BOROUGH OF HAWTHORNE

PASSAIC COUNTY, NEW JERSEY

REPORT OF AUDIT

YEAR ENDED DECEMBER 31, 2009

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, 2009

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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 - regulatory basis of the various funds and account group of the Borough of Hawthorne as of December 31, 2009 and 2008 and the related statements of operations and changes in fund balance - regulatory basis for the years then ended and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2009. 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 fourth 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 regulatory 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 regulatory 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, Department of Community Affairs, State of New Jersey, 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 32 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2009 and 2008.

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 third paragraph, the financial statements referred to previously 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, 2009 and 2008, 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.

However, 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 - regulatory basis referred to previously present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Borough of Hawthorne as of December 31, 2009 and 2008 and the results of operations and changes in fund balance - regulatory basis of such funds for the years then ended and the revenues - regulatory basis and the expenditures - regulatory basis of the various funds for the year ended December 31, 2009 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 16, 2010 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 considered in assessing 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, is fairly stated, in all material respects, in relation to the financial statements taken as a whole on the basis of accounting described in Note 1.

Lerch, Vinci & Higgins, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429

Fair Lawn, New Jersey
July 16, 2010

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2009 AND 2008

ASSETS	Reference	2009	2008
Cash	A-4	$ 11,850,073	$ 12,145,122
Cash - Change Funds	A-5	310	310
Grants Receivable	A-12	161,127	237,537
		12,011,510	12,382,969
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes	A-8	931,153	778,206
Tax Title Liens Receivable	A-9	726,501	650,653
Property Acquired for Taxes	A-10	34,980	34,980
Revenue Accounts Receivable	A-11	20,789	25,485
Due from General Capital Fund	C-12	118,541	83,777
Due from Water Utility Operating Fund	D-23	125,000	-
		1,956,964	1,573,101
Deferred Charges			
Emergency Authorization	A-13	-	7,785
Total Assets		$ 13,968,474	$ 13,963,855

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
CURRENT FUND
AS OF DECEMBER 31, 2009 AND 2008

LIABILITIES, RESERVES AND FUND BALANCE	Reference	2009	2008
Appropriation Reserves	A-3,A-14	$ 385,838	$ 235,657
Encumbrances Payable	A-15	872,029	906,933
Accounts Payable	A-16	104,026	297,577
Prepaid Taxes	A-17	227,355	206,545
Tax Overpayments	A-18		1,244
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-7	62,131	56,195
Fees Payable	A-19	17,514	15,011
County Taxes Payable	A-21	29,468	90,193
Local District School Taxes Payable	A-22	7,161,237	6,513,945
Unappropriated Reserves for Grants	A-23	5,972	5,507
Appropriated Reserves for Grants	A-24	91,754	120,295
Reserve for UCC Dedicated Revenues	A-25	38,821	116,728
Reserve for Tax Appeals	A-26		63,382
Due to Length of Service Award Program Fund	B	118,062	161,295
Due to Assessment Trust Fund	B-7	69,843	79,139
Due to Animal Control Trust Fund	B-11	44	31
Due to Public Assistance Trust Fund	E-5	285	271
Due to Other Trust Fund	B-21	997	16,446
		9,185,376	8,886,394
Reserve for Receivables	A	1,956,964	1,573,101
Fund Balance	A-1	2,826,134	3,504,360
Total Liabilities, Reserves and Fund Balance		$ 13,968,474	$ 13,963,855

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

REVENUE AND OTHER INCOME REALIZED	Reference	2009	2008
Fund Balance Utilized	A-2	$ 1,460,185	$ 1,558,500
Miscellaneous Revenue Anticipated	A-2	3,763,513	4,079,713
Receipts from Delinquent Taxes	A-2	774,596	710,511
Receipts from Current Taxes	A-2	56,968,858	54,837,111
Non-Budget Revenue	A-2	262,120	348,708
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-14	303,472	366,619
Accounts Payable Cancelled	A-16	97,395	27,244
Appropriated Grants Reserves Cancelled	A-24	5,569	-
		63,635,708	61,928,406
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,562,739	6,406,180
Other Expenses	A-3	7,227,762	7,025,278
Municipal Debt Service	A-3	1,877,850	1,740,047
Deferred Charges and Statutory Expenditures	A-3	1,233,238	1,173,054
Capital Improvements	A-3	252,400	448,500
County Taxes	A-21	14,401,136	13,880,232
Due County for Added and Omitted Taxes	A-21	29,423	90,193
Local District School Tax	A-22	30,870,254	29,574,279
Interfunds Originating	A	243,541	83,186
Prior Year Senior Citizen Deductions Disallowed	A-7	2,250	
Grants Receivable Cancelled	A-12	876	10,058
Refund of Prior Year Taxes/Revenue	A-4	152,280	9,644
		62,853,749	60,440,651
Excess in Revenue		781,959	1,487,755
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-13	-	7,785
Expenditures Included Above Which were Funded by Bond Ordinance	A-1	-	85,000
Statutory Excess to Fund Balance		781,959	1,580,540
FUND BALANCE, JANUARY 1	A	3,504,360	3,482,320
		4,286,319	5,062,860
Decreased by:			
Utilized as Anticipated Revenue	A-1,A-2	1,460,185	1,558,500
FUND BALANCE, DECEMBER 31	A	$ 2,826,134	$ 3,504,360

