

BOROUGH OF HAWTHORNE
PASSAIC COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2007

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, 2007

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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, 2007 and 2006 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, 2007. 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 33 percent and 24 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2007 and 2006.

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, 2007 and 2006, 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, 2007 and 2006 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, 2007 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 30, 2008 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.

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

Joseph F. Kelly
Joseph F. Kelly
Registered Municipal Accountant
RMA Number CR00466

Fair Lawn, New Jersey
June 30, 2008

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2007 AND 2006

ASSETS	<u>Reference</u>	<u>2007</u>	<u>2006</u> (Restated)
Cash	A-4	\$ 11,577,318	\$ 10,073,352
Cash - Change Funds	A-5	460	310
Grants Receivable	A-12	<u>248,443</u>	<u>303,744</u>
		<u>11,826,221</u>	<u>10,377,406</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-8	712,648	525,220
Tax Title Liens Receivable	A-10	596,094	545,451
Property Acquired for Taxes	A-9	34,980	34,980
Revenue Accounts Receivable	A-11	19,116	18,485
Due from Water Utility Operating Fund	D-16		103,643
Due from General Capital Fund	C-12	79,989	
Due from Animal Control Trust Fund	B-16		197
Due from Public Assistance Trust Fund	E-5	<u>-</u>	<u>373</u>
		<u>1,442,827</u>	<u>1,228,349</u>
Deferred Charges			
Emergency Authorization	A-26	<u>70,000</u>	<u>-</u>
 Total Assets		 <u>\$ 13,339,048</u>	 <u>\$ 11,605,755</u>

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS - CURRENT FUND
CURRENT FUND
AS OF DECEMBER 31, 2007 AND 2006

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2007</u>	<u>2006</u> (Restated)
Appropriation Reserves	A-3,A-13	\$ 190,251	\$ 541,409
Encumbrances Payable	A-14	1,243,571	541,707
Accounts Payable	A-15	29,312	37,794
Prepaid Taxes	A-16	205,790	163,653
Tax Overpayments	A-17	1,771	6,333
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-7	55,468	39,748
Fees Payable	A-18	29,724	8,371
County Taxes Payable	A-20	89,797	30,014
Local District School Taxes Payable	A-21	5,863,515	5,237,415
Unappropriated Reserves for Grants	A-22	3,438	8,779
Appropriated Reserves for Grants	A-23	146,512	128,704
Reserve for UCC Dedicated Revenues	A-24	218,337	273,052
Reserve for Tax Appeals	A-25	100,000	
Due to General Capital Fund	C-12		97,524
Due to Length of Service Award Program Fund	B	141,629	105,069
Due to Assessment Trust Fund	B-9	78,958	52,736
Due to Animal Control Trust Fund	B-16	14	
Due to Public Assistance Trust Fund	E-5	243	
Due to Other Trust Fund	B-26	15,571	77,098
		<u>8,413,901</u>	<u>7,349,406</u>
Reserve for Receivables	A	1,442,827	1,228,349
Fund Balance	A-1	<u>3,482,320</u>	<u>3,028,000</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 13,339,048</u>	<u>\$ 11,605,755</u>

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
STATUTORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

REVENUE AND OTHER INCOME REALIZED	<u>Reference</u>	<u>2007</u>	<u>2006</u>
Fund Balance Utilized	A-2	\$ 1,361,000	\$ 1,200,000
Miscellaneous Revenue Anticipated	A-2	4,858,740	4,941,481
Receipts from Delinquent Taxes	A-2	525,220	585,812
Receipts from Current Taxes	A-2	51,867,831	49,513,160
Non-Budget Revenue	A-2	274,393	147,809
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-13	488,124	423,715
Interfunds Liquidated	A	570	
Accounts Payable Cancelled	A-15	25,314	4,066
		<u>59,401,192</u>	<u>56,816,043</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,346,855	6,101,124
Other Expenses	A-3	7,544,501	7,239,829
Municipal Debt Service	A-3	1,838,171	1,800,001
Deferred Charges and Statutory Expenditures	A-3	311,390	293,695
Capital Improvements	A-3	261,000	100,000
County Taxes	A-20	12,792,879	12,194,797
Due County for Added and Omitted Taxes	A-20	89,876	30,096
Local District School Tax	A-21	28,276,801	27,047,021
Interfunds Originating	A	79,989	96,797
Grants Receivable Cancelled	A-12	55,000	5,612
Refund of Prior Year Taxes/Revenue	A-4	59,410	90,428
		<u>57,655,872</u>	<u>54,999,400</u>
Excess in Revenue		1,745,320	1,816,643
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-26	70,000	-
Statutory Excess to Fund Balance		1,815,320	1,816,643
FUND BALANCE, JANUARY 1	A	<u>3,028,000</u>	<u>2,411,357</u>
		4,843,320	4,228,000
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>1,361,000</u>	<u>1,200,000</u>
FUND BALANCE, DECEMBER 31	A	<u>\$ 3,482,320</u>	<u>\$ 3,028,000</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, 2007

	<u>Reference</u>	<u>Anticipated Budget</u>	<u>N.J.S. 40A:4-87</u>	<u>2007 Realized</u>	<u>Excess or (Deficit)</u>
FUND BALANCE ANTICIPATED	A-1	\$ 1,361,000	-	\$ 1,361,000	-
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-11	42,925		40,200	\$ (2,725)
Other	A-2	13,446		18,874	5,428
Fees and Permits	A-2	126,957		125,495	(1,462)
Fines and Costs					
Municipal Court	A-11	220,000		311,587	91,587
Interest and Costs on Taxes	A-2	102,864		113,047	10,183
Energy Receipts Taxes	A-11	1,253,641		1,253,641	
Supplemental Energy Receipts Tax	A-11	54,235		54,235	
Consolidated Municipal Property Tax					
Relief Aid	A-11	597,761		597,761	
Legislative Initiative Municipal Block Grant	A-11	74,754		74,754	
Homeland Security Aid	A-11	70,000		70,000	
Municipal Property Tax Assistance	A-11	38,255		38,255	
Interest on Investments and Deposits	A-2	300,000		637,073	337,073
Swimming Pool Admission Fees	A-11	115,000		123,174	8,174
Rentals - Board of Education	A-11	20,000		20,000	
Rentals - Cellular Phone	A-11	175,000		170,614	(4,386)
Sewer Charges	A-11	34,763		31,689	(3,074)
Cable Television Franchise Fees	A-11	59,392		58,136	(1,256)
Commuter Parking	A-11	22,392		30,312	7,920
Uniform Construction Code Fees	A-11	279,993		216,824	(63,169)
State and Federal Revenues Offset With					
Appropriations					
Reserve for Drunk Driving Enforcement Fund	A-22	1,858		1,858	
Municipal Alliance Program	A-12	25,700		25,700	
Reserve for Alcohol Education and Rehabilitation Fund	A-22	236		236	
Reserve for Police Body Armor Grant	A-22	3,011		3,011	
Emergency Management Grant	A-12	5,000		5,000	
Reserve for Clean Communities Program	A-22	1,174		1,174	
Reserve for Fire Forestry Grant	A-22	2,500		2,500	
FEMA - Assistance to Firefighters Grant	A-12	19,380		19,380	
Clean Communities Grant	A-12		\$ 20,669	20,669	
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		1,321	1,321	
Municipal Stormwater Regulation Program	A-12		12,029	12,029	

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, 2007

	<u>Reference</u>	Anticipated <u>Budget</u>	N.J.S. <u>40A:4-87</u>	2007 <u>Realized</u>	Excess or <u>(Deficit)</u>
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	\$ 34,000		\$ 35,938	\$ 1,938
Reserve for UCC Dedicated Revenues	A-24	54,715		54,715	
Utility Operating Surplus of Prior Year	D-1	129,000		129,000	
General Capital Fund Surplus	C-12	119,511		119,511	
Reserve for Payment of Debt Service	C-19	310,000		310,000	
Interfund - Due from Water Operating Utility Fund	D-16	103,643		103,643	
Trust Assessment Fund Balance	B-1	19,384	-	19,384	-
		<u>4,430,490</u>	<u>\$ 42,019</u>	<u>4,858,740</u>	<u>386,231</u>
Total Miscellaneous Revenues	A-1				
RECEIPTS FROM DELINQUENT TAXES	A-8	490,000	-	525,220	35,220
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2	11,146,325	-	11,938,275	791,950
		<u>\$ 17,427,815</u>	<u>\$ 42,019</u>	18,683,235	<u>\$ 1,213,401</u>
Non-Budget Revenues	A-1			274,393	
				<u>\$ 18,957,628</u>	

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Reference</u>	<u>Realized</u>
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue From Collections	A-1,A-8	\$ 51,867,831
Allocated to		
Local School and County Taxes	A-20, A-21	<u>41,159,556</u>
		10,708,275
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,230,000</u>
	A-2	<u>\$ 11,938,275</u>
Licenses - Other		
Borough Clerk	A-11	\$ 14,600
Board of Health	A-11	<u>4,274</u>
		<u>\$ 18,874</u>
Fees and Permits		
Police Department	A-11	\$ 3,647
Borough Clerk	A-11	7,735
Board of Health/Registrar of Vital Statistics	A-11	32,867
Public Works Department	A-11	12,861
Planning Board	A-11	1,450
Zoning Board of Adjustment	A-11	2,950
Fire Prevention	A-11	30,484
Building Department	A-11	<u>33,501</u>
	A-2	<u>\$ 125,495</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-11	\$ 574,372
Due from General Capital Fund	C-12	24,521
Due from Assessment Trust Fund	B-9	5,583
Due from Animal Control Trust Fund	B-16	951
Due from Other Trust Fund	B-26	30,870
Due from Public Assistance Fund	E-5	<u>776</u>
	A-2	<u>\$ 637,073</u>
Interest and Costs on Taxes		
Revenue Accounts Receivable	A-11	\$ 104,640
Due from Assessment Trust Fund	B-9	<u>8,407</u>
	A-2	<u>\$ 113,047</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, 2007

	<u>Reference</u>	<u>Realized</u>
Non-Budget Revenues		
Insurance Dividends		\$ 102,850
Recreation		25,526
FEMA Reimbursements-Prior Year Expenses		19,000
Insurance Claims-Prior Year Expenses		18,352
Prospect Park Library Fees		5,500
Copies, Maps and List		2,398
Excess Payroll Funds		10,832
Property Damage Restitution		17,184
Sale of Municipal Assets		3,429
Duplicate Tax Bills		1,815
Divison of Motor Vehicle Fees		17,331
Towing Fees		1,700
NSF Fees		660
Prior Year Refunds		2,220
Prior Year Voided Checks		3,344
Other Miscellaneous		<u>42,252</u>
	A-1	<u>\$ 274,393</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>2007 Appropriated</u>		<u>Budget After Modification</u>	<u>2007 Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>\$</u>		<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS"						
General Government						
Administrative and Executive Administration	\$	138,163	\$	138,163		
Salaries and Wages						
Other Expenses		10,525		9,753	\$	772
Other Expenses - Postage		24,000		24,000		
Mayor and Council						
Salaries and Wages		36,500		36,500		
Other Expenses		3,120		2,950		170
Municipal Clerk						
Salaries and Wages		102,741		102,705		36
Other Expenses		26,680		26,205		475
Financial Administration						
Salaries and Wages		140,973		140,973		
Other Expenses		18,430		18,397		33
Audit Services						
Other Expenses		29,000		29,000		
Revenue Administration						
Salaries and Wages		66,851		66,833		18
Other Expenses		13,850		13,757		93
Tax Assessment Administration						
Salaries and Wages		69,471		69,471		
Other Expenses		28,200		28,052		148
Legal Services and Costs						
Salaries and Wages		37,260		37,260		
Other Expenses		70,500		70,500		
Engineering Services						
Other Expenses		125,050		125,050		
Future of Hawthorne		5,000		5,000		5,000
Land Use Administration NJSA 40:55D-1						
Planning Board						
Salaries and Wages		21,285		21,285		
Other Expenses		1,275		758		517

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 Appropriated		2007 Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS WITHIN "CAPS" (Cont'd)					
Zoning Board of Adjustments					
Salaries and Wages	\$ 19,148	\$ 19,148	\$ 19,148		
Other Expenses	2,065	2,065	1,645	\$ 420	
Public Safety					
Police					
Salaries and Wages	2,958,991	3,028,991	3,028,991		
Other Expenses	90,153	90,153	86,915	3,238	
Police Dispatchers	133,042	133,042	133,042		
Occupational Safety Health Act (NJS 40A:4-45.3)					
Salaries and Wages	29,709	29,709	29,681	28	
Other Expenses	34,500	34,500	31,244	3,256	
Emergency Management Services					
Salaries and Wages	2,000	2,000	2,000		
Other Expenses	8,330	8,330	7,025	1,305	
Ambulance Corps					
Other Expenses	3,500	3,900	3,900		
Domestic Violence Response					
Other Expenses	1,500	1,500	1,491	9	
Fire					
Salaries and Wages	19,455	19,455	19,455		
Other Expenses - Miscellaneous	144,059	144,059	142,797	1,262	
Other Expenses - Fire Hydrant Service	89,100	89,100	89,100		
Uniform Fire Safety					
Salaries and Wages	97,912	97,912	97,912		
Other Expenses	3,600	3,600	3,143	457	
Municipal Court					
Salaries and Wages	128,874	128,874	128,588	286	
Other Expenses	9,679	9,679	9,377	302	
Public Works					
Road Repair and Maintenance					
Salaries and Wages	703,814	703,814	703,814		
Other Expenses	92,715	117,715	104,203	13,512	
Traffic Light Maintenance	1,800	1,800	1,197	603	

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, 2007

	<u>2007 Appropriated</u>		<u>Budget After Modification</u>	<u>2007 Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>\$</u>		<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS" (Cont'd)						
Public Works (Continued)						
Sewer System Maintenance						
Salaries and Wages	\$ 143,792	\$	143,792	\$ 143,792		
Other Expenses	47,180		33,730	24,633	\$ 9,097	
Shade Tree Commission						
Salaries and Wages	15,945		15,945	12,136	3,809	
Other Expenses	31,455		31,455	31,415	40	
Solid Waste Collection						
Salaries and Wages - Recycling	179,563		179,563	179,563		
Other Expenses - Recycling	341,105		341,105	319,950	21,155	
Other Expenses - Garbage Removal - Contractual	382,600		382,600	382,599	1	
Buildings and Grounds						
Salaries and Wages	75,378		75,378	50,354	25,024	
Other Expenses	69,697		69,697	67,856	1,841	
Maintenance of Parks						
Other Expenses	21,600		21,600	21,507	93	
Vehicle Maintenance						
Other Expenses	161,500		161,500	146,999	14,501	
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	92,067		92,067	92,067		
Other Expenses	18,200		18,200	17,615	585	
Environmental Commission						
Other Expenses	2,320		2,320	2,320		
Animal Control Services						
Other Expenses	16,000		16,000	16,000		

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007 Appropriated</u>		<u>2007 Expended</u>		Unexpended Balance <u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</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	\$ 61,959	\$ 61,959	\$ 61,959		
Other Expenses	69,095	69,095	65,132	\$ 3,963	
Swimming Pool					
Salaries and Wages	92,543	92,543	85,653	6,890	
Other Expenses	36,420	36,420	29,902	6,518	
Other Common Operating Functions					
Committee on Disability Issues	100	100		100	
Other Expenses					
Celebration of Public Events					
Other Expenses	18,200	18,200	18,200		
Bond Fees					
Other Expenses	7,100	7,100	7,100		
Salary and Wage Adjustment	133,100	133,100	133,100		
Computerized Data Processing	37,145	37,145	37,145		
Relocation Fund					
Other Expenses	5,000	5,000	5,000		
Code Enforcement and Administration					
Uniform Construction Code Enforcement Functions					
Building Inspector					
Salaries and Wages	190,458	190,458	190,458		
Other Expenses	144,250	144,250	144,202	48	
Property Code Enforcement Functions					
Salaries and Wages	39,861	39,861	39,861		
Other Expenses	4,216	4,216	3,444	772	

