%
Dec. 31, 2014	617,705	841,686	1,459,391	0.88%
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%

**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, 2015	\$ 169,948,441	\$ 169,099,645	99.50%
Dec. 31, 2014	166,250,146	164,611,053	99.01%
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%

Table 7

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

<u>As of</u>	<u>Amount</u>
Dec. 31, 2015	\$ 6,474,000
Dec. 31, 2014	6,474,000
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

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, 2015	\$ 2,210,569,308	\$ 5,371,056,108	41.16%
Dec. 31, 2014	2,221,521,136	5,132,936,258	43.28%
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%

Table 9

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

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

Year Ended	Debt Service Requirement		Total Budget (1) Appropriations	Ratio of Debt Service to		Total Realized Budget Revenue	Ratio of Debt Service to Current Fund Revenue
	Principal	Interest		Current Fund Expenditures	Budget Revenue		
Dec. 31,							
2015	\$ 12,804,897	\$ 10,357,133	23,162,030	132,410,489	17.49 %	\$ 132,443,624	17.49%
2014	11,718,115	11,352,915	23,071,030	151,456,260	15.23 %	153,580,314	15.02%
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%

* 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, 2015**

COMPUTATION OF LEGAL DEBT MARGIN AND OVERLAPPING DEBT

Average Equalized Valuation	<u>\$ 5,230,842,993</u>
Debt Limit - 3 1/2% of Average Equalized Valuation	\$ 183,079,505
Net Debt	<u>160,278,244</u>
Remaining Borrowing Power / Debt Margin	<u>\$ 22,801,261</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 79,196,805	\$ 79,196,805	\$ -
Self-Liquidating Purposes	2,855,000	2,855,000	-
Municipal Debt	<u>176,599,750</u>	<u>16,321,506</u>	<u>160,278,244</u>
Total	<u>\$ 258,651,555</u>	<u>\$ 98,373,311</u>	<u>\$ 160,278,244</u>

Overlapping Debt (Gross):	
County of Hudson (December 31, 2015)	\$ 107,694,280
Hudson County Improvement Authority (December 31, 2015)	46,291,489
Bayonne Municipal Utilities Authority (December 31, 2015)	<u>17,875</u>
	<u>\$ 154,003,643</u>

Table 11

CITY OF BAYONNE
STATISTICAL SECTION (UNAUDITED)

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

Year Ended June 30,	Population	Average Equalized Valuation	Gross Debt	Gross Debt Per Capita	Ratio of Gross Debt to		Net Debt	Net Debt Per Capita	Ratio of Net Debt to Equalized Valuation
					Equalized Valuation	Debt			
Dec. 31,									
2015	63,024	\$ 5,230,842,993	\$ 258,651,555	\$ 4,104	4.94%	\$ 160,278,244	\$ 2,543	3.06%	
2014	63,024	5,206,569,374	271,662,611	4,310	5.22%	156,469,222	2,483	3.01%	
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%	

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
2015	6.5	5.3	5.6
2014	7.3	6.5	6.6
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

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

GENERAL SECTION

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2015

**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 \$40,000. The City has appointed a Qualified Purchasing Agent and has passed a resolution raising its bid threshold to the maximum allowable amount of \$40,000.

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 \$40,000 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, 2015

**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:

- Emergency Medical Services
- Emergency Medical dispatch Services
- Sports field lighting installation
- 2015 NJDOT and CDBG paving project
- Collection of Solid Waste
- ADA compliant playground equipment
- Collection of Recycling
- Improvements to Ice rink
- Snow removal
- Rock Salt
- Animal Control Services
- 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 \$40,000, "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
GENERAL COMMENTS**

DECEMBER 31, 2015

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)

- Chain Link Fence
- Fire Department equipment
- Electric equipment and supplies
- Radios and equipment-Police department
- Oil and fuel for municipal vehicles
- Food and agriculture products
- Automobile maintenance and equipment

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:

- Lead based paint inspections/risk assessments
- Professional planning, engineering, and traffic engineering services
- Animal cruelty investigator
- Redevelopment/Land Use attorney
- Bond counsel/special counsel
- Engineering services
- Discounted vision care network
- Environmental services
- Various Engineering Services
- Auditor
- Licensed insurance broker services and products

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;

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2015

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

- N.J.S.A. 40A:11-5.1(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.

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:

NONE

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2015

**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 \$6,000 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.

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:

**CITY OF BAYONNE
GENERAL COMMENTS**

DECEMBER 31, 2015

DELINQUENT TAXES AND TAX TITLE LIENS (continued)

<u>Year Ended</u>	<u>Number of Liens</u>
Dec. 31, 2015	11
Dec. 31, 2014	11
Dec. 31, 2013	11
Dec. 31, 2012	11
Dec. 31, 2011	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 2016 budget the following change orders which exceeded 20% of the originally awarded contract during 2015:

NONE

**CITY OF BAYONNE
COMMENTS AND RECOMMENDATIONS**

DECEMBER 31, 2015

FINDING 1: There are reserves in the City’s Current Fund which have been inactive for several years. The table below indicates \$22,403 of the \$3,528,527 reserved has had no activity in four years or more.

<u>Years Since Last Activity</u>	<u>Year of Last Activity</u>	<u>Reserve for Other</u>
1 or less	CY 2015	\$ 2,941,124
2	CY 2014	342,507
3	CY 2013	222,493
4	CY 2012	-
5	TY 2011 / FY 2011	-
6 and more	Prior to FY 2011	22,403
		<u>\$ 3,528,527</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: The City’s fixed assets inventory was not update for the 2015 year.

Recommendation: The City should 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, 2015

FINDING 4: During expenditure testing, there were many Business Registration Certificates (BRC's) unavailable for review and many instances where purchase orders were dated after the invoice date. This finding is repeated from the prior year.

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

FINDING 5: During payroll testing, there were forty-four instances where voluntary deduction documentation was not available for review and nine instances where employee W-4 forms were not available for review. This this finding is repeated from the prior year.

Recommendation: The City should keep all voluntary deduction documentation and W-4 forms in each employees personnel file. Archiving these documents makes it difficult to verify during audit procedures.

FINDING 6: The City's departments do not reconcile their permits/licenses issued with the tax collectors monthly cash report. This finding is repeated from the prior year.

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 7: During 1099/W-9 testing, there were 46 out of 60 W-9 forms were not available for review. This finding is repeated from the prior year

Recommendation: The City should maintain all 1099's and W-9 forms on file.

FINDING 8: Not all trust reserves have Division of Local Government Services approval.

Recommendation: The City should prepare dedication by rider resolutions for each trust reserve account.

FINDING 9: The Police Department does not turn over deposits to the Tax Collector on a timely basis. This finding is repeated from the prior year.

Recommendation: As required by N.J.S.A 40A:5-15, all funds collected must be deposited within 48 hours of receipt.

**CITY OF BAYONNE
COMMENTS AND RECOMMENDATIONS**

DECEMBER 31, 2015

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*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and N.J. OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*