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Reference	Anticipated Budget	Added by N.J.S. 40A:4-87	Realized	Excess or (Deficit)
FUND BALANCE ANTICIPATED	A-1	$ 1,460,185	-	$ 1,460,185	-
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-11	40,000		40,200	$ 200
Other	A-2	16,000		18,514	2,514
Fees and Permits	A-2	107,000		106,769	(231)
Fines and Costs					
Municipal Court	A-11	300,000		306,005	6,005
Interest and Costs on Taxes	A-2	100,000		195,447	95,447
Interest on Investments and Deposits	A-2	225,000		154,709	(70,291)
Swimming Pool Admission Fees	A-11	124,000		111,564	(12,436)
Energy Receipts Taxes	A-11	1,465,949		1,465,949	
Consolidated Municipal Property Tax Relief Aid	A-11	379,781		379,781	
Rentals - Board of Education	A-11	20,000		20,000	
Rentals - Cellular Phone	A-11	168,000		236,342	68,342
Sewer Charges	A-11	35,000		43,946	8,946
Cable Television Franchise Fees	A-11	62,378		66,164	3,786
Commuter Parking	A-11	35,000		31,812	(3,188)
Uniform Construction Code Fees	A-11	210,454		154,144	(56,310)
Reserve for UCC Dedicated Revenues	A-25	77,907		77,907	
State and Federal Revenues Offset With Appropriations					
Municipal Alliance Program	A-12	27,700		27,700	
Reserve for Police Body Armor Grant	A-23	3,108		3,108	
Emergency Management Grant	A-12	5,000		5,000	
Clean Communities Program	A-12	21,656		21,656	
Reserve for Clean Communities Program	A-23	2,399		2,399	
Click It or Ticket	A-12		$ 4,000	4,000	
Municipal Alcohol Education	A-12		1,578	1,578	
Over the Limit, Under Arrest	A-12		6,000	6,000	
Speed Enforcement Grant	A-12		4,000	4,000	
H1N1 Supplemental Grant	A-12		37,760	37,760	
Recycling Tonnage Grant	A-12		38,512	38,512	
Drunk Driving Enforcement Fund	A-12		7,090	7,090	
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	40,000		36,680	(3,320)
Reserve for Payment of Debt Service	A-4	75,000		75,000	
Interfund - Due from General Capital Fund	A-4	85,591	-	83,777	(1,814)
Total Miscellaneous Revenues	A-1	3,626,923	98,940	3,763,513	37,650

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Reference	Anticipated Budget	Anticipated Added by N.J.S. 40A:4-87	Realized	Excess or (Deficit)
RECEIPTS FROM DELINQUENT TAXES	A-1,A-8	$ 650,000	-	$ 774,596	$ 124,596
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2	12,652,715	-	12,968,045	315,330
		$ 18,389,823	$ 98,940	18,966,339	$ 477,576
	Reference	A-3	A-3		
Non-Budget Revenues	A-1,A-2			262,120	
				$ 19,228,459	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Reference	Realized
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue From Collections	A-1,A-8	$ 56,968,858
Allocated to		
Local School and County Taxes	A-21,A-22	45,300,813
		11,668,045
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	1,300,000
	A-2	$ 12,968,045
Licenses - Other		
Borough Clerk	A-11	$ 13,875
Board of Health	A-11	4,639
	A-2	$ 18,514
Fees and Permits		
Police Department	A-11	$ 5,386
Board of Health/Registrar of Vital Statistics	A-11	31,332
Public Works Department	A-11	10,969
Planning Board	A-11	350
Zoning Board of Adjustment	A-11	1,950
Fire Prevention	A-11	30,997
Building Department	A-11	25,785
	A-2	$ 106,769
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-11	$ 132,407
Due from General Capital Fund	C-12	2,900
Due from Assessment Trust Fund	B-7	840
Due from Animal Control Trust Fund	B-11	127
Due from Other Trust Fund	B-21	18,360
Due from Public Assistance Fund	E-5	75
	A-2	$ 154,709
Interest and Costs on Taxes		
Revenue Accounts Receivable	A-11	$ 186,151
Due from Assessment Trust Fund	B-7	9,296
	A-2	$ 195,447

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

		Reference	Realized
Non-Budget Revenues			
Recreation			$ 26,810
Administrative Fee - Off Duty Police			9,427
Copies, Maps and List			3,672
Administrative Fee - Senior Citizens/Veterans' Deductions			3,854
Tax Searches / Duplicate Tax Bills			1,625
Prior Year Voided Checks			1,455
NSF Fees			660
Prior Year Grant Reimbursement			55,000
Other Miscellaneous			159,617
		A-1,A-2	$ 262,120
	Cash Receipts	A-4	$ 207,120
	Due from General Capital Fund	C-12	55,000
		A-2	$ 262,120

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATIONS WITHIN "CAPS"	Appropriated Budget	Appropriated Budget After Modification	Expended Paid or Charged	Expended Reserved	Unexpended Balance Cancelled
General Government					
Administrative and Executive					
Administration					
Salaries and Wages	$ 144,644	$ 146,644	$ 145,785	$ 859	
Other Expenses	20,000	20,000	20,000		
Other Expenses - Postage	10,910	10,910	8,807	2,103	
Mayor and Council					
Salaries and Wages	36,500	36,500	36,500		
Other Expenses	3,165	3,165	3,132	33	
Municipal Clerk					
Salaries and Wages	91,649	89,649	86,103	3,546	
Other Expenses	29,588	34,588	34,567	21	
Financial Administration					
Salaries and Wages	154,182	154,182	151,907	2,275	
Other Expenses	17,725	17,725	17,348	377	
Audit Services					
Other Expenses	30,000	30,000	30,000		
Revenue Administration					
Salaries and Wages	68,869	68,869	68,867	2	
Other Expenses	13,605	13,605	13,605		
Tax Assessment Administration					
Salaries and Wages	76,647	76,647	76,302	345	
Other Expenses	26,415	26,415	26,318	97	
Legal Services and Costs					
Salaries and Wages	38,564	38,564	38,564		
Other Expenses	77,000	77,000	76,864	136	
Engineering Services					
Other Expenses	77,500	77,500	77,490	10	
Future of Hawthorne	2,500	2,500		2,500	
Land Use Administration NJSA 40:55D-1					
Planning Board					
Salaries and Wages	22,030	22,030	22,030		
Other Expenses	31,199	31,199	31,149	50	
Zoning Board of Adjustments					
Salaries and Wages	19,818	19,818	19,818		
Other Expenses	2,212	2,212	2,046	166	
Public Safety					
Police					
Salaries and Wages	3,339,240	3,305,740	3,288,358	17,382	
Other Expenses	71,340	71,340	69,417	1,923	
Police Dispatchers					
Salaries and Wages	126,343	126,343	122,211	4,132	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Appropriated		Expended		Unexpended
OPERATIONS WITHIN "CAPS" (Cont'd)	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Public Safety (Continued)					
Occupational Safety Health Act (NJS 40A:4-45.3)					
Salaries and Wages	$ 19,124	$ 19,124	$ 19,124		
Other Expenses	9,672	9,672	5,996	$ 3,676	
Emergency Management Services					
Salaries and Wages	2,000	2,000	2,000		
Other Expenses	6,450	6,450	6,146	304	
Ambulance Corps					
Other Expenses	4,500	4,500	3,978	522	
Domestic Violence Response					
Other Expenses	1,000	1,000	1,000		
Fire					
Salaries and Wages	17,926	17,926	16,007	1,919	
Other Expenses - Miscellaneous	169,819	169,819	169,817	2	
Other Expenses - Fire Hydrant Service	89,100	89,100	89,100		
Uniform Fire Safety					
Salaries and Wages	108,005	108,005	103,628	4,377	
Other Expenses	4,732	4,732	4,472	260	
Municipal Court					
Salaries and Wages	146,832	146,832	144,305	2,527	
Other Expenses	12,568	12,568	11,353	1,215	
Public Works					
Road Repair and Maintenance					
Salaries and Wages	640,054	640,054	633,879	6,175	
Other Expenses	159,050	184,050	181,377	2,673	
Sewer System Maintenance					
Salaries and Wages	149,926	149,926	149,926		
Other Expenses	62,780	87,780	87,624	156	
Shade Tree Commission					
Salaries and Wages	23,003	23,003	23,003		
Other Expenses	63,040	63,040	60,939	2,101	
Solid Waste Collection					
Salaries and Wages - Recycling	149,207	149,207	149,207		
Other Expenses - Recycling	303,870	282,870	280,077	2,793	
Other Expenses - Garbage Removal - Contractual	382,600	382,800	382,711	89	
Buildings and Grounds					
Salaries and Wages	91,185	91,185	91,185		
Other Expenses	65,670	65,670	57,148	8,522	
Maintenance of Parks					
Other Expenses	19,550	19,550	19,550		