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007 Appropriated</u>		<u>2007 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 WITHIN "CAPS" (Cont'd)					
Unclassified					
Utilities Expenses and Bulk Purchases					
Electricity	\$ 215,000	\$ 215,000	\$ 215,000		
Street Lighting	144,000	144,000	144,000		
Telephone	67,575	67,575	67,575		
Gasoline	123,000	123,000	123,000		
Landfill/Solid Waste Disposal Costs					
Dumping Fees	634,000	634,000	634,000		
Contingent	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
Total Operations Within "CAPS"	<u>9,204,244</u>	<u>9,286,194</u>	<u>9,157,817</u>	<u>128,377</u>	<u>-</u>
Detail:					
Salaries and Wages	5,730,855	5,800,855	5,764,764	36,091	-
Other Expenses	<u>3,473,389</u>	<u>3,485,339</u>	<u>3,393,053</u>	<u>-</u>	<u>92,286</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Statutory Charges					
Social Security System (O.A.S.I.)	221,700	221,700	221,700		
Consolidated Police and Fireman's Pension Fund	<u>13,329</u>	<u>13,329</u>	<u>13,329</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>235,029</u>	<u>235,029</u>	<u>235,029</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>9,439,273</u>	<u>9,521,223</u>	<u>9,392,846</u>	<u>128,377</u>	<u>-</u>

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007 Appropriated</u>		<u>2007 Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS"					
Length of Service Award Program (LOSAP)	\$ 120,000	\$ 120,000	\$ 120,000		
Municipal Land Use Law					
Affordable Housing- Fair Share Insurance	10,000	10,000	10,000		
General Insurance	240,175	225,175	225,175		
Worker's Compensation Insurance	90,000	90,000	90,000		
Group Insurance for Employees	1,415,500	1,415,500	1,415,500		
Public Employees' Retirement System (PERS)	89,918	89,918	89,918		
Police and Fireman's Retirement System (PFRS)	470,598	470,598	470,598		
Educational Functions					
Maintenance of Free Public Library					
Salaries and Wages	546,000	546,000	546,000		
Other Expenses - Contribution	223,702	223,702	223,702		
Other Expenses - Other Costs	252,500	252,500	252,500		
Sewer Processing and Disposal					
Other Expenses - Passaic Valley Sewer Rental	905,895	908,945	908,907	\$ 38	
Other Expenses - Glen Rock, Prospect Park and N.Haledon	22,500	22,500	21,793	707	
NJPDES Stormwater Permits	18,000	18,000	17,922	78	
Reserve for Tax Appeals	100,000	100,000	100,000	-	
Total Other Operations Excluded from "CAPS"	<u>4,504,788</u>	<u>4,492,838</u>	<u>4,492,015</u>	<u>823</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Alcohol Education and Rehabilitation Fund	236	236		236	
Municipal Alliance					
Grant Funds	25,700	25,700	25,700		
Local Match	6,426	6,426	5,895	531	

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007 Appropriated</u>		<u>2007 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" (Continued)					
Public and Private Programs Offset by Revenues (Continued)					
Emergency Management Grant	\$ 5,000	\$ 5,000		\$ 5,000	
Speed Enforcement Grant		4,000	4,000		
Police Body Armor Grant	3,011	3,011	717	2,294	
Drunk Driving Enforcement Fund	1,858	3,179	1,041	2,138	
Forestry Grant	2,500	2,500	1,140	1,360	
Matching Funds for Grants	4,000	4,000		4,000	
FEMA Grant					
Federal Share	19,380	19,380	19,380		
Municipal Match	1,020	1,020	1,020		
Click or Ticket Grant		4,000	4,000		
Municipal Stormwater Regulation Program		12,029		12,029	
Clean Communities Program					
Salaries and Wages		5,000	1,501	3,499	
Other Expenses	1,174	16,843	3,144	13,699	-
	<u>70,305</u>	<u>112,324</u>	<u>67,538</u>	<u>44,786</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues					
	<u>4,575,093</u>	<u>4,605,162</u>	<u>4,559,553</u>	<u>45,609</u>	<u>-</u>
Detail:					
Salaries and Wages	546,000	546,000	546,000	-	-
Other Expenses	4,029,093	4,059,162	4,013,553	45,609	-

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007 Appropriated</u>		<u>2007 Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 100,000	\$ 100,000	\$ 100,000		
Upgrade Little Franklin Field	35,000	35,000	35,000		
Upgrade Roller Hockey Rink	15,000	15,000	15,000		
Administrative Equipment	35,000	35,000	18,735	\$ 16,265	
Purchase Sander - Roads	36,000	36,000	36,000		
Telephone System	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>		<u>-</u>
Total Capital Improvements - Excluded from "CAPS"	<u>261,000</u>	<u>261,000</u>	<u>244,735</u>	<u>16,265</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	885,000	885,000	885,000		\$ 1
Interest on Bonds	478,629	478,629	478,628		243
Interest on Notes	87,360	87,360	87,117		
Payment of EDA Loan	12,950	12,950	12,950		
Payment of Wastewater Loan	<u>382,149</u>	<u>382,149</u>	<u>374,476</u>		<u>7,673</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,846,088</u>	<u>1,846,088</u>	<u>1,838,171</u>		<u>7,917</u>
DEFERRED CHARGES EXCLUDED FROM "CAPS"					
Deficit in Dedicated Assessment Budget	<u>76,361</u>	<u>76,361</u>	<u>76,361</u>		<u>-</u>
Total Deferred Charges Excluded from "CAPS"	<u>76,361</u>	<u>76,361</u>	<u>76,361</u>		<u>-</u>
Total General Appropriations Excluded from "CAPS"	<u>6,758,542</u>	<u>6,788,611</u>	<u>6,718,820</u>	<u>61,874</u>	<u>7,917</u>
Subtotal General Appropriations	16,197,815	16,309,834	16,111,666	190,251	7,917
Reserve for Uncollected Taxes	<u>1,230,000</u>	<u>1,230,000</u>	<u>1,230,000</u>		<u>-</u>
Total General Appropriations	<u>\$ 17,427,815</u>	<u>\$ 17,539,834</u>	<u>\$ 17,341,666</u>	<u>\$ 190,251</u>	<u>\$ 7,917</u>

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, 2007

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>
Budget as Adopted	A-2	\$ 17,427,815	
Added by N.J.S. 40A:4-87	A-2	42,019	
Emergency Appropriation	A-2	<u>70,000</u>	
		<u>\$ 17,539,834</u>	
Cash Disbursed	A-4		\$ 14,648,095
Encumbrances Payable	A-14		1,243,571
Due to Length of Service Award Program Fund	B		120,000
Reserve for Tax Appeals	A-25		100,000
Reserve for Uncollected Taxes	A-2		<u>1,230,000</u>
			<u>\$ 17,341,666</u>

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2007 AND 2006

ASSETS	<u>Reference</u>	<u>2007</u>	<u>2006</u> (Restated)
ASSESSMENT TRUST FUND			
Cash	B-4, B-5	\$ 107,214	\$ 129,023
Assessments Receivable	B-6	156,068	213,504
Assessment Liens	B-7	10,331	10,331
Assessment Lien Interest and Cost	B-8	2,743	2,743
Prospective Assessments Funded	B-13	40,800	40,800
Due From Current Fund	B-9	78,958	52,736
Amount to be Raised - Cancelled Assessments	B-11		11,667
Amount to be Raised - Funded by Assessment Bonds	B-14	-	49,654
		<u>396,114</u>	<u>510,458</u>
ANIMAL CONTROL FUND			
Cash	B-4	16,142	17,096
Due From Current Fund	B-16	14	-
		<u>16,156</u>	<u>17,096</u>
OTHER TRUST FUND			
Cash	B-4	1,081,640	1,277,684
Due from Current Fund	B-26	15,571	77,098
		<u>1,097,211</u>	<u>1,354,782</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investments	B-4	617,199	508,142
Due From Current Fund	A	141,629	105,069
		<u>758,828</u>	<u>613,211</u>
Total Assets		<u>\$ 2,268,309</u>	<u>\$ 2,495,547</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2007 AND 2006

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2007</u>	<u>2006</u> (Restated)
ASSESSMENT TRUST FUND			
Reserve for			
Assessment and Liens	B-6,B-7	\$ 34,525	\$ 29,414
Assessment Lien Interest and Costs	B-8	2,743	2,743
Prospective Assessments	B-12	40,800	36,720
Due to General Capital Fund	B-10	313,240	312,197
Assessment Bonds Payable	B-15		110,000
Fund Balance	B-1	<u>4,806</u>	<u>19,384</u>
		<u>396,114</u>	<u>510,458</u>
ANIMAL CONTROL FUND			
Due to Current Fund	B-16		197
Reserve for Animal Control Expenditures	B-17	<u>16,156</u>	<u>16,899</u>
		<u>16,156</u>	<u>17,096</u>
OTHER TRUST FUND			
Escrow Deposits Payable	B-19	319,813	592,354
Reserve for Recycling Expenditures	B-20	190,212	177,347
Reserve for Unemployment Insurance Compensation	B-21	203,421	182,031
Payroll Deductions Payable	B-22	2,100	20,951
Reserve for Off-Duty Municipal Police Pay	B-23	74,367	51,763
Reserve for Municipal Alliance Program	B-24	12,705	12,248
Reserve for Tax Sale Premiums	B-25	25,700	38,100
Due to State of New Jersey - Unemployment Compensation	B-28		826
Miscellaneous Reserves	B-27	<u>268,893</u>	<u>279,162</u>
		<u>1,097,211</u>	<u>1,354,782</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP Benefits	B	<u>758,828</u>	<u>613,211</u>
		<u>758,828</u>	<u>613,211</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,268,309</u>	<u>\$ 2,495,547</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - STATUTORY BASIS
ASSESSMENT TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Reference</u>	<u>2007</u>	<u>2006</u>
Balance, January 1,	B	\$ 19,384	\$ 34,870
Increased by:			
Collection of Unpledged Assessment and Liens	B-6	<u>4,806</u>	<u>19,384</u>
		24,190	54,254
Decreased by:			
Anticipated Surplus - Current Fund	A-2	<u>19,384</u>	<u>34,870</u>
Balance, December 31,	B	<u>\$ 4,806</u>	<u>\$ 19,384</u>

EXHIBIT B-2

STATEMENT OF REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Reference</u>	<u>Budget Revenue</u>	<u>Realized</u>
Assessment Cash	B-4	\$ 33,639	\$ 33,639
Deficit (General Budget)	A-3, B-9	<u>76,361</u>	<u>76,361</u>
		<u>\$ 110,000</u>	<u>\$ 110,000</u>

EXHIBIT B-3

STATEMENT OF EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Reference</u>	<u>Budget Appropriation</u>	<u>Expended</u>
Payment of Bond Principal	B-15	<u>\$ 110,000</u>	<u>\$ 110,000</u>

**BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2007 AND 2006**

	<u>Reference</u>	<u>2007</u>	<u>2006</u>
ASSETS			
Cash	C-2, C-3	\$ 1,727,894	\$ 704,652
Grants Receivable	C-5	177,877	179,079
Due from Current Fund	C-12		97,524
Due from Trust Assessment Fund	C-8	313,240	312,197
Due from Water Utility Capital Fund	D-8		155,891
Prospective Assessments Raised by Taxation	C-4		35,021
NJ EIT Loan Proceeds Receivable	C-9	561,378	879,064
Deferred Charges to Future Taxation			
Funded	C-6	13,570,528	14,757,715
Unfunded	C-7	<u>3,626,157</u>	<u>3,078,145</u>
 Total Assets		 <u>\$ 19,977,074</u>	 <u>\$ 20,199,288</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
NJ EIT Loans Payable	C-16	\$ 2,926,678	\$ 3,215,915
NJ EDA Loan Payable	C-17	38,850	51,800
Serial Bonds	C-15	10,605,000	11,490,000
Bond Anticipation Notes	C-14	3,605,000	2,400,000
Improvement Authorizations			
Funded	C-13	1,043,136	1,024,196
Unfunded	C-13	650,390	558,026
Capital Improvement Fund	C-10	140,463	186,463
Encumbrances Payable	C-11	475,497	638,304
Due to Current Fund	C-12	79,989	
Reserve for Payment of Debt	C-19	227,610	345,591
Reserve for Bond Sale Expenses	C-18	6,584	6,584
Reserve for Grant Receivable	C-5	177,877	127,877
Reserve for Prospective Assessments Raised by Taxation	C-4		35,021
Fund Balance	C-1	<u>-</u>	<u>119,511</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 19,977,074</u>	 <u>\$ 20,199,288</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2007 and 2006 of \$206,702 and \$1,095,163 respectively (See Exhibit C-20)

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE
STATUTORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Reference</u>	<u>2007</u>	<u>2006</u>
Balance, January 1,		\$ 119,511	\$ 110,347
Increased by:			
Funded Improvement Authorizations Cancelled	C-13	-	119,511
		<u>119,511</u>	<u>229,858</u>
Decreased by:			
Realized as Current Fund Budgeted Revenue	A-2, C-12	<u>119,511</u>	<u>110,347</u>
Balance, December 31,		<u>\$ -</u>	<u>\$ 119,511</u>

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2007 AND 2006

	<u>Reference</u>	<u>2007</u>	<u>2006</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 433,457	\$ 530,441
Change Fund	D	<u>100</u>	<u>100</u>
		<u>433,557</u>	<u>530,541</u>
Receivables With Full Reserves Consumer Accounts Receivable	D-7	<u>275,684</u>	<u>446,164</u>
Total Operating Fund		<u>709,241</u>	<u>976,705</u>
CAPITAL FUND			
Cash	D-5, D-6	316,468	224,025
Loan Proceeds Receivable	D-11	717,925	1,040,965
Due from Water Utility Operating Fund	D-9	61	298
Fixed Capital	D-10	8,047,688	7,967,313
Fixed Capital Authorized and Uncompleted	D-12	<u>2,800,000</u>	<u>2,800,000</u>
Total Capital Fund		<u>11,882,142</u>	<u>12,032,601</u>
Total Assets		<u>\$ 12,591,383</u>	<u>\$ 13,009,306</u>

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2007 AND 2006

	<u>Reference</u>	<u>2007</u>	<u>2006</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4,D-14	\$ 1,200	\$ 23,127
Encumbrances Payable	D-15	157,711	78,284
Due to Water Utility Capital Fund	D-9	61	298
Due to Current Fund	D-16		103,643
Water Overpayments	D-23	3,926	
Accrued Interest on Bonds and Loans	D-13	<u>26,633</u>	<u>27,899</u>
		189,531	233,251
Reserve for Receivables	D	275,684	446,164
Fund Balance	D-1	<u>244,026</u>	<u>297,290</u>
		<u>709,241</u>	<u>976,705</u>
CAPITAL FUND			
Water Loans Payable	D-18	2,379,119	2,504,819
Serial Bonds Payable	D-21	668,000	703,000
Improvement Authorizations			
Funded	D-17	764,428	779,371
Unfunded	D-17	246	246
Capital Improvement fund	D-19	124,601	119,601
Reserve for Amortization	D-20	7,776,979	7,535,904
Reserve for Payment of Debt	D-22	167,141	232,141
Due to General Capital Fund	D-8		155,891
Fund Balance	D-2	<u>1,628</u>	<u>1,628</u>
		<u>11,882,142</u>	<u>12,032,601</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 12,591,383</u>	<u>\$ 13,009,306</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2007 and 2006 of \$23,590 and \$23,590 respectively (See Exhibit D-24).

