

BOROUGH OF HAWTHORNE
PASSAIC COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2008

BOROUGH OF HAWTHORNE

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BOROUGH OF HAWTHORNE

COUNTY OF PASSAIC

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2008

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Hawthorne
Hawthorne, New Jersey

We have audited the accompanying balance sheets - statutory basis of the various funds and account group of the Borough of Hawthorne as of December 31, 2008 and 2007 and the related statements of operations and changes in fund balance - statutory basis for the years then ended and the related statement of revenues - statutory basis and statement of expenditures - statutory basis of the various funds for the year ended December 31, 2008. These financial statements are the responsibility of the Borough of Hawthorne's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Hawthorne's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Borough has prepared these financial statements using accounting practices that demonstrate compliance with the statutory basis of accounting and budget laws prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. In addition, the financial statements of the Length of Service Awards Program (LOSAP) Fund have not been audited, and we were not required by the Division of Local Government Services to audit nor were we engaged to audit the LOSAP Fund financial statements as part of our audit of the Borough's financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Fund, and represent 32 percent and 33 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2008 and 2007.

INDEPENDENT AUDITORS' REPORT (Continued)

In our opinion, because of the effects of the Borough preparing its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Hawthorne as of December 31, 2008 and 2007, or the changes in its financial position, or, where applicable, its cash flows for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited, the financial statements - statutory basis referred to above present fairly, in all material respects, the financial position - statutory basis of the various funds and account group of the Borough of Hawthorne as of December 31, 2008 and 2007 and the results of operations and changes in fund balance - statutory basis of such funds for the years then ended and the statement of revenues - statutory basis and the statement of expenditures - statutory basis of the various funds for the year ended December 31, 2008 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 23, 2009 on our consideration of the Borough of Hawthorne's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Hawthorne. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Hawthorne. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been necessary had the LOSAP Fund financial statements been audited, is fairly stated, in all material respects, in relation to the financial statements taken as a whole on the basis of accounting described in Note 1.

Lerch, Vinci & Higgins, LLP
LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429

Fair Lawn, New Jersey
July 23, 2009

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2008 AND 2007

ASSETS	<u>Reference</u>	<u>2008</u>	<u>2007</u>
Cash	A-4	\$ 12,145,122	\$ 11,577,318
Cash - Change Funds	A-5	310	460
Grants Receivable	A-12	<u>237,537</u>	<u>248,443</u>
		<u>12,382,969</u>	<u>11,826,221</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-8	778,206	712,648
Tax Title Liens Receivable	A-9	650,653	596,094
Property Acquired for Taxes	A-10	34,980	34,980
Revenue Accounts Receivable	A-11	25,485	19,116
Due from General Capital Fund	C-12	<u>83,777</u>	<u>79,989</u>
		<u>1,573,101</u>	<u>1,442,827</u>
Deferred Charges			
Emergency Authorization	A-13	<u>7,785</u>	<u>70,000</u>
Total Assets		<u>\$ 13,963,855</u>	<u>\$ 13,339,048</u>

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS - CURRENT FUND
CURRENT FUND
AS OF DECEMBER 31, 2008 AND 2007

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2008</u>	<u>2007</u>
Appropriation Reserves	A-3,A-14	\$ 235,657	\$ 190,251
Encumbrances Payable	A-15	906,933	1,243,571
Accounts Payable	A-16	297,577	29,312
Prepaid Taxes	A-17	206,545	205,790
Tax Overpayments	A-18	1,244	1,771
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-7	56,195	55,468
Fees Payable	A-19	15,011	29,724
County Taxes Payable	A-21	90,193	89,797
Local District School Taxes Payable	A-22	6,513,945	5,863,515
Unappropriated Reserves for Grants	A-23	5,507	3,438
Appropriated Reserves for Grants	A-24	120,295	146,512
Reserve for UCC Dedicated Revenues	A-25	116,728	218,337
Reserve for Tax Appeals	A-26	63,382	100,000
Due to Length of Service Award Program Fund	B	161,295	141,629
Due to Assessment Trust Fund	B-7	79,139	78,958
Due to Animal Control Trust Fund	B-11	31	14
Due to Public Assistance Trust Fund	E-5	271	243
Due to Other Trust Fund	B-21	<u>16,446</u>	<u>15,571</u>
		8,886,394	8,413,901
Reserve for Receivables	A	1,573,101	1,442,827
Fund Balance	A-1	<u>3,504,360</u>	<u>3,482,320</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 13,963,855</u>	 <u>\$ 13,339,048</u>

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
STATUTORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

REVENUE AND OTHER INCOME REALIZED	<u>Reference</u>	<u>2008</u>	<u>2007</u>
Fund Balance Utilized	A-2	\$ 1,558,500	\$ 1,361,000
Miscellaneous Revenue Anticipated	A-2	4,079,713	4,858,740
Receipts from Delinquent Taxes	A-2	710,511	525,220
Receipts from Current Taxes	A-2	54,837,111	51,867,831
Non-Budget Revenue	A-2	348,708	274,393
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-14	366,619	488,124
Accounts Payable Cancelled	A-16	27,244	25,314
Interfunds Liquidated	A-1	-	570
		<u>61,928,406</u>	<u>59,401,192</u>
 EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,406,180	6,346,855
Other Expenses	A-3	7,865,372	7,544,501
Municipal Debt Service	A-3	1,740,047	1,838,171
Deferred Charges and Statutory Expenditures	A-3	332,960	311,390
Capital Improvements	A-3	448,500	261,000
County Taxes	A-21	13,880,232	12,792,879
Due County for Added and Omitted Taxes	A-21	90,193	89,876
Local District School Tax	A-22	29,574,279	28,276,801
Interfunds Originating	A	83,186	79,989
Grants Receivable Cancelled	A-12	10,058	55,000
Refund of Prior Year Taxes/Revenue	A-4	9,644	59,410
		<u>60,440,651</u>	<u>57,655,872</u>
Excess in Revenue		1,487,755	1,745,320
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-13	7,785	70,000
Expenditures Included Above Which were Funded			
by Bond Ordinance	A-13	85,000	-
Statutory Excess to Fund Balance		1,580,540	1,815,320
FUND BALANCE, JANUARY 1	A	<u>3,482,320</u>	<u>3,028,000</u>
		5,062,860	4,843,320
Decreased by:			
Utilized as Anticipated Revenue	A-1,A-2	<u>1,558,500</u>	<u>1,361,000</u>
FUND BALANCE, DECEMBER 31	A	<u>\$ 3,504,360</u>	<u>\$ 3,482,320</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Reference	Budget	Anticipated Added by N.J.S. 40A:4-87	Realized	Excess or (Deficit)
FUND BALANCE ANTICIPATED	A-1	\$ 1,558,500	-	\$ 1,558,500	-
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-11	40,000		40,450	\$ 450
Other	A-2	18,000		16,207	(1,793)
Fees and Permits	A-2	124,000		107,369	(16,631)
Fines and Costs					
Municipal Court	A-11	270,000		326,258	56,258
Interest and Costs on Taxes	A-2	97,000		158,858	61,858
Interest on Investments and Deposits	A-2	300,000		299,456	(544)
Swimming Pool Admission Fees	A-11	123,000		124,605	1,605
Energy Receipts Taxes	A-11	1,385,102		1,385,102	
Consolidated Municipal Property Tax					
Relief Aid	A-11	499,568		507,956	8,388
Rentals - Board of Education	A-11	20,000		25,000	5,000
Rentals - Cellular Phone	A-11	170,000		168,533	(1,467)
Sewer Charges	A-11	31,000		38,910	7,910
Cable Television Franchise Fees	A-11	58,000		62,378	4,378
Commuter Parking	A-11	30,000		39,226	9,226
Uniform Construction Code Fees	A-11	216,824		210,814	(6,010)
Reserve for UCC Dedicated Revenues	A-25	101,609		101,609	
State and Federal Revenues Offset With					
Appropriations					
Municipal Alliance Program	A-12	25,700	\$ 5,000	30,700	
Alcohol Education and Rehabilitation Fund	A-12		375	375	
Reserve for Police Body Armor Grant	A-23	3,438		3,438	
Emergency Management Grant	A-12	5,000		5,000	
Clean Communities Program	A-12	19,148		19,148	
Click It or Ticket	A-12		4,000	4,000	
Speed Enforcement Grant	A-12		4,000	4,000	
Drunk Driving Enforcement Fund	A-12		1,189	1,189	
Special Items of General Revenue Anticipated					
With Prior Written Consent of Dir. of Local Government Services					
Uniform Fire Safety Act - Life Hazard					
Use Fee Payments	A-11	35,130		44,934	9,804
Utility Operating Surplus of Prior Year	A-4	145,000		145,000	
Reserve for Payment of Debt Service	A-4	125,000		125,000	
Interfund - Due from General Capital Fund	A-4	79,398		79,398	
Trust Assessment Fund Balance	A-4	4,800	-	4,800	-
Total Miscellaneous Revenues	A-1	3,926,717	14,564	4,079,713	138,432

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Reference</u>	<u>Budget</u>	<u>Anticipated</u> Added by N.J.S. 40A:4-87	<u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
RECEIPTS FROM DELINQUENT TAXES	A-1,A-8	\$ 600,000	-	\$ 710,511	\$ 110,511
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes					
Including Reserve for Uncollected Taxes	A-1,A-2	11,889,342	-	12,559,407	670,065
		<u>\$ 17,974,559</u>	<u>\$ 14,564</u>	18,908,131	<u>\$ 919,008</u>
	<u>Reference</u>	A-3	A-3		
Non-Budget Revenues	A-1,A-2			348,708	
				<u>\$ 19,256,839</u>	

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Reference</u>	<u>Realized</u>
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue From Collections	A-1,A-8	\$ 54,837,111
Allocated to		
Local School and County Taxes	A-21,A-22	<u>43,544,704</u>
		11,292,407
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,267,000</u>
	A-2	<u>\$ 12,559,407</u>
Licenses - Other		
Borough Clerk	A-11	\$ 11,445
Board of Health	A-11	<u>4,762</u>
	A-2	<u>\$ 16,207</u>
Fees and Permits		
Police Department	A-11	\$ 4,569
Board of Health/Registrar of Vital Statistics	A-11	34,136
Public Works Department	A-11	5,065
Planning Board	A-11	650
Zoning Board of Adjustment	A-11	2,700
Fire Prevention	A-11	35,034
Building Department	A-11	<u>25,215</u>
	A-2	<u>\$ 107,369</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-11	\$ 266,359
Due from General Capital Fund	C-12	18,521
Due from Assessment Trust Fund	B-7	1,706
Due from Animal Control Trust Fund	B-11	361
Due from Other Trust Fund	B-21	12,258
Due from Public Assistance Fund	E-5	<u>251</u>
	A-2	<u>\$ 299,456</u>
Interest and Costs on Taxes		
Revenue Accounts Receivable	A-11	\$ 153,311
Due from Assessment Trust Fund	B-7	<u>5,547</u>
	A-2	<u>\$ 158,858</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Reference</u>	<u>Realized</u>
Non-Budget Revenues		
Insurance Dividends		\$ 102,794
Recreation		23,427
Administrative Fee - Off Duty Police		98,763
Insurance Claims-Prior Year Expenses		8,132
Prospect Park Library Fees		14,200
Copies, Maps and List		6,354
Sprint Co-Location Fees - Prior Year		43,552
Administrative Fee - Senior Citizens/Veterans' Deductions		4,028
Sale of Municipal Assets		2,665
Tax Searches / Duplicate Tax Bills		990
Division of Motor Vehicle Fees		14,456
Other Miscellaneous		<u>29,347</u>
	A-1,A-4	<u>\$ 348,708</u>

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Budget After</u>	<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>\$</u>	<u>Modification</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>Charged</u>	<u>\$</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"						
General Government						
Administrative and Executive						
Administration						
Salaries and Wages		142,999	145,999	144,122	1,877	
Other Expenses		10,295	12,295	10,009	2,286	
Other Expenses - Postage		24,000	24,000	24,000		
Mayor and Council						
Salaries and Wages		36,500	36,500	34,118	2,382	
Other Expenses		3,285	3,285	2,478	807	
Municipal Clerk						
Salaries and Wages		105,924	110,924	108,570	2,354	
Other Expenses		28,576	28,576	27,285	1,291	
Financial Administration						
Salaries and Wages		146,364	146,364	146,363	1	
Other Expenses		17,160	17,160	17,160		
Audit Services						
Other Expenses		29,000	29,000	29,000		
Revenue Administration						
Salaries and Wages		69,404	69,404	69,404		
Other Expenses		13,370	13,370	13,370		
Tax Assessment Administration						
Salaries and Wages		73,710	73,710	73,154	556	
Other Expenses		28,140	28,140	28,133	7	
Legal Services and Costs						
Salaries and Wages		33,564	33,564	33,564		
Other Expenses		50,625	55,625	55,625		
Engineering Services						
Other Expenses		74,440	79,440	79,440		
Future of Hawthorne		2,500	2,500	55	2,445	
Land Use Administration NJSA 40:55D-1						
Planning Board						
Salaries and Wages		22,030	22,030	22,030		
Other Expenses		928	928	741	187	

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Budget After Modification</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>			<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS" (Cont'd)						
Zoning Board of Adjustments						
Salaries and Wages	\$ 19,818	\$ 19,818	\$ 19,818	\$ 19,818		
Other Expenses	1,315	1,315	1,315	1,216	\$ 99	
Public Safety						
Police						
Salaries and Wages	3,235,603	3,180,603	3,174,869	5,734		
Other Expenses	89,306	89,306	89,306			
Police Dispatchers	135,323	135,323	133,502	1,821		
Occupational Safety Health Act (NJS 40A:4-45.3)						
Salaries and Wages	24,616	24,616	24,616			
Other Expenses	25,170	25,170	25,044	126		
Emergency Management Services						
Salaries and Wages	2,000	2,000	2,000			
Other Expenses	6,800	6,800	5,244	1,556		
Ambulance Corps						
Other Expenses	4,320	4,320	3,780	540		
Domestic Violence Response						
Other Expenses	1,400	1,400	1,396	4		
Fire						
Salaries and Wages	17,926	17,926	15,638	2,288		
Other Expenses - Miscellaneous	151,504	151,504	151,478	26		
Other Expenses - Fire Hydrant Service	89,100	89,100	89,100			
Uniform Fire Safety						
Salaries and Wages	103,791	103,791	100,625	3,166		
Other Expenses	5,412	5,412	4,737	675		
Municipal Court						
Salaries and Wages	118,333	118,333	116,394	1,939		
Other Expenses	12,303	12,303	12,035	268		
Prosecutor Salaries and Wages	21,425	21,425	21,425			
Public Defender	3,600	3,600	3,300	300		
Public Works						
Road Repair and Maintenance						
Salaries and Wages	714,616	714,616	714,616			
Other Expenses	106,390	146,390	144,880	1,510		

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS WITHIN "CAPS" (Cont'd)					
Public Works (Continued)					
Sewer System Maintenance					
Salaries and Wages	\$ 148,389	\$ 148,389	\$ 148,389		
Other Expenses	48,735	71,735	63,932	\$ 7,803	
Shade Tree Commission					
Salaries and Wages	17,581	17,581	15,136	2,445	
Other Expenses	37,195	37,195	37,195		
Solid Waste Collection					
Salaries and Wages - Recycling	193,936	193,936	193,936		
Other Expenses - Recycling	324,095	314,095	301,685	12,410	
Other Expenses - Garbage Removal - Contractual	382,600	382,600	382,600		
Buildings and Grounds					
Salaries and Wages	83,342	68,842	68,842		
Other Expenses	68,539	68,539	68,359	180	
Maintenance of Parks					
Other Expenses	19,900	19,900	19,899	1	
Vehicle Maintenance					
Other Expenses	152,128	172,128	158,189	13,939	
Community Services Act (Municipal Svcs. For Condo)					
Other Expenses	38,000	38,000	38,000		
Health and Human Services					
Board of Health					
Salaries and Wages	89,349	97,349	96,590	759	
Other Expenses	20,643	20,643	17,198	3,445	
Environmental Commission					
Other Expenses	2,320	2,320	2,196	124	
Animal Control Services					
Other Expenses	10,000	10,000	10,000		

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Budget After Modification</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>			<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS" (Cont'd)						
Health and Human Services (Continued)						
Board of Recreation						
Salaries and Wages	\$ 60,616	\$	60,616	\$ 57,387	\$	3,229
Other Expenses	72,745		72,745	72,654		91
Swimming Pool						
Salaries and Wages	90,000		97,785	97,785		
Other Expenses	25,415		29,915	24,858		5,057
Other Common Operating Functions						
Committee on Disability Issues						
Other Expenses	100		100			100
Celebration of Public Events						
Other Expenses	17,770		17,770	16,198		1,572
Bond Fees						
Other Expenses	9,921		9,921	9,058		863
Computerized Data Processing	24,280		24,280	24,280		
Code Enforcement and Administration						
Uniform Construction Code Enforcement Functions						
Building Inspector						
Salaries and Wages	158,897		158,897	155,430		3,467
Other Expenses	159,536		159,536	158,673		863
Property Code Enforcement Functions						
Salaries and Wages	55,534		55,534	44,034		11,500
Other Expenses	3,951		3,951	3,176		775