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATIONS WITHIN "CAPS" (Cont'd)	Appropriated Budget	Appropriated Budget After Modification	Expended Paid or Charged	Expended Reserved	Unexpended Balance Cancelled
Public Works (Continued)					
Vehicle Maintenance					
Other Expenses	$ 155,525	$ 196,525	$ 187,903	$ 8,622	
Community Services Act (Municipal Srvs. For Condo)					
Other Expenses	38,000	38,000	38,000		
Health and Human Services					
Board of Health					
Salaries and Wages	102,887	102,887	102,887		
Other Expenses	17,677	17,677	15,211	2,466	
Environmental Commission					
Other Expenses	2,300	2,300	2,246	54	
Animal Control Services					
Other Expenses	10,000	10,000	10,000		
Board of Recreation					
Salaries and Wages	63,914	63,914	60,521	3,393	
Other Expenses	74,735	74,735	67,470	7,265	
Swimming Pool					
Salaries and Wages	100,000	98,000	97,876	124	
Other Expenses	24,500	24,500	23,405	1,095	
Other Common Operating Functions					
Committee on Disability Issues					
Other Expenses	100	100		100	
Celebration of Public Events					
Other Expenses	23,750	23,750	20,423	3,327	
Bond Fees					
Other Expenses	9,921	9,921	9,070	851	
Code Enforcement and Administration					
Uniform Construction Code Enforcement Functions					
Building Inspector					
Salaries and Wages	161,739	161,739	156,087	5,652	
Other Expenses	126,122	126,122	126,122		
Property Code Enforcement					
Salaries and Wages	60,567	58,567	47,501	11,066	
Other Expenses	2,530	2,530	2,456	74	
Relocation Fund	5,000	5,000	5,000		
Information Technology					
Other Expenses	24,560	24,560	24,560		
Unclassified					
Salary Adjustment Account	59,100	59,100	59,100		
Utilities Expenses and Bulk Purchases					
Electricity	219,400	219,400	219,400		
Street Lighting	147,600	149,600	149,600		
Telephone	54,780	54,780	54,780		
Gasoline	110,000	105,000	105,000		

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Appropriated		Expended		Unexpended
OPERATIONS WITHIN "CAPS" (Cont'd)	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Landfill/Solid Waste Disposal Costs					
Dumping Fees	$ 588,500	$ 588,500	$ 523,550	$ 64,950	
Insurance					
General Insurance	167,125	157,125	118,006	39,119	
Worker's Compensation Insurance	1,488,110	1,463,110	1,430,910	32,200	
Group Insurance for Employees	119,000	119,000	119,000	-	-
Total Operations Within "CAPS"	11,190,750	11,190,450	10,936,824	253,626	-
Contingent	2,000	2,000	-	2,000	-
Total Operations Including Contingent Within "CAPS"	11,192,750	11,192,450	10,936,824	255,626	-
Detail:					
Salaries and Wages	6,013,955	5,976,455	5,912,681	63,774	-
Other Expenses	5,178,795	5,215,995	5,024,143	191,852	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Statutory Charges					
Social Security System (O.A.S.I.)	258,050	258,050	257,229	821	
Public Employees' Retirement System (PERS)	204,335	204,335	204,335		
Police and Fireman's Retirement System (PFRS)	748,948	748,948	748,948		
Consolidated Police and Firemen's Pension Fund	14,120	14,120	14,061	59	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,225,453	1,225,453	1,224,573	880	-
Total General Appropriations for Municipal Purposes Within "CAPS"	12,418,203	12,417,903	12,161,397	256,506	-
Planning Board					
Other Expenses - Affordable Housing	18,000	18,000	18,000		
Length of Service Award Program (LOSAP)	100,000	100,000	73,483	26,517	
Recycling Tax	21,450	21,450	21,450		
Educational Functions					
Maintenance of Free Public Library					
Salaries and Wages	581,284	581,284	581,284		
Other Expenses - Contribution	238,463	238,463	238,463		
Other Expenses - Other Costs	387,525	387,525	387,525		
Sewer Processing and Disposal					
Other Expenses - Passaic Valley Sewer Rental	1,042,201	1,042,201	1,042,201		
Other Expenses-Other	23,100	23,400	20,268	3,132	
NJPDES Stormwater Permits	20,000	20,000	20,000	-	-
Total Other Operations Excluded from "CAPS"	2,432,023	2,432,323	2,402,674	29,649	-