**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, 2007 AND 2006**

	<u>Reference</u>	<u>2007</u>	<u>2006</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-3	\$ 147,849	\$ 67,124
Water Rents	D-3	2,328,888	2,131,563
Fire Hydrant Service	D-3	89,100	89,100
Reserve for Payment of Debt	D-3	65,000	
Miscellaneous	D-3	75,014	70,130
Non-Budget Revenue	D-3	6,684	3,955
Other Credits			
Unexpended Balance of Appropriation Reserves	D-14	<u>12,626</u>	<u>10,916</u>
Total Income		<u>2,725,161</u>	<u>2,372,788</u>
EXPENDITURES			
Operating	D-4	2,049,005	1,898,753
Capital Improvements	D-4	80,000	60,000
Debt Service	D-4	244,362	237,166
Deferred Charges and Statutory Expenditures	D-4	<u>128,209</u>	<u>105,564</u>
Total Expenditures		<u>2,501,576</u>	<u>2,301,483</u>
Statutory Excess to Fund Balance		223,585	71,305
FUND BALANCE, JANUARY 1			
	D	<u>297,290</u>	<u>418,109</u>
		<u>520,875</u>	<u>489,414</u>
Decreased by:			
Anticipated as Current Fund Revenue	A-2	129,000	125,000
Utilized as Anticipated Revenue	D-1,D-3	<u>147,849</u>	<u>67,124</u>
		<u>276,849</u>	<u>192,124</u>
FUND BALANCE, DECEMBER 31			
	D	<u>\$ 244,026</u>	<u>\$ 297,290</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - STATUTORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Reference</u>	<u>2007</u>	<u>2006</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, 2007

	<u>Reference</u>	2007 <u>Anticipated</u>	2007 <u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance	D-1	\$ 147,849	\$ 147,849	
Rents	D-1,D-3	2,132,300	2,328,888	\$ 196,588
Fire Hydrant Service	D-1,D-3	89,100	89,100	
Reserve for Payment of Debt	D-1,D-22	65,000	65,000	
Miscellaneous	D-1,D-3	<u>73,100</u>	<u>75,014</u>	<u>1,914</u>
		<u>\$ 2,507,349</u>	2,705,851	<u>\$ 198,502</u>
	Non-Budget Revenue		<u>6,684</u>	
			<u>\$ 2,712,535</u>	

	<u>Reference</u>	
<u>Analysis of Realized Revenue</u>		
Rents		
Consumer Accounts Receivable	D-7	<u>\$ 2,328,888</u>
Miscellaneous		
Interest Earned on Investments	D-5	\$ 27,215
Interest Due from Water Utility Capital Fund	D-9	10,773
Miscellaneous	D-5	<u>37,026</u>
	D-1	<u>\$ 75,014</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - STATUTORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007 Appropriated</u>		<u>2007 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATING					
Salaries and Wages	\$ 1,052,555	\$ 1,020,555	\$ 1,019,393	\$ 1,162	
Other Expenses	661,950	693,950	693,940	10	
General Insurance	127,500	127,500	127,500		
Group Insurance for Employees	182,000	182,000	182,000		
Laboratory Testing and Safe Water Act	25,000	25,000	24,972	28	
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	5,000	5,000	5,000		
Capital Outlay	75,000	75,000	75,000		
DEBT SERVICE					
Payment of Bond Principal	35,000	35,000	35,000		
Interest on Bonds	28,277	28,277	28,156		\$ 121
Water Supply Rehabilitation Loans	186,858	186,858	181,206		5,652
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Statutory Expenditures					
Contribution to:					
PERS	30,209	30,209	30,209		
Social Security System	98,000	98,000	98,000	-	-
	<u>\$ 2,507,349</u>	<u>\$ 2,507,349</u>	<u>\$ 2,500,376</u>	<u>\$ 1,200</u>	<u>\$ 5,773</u>

Adopted Budget D-3

Cash Disbursed	D-5	\$ 2,259,003
Encumbrances Payable	D-15	157,711
Accrued Interest on Bonds and Loans	D-13	<u>83,662</u>
		<u>\$ 2,500,376</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2007 AND 2006**

	<u>Reference</u>	<u>2007</u>	<u>2006</u>
ASSETS			
Cash	E-1	\$ 16,645	\$ 26,295
Due from Current Fund	E-5	<u>243</u>	<u>-</u>
		<u>\$ 16,888</u>	<u>\$ 26,295</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Due to Current Fund	E-5		\$ 373
Reserve for Public Assistance Expenditures	E-2	<u>\$ 16,888</u>	<u>25,922</u>
		<u>\$ 16,888</u>	<u>\$ 26,295</u>

**BOROUGH OF HAWTHORNE
BALANCE SHEET - STATUTORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Land	\$ 14,686,600	\$ 14,686,600
Buildings and Building Improvements	6,016,500	5,989,500
Machinery and Equipment	<u>10,189,913</u>	<u>10,144,233</u>
Total Assets	<u>\$ 30,893,013</u>	<u>\$ 30,820,333</u>
LIABILITIES		
Investment in General Fixed Assets	<u>\$ 30,893,013</u>	<u>\$ 30,820,333</u>

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NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of Hawthorne have been prepared on a statutory 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 comprehensive 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") 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.

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.

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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:

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Trust Funds (Except Assessment Trust)
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 2006 the Borough did not increase the budget. During 2007 the Borough Council increased the original budget by \$112,019. This increase was funded by additional grant awards of \$42,019 and an emergency appropriation of \$70,000 for police salaries. In addition, the governing body approved budget transfers during 2007 and 2006.

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, 2007 AND 2006**

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.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

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 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.

Fixed Assets purchased after December 31, 2006 are stated at cost.

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

Land and Buildings	Assessed Value
Machinery and Equipment	Estimated Historical 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, 2006 balances to conform to the December 31, 2007 presentation.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the 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.

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 \$100,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At December 31, 2007 and 2006, the book value of the Borough's deposits were \$15,277,338 and \$13,061,101 and bank and brokerage firm balances of the Borough's deposits amounted to \$15,345,738 and \$13,041,652, 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>2007</u>	<u>2006</u>
Insured	\$ 13,157,578	\$ 11,861,917
Uninsured and Collateralized	<u>2,188,160</u>	<u>1,179,735</u>
	<u>\$ 15,345,738</u>	<u>\$ 13,041,652</u>

**BOROUGH OF HAWTHORNE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Deposits (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, 2007 and 2006, the Borough’s bank balance of \$2,188,160 and \$1,179,735 was exposed to custodial credit risk as follows:

	<u>2007</u>	<u>2006</u>
<u>Uninsured and Collateralized:</u>		
Collateral held by pledging financial institution's trust department not in the Borough's name	\$ 2,188,160	\$ 1,179,735

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, 2007 and 2006, the Borough had the following investments:

	<u>Fair Value</u>
<u>2007</u>	
Investment:	
Length of Service Award Program Fund	\$ 617,199

	<u>Fair Value</u>
<u>2006</u>	
Investment:	
Length of Service Award Program Fund	\$ 508,142

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.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices.

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

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

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	<u>-</u>	<u>\$ 275,684</u>	<u>275,684</u>
	<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%, respectively, of the delinquent tax and water charges receivable at December 31, 2006.

Receivables at December 31, 2006 consisted of the following:

	<u>Current</u>	<u>Utility</u>	<u>Total</u>
<u>2006</u>			
Property Taxes	\$ 525,220		\$ 525,220
Tax Title Liens	545,451		545,451
Utility Rents	<u>-</u>	<u>\$ 446,164</u>	<u>446,164</u>
	<u>\$ 1,070,671</u>	<u>\$ 446,164</u>	<u>\$ 1,516,835</u>

In 2006, the Borough collected \$585,812 and \$491,489 from delinquent taxes and utility rents, which represented 54% and 100%, respectively, of the delinquent tax and water charges receivable at December 31, 2005.

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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>2007</u>	<u>2006</u>
Issued		
General		
Bonds, Notes and Loans	\$ 17,175,528	\$ 17,157,715
Assessment		
Bonds		110,000
Water Utility		
Bonds and Loans	<u>3,047,119</u>	<u>3,207,819</u>
	20,222,647	20,475,534
Less Funds Temporarily Held to Pay Bonds	<u>580,296</u>	<u>1,028,389</u>
Net Debt Issued	19,642,351	19,447,145
Authorized But Not Issued		
General		
Bonds and Notes	206,702	1,095,163
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>\$ 19,872,643</u>	<u>\$ 20,565,898</u>

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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 .67% and .75% at December 31, 2007 and 2006, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2007</u>			
General Debt	\$ 17,382,230	\$ 413,155	\$ 16,969,075
School Debt	8,145,000	8,145,000	
Utility Debt	<u>3,070,709</u>	<u>3,070,709</u>	<u>-</u>
Total	<u>\$ 28,597,939</u>	<u>\$ 11,628,864</u>	<u>\$ 16,969,075</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2006</u>			
General Debt	\$ 18,362,878	\$ 796,248	\$ 17,566,630
School Debt	8,700,000	8,700,000	
Utility Debt	<u>3,231,409</u>	<u>3,231,409</u>	<u>-</u>
Total	<u>\$ 30,294,287</u>	<u>\$ 12,727,657</u>	<u>\$ 17,566,630</u>

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

	<u>2007</u>	<u>2006</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 88,619,092	\$ 81,017,571
Net Debt	<u>16,969,075</u>	<u>17,566,630</u>
Remaining Borrowing Power	<u>\$ 71,650,017</u>	<u>\$ 63,450,941</u>

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

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:

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>2007</u>	<u>2006</u>
\$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 4.125%	\$ 2,495,000	\$ 2,790,000
\$6,292,000, 2004 Bonds, due in annual installments of \$300,000 to \$777,000 through June 1, 2019, interest at 4.125%	6,117,000	6,217,000
\$1,390,000, 2002 Refunding Bonds, due in annual installments of \$270,000 to \$280,000 through December 15, 2007, interest at 3.00%		270,000
\$3,193,000, 2000 Bonds, due in annual installments of \$220,000 to \$228,000 through October 15, 2016, interest at 5.10% to 5.20%	<u>1,993,000</u>	<u>2,213,000</u>
	<u>\$ 10,605,000</u>	<u>\$ 11,490,000</u>

Assessment Bonds

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

	<u>2007</u>	<u>2006</u>
\$330,000, 2005 Refunding Bonds, due in annual installments of \$110,000 through August 15, 2007, interest at 4.0% to 4.125%	\$ -	\$ 110,000
	<u>\$ -</u>	<u>\$ 110,000</u>

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 4 MUNICIPAL DEBT (Continued)

Utility Bonds

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

	<u>2007</u>	<u>2006</u>
\$718,000, 2004 Bonds, due in annual installments of \$45,000 to \$68,000 through June 1, 2019, interest at 4.125%	<u>\$ 668,000</u>	<u>\$ 703,000</u>

General Intergovernmental Loans Payable

The Borough has entered into loan agreements with the State of New Jersey for the financing relating to 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>2007</u>	<u>2006</u>
\$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%	\$ 1,673,989	\$ 1,750,532
\$455,000, 1998 Loan due in Semi-annual installments of \$24,163 to \$35,511 through March, 2014, interest at 4.0% to 5.0%	207,641	232,130
\$1,635,000, 1998 Loan due in Semi-annual installments of \$85,183 to \$106,517 through May, 2012, interest at 4.0% to 5.0%	477,393	560,716
\$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%	158,101	180,794
\$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%	<u>409,554</u>	<u>491,743</u>
	<u>\$ 2,926,678</u>	<u>\$ 3,215,915</u>

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 4 MUNICIPAL DEBT (Continued)

General Intergovernmental Loans Payable (Continued)

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.

	<u>2007</u>	<u>2006</u>
\$129,500, 2000 Loan due in annual installments of \$12,950 through September, 2010, interest at 0%	\$ 38,850	\$ 51,800

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 utility intergovernmental loans issued. Utility intergovernmental loans outstanding of the water utility at December 31 are as follows:

	<u>2007</u>	<u>2006</u>
\$1,425,000, 2003 Trust Loan due in Annual installments of \$55,000 to \$105,000 through August 1, 2023, interest at 3.00% to 4.75%	\$ 1,270,000	\$ 1,325,000
\$1,299,259, 2003 Fund Loan due in Semi-annual installments of \$66,945 to \$70,548 through August 1, 2023, interest at 0%	<u>1,109,119</u>	<u>1,179,819</u>
	<u>\$ 2,379,119</u>	<u>\$ 2,504,819</u>

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 4 MUNICIPAL DEBT (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2007 is as follows:

Calendar Year	General Bonds		Water Utility Bonds		General Loans		Water Utility Loans		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2008	\$ 835,000	\$ 438,621	\$ 45,000	\$ 26,627	\$ 309,299	\$ 87,018	\$ 124,026	\$ 58,408	\$ 1,923,999
2009	840,000	405,009	45,000	24,771	322,392	80,209	130,395	55,658	1,903,434
2010	840,000	371,234	50,000	22,811	320,407	71,930	128,569	52,658	1,857,609
2011	835,000	336,659	50,000	20,749	320,311	64,692	135,517	50,857	1,813,785
2012	830,000	301,471	55,000	18,583	331,866	56,121	133,539	47,608	1,774,188
2013-2017	4,888,000	848,052	290,000	57,956	588,304	127,664	733,355	187,338	7,720,669
2018-2022	1,537,000	63,752	133,000	5,550	536,009	75,688	821,773	94,738	3,267,510
2023-2024	-	-	-	-	236,940	9,100	171,945	4,988	422,973
Total	<u>\$ 10,605,000</u>	<u>\$ 2,764,798</u>	<u>\$ 668,000</u>	<u>\$ 177,047</u>	<u>\$ 2,965,528</u>	<u>\$ 572,422</u>	<u>\$ 2,379,119</u>	<u>\$ 552,253</u>	<u>\$ 20,684,167</u>

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years 2007 and 2006 were as follows:

	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, 2007 AND 2006

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2006</u>	Due Within <u>One Year</u>
<u>2006</u>					
General Capital Fund					
Bonds Payable	\$ 12,340,000		\$ 850,000	\$ 11,490,000	\$ 885,000
NJ EIT Loans Payable	3,505,135		289,220	3,215,915	289,238
NJ EDA Loan Payable	<u>64,750</u>	<u>-</u>	<u>12,950</u>	<u>51,800</u>	<u>12,950</u>
General Capital Fund Long-Term Liabilities	<u>\$ 15,909,885</u>	<u>\$ -</u>	<u>\$ 1,152,170</u>	<u>\$ 14,757,715</u>	<u>\$ 1,187,188</u>
Trust Assessment Fund					
Bonds Payable	<u>\$ 220,000</u>	<u>-</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>
Trust Assessment Fund Long-Term Liabilities	<u>\$ 220,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>
Water Utility Capital Fund					
Bonds Payable	\$ 713,000		\$ 10,000	\$ 703,000	\$ 35,000
Intergovernmental Loans	<u>2,678,571</u>	<u>-</u>	<u>173,752</u>	<u>2,504,819</u>	<u>125,700</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 3,391,571</u>	<u>\$ -</u>	<u>\$ 183,752</u>	<u>\$ 3,207,819</u>	<u>\$ 160,700</u>

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The Borough's short-term capital debt activity for the years 2007 and 2006 was as follows:

	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
 Total	 <u>\$ 2,400,000</u>	 <u>\$ 3,605,000</u>	 <u>\$ 2,400,000</u>	 <u>\$ 3,605,000</u>
	Balance, December 31, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2006</u>
<u>2006</u>				
Bond Anticipation Notes				
General Capital Fund	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000
 Total	 <u>\$ 2,400,000</u>	 <u>\$ 2,400,000</u>	 <u>\$ 2,400,000</u>	 <u>\$ 2,400,000</u>

NOTE 5 FIXED ASSETS

The following is a summary of the general fixed assets account group for the years 2007 and 2006 as follows:

	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	10,144,233	291,811	\$ 246,131	10,189,913
	<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, 2007 AND 2006

NOTE 5 FIXED ASSETS

	Balance, December 31, <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2006</u>
Land	\$ 14,686,600			\$ 14,686,600
Buildings and Building Improvements	5,989,500			5,989,500
Machinery and Equipment	10,144,233	-	-	10,144,233
	<u>\$ 30,820,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,820,333</u>

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>2007</u>		<u>2006</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	\$ 79,989	\$ 236,415	\$ 104,213	\$ 332,427
Other Trust Fund	15,571		77,098	
General Capital Fund	313,240	79,989	565,612	
Water Utility Fund				259,534
Assessment Trust Fund	78,958	313,240	52,736	312,197
Length of Service Award Program Fund	141,629		105,069	
Public Assistance Fund	243			373
Animal Control Trust Fund	14	-	-	197
Total	<u>\$ 629,644</u>	<u>\$ 629,644</u>	<u>\$ 904,728</u>	<u>\$ 904,728</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.