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Budget After Modification</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>			<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS" (Cont'd)						
Unclassified						
Utilities Expenses and Bulk Purchases						
Electricity	\$ 223,000	\$	223,000	\$ 221,768	\$ 1,232	
Street Lighting	146,000		146,000	146,000		
Telephone	69,000		69,000	69,000		
Gasoline	173,000		173,000	171,577	1,423	
Insurance						
General Insurance	165,800		165,800	165,800		
Worker's Compensation Insurance	115,000		115,000	115,000		
Group Insurance for Employees	1,463,500		1,437,500	1,435,750	1,750	
Landfill/Solid Waste Disposal Costs						
Dumping Fees	583,500		573,500	573,500		
Contingent	2,000		2,000	-	2,000	
Total Operations Within "CAPS"	11,059,202		11,066,987	10,957,714	109,273	
Detail:						
Salaries and Wages	5,900,165		5,854,450	5,810,932	43,518	
Other Expenses	5,159,037		5,212,537	5,146,782	65,755	
Deferred Charges and Statutory Expenditures -						
Municipal Within "CAPS"						
Statutory Charges						
Social Security System (O.A.S.I.)	249,400		249,400	249,400		
CPPPF Pension Adjustment	13,560		13,560	13,559	1	
Total Deferred Charges and Statutory Expenditures -	262,960		262,960	262,959	1	
Municipal Within "CAPS"						
Total General Appropriations for Municipal Purposes Within "CAPS"	11,322,162		11,329,947	11,220,673	109,274	

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Length of Service Award Program (LOSAP)	\$ 105,000	\$ 105,000	\$ 105,000		
Public Employees' Retirement System (PERS)	152,172	152,172	152,171	\$ 1	
Police and Fireman's Retirement System (PFRS)	687,922	687,922	687,922		
Recycling Tax	17,050	17,050	13,962	3,088	
Planning Board					
Other Expenses - Affordable Housing (Fair Share)	5,000	5,000	5,000		
Educational Functions					
Maintenance of Free Public Library					
Salaries and Wages	551,730	551,730	551,730		
Other Expenses - Contribution	246,837	246,837	246,837		
Other Expenses - Other Costs	347,400	347,400	347,400		
Sewer Processing and Disposal					
Other Expenses - Passaic Valley Sewer Rental	976,178	976,178	976,177	1	
Other Expenses - Glen Rock, Prospect Park and N.Haledon	23,000	23,000	22,561	439	
NJPDES Stormwater Permits	18,000	18,000	17,956	44	
Total Other Operations Excluded from "CAPS"	3,130,289	3,130,289	3,126,716	3,573	-

**BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS" (Continued)					
Public and Private Programs Offset by Revenues (Continued)					
Municipal Alliance	\$ 32,126	\$ 37,126	\$ 35,178	\$ 1,948	
Emergency Management Grant	5,000	5,000	177	4,823	
Click or Ticket grant		4,000	4,000		
Alcohol Rehab Grant		375		375	
Drunk Driving Enforcement		1,189	400	789	
S/A Drive Enforce		4,000	4,000		
Police Body Armor Grant	3,438	3,438	2,404	1,034	
Clean Communities Program					
Salaries and Wages	5,000	5,000		5,000	
Other Expenses	14,148	14,148	13,275	873	
Total Public and Private Programs Offset by Revenues	59,712	74,276	59,434	14,842	-
Total Operations Excluded from "CAPS"	3,190,001	3,204,565	3,186,150	18,415	-
Detail:					
Salaries and Wages	551,730	551,730	551,730	-	
Other Expenses	2,638,271	2,652,835	2,634,420	18,415	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	100,000	100,000	100,000		
Repairs to Sicomac Pump Station		85,000		85,000	
Road DPT Sander	24,000	24,000	16,626	7,374	
Muni Building Roof	40,000	40,000	28,518	11,482	
Sewer Muffin Monster	23,500	23,500	23,500		
Non Box Sander	18,000	18,000	14,951	3,049	
Topcoat Thomas Right	35,000	35,000	35,000		
Shower	7,500	7,500	7,500		
Truckwash Station	50,000	50,000	50,000		

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS" (Continued)					
Scada System Upgrade	\$ 18,000	\$ 18,000	\$ 18,000		
Muni Bldg HVAC Ph II	30,000	30,000	30,000		
Summit & Prospect	10,000	10,000	10,000		
Fire Rescue Boat	7,500	7,500	6,437	\$ 1,063	-
Total Capital Improvements - Excluded from "CAPS"	<u>363,500</u>	<u>448,500</u>	<u>340,532</u>	<u>107,968</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	835,000	835,000	835,000		
Interest on Bonds	438,623	438,623	438,622		\$ 1
Interest on Notes	91,950	91,950	90,225		1,725
Payment of EDA Loan	12,950	12,950	12,950		
Payment of NJEIT Loan	383,373	383,373	363,250		20,123
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,761,896</u>	<u>1,761,896</u>	<u>1,740,047</u>	<u>-</u>	<u>21,849</u>
DEFERRED CHARGES EXCLUDED FROM "CAPS"					
Emergency Authorization	70,000	70,000	70,000		
Total Deferred Charges Excluded from "CAPS"	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations Excluded from "CAPS"	<u>5,385,397</u>	<u>5,484,961</u>	<u>5,336,729</u>	<u>126,383</u>	<u>21,849</u>
Subtotal General Appropriations	16,707,559	16,814,908	16,557,402	235,657	21,849
Reserve for Uncollected Taxes	1,267,000	1,267,000	1,267,000	-	-
Total General Appropriations	<u>\$ 17,974,559</u>	<u>\$ 18,081,908</u>	<u>\$ 17,824,402</u>	<u>\$ 235,657</u>	<u>\$ 21,849</u>
	A-2	A-3	A-1	A-1	A,A-1

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Reference</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>
Budget as Adopted	A-2	\$ 17,974,559	
Added by N.J.S. 40A:4-87	A-2	14,564	
Emergency Appropriation	A-13	<u>92,785</u>	
		<u>\$ 18,081,908</u>	
Cash Disbursed	A-4		\$ 15,475,469
Encumbrances Payable	A-15		906,933
Due to Length of Service Award Program Fund	B		105,000
Deferred Charge - Emergency Authorization	A-13		70,000
Reserve for Uncollected Taxes	A-2		<u>1,267,000</u>
			<u>\$ 17,824,402</u>

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2008 AND 2007

ASSETS	<u>Reference</u>	<u>2008</u>	<u>2007</u>
ASSESSMENT TRUST FUND			
Cash	B-2, B-3	\$ 122,068	\$ 107,214
Due From Current Fund	B-7	79,139	78,958
Assessments Receivable	B-4	136,233	156,068
Assessment Liens	B-5	10,331	10,331
Assessment Lien Interest and Cost	B-6	2,743	2,743
Prospective Assessments Funded	B-9	<u>40,800</u>	<u>40,800</u>
		<u>391,314</u>	<u>396,114</u>
ANIMAL CONTROL FUND			
Cash	B-2	20,628	16,142
Due From Current Fund	B-11	<u>31</u>	<u>14</u>
		<u>20,659</u>	<u>16,156</u>
OTHER TRUST FUND			
Cash	B-2	1,144,305	1,081,640
Due from Current Fund	B-21	<u>16,446</u>	<u>15,571</u>
		<u>1,160,751</u>	<u>1,097,211</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investments	B-2	574,449	617,199
Due From Current Fund	A	<u>161,295</u>	<u>141,629</u>
		<u>735,744</u>	<u>758,828</u>
 Total Assets		 <u>\$ 2,308,468</u>	 <u>\$ 2,268,309</u>

**BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2008 AND 2007**

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ASSESSMENT TRUST FUND			
Due to General Capital Fund	B-8	\$ 313,240	\$ 313,240
Reserve for			
Assessment and Liens	B-10	75,325	75,325
Assessment Lien Interest and Costs	B-6	2,743	2,743
Fund Balance	B-1	<u>6</u>	<u>4,806</u>
		<u>391,314</u>	<u>396,114</u>
ANIMAL CONTROL FUND			
Reserve for Animal Control Expenditures	B-12	<u>20,659</u>	<u>16,156</u>
OTHER TRUST FUND			
Escrow Deposits Payable	B-14	296,120	319,813
Reserve for Recycling Expenditures	B-15	270,619	190,212
Reserve for Unemployment Insurance Compensation	B-16	210,516	203,421
Payroll Deductions Payable	B-17	1,904	2,100
Reserve for Off-Duty Municipal Police Pay	B-18	31,186	74,367
Reserve for Municipal Alliance Program	B-19	12,164	12,705
Reserve for Tax Sale Premiums	B-20	83,000	25,700
Miscellaneous Reserves	B-22	253,841	268,893
Due to State of New Jersey - Unemployment Claims	B-23	<u>1,401</u>	<u>-</u>
		<u>1,160,751</u>	<u>1,097,211</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP Benefits	B	<u>735,744</u>	<u>758,828</u>
		<u>735,744</u>	<u>758,828</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 2,308,468</u>	 <u>\$ 2,268,309</u>

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - STATUTORY BASIS
ASSESSMENT TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
Balance, January 1,	B	\$ 4,806	\$ 19,384
Increased by:			
Collection of Unpledged Assessment and Liens	B-1	-	4,806
		4,806	24,190
Decreased by:			
Anticipated as Current Fund Budget Revenues	B-2	4,800	19,384
Balance, December 31,	B	<u>\$ 6</u>	<u>\$ 4,806</u>

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2008 AND 2007

ASSETS	<u>Reference</u>	<u>2008</u>	<u>2007</u>
Cash	C-2, C-3	\$ 484,979	\$ 1,727,894
Grants Receivable	C-4	107,597	177,877
Due from Trust Assessment Fund	C-5	313,240	313,240
NJ EIT Loan Proceeds Receivable	C-6	561,378	561,378
Prospective Assessments Raised by Taxation	C-7	8,000	
Deferred Charges to Future Taxation			
Funded	C-8	15,936,229	13,570,528
Unfunded	C-9	<u>1,664,330</u>	<u>3,626,157</u>
 Total Assets		 <u>\$ 19,075,753</u>	 <u>\$ 19,977,074</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds	C-15	\$ 13,280,000	\$ 10,605,000
NJ EIT Loans Payable	C-16	2,630,329	2,926,678
NJ EDA Loan Payable	C-17	25,900	38,850
Bond Anticipation Notes	C-14		3,605,000
Improvement Authorizations			
Funded	C-13	968,888	1,043,136
Unfunded	C-13	1,146,607	650,390
Capital Improvement Fund	C-10	146,963	140,463
Encumbrances Payable	C-11	268,705	475,497
Due to Current Fund	C-12	83,777	79,989
Reserve for Bond Sale Issuance Costs	C-18	21,401	6,584
Reserve for Payment of Debt	C-19	238,406	227,610
Reserve for Grant Receivable	C-4	107,597	177,877
Reserve for Prospective Assessments Raised by Taxation	C-7	8,000	
Fund Balance	C-1	<u>149,180</u>	<u>-</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 19,075,753</u>	 <u>\$ 19,977,074</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2008 and 2007 (Restated) of \$1,776,369 and \$338,576, respectively (See Exhibit C-20)

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE
STATUTORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
Balance, January 1,	C	-	\$ 119,511
Increased by:			
Premium on Serial Bonds	C-2	\$ 149,180	-
		149,180	119,511
Decreased by:			
Anticipated as Current Fund Budget Revenue	C-1	-	119,511
Balance, December 31,	C	<u>\$ 149,180</u>	<u>\$ -</u>

**BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2008 AND 2007**

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 278,498	\$ 433,457
Change Fund	D	<u>100</u>	<u>100</u>
		<u>278,598</u>	<u>433,557</u>
Receivables With Full Reserves			
Consumer Accounts Receivable	D-7	<u>254,638</u>	<u>275,684</u>
Total Operating Fund		<u>533,236</u>	<u>709,241</u>
CAPITAL FUND			
Cash	D-5, D-6	270,966	316,468
Due from Water Utility Operating Fund	D-8	563	61
Loan Proceeds Receivable	D-9	717,925	717,925
Fixed Capital	D-10	10,181,434	8,047,688
Fixed Capital Authorized and Uncompleted	D-11	<u>834,674</u>	<u>2,800,000</u>
Total Capital Fund		<u>12,005,562</u>	<u>11,882,142</u>
Total Assets		<u>\$ 12,538,798</u>	<u>\$ 12,591,383</u>

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2008 AND 2007

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4, D-13	\$ 5,396	\$ 1,200
Encumbrances Payable	D-14	179,924	157,711
Due to Water Utility Capital Fund	D-8	563	61
Water Overpayments	D-15	5,401	3,926
Accrued Interest on Bonds and Loans	D-12	<u>25,332</u>	<u>26,633</u>
		216,616	189,531
Reserve for Receivables	D	254,638	275,684
Fund Balance	D-1	<u>61,982</u>	<u>244,026</u>
 Total Operating Fund		 <u>533,236</u>	 <u>709,241</u>
CAPITAL FUND			
Serial Bonds Payable	D-22	623,000	668,000
Water Loans Payable	D-21	2,255,093	2,379,119
Improvement Authorizations			
Funded	D-20	834,428	764,428
Unfunded	D-20	246	246
Capital Improvement Fund	D-17	64,601	124,601
Reserve for Amortization	D-18	8,044,425	7,776,979
Deferred Reserve for Amortization	D-19	70,000	
Reserve for Payment of Debt	D-16	112,141	167,141
Fund Balance	D-2	<u>1,628</u>	<u>1,628</u>
 Total Capital Fund		 <u>12,005,562</u>	 <u>11,882,142</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 12,538,798</u>	 <u>\$ 12,591,383</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2008 and 2007 of \$23,590. (See Exhibit D-23).

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF OPERATIONS
AND CHANGES IN OPERATING FUND BALANCE -
STATUTORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-3	\$ 76,965	\$ 147,849
Water Rents	D-3	2,398,493	2,328,888
Fire Hydrant Service	D-3	92,250	89,100
Reserve for Payment of Debt	D-3	55,000	65,000
Miscellaneous	D-3	28,509	75,014
Non-Budget Revenue	D-3	3,148	6,684
Other Credits			
Unexpended Balance of Appropriation Reserves	D-13	<u>13,281</u>	<u>12,626</u>
Total Income		<u>2,667,646</u>	<u>2,725,161</u>
EXPENDITURES			
Operating	D-4	2,150,472	2,049,005
Capital Improvements	D-4	108,420	80,000
Debt Service	D-4	249,021	244,362
Deferred Charges and Statutory Expenditures	D-4	112,000	128,209
Refund of Prior Year Revenue	D-5	<u>7,812</u>	<u>-</u>
Total Expenditures		<u>2,627,725</u>	<u>2,501,576</u>
Statutory Excess to Fund Balance		39,921	223,585
FUND BALANCE, JANUARY 1	D	<u>244,026</u>	<u>297,290</u>
		283,947	520,875
Decreased by:			
Anticipated as Current Fund Revenue	A-2,D-5	145,000	129,000
Utilized as Anticipated Revenue	D-1,D-3	<u>76,965</u>	<u>147,849</u>
FUND BALANCE, DECEMBER 31	D	<u>\$ 61,982</u>	<u>\$ 244,026</u>

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - STATUTORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
Balance, January 1,	D	\$ <u>1,628</u>	\$ <u>1,628</u>
Balance, December 31,	D	\$ <u>1,628</u>	\$ <u>1,628</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF REVENUES - STATUTORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance	D-1	\$ 76,965	\$ 76,965	
Rents	D-1,D-7	2,328,888	2,398,493	\$ 69,605
Fire Hydrant Service	D-1,D-5	89,100	92,250	3,150
Reserve for Payment of Debt	D-1,D-5	55,000	55,000	
Miscellaneous	D-1,D-3	<u>75,000</u>	<u>28,509</u>	<u>(46,491)</u>
	D-4	<u>\$ 2,624,953</u>	2,651,217	<u>\$ 26,264</u>
Non-Budget Revenue	D-1,D-5		<u>3,148</u>	
			<u>\$ 2,654,365</u>	

Analysis of Realized Revenue

Miscellaneous				
Interest Earned on Investments	D-5		\$ 3,940	
Interest Due from Water Utility Capital Fund	D-8		4,229	
Interest and Costs on Delinquent Rents	D-5		13,440	
On/Off Charges	D-5		6,113	
Miscellaneous Fees and Charges	D-5		<u>787</u>	
	D-1		<u>\$ 28,509</u>	

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATING					
Salaries and Wages	\$ 1,031,374	\$ 1,001,374	\$ 1,001,049	\$ 325	
Other Expenses	744,098	774,098	769,754	4,344	
General Insurance	150,000	150,000	150,000		
Group Insurance for Employees	200,000	200,000	200,000		
Laboratory Testing and Safe					
Water Act	25,000	25,000	24,273	727	
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	10,000	10,000	10,000		
Capital Outlay	98,420	98,420	98,420		
DEBT SERVICE					
Payment of Bond Principal	45,000	45,000	45,000		
Interest on Bonds	26,627	26,627	26,627		
Water Supply Rehabilitation Loans	182,434	182,434	177,394		\$ 5,040
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Statutory Expenditures					
Contribution to:					
PERS	32,000	32,000	32,000		
Social Security System	80,000	80,000	80,000	-	-
	<u>\$ 2,624,953</u>	<u>\$ 2,624,953</u>	<u>\$ 2,614,517</u>	<u>\$ 5,396</u>	<u>\$ 5,040</u>
	<u>Reference</u>	<u>D-3</u>	<u>D-1</u>	<u>D,D-1</u>	
Cash Disbursed	D-5		\$ 2,354,598		
Encumbrances Payable	D-14		179,924		
Accrued Interest on Bonds and Loans	D-12		<u>79,995</u>		
			<u>\$ 2,614,517</u>		

**BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2008 AND 2007**

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Cash	E-1	\$ 18,767	\$ 16,645
Due from Current Fund	E-5	<u>271</u>	<u>243</u>
		<u>\$ 19,038</u>	<u>\$ 16,888</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Reserve for Public Assistance Expenditures	E-2	<u>\$ 19,038</u>	<u>\$ 16,888</u>
		<u>\$ 19,038</u>	<u>\$ 16,888</u>

**BOROUGH OF HAWTHORNE
BALANCE SHEET - STATUTORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Land	\$ 14,686,600	\$ 14,686,600
Buildings and Building Improvements	6,016,500	6,016,500
Machinery and Equipment	<u>10,157,237</u>	<u>10,189,913</u>
Total Assets	<u>\$ 30,860,337</u>	<u>\$ 30,893,013</u>
LIABILITIES		
Investment in General Fixed Assets	<u>\$ 30,860,337</u>	<u>\$ 30,893,013</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of Hawthorne have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a statutory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by 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 municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

A. Reporting Entity

The Borough of Hawthorne (the "Borough") was incorporated in 1898 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Assessment Trust Fund - This fund is used to account for special benefit assessments levied against properties for specific purposes.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

Water Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities for the water utility is accounted for in the capital section of the fund.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group - This account group is used to account for all fixed assets of the Borough, other than those accounted for in the water utility fund. The Borough's infrastructure is not reported in the account group.