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Appropriated		Expended		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
OPERATIONS - EXCLUDED FROM "CAPS" (Continued)					
Public and Private Programs Offset by Revenues (Continued)					
Over the Limit Grant		$ 6,000	$ 6,000		
H1N1 Supplemental		37,760	10,378	$ 27,382	
Speed Enforcement Grant		4,000	4,000		
Municipal Alliance					
Grant Funds	$ 27,700	27,700	27,270	430	
Local Match	6,925	6,925	6,817	108	
Emergency Management Grant	5,000	5,000	4,122	878	
Click or Ticket Grant		4,000	4,000		
Alcohol Rehab Grant		1,578		1,578	
Drunk Driving Enforcement		7,090	1,505	5,585	
Recycling Tonnage Grant		38,512		38,512	
Police Body Armor Grant	3,108	3,108	120	2,988	
Clean Communities Program					
Salaries and Wages	5,000	5,000	5,000		
Other Expenses	19,055	19,055	2,328	16,727	-
Total Public and Private Programs Offset by Revenues	66,788	165,728	71,540	94,188	-
Total Operations Excluded from "CAPS"	2,498,811	2,598,051	2,474,214	123,837	-
Detail:					
Salaries and Wages	586,284	586,284	586,284	-	-
Other Expenses	1,912,527	2,011,767	1,887,930	123,837	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	100,000	100,000	100,000		
Acq/Upgrade DPW	35,000	35,000	34,016	984	
Rebuild Sewer Pump	27,000	27,000	27,000		
Cornell Sewer Line	23,000	23,000	22,000	1,000	
Police Computers	34,000	34,000	34,000		
Fire Department Communications	2,400	2,400	2,389	11	
DPW Garage Lights	7,000	7,000	3,500	3,500	
Imprv to Rescue Building	24,000	24,000	24,000	-	-
Total Capital Improvements - Excluded from "CAPS"	252,400	252,400	246,905	5,495	-

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Appropriated		Expended		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	$ 945,000	$ 945,000	$ 945,000		
Interest on Bonds	565,023	565,023	565,022		$ 1
Payment of EDA Loan	12,950	12,950	12,950		
Payment of NJEIT Loan	389,651	389,651	354,878	-	34,773
Total Municipal Debt Service - Excluded from "CAPS"	1,912,624	1,912,624	1,877,850	-	34,774
DEFERRED CHARGES EXCLUDED FROM "CAPS"					
Emergency Authorization	7,785	7,785	7,785	-	-
Total Deferred Charges Excluded from "CAPS"	7,785	7,785	7,785	-	-
Total General Appropriations Excluded from "CAPS"	4,671,620	4,770,860	4,606,754	$ 129,332	34,774
Subtotal General Appropriations	17,089,823	17,188,763	16,768,151	385,838	34,774
Reserve for Uncollected Taxes	1,300,000	1,300,000	1,300,000	-	-
Total General Appropriations	$ 18,389,823	$ 18,488,763	$ 18,068,151	$ 385,838	$ 34,774
	A-2	A-3	A-1	A,A-1	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Reference	Budget After Modification	Paid or Charged
Budget as Adopted	A-2	$ 18,389,823	
Added by N.J.S. 40A:4-87	A-2	98,940	
		$ 18,488,763	
Cash Disbursed	A-4		$ 15,814,854
Encumbrances Payable	A-15		872,029
Due to Length of Service Award Program Fund	B		73,483
Deferred Charge - Emergency Authorization	A-13		7,785
Reserve for Uncollected Taxes	A-2		1,300,000
			$ 18,068,151

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2009 AND 2008

	Reference	2009	2008
ASSETS			
ASSESSMENT TRUST FUND			
Cash	B-2, B-3	$ 195,185	$ 122,068
Due From Current Fund	B-7	69,843	79,139
Due From Other Trust Fund	B-25	4,638	
Assessments Receivable	B-4	148,354	136,233
Assessment Liens	B-5	10,331	10,331
Assessment Lien Interest and Cost	B-6	2,743	2,743
Prospective Assessments Funded	B-9	40,800	40,800
		471,894	391,314
ANIMAL CONTROL FUND			
Cash	B-2	24,996	20,628
Due From Current Fund	B-11	44	31
		25,040	20,659
OTHER TRUST FUND			
Cash	B-2	1,257,026	1,144,305
Due from Current Fund	B-21	997	16,446
		1,258,023	1,160,751
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investments	B	748,279	574,449
Due From Current Fund	A	118,062	161,295
		866,341	735,744
Total Assets		$ 2,621,298	$ 2,308,468

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2009 AND 2008

LIABILITIES, RESERVES AND FUND BALANCE	Reference	2009	2008
ASSESSMENT TRUST FUND			
Due to General Capital Fund	B-8	$ 381,320	$ 313,240
Assessment Notes Payable	B-25	12,500	
Reserve for:			
Assessment and Liens	B-10	75,325	75,325
Assessment Lien Interest and Costs	B-6	2,743	2,743
Fund Balance	B-1	6	6
		471,894	391,314
ANIMAL CONTROL FUND			
Reserve for Animal Control Expenditures	B-12	25,040	20,659
OTHER TRUST FUND			
Escrow Deposits Payable	B-14	316,610	296,120
Reserve for Recycling Expenditures	B-15	385,894	270,619
Reserve for Unemployment Insurance Compensation	B-16	207,185	210,516
Payroll Deductions Payable	B-17	91	1,904
Reserve for Off-Duty Municipal Police Pay	B-18	27,975	31,186
Reserve for Municipal Alliance Program	B-19	14,606	12,164
Reserve for Tax Sale Premiums	B-20	91,400	83,000
Miscellaneous Reserves	B-22	207,434	253,841
Due to Assessment Trust Fund	B-24	4,638	
Due to State of New Jersey - Unemployment Claims	B-23	2,190	1,401
		1,258,023	1,160,751
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP Benefits	B	866,341	735,744
Total Liabilities, Reserves and Fund Balance		$ 2,621,298	$ 2,308,468

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
ASSESSMENT TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Reference	2009	2008
Balance, January 1,	B	$ 6	$ 4,806
Decreased by:			
Anticipated as Current Fund Budget Revenues	B-1	-	4,800
Balance, December 31,	B	$ 6	$ 6