NOTE 7 FUND BALANCES APPROPRIATED

Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding years were as follows:

	Fund Balance December 31, <u>2007</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2006</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund	<u>\$3,482,320</u>	<u>\$1,558,500</u>	<u>\$3,028,000</u>	<u>\$1,361,000</u>
Water Utility Operating Fund	<u>\$244,026</u>	<u>\$76,965</u>	<u>\$297,290</u>	<u>\$147,849</u>

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2007</u>			
Current Fund			
Emergency Authorization	\$ 70,000	\$ 70,000	-
	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ -</u>
	<u>Balance</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2006</u>			
Assessment Trust Fund			
Amount to be Raised for Cancelled Assessments	\$ 11,667	\$ 11,667	
Amount to be Raised-Funded by Assessment Bonds	<u>49,654</u>	<u>49,654</u>	<u>-</u>
	<u>\$ 61,321</u>	<u>\$ 61,321</u>	<u>\$ -</u>

NOTE 9 COMPENSATED ABSENCES

Under the existing policies and labor agreements of the Borough, employees are not allowed to accumulate unused vacation benefits and sick leave in exchange for lump sum distributions at retirement.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Consolidated Police and Firemen’s Pension fund (CPFPP) – established in January 1952, under the provisions of N.J.S.A. 43:16 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members.

Police and Firemen’s Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

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 health care, 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 health care coverage.

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 CPFPF. 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.

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.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation (Continued)

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.

Contribution Requirement

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 5.0% for PERS and 8.50% for PFRS 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.

During the year ended June 30, 2006 for CPFPF, 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.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Contribution Requirement (Continued)

During the years ended December 31, 2007, 2006 and 2005, the Borough was required to contribute for normal cost pension contributions or post-retirement medical benefits the following amounts:

Year Ended <u>December 31</u>	<u>CPFPPF</u>	<u>PFRS</u>	<u>PERS</u>
2007	\$ 13,329	\$ 470,598	\$ 89,918
2006	12,915	268,375	66,064
2005	-0-	140,765	19,000

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

P.L. 1990, c.6 required the Public Employees Retirement System (PERS) to fund post-retirement medical benefits for those employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2006, there were 71,719 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994 with an additional contribution beginning in Fiscal Year 1996 to maintain a medical reserve that increases by one half of one percent of the active State payroll each year.

The State made post-retirement medical (PRM) contributions of \$211.5 million for PERS in Fiscal Year 2006.

P.L. 1977, c. 136, provides for the State's General Fund to pay health benefits on a pay-as-you-go basis for all enrolled retired PFRS employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. PERS retirees are excluded from the provisions set forth in P.L. 1977, c. 136 since their health benefits coverage is funded through each of their respective pension fund systems. The State contributed \$76.9 million for 5,965 eligible retired members for Fiscal Year 2006.

P.L. 1997, c. 330, provides State paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State is responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or health maintenance organization participating in the program, whichever provides the lower charge. The State contributed \$19.6 million in fiscal year 2006 to provide benefits under Chapter 330 to qualified retirees.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

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 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.

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>Amount Reimbursed</u>	<u>Ending Balance</u>
2007	\$ 6,413	\$ 203,421
2006	6,791	182,031
2005	8,535	184,016

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

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, 2007 and 2006. 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 immaterial. 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, 2007 and 2006, 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.

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, 2007 and 2006, the Borough had no estimated arbitrage earnings due to the IRS.

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.

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

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

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 \$1,080 and \$1,043 for 2007 and 2006, 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.

All earnings, dividends and other distributions of the account shall be automatically reinvested.

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.

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>2007</u>	<u>2006</u>
	Local District	Local District
	<u>School</u>	<u>School</u>
Balance of Tax	\$ 13,814,999	\$ 13,188,899
Amount Deferred	<u>7,951,484</u>	<u>7,951,484</u>
School Taxes Payable	<u>\$ 5,863,515</u>	<u>\$ 5,237,415</u>

**BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

NOTE 17 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>2007</u> <u>Capital Project</u>	<u>Construction</u> <u>Commitment</u>	<u>Estimated</u> <u>Date of</u> <u>Completion</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 Avenue	64,313	2008
<u>2006</u> <u>Capital Project</u>	<u>Construction</u> <u>Commitment</u>	<u>Estimated</u> <u>Date of</u> <u>Completion</u>
Acquisition of a Rescue Truck	\$234,206	2007
Sewage Relief Pump Station	94,802	2007

NOTE 18 SUBSEQUENT EVENTS

Debt Authorized

During 2008 the Borough has authorized bond ordinances authorizing the issuance of \$356,250 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.

NOTE 19 RECENT ACCOUNTING PRONOUNCEMENTS

In July 2004, the Governmental Accounting Standards Board (GASB) adopted statement number 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions". This statement will become effective for governmental entities on a phased in basis beginning with fiscal years beginning after December 15, 2006. The effective date of this statement for the Borough is the year beginning January 1, 2008. This statement will require Governmental entities to report the future cost of other post employment benefits (OPEB) on a present value basis instead of the present "pay as you go" method. The impact on the Borough's financial position or results of operations, if any, of this GASB Statement can not be readily determined at this time.

BOROUGH OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 20 RESTATEMENTS

The balances at December 31, 2006 were restated to reflect a cancellation of a reconciling item in Assessment Trust Fund as reported in and determined from the prior year's audit.

	Balance December 31, 2006 Prior to <u>Restatement</u>	<u>Restatements</u>	Balance, December 31, 2006 <u>Restated</u>
<u>Current Fund</u>			
Due to/from Assessment Trust Fund	\$ 25,387	\$ (78,123)	\$ (52,736)
Reserve for Receivables	1,253,736	(25,387)	1,228,349
Fund Balance	3,080,736	(52,736)	3,028,000
<u>Assessment Trust Fund</u>			
Cash	207,146	(78,123)	129,023
Due to Current Fund	(25,387)	78,123	(52,736)

CURRENT FUND

BOROUGH OF HAWTHORNE
STATEMENT OF CURRENT CASH - TREASURER

Balance, December 31, 2006		\$ 10,073,352
Increased by Receipts:		
Non-Budget Revenues	\$ 274,393	
Petty Cash	300	
Revenue Accounts Receivable	3,950,501	
2007 Budget Revenues:		
Reserve for Payment of Debt Service - General Capital Fund	310,000	
General Capital Fund Fund Balance	119,511	
Water Utility Operating Fund Balance	129,000	
Interfund- Water Utility Operating Fund	103,643	
Trust Assessment Fund Balance	19,384	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	221,596	
Taxes Receivable	52,023,522	
Prepaid Taxes	205,790	
Fees Payable	37,930	
Receipts from Assessment Trust Fund	40,212	
Receipts from General Capital Fund	25,440	
Receipts from Other Trust Fund	131,085	
Receipts from Public Assistance Trust Fund	1,392	
Receipts from Animal Control Trust Fund	1,162	
Other Trust Fund Receipts Deposited in Current Fund	35,600	
Grants Receivable	87,516	
Tax Overpayments	27,646	
Reserve for Library State Aid	19,547	
Reserve for Grants - Unappropriated	3,438	
		<u>57,768,608</u>
		67,841,960
Decreased by Disbursements:		
2007 Budget Appropriations	14,648,095	
2006 Appropriation Reserves	103,295	
Encumbrances Payable	403,704	
Accounts Payable	3,480	
Petty Cash	300	
Change Fund	150	
County Taxes Payable	12,822,972	
Local District School Taxes Payable	27,650,701	
Appropriated Reserves for Grants	44,989	
Refund of Tax Overpayments	32,208	
Fees Payable	16,577	
Payments to General Capital Fund	178,432	
Payments to Other Trust Fund	197,342	
Refund of Prior Year Revenue	59,410	
Reserve for Library State Aid	19,547	
Due to Length of Service Award Program Fund	83,440	
		<u>56,264,642</u>
Balance, December 31, 2007		<u>\$ 11,577,318</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2006</u>	<u>Increased</u>	Balance, December 31, <u>2007</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	10	-	10
	<u>310</u>	<u>150</u>	<u>460</u>

STATEMENT OF PETTY CASH

Increased by:	
Petty Cash Advanced	<u>\$ 300</u>
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, 2006		\$ 39,748
Increased by:		
Senior Citizens' and Veterans' Deductions Disallowed by Collector - Current Year's Taxes	\$ 11,374	
Receipts from State of New Jersey	<u>221,596</u>	
		<u>232,970</u>
		272,718
Decreased by:		
Senior Citizens' and Veterans' Deductions per Tax Billings	215,750	
Senior Citizens' and Veterans' Deductions Allowed by Collector	<u>1,500</u>	
		<u>217,250</u>
Balance, December 31, 2007		<u><u>\$ 55,468</u></u>

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

Year	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Balance, December 31,	2006	2007	Senior Citizens' and Veterans' Deductions Disallowed	Senior Citizens' and Veterans' Deductions Allowed	Collections	Transferred to Tax Title Liens	Cancelled	Balance, December 31, 2007	2006	2007	2006	2007
	\$ 525,220	-	-	-	-	-	-	-	-	-	-	-
	525,220	-	-	525,220	-	-	-	-	-	-	-	-
	-	\$ 52,645,449	\$ 11,374	\$ 163,653	51,498,302	\$ 217,250	\$ 14,327	\$ 712,648	\$ 52,645,449	\$ 52,645,449	\$ 14,327	\$ 712,648
	\$ 525,220	\$ 52,645,449	\$ 11,374	\$ 163,653	\$ 52,023,522	\$ 217,250	\$ 14,327	\$ 712,648	\$ 52,645,449	\$ 52,645,449	\$ 14,327	\$ 712,648

Analysis of 2007 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 52,279,544
Added Taxes (RS 54:4-63.1 et seq.)	<u>365,905</u>
	<u>\$ 52,645,449</u>

Tax Levy	
Local District School Taxes	\$ 28,276,801
County Taxes	
County Tax	\$ 12,534,405
County Open Space Tax	258,474
Due County for Added/Omitted Taxes	<u>89,876</u>
	12,882,755

Local Tax for Municipal Purposes	11,146,325
Add: Additional Tax Levied	<u>339,568</u>
	<u>11,485,893</u>
	<u>\$ 52,645,449</u>

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

Balance, December 31, 2006	\$ <u>34,980</u>
Balance, December 31, 2007	\$ <u><u>34,980</u></u>

STATEMENT OF TAX TITLE LIENS

Balance, December 31, 2006	\$ 545,451
Increased by:	
Transferred from Taxes Receivable	<u>50,643</u>
Balance, December 31, 2007	\$ <u><u>596,094</u></u>

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2006</u>	Accrued in <u>2007</u>	Collected in <u>2007</u>	Balance, December 31, <u>2007</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 40,200	\$ 40,200	
Other		14,600	14,600	
Fees and Permits		7,735	7,735	
Police Department				
Fees and Permits		3,647	3,647	
Fire Prevention				
Fees & Permits		30,484	30,484	
Board of Health/Registrar of Vital Statistics				
Licenses		4,274	4,274	
Fees and Permits		32,867	32,867	
Public Works Dept.				
Fees and Permits		12,861	12,861	
Planning Board				
Fees and Permits		1,450	1,450	
Zoning Board of Adjustment				
Fees and Permits		2,950	2,950	
Building Department				
Fees and Permits		33,501	33,501	
Construction Code Official				
Uniform Construction				
Code Fees		216,824	216,824	
Municipal Court				
Fines and Costs	\$ 18,485	312,218	311,587	\$ 19,116
Interest & Costs on Taxes		104,640	104,640	
Swimming Pool Admission Fees		123,174	123,174	
Interest on Investments and Deposits		574,372	574,372	
Supplemental Energy Receipts Tax		54,235	54,235	
Consolidated Municipal Property Tax Relief Aid		597,761	597,761	
Legislative Initiative Municipal Block Grant		74,754	74,754	
Homeland Security Aid		70,000	70,000	
Energy Receipts Taxes		1,253,641	1,253,641	
Municipal Property Tax Assistance		38,255	38,255	
Rental - Cellular Phones		170,614	170,614	
Rental - Board of Education		20,000	20,000	
Uniform Fire Safety Act				
Life Hazard Use Fees		35,938	35,938	
Sewer User Fees		31,689	31,689	
Commuter Parking		30,312	30,312	
Cable Television Franchise Fees	-	58,136	58,136	-
	<u>\$ 18,485</u>	<u>\$ 3,951,132</u>	<u>\$ 3,950,501</u>	<u>\$ 19,116</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2006</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2007</u>
Municipal Alliance Program	\$ 24,969	\$ 25,700	\$ 19,117	\$ 4,310	\$ 27,242
Clean Communities		20,669	20,669		
Drunk Driving Enforcement Fund		1,321	1,321		
Livable Communities - Library Grant	90,000				90,000
Emergency Management Grant		5,000	5,000		
Livable Communities - Municipal Bldg Improvements	75,000				75,000
Open Space Preservation Grant	40,000				40,000
Livable Communities - Wagaraw Field Grant	55,000			55,000	
NJ Shade Tree Grant	2,000		2,000		
FEMA Fire Grant	9,000				9,000
FEMA Assistance to Firefighters	574	19,380	19,380	574	
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		
Stormwater Grant		12,029	12,029		
Domestic Preparedness Grant	<u>1,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058</u>
	<u>\$ 303,744</u>	<u>\$ 92,099</u>	<u>\$ 87,516</u>	<u>\$ 59,884</u>	<u>\$ 248,443</u>
			Appropriated Grant Reserves	<u>\$ 4,884</u>	