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The Borough of Hawthorne follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("statutory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a tax sale. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Rents - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's water utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (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 Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Trust Funds
General Capital Fund
Water Utility Capital Fund
Public Assistance Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2008 and 2007 the Borough Council increased the original budget by \$107,349 and \$112,019. The increase in 2008 was funded by additional aid allotted to the Borough and emergency appropriations for swimming pool salaries and wages (\$7,785) and repairs to Sicomac Sewer Pump Station (\$85,000). The increase for 2007 was also funded by additional aid allotted to the Borough and an emergency appropriation of \$70,000 for police salaries and wages. In addition, the governing body approved budget transfers during 2008 and 2007.

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 an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and 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 do not exist under GAAP.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

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 fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which 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. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

Deferred School Taxes – School taxes raised in the Current Fund for a school fiscal year (July 1 to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount. GAAP does not permit the deferral of unpaid school taxes to fund balance at year end.

General Fixed Assets - In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, the Borough of Hawthorne has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

General Fixed Assets (Continued)

Fixed Assets purchased after December 31, 2006 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 2006 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Accounting for utility fund "fixed capital" remains unchanged under the Requirements of Technical Accounting Directive No. 85-2.

Property and equipment purchased by the water utility fund is recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the December 31, 2007 balances to conform to the December 31, 2008 presentation.

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 Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough 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. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

NOTE 2 DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 and \$100,000 in the aggregate by the FDIC for each bank for 2008 and 2007, respectively. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At December 31, 2008 and 2007, the book value of the Borough's deposits were \$14,485,743 and \$15,277,338 and bank and brokerage firm balances of the Borough's deposits amounted to \$14,638,155 and \$15,345,738, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2008</u>	<u>2007</u>
Insured	\$ 10,248,201	\$ 13,157,578
Uninsured and Collateralized	<u>4,389,954</u>	<u>2,188,160</u>
	<u>\$ 14,638,155</u>	<u>\$ 15,345,738</u>

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2008 and 2007, the Borough’s bank balance of \$4,389,954 and \$2,188,160 was exposed to custodial credit risk as follows:

	<u>2008</u>	<u>2007</u>
<u>Uninsured and Collateralized:</u>		
Collateral held by pledging financial institution's trust department not in the Borough's name	\$ 4,389,954	\$ 2,188,160

Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2008 and 2007, the Borough had the following investments:

	<u>Fair Value (LOSAP)</u>	
	<u>2008</u>	<u>2007</u>
Investment:		
Length of Service Award Program Fund	\$ 574,449	\$ 617,199

**BOROUGH OF HAWTHORNE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2008 and 2007, \$574,449 and \$617,199 of the Borough’s investments was exposed to custodial credit risk as follows:

<u>Fair Value (LOSAP)</u>
<u>2008</u> <u>2007</u>

Uninsured and Collateralized:

Collateral held by pledging financial institution’s trust department			
But not in the Borough’s name	<u>\$574,449</u>	<u>\$617,199</u>	

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing it’s exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1) and NJAC 5:30-14.19. The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2008 and 2007, the Borough’s investment in Variable Annuity Life Insurance Company (“VALIC”) was rated A1 and Aa3, respectively, by Moodys Investor Services.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough’s investments are in VALIC. These investments are 100% of the Borough’s total investments.

The fair value of the above-listed investments were based on quoted market prices provided by VALIC.

Interest earned in the General Capital Fund, Assessment Trust Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the statutory basis of accounting. Interest earned in the Water Utility Capital Fund is assigned to the Water Utility Operating Fund in accordance with the statutory basis of accounting.

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2008 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2008</u>			
Property Taxes	\$ 778,206		\$ 778,206
Tax Title Liens	650,653		650,653
Utility Rents	-	\$ 254,638	254,638
	<u>\$ 1,428,859</u>	<u>\$ 254,638</u>	<u>\$ 1,683,497</u>

In 2008, the Borough collected \$710,511 and \$275,684 from delinquent taxes and utility rents, which represented 54% and 100% of the delinquent tax and water charges receivable at December 31, 2007.

Receivables at December 31, 2007 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2007</u>			
Property Taxes	\$ 712,648		\$ 712,648
Tax Title Liens	596,094		596,094
Utility Rents	-	\$ 275,684	275,684
	<u>\$ 1,308,742</u>	<u>\$ 275,684</u>	<u>\$ 1,584,426</u>

In 2007, the Borough collected \$525,220 and \$446,164 from delinquent taxes and utility rents, which represented 49% and 100 % of the delinquent tax and water charges receivable at December 31, 2006.

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 4 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and utility funds. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2008</u>	<u>2007</u> (Restated)
Issued		
General		
Bonds, Notes and Loans	\$ 15,936,229	\$ 17,175,528
Water Utility		
Bonds and Loans	<u>2,878,093</u>	<u>3,047,119</u>
	18,814,322	20,222,647
Less Funds Temporarily Held to Pay Bonds	<u>350,547</u>	<u>580,296</u>
Net Debt Issued	18,463,775	19,642,351
Authorized But Not Issued		
General		
Bonds and Notes	1,664,330	206,702
Assessment		
Bonds and Notes	112,039	131,874
Water Utility		
Bonds and Notes	<u>23,590</u>	<u>23,590</u>
Net Bonds, Notes and Loans Issued and Authorized But Not Issued	<u>\$ 20,263,734</u>	<u>\$ 20,004,517</u>

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 4 MUNICIPAL DEBT (Continued)

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .64% and .67% at December 31, 2008 and 2007, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2008</u>			
General Debt	\$ 17,712,598	\$ 238,406	\$ 17,474,192
School Debt	7,565,000	7,565,000	
Utility Debt	<u>2,901,683</u>	<u>2,901,683</u>	<u>-</u>
Total	<u>\$ 28,179,281</u>	<u>\$ 10,705,089</u>	<u>\$ 17,474,192</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2007</u>			
General Debt (Restated)	\$ 17,514,104	\$ 413,155	\$ 17,100,949
School Debt	8,145,000	8,145,000	
Utility Debt	<u>3,070,709</u>	<u>3,070,709</u>	<u>-</u>
Total	<u>\$ 28,729,813</u>	<u>\$ 11,628,864</u>	<u>\$ 17,100,949</u>

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2008</u>	<u>2007</u> (Restated)
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 94,790,652 <u>17,474,192</u>	\$ 88,619,092 <u>17,100,949</u>
Remaining Borrowing Power	<u>\$ 77,316,460</u>	<u>\$ 71,518,143</u>

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 4 MUNICIPAL DEBT (Continued)

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2008</u>	<u>2007</u>
\$3,193,000, 2000 Bonds, due in annual installments of \$220,000 to \$228,000 through October 15, 2016, interest at 5.00% to 5.20%	\$ 1,773,000	\$ 1,993,000
\$6,292,000, 2004 Bonds, due in annual installments of \$300,000 to \$777,000 through June 1, 2019, interest at 4.125%	5,817,000	6,117,000
\$3,285,000, 2005 Refunding Bonds, due in annual installments of \$300,000 to \$320,000 through August 15, 2015, interest at 3.25% to 4.00%	2,180,000	2,495,000
\$3,510,000, 2008 Bonds, due in annual installments of \$105,000 to \$210,000 through March 1, 2026, interest at 3.00% to 5.00%	<u>3,510,000</u>	<u>-</u>
	<u>\$ 13,280,000</u>	<u>\$ 10,605,000</u>

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 4 MUNICIPAL DEBT (Continued)

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Economic Development Authority for financing relating to the remediation of underground storage tanks. The Borough has also entered into loan agreements with the State of New Jersey Environmental Infrastructure Trust for the financing relating to the improvements of the Borough's wastewater system. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2008</u>	<u>2007</u>
<u>EDA Loan</u>		
\$129,500, 2000 Loan due in annual installments of \$12,950 through September, 2010, interest at 0%	\$ 25,900	\$ 38,850
	<u>2008</u>	<u>2007</u>
<u>EIT Loans</u>		
\$1,489,254, 1992 Loan due in Semi-annual installments of \$81,088 to \$82,639 through May, 2012, interest at 4.0% to 5.0%	\$ 328,389	\$ 409,554
\$429,854, 1994 Loan due in Semi-annual installments of \$21,543 to \$23,682 through March, 2014, interest at 4.0% to 5.0%	136,278	158,101
\$1,635,000, 1998 Loan due in Semi-annual installments of \$91,724 to \$106,517 through May, 2012, interest at 4.0% to 5.0%	392,210	477,393
\$455,000, 1998 Loan due in Semi-annual installments of \$27,831 to \$35,511 through March, 2014, interest at 4.0% to 5.0%	183,478	207,641
\$1,850,450, 2004 Loan due in Semi-annual installments of \$35,000 to \$70,000 through August 1, 2024, interest at 3.0% to 5.0%	1,589,974	1,673,989
	<u>\$ 2,630,329</u>	<u>\$ 2,926,678</u>

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 4 MUNICIPAL DEBT (Continued)

Water Utility Bonds

The Borough pledges revenue from operations to pay debt service on water utility bonds issued. The water utility bonds outstanding at December 31 are as follows:

	<u>2008</u>	<u>2007</u>
\$718,000, 2004 Bonds, due in annual installments of \$45,000 to \$68,000 through June 1, 2019, interest at 4.125%	\$ 623,000	\$ 668,000
	<u>\$ 623,000</u>	<u>\$ 668,000</u>

Water Utility Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the State of New Jersey for the financing relating to the improvement of the Borough's water supply system. The Borough pledges revenue from operations to pay debt service on water utility intergovernmental loans issued. Utility intergovernmental loans outstanding of the water utility at December 31 are as follows:

	<u>2008</u>	<u>2007</u>
\$1,425,000, 2003 Trust Loan due in Annual installments of \$60,000 to \$105,000 through August 1, 2023, interest at 3.00% to 4.75%	\$ 1,215,000	\$ 1,270,000
\$1,299,259, 2003 Fund Loan due in Semi-annual installments of \$66,944 to \$70,548 through August 1, 2023, interest at 0%	<u>1,040,093</u>	<u>1,109,119</u>
	<u>\$ 2,255,093</u>	<u>\$ 2,379,119</u>

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 4 MUNICIPAL DEBT (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2008 is as follows:

Calendar Year	General Bonds		Water Utility Bonds		General Loans		Water Utility Loans		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 945,000	\$ 561,872	\$ 45,000	\$ 24,771	\$ 322,392	\$ 80,209	\$ 130,395	\$ 55,658	\$ 2,165,297
2010	950,000	531,247	50,000	22,811	320,407	71,930	128,569	52,658	2,127,622
2011	995,000	488,022	50,000	20,749	320,311	64,692	135,517	50,858	2,125,149
2012	1,030,000	444,834	55,000	18,583	331,867	56,121	133,539	47,608	2,117,552
2013	1,235,000	395,709	55,000	16,314	147,939	27,824	139,604	44,358	2,061,748
2014-2018	5,668,000	1,143,995	300,000	45,789	544,640	120,627	747,127	170,320	8,740,498
2019-2023	1,827,000	276,690	68,000	1,403	551,170	60,937	840,342	72,388	3,697,930
2024-2026	630,000	53,288	-	-	117,503	3,063	-	-	803,854
Total	\$ 13,280,000	\$ 3,895,657	\$ 623,000	\$ 150,420	\$ 2,656,229	\$ 485,403	\$ 2,255,093	\$ 493,848	\$ 23,839,650

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years 2008 and 2007 were as follows:

	Balance, December 31, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2008</u>	Due Within <u>One Year</u>
<u>2008</u>					
General Capital Fund					
Bonds Payable	\$ 10,605,000	\$ 3,510,000	\$ 835,000	\$ 13,280,000	\$ 945,000
NJ EIT Loans Payable	2,926,678		296,349	2,630,329	309,442
NJ EDA Loan Payable	38,850	-	12,950	25,900	12,950
General Capital Fund Long-Term Liabilities	\$ 13,570,528	\$ 3,510,000	\$ 1,144,299	\$ 15,936,229	\$ 1,267,392
Water Utility Capital Fund					
Bonds Payable	\$ 668,000		\$ 45,000	\$ 623,000	\$ 45,000
Intergovernmental Loans	2,379,119	-	124,026	2,255,093	130,395
Water Utility Capital Fund Long-Term Liabilities	\$ 3,047,119	\$ -	\$ 169,026	\$ 2,878,093	\$ 175,395

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2007</u>	Due Within <u>One Year</u>
<u>2007</u>					
General Capital Fund					
Bonds Payable	\$ 11,490,000		\$ 885,000	\$ 10,605,000	\$ 835,000
NJ EIT Loans Payable	3,215,915		289,237	2,926,678	296,349
NJ EDA Loan Payable	<u>51,800</u>	<u>-</u>	<u>12,950</u>	<u>38,850</u>	<u>12,950</u>
General Capital Fund Long-Term Liabilities	<u>\$ 14,757,715</u>	<u>\$ -</u>	<u>\$ 1,187,187</u>	<u>\$ 13,570,528</u>	<u>\$ 1,144,299</u>
Trust Assessment Fund					
Bonds Payable	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ -</u>
Trust Assessment Fund Long-Term Liabilities	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ -</u>
Water Utility Capital Fund					
Bonds Payable	\$ 703,000		\$ 35,000	\$ 668,000	\$ 45,000
Intergovernmental Loans	<u>2,504,819</u>	<u>-</u>	<u>125,700</u>	<u>2,379,119</u>	<u>124,026</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 3,207,819</u>	<u>\$ -</u>	<u>\$ 160,700</u>	<u>\$ 3,047,119</u>	<u>\$ 169,026</u>

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The Borough's short-term capital debt activity for the years 2008 and 2007 was as follows:

	Balance, December 31, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2008</u>
<u>2008</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 3,605,000	\$ -	\$ 3,605,000	\$ -
	<u>\$ 3,605,000</u>	<u>\$ -</u>	<u>\$ 3,605,000</u>	<u>\$ -</u>
Total	<u>\$ 3,605,000</u>	<u>\$ -</u>	<u>\$ 3,605,000</u>	<u>\$ -</u>
	Balance, December 31, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2007</u>
<u>2007</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 2,400,000	\$ 3,605,000	\$ 2,400,000	\$ 3,605,000
	<u>\$ 2,400,000</u>	<u>\$ 3,605,000</u>	<u>\$ 2,400,000</u>	<u>\$ 3,605,000</u>
Total	<u>\$ 2,400,000</u>	<u>\$ 3,605,000</u>	<u>\$ 2,400,000</u>	<u>\$ 3,605,000</u>

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2008 and 2007.

	Balance, December 31, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2008</u>
Land	\$ 14,686,600			\$ 14,686,600
Buildings and Building Improvements	6,016,500			6,016,500
Machinery and Equipment	<u>10,189,913</u>	\$ <u>179,358</u>	\$ <u>212,034</u>	<u>10,157,237</u>
	<u>\$ 30,893,013</u>	<u>\$ 179,358</u>	<u>\$ 212,034</u>	<u>\$ 30,860,337</u>

	Balance, December 31, <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2007</u>
Land	\$ 14,686,600			\$ 14,686,600
Buildings and Building Improvements	5,989,500	\$ 27,000		6,016,500
Machinery and Equipment	<u>10,144,233</u>	<u>291,811</u>	\$ <u>246,131</u>	<u>10,189,913</u>
	<u>\$ 30,820,333</u>	<u>\$ 318,811</u>	<u>\$ 246,131</u>	<u>\$ 30,893,013</u>

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 5 FIXED ASSETS (Continued)

Water Utility Fund Fixed Assets

The following is a summary of changes in the water utility fund fixed assets for the years 2008 and 2007.