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2009 AND 2008

	Reference	2009	2008
ASSETS			
Cash	C-2, C-3	$ 928,430	$ 484,979
Grants Receivable	C-4	337,636	107,597
Due from Trust Assessment Fund	C-5	381,320	313,240
NJ EIT Loan Proceeds Receivable	C-6	561,378	561,378
Prospective Assessments Raised by Taxation	C-7	23,250	8,000
Deferred Charges to Future Taxation			
Funded	C-8	14,700,837	15,936,229
Unfunded	C-9	3,625,499	1,664,330
Total Assets		$ 20,558,350	$ 19,075,753
LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds	C-15	$ 12,367,000	$ 13,280,000
NJ EIT Loans Payable	C-16	2,320,887	2,630,329
NJ EDA Loan Payable	C-17	12,950	25,900
Bond Anticipation Notes	C-14	1,547,500	
Improvement Authorizations			
Funded	C-13	919,812	968,888
Unfunded	C-13	2,055,448	1,146,607
Capital Improvement Fund	C-10	144,363	146,963
Encumbrances Payable	C-11	499,689	268,705
Due to Current Fund	C-12	118,541	83,777
Reserve for Bond Sale Issuance Costs	C-18	2,404	21,401
Reserve for Payment of Debt	C-19	193,406	238,406
Reserve for Grant Receivable	C-4	190,136	107,597
Reserve for Prospective Assessments Raised by Taxation	C-7	23,250	8,000
Fund Balance	C-1	162,964	149,180
Total Liabilities, Reserves and Fund Balance		$ 20,558,350	$ 19,075,753

There were Bonds and Notes Authorized But Not Issued on December 31, 2009 and 2008 of $2,202,159 and $1,776,369, respectively (See Exhibit C-21)

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE
REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Reference	2009	2008
Balance, January 1,	C	$ 149,180	-
Increased by:			
Premium on Bonds	C-2	9,244	$ 149,180
Premium on Bond Anticipation Note	C-2	4,540	-
Balance, December 31,	C	$ 162,964	$ 149,180

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2009 AND 2008

	Reference	2009	2008
ASSETS			
OPERATING FUND			
Cash	D-5	$ 347,650	$ 278,498
Change Fund	D	100	100
		347,750	278,598
Receivables With Full Reserves			
Consumer Accounts Receivable	D-7	291,276	254,638
Total Operating Fund		639,026	533,236
CAPITAL FUND			
Cash	D-5, D-6	157,741	270,966
Due from Water Utility Operating Fund	D-8	751	563
Loan Proceeds Receivable	D-9	604,120	717,925
Fixed Capital	D-10	10,181,434	10,181,434
Fixed Capital Authorized and Uncompleted	D-11	1,215,869	834,674
Total Capital Fund		12,159,915	12,005,562
Total Assets		$ 12,798,941	$ 12,538,798

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2009 AND 2008

	Reference	2009	2008
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4, D-13	$ 26,492	$ 5,396
Encumbrances Payable	D-14	97,998	179,924
Accounts Payable	D-24	16,415	
Due to Water Utility Capital Fund	D-8	751	563
Due to Current Fund	D-23	125,000	
Water Overpayments	D-15	3,083	5,401
Accrued Interest on Bonds and Loans	D-12	23,928	25,332
		293,667	216,616
Reserve for Receivables	D	291,276	254,638
Fund Balance	D-1	54,083	61,982
Total Operating Fund		639,026	533,236
CAPITAL FUND			
Serial Bonds Payable	D-22	578,000	623,000
Water Loans Payable	D-21	2,124,698	2,255,093
Contracts Payable	D-25	252,385	
Improvement Authorizations			
Funded	D-20	675,142	834,428
Unfunded	D-20	230,305	246
Capital Improvement Fund	D-17	64,601	64,601
Reserve for Amortization	D-18	8,106,015	8,044,425
Deferred Reserve for Amortization	D-19	70,000	70,000
Reserve for Payment of Debt	D-16	57,141	112,141
Fund Balance	D-2	1,628	1,628
Total Capital Fund		12,159,915	12,005,562
Total Liabilities, Reserves and Fund Balance		$ 12,798,941	$ 12,538,798

There were Bonds and Notes Authorized But Not Issued on December 31, 2009 and 2008 of $518,590 and $23,590, respectively (See Exhibit D-26)

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Reference	2009	2008
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-3	$ 11,000	$ 76,965
Water Rents	D-3	2,243,859	2,398,493
Fire Hydrant Service	D-3	97,350	92,250
Reserve for Payment of Debt	D-3	55,000	55,000
Miscellaneous	D-3	34,696	28,509
Non-Budget Revenue	D-3	1,793	3,148
Other Credits			
Unexpended Balance of Appropriation Reserves	D-13	33,838	13,281
Total Income		2,477,536	2,667,646
EXPENDITURES			
Operating	D-4	2,209,398	2,150,472
Capital Improvements	D-4	-	108,420
Debt Service	D-4	143,037	249,021
Deferred Charges and Statutory Expenditures	D-4	122,000	112,000
Refund of Prior Year Revenue	D-1	-	7,812
Total Expenditures		2,474,435	2,627,725
Statutory Excess to Fund Balance		3,101	39,921
FUND BALANCE, JANUARY 1	D	61,982	244,026
		65,083	283,947
Decreased by:			
Anticipated as Current Fund Revenue	A-1,D-1	-	145,000
Utilized as Anticipated Revenue	D-1,D-3	11,000	76,965
FUND BALANCE, DECEMBER 31	D	$ 54,083	$ 61,982

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Reference	2009	2008
Balance, January 1,	D	$ 1,628	$ 1,628
Balance, December 31,	D	$ 1,628	$ 1,628

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Reference	Anticipated	Realized	Excess or (Deficit)
Fund Balance	D-1	$ 11,000	$ 11,000	
Rents	D-1,D-7	2,398,493	2,243,859	$ (154,634)
Fire Hydrant Service	D-1,D-5	92,250	97,350	5,100
Reserve for Payment of Debt	D-1,D-5	55,000	55,000	
Miscellaneous	D-1,D-3	28,509	34,696	6,187
	D-4	$ 2,585,252	2,441,905	$ (143,347)
Non-Budget Revenue	D-1,D-5		1,793	
			$ 2,443,698	

Analysis of Realized Revenue

Miscellaneous		
Interest Earned on Investments	D-5	$ 908
Interest Due from Water Utility Capital Fund	D-8	734
Interest and Costs on Delinquent Rents	D-5	13,022
New Water Service	D-5	11,225
On/Off Charges	D-5	7,951
Miscellaneous Fees and Charges	D-5	856
	D-1	$ 34,696