BOROUGH OF HAWTHORNE
STATEMENT OF 2006 APPROPRIATION RESERVES

	Balance, December 31, <u>2006</u>	Encumbrances Payable <u>Cancelled</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balanced <u>Lapsed</u>
OPERATIONS WITHIN "CAPS"					
General Administration					
Salaries and Wages	\$ 174		\$ 174		\$ 174
Other Expenses	1,825		1,825	\$ 638	1,187
Mayor and Council					
Salaries and Wages	111		111		111
Other Expenses	266		266		266
Municipal Clerk					
Salaries and Wages	169		169		169
Other Expenses	1,351		1,351	1,287	64
Financial Administration					
Salaries and Wages	4,155		4,155		4,155
Other Expenses		\$ 2,911	2,911		2,911
Audit Services					
Other Expenses	29,000		29,000	26,250	2,750
Revenue Administration					
Other Expenses		2,000	2,000		2,000
Tax Assessment					
Other Expenses		807	807		807
Legal Services and Costs					
Other Expenses	3,417		3,417	3,417	
Engineering Services					
Other Expenses	33,969		43,969	37,649	6,320
Municipal Land Use Law NJSA 40:55D-1					
Planning Board					
Other Expenses	459		459	87	372
Zoning Board of Adjustments					
Other Expenses	318		318	219	99
Municipal Court					
Salaries and Wages	2,401		2,401	835	1,566
Other Expenses	620		620	11	609
Public Works					
Road Repair and Maintenance					
Salaries and Wages	12,235		2,235		2,235
Other Expenses	22,341	1,213	23,554		23,554
Traffic Light Maintenance	17	1	18		18
Occupational Safety Health Act					
Other Expenses	6,714		6,714	1,655	5,059
Fire					
Salaries and Wages	3,842		3,842	295	3,547
Other Expenses	82	739	821		821
Uniform Fire Safety					
Salaries and Wages	2,319		2,319	1,702	617
Other Expenses	527	500	1,027		1,027
Police					
Salaries and Wages	13,399		13,399	13,399	
Other Expenses	2,311	7,475	9,786		9,786
Dispatchers	4,794		4,794		4,794
Domestic Violence Response					
Other Expenses	271		271	262	9

BOROUGH OF HAWTHORNE
STATEMENT OF 2006 APPROPRIATION RESERVES

	Balance, December 31, <u>2006</u>	Encumbrances Payable <u>Cancelled</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balanced <u>Lapsed</u>
OPERATIONS WITHIN "CAPS" (Continued)					
Emergency Management	\$ 266		\$ 266	\$ 137	\$ 129
Other Expenses					
Ambulance Corps	625		625	625	
Other Expenses					
Shade Tree Commission	1,991		1,991		1,991
Salaries and Wages	45		45	2	43
Other Expenses					
Sewer System Maintenance	3,206		3,206	1,049	2,157
Salaries and Wages	12,726	\$ 240	10,466		10,466
Other Expenses					
Solid Waste Collection	1,464		1,464	1,464	
Salaries and Wages - Recycling	346	36,716	37,062		37,062
Other Expenses - Recycling	9		9		9
Other Expenses - Garbage Removal - Contractual					
Buildings and Grounds	3,666		3,666	1,999	1,667
Salaries and Wages	2,567	2,326	7,393		7,393
Other Expenses					
Maintenance of Parks	1,402		1,402		1,402
Other Expenses					
Vehicle Maintenance	13,841	9,714	23,555		23,555
Other Expenses					
Community Services Act (Municipal Svcs. For Condo)		699	699		699
Other Expenses					
Board of Health	6,614		6,614	168	6,446
Salaries and Wages	3,002	339	3,341		3,341
Other Expenses					
Environmental Commission	525		525	31	494
Other Expenses					
Committee on Disability Issues	100		100		100
Other Expenses					
Board of Recreation	3,922		3,922		3,922
Salaries and Wages	4,613		4,613	705	3,908
Other Expenses					
Swimming Pool	370		370		370
Salaries and Wages	409	6,500	6,909		6,909
Other Expenses					
Future of Hawthorne	5,000		5,000		5,000
Other Expenses					
Celebration of Public Events	2,808		2,808	96	2,712
Other Expenses					
Bond Fees	180		180		180
Other Expenses	2,698	19,745	22,443		22,443
IT Services					
Uniform Construction Code Enforcement Functions					
Building Inspector	2,061		2,061	1,325	736
Salaries and Wages	16,680		16,680	963	15,717
Other Expenses					
Property Code Enforcement Functions	36		36	36	
Salaries and Wages	508	53	561		561
Other Expenses	68				

BOROUGH OF HAWTHORNE
STATEMENT OF 2006 APPROPRIATION RESERVES

	Balance, December 31, <u>2006</u>	Encumbrances Payable <u>Cancelled</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balanced <u>Lapsed</u>
OPERATIONS WITHIN "CAPS" (cont'd)					
Unclassified					
Electricity	\$ 5,903	\$ 29,366	\$ 35,269		\$ 35,269
Street Lighting	4,276	1,819	6,095		6,095
Telephone	202	3,726	3,928		3,928
Gasoline	2,860	1,324	4,184		4,184
Salary and Wage Adjustment	8,299		8,299	\$ 7,749	550
Landfill/Solid Waste Disposal Costs	124,984	7,899	132,883		132,883
Sewer Processing and Disposal					
Other Expenses					
Glen Rock, Prospect Park, N. Haledon	3,016		3,016	3,000	16
Social Security System (O.A.S.I.)	16,850		16,850		16,850
Consolidated Police & Fireman's Pension Fund	1		1	1	
OPERATIONS EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library					
Salaries and Wages	7,275		7,275	7,275	
Municipal Land Use Law					
Affordable Housing - Fair Share	9,240		9,240	2,381	6,859
Insurance					
General Insurance	11,076		11,076		11,076
Group Insurance	36,749		36,749	800	35,949
NJPDES Stormwater Permits	26		26		26
FEMA - Emergency Preparedness	1,384		1,384	1,384	
Municipal Alliance					
Local Match	2,133	1,891	4,024	4,024	
Police Body Armor Grant	2,904		2,904	2,904	
Drunk Driving Enforcement Fund	220		220	220	
Clean Communities Grant	14,760		14,760	14,760	
Alcohol Education and Rehab Fund	567		567	567	
Special Purpose Grant - Minicipal Building Improvements	48,421		48,421	48,421	
Pedestrian Safety Grant	21		21	21	
Aggressive Driving Grant	100		100	100	
Emergency Management Grant	1,375	-	1,375	1,375	-
	<u>\$ 541,409</u>	<u>\$ 138,003</u>	<u>\$ 679,412</u>	<u>\$ 191,288</u>	<u>\$ 488,124</u>
				Cash Disbursements	\$ 103,295
				Appropriated Grant Reserves	67,681
				Accounts Payable	<u>20,312</u>
					<u>\$ 191,288</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2006		\$ 541,707
Increased by:		
Charges to 2007 Appropriations		<u>1,243,571</u>
		1,785,278
Decreased by:		
Cash Disbursements	\$ 403,704	
Cancelled to Appropriation Reserves	<u>138,003</u>	
		<u>541,707</u>
Balance, December 31, 2007		<u><u>\$ 1,243,571</u></u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2006		\$ 37,794
Increased by:		
Charges to 2006 Appropriation Reserves		<u>20,312</u>
		58,106
Decreased by:		
Payments	\$ 3,480	
Cancelled to Operations	<u>25,314</u>	
		<u>28,794</u>
Balance, December 31, 2007		<u><u>\$ 29,312</u></u>

**BOROUGH OF HAWTHORNE
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2006	\$	163,653
Increased by:		
Collection of 2007 Taxes		<u>205,790</u>
		369,443
Decreased by:		
Application to 2006 Taxes		<u>163,653</u>
Balance, December 31, 2007	\$	<u><u>205,790</u></u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2006	\$	6,333
Increased by:		
Taxes Overpaid		<u>27,646</u>
		33,979
Decreased by:		
Refunds		<u>32,208</u>
Balance, December 31, 2007	\$	<u><u>1,771</u></u>

**BOROUGH OF HAWTHORNE
STATEMENT OF FEES PAYABLE**

	Balance, December 31, <u>2006</u>	Cash <u>Received</u>	Cash <u>Disbursed</u>	Balance, December 31, <u>2007</u>
Due to State of New Jersey				
Construction Code Training Fees	\$ 3,414	\$ 10,097	\$ 8,615	\$ 4,896
Miscellaneous	2,620	17,570	4,490	15,700
Sales Tax	1,512	6,466	42	7,936
Burial Certificate Fees		622	180	442
Marriage License Fees	<u>825</u>	<u>3,175</u>	<u>3,250</u>	<u>750</u>
	<u>\$ 8,371</u>	<u>\$ 37,930</u>	<u>\$ 16,577</u>	<u>\$ 29,724</u>

EXHIBIT A-19

STATEMENT OF RESERVE FOR LIBRARY STATE AID

Increased by:	
Library State Aid Received	<u>\$ 19,547</u>
Decreased by:	
Payments to Library	<u>\$ 19,547</u>

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

Balance, December 31, 2006		\$ 30,014
Increased by:		
2007 County Tax Levy	\$12,534,405	
County Open Space Tax Levy	258,474	
County Added and Omitted	<u>89,876</u>	
		<u>12,882,755</u>
		12,912,769
Decreased by:		
Payments to County		<u>12,822,972</u>
Balance, December 31, 2007		<u>\$ 89,797</u>

STATEMENT OF LOCAL DISTRICT SCHOOL TAX

Balance, December 31, 2006		
School Tax Deferred	\$ 7,951,484	
School Tax Payable	<u>5,237,415</u>	
		\$ 13,188,899
Increased by:		
Levy School Year July 1, 2007 to June 30, 2008		<u>28,276,801</u>
		41,465,700
Decreased by:		
Payments		<u>27,650,701</u>
Balance, December 31, 2007		
School Tax Deferred	7,951,484	
School Tax Payable	<u>5,863,515</u>	
		<u>\$ 13,814,999</u>
<u>Amount Charged to 2007 Operations</u>		
School Tax Paid		\$ 27,650,701
School Tax Payable, December 31, 2007		<u>5,863,515</u>
		33,514,216
Less: Tax Payable December 31, 2006		<u>5,237,415</u>
Amount Charged to 2007 Operations		<u>\$ 28,276,801</u>

BOROUGH OF HAWTHORNE
STATEMENT OF UNAPPROPRIATED RESERVES FOR GRANTS

	Balance, December 31, 2006	Cash Receipts	Revenue Realized	Balance, December 31, 2007
Alcohol Education and Rehabilitation Fund	\$ 236		\$ 236	
Drunk Driving Enforcement Fund	1,858		1,858	
Body Armor Grant	3,011	\$ 3,438	3,011	\$ 3,438
Fire Department Forestry Grant	2,500		2,500	
Clean Communities Program	1,174	-	1,174	-
	<u>\$ 8,779</u>	<u>\$ 3,438</u>	<u>\$ 8,779</u>	<u>\$ 3,438</u>

EXHIBIT A-23

STATEMENT OF APPROPRIATED RESERVES FOR GRANTS

<u>Grant</u>	Balance, December 31, 2006	Transferred from 2006 <u>Reserves</u>	<u>Expended</u>	Cancelled Grant <u>Receivable</u>	Balance, December 31, 2007
Clean Communities Grant Program	\$ 21,821	\$ 13,394	\$ 15,901		\$ 19,314
Municipal Court Administration Fund	21				21
Emergency Road Repair Grant	248				248
Alcohol Education and Rehabilitation Fund	163	267			430
Municipal Alliance Program	4,310	4,024		\$ 4,310	4,024
Police Body Armor Grant	3,036	1,038	3,036		1,038
Shade Tree Grant	3,716				3,716
Scrap Tire Grant	2,806		1,020		1,786
Recycling Grant	28,732				28,732
Drunk Driving Enforcement Fund	359	20	359		20
Domestic Violence Grant	2,678				2,678
Library Grant	23,760		23,760		
FEMA Grant	574			574	
Open Space Grant	23,372				23,372
Stormwater Grant	10,194		808		9,386
Audio/Visual Grant	2,910		105		2,805
Livable Communities - Municipal Bldg		47,978			47,978
Emergency Management Grant	4	960	-	-	964
	<u>\$ 128,704</u>	<u>\$ 67,681</u>	<u>\$ 44,989</u>	<u>\$ 4,884</u>	<u>\$ 146,512</u>

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

Balance, December 31, 2006	\$ 273,052
Decreased by:	
Anticipated Revenue in Current Fund Budget	<u>54,715</u>
Balance, December 31, 2007	<u>\$ 218,337</u>

STATEMENT OF RESERVE FOR TAX APPEALS

Increased by:	
Budget Appropriation	<u>\$ 100,000</u>
Balance, December 31, 2007	<u>\$ 100,000</u>

STATEMENT OF DEFERRED CHARGES

Increased by:	
Emergency Authorization - Police Salaries and Wages	<u>\$ 70,000</u>
Balance, December 31, 2007	<u>\$ 70,000</u>

TRUST FUND

BOROUGH OF HAWTHORNE
STATEMENT OF CASH AND INVESTMENTS - TREASURER

	<u>Assessment</u> (Restated)	<u>Animal Control</u>	<u>Other Trust</u>	<u>LOSAP Trust</u>
Balance, December 31, 2006	\$ 129,023	\$ 17,096	\$ 1,277,684	\$ 508,142
Increased by Receipts:				
Assessments Receivable	\$ 57,436			
Interest and Costs on Assessments	8,407			
Current Fund Budget Appropriations	76,361			
Due to State of NJ - Dog Registration Fees	\$ 2,432			
Dog License Fees Collected	12,865			
Employee Payroll Deductions		\$ 8,348,148		
Investment Earnings - Due to Current Fund	5,583	30,870		
Investment Earnings - Due to Developers		2,208		
Investment Earnings - Trust Reserves		7,274		\$ 26,822
Due from Current Fund		197,342		83,440
Municipal Alliance Donations		3,200		
Off-Duty Police Pay		178,468		
Recycling Fees		181,438		
Miscellaneous Reserves		156,313		
Employee Contributions - Unemployment Trust		20,529		
Escrow Deposits	-	106,505		-
	<u>147,787</u>	<u>16,248</u>	<u>9,232,295</u>	<u>110,262</u>
Decreased by Disbursements:				
Payments to Current Fund	40,212		131,085	
Appropriated as Current Fund Revenue	19,384			
Assessment Trust Fund Expenditures	110,000			
Expenditures Under R.S. 4:19-15.11		13,608		
Due State of NJ - Dog Registration Fees		2,432		
Due State of NJ - Unemployment Claims			13,652	
Off-Duty Policy Pay			155,864	
Recycling Expenditures			168,573	
Reserve for Municipal Alliance			2,743	
Tax Sale Premiums			48,000	
Miscellaneous Reserves			166,582	
Escrow Deposits			381,254	
Withdrawal - LOSAP Benefits				1,205
Payroll Deductions Payable	-	8,366,999		-
	<u>169,596</u>	<u>17,202</u>	<u>9,434,752</u>	<u>1,205</u>
Balance, December 31, 2007	<u>\$ 107,214</u>	<u>\$ 16,142</u>	<u>\$ 1,075,227</u>	<u>\$ 617,199</u>