	Balance December 31, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2008</u>
<u>2008</u>				
Fixed Capital				
Land and Wells	\$ 525,041			\$ 525,041
System and System Improvements	5,796,472	\$ 2,035,326		7,831,798
Vehicles and Equipment	<u>1,726,175</u>	<u>98,420</u>	<u>-</u>	<u>1,824,595</u>
	<u>\$ 8,047,688</u>	<u>\$ 2,133,746</u>	<u>\$ -</u>	<u>\$ 10,181,434</u>
	Balance December 31, <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2007</u>
<u>2007</u>				
Fixed Capital				
System and System Improvements	\$ 5,796,472			\$ 5,796,472
Land and Wells	525,041			525,041
Vehicles and Equipment	<u>1,645,800</u>	<u>\$ 80,375</u>	<u>\$ -</u>	<u>1,726,175</u>
	<u>\$ 7,967,313</u>	<u>\$ 80,375</u>	<u>\$ -</u>	<u>\$ 8,047,688</u>

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 6 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 83,777	\$ 257,182	\$ 79,989	\$ 236,415
Trust Funds:				
Animal Control	31		14	
Assessment	79,139	313,240	78,958	313,240
Other Trust	16,446		15,571	
Length of Service Award Program	161,295		141,629	
General Capital Fund	313,240	83,777	313,240	79,989
Water Utility Fund:				
Operating		563		61
Capital	563		61	
Public Assistance Fund	<u>271</u>	<u>-</u>	<u>243</u>	<u>-</u>
Total	<u>\$ 654,762</u>	<u>\$ 654,762</u>	<u>\$ 629,705</u>	<u>\$ 629,705</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

The Borough expects all interfund balances to be liquidated within one year.

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 7 FUND BALANCES APPROPRIATED

Under the statutory basis of accounting, fund balances in the Current Fund and Utility Operating Funds are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2008</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2007</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 3,259,038	\$ 1,460,185	\$ 3,163,877	\$ 1,558,500
Non-Cash Surplus	<u>245,322</u>	<u>-</u>	<u>318,443</u>	<u>-</u>
	<u>\$ 3,504,360</u>	<u>\$ 1,460,185</u>	<u>\$ 3,482,320</u>	<u>\$ 1,558,500</u>
Water Utility Operating Fund				
Cash Surplus	\$ 61,982	\$ 11,000	\$ 244,026	\$ 76,965
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 61,982</u>	<u>\$ 11,000</u>	<u>\$ 244,026</u>	<u>\$ 76,965</u>

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement healthcare coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement system (retirement system) covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

Other Pension Funds

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

The State also administers the Pensions 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 some State-sponsored pension systems which includes the CPPFF. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required contributions for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports 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.

Basis of Accounting

The financial statements of the various pension Funds are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the Funds. Benefits or refunds are recognized when due and payable in accordance with the terms of the funds.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2005, 20 percent; for payments due in the State fiscal year ending June 30, 2006, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2007, not more than 60 percent; and for payments due in the State fiscal year ending June 30, 2008, not more than 80 percent. The law provides that local employers' PFRS normal and accrued liability contributions shall be as follows: for payments due in the State fiscal year ending June 30, 2004, 20 percent; for payments due in the State fiscal year ending June 30, 2005, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2006, not more than 60 percent; for payments due in the State fiscal year ending June 30, 2007, not more than 80 percent.

Chapter 42, P.L. 2002 permitted local government units to issue refunding bonds to retire unfunded accrued liability resulting from early retirement benefits under PERS or PFRS, effective July 12, 2002.

Chapter 92, P.L. 2007 implements certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform which establishes a DCRP for elected and certain appointed officials, effective July 1, 2007.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS, 8.50% for PFRS and 5.5% for DCRP of the employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds except the PAF. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PFRS and PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums for participating local governments. In the DCRP, member contributions are matched by a 3% employer contribution.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Continued)

During the year ended June 30, 2007 for CPFPPF, which is a cost sharing plan with special funding situation, annual pension cost equals annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997. For the DCRP, which is a defined contribution plan, annual pension costs equal annual required contributions.

During the years ended December 31, 2008, 2007 and 2006, the Borough was required to contribute for normal cost pension contributions the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>CPFPPF</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2008	\$ 13,559	\$ 687,922	\$ 184,171	None
2007	13,329	470,598	120,127	None
2006	12,915	268,375	66,064	None

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The Borough provides a post employment healthcare plan for its eligible retirees and their spouses. The plan is a single-employer defined benefit healthcare plan administered by the Borough. In accordance with the Borough contracts with United Public Service Employees Union (UPSEU) white collar unit and blue collar unit, the Borough provides health insurance coverage to eligible retirees at age 59 who have completed 25 years of continuous service with the Borough. The cost of providing these post-retirement medical benefits to eligible retirees is borne equally (50%/50%) between the employee and the Borough.

Funding Policy

The required contribution is funded on a pay-as-you-go basis annually by the Borough. For the year 2008, the Borough contributed \$211,000 to the plan.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Borough's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the plan.

Annual Required Contribution	\$ 2,343,000
Interest	<u>-</u>
Annual OPEB Cost (Expense)	2,343,000
Contributions Made	<u>211,000</u>
	2,132,000
Net OPEB Obligation - Beginning of Year	<u>-</u>
Net OPEB Obligation - End of Year	<u>\$ 2,132,000</u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year 2008 was as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligations</u>
2008	\$ 2,343,000	9%	\$ 2,132,000

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan not funded. The actuarial accrued liability for benefits was \$21,221,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,221,000.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 10.5 percent initially, reduced by decrements of .5% to an ultimate rate of 5.0 percent after ten years. The rate included a 4.0 percent inflation assumption. The UAAL is being amortized as a level dollar amount on a 30 year open basis. The remaining amortization period at December 31, 2008 was 29 years.

NOTE 12 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Hawthorne is a member of the Morris County Municipal Joint Insurance Fund (MJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The MJIF and MEL coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 12 RISK MANAGEMENT (Continued)

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's unemployment compensation trust fund for the current and previous two years:

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2008	-0-	\$ 9,590	\$ 6,519	\$ 210,516
2007	-0-	20,529	6,413	203,421
2006	-0-	-0-	6,791	182,031

NOTE 13 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough's Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2008 and 2007. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2008 and 2007, the Borough reserved \$63,382 and \$100,000, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2008 and 2007, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2008 and 2007, the Borough had not determined its estimated arbitrage earnings due to the IRS, if any.

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The Borough of Hawthorne Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 16, 2000 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Hawthorne approved the adoption of the Plan at the general election held on November 7, 2000.

The first year of eligibility for entrance into the Plan was calendar year 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of Hawthorne has contributed \$1,076 and \$1,054 for 2008 and 2007, respectively, for each eligible volunteer fire department and first aid squad member into the Plan.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

AIG VALIC is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (Continued)

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

NOTE 16 DEFERRED SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

	<u>2008</u>	<u>2007</u>
	Local District <u>School</u>	Local District <u>School</u>
Balance of Tax	\$ 14,465,429	\$ 13,814,999
Amount Deferred	<u>7,951,484</u>	<u>7,951,484</u>
School Taxes Payable	<u>\$ 6,513,945</u>	<u>\$ 5,863,515</u>

NOTE 17 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2008</u>		
Improvements to Van Winkle Ave. – Phase I	\$113,687	2009
<u>2007</u>		
2007 Road Program	\$224,279	2008
Improvements to Goffle Brook Park Sewer	108,878	2008
Improvements to Municipal Pool	74,000	2008
Improvements to Brookside Ave	64,313	2008

**BOROUGH OF HAWTHORNE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 18 RESTATEMENT

The Bonds and Notes Authorized But Not Issued at December 31, 2007 in the General Capital Fund has been restated to reflect debt authorized and not issued on unfinanced assessments confirmed in prior years.

	Balance Prior to <u>Restatement</u>	<u>Restatement</u>	Restated <u>Balance</u>
General Capital Fund Bonds and Notes Authorized But Not Issued	<u>\$206,702</u>	<u>\$131,874</u>	<u>\$338,576</u>

NOTE 19 SUBSEQUENT EVENTS

Debt Authorized

During 2009 the Borough adopted various Bond Ordinances authorizing the issuance of \$1,078,250 in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

BOROUGH OF HAWTHORNE
STATEMENT OF CURRENT CASH - TREASURER

Balance, December 31, 2007		\$ 11,577,318
Increased by Receipts:		
Non-Budget Revenues	\$ 348,708	
Petty Cash	300	
Change Funds	150	
Revenue Accounts Receivable	3,517,412	
2008 Budget Revenues:		
Reserve for Payment of Debt Service - General Capital Fund	125,000	
Water Utility Operating Fund Balance	145,000	
Trust Assessment Fund Balance	4,800	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	201,380	
Taxes Receivable	55,141,179	
Prepaid Taxes	206,545	
Fees Payable	32,131	
Receipts from Assessment Trust Fund	7,434	
Receipts from General Capital Fund	99,733	
Receipts from Other Trust Fund	13,133	
Receipts from Public Assistance Trust Fund	279	
Receipts from Animal Control Trust Fund	378	
Grants Receivable	60,369	
Tax Overpayments	24,400	
Reserve for Library State Aid	18,474	
Reserve for Grants - Unappropriated	5,507	
	<u>59,952,312</u>	
		71,529,630
Decreased by Disbursements:		
2008 Budget Appropriations	15,475,469	
2007 Appropriation Reserves	739,369	
Accounts Payable	2,068	
Petty Cash	300	
County Taxes Payable	13,970,029	
Local District School Taxes Payable	28,923,849	
Appropriated Reserves for Grants	51,583	
Refund of Tax Overpayments	24,927	
Fees Payable	46,844	
Reserve for Tax Appeals	36,618	
Refund of Prior Year Revenue	9,644	
Reserve for Library State Aid	18,474	
Due to Length of Service Award Program Fund	85,334	
	<u>59,384,508</u>	
Balance, December 31, 2008		<u>\$ 12,145,122</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2007</u>	<u>Decreased</u>	Balance, December 31, <u>2008</u>
Tax Collector/Treasurer	\$ 100		\$ 100
Municipal Court	150		150
Borough Clerk	25		25
Board of Health/Registrar	25		25
Swim Pool	150	\$ 150	
Library	<u>10</u>	<u>-</u>	<u>10</u>
	<u>\$ 460</u>	<u>\$ 150</u>	<u>\$ 310</u>

STATEMENT OF PETTY CASH

Increased by:	
Petty Cash Advanced	\$ 300
Decreased by:	
Petty Cash Returned	<u>\$ 300</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF DUE TO STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2007		\$ 55,468
Increased by:		
Senior Citizens' and Veterans' Deductions Disallowed by Collector - Current Year's Taxes	\$ 2,597	
Receipts from State of New Jersey	<u>201,380</u>	
		<u>203,977</u>
		259,445
Decreased by:		
Senior Citizens' and Veterans' Deductions per Tax Billings	201,750	
Senior Citizens' and Veterans' Deductions Allowed by Collector	<u>1,500</u>	
		<u>203,250</u>
Balance, December 31, 2008		<u>\$ 56,195</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, December 31, 2007	2008 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collections 2007	2008	Senior Citizens' and Veterans' Deductions Allowed	Transferred to Tax Title Liens Cancelled	Balance, December 31, 2008
2007	\$ 712,648	-	-	-	\$ 710,511	-	\$ 2,137	-
2008	712,648	-	-	-	710,511	-	2,137	-
	-	\$ 55,714,010	\$ 2,597	\$ 205,790	\$ 54,430,668	\$ 203,250	\$ 54,559	\$ 778,206
	\$ 712,648	\$ 55,714,010	\$ 2,597	\$ 205,790	\$ 55,141,179	\$ 203,250	\$ 54,559	\$ 778,206

Tax Yield

General Purpose Tax	\$ 55,354,041
Added Taxes (RS 54:4-63.1 et seq.)	359,969
	<u>\$ 55,714,010</u>

Analysis of 2008 Property Tax Levy

Local District School Taxes	\$ 29,574,279
County Taxes	
County Tax	\$13,604,386
County Open Space Tax	275,846
Due County for Added/Omitted Taxes	<u>90,193</u>
	13,970,425

Local Tax for Municipal Purposes	11,889,342
Add: Additional Tax Levied	<u>279,964</u>
	12,169,306
	<u>\$ 55,714,010</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF TAX TITLE LIENS**

Balance, December 31, 2007	\$ 596,094
Increased by:	
Transferred from Taxes Receivable	<u>54,559</u>
Balance, December 31, 2008	<u>\$ 650,653</u>

**STATEMENT OF PROPERTY ACQUIRED FOR TAXES -
AT ASSESSED VALUATIONS**

Balance, December 31, 2007	<u>\$ 34,980</u>
Balance, December 31, 2008	<u>\$ 34,980</u>

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2007</u>	Accrued in <u>2008</u>	Collected in <u>2008</u>	Balance, December 31, <u>2008</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 40,450	\$ 40,450	
Other		11,445	11,445	
Police Department				
Fees and Permits		4,569	4,569	
Fire Prevention				
Fees & Permits		35,034	35,034	
Board of Health/Registrar of Vital Statistics				
Licenses		4,762	4,762	
Fees and Permits		34,136	34,136	
Public Works Dept.				
Fees and Permits		5,065	5,065	
Planning Board				
Fees and Permits		650	650	
Zoning Board of Adjustment				
Fees and Permits		2,700	2,700	
Building Department				
Fees and Permits		25,215	25,215	
Construction Code Official				
Uniform Construction				
Code Fees		210,814	210,814	
Municipal Court				
Fines and Costs	\$ 19,116	332,627	326,258	\$ 25,485
Interest & Costs on Taxes		153,311	153,311	
Swimming Pool Admission Fees		124,605	124,605	
Interest on Investments and Deposits		266,359	266,359	
Consolidated Municipal Property Tax Relief Aid		507,956	507,956	
Energy Receipts Taxes		1,385,102	1,385,102	
Rental - Cellular Phones		168,533	168,533	
Rental - Board of Education		25,000	25,000	
Uniform Fire Safety Act				
Life Hazard Use Fees		44,934	44,934	
Sewer User Fees		38,910	38,910	
Commuter Parking		39,226	39,226	
Cable Television Franchise Fees	-	62,378	62,378	-
	<u>\$ 19,116</u>	<u>\$ 3,523,781</u>	<u>\$ 3,517,412</u>	<u>\$ 25,485</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2007</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2008</u>
Municipal Alliance Program	\$ 27,242	\$ 30,700	\$ 26,657	\$ 4,891	\$ 26,394
Clean Communities		19,148	19,148		
Drunk Driving Enforcement Fund		1,189	1,189		
Livable Communities - Library Grant	90,000				90,000
Emergency Management Grant		5,000	5,000		
Alcohol Education and Rehabilitation		375	375		
Livable Communities - Municipal Bldg Improvements	75,000				75,000
Open Space Preservation Grant	40,000				40,000
FEMA Fire Grant	9,000			9,000	
Domestic Violence Grant	2,571				2,571
Click It or Ticket		4,000	4,000		
Police Body Armor	3,572				3,572
Speed Enforcement Grant		4,000	4,000		
Domestic Preparedness Grant	1,058	-	-	1,058	-
	<u>\$ 248,443</u>	<u>\$ 64,412</u>	<u>\$ 60,369</u>	<u>\$ 14,949</u>	<u>\$ 237,537</u>
			Appropriated Grant Reserves	\$ 4,891	
			Operations	<u>10,058</u>	
				<u>\$ 14,949</u>	

STATEMENT OF DEFERRED CHARGES

	Balance, December 31, <u>2007</u>	<u>Added in 2008</u>	Raised in 2008 <u>Budget</u>	Funded by Capital <u>Ordinance</u>	Balance, December 31, <u>2008</u>
Emergency Authorization	<u>\$ 70,000</u>	<u>\$ 92,785</u>	<u>\$ 70,000</u>	<u>\$ 85,000</u>	<u>\$ 7,785</u>
Due from General Capital Fund				<u>\$ 85,000</u>	

BOROUGH OF HAWTHORNE
STATEMENT OF 2007 APPROPRIATION RESERVES

	Balance, December 31, <u>2007</u>	Prior Year Encumbrances <u>Payable</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balanced <u>Lapsed</u>
OPERATIONS WITHIN "CAPS"					
General Administration					
Other Expenses	\$ 772	\$ 583	\$ 1,355	\$ 1,183	\$ 172
Mayor and Council					
Other Expenses	170		170		170
Municipal Clerk					
Salaries and Wages	36		36		36
Other Expenses	475	4,218	4,693	767	3,926
Financial Administration					
Other Expenses	33	3,365	3,398	3,398	
Audit Services					
Other Expenses		29,000	29,000	29,000	
Revenue Administration					
Salaries and Wages	18		18		18
Other Expenses	93	3,565	3,658	3,615	43
Tax Assessment Administration					
Other Expenses	148	8,715	8,863	5,094	3,769
Legal Services and Costs					
Other Expenses		8,502	8,502	7,884	618
Engineering Services					
Other Expenses		63,329	63,329	56,274	7,055
Future of Hawthorne	5,000		5,000		5,000
Land Use Administration NJSA 40:55D-1					
Planning Board		6,393	6,393	1,595	4,798
Other Expenses	517		517	129	388
Zoning Board of Adjustments					
Other Expenses	420		420	374	46
Public Safety					
Police					
Salaries and Wages		26,844	26,844	26,844	
Other Expenses	3,238	19,653	22,891	21,812	1,079
Police Dispatchers		1,276	1,276	994	282
Occupational Safety Health Act (NJS 40A:4-45.3)					
Salaries and Wages	28		28		28
Other Expenses	3,256	24,645	27,901	21,176	6,725
Emergency Management Services			-		
Other Expenses	1,305	3,804	5,109	3,434	1,675
Ambulance Corps					
Other Expenses			130	130	
Domestic Violence Response					
Other Expenses	9		9		9
Fire					
Salaries and Wages		3,657	3,657	3,657	
Other Expenses - Miscellaneous	1,262	15,229	16,491	11,791	4,700