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Appropriated		Expended		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
OPERATING					
Salaries and Wages	$ 1,066,249	$ 1,066,249	$ 1,048,442	$ 17,807	
Other Expenses	746,534	746,534	746,029	505	
General Insurance	158,700	158,700	158,700		
Group Insurance for Employees	207,000	207,000	207,000		
Laboratory Testing and Safe Water Act	30,915	30,915	22,735	8,180	
DEBT SERVICE					
Payment of Bond Principal	45,000	45,000	45,000		
Interest on Bonds	24,771	24,771	24,617		$ 154
Water Supply Rehabilitation Loans	184,083	184,083	73,420		110,663
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Statutory Expenditures					
Contribution to:					
PERS	42,000	42,000	42,000		
Social Security System	80,000	80,000	80,000	-	-
	$ 2,585,252	$ 2,585,252	$ 2,447,943	$ 26,492	$ 110,817
Reference	D-3		D-1	D,D-1	

	Reference	
Cash Disbursed	D-5	$ 2,325,328
Encumbrances Payable	D-14	97,998
Accrued Interest on Bonds and Loans	D-12	24,617
		$ 2,447,943

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2009 AND 2008

	Reference	2009	2008
ASSETS			
Cash	E-1	$ 17,053	$ 18,767
Due from Current Fund	E-5	285	271
		$ 17,338	$ 19,038
LIABILITIES, RESERVES AND FUND BALANCE			
Reserve for Public Assistance Expenditures	E-2	$ 17,338	$ 19,038
		$ 17,338	$ 19,038

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWTHORNE
BALANCE SHEET - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Land	$ 14,686,600	$ 14,686,600
Buildings and Building Improvements	5,989,500	6,016,500
Machinery and Equipment	10,284,336	10,157,237
Total Assets	$ 30,960,436	$ 30,860,337
LIABILITIES		
Investment in General Fixed Assets	$ 30,960,436	$ 30,860,337

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of Hawthorne have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

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

A. Reporting Entity

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 and other capital assets, 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 and other capital assets 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 general 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of $1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of $10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

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

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2009 and 2008 the Borough Council increased the original budget by $98,940 and $107,349. The increases were funded by additional aid allotted to the Borough and the increase for 2008 was also attributable to emergency appropriations for Swimming Pool Salaries and Wages ($7,785) and repairs to Sicomac sewer pump station ($85,000). In addition, the governing body approved several budget transfers during 2009 and 2008.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Hawthorne has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of $2,000 and an estimated useful life in excess of two years.

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 as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the water utility fund are 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, 2008 balances to conform to the December 31, 2009 presentation.

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 Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank for a temporary period ending December 31, 2013. SIPC replaces cash claims up to a maximum of $100,000 for each failed brokerage firm. At December 31, 2009 and 2008, the book value of the Borough's deposits were $14,778,564 and $14,485,743 and bank and brokerage firm balances of the Borough's deposits amounted to $14,772,373 and $14,638,155, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

	Bank Balance	
Depository Account	2009	2008
Insured	$ 13,887,933	$ 10,248,201
Uninsured and Collateralized	890,240	4,389,954
	$ 14,778,173	$ 14,638,155

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, 2009 and 2008, the Borough's bank balance of $890,240 and $4,389,954 was exposed to custodial credit risk as follows:

	2009	2008
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department not in the Borough's name	$ 890,240	$ 4,389,954

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, 2009 and 2008, the Borough had the following investments:

	Fair Value (LOSAP)	
	2009	2008
Investment:		
Length of Service Award Program Fund (Unaudited)	$ 748,279	$ 574,449

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2009 and 2008, $748,279 and $574,449 of the Borough's investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP)	
	2009	2008
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (Unaudited)	$ 748,279	$ 574,449

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices.

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

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

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

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2009 consisted of the following:

	Current	Water Utility	Total
2009			
Property Taxes	$ 931,153		$ 931,153
Tax Title Liens	726,501		726,501
Utility Rents	-	$ 291,276	291,276
	$ 1,657,654	$ 291,276	$ 1,948,930

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE (Continued)

In 2009, the Borough collected $774,596 and $254,638 from delinquent taxes and utility rents, which represented 54% and 100% of the delinquent tax and water charges receivable at December 31, 2008.

Receivables at December 31, 2008 consisted of the following:

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

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

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.

NOTE 4 MUNICIPAL DEBT (Continued)

The Borough's debt is summarized as follows:

	2009	2008
Issued		
General		
Bonds, Notes and Loans	$ 16,248,337	$ 15,936,229
Assessment		
Notes	12,500	
Water Utility		
Bonds and Loans	2,702,698	2,878,093
	18,963,535	18,814,322
Less Funds Temporarily Held to Pay Bonds	263,047	350,547
Net Debt Issued	18,700,488	18,463,775
Authorized But Not Issued		
General		
Bonds and Notes	2,077,999	1,664,330
Assessment		
Bonds and Notes	124,160	112,039
Water Utility		
Bonds and Notes	518,590	23,590
Net Bonds, Notes and Loans Issued and Authorized But Not Issued	$ 21,421,237	$ 20,263,734

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 .67% at December 31, 2009 and 2008, respectively.

	Gross Debt	Deductions	Net Debt
2009			
General Debt	$ 18,462,996	$ 205,906	$ 18,257,090
School Debt	6,955,000	6,955,489	
Utility Debt	3,221,288	2,664,489	556,799
Total	$ 28,639,284	$ 9,825,884	$ 18,813,889

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

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

	2009	2008
3-1/2% of Equalized Valuation Basis (Municipal)	$ 97,188,863	$ 94,790,652
Net Debt	18,813,889	17,474,192
Remaining Borrowing Power	$ 78,374,974	$ 77,316,460

NOTE 4 MUNICIPAL DEBT (Continued)

The Borough's long-term debt consisted of the following at December31:

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:

	2009	2008
$3,193,000, 2000 Bonds, due in annual installments of $220,000 to $228,000 through October 15, 2016, interest at 5.00% to 5.20%		$ 1,773,000
$6,292,000, 2004 Bonds, due in annual installments of $300,000 to $777,000 through June 1, 2019, interest at 4.125%	$ 5,517,000	5,817,000
$3,285,000, 2005 Refunding Bonds, due in annual installments of $300,000 to $320,000 through August 15, 2015, interest at 3.25% to 4.00%	1,860,000	2,180,000
$3,510,000, 2008 Bonds, due in annual installments of $105,000 to $210,000 through March 1, 2026, interest at 3.00% to 5.00%	3,405,000	3,510,000
$1,585,000, 2009 Refunding Bonds, due in annual installments of $215,000 to $240,000 through October 15, 2016, interest at 3.00% to 3.125%	1,585,000	-
	$ 12,367,000	$ 13,280,000