**BOROUGH OF HAWTHORNE
ANALYSIS OF ASSESSMENT CASH**

	Balance, December 31, <u>2007</u>
Due from Current Fund	\$ (78,958)
Due to General Capital Fund	181,366
Fund Balance	<u>4,806</u>
	<u>\$ 107,214</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF ASSESSMENTS RECEIVABLE**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Annual Installment</u>	<u>Due Dates</u>	<u>Balance, December 31, 2006</u>	<u>Collected</u>	<u>Adjustment</u>	<u>Cancelled</u>	<u>Balance, December 31, 2007</u>	<u>Reserve</u>	<u>Balance Pledged To General Capital</u>
1427/1462	Mountain Ave. - Sewers	10	10/7/91-00	\$ 3,978				\$ 3,978	\$ 3,978	
1428/1463	Mountain Ave. - Curbs			3				3		
1433	Central Ave - Curbs/Side.	5	7/18/97-01	469				469	469	
1540	Van Winkle Ave.- Curbs	5	6/21/03-07	581	\$ 2,069	\$ 1,488				
1546	Washington and Lincoln-Curbs and Sidewalks	5	6/21/03-07	2,656	2,737	81				
1550	Lincoln Ave - Curbs/Side.	5	11/21/98-02	483		(483)				
1628	Lincoln Ave - Curbs/Side.	5	11/21/98-02	3,675		(2,129)		1,546	1,546	
1607/1682	Lafayette Ave.-Curbs,S/W	7	2/4/00-07	3,798				3,798	3,798	
1655	Lafayette Ave - Curbs/Side.	7	5/5/00-07	14,400				14,400	14,400	
1726	Post Ave.- Curbs & Sidewalks	10	7/16/04-13	906	1,494	588				
1733	Bamford Ave- Curbs & Sidewalks	10	7/16/04-13	6,555	1,136	455		5,874		\$ 5,874
1734/1757	Constr.of Sanitary Sewers- - Highview/Charwalt	10	3/16/05-14	176,000	50,000	-		126,000	-	126,000
				<u>\$ 213,504</u>	<u>\$ 57,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,068</u>	<u>\$ 24,194</u>	<u>\$ 131,874</u>
	Due to General Capital Fund			\$ 52,630						
	Collections to Fund Balance			<u>4,806</u>						
				<u>\$ 57,436</u>						

**BOROUGH OF HAWTHORNE
STATEMENT OF ASSESSMENT LIENS**

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2006</u>	Balance, December 31, <u>2007</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>2006</u>	Balance, December 31, <u>2007</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, 2006 (Restated)		\$ 52,736
Increased by:		
Payments to Current Fund		40,212
		92,948
Decreased by:		
Interest and Costs on Assessments	\$ 8,407	
Interest on Deposits	5,583	
		13,990
Balance, December 31, 2007		\$ 78,958

STATEMENT OF DUE TO GENERAL CAPITAL FUND - ASSESSMENT TRUST FUND

Balance, December 31, 2006		\$ 312,197
Increased by:		
Assessment Collections		1,043
Balance, December 31, 2007		\$ 313,240

STATEMENT OF AMOUNT TO BE RAISED FOR CANCELLED ASSESSMENTS

<u>Ord. No.</u>	<u>Description</u>	<u>Balance December 31, 2006</u>	<u>Funded by 2007 Budget</u>	<u>Balance December 31, 2007</u>
1607/1682	Curbs/Sidewalks-Lafayette Ave.	\$ 11,667	\$ 11,667	\$ -
		\$ 11,667	\$ 11,667	\$ -

**BOROUGH OF HAWTHORNE
STATEMENT OF RESERVE FOR PROSPECTIVE ASSESSMENTS**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2006</u>	Current Budget for <u>Deficit</u>	Balance, December 31, <u>2007</u>
1506	Const. of Curbs on Royal Ave.	\$ 36,720	\$ 4,080	\$ 40,800
		<u>\$ 36,720</u>	<u>\$ 4,080</u>	<u>\$ 40,800</u>

BOROUGH OF HAWTHORNE
STATEMENT OF PROSPECTIVE ASSESSMENTS FUNDED

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2006</u>	Balance December 31, <u>2007</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>

**BOROUGH OF HAWTHORNE
STATEMENT OF AMOUNT TO BE RAISED BY TAXATION
FUNDED BY ASSESSMENT BONDS**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2006</u>	Raised by Current <u>Budget</u>	Balance December 31, <u>2007</u>
1532	Taylor Ave.-Curbs and Sidewalks	\$ 4,365	\$ 4,365	
1550	Reconst. of Curbs and Sidewalks on Lincoln Ave. from Wagaraw Rd. to Rt. 208	19,067	19,067	
1607	Replace and Install Curbs and Sidewalks on Lafayette Avenue	17,482	17,482	
1628	Impvts. to Curbs, Sidewalks and Drainage System - Lincoln Ave.	<u>8,740</u>	<u>8,740</u>	<u>-</u>
		<u>\$ 49,654</u>	<u>\$ 49,654</u>	<u>\$ -</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF ASSESSMENT BONDS**

<u>Ord. No.</u>	<u>Purpose</u>	Balance, December 31, <u>2006</u>	<u>Decreased</u>	Balance, December 31, <u>2007</u>
1433	Constr. of Central Ave. Sidewalks	\$ 2,231	\$ 2,231	
1506	Construction of Curbs on Royal Ave.	4,080	4,080	
1532	Reconst. of Concrete Curbs and Driveway Aprons-Taylor Ave.	4,364	4,364	
1540	Reconst. of Curbs on Van Winkle Ave.	7,608	7,608	
1546	Reconst. of Curbs and Sidewalks on Washington and Lincoln Streets	8,102	8,102	
1550	Reconst. of Curbs and Sidewalks on Lincoln Ave-Wagaraw Rd. to Rt. 208	19,550	19,550	
1607	Replace and Install. Curbs and Sidewalks on Lafayette Ave.	45,125	45,125	
1628	Impvts. to Curbs, Sidewalks and Drainage System - Lincoln Ave.	8,740	8,740	
1636	Install. of Pavers on Lafayette Ave.	<u>10,200</u>	<u>10,200</u>	<u>-</u>
		<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ -</u>

Paid by Assessment Budget \$ 110,000

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

Balance, December 31, 2006 (Due To)	\$ 197
Increased by:	
Interest Earned on Investments	<u>951</u>
	1,148
Decreased by:	
Payments to Current Fund	<u>1,162</u>
Balance, December 31, 2007 (Due From)	<u>\$ 14</u>

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance, December 31, 2006	\$ 16,899
Increased by:	
Dog License Fees Collected	<u>12,865</u>
	29,764
Decreased by:	
Expenditures Under R.S. 4:19-15.11	<u>13,608</u>
Balance, December 31, 2007	<u>\$ 16,156</u>

STATEMENT OF DUE STATE OF NEW JERSEY - ANIMAL CONTROL FUND

Increased by:	
State Fees Collected	<u>\$ 2,432</u>
Decreased by:	
Payments	<u>\$ 2,432</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF ESCROW DEPOSITS**

Balance, December 31, 2006		\$ 592,354
Increased by:		
Deposits Received	\$ 106,505	
Investment Earnings Due to Developers	<u>2,208</u>	
		<u>108,713</u>
		701,067
Decreased by:		
Cash Disbursements		<u>381,254</u>
Balance, December 31, 2007		<u>\$ 319,813</u>

STATEMENT OF RESERVE FOR RECYCLING EXPENDITURES

Balance, December 31, 2006		\$ 177,347
Increased by:		
Recycling Fees Collected		<u>181,438</u>
		358,785
Decreased by:		
Cash Disbursements		<u>168,573</u>
Balance, December 31, 2007		<u>\$ 190,212</u>

STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE

Balance, December 31, 2006		\$ 182,031
Increased by Receipts:		
Employee Contributions	\$ 20,529	
Interest on Investments	<u>7,274</u>	
		<u>27,803</u>
		209,834
Decreased by:		
Due to State of New Jersey - Unemployment Claims Payable		<u>6,413</u>
Balance, December 31, 2007		<u>\$ 203,421</u>

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

Balance, December 31, 2006	\$ 20,951
Increased by:	
Employee Payroll amd Deductions Payable	<u>8,348,148</u>
	8,369,099
Decreased by:	
Cash Disbursements	<u>8,366,999</u>
Balance, December 31, 2007	<u><u>\$ 2,100</u></u>

STATEMENT OF RESERVE FOR OFF-DUTY MUNICIPAL POLICE PAY

Balance, December 31, 2006	\$ 51,763
Increased by:	
Cash Receipts	<u>178,468</u>
	230,231
Decreased by:	
Cash Disbursements	<u>155,864</u>
Balance, December 31, 2007	<u><u>\$ 74,367</u></u>

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

Balance, December 31, 2006	\$ 12,248
Increased by:	
Cash Receipts	<u>3,200</u>
	15,448
Decreased by:	
Cash Disbursements	<u>2,743</u>
Balance, December 31, 2007	<u>\$ 12,705</u>

STATEMENT OF RESERVE FOR TAX SALE PREMIUMS

Balance, December 31, 2006	\$ 38,100
Increased by:	
Due from Current Fund - Premiums Collected at Tax Sale	<u>35,600</u>
	73,700
Decreased by:	
Premiums Refunded	<u>48,000</u>
Balance, December 31, 2007	<u>\$ 25,700</u>

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

Balance, December 31, 2006		\$ 77,098
Increased by:		
Payments Made to Current Fund	\$ 131,085	
Other Trust Fund Receipts Deposited in Current Fund	<u>35,600</u>	
		<u>166,685</u>
		243,783
Decreased by:		
Interest on Investments	30,870	
Payments from Current Fund	<u>197,342</u>	
		<u>228,212</u>
Balance, December 31, 2007		<u>\$ 15,571</u>

STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND

	Balance, December 31, <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2007</u>
PCUA - EIC	\$ 10			\$ 10
Public Defender Fees	3,250	\$ 2,580		5,830
POAA	2,653	1,052	\$ 2,600	1,105
Trustee - Liens (Third Party)	1,460	111,330	111,350	1,440
Confiscated Funds	42,104	1,200	41,477	1,827
Housing Trust	108,272	9,026	7,897	109,401
Domestic Violence	4,333		3,258	1,075
Fire Code	1,319			1,319
Pre-Tax Medical Payments		1,575		1,575
Relocation Fund		5,000		5,000
UCC Penalties	<u>115,761</u>	<u>24,550</u>	<u>-</u>	<u>140,311</u>
	<u>\$ 279,162</u>	<u>\$ 156,313</u>	<u>\$ 166,582</u>	<u>\$ 268,893</u>

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

Balance, December 31, 2006	\$ 826
Increased by:	
Unemployment Claims Incurred	<u>6,413</u>
	<u>7,239</u>
Decreased by:	
Payments to State of New Jersey	<u>7,239</u>
Balance, December 31, 2007	<u>\$ -</u>

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GENERAL CAPITAL FUND

BOROUGH OF HAWTHORNE
SCHEDULE OF CASH - TREASURER

Balance, December 31, 2006		\$ 704,652
Increased by:		
2007 Budget Appropriations:		
Capital Improvement Fund	\$ 100,000	
Loan Proceeds	317,686	
Bond Anticipation Notes	1,622,018	
Receipts from Current Fund	178,432	
Receipts from Water Utility Capital Fund	170,451	
Grants Receivable	201,202	
Grant Proceeds for Fully Funded Authorizations	192,019	
Interest on Investments	<u>24,521</u>	
		<u>2,806,329</u>
		3,510,981
Decreased by:		
Improvement Authorizations	467,071	
Encumbrances Payable	429,487	
Bond Anticipation Notes	417,018	
Current Fund Budgeted Revenue:		
Reserve for Payment of Bonds	310,000	
General Capital Fund Surplus	119,511	
Current Fund Budgeted Revenue - Surplus		
Payments to Water Utility Capital Fund	14,560	
Payments to Current Fund	<u>25,440</u>	
		<u>1,783,087</u>
Balance, December 31, 2007		<u>\$ 1,727,894</u>

**BOROUGH OF HAWTHORNE
ANALYSIS OF CASH**

	Balance, December 31, <u>2007</u>
Due from Trust Assessment Fund	\$ (313,240)
Due to Current Fund	79,989
Capital Improvement fund	140,463
Encumbrances Payable	475,497
Reserve for Bond Sale Expenses	6,584
Loan Receivable - NJEIT	(561,378)
Reserve for Payment of Debt	227,610
Excess Note Proceeds	185,545
 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)
1817	Improvement of Recreational Facilities 300,409
1826	Sewer Pump Station and Line Improvements 552,684
1865	Acquisition of Fire Department Equipment 28,891
1866	Improvements to Buena Vista Ave - Phase III 56,237
1867	Sanitary Sewer Improvements (20,138)
1870	2007 Road Improvement Program 20,016
1885	Improvements to Municipal Pool 22,865
1892/1907	Improvements to Brookside Ave 11,318
1905	2007 Road Program 6,401
1908	Repairs and Renovation to Municipal Pool 243,605
1918	Improvements to Municipal Building 88,900
	<u>\$ 1,727,894</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF GRANTS RECEIVABLE**

Ord. No.	Project	Balance, December 31, 2006	Grants Awarded	Cash Receipts	Balance, December 31, 2007
	State Dept. of Transportation				
1825	Buena Vista Improvements	\$ 47,877			\$ 47,877
	1892/1907 Improvements to Brookside Ave		\$ 200,000	\$ 150,000	50,000
	State Dept. of Community Affairs				
1750	Barrier Free Improvements	51,202		51,202	
	Private Donation				
1817	Recreation Improvements	50,000			50,000
	Passaic County Open Space Trust Fund				
1817	Recreation Improvements	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
		<u>\$ 179,079</u>	<u>\$ 200,000</u>	<u>\$ 201,202</u>	<u>\$ 177,877</u>
	Pledged to Reserve	\$ 127,877			\$ 177,877
	Pledged to Ordinance	<u>51,202</u>			<u>-</u>
		<u>\$ 179,079</u>			<u>\$ 177,877</u>

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

Balance, December 31, 2006		\$ 14,757,715
Decreased by:		
2007 Budget Appropriations:		
Payment of Serial Bonds	\$ 885,000	
Payment of Wastewater Loan Principal	289,237	
Payment of EDA Loan Principal	<u>12,950</u>	
		<u>1,187,187</u>
Balance, December 31, 2007		<u>\$ 13,570,528</u>

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

Balance, December 31, 2006	\$ 312,197
Increased by:	
Assessment Collections	<u>1,043</u>
Balance, December 31, 2007	<u>\$ 313,240</u>

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

Balance, December 31, 2006	\$ 879,064
Decreased by:	
Loan Proceeds Received	<u>317,686</u>
Balance, December 31, 2007	<u>\$ 561,378</u>

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

Balance, December 31, 2006	\$ 186,463
Increased by:	
2007 Budget Appropriation	<u>100,000</u>
	286,463
Decreased by:	
Appropriated to Finance Improvement Authorization	<u>146,000</u>
Balance, December 31, 2007	<u>\$ 140,463</u>

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2006	\$ 638,304
Increased by:	
Charges to Improvement Authorizations	<u>475,497</u>
	1,113,801
Decreased by:	
Cash Disbursements	\$ 429,487
Cancellations	<u>208,817</u>
	<u>638,304</u>
Balance, December 31, 2007	<u>\$ 475,497</u>