BOROUGH OF HAWTHORNE
STATEMENT OF 2007 APPROPRIATION RESERVES

	Balance, December 31, <u>2007</u>	Prior Year Encumbrances <u>Payable</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balanced <u>Lapsed</u>
OPERATIONS WITHIN "CAPS" (cont'd)					
Uniform Fire Safety					
Salaries and Wages		\$ 2,679	\$ 2,679	\$ 1,854	\$ 825
Other Expenses	\$ 457	383	840	425	415
Municipal Court					
Other Expenses	302	510	812	621	191
Public Defender	286		286	286	
Public Works					
Salaries and Wages		22,995	22,995	22,995	
Other Expenses	13,512	26,684	40,066	29,193	10,873
Traffic Light Maintenance	603	1,169	1,772	1,169	603
Sewer System Maintenance					
Salaries and Wages		5,194	5,194	5,194	
Other Expenses	9,097	4,292	13,389	4,452	8,937
Shade Tree Commission					
Salaries and Wages	3,809		3,809	3,809	
Other Expenses	40	15,826	15,866	15,541	325
Solid Waste Collection					
Salaries and Wages - Recycling		16,977	16,977	16,977	
Other Expenses - Recycling	21,155	49,176	65,331	48,285	17,046
Other Expenses - Garbage Removal - Contractual	1		1		1
Buildings and Grounds					
Salaries and Wages	25,024		25,024	25,024	
Other Expenses	1,841	6,215	8,056	6,326	1,730
Maintenance of Parks					
Other Expenses	93	9,306	9,399	3,993	5,406
Vehicle Maintenance					
Other Expenses	14,501	26,547	41,048	22,950	18,098
Community Services Act (Municipal Svcs. For Condo)		38,000	48,000	47,600	400
Health and Human Services					
Board of Health					
Salaries and Wages		6,373	6,373	6,373	
Other Expenses	585	1,980	2,565	1,147	1,418
Environmental Commission					
Other Expenses		513	513	513	
Health and Human Services (Continued)					
Board of Recreation					
Salaries and Wages		3,484	3,484	3,484	
Other Expenses	3,963	11,448	15,411	4,646	10,765
Swimming Pool					
Salaries and Wages	6,890		6,890	6,890	
Other Expenses	6,518	2,508	4,026	508	3,518
Other Common Operating Functions					
Committee on Disability Issues					
Other Expenses	100		100		100
Celebration of Public Events					
Other Expenses		2,717	2,717	2,717	
Salary and Wage Adjustment		133,100	133,100	133,100	
Computerized Data Processing		13,253	13,253	7,358	5,895

BOROUGH OF HAWTHORNE
STATEMENT OF 2007 APPROPRIATION RESERVES

	Balance, December 31, <u>2007</u>	Prior Year Encumbrances <u>Payable</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balanced <u>Lapsed</u>
OPERATIONS WITHIN "CAPS" (cont'd)					
Uniform Construction Code Enforcement Functions					
Salaries and Wages		\$ 31,419	\$ 31,419	\$ 15,758	\$ 15,661
Other Expenses	\$ 48	58,429	58,477	55,292	3,185
Property Code Enforcement Functions					
Salaries and Wages		1,210	1,210	641	569
Other Expenses	772	471	1,243	457	786
Unclassified					
Utilities Expenses and Bulk Purchases					
Electricity		59,029	59,029	36,092	22,937
Street Lighting		29,748	29,748	25,467	4,281
Telephone		4,251	4,251	851	3,400
Gasoline		39,987	39,987	26,981	13,006
Landfill/Solid Waste Disposal Costs					
Dumping Fees		128,030	128,030	48,141	79,889
Contingent	2,000		2,000		2,000
Social Security System (O.A.S.I.)		15,864	15,864		15,864
Sewer Processing and Disposal					
Other Expenses - Passaic Valley Sewer Rental	38		38		38
Other Expenses - Glen Rock, Prospect Park and N.Haledo	707	3,000	3,707	3,000	707
OPERATIONS EXCLUDED FROM "CAPS"					
Insurance					
General Insurance		29,126	29,126	11,565	17,561
Group Insurance for Employees		25,100	25,100	3,334	21,766
Maintenance of Free Public Library					
Salaries and Wages		29,051	29,051	29,051	
NJPDES Stormwater Permits	78	17,922	18,000	17,922	78
Alcohol Education and Rehabilitation Fund	236		236	236	
Municipal Alliance					
Local Match	531	9,468	9,999	9,999	
Emergency Management Grant	5,000		5,000	5,000	
Police Body Armor Grant	2,294		2,294	2,294	
Drunk Driving Enforcement Fund	2,138		2,138	2,138	
Forestry Grant	1,360	1,140	2,500	2,500	
Matching Funds for Grants	4,000		4,000		4,000
Municipal Stormwater Regulation Program	12,029		12,029	12,029	
Clean Communities Program					
Salaries and Wages	3,499		3,499	3,499	
Other Expenses	13,699	1,889	15,588	15,588	
Upgrade Little Franklin Field		24,595	24,595	14,380	10,215
Upgrade Roller Hockey Rink		15,000	15,000	15,000	
Administrative Equipment	16,265	18,735	35,000	23,407	11,593
Purchase Sander - Roads		36,000	36,000	36,000	
Telephone System	-	40,000	40,000	28,000	12,000
Total General Appropriations	<u>\$ 190,251</u>	<u>\$ 1,243,571</u>	<u>\$ 1,433,822</u>	<u>\$ 1,067,203</u>	<u>\$ 366,619</u>
				Cash Disbursements	\$ 739,369
				Appropriated Grant Reserves	30,257
				Accounts Payable	<u>297,577</u>
				<u>\$ 1,067,203</u>	

BOROUGH OF HAWTHORNE
STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2007		\$ 1,243,571
Increased by:		
Charges to 2008 Appropriations		<u>906,933</u>
		2,150,504
Decreased by:		
Restored to Appropriation Reserves		<u>1,243,571</u>
Balance, December 31, 2008		<u>\$ 906,933</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2007		\$ 29,312
Increased by:		
Charges to 2007 Appropriation Reserves		<u>297,577</u>
		326,889
Decreased by:		
Payments	\$ 2,068	
Cancelled to Operations	<u>27,244</u>	
		<u>29,312</u>
Balance, December 31, 2008		<u>\$ 297,577</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2007	\$ 205,790
Increased by:	
Collection of 2009 Taxes	<u>206,545</u>
	412,335
Decreased by:	
Application to 2008 Taxes	<u>205,790</u>
Balance, December 31, 2008	<u>\$ 206,545</u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2007	\$ 1,771
Increased by:	
Taxes Overpaid	<u>24,400</u>
	26,171
Decreased by:	
Refunds	<u>24,927</u>
Balance, December 31, 2008	<u>\$ 1,244</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF FEES PAYABLE**

	Balance, December 31, <u>2007</u>	Cash <u>Received</u>	Cash <u>Disbursed</u>	Balance, December 31, <u>2008</u>
Due to State of New Jersey				
Construction Code Training Fees	\$ 4,896	\$ 10,036	\$ 13,464	\$ 1,468
Miscellaneous	15,700	17,080	28,150	4,630
Sales Tax	7,936			7,936
Burial Certificate Fees	442	1,545	1,930	57
Marriage License Fees	<u>750</u>	<u>3,470</u>	<u>3,300</u>	<u>920</u>
	<u>\$ 29,724</u>	<u>\$ 32,131</u>	<u>\$ 46,844</u>	<u>\$ 15,011</u>

STATEMENT OF RESERVE FOR LIBRARY STATE AID

Increased by:		
Library State Aid Received		\$ 18,474
Decreased by:		
Payments to Library		<u>\$ 18,474</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF COUNTY TAXES PAYABLE**

Balance, December 31, 2007		\$ 89,797
Increased by:		
2008 County Tax Levy	\$ 13,604,386	
County Open Space Tax Levy	275,846	
	\$ 13,880,232	
County Added and Omitted		90,193
		13,970,425
		14,060,222
Decreased by:		
Payments to County		13,970,029
Balance, December 31, 2008		\$ 90,193

EXHIBIT A-22

STATEMENT OF LOCAL DISTRICT SCHOOL TAX

Balance, December 31, 2007		
School Tax Deferred	\$ 7,951,484	
School Tax Payable	5,863,515	
		\$ 13,814,999
Increased by:		
Levy School Year July 1, 2008 to June 30, 2009		29,574,279
		43,389,278
Decreased by:		
Payments		28,923,849
Balance, December 31, 2008		
School Tax Deferred	7,951,484	
School Tax Payable	6,513,945	
		\$ 14,465,429
<u>Amount Charged to 2008 Operations</u>		
School Tax Paid		\$ 28,923,849
School Tax Payable, December 31, 2008		6,513,945
		35,437,794
Less: Tax Payable December 31, 2007		5,863,515
Amount Charged to 2008 Operations		\$ 29,574,279

BOROUGH OF HAWTHORNE
STATEMENT OF UNAPPROPRIATED RESERVES FOR GRANTS

	Balance, December 31, 2007	Cash Receipts	Budget Revenue Realized	Balance, December 31, 2008
Body Armor Grant	\$ 3,438	\$ 3,108	\$ 3,438	\$ 3,108
Clean Communities Program	-	2,399	-	2,399
	<u>\$ 3,438</u>	<u>\$ 5,507</u>	<u>\$ 3,438</u>	<u>\$ 5,507</u>

EXHIBIT A-24

STATEMENT OF APPROPRIATED RESERVES FOR GRANTS

<u>Grant</u>	Balance, December 31, 2007	Transferred from 2007 Reserves	Expended	Cancelled	Balance, December 31, 2008
Clean Communities Grant Program	\$ 19,314	\$ 14,407	\$ 5,097		\$ 28,624
Municipal Court Administration Fund	21				21
Emergency Road Repair Grant	248				248
Alcohol Education and Rehabilitation Fund	430	236			666
Municipal Alliance Program	4,024	867		\$ 4,891	
Police Body Armor Grant	1,038		1,038		
Shade Tree Grant	3,716				3,716
Scrap Tire Grant	1,786		1,169		617
Recycling Grant	28,732				28,732
Drunk Driving Enforcement Fund	20	1,358	20		1,358
Domestic Violence Grant	2,678				2,678
Fire Forestry Grant		1,360			1,360
Open Space Grant	23,372		10,558		12,814
Stormwater Grant	9,386	12,029	1,046		20,369
Audio/Visual Grant	2,805				2,805
Livable Communities - Municipal Bldg	47,978		31,691		16,287
Emergency Management Grant	964	-	964	-	-
	<u>\$ 146,512</u>	<u>\$ 30,257</u>	<u>\$ 51,583</u>	<u>\$ 4,891</u>	<u>\$ 120,295</u>
		Grants Receivable		<u>\$ 4,891</u>	

**BOROUGH OF HAWTHORNE
STATEMENT OF RESERVE FOR UCC DEDICATED REVENUES**

Balance, December 31, 2007	\$ 218,337
Decreased by:	
Anticipated Revenue in Current Fund Budget	<u>101,609</u>
Balance, December 31, 2008	<u>\$ 116,728</u>

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2007	\$ 100,000
Decreased by:	
Cash Paid to Appellants	<u>36,618</u>
Balance, December 31, 2008	<u>\$ 63,382</u>

TRUST FUND

BOROUGH OF HAWTHORNE
STATEMENT OF CASH AND INVESTMENTS - TREASURER

	Assessment	Animal Control	Other Trust	LOSAP Trust (Unaudited)
Balance, December 31, 2007	\$ 107,214	\$ 16,142	\$ 1,081,640	\$ 617,199
Increased by Receipts:				
Assessments Receivable	\$ 19,835			
Interest and Costs on Assessments	5,547			
Due to State of NJ - Dog Registration Fees	\$ 2,310			
Dog License Fees Collected	27,633			
Employee Payroll Deductions			\$ 9,135,525	
Investment Earnings - Due to Current Fund	1,706	361	12,258	
Investment Earnings - Due to Developers			1,720	
Investment Earnings - Unemployment Trust			4,024	
Due from Current Fund				\$ 85,334
Municipal Alliance Donations			2,263	
Tax Sale Premiums			135,900	
Off-Duty Police Pay			304,796	
Recycling Fees			197,456	
Recycling Tonnage Grant			19,215	
Miscellaneous Reserves			169,720	
Employee Contributions - Unemployment Trust			9,590	
Escrow Deposits	-	-	78,213	-
	<u>27,088</u>	<u>30,304</u>	<u>10,070,680</u>	<u>85,334</u>
Decreased by Disbursements:				
Payments to Current Fund	7,434		13,133	
Fund Balance Anticipated as Current Fund Revenue	4,800	378		
Expenditures Under R.S. 4:19-15.11		23,130		
Due State of NJ - Dog Registration Fees		2,310		
Due State of NJ - Unemployment Claims			5,118	
Off-Duty Policy Pay			347,977	
Recycling Expenditures			136,264	
Reserve for Municipal Alliance			2,804	
Tax Sale Premiums			78,600	
Miscellaneous Reserves			184,772	
Escrow Deposits			103,626	
Withdrawal - LOSAP Benefits				\$ 23,589
Depreciation of LOSAP Investments				104,495
Payroll Deductions Payable	-	-	9,135,721	-
	<u>12,234</u>	<u>25,818</u>	<u>10,008,015</u>	<u>128,084</u>
Balance, December 31, 2008	<u>\$ 122,068</u>	<u>\$ 20,628</u>	<u>\$ 1,144,305</u>	<u>\$ 574,449</u>

**BOROUGH OF HAWTHORNE
ANALYSIS OF ASSESSMENT CASH**

	Balance, December 31, <u>2008</u>
Due from Current Fund	\$ (79,139)
Due to General Capital Fund	313,240
Fund Balance	6
Unfinanced Assessments	
<u>Ord. No.</u>	
1733 Bamford Ave. - Curbs and Sidewalks	(4,039)
1734/1757 Constr. Of Sanitary Sewers - Highview/Charwalt	<u>(108,000)</u>
	<u>\$ 122,068</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF ASSESSMENTS RECEIVABLE**

Ord. No.	Improvement Description	Annual Installment	Due Dates	Balance, December 31, 2007	Collected	Balance, December 31, 2008	Reserve	Balance Pledged To General Capital
1427/1462	Mountain Ave. - Sewers	10	10/7/91-00	\$ 3,978		\$ 3,978	\$ 3,978	
1428/1463	Mountain Ave. - Curbs			3		3	3	
1433	Central Ave - Curbs/Sidewalks	5	7/18/97-01	469		469	469	
1628	Lincoln Ave - Curbs/Sidewalks	5	11/21/98-02	1,546		1,546	1,546	
1607/1682	Lafayette Ave.-Curbs/Sidewalks	7	2/4/00-07	3,798		3,798	3,798	
1655	Lafayette Ave - Curbs/Sidewalks	7	5/5/00-07	14,400		14,400	14,400	
1733	Bamford Ave- Curbs & Sidewalks	10	7/16/04-13	5,874	\$ 1,835	4,039	\$ 4,039	
1734/1757	Constr.of Sanitary Sewers- - Highview/Charwalt	10	3/16/05-14	126,000	18,000	108,000	-	108,000
				\$ 156,068	\$ 19,835	\$ 136,233	\$ 24,194	\$ 112,039

**BOROUGH OF HAWTHORNE
STATEMENT OF ASSESSMENT LIENS**

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2007</u>	Balance, December 31, <u>2008</u>	Balance Pledged to <u>Reserve</u>
1370	Central Avenue Sidewalks	\$ 1,019	\$ 1,019	\$ 1,019
1607/1682	Lafayette Ave. - Curbs and Sidewalks	6,679	6,679	6,679
1636/1684	Lafayette Ave. - Brick Pavers	<u>2,633</u>	<u>2,633</u>	<u>2,633</u>
		<u>\$ 10,331</u>	<u>\$ 10,331</u>	<u>\$ 10,331</u>

STATEMENT OF ASSESSMENT LIEN INTEREST AND COSTS

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2007</u>	Balance, December 31, <u>2008</u>	Balance Pledged to <u>Reserve</u>
	Prior Year - Unallocated	\$ 121	\$ 121	\$ 121
1607/1682	Lafayette Ave. - Curbs/Sidewalks	1,881	1,881	1,881
1636/1684	Lafayette Ave. - Brick Pavers	<u>741</u>	<u>741</u>	<u>741</u>
		<u>\$ 2,743</u>	<u>\$ 2,743</u>	<u>\$ 2,743</u>

BOROUGH OF HAWTHORNE
STATEMENT OF DUE FROM CURRENT FUND - ASSESSMENT TRUST FUND

Balance, December 31, 2007		\$ 78,958
Increased by:		
Payments to Current Fund		<u>7,434</u>
		86,392
Decreased by:		
Interest and Costs on Assessments	\$ 5,547	
Interest on Deposits	<u>1,706</u>	
		<u>7,253</u>
Balance, December 31, 2008		<u>\$ 79,139</u>

STATEMENT OF DUE TO GENERAL CAPITAL FUND - ASSESSMENT TRUST FUND

Balance, December 31, 2007		\$ <u>313,240</u>
Balance, December 31, 2008		<u>\$ 313,240</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF PROSPECTIVE ASSESSMENTS FUNDED**

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2007</u>	Balance December 31, <u>2008</u>	Balance Pledged to <u>Reserve</u>
1506	Construction of Curbs on Royal Ave.	\$ 40,800	\$ 40,800	\$ 40,800
		<u>\$ 40,800</u>	<u>\$ 40,800</u>	<u>\$ 40,800</u>