General Intergovernmental Loans Payable

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

	2009	2008
EDA Loan		
$129,500, 2000 Loan due in annual installments of $12,950 through September, 2010, interest at 0%	$ 12,950	$ 25,900

NOTE 4 MUNICIPAL DEBT (Continued)

General Intergovernmental Loans Payable (Continued)

	2009	2008
EIT Loans		
$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%	$ 245,749	$ 328,389
$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%	112,596	136,278
$1,635,000, 1998 Loan due in Semi-annual installments of $91,724 to $106,517 through May, 2012, interest at 4.0% to 5.0%	300,487	392,210
$455,000, 1998 Loan due in Semi-annual installments of $27,831 to $35,511 through March, 2014, interest at 4.0% to 5.0%	154,958	183,478
$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%	1,507,097	1,589,974
	$ 2,320,887	$ 2,630,329

Water 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:

	2009	2008
$718,000, 2004 Bonds, due in annual installments of $50,000 to $68,000 through June 1, 2019, interest at 4.125%	$ 578,000	$ 623,000

NOTE 4 MUNICIPAL DEBT (Continued)

Water Utility Intergovernmental Loans Payable

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

	2009	2008
$1,425,000, 2003 Trust Loan due in Annual installments of $60,000 to $105,000 through August 1, 2023, interest at 3.00% to 4.75%	$ 1,155,000	$ 1,215,000
$1,299,259, 2003 Fund Loan due in Semi-annual installments of $66,944 to $70,548 through August 1, 2023, interest at 0%	969,698	1,040,093
	$ 2,124,698	$ 2,255,093

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2009 is as follows:

Calendar	General Bonds		Water Utility Bonds		General Loans		Water Utility Loans		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2010	$ 970,000	$ 495,330	$ 50,000	$ 22,811	$ 320,407	$ 71,930	$ 128,569	$ 52,658	$ 2,111,705
2011	1,010,000	458,284	50,000	20,749	320,311	64,692	135,517	50,858	2,110,411
2012	1,040,000	420,646	55,000	18,583	331,866	56,121	133,539	47,608	2,103,363
2013	1,240,000	375,921	55,000	16,314	147,939	27,824	139,604	44,358	2,046,960
2014	1,285,000	326,365	55,000	14,046	151,899	24,177	145,517	40,858	2,042,862
2015-2019	5,352,000	876,027	313,000	33,144	495,228	114,488	760,828	153,185	8,097,900
2020-2024	1,050,000	216,563			566,187	45,963	681,124	48,663	2,608,500
2025-2026	420,000	26,775	-	-	-	-	-	-	446,775
Total	$ 12,367,000	$ 3,195,911	$ 578,000	$ 125,647	$ 2,333,837	$ 405,195	$ 2,124,698	$ 438,188	$ 21,568,476

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years 2009 and 2008 were as follows:

	Balance, December 31, 2008	Additions	Reductions	Balance, December 31, 2009	Due Within One Year
2009					
General Capital Fund					
Bonds Payable	$ 13,280,000	$ 1,585,000	$ 2,498,000	$ 12,367,000	$ 970,000
NJ EIT Loans Payable	2,630,329		309,442	2,320,887	307,457
NJ EDA Loan Payable	25,900	-	12,950	12,950	12,950
General Capital Fund Long-Term Liabilities	$ 15,936,229	$ 1,585,000	$ 2,820,392	$ 14,700,837	$ 1,290,407
Water Utility Capital Fund					
Bonds Payable	$ 623,000		$ 45,000	$ 578,000	$ 50,000
Intergovernmental Loans	2,255,093	-	130,395	2,124,698	128,569
Water Utility Capital Fund Long-Term Liabilities	$ 2,878,093	$ -	$ 175,395	$ 2,702,698	$ 178,569

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

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The Borough's short-term capital debt activity for the years 2009 and 2008 was as follows:

	Balance, December 31, 2008	Additions	Reductions	Balance, December 31, 2009
2009				
Bond Anticipation Notes				
Assessment Trust Fund		$ 12,500		$ 12,500
General Capital Fund	-	1,547,500	-	1,547,500
Total	$ -	$ 1,560,000	$ -	$ 1,560,000

	Balance, December 31, 2007	Additions	Reductions	Balance, December 31, 2008
2008				
Bond Anticipation Notes				
General Capital Fund	$ 3,605,000	-	$ 3,605,000	-
Total	$ 3,605,000	$ -	$ 3,605,000	$ -

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2009 and 2008.

	Balance, December 31, 2008	Additions	Retirements	Balance, December 31, 2009
2009				
Land	$ 14,686,600			$ 14,686,600
Buildings and Building Improvements	6,016,500		$ 27,000	5,989,500
Machinery and Equipment	10,157,237	$ 509,249	382,150	10,284,336
	$ 30,860,337	$ 509,249	$ 409,150	$ 30,960,436

NOTE 5 FIXED ASSETS (Continued)

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

Water Utility Fund Fixed Assets

The following is a summary of changes in the utility fund(s) fixed assets for the years 2009 and 2008.

	Balance December 31, 2008	Increases	Decreases	Balance, December 31, 2009
2009				
Fixed Capital				
Land and Wells	$ 525,041			$ 525,041
System and System Improvements	7,831,798	$ -		7,831,798
Vehicles and Equipment	1,824,595	-	-	1,824,595
	$ 10,181,434	$ -	$ -	$ 10,181,434

	Balance December 31, 2007	Increases	Decreases	Balance, December 31, 2008
2008				
Fixed Capital				
Land and Wells	$ 525,041			$ 525,041
System and System Improvements	5,796,472	$ 2,035,326		7,831,798
Vehicles and Equipment	1,726,175	98,420	-	1,824,595
	$ 8,047,688	$ 2,133,746	$ -	$ 10,181,434

NOTE 6 DUE TO/FROM OTHER FUNDS

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

	2009		2008	
	Due from Other Funds	Due to Other Funds	Due from Other Funds	Due to Other Funds
Current Fund	$ 243,541	$ 189,231	$ 83,777	$ 257,182
Trust Funds:				
Assessment	74,481	381,320	79,139	313,240
Animal Control	44		31	
Other Trust	997	4,638	16,446	
Length of Service Award Program	118,062		161,295	
General Capital Fund	381,320	118,541	313,240	83,777
Water Utility Fund:				
Operating		125,751		563
Capital	751		563	
Public Assistance Fund	285	-	271	-
Total	$ 819,481	$ 819,481	$ 654,762	$ 654,762

The above balances are the result of expenditures being paid by one fund on behalf of another and/or receipts deposited in one fund that are for another fund.