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

Balance, December 31, 2006 (Due From)		\$ 97,524
Increased by:		
Payments Made to Current Fund		<u>25,440</u>
		122,964
Decreased by:		
Interest Earned on Investments	\$ 24,521	
Receipts from Current Fund	<u>178,432</u>	
		<u>202,953</u>
Balance, December 31, 2007 (Due To)		<u>\$ 79,989</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Balance, December 31, 2006		2007 Authorizations		Encumbrances Cancelled	Expended	Improvement Authorizations Cancelled	Balance, December 31, 2007	
		Funded	Unfunded	Capital Improvement Fund	Deferred Charges Unfunded				Funded	Unfunded
	Various Capital Improvements	\$ 217,482			\$ 217,233	\$		\$	249	
	Construction of Ambulance Corps Building	115,128	\$ 2,634					2,634	113,001	
	Removal of Handicapped Barriers	128,896			2,127				130,856	
	Acq. & Install. Of Public Safety Commun. System	300,409				\$ 1,960			300,409	
	Improvement of Recreational Facilities	259,851				143,283			403,134	\$ 149,550
	Sewer Pump Station & Line Improvements		149,550					32,911		
	Improvements to Buena Vista Ave - Phase II		32,911							
	2005 Road Improvement Program		23,627				23,627			
	Acquisition of Fire Department Equipment		26,197							28,891
	Improvements to Buena Vista Ave - Phase III		4,733			2,694			56,237	
	Sanitary Sewer Improvements		106,584	\$ 7,250	\$ 137,750	51,504	133,972		117,612	
	2006 Road Improvement Program		10,640			9,376			20,016	
	Improvements to Municipal Pool	2,430	61,750						22,865	
	Improvements to Brookside Ave			13,750	261,250		41,315		11,318	
	2007 Road Program			12,500	237,500		243,599		6,401	
	Repairs and Renovation to Municipal Pool			12,500	237,500		5,913		6,587	237,500
	Improvements to Municipal Building			100,000			11,100		88,900	
	Total	\$ 1,024,196	\$ 558,026	\$ 146,000	\$ 874,000	\$ 208,817	\$ 942,568	\$ 174,945	\$ 1,043,136	\$ 650,390
					Cash Disbursed		\$ 467,071			
					Contracts Payable		475,497			
							\$ 942,568			
					Deferred Charges - Unfunded			\$ 174,945		

Local Improvements

1564	Reconstr. of Curbs, Sidewalks & Driveway Aprons on Rock Rd. and Goffie Rd.	32,560						32,560		
1810	Curbs, Sidewalks and Driveway Aprons-Hutchinson, Roosevelt, Van Winkle, et al		106,840					106,840		

BOROUGH OF HAWTHORNE
STATEMENT OF BOND ANTICIPATION NOTES

Ord. No.	Improvement Description	Original Amount Issued	Date of Original Issue	Date of Issue	Date of Maturity	Rate of Interest	Balance, December 31,			
							2006	2007		
							Increased	Decreased		
1823/1841	Construction of Ambulance Corps Bldg.	\$ 1,235,000	12/23/2005	12/21/2006	12/20/2007	3.64%	\$ 1,235,000	\$ 1,235,000	\$ 1,235,000	
1767/1854	Various Imprvts. - Wagaraw Field & Swim Pool	38,000	12/23/2005	12/21/2006	12/20/2007	3.40%	38,000	38,000	38,000	
1804/1848	Repair and Improvement of Library	19,000	12/23/2005	12/21/2006	12/20/2007	3.40%	19,000	19,000	19,000	
1824	Road Improvement Program	190,000	12/23/2005	12/21/2006	12/20/2007	3.40%	190,000	190,000	190,000	
1825/1832	Driveways, Curbs & Sidewalks- Buena Vista Ave.	134,127	12/23/2005	12/21/2006	12/20/2007	3.64%	134,127	134,127	134,127	
1826	Sewer Pump Station & Line Improvements	149,550	12/23/2005	12/21/2006	12/20/2007	3.40%	149,550	149,550	149,550	
1855/1859	Improvements to Buena Vista Ave - Phase II	190,000	12/23/2005	12/21/2006	12/20/2007	3.64%	190,000	190,000	190,000	
1856	2005 Road Improvement Program	190,000	12/23/2005	12/20/2007	9/15/2008	3.40%	190,000	190,000	190,000	
1860	Acquisition of DPW Equipment	254,323	12/23/2005	12/21/2006	12/20/2007	3.40%	254,323	254,323	254,323	
1865	Acquisition of Fire Department Equipment	451,250	12/20/2007	12/20/2007	9/15/2008	3.40%	451,250	451,250	451,250	
1866	Improvements to Buena Vista Ave Phase III	83,500	12/20/2007	12/20/2007	9/15/2008	3.40%	83,500	83,500	83,500	
1867	Sanitary Sewer Improvements	147,250	12/20/2007	12/20/2007	9/15/2008	3.40%	147,250	147,250	147,250	
1870	2006 Road Improvement Program	142,500	12/20/2007	12/20/2007	9/15/2008	3.40%	142,500	142,500	142,500	
1885	Improvements to Municipal Pool	61,750	12/20/2007	12/20/2007	9/15/2008	3.40%	61,750	61,750	61,750	
1892/1907	Improvements to Brookside Ave	261,250	12/20/2007	12/20/2007	9/15/2008	3.40%	261,250	261,250	261,250	
1905	2007 Road Program	237,500	12/20/2007	12/20/2007	9/15/2008	3.40%	237,500	237,500	237,500	
1908	Repairs and Renovation to Municipal Pool	237,018	12/20/2007	12/20/2007	9/15/2008	3.40%	237,018	-	237,018	
							<u>\$ 2,400,000</u>	<u>\$ 3,605,000</u>	<u>\$ 2,400,000</u>	<u>\$ 3,605,000</u>
							New Issues \$ 1,622,018			
							Paid by Capital Cash \$ 417,018			
							Renewals <u>1,982,982</u>			<u>1,982,982</u>
							<u>\$ 3,605,000</u>	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 3,605,000</u>

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2007	Interest Rate	Balance, December 31, 2006	Decreased	Balance, December 31, 2007
General Improvement Bonds	10/15/2000	\$ 3,193,000	10/15/08-14 \$ 220,000	5.100%	\$ 2,213,000	\$ 220,000	\$ 1,993,000
			10/15/2015 225,000	5.125%			
			10/15/2016 228,000	5.200%			
Refunding Bonds of 2002	12/15/2002	1,390,000	12/15/2007 270,000	3.000%	270,000	270,000	
General Improvement Bonds	6/1/2004	6,292,000	6/1/2008-12				
			6/1/2013 300,000				
			6/1/2014 500,000				
			6/1/2015 550,000				
			6/1/2016 600,000				
			6/1/2017 700,000				
			6/1/2018 730,000				
			6/1/2018 760,000				
			6/1/2019 777,000	4.125%	6,217,000	100,000	6,117,000
Refunding Bonds of 2005	4/1/2005	3,285,000	8/15/2008 315,000	3.250%			
			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%	2,790,000	295,000	2,495,000
					<u>\$ 11,490,000</u>	<u>\$ 885,000</u>	<u>\$ 10,605,000</u>
					Paid by Budget Appropriation \$		<u>885,000</u>

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

	<u>NJ- EIT</u>
Balance, December 31, 2006	\$ 3,215,915
Decreased by:	
Paid by 2007 Budget Appropriation	<u>289,237</u>
Balance, December 31, 2007	<u>\$ 2,926,678</u>

**STATEMENT OF NEW JERSEY
EDA LOAN PAYABLE**

Balance, December 31, 2006	\$ 51,800
Decreased by:	
Paid by 2007 Budget Appropriation	<u>12,950</u>
Balance, December 31, 2007	<u>\$ 38,850</u>

STATEMENT OF RESERVE FOR BOND SALE EXPENSES

Balance, December 31, 2006	<u>\$ 6,584</u>
Balance, December 31, 2007	<u>\$ 6,584</u>

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

Balance, December 31, 2006	\$ 345,591
Increased by:	
Grant Proceeds for Fully Funded Authorizations	<u>192,019</u>
	537,610
Decreased by:	
Current Fund Budgeted Revenue	<u>310,000</u>
Balance, December 31, 2007	<u>\$ 227,610</u>

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

Ord. No.	<u>Improvement Description</u>	Balance, December 31, 2006	2007 Authori- zations	Bond Anticipation Notes Issued	Funded by Assessment Collections	Cancelled	Balance, December 31, 2007
		\$					\$
1591	Constr. Of Roadway- Portion of Sherman Ave.	786					786
1634/1663	Improvement of Grand Ave.	3,844					3,844
1860	Acquisition of DPW Equipment	451,250		\$ 451,250			
1865	Acquisition of Fire Department Equipment	83,500		83,500			
1866	Improvements to Buena Vista Ave - Phase III	147,250	\$ 137,750	147,250			137,750
1867	Sanitary Sewer Improvements	142,500		142,500			
1870	2006 Road Improvement Program	61,750		61,750			
1885	Improvements to Municipal Pool		261,250	261,250			
1892/1907	Improvements to Brookside Ave		237,500	237,500			
1905	2007 Road Program		237,500	237,500			
1908	Repairs and Renovation to Municipal Pool		237,500	237,018			482
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.	35,679			\$ 32,560		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	4,712			\$ 588		4,124
1733	Barnford Ave. Curbs, Sidewalks, Aprons	4,018			455		3,563
1734/1757	Constr. of Sanitary Sewers-Highview/Charwalt	22,187					22,187
1810	Curbs, Sidewalks and Driveway Aprons- Hutchinson, Roosevelt, Van Winkle, et al	109,250				106,840	2,410
		\$ 1,095,163	\$ 874,000	\$ 1,622,018	\$ 1,043	\$ 139,400	\$ 206,702

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WATER UTILITY FUND

BOROUGH OF HAWTHORNE
STATEMENT OF CASH AND INVESTMENTS - WATER COLLECTOR

	<u>Operating</u>		<u>Capital</u>
Balance, December 31, 2006	\$ 530,441		\$ 224,025
Increased by Receipts:			
Consumer Accounts Receivable	\$ 2,328,888		
Interest Earned on Investments	27,215	\$ 10,773	
Fire Hydrant Service	89,100		
Reserve for Payment of Debt	65,000		
Miscellaneous Revenues	37,026		
Capital Improvement Fund		5,000	
Water Rent Overpayments	3,926		
Receipts from General Capital Fund		14,560	
Receipts from Water Utility Capital Fund	11,132		
Receipts from Water Utility Operating Fund		596	
NJ EIT Loan Proceeds		323,040	
Non-Budget Revenue	<u>6,684</u>		<u>-</u>
	<u>2,568,971</u>		<u>353,969</u>
	3,099,412		577,994
Decreased by Disbursements:			
2007 Budget Appropriations	2,259,003		
2006 Appropriation Reserves	12,250		
Encumbrances/Contracts Payable	76,535		
Improvement Authorizations		14,943	
Payments to General Capital Fund		170,451	
Payments to Water Utility Operating Fund		11,132	
Payments to Water Utility Capital Fund	596		
Appropriated by Water Utility Operating Budget - Reserve for Payment of Debt		65,000	
Payments to Current Fund	232,643		
Accrued Interest on Bonds and Loans	<u>84,928</u>		<u>-</u>
	<u>2,665,955</u>		<u>261,526</u>
Balance, December 31, 2007	<u>\$ 433,457</u>		<u>\$ 316,468</u>

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

	Balance, December 31, <u>2007</u>
Fund Balance	\$ 1,628
Capital Improvement Fund	124,601
Reserve for Payment of Debt	167,141
Loan Proceeds Receivable	(717,925)
Due from Water Utility Operating Fund	(61)
Improvement Authorizations	
Ord.	
<u>No.</u>	
1575 Acq. of Two Pickup Trucks	(23,344)
1811 Replacement of Various Water Mains	<u>764,428</u>
	 <u>\$ 316,468</u>

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

Balance, December 31, 2006	\$	446,164
Increased by:		
Water Rents - Levies		<u>2,158,408</u>
		2,604,572
Decreased by:		
Water Rents - Collections		<u>2,328,888</u>
Balance, December 31, 2007	\$	<u><u>275,684</u></u>

**STATEMENT OF DUE TO GENERAL CAPITAL FUND
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2006	\$	155,891
Increased by:		
Cash Receipts from General Capital Fund		<u>14,560</u>
		170,451
Decreased by:		
Cash Paid to General Capital Fund		<u>170,451</u>
Balance, December 31, 2007	\$	<u><u>-</u></u>

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

Balance, December 31, 2006	\$	298
Increased by:		
Cash Paid to Water Utility Operating Fund		<u>11,132</u>
		11,430
Decreased by:		
Interest on Investments	\$	10,773
Payments from Water Utility Operating Fund		<u>596</u>
		<u>11,369</u>
Balance, December 31, 2007	\$	<u><u>61</u></u>

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

	Balance, December 31, <u>2006</u>	Increased by Capital <u>Outlay</u>	Balance, December 31, <u>2007</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		1,601,873
Other Tangible Water Capital	<u>1,645,800</u>	<u>\$ 80,375</u>	<u>1,726,175</u>
	<u>\$ 7,967,313</u>	<u>\$ 80,375</u>	<u>\$ 8,047,688</u>
	2007 Budget Appropriation	\$ 75,000	
	2006 Appropriation Reserves	<u>5,375</u>	
		<u>\$ 80,375</u>	

EXHIBIT D-11

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

Balance, December 31, 2006	\$ 1,040,965
Decreased by:	
Loan Proceeds Received	<u>323,040</u>
Balance, December 31, 2007	<u>\$ 717,925</u>

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

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2006</u>	Balance, December 31, <u>2007</u>
1811	Replace Various Water Mains	\$ 2,800,000	\$ 2,800,000
		<u>\$ 2,800,000</u>	<u>\$ 2,800,000</u>

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

Balance, December 31, 2006	\$	27,899
Increased by:		
2007 Budget Appropriation		83,662
		111,561
Decreased by:		
Cash Disbursements		84,928
Balance, December 31, 2007	\$	26,633

<u>Analysis of Balance</u>		
Accrued Interest on Bonds	\$	2,296
Accrued Interest on Loans		24,337
	\$	26,633

STATEMENT OF 2006 APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND

	Balance, December 31, <u>2006</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries and Wages	\$ 329	\$ 329	\$ 329	
Other Expenses	4,049	5,798		\$ 5,798
Laboratory Testing	12,425	12,425	6,546	5,879
Capital Outlay	6,324	6,324	5,375	949
	\$ 23,127	\$ 24,876	\$ 12,250	\$ 12,626
Appropriation Reserves		\$ 23,127		
Cancelled Encumbrances		1,749		
		\$ 24,876		

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

Balance, December 31, 2006		\$ 78,284
Increased by:		
Charges to 2007 Appropriations		<u>157,711</u>
		235,995
Decreased by:		
Cash Disbursements	\$ 76,535	
Cancellations	<u>1,749</u>	
		<u>78,284</u>
Balance, December 31, 2007		<u>\$ 157,711</u>

**STATEMENT OF DUE TO CURRENT FUND
WATER UTILITY OPERATING FUND**

Balance, December 31, 2006		\$ 103,643
Increased by:		
Water Utility Fund Balance Appropriated by Current Fund Budget		<u>129,000</u>
		232,643
Decreased by:		
Payments to Current Fund		<u>232,643</u>
Balance, December 31, 2007		<u>\$ -</u>

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

Ord. No.	Improvement Description	Date	Ordinance Amount	Balance, December 31, 2006		Paid or Charged	Balance, December 31, 2007	
				Funded	Unfunded		Funded	Unfunded
1811	Replacement of Various Water Mains	6/18/2003	\$2,800,000	\$ 779,371	\$ 246	\$ 14,943	\$ 764,428	\$ 246
			\$	<u>779,371</u>	<u>246</u>	\$ 14,943	<u>764,428</u>	<u>246</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>2006</u>	Paid by Budget <u>Appropriation</u>	Balance, December 31, <u>2007</u>
1811	Replacement of Various Water Mains	\$ 2,504,819	\$ 125,700	\$ 2,379,119
		<u>\$ 2,504,819</u>	<u>\$ 125,700</u>	<u>\$ 2,379,119</u>

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

Balance, December 31, 2006	\$ 119,601
Increased by:	
2007 Budget Appropriation	<u>5,000</u>
Balance, December 31, 2007	<u>\$ 124,601</u>