EXHIBIT B-10

STATEMENT OF RESERVE FOR ASSESSMENTS AND LIENS

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2007</u>	Balance, December 31, <u>2008</u>
Assessments Receivable:			
1427/1462	Mountain Ave. - Sewers	\$ 3,978	\$ 3,978
1428/1463	Mountain Ave. - Curbs	3	3
1433	Central Ave. - Curbs/Sidewalks	469	469
1628	Lincoln Ave. - Curbs/Sidewalks	1,546	1,546
1607/1682	Lafayette Ave. - Curbs/Sidewalks	3,798	3,798
1655	Lafayette Ave. - Curbs/Sidewalks	<u>14,400</u>	<u>14,400</u>
		<u>24,194</u>	<u>24,194</u>
Assessment Liens:			
1370	Central Ave. - Sidewalks	1,019	1,019
1607/1682	Lafayette Ave. - Curbs/Sidewalks	6,679	6,679
1636/1684	Lafayette Ave. - Brick Pavers	<u>2,633</u>	<u>2,633</u>
		<u>10,331</u>	<u>10,331</u>
Prospective Assessments Funded:			
1506	Const. of Curbs on Royal Ave.	<u>40,800</u>	<u>40,800</u>
		<u>\$ 75,325</u>	<u>\$ 75,325</u>

BOROUGH OF HAWTHORNE
STATEMENT OF DUE FROM CURRENT FUND - ANIMAL CONTROL

Balance, December 31, 2007	\$ 14
Increased by:	
Payments to Current Fund	<u>378</u>
	392
Decreased by:	
Interest Earned on Investments	<u>361</u>
Balance, December 31, 2008	<u><u>\$ 31</u></u>

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance, December 31, 2007	\$ 16,156
Increased by:	
Dog License Fees Collected	<u>27,633</u>
	43,789
Decreased by:	
Expenditures Under R.S. 4:19-15.11	<u>23,130</u>
Balance, December 31, 2008	<u><u>\$ 20,659</u></u>

STATEMENT OF DUE STATE OF NEW JERSEY - ANIMAL CONTROL FUND

Increased by:	
State Fees Collected	\$ 2,310
Decreased by:	
Payments	<u><u>\$ 2,310</u></u>

**BOROUGH OF HAWTHORNE
STATEMENT OF ESCROW DEPOSITS**

Balance, December 31, 2007		\$ 319,813
Increased by:		
Deposits Received	\$ 78,213	
Investment Earnings Due to Developers	<u>1,720</u>	
		<u>79,933</u>
		399,746
Decreased by:		
Cash Disbursements		<u>103,626</u>
Balance, December 31, 2008		<u><u>\$ 296,120</u></u>

STATEMENT OF RESERVE FOR RECYCLING EXPENDITURES

Balance, December 31, 2007		\$ 190,212
Increased by:		
Recycling Fees Collected	\$ 197,456	
Recycling Tonnage Grant	<u>19,215</u>	
		<u>216,671</u>
		406,883
Decreased by:		
Cash Disbursements		<u>136,264</u>
Balance, December 31, 2008		<u><u>\$ 270,619</u></u>

STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE

Balance, December 31, 2007		\$ 203,421
Increased by Receipts:		
Employee Contributions	\$ 9,590	
Interest on Investments	<u>4,024</u>	
		<u>13,614</u>
		217,035
Decreased by:		
Due to State of New Jersey - Unemployment Claims Payable		<u>6,519</u>
Balance, December 31, 2008		<u><u>\$ 210,516</u></u>

**BOROUGH OF HAWTHORNE
STATEMENT OF PAYROLL DEDUCTIONS PAYABLE**

Balance, December 31, 2007	\$ 2,100
Increased by:	
Employee Payroll and Deductions Payable	<u>9,135,525</u>
	9,137,625
Decreased by:	
Cash Disbursements	<u>9,135,721</u>
Balance, December 31, 2008	<u>\$ 1,904</u>

STATEMENT OF RESERVE FOR OFF-DUTY MUNICIPAL POLICE PAY

Balance, December 31, 2007	\$ 74,367
Increased by:	
Cash Receipts	<u>304,796</u>
	379,163
Decreased by:	
Cash Disbursements	<u>347,977</u>
Balance, December 31, 2008	<u>\$ 31,186</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF RESERVE FOR MUNICIPAL ALLIANCE PROGRAM**

Balance, December 31, 2007	\$	12,705
Increased by:		
Cash Receipts - Donations		2,263
		14,968
Decreased by:		
Cash Disbursements		2,804
Balance, December 31, 2008	\$	12,164

STATEMENT OF RESERVE FOR TAX SALE PREMIUMS

Balance, December 31, 2007	\$	25,700
Increased by:		
Premiums Collected at Tax Sale		135,900
		161,600
Decreased by:		
Premiums Refunded		78,600
Balance, December 31, 2008	\$	83,000

**BOROUGH OF HAWTHORNE
STATEMENT OF DUE FROM CURRENT FUND
OTHER TRUST FUND**

Balance, December 31, 2007	\$	15,571
Increased by:		
Payments Made to Current Fund		13,133
		28,704
Decreased by:		
Interest on Investments		12,258
Balance, December 31, 2008	\$	16,446

**STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

	Balance, December 31, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2008</u>
PCUA - EIC	\$ 10			\$ 10
Public Defender Fees	5,830	\$ 2,776	\$ 300	8,306
POAA	1,105	1,276	620	1,761
Trustee - Liens (Third Party)	1,440	125,221	125,221	1,440
Confiscated Funds	1,827		4,458	(2,631)
Housing Trust	109,401	20,645	50,317	79,729
Domestic Violence	1,075		1,056	19
Fire Code	1,319			1,319
Pre-Tax Medical Payments	1,575	2,952	2,800	1,727
Relocation Fund	5,000			5,000
UCC Penalties	140,311	16,850	-	157,161
	\$ 268,893	\$ 169,720	\$ 184,772	\$ 253,841

**BOROUGH OF HAWTHORNE
STATEMENT OF DUE TO STATE OF NEW JERSEY
UNEMPLOYMENT CLAIMS
OTHER TRUST FUND**

Increased by:	
Unemployment Claims Incurred	\$ 6,519
Decreased by:	
Payments to State of New Jersey	<u> 5,118</u>
Balance, December 31, 2008	<u><u> \$ 1,401</u></u>

GENERAL CAPITAL FUND

**BOROUGH OF HAWTHORNE
SCHEDULE OF CASH - TREASURER**

Balance, December 31, 2007		\$ 1,727,894
Increased by:		
2008 Budget Appropriations:		
Capital Improvement Fund	\$ 100,000	
Serial Bond Proceeds	3,510,000	
Premium on Serial Bonds	149,180	
Accrued Interest on Bond Sale	4,889	
Grants Receivable	312,280	
Deferred Charges Unfunded - JIF Proceeds	46,954	
Interest on Investments	<u>18,521</u>	
		<u>4,141,824</u>
		5,869,718
Decreased by:		
Improvement Authorizations	1,069,878	
Encumbrances Payable	451,945	
Bond Anticipation Notes	3,605,000	
Current Fund Budgeted Revenue:		
Reserve for Payment of Bonds	125,000	
Payment of Bond Sale Issuance Costs	33,183	
Payments to Current Fund	<u>99,733</u>	
		<u>5,384,739</u>
Balance, December 31, 2008		<u>\$ 484,979</u>

**BOROUGH OF HAWTHORNE
ANALYSIS OF CASH**

		Balance, December 31, <u>2008</u>
Due from Trust Assessment Fund		\$ (313,240)
Loan Receivable - NJEIT		(561,378)
Due to Current Fund		83,777
Capital Improvement fund		146,963
Encumbrances Payable		268,705
Reserve for Bond Sale Issuance Costs		21,401
Reserve for Payment of Debt		238,406
Fund Balance		149,180
Improvements Authorizations:		
<u>Ord. No.</u>		
1540	Reconstruction of Concrete Cubs on VanWinkle Ave.	(974)
1554	Constr. of Sanitary Sewers on Portion of Highview Terrace	(15,870)
1564	Reconstr. of Curbs, Sidewalks, & Driveways on Rock/Goffle Rds.	(3,119)
1591	Impvt. of Sherman Ave.	(786)
1586/97/1635/38/1773/93	Various Capital Improvements	249
1427/1462	Impvt. Mountain Ave. Sanitary Sewers	(4,343)
1634/1663	Resurfacing and Reconstruction of Grand Ave.	(3,844)
1607/1682	Reconst. Of Concrete Curbs/Sidewalks on Lafayette Ave.	(3,800)
1636/1684	Installation of Pavers on Lafayette Ave.	(3,450)
1726	Post Ave. Curbs, Sidewalks, Aprons	(4,124)
1733	Bamford Ave. Curbs, Sidewalks, Aprons	(3,563)
1734/1757	Constr.of Sanitary Sewers-Highview/Charwalt	(22,187)
1750	Removal of Handicapped Barriers	113,001
1765	Acq. & Install. Of Public Safety Communication System	130,856
1810	Curbs, Sidewalks and Driveway Aprons- Hutchinson, Roosevelt, Van Winkle, et al	(2,410)
1826	Sewer Pump Station and Line Improvements	534,105
1856	2005 Road Improvement Program	23,552
1865	Acquisition of Fire Department Equipment	20,891
1866	Improvements to Buena Vista Ave - Phase III	49,827
1867	Sanitary Sewer Improvements	5,558
1885	Improvements to Municipal Pool	20,972
1892/1907	Improvements to Brookside Ave	527
1905	2007 Road Program	5,908
1908	Repairs and Renovation to Municipal Pool	12,759
1918	Improvements to Municipal Building	204
1938	Impvt. Of Van Winkle Ave	(37,150)
1939	Replace Sidewalks & Driveway Aprons Van Winkle Ave	(37,440)
1948	Sidewalks & Driveway Aprons Tuxedo Ave	(47,616)
1949	Road Construction, Curbing, resurfacing & Drainage Imprv.	(282,506)
1956	Drainage & Stormwater Improvements Various Locations	50,479
1959	Recreation Facility at Wagaraw Road	(10,745)
1961	Repairs to Sicomac Ave Pump Station	(33,796)
		<u>\$ 484,979</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF GRANTS RECEIVABLE**

Ord. No.	<u>Project</u>	Balance, December 31, 2007	Grants Awarded	Cash Receipts	Balance, December 31, 2008	Balance Pledged to Reserve
	State Dept. of Transportation					
1825	Buena Vista Improvements	\$ 47,877		\$ 30,907	\$ 16,970	\$ 16,970
1892/1907	Improvements to Brookside Ave	50,000		50,000		
	Private Donation					
1817	Recreation Improvements	50,000		50,000		
	Passaic County Open Space Trust Fund					
1817	Recreation Improvements	30,000			30,000	30,000
	State Dept. of Transportation					
1938	Impvnt. Of Van Winkle Ave	-	\$ 242,000	181,373	60,627	60,627
		<u>\$ 177,877</u>	<u>\$ 242,000</u>	<u>\$ 312,280</u>	<u>\$ 107,597</u>	<u>\$ 107,597</u>
	Reserve for Grants Receivable		\$ 242,000			
	Deferred Charges - Unfunded			\$ 181,373		
	Reserve for Payment of Bonds		-	130,907		
			<u>\$ 242,000</u>	<u>\$ 312,280</u>		

**BOROUGH OF HAWTHORNE
STATEMENT OF DUE FROM TRUST ASSESSMENT FUND**

Balance, December 31, 2007	\$ 313,240
Balance, December 31, 2008	<u>\$ 313,240</u>

**STATEMENT OF ENVIRONMENTAL INFRASTRUCTURE LOAN (NJ EIT)
PROCEEDS RECEIVABLE**

Balance, December 31, 2007	\$ 561,378
Balance, December 31, 2008	<u>\$ 561,378</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF PROSPECTIVE ASSESSMENTS RAISED BY TAXATION**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Date</u>	<u>Total Appropriated</u>	<u>Down-payment</u>	<u>Balance, December 31, 2007</u>	<u>Financed by Capital Improvement Fund</u>	<u>Balance, December 31, 2008</u>
Local Improvements							
1939	Sidewalks and Driveway Aprons - Van Winkle Ave.	5/7/2008	\$ 75,000	\$ 3,750	\$ -	\$ 3,750	\$ 3,750
1948	Sidewalks and Driveway Aprons - Tuxedo Ave.	8/6/2008	85,000	4,250	-	4,250	4,250
					\$ -	\$ 8,000	\$ 8,000

BOROUGH OF HAWTHORNE
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2007		\$ 13,570,528
Increased by:		
Serial Bonds Issued		<u>3,510,000</u>
		17,080,528
Decreased by:		
2008 Budget Appropriations:		
Payment of Serial Bonds	\$ 835,000	
Payment of Wastewater Loan Principal	296,349	
Payment of EDA Loan Principal	<u>12,950</u>	
		<u>1,144,299</u>
Balance, December 31, 2008		<u>\$ 15,936,229</u>

**BOROUGH OF HAWTHORNE
SCHEDULE OF DEFERRED CHARGES - UNFUNDED**

Ord. No.	Improvement Description	Balance, December 31, 2007	2008 Authorization	Funded by JIF Proceeds	Funded by Grant Proceeds	Transfer to Deferred Charges - Funded	Balance, December 31, 2008	Analysis of Balance, December 31, 2008	
								Expenditures	Unexpended Improvement Authorization
General Improvements									
1586/1597/	Various Capital Improvements	\$ 786					\$ 786	\$ 786	
1635/1638/	Constr. of Roadway - Sherman Ave.	3,844					3,844	3,844	
1773/1793	Resurfacing and Reconst. of Grand Ave.	1,232,366							
1591	Construction of Ambulance Corps Bldg.	38,000				\$ 1,232,366			
1634/1663	Various Imprvts. - Wagraw Field & Swim Pool	7,488				38,000			
1665/1775/1823/1841	Repair and Improvement of Library	180,429				7,488			
1767/1854	Road Improvement Program	43,965				180,429			
1804/1848	Driveways, Curbs & Sidewalks-Buena Vista Ave.	149,550				43,965			
1824	Sewer Pump Station & Line Improvements	22,089				149,550			
1825/1832	Improvements to Buena Vista Ave - Phase II	190,000				22,089			
1826	2005 Road Improvement Program	83,550				190,000			
1855/1859	Acquisition of DPW Equipment	451,250				83,550			
1856	Acquisition of Fire Department Equipment	285,000				451,250			
1860	Improvements to Buena Vista Ave - Phase III	83,500				83,500			
1865	Sanitary Sewer Improvements	142,500				195,000	90,000	\$ 90,000	
1866	2006 Road Improvement Program	61,750				142,500			
1867	Improvements to Municipal Pool	111,250				61,750			
1870	Improvements to Brookside Ave	237,500				111,250			
1885	2007 Road Program	237,500				237,500			
1892/1907	Repairs and Renovation to Municipal Pool		\$ 285,000		\$ 181,373	237,313	187	187	
1908	Impvt. Of Van Winkle Ave		285,000			42,500	61,127	37,150	23,977
1938	Road Construction, Curbing, resurfacing & Drainage Imprv.		959,500				285,000	282,506	2,494
1949	Drainage & Stormwater Improvements Various Locations		14,250				959,500		959,500
1956	Recreation Facility at Wagraw Road		80,750	\$ 46,954			14,250	10,745	3,505
1959	Repairs to Sicomac Ave Pump Station						33,796	33,796	
1961									
Local Improvements									
1427/1462	Impvt. Mountain Ave. Sanitary Sewers	4,343					4,343	4,343	
1540	Reconst. of Concrete Curbs - Van Winkle Ave.	974					974	974	
1554	Constr. of Sanitary Sewers - Highview Terr.	15,870					15,870	15,870	
1564	Reconst. of Curbs/Driveway Aprons/Sidewalks on Rock/Goffle Rds.	3,119					3,119	3,119	
1607/1682	Reconst. of Concrete Curbs/Sidewalks on Lafayette Ave.	3,800					3,800	3,800	
1636/1684	Installation of Pavers on Lafayette Ave.	3,450					3,450	3,450	
1726	Post Ave. Curbs, Sidewalks, Aprons	4,124					4,124	4,124	
1733	Bamford Ave. Curbs, Sidewalks, Aprons	3,563					3,563	3,563	
1734/1757	Constr. of Sanitary Sewers-Highview/Charwalt	22,187					22,187	22,187	
1810	Curbs, Sidewalks and Driveway Aprons-Hutchinson, Roosevelt, Van Winkle, et al	2,410					2,410	2,410	
1939	Replace Sidewalks & Driveway Aprons Van Winkle Ave		71,250				71,250	37,440	33,810
1948	Sidewalks & Driveway Aprons Tuxedo Ave		80,750				80,750	47,616	33,134
		<u>\$ 3,626,157</u>	<u>\$ 1,776,500</u>	<u>\$ 46,954</u>	<u>\$ 181,373</u>	<u>\$ 3,510,000</u>	<u>\$ 1,664,330</u>	<u>\$ 517,723</u>	<u>\$ 1,146,607</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2007		\$ 140,463
Increased by:		
2008 Budget Appropriation		<u>100,000</u>
		240,463
Decreased by:		
Appropriated to Finance Improvement Authorization		<u>93,500</u>
Balance, December 31, 2008		<u><u>\$ 146,963</u></u>

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2007		\$ 475,497
Increased by:		
Charges to Improvement Authorizations		<u>268,705</u>
		744,202
Decreased by:		
Cash Disbursements	\$ 451,945	
Cancellations Restored to Improvement Authorizations	<u>23,552</u>	
		<u>475,497</u>
Balance, December 31, 2008		<u><u>\$ 268,705</u></u>