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

NOTE 7 FUND BALANCES APPROPRIATED

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

	Fund Balance December 31, 2009	Utilized in Subsequent Year's Budget	Fund Balance December 31, 2008	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	$ 2,665,007	$ 1,120,000	$ 3,259,038	$ 1,460,185
Non-Cash Surplus	161,127	-	245,322	-
	$ 2,826,134	$ 1,120,000	$ 3,504,360	$ 1,460,185
Water Utility Operating Fund				
Cash Surplus	$ 54,083	$ 11,270	$ 61,982	$ 11,000
Non-Cash Surplus	-	-	-	-
	$ 54,083	$ 11,270	$ 61,982	$ 11,000

The above fund balance amounts appropriated represent the surplus anticipated in the 2010 introduced municipal budget. The 2010 municipal budget has not been legally adopted as of the date of audit.

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:

	Balance December 31,	Subsequent Year Budget Appropriation	Balance to Succeeding Budgets
2008			
Current Fund			
Emergency Authorization	$ 7,785	$ 7,785	$ -

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 (CPFPF) – 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.

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

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Other Pension Funds

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

The State also administers the Pensions Adjustment Fund (PAF) which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the 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 accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pension.

Basis of Accounting

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

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.

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

P.L. 2009, c. 19, effective March 17, 2009 provides an option for local employers to contribute 50 percent of the normal and accrued liability contribution amounts certified by the PERS and PFRS for payments due in State fiscal year 2009. This law also provides that a local employer may pay 100 percent of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PERS and PFRS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

P.L. 2008, c. 89, effective November 1, 2008, increased the TPAF and PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; changed the early retirement provisions; increased the minimum annual compensation required for membership eligibility for new members on or after the effective date of this law.

P.L. 2007, c. 103, certain parts effective July 1, 2007, provided for the following: changed contribution rates of PERS and Defined Contribution Retirement Program (DCRP) to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) which included the creation of the School Employees' Health Benefit Program (SEHBP) and established an employee contribution of 1.5 percent of the employee's base salary.

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 72.6 percent with an unfunded actuarial accrued liability of $34.4 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 69.6 percent and $23.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.2 percent and $11.4 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2008 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for all the retirement systems except CPFPF; and (2) 5.45 percent for projected salary increases for all the retirement systems except PFRS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 5.5% for PERS, 8.50% for PFRS and 5.5% for DCRP of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2009 for CPFPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employee contribution.

During the years ended December 31, 2009, 2008 and 2007, the Borough was required to contribute for normal cost pension contributions the following amounts which equaled the required contributions for each year:

Year Ended December 31	CPFPF	PFRS	PERS	DCRP
2009	$ 14,061	$ 748,948	$ 246,335	None
2008	13,559	687,922	184,171	None
2007	13,329	470,598	120,127	None

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

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

Funding Policy

The required contribution is funded on a pay-as-you-go basis annually by the Borough. For the years 2009 and 2008, the Borough contributed $15,168 and $21,100, respectively, to the plan. Plan members receiving benefits contributed $15,168 and $21,100 or 50% of the total premiums for 2009 and 2008 respectively.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	$	234,300
Interest		8,528
Annual OPEB Cost (Expense)		242,828
Contributions Made		15,168
		227,660
Net OPEB Obligation - Beginning of Year		213,200
Net OPEB Obligation - End of Year	$	440,860

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for the years 2009 and 2008 were as follows:

Year Ended December 31,		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligations
2009	$	242,828	6%	$	440,860
2008		234,300	9%		213,200

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $2,122,100, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $2,122,100.

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

Actuarial Methods and Assumptions

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

In the December 31, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 10.5 percent initially, reduced by decrements of .5% to an ultimate rate of 5.0 percent after ten years. The rate included a 4.0 percent inflation assumption. The UAAL is being amortized as a level dollar amount on a 30 year open basis. The remaining amortization period at December 31, 2009 was 28 years.

NOTE 12 RISK MANAGEMENT

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

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

NOTE 12 RISK MANAGEMENT (Continued)

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:

Year Ended December 31	Borough Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2009	-0-	$ 11,078	$ 16,394	$ 207,185
2008	-0-	9,590	6,519	210,516
2007	-0-	20,529	6,413	203,421

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, 2009 and 2008. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2009 and 2008, the Borough reserved $-0- and $63,382, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

NOTE 13 CONTINGENT LIABILITIES (Continued)

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, 2009 and 2008, 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, 2009 and 2008, the Borough had no estimated arbitrage earnings due to the IRS.

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

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

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

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

The Borough of Hawthorne has contributed $1,076 and $1,076 for 2009 and 2008, respectively, for each eligible volunteer fire department and volunteer first aid squad members 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.

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

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

Vesting and Benefits

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

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

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.

	2009 Local District School	2008 Local District School
Balance of Tax	$ 15,112,721	$ 14,465,429
Amount Deferred	7,951,484	7,951,484
School Taxes Payable	$ 7,161,237	$ 6,513,945

NOTE 17 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

Capital Project	Construction Commitment	Estimated Date of Completion
2009		
2009 Road Improvement Program	$151,973	2010
Chiller and Air Handling Unit Replacement for the HVAC	4,615	2010
Four Wheel Drive Pickup Truck	38,138	2010
2008		
Improvements to Van Winkle Ave. – Phase I	$113,687	2009

NOTE 18 DEFEASANCE OF DEBT

On October 13, 2009, the Borough issued $1,585,000 in General Improvement Refunding Bonds having an interest rate of 2.0% to 3.5%. These Bonds were issued in order to currently refund certain principal maturities of General Improvement Bonds of the Borough. The total principal currently refunded was $1,553,000. This current refunding resulted in the issuance of an additional $32,000 in bonds and resulted in an increase of cash flows over the life of these bonds issues in the amount $100,836. The current