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

Balance, December 31, 2006	\$ 7,535,904
Increased by:	
Capital Outlay - Operating Budget 2007 Budget Appropriations	\$ 80,375
Payments by Operating Budget Serial Bonds	35,000
Water Supply Loan	<u>125,700</u>
	<u>241,075</u>
Balance, December 31, 2007	<u>\$ 7,776,979</u>

**BOROUGH OF HAWTHORNE
STATEMENT OF SERIAL BONDS
WATER UTILITY CAPITAL FUND**

<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, 2006</u>	<u>Decreased</u>	<u>Balance, December 31, 2007</u>
			<u>Date</u>	<u>Outstanding December 31, 2007</u>	<u>Amount</u>				
General Improvement Bonds	6/1/2004	\$ 718,000	6/1/2008-09	\$ 45,000		4.125%	\$ 703,000	\$ 35,000	\$ 668,000
			6/1/2010-11	50,000					
			6/1/2012-14	55,000					
			6/1/2015-17	60,000					
			6/1/2018	65,000					
			6/1/2019	68,000					
							\$ 703,000	\$ 35,000	\$ 668,000

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

Balance, December 31, 2006	\$ 232,141
Decreased by:	
Water Operating Utility Budgeted Revenue	<u>65,000</u>
Balance, December 31, 2007	<u>\$ 167,141</u>

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

Increased by:	
Cash Receipts	<u>3,926</u>
Balance, December 31, 2007	<u>\$ 3,926</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>2006</u>	Balance, December 31, <u>2007</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>

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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, 2006	\$ 26,295	\$ 17,975	\$ 8,320
Increased by:			
Donations	3,000	3,000	
Transfers	348		348
Miscellaneous	406		406
Interest on Investments	776	720	56
	<u>4,530</u>	<u>3,720</u>	<u>810</u>
	<u>30,825</u>	<u>21,695</u>	<u>9,130</u>
Decreased by:			
Public Assistance Expenditures	12,440	3,966	8,474
Transfers	348	348	
Payments to Current Fund	1,392	736	656
	<u>14,180</u>	<u>5,050</u>	<u>9,130</u>
Balance, December 31, 2007	<u>\$ 16,645</u>	<u>\$ 16,645</u>	<u>\$ -</u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2</u>
Balance, December 31, 2006	\$ 25,922	\$ 17,854	\$ 8,068
Increased by:			
Revenues	<u>3,406</u>	<u>3,000</u>	<u>406</u>
	29,328	20,854	8,474
Decreased by:			
Expenditures	<u>12,440</u>	<u>3,966</u>	<u>8,474</u>
Balance, December 31, 2007	<u>\$ 16,888</u>	<u>\$ 16,888</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>
Miscellaneous	\$ 406		\$ 406
Donations	<u>3,000</u>	<u>\$ 3,000</u>	<u>-</u>
 Total Revenues	 3,406	 3,000	 406
Transfers	348		348
Interest on Investments	<u>776</u>	<u>720</u>	<u>56</u>
 Total Receipts	 <u>\$ 4,530</u>	 <u>\$ 3,720</u>	 <u>\$ 810</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Total</u>	<u>Account #1</u>	<u>Account #2 (100% State Funded)</u>
Assistance Ineligible for State Aid	\$ 3,966	\$ 3,966	
Payments to State of New Jersey - Closeout of Funds	<u>8,474</u>	<u>-</u>	<u>\$ 8,474</u>
 Total Expenditures	 <u>12,440</u>	 <u>3,966</u>	 <u>8,474</u>
Transfers	348	348	
Due to Current Fund	<u>1,392</u>	<u>736</u>	<u>656</u>
	<u>1,740</u>	<u>1,084</u>	<u>656</u>
 Total Disbursements	 <u>\$ 14,180</u>	 <u>\$ 5,050</u>	 <u>\$ 9,130</u>

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

Balance, December 31, 2006 (Due To)		\$ 373
Increased by:		
Interest on Investments		776
		1,149
Decreased by:		
Payments to Current Fund		1,392
Balance, December 31, 2007 (Due From)		\$ 243
	<u>Analysis of Balance</u>	
	PATF #1	\$ 243
	PATF #2	-
		\$ 243

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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, 2007, and have issued our report thereon dated June 30, 2008 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.

Leuch, Vinci & Higgins, LLP
LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants
Joseph F. Kelly
Joseph F. Kelly
Registered Municipal Accountant
RMA Number CR00466

Fair Lawn, New Jersey
June 30, 2008

BOROUGH OF HAWTHORNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Federal Funding Dept.</u>	<u>Grant Year</u>	<u>CFDA Number</u>	<u>Federal Grant Program</u>	<u>Balance, January 1, 2007</u>	<u>Revenues</u>	<u>Expended</u>	<u>Adjustment</u>	<u>Balance, December 31, 2007</u>
Department of Homeland Security (Federal Emergency Management Agency)	2002	83.556	Emergency Preparedness	\$ 394			\$ 394	
	2005	83.556	Emergency Preparedness	180			180	
	2006	83.556	Emergency Preparedness	1,384		\$ 1,384		
	2007	83.556	Assistance to Firefighters	-	\$ 19,380	19,380	-	-
				<u>\$ 1,958</u>	<u>\$ 19,380</u>	<u>\$ 20,764</u>	<u>\$ 574</u>	<u>\$ -</u>

Note: The Borough was not subject to Single Audit requirements of OMB A-133.

**BOROUGH OF HAWTHORNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2007**

State Grant Program	Grant Number	Year	Grant Award Received	Balance, January 1, 2007	Revenue Realized	Expended	Cancelled/ Adjustment	Balance, December 31, 2007
Clean Communities Program	4900-765-178900	2007	\$ 20,669	\$	\$ 21,843	\$ 4,645		\$ 17,198
		2006		14,760				14,760
		2005		13,504			7,584	4,554
		2004		3,340			3,340	
		2003		3,691			3,691	
		2002		1,286			1,286	
Municipal Court Administration Fund	N/A	Prior		21				21
Drunk Driving Enforcement Fund	1110-448-031020-22	2007	1,321		3,179	1,041		2,138
		2006		220		200		20
		2005		68		68		
		2002		291		291		
Police Body Armor Grant	718-066-1020-001	2007			3,011	717		2,294
		2006		2,904		1,866	1,038	
		2005		186		186		
		2004		1,569		1,569		
		2003		1,281		1,281		
		2005		19,117	4,310	25,700	(286)	4,024
Municipal Alliance Program	N/A	2007			25,700			
		2005						
Domestic Violence Grant	100-066-1020-107	2005		2,571				2,571
		2002		107			107	
		2005		163			163	
Alcohol Education and Rehabilitation Fund	4250-760-050000-63-26	2007			236			236
		2006		567			267	
		2005		163			163	
NJ Shade Tree Grant	N/A	2004	2,000	200				200
		2002		3,200			3,200	
		2001		316			316	
		Prior		28,732			28,732	
Recycling Tonnage Grant	4830-752-050550-50							
Emergency Management Grant	100-066-1020-107	2007	5,000		5,000	415		5,000
		2006		1,375			960	
		2003		4			4	
Click It or Ticket	N/A	2007	4,000		4,000			
Scrap Tire Grant	N/A	2001		2,806	1,020		1,786	

BOROUGH OF HAWTHORNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2007

State Grant Program	Grant Number	Year	Grant Award Received	Balance, January 1, 2007	Revenue Realized	Expended	Cancelled/Adjustment	Balance, December 31, 2007
Forestry Volunteer Fire Grant	N/A	2007			\$ 2,500	\$ 1,140		\$ 1,360
Audio/Visual Grant	N/A	2005		\$ 2,910		105		2,805
Pedestrian Safety Grant	N/A	2006		21				21
Aggressive Driving Grant	N/A	2006		100		100		
Emergency Road Repair Grant	N/A	Prior		248				248
Speed Enforcement Grant		2007	\$ 4,000		4,000	4,000		
Liveable Communities - Municipal Building Improvements	N/A	2006		48,421		443		47,978
Library Grant	5070-100-034-5070-012	2005		23,760		23,760		
Dept. of Human Services - General Assistance	7500-150-158010-60	2003		8,068	406	8,474		
Dept. of Environmental Protection - NJEIT Loan Programs - Ord. 1811 - Water Utility	340881-03	2003	323,040	779,371		14,943		764,428
NJEIT Loan Programs - Ord. 1826 - General Capital	340881-04	2004	317,686	259,851			\$ 143,283	403,134
Stormwater Grant	N/A	2007	12,029		12,029	808		12,029
Dept. of Transportation Improvements to Buena Vista Ave. II - Ord. 1855	6310-480-601395-61	2005		32,911			(32,911)	
Improvements to Brookside Ave - Ord. 1892/1907	6310-480-601395-61	2007	150,000		200,000	200,000		
Dept. of Community Affairs Removal of Handicapped Barriers - Ord. 1750	00-100-022-8020-078-F292-6120-SC99	2001		115,128	-	2,127		113,001
				<u>\$ 1,368,455</u>	<u>\$ 281,904</u>	<u>\$ 315,100</u>	<u>\$ 108,720</u>	<u>\$ 1,443,979</u>

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**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
YEARS ENDED DECEMBER 31, 2007 AND 2006

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	\$ 19,380	\$ 81,498	\$ 100,878
General Capital Fund		200,000	200,000
Public Assistance Fund	<u>-</u>	<u>406</u>	<u>406</u>
Total Financial Awards	<u>\$ 19,380</u>	<u>\$ 281,904</u>	<u>\$ 301,284</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.

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2007, which are not required to be reported on the schedules of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State</u>
Environmental Infrastructure Loan	\$ 5,305,797
EDA Loan	<u>38,850</u>
	<u>\$ 5,344,647</u>

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BOROUGH OF HAWTHORNE

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2007

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

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

	<u>Year 2007</u>		<u>Year 2006</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,361,000	2.29 %	\$ 1,200,000	2.11 %
Miscellaneous - From Other Than Local				
Property Tax Levies	5,133,133	8.64	5,089,290	8.96
Collection of Delinquent Taxes and Tax Title Liens	525,220	0.88	585,812	1.03
Collection of Current Tax Levy	51,867,831	87.32	49,513,160	87.15
Other Credits to Income	<u>514,008</u>	<u>0.87</u>	<u>427,781</u>	<u>0.75</u>
Total Income	<u>59,401,192</u>	<u>100.00 %</u>	<u>56,816,043</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	16,301,917	28.28 %	15,534,649	28.24 %
County Taxes	12,882,755	22.34	12,224,893	22.23
Local School Taxes	28,276,801	49.04	27,047,021	49.18
Other Expenditures	<u>194,399</u>	<u>0.34</u>	<u>192,837</u>	<u>0.35</u>
Total Expenditures	<u>57,655,872</u>	<u>100.00 %</u>	<u>54,999,400</u>	<u>100.00 %</u>
Excess in Revenue	1,745,320		1,816,643	
Adjustments to Income before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budget of Succeeding Year	<u>70,000</u>		<u>-</u>	
Statutory Excess to Fund Balance	1,815,320		1,816,643	
Fund Balance, January 1	<u>3,028,000</u>		<u>2,411,357</u>	
	4,843,320		4,228,000	
Decreased by:				
Utilization as Anticipated Revenue	<u>1,361,000</u>		<u>1,200,000</u>	
Fund Balance, December 31	<u>\$ 3,482,320</u>		<u>\$ 3,028,000</u>	

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

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

	<u>Year 2007</u>		<u>Year 2006</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 147,849	5.43 %	\$ 67,124	2.83 %
Collection of Water Rents	2,328,888	85.46	2,131,563	89.83
Miscellaneous - From Other than Water Rents	235,798	8.65	163,185	6.88
Other Credits to Income	<u>12,626</u>	<u>0.46</u>	<u>10,916</u>	<u>0.46</u>
 Total Income	 <u>2,725,161</u>	 <u>100.00</u> %	 <u>2,372,788</u>	 <u>100.00</u> %
 EXPENDITURES				
Budget Expenditures				
Operating	2,049,005	81.91 %	1,898,753	82.50 %
Capital Improvements	80,000	3.20	60,000	2.61
Debt Service	244,362	9.77	237,166	10.30
Deferred Charges and Statutory Expenditures	<u>128,209</u>	<u>5.12</u>	<u>105,564</u>	<u>4.59</u>
 Total Expenditures	 <u>2,501,576</u>	 <u>100.00</u> %	 <u>2,301,483</u>	 <u>100.00</u> %
 Excess in Revenue	 223,585		 71,305	
 Fund Balance, January 1	 <u>297,290</u>		 <u>418,109</u>	
	520,875		489,414	
Decreased by:				
Anticipated as Current Fund Revenue	129,000		125,000	
Utilization by Water Operating Budget	<u>147,849</u>		<u>67,124</u>	
 Fund Balance, December 31	 <u>\$ 244,026</u>		 <u>\$ 297,290</u>	

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>Tax Rate</u>	<u>\$4.27</u>	<u>\$4.09</u>	<u>\$3.87</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.911	.877	.822
County	1.027	.979	.883
County Open Space	.022	.020	.017
Local School	2.31	2.214	2.148
<u>Assessed Valuation</u>			
2007	<u>\$1,224,345,290</u>		
2006		<u>\$1,222,071,995</u>	
2005			<u>\$1,217,455,045</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>
2007	\$ 52,645,449	\$ 51,867,831	98.52%
2006	50,106,591	49,513,160	98.82%
2005	47,186,909	46,514,185	98.57%

**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>
2007	\$ 596,094	\$ 712,648	\$ 1,308,742	2.49%
2006	545,451	525,220	1,070,671	2.14%
2005	496,383	585,812	1,082,195	2.29%

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>
2007	\$34,980
2006	34,980
2005	34,980

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections *</u>	<u>Percentage of Collection</u>
2007	\$2,158,408	\$2,328,888	107.89%
2006	2,086,238	2,131,563	102.17%
2005	2,213,760	2,116,758	95.62%

* 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	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
	2003	2,669,288	1,450,000
Water Utility Fund	2007	\$244,026	\$ 76,965
	2006	297,290	147,849
	2005	418,109	67,124
	2004	289,335	135,500
	2003	68,016	68,000

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE DURING THE PERIOD UNDER AUDIT AND SURETY BONDS

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Patrick J. Botbyl	Mayor	
Richard Goldberg	Councilman at Large	
Shirley Shortway English	Councilwoman at Large	
Bruce Bennett	Councilman at Large	
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 (A)	\$350,000
Mary Jeanne Hewitt	Chief Financial Officer (B)	300,000
Tim Henderson	Tax Assessor	
John Meola	Magistrate of Municipal Court (C)	50,000
Christine Oravetz	Municipal Court Administrator (D)	50,000
Joyce Comerro	Violations Clerk (E)	50,000
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 \$10,000 for each Public Official or Employee.

- (A) Western Surety Co. Bond #58566328
- (B) Western Surety Co. Bond #58498308
- (C) Western Surety Co. Bond #58570000
- (D) Western Surety Co. Bond #68972639
- (E) Western Surety Co. Bond #58570001

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

GENERAL COMMENTS

There are none.

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:

Acquisition of DPW Vehicles
2007 Road Improvement Program
Improvements to Brookside Avenue
Goffle Brook Park Sewer Lining
Improvements to Swimming Pool

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.

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 1, 2007 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

**BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Collection of Interest of Delinquent Taxes, Assessments and Water Charges (Continued)

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 19, 2007.

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>
2007	2
2006	2
2005	2
2004	2
2003	3

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

There are none.

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.

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

Joseph F. Kelly
Joseph F. Kelly
Registered Municipal Accountant
RMA Number CR00466