**BOROUGH OF HAWTHORNE
STATEMENT OF DUE TO CURRENT FUND**

Balance, December 31, 2007	\$ 79,989
Increased by:	
Interest Earned on Investments	\$ 18,521
Emergency Authorization Funded by Capital Ordinance	<u>85,000</u>
	<u>103,521</u>
	183,510
Decreased by:	
Payments Made to Current Fund	<u>99,733</u>
Balance, December 31, 2008	<u>\$ 83,777</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF GENERAL SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds</u>			<u>Interest Rate</u>	<u>Balance, December 31, 2007</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2008</u>
			<u>Date</u>	<u>Outstanding December 31, 2008</u>	<u>Amount</u>					
General Improvement Bonds	10/15/2000	\$ 3,193,000	10/15/09-14	\$ 220,000	5.100%					
			10/15/2015	225,000	5.125%					
			10/15/2016	228,000	5.200%	\$ 1,993,000	\$ 220,000	\$ 220,000	\$ 1,773,000	
General Improvement Bonds	6/1/2004	6,292,000	6/1/2009-12	300,000						
			6/1/2013	500,000						
			6/1/2014	550,000						
			6/1/2015	600,000						
			6/1/2016	700,000						
			6/1/2017	730,000						
			6/1/2018	760,000						
			6/1/2019	777,000	4.125%	6,117,000	300,000	300,000	5,817,000	
Refunding Bonds of 2005	4/1/2005	3,285,000	8/15/2009	320,000	3.250%					
			8/15/2010	320,000	3.500%					
			8/15/2011	315,000	3.750%					
			8/15/2012	310,000	3.750%					
			8/15/2013	310,000	4.000%					
			8/15/2014	305,000	4.000%					
			8/15/2015	300,000	4.000%	2,495,000	315,000	315,000	2,180,000	
General Improvement Bonds	9/1/2008	3,510,000	3/1/2009	105,000	3.000%					
			3/1/2010	110,000	5.000%					
			3/1/2011	160,000	5.000%					
			3/1/2012	200,000	5.000%					
			3/1/2013	205,000	5.000%					
			3/1/14-19	210,000	5.000%					
			3/1/20-23	210,000	4.000%					
			3/1/2024	210,000	4.125%					
			3/1/25-26	210,000	4.250%					
						-	\$ 3,510,000	-	3,510,000	
						\$ 10,605,000	\$ 3,510,000	\$ 835,000	\$ 13,280,000	
						Issued for Cash	\$ 3,510,000			
						Paid by Budget Appropriation	-	\$ 835,000		
							\$ 3,510,000	\$ 835,000	\$ 3,510,000	

**BOROUGH OF HAWTHORNE
STATEMENT OF NEW JERSEY
ENVIRONMENTAL INFRASTRUCTURE LOAN PAYABLE**

Balance, December 31, 2007	\$ 2,926,678
Decreased by:	
Paid by 2008 Budget Appropriation	<u>296,349</u>
Balance, December 31, 2008	<u>\$ 2,630,329</u>

EXHIBIT C-17

**STATEMENT OF NEW JERSEY
EDA LOAN PAYABLE**

Balance, December 31, 2007	\$ 38,850
Decreased by:	
Paid by 2008 Budget Appropriation	<u>12,950</u>
Balance, December 31, 2008	<u>\$ 25,900</u>

EXHIBIT C-18

STATEMENT OF RESERVE FOR BOND SALE ISSUANCE COSTS

Balance, December 31, 2007	\$ 6,584
Increased by:	
Charged to Improvement Authorizations	<u>48,000</u>
	54,584
Decreased by:	
Cash Disbursements	<u>33,183</u>
Balance, December 31, 2008	<u>\$ 21,401</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF RESERVE FOR PAYMENT OF BONDS**

Balance, December 31, 2007		\$ 227,610
Increased by:		
Accrued Interest on Bond Sale Issuance	\$ 4,889	
Grant Proceeds for Fully Funded Authorizations	<u>130,907</u>	
		<u>135,796</u>
		363,406
Decreased by:		
Anticipated as Current Fund Budget Revenue		<u>125,000</u>
Balance, December 31, 2008		<u>\$ 238,406</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. No.	Improvement Description	Balance, December 31, 2007 (Restated)	2008 Authorizations	Funded by JIF Proceeds	Serial Bond Issued	Funded by Grant Proceeds	Funded by Assessment Collections	Balance, December 31, 2008 Capital Fund Trust Fund
1591	Constr. Of Roadway- Portion of Sherman Ave.	\$ 786						\$ 786
1634/1663	Improvement of Grand Ave.	3,844						3,844
1867	Sanitary Sewer Improvements	137,750	\$ 47,750					90,000
1908	Repairs and Renovation to Municipal Pool	482	295					187
1938	Impvt. Of Van Winkle Ave		\$ 285,000		42,500	\$ 181,373		61,127
1949	Road Construction, Curbing, resurfacing & Drainage Imprv.		285,000					285,000
1956	Drainage & Stormwater Improvements Various Locations		959,500					959,500
1959	Recreation Facility at Wagaraw Road		14,250					14,250
1961	Repairs to Sicomac Ave Pump Station		80,750	\$ 46,954				33,796
Local Improvements								
1427/1462	Impvt. of Mountain Ave. Sanitary Sewers	4,343						4,343
1540	Reconstruction of Concrete Curbs on Van Winkle Ave.	974						974
1554	Construction of Sanitary Sewers - Highview Terrace	15,870						15,870
1564	Reconst. of Curbs/Driveway Aprons/Sidewalks on Rock/Goffle Rds.	3,119						3,119
1607/1682	Reconst. of Concrete Curbs/Sidewalks on Lafayette Ave.	3,800						3,800
1636/1684	Install. of Pavers - Lafayette Ave.	3,450						3,450
1726	Post Ave. Curbs, Sidewalks, Aprons	4,124						4,124
1733	Bamford Ave. Curbs, Sidewalks, Aprons	9,437				\$ 1,835		3,563
1734/1757	Constr. of Sanitary Sewers-Highview/Charwalt	148,187				18,000		22,187
1810	Curbs, Sidewalks and Driveway Aprons-Hutchinson, Roosevelt, Van Winkle, et al	2,410						2,410
1939	Replace Sidewalks & Driveway Aprons Van Winkle Ave		71,250					71,250
1948	Sidewalks & Driveway Aprons Tuxedo Ave		80,750					80,750
		\$ 338,576	\$ 1,776,500	\$ 46,954	\$ 90,545	\$ 181,373	\$ 19,835	\$ 1,664,330
	Capital Fund	\$ 206,702						
	Trust Fund	131,874						
		\$ 338,576						

WATER UTILITY FUND

BOROUGH OF HAWTHORNE
STATEMENT OF CASH AND INVESTMENTS - WATER COLLECTOR

	<u>Operating</u>		<u>Capital</u>
Balance, December 31, 2007	\$ 433,457		\$ 316,468
Increased by Receipts:			
Consumer Accounts Receivable	\$ 2,398,493		
Interest Earned on Investments	3,940	\$ 4,229	
Fire Hydrant Service	92,250		
Reserve for Payment of Debt	55,000		
Interest and Costs on Delinquent Rents	13,440		
On/Off Charges	6,113		
Miscellaneous Fees and Charges	787		
2008 Budget Appropriations:			
Capital Improvement Fund		10,000	
Water Rent Overpayments	5,401		
Receipts from Water Utility Capital Fund	4,792		
Receipts from Water Utility Operating Fund		61	
Non-Budget Revenue	<u>3,148</u>		<u>-</u>
	<u>2,583,364</u>		<u>14,290</u>
	3,016,821		330,758
Decreased by Disbursements:			
2008 Budget Appropriations	2,354,598		
2007 Appropriation Reserves	613		
Encumbrances Payable	145,017		
Payments to Water Utility Operating Fund		4,792	
Payments to Water Utility Capital Fund	61		
Fund Balance Anticipated as Revenue in Current Fund	145,000		
Reserve for Payment of Debt		55,000	
Water Rent Overpayments Refunded	3,926		
Refund of Prior Year Revenue	7,812		
Accrued Interest on Bonds and Loans	<u>81,296</u>		<u>-</u>
	<u>2,738,323</u>		<u>59,792</u>
Balance, December 31, 2008	<u>\$ 278,498</u>		<u>\$ 270,966</u>

**BOROUGH OF HAWTHORNE
ANALYSIS OF CASH
WATER UTILITY CAPITAL FUND**

	Balance, December 31, <u>2008</u>
Fund Balance	\$ 1,628
Capital Improvement Fund	64,601
Reserve for Payment of Debt	112,141
Loan Proceeds Receivable	(717,925)
Due from Water Utility Operating Fund	(563)
Improvement Authorizations	
Ord.	
<u>No.</u>	
1575 Acq. of Two Pickup Trucks	(23,344)
1811 Replacement of Various Water Mains	764,428
1957 Goffle Road Pump House Facility	
Repairs and Renovations	<u>70,000</u>
	<u>\$ 270,966</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF CONSUMERS ACCOUNTS RECEIVABLE
WATER UTILITY OPERATING FUND**

Balance, December 31, 2007		\$ 275,684
Increased by:		
Water Rents - Levies		<u>2,377,447</u>
		2,653,131
Decreased by:		
Water Rents - Collections		<u>2,398,493</u>
		254,638
Balance, December 31, 2008		<u><u>\$ 254,638</u></u>

**STATEMENT OF DUE FROM WATER UTILITY OPERATING FUND -
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2007		\$ 61
Increased by:		
Payments to Water Utility Operating Fund		<u>4,792</u>
		4,853
Decreased by:		
Interest on Investments	\$ 4,229	
Payments from Water Utility Operating Fund	<u>61</u>	
		<u>4,290</u>
Balance, December 31, 2008		<u><u>\$ 563</u></u>

**BOROUGH OF HAWTHORNE
STATEMENT OF LOAN PROCEEDS RECEIVABLE
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2007	<u>\$ 717,925</u>
Balance, December 31, 2008	<u><u>\$ 717,925</u></u>

**STATEMENT OF FIXED CAPITAL
WATER UTILITY CAPITAL FUND**

	Balance, December 31, <u>2007</u>	<u>Budget - Additions</u>		Balance, December 31, <u>2008</u>
		<u>Capital Outlay</u>	<u>Ordinance</u>	
Land and Wells	\$ 525,041			\$ 525,041
Storage Reservoirs, Tanks and Standpipes, Distribution Mains and Accessories	4,194,599			4,194,599
Water System and Distribution System	1,601,873		\$ 2,035,326	3,637,199
Other Tangible Water Capital	<u>1,726,175</u>	<u>\$ 98,420</u>	<u>-</u>	<u>1,824,595</u>
	<u>\$ 8,047,688</u>	<u>\$ 98,420</u>	<u>\$ 2,035,326</u>	<u>\$ 10,181,434</u>
2008 Budget Appropriation		<u>\$ 98,420</u>		

BOROUGH OF HAWTHORNE
STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
WATER UTILITY CAPITAL FUND

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2007</u>	2008 <u>Authorizations</u> Deferred Reserve for <u>Amortization</u>	Costs to <u>Fixed Capital</u>	Balance, December 31, <u>2008</u>
1811	Replace Various Water Mains	\$ 2,800,000		\$ 2,035,326	\$ 764,674
1957	Goffle Road Pump House Facility Repairs and Renovations	<u>-</u>	<u>\$ 70,000</u>	<u>-</u>	<u>70,000</u>
		<u>\$ 2,800,000</u>	<u>\$ 70,000</u>	<u>\$ 2,035,326</u>	<u>\$ 834,674</u>

BOROUGH OF HAWTHORNE
STATEMENT OF ACCRUED INTEREST ON BONDS AND LOANS
WATER UTILITY OPERATING FUND

Balance, December 31, 2007	\$	26,633
Increased by:		
2008 Budget Appropriation		79,995
		106,628
Decreased by:		
Cash Disbursements		81,296
Balance, December 31, 2008	\$	25,332
<u>Analysis of Balance</u>		
Accrued Interest on Bonds	\$	2,142
Accrued Interest on Loans		23,190
	\$	25,332

STATEMENT OF 2007 APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND

	Balance, December 31, <u>2007</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries and Wages	\$ 1,162	\$ 1,162	\$ 613	\$ 549
Other Expenses	10	7,365		7,365
Laboratory Testing	28	5,367	-	5,367
	\$ 1,200	\$ 13,894	\$ 613	\$ 13,281
Appropriation Reserves		\$ 1,200		
Cancelled Encumbrances		12,694		
		\$ 13,894		

**BOROUGH OF HAWTHORNE
STATEMENT OF ENCUMBRANCES PAYABLE
WATER UTILITY OPERATING FUND**

Balance, December 31, 2007		\$ 157,711
Increased by:		
Charges to 2008 Appropriations		<u>179,924</u>
		337,635
Decreased by:		
Cash Disbursements	\$ 145,017	
Cancellations Restored to Appropriation Reserves	<u>12,694</u>	
		<u>157,711</u>
Balance, December 31, 2008		<u>\$ 179,924</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF WATER RENT OVERPAYMENTS
WATER UTILITY OPERATING FUND**

Balance, December 31, 2007	\$ 3,926
Increased by:	
Cash Receipts	<u>5,401</u>
	9,327
Decreased by:	
Refunds	<u>3,926</u>
Balance, December 31, 2008	<u><u>\$ 5,401</u></u>

**STATEMENT OF RESERVE FOR PAYMENT OF DEBT
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2007	\$ 167,141
Decreased by:	
Anticipated as Water Utility Operating Fund Budget Revenue	<u>55,000</u>
Balance, December 31, 2008	<u><u>\$ 112,141</u></u>

**BOROUGH OF HAWTHORNE
STATEMENT OF CAPITAL IMPROVEMENT FUND
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2007	\$	124,601
Increased by:		
2008 Budget Appropriation		10,000
		134,601
Decreased by:		
Appropriated to Finance Improvement Authorizations		70,000
Balance, December 31, 2008	\$	64,601

**STATEMENT OF RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2007	\$	7,776,979
Increased by:		
Capital Outlay - Operating Budget	\$	98,420
Serial Bonds Paid by Operating Budget		45,000
Water Supply Loan Paid by Operating Budget		124,026
		267,446
Balance, December 31, 2008	\$	8,044,425

**STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND**

<u>Ord. No.</u>	<u>Description</u>	<u>Fixed Capital Authorized</u>	<u>Balance, December 31, 2008</u>
1957	Goffle Road Pump House Repairs and Renovations	\$ 70,000	\$ 70,000
	Capital Improvement Fund	\$ 70,000	

**BOROUGH OF HAWTHORNE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
WATER UTILITY CAPITAL FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Date</u>	<u>Ordinance</u>	<u>Amount</u>	<u>Balance, December 31, 2007</u>		<u>2008 Authorization</u>	<u>Balance, December 31, 2008</u>	
					<u>Funded</u>	<u>Unfunded</u>		<u>Funded</u>	<u>Unfunded</u>
1811	Replacement of Various Water Mains	6/18/2003	\$2,800,000	\$ 764,428	\$ 246	\$ 764,428	\$ 246		
1957	Goffle Road Pump House Facility Repairs and Renovations	11/5/2008	70,000	-	-	\$ 70,000	-	70,000	-
				<u>\$ 764,428</u>	<u>\$ 246</u>	<u>\$ 764,428</u>	<u>\$ 246</u>	<u>\$ 834,428</u>	<u>\$ 246</u>
						Capital Improvement Fund		<u>\$ 70,000</u>	

**BOROUGH OF HAWTHORNE
STATEMENT OF WATER LOANS PAYABLE
WATER UTILITY CAPITAL FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2007</u>	<u>Decrease</u>	Balance, December 31, <u>2008</u>
1811	Replacement of Various Water Mains	\$ 2,379,119	\$ 124,026	\$ 2,255,093
		<u>\$ 2,379,119</u>	<u>\$ 124,026</u>	<u>\$ 2,255,093</u>
	Paid by Budget Appropriation		<u>\$ 124,026</u>	

**BOROUGH OF HAWTHORNE
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
WATER UTILITY CAPITAL FUND**

<u>Ord. No.</u>	<u>Purpose</u>	Balance, December 31, <u>2007</u>	Balance, December 31, <u>2008</u>
1575	Acq. of Two Pickup Trucks	\$ 23,344	\$ 23,344
1811	Replacement of Various Water Mains	<u>246</u>	<u>246</u>
		<u>\$ 23,590</u>	<u>\$ 23,590</u>

PUBLIC ASSISTANCE FUND

**BOROUGH OF HAWTHORNE
STATEMENT OF PUBLIC ASSISTANCE CASH - TREASURER**

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
Balance, December 31, 2007	\$ 16,645	\$ 16,645	\$ -
Increased by:			
Donations	2,150	2,150	
Interest on Investments	<u>251</u>	<u>251</u>	<u>-</u>
	<u>2,401</u>	<u>2,401</u>	<u>-</u>
	<u>19,046</u>	<u>19,046</u>	<u>-</u>
Decreased by:			
Payments to Current Fund	<u>279</u>	<u>279</u>	<u>-</u>
	<u>279</u>	<u>279</u>	<u>-</u>
Balance, December 31, 2008	<u>\$ 18,767</u>	<u>\$ 18,767</u>	<u>\$ -</u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
Balance, December 31, 2007	\$ 16,888	\$ 16,888	
Increased by:			
Revenues	<u>2,150</u>	<u>2,150</u>	<u>-</u>
	19,038	19,038	-
Decreased by:			
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2008	<u>\$ 19,038</u>	<u>\$ 19,038</u>	<u>\$ -</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF PUBLIC ASSISTANCE REVENUES**

	<u>Total</u>	<u>Account #1</u>	<u>Account #2 (100% State Funded)</u>
Donations	\$ 2,150	\$ 2,150	-
Total Revenues	2,150	2,150	-
Interest on Investments	<u>251</u>	<u>251</u>	<u>-</u>
Total Receipts	<u>\$ 2,401</u>	<u>\$ 2,401</u>	<u>\$ -</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2 (100% State Funded)</u>
Assistance Reported	<u>-</u>	<u>-</u>	\$ -
Total Expenditures	-	-	-
Due to Current Fund	<u>\$ 279</u>	<u>\$ 279</u>	<u>-</u>
Total Disbursements	<u>\$ 279</u>	<u>\$ 279</u>	<u>\$ -</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF DUE FROM CURRENT FUND**

Balance, December 31, 2007	\$ 243
Increased by:	
Payments to Current Fund	<u>279</u>
	522
Decreased by:	
Interest on Investments	<u>251</u>
Balance, December 31, 2008	<u><u>\$ 271</u></u>

BOROUGH OF HAWTHORNE
PASSAIC COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

Honorable Mayor and Members
of the Borough Council
Borough of Hawthorne
Hawthorne, New Jersey

We have audited the financial statements – statutory basis of the Borough of Hawthorne as of and for the year ended December 31, 2008, and have issued our report thereon dated July 23, 2009 which indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared using the statutory basis of accounting prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. In addition, our report on the financial statements – statutory basis was qualified because of the presentation of the unaudited LOSAP Fund. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Borough's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the statutory basis of accounting such that there is more than a remote likelihood that a misstatement of the Borough's financial statements that is more than inconsequential will not be prevented or detected by the Borough's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Borough'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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the governing body, management and New Jersey Department of Community Affairs and is not intended to be and should not be used by anyone other than these specified parties.

Lerch, Vinci & Higgins, LLP
LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429

Fair Lawn, New Jersey
July 23, 2009

BOROUGH OF HAWTHORNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

State Grant Program	Grant Number	Year	Grant Award	2008 Grant Receipts	Balance, January 1, 2008	Revenue Realized	Expended	Cancelled/Adjustment	Balance, December 31, 2008	(Memo) Cumulative Expenditures
Department of Law and Public Safety										
Drunk Driving Enforcement Fund	1110-448-031020-22	2008	\$ 1,189	\$ 1,189	\$	\$ 1,189	\$ 400		\$ 789	\$ 400
Drunk Driving Enforcement Fund	1110-448-031020-22	2007	3,179		2,138		780		1,358	1,821
Drunk Driving Enforcement Fund	1110-448-031020-22	2006			20		20			
Division of Criminal Justice										
Police Body Armor Grant	1020-718-066-090160	2008	2,438			3,438	2,404		1,034	2,404
Police Body Armor Grant	1020-718-066-090160	2007	3,011		2,294		2,294			3,011
Police Body Armor Grant	1020-718-066-090160	2006			1,038		1,038			
Municipal Alliance Program	N/A	2008	30,700	26,657	4,024	30,700	28,752		1,948	28,752
Municipal Alliance Program	N/A	2005						\$ (4,024)		
Domestic Violence Grant	100-066-1020-107	2005			2,571				2,571	
Domestic Violence Grant	100-066-1020-107	2002			107				107	
Alcohol Education and Rehabilitation Fund	9735-760-098-060000	2008	375	375		375			375	
Alcohol Education and Rehabilitation Fund	9735-760-098-060000	2007	236		236				236	
Alcohol Education and Rehabilitation Fund	9735-760-098-060000	2006			267				267	
Alcohol Education and Rehabilitation Fund	9735-760-098-060000	2005			163				163	
Municipal Court Administration Fund	9735-760-098-060000	Prior			21				21	
Pedestrian Safety Grant	N/A	2006			21		21			
Department of Environmental Protection										
Solid Waste Administration										
Recycling Tonnage Grant	4900-752-042-178810	2008	19,215	19,215	28,732	19,215	19,215		28,732	19,215
Recycling Tonnage Grant	4900-752-042-178810	Prior								
Clean Communities Program	4900-765-042-178910	2008	19,148	19,148		19,148	13,275		5,873	13,275
Clean Communities Program	4900-765-042-178910	2007	21,843		17,198		2,791		14,407	7,456
Clean Communities Program	4900-765-042-178910	2006			14,760		543		14,217	
Clean Communities Program	4900-765-042-178910	2005			4,554		4,554			
Scrap Tire Grant	N/A	2001			1,786		1,169		617	
NJ Shade Tree Grant	N/A	2004			200				200	
NJ Shade Tree Grant	N/A	2002			3,200				3,200	
NJ Shade Tree Grant	N/A	2001			316				316	
NJEIT Loan Programs										
Ord. 1811 - Water Utility	340881-03	2003	2,724,259		764,428				764,428	1,959,831
Ord. 1826 - General Capital	340881-04	2004	1,850,450		403,134		18,579		384,555	1,465,895
Municipal Stormwater Grant	N/A	2007	12,029		12,029				12,029	
Municipal Stormwater Grant	N/A	2004			9,386		1,046		8,340	

Note: The Borough was not subject to single audit requirements of NJ OMB 04-04.

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance.

BOROUGH OF HAWTHORNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2008

State Grant Program	Grant Number	Year	Grant Award	2008 Grant Receipts	Balance, January 1, 2008	Revenue Realized	Expended	Cancelled/ Adjustment	Balance, December 31, 2008	(Memo) Cumulative Expenditures
Dept. of Community Affairs Forestry Volunteer Fire Grant	N/A	2007	\$ 2,500	\$	1,360				\$ 1,360	\$ 1,140
Audio/Visual Grant	N/A	2005			2,805				2,805	
Emergency Road Repair Grant	N/A	Prior			248				248	
Livable Communities - Municipal Building Improvements	N/A	2006			47,978		\$ 31,691		16,287	
Removal of Handicapped Barriers - Ord. 1750	00-100-022-8020-078-F292-6120-SC99	2001			113,001				113,001	
Department of State Division of State Library Library State Aid	2541-100-074-510140	2008	18,474	18,474	-	\$ 18,474	18,474	-	-	18,474
						\$ 92,539	\$ 147,046	\$ (4,024)	\$ 1,379,484	

Note: The Borough was not subject to single audit requirements of NJ OMB 04-04.

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**BOROUGH OF HAWTHORNE
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2008**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Hawthorne. The Borough is defined in Note 1(A) to the Borough's financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of expenditures of awards.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the statutory basis of accounting as prescribed or permitted for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1(B) to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 13,000	\$ 73,324	\$ 86,324
General Capital Fund	242,000		242,000
Other Trust Fund	<u>-</u>	<u>19,215</u>	<u>19,215</u>
Total Financial Awards	<u>\$ 255,000</u>	<u>\$ 92,539</u>	<u>\$ 347,539</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**BOROUGH OF HAWTHORNE
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2008**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2008, which are not required to be reported on the schedules of expenditures of federal awards and state financial assistance, are as follows:

<u>Loan Program</u>	<u>State</u>
Environmental Infrastructure Loan	\$ 4,885,422
EDA Loan	<u>25,900</u>
	<u>\$ 4,911,322</u>

NOTE 6 RECLASSIFICATION

Certain program balances have been reclassified from the schedule of expenditures of state financial assistance to the schedule of expenditures of federal awards for the year ended December 31, 2007.

BOROUGH OF HAWTHORNE

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2008

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND**

	<u>Year 2008</u>		<u>Year 2007</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,558,500	2.52 %	\$ 1,361,000	2.29 %
Miscellaneous - From Other Than Local				
Property Tax Levies	4,428,421	7.15	5,133,133	8.64
Collection of Delinquent Taxes and Tax Title Liens	710,511	1.15	525,220	0.88
Collection of Current Tax Levy	54,837,111	88.55	51,867,831	87.32
Other Credits to Income	<u>393,863</u>	<u>0.63</u>	<u>514,008</u>	<u>0.87</u>
 Total Income	 <u>61,928,406</u>	 <u>100.00</u> %	 <u>59,401,192</u>	 <u>100.00</u> %
 EXPENDITURES				
Budget Expenditures				
Municipal Purposes	16,793,059	27.78 %	16,301,917	28.28 %
County Taxes	13,970,425	23.11	12,882,755	22.34
Local School Taxes	29,574,279	48.93	28,276,801	49.04
Other Expenditures	<u>102,888</u>	<u>0.18</u>	<u>194,399</u>	<u>0.34</u>
 Total Expenditures	 <u>60,440,651</u>	 <u>100.00</u> %	 <u>57,655,872</u>	 <u>100.00</u> %
 Excess in Revenue	 1,487,755		 1,745,320	
Adjustments to Income before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budget of Succeeding Year	7,785		70,000	
Expenditures Included Above Which were Funded				
by General Capital Fund Improvement Authorization	<u>85,000</u>		<u>-</u>	
 Statutory Excess to Fund Balance	 1,580,540		 1,815,320	
 Fund Balance, January 1	 <u>3,482,320</u>		 <u>3,028,000</u>	
	5,062,860		4,843,320	
Decreased by:				
Utilization as Anticipated Revenue	<u>1,558,500</u>		<u>1,361,000</u>	
 Fund Balance, December 31	 <u>\$ 3,504,360</u>		 <u>\$ 3,482,320</u>	

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
WATER UTILITY OPERATING FUND**

	<u>Year 2008</u>		<u>Year 2007</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 76,965	2.89 %	\$ 147,849	5.43 %
Collection of Water Rents	2,398,493	89.91	2,328,888	85.46
Miscellaneous - From Other than Water Rents	178,907	6.71	235,798	8.65
Other Credits to Income	<u>13,281</u>	<u>0.49</u>	<u>12,626</u>	<u>0.46</u>
 Total Income	 <u>2,667,646</u>	 <u>100.00 %</u>	 <u>2,725,161</u>	 <u>100.00 %</u>
 EXPENDITURES				
Budget Expenditures				
Operating	2,150,472	81.84 %	2,049,005	81.91 %
Capital Improvements	108,420	4.13	80,000	3.20
Debt Service	249,021	9.48	244,362	9.77
Deferred Charges and Statutory Expenditures	112,000	4.26	128,209	5.12
Other Debits to Income	<u>7,812</u>	<u>0.29</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>2,627,725</u>	 <u>100.00 %</u>	 <u>2,501,576</u>	 <u>100.00 %</u>
 Excess in Revenue	 39,921		 223,585	
 Fund Balance, January 1	 <u>244,026</u>		 <u>297,290</u>	
	283,947		520,875	
Decreased by:				
Anticipated as Current Fund Revenue	145,000		129,000	
Utilization by Water Operating Budget	<u>76,965</u>		<u>147,849</u>	
 Fund Balance, December 31	 <u>\$ 61,982</u>		 <u>\$ 244,026</u>	

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>Tax Rate</u>	<u>\$4.487</u>	<u>\$4.27</u>	<u>\$4.09</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.9641	.911	.877
County	1.103	1.027	.979
County Open Space	.0224	.022	.020
Local School	2.3975	2.31	2.214

Assessed Valuation

2008	<u>\$1,233,653,631</u>
2007	<u>\$1,224,345,290</u>
2006	<u>\$1,222,071,995</u>

Under the provisions of Chapter 173, P.L. 1963 (R.S. 54:4-46.1) the County Board of Taxation added the estimated amount of approved Veterans' and Senior Citizens' tax deductions to the required tax levy for the purpose of computing the above tax rates.

Comparison of Tax Levies and Collection Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2008	\$ 55,714,010	\$ 54,837,111	98.43%
2007	52,645,449	51,867,831	98.52%
2006	50,106,591	49,513,160	98.82%

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2008	\$ 650,653	\$ 778,206	\$ 1,428,859	2.56%
2007	596,094	712,648	1,308,742	2.49%
2006	545,451	525,220	1,070,671	2.14%

Property Acquired by Tax Title Lien Liquidation

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2008	\$34,980
2007	34,980
2006	34,980

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections *</u>	<u>Percentage of Collection</u>
2008	\$2,377,447	\$2,398,493	100.88%
2007	2,158,408	2,328,888	107.89%
2006	2,086,238	2,131,563	102.17%

* Includes collection of prior year accounts receivable.

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2008	\$3,504,360	\$1,460,185
	2007	3,482,320	1,558,500
	2006	3,028,000	1,361,000
	2005	2,411,357	1,200,000
	2004	2,380,352	1,200,000
Water Utility Fund	2008	\$61,982	\$11,000
	2007	244,026	76,965
	2006	297,290	147,849
	2005	418,109	67,124
	2004	289,335	135,500

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE DURING THE PERIOD UNDER AUDIT AND SURETY BONDS

<u>Name</u>	<u>Title</u>
Richard Goldberg	Mayor (8/14/08-12/31/08)/Councilman at Large (1/1/08-8/14/08)
Patrick J. Botbyl	Mayor (1/1/08-8/14/08)
Shirley Shortway English	Councilwoman at Large
Bruce Bennett	Councilman at Large
Dominick Mele	Councilman at Large (12/1/08-12/31/08)
Joseph Wojtecki	Councilman - 1st Ward
John Bertollo	Councilman - 2nd Ward
Garret Sinning	Councilman - 3rd Ward
Frank Matthews	Councilman - 4th Ward
Eric Maurer	Borough Administrator
Jean Mele	Borough Clerk
Dorothy Broeckaert	Deputy Borough Clerk
Barbara Crowley	Tax Collector
Mary Jeanne Hewitt	Chief Financial Officer
Tim Henderson	Tax Assessor
John Meola	Magistrate of Municipal Court
Christine Oravetz	Municipal Court Administrator
Joyce Comerro	Violations Clerk
Ralph Fava	Prosecutor
Carol Chamberlin	Secretary to Board of Health, Registrar of Vital Statistics, Deputy Dir. of Welfare
John Pallotta	Zoning Consultant/Building Sub-Code Official and Building Inspector
Gene DeAugustine	Fire Prevention Sub-Code Official
Ron Tatham	Superintendent of Water Utility
Joseph Scarmazzo	Superintendent of Roads and Sewer
Charles Collins	Secretary - Board of Adjustment
William Monaghan	Secretary - Planning Board
Boswell McClave Eng.	Borough Engineer
Michael Pasquale	Borough Attorney

There is a policy with the Morris County Municipal Joint Insurance Fund for Public Employees Blanket Position Bonds for each Public Official or Employee in the amount of \$1,000,000.

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Our audit revealed that the Borough did not adopt an ordinance regarding the Defined Contribution Retirement Program nor review their current employees to determine compliance with the Local Finance Notice. It is recommended that the Borough adopt an ordinance creating the Defined Contribution Retirement Program and further review employees to ensure compliance with the enrollment regulations of this program.

Our audit revealed that certain payroll related disbursements were charged to an Other Expense line item. It is recommended that all payroll related expenditures be charged to the appropriate budgetary line item.

Contracts and Agreements Required to be Advertised for NJS 40A:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$21,000, except by contract or agreement."

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$21,000 within the fiscal year. Where a question arises as to whether any contract agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

- Stainless Steel Dump/Spreader Body
- Retrofitting of Vav Boxes
- Limestone Cleaning
- Construction of Kohler Field
- Municipal Pool Cover
- 2008 Road Improvement Program
- Truck, Vehicle and Equipment Repair
- Improvements to Van Winkle Ave

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

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

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Collection of Interest of Delinquent Taxes, Assessments and Water Charges

The statute provides the method for authorizing interest and the maximum rate to be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body on January 3, 2008 adopted the following resolution authorizing interest to be charged on delinquent taxes and water accounts:

WHEREAS, under the provisions of R.S. 54:4-67, the governing body of each municipality may by resolution fix interest and penalties to be charged for delinquent taxes and other municipal liens and charges, and

WHEREAS, it has been determined by the governing body that the fixing of such interest rates and penalties would be beneficial to the municipality;

NOW, THEREFORE BE IT RESOLVED, that the governing body of the Borough of Hawthorne, County of Passaic, does hereby fix the maximum allowed under R.S. 54:4-67 to be charged against all properties who become delinquent as defined under R.S. 54:4-66 and 67.

BE IT FURTHER RESOLVED, that the charges on account of delinquent properties as set forth herein remain in effect from year to year until such time as the governing body adopts a new resolution setting forth new or different rates.

It appears from an examination of the Collector's record that interest was collected in accordance with the foregoing resolution, with the exception of interest on delinquent water charges, which is noted in this report as a comment and recommendation.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on June 17, 2008.

The following comparison is made of the number of tax title liens receivable on December 31, of the last five years:

<u>Year</u>	<u>Number of Liens</u>
2008	2
2007	2
2006	2
2005	2
2004	2

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.

APPRECIATION

We desire to express our appreciation to the Borough Administrator, Borough Clerk, Chief Financial Officer and the other Borough staff who assisted us during the course of our audit.

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

RECOMMENDATIONS

It is recommended that:

1. The Borough adopt an ordinance creating the Defined Contribution Retirement Program and further review employees to ensure compliance with the enrollment regulations of this program.
2. All payroll related expenditures be charged to the appropriate budgetary line item.

Status of Prior Year's Audit Findings/Recommendations

A review was performed on all prior year's recommendations and corrective action was taken on all.

Lerch, Vinci & Higgins, LLP
LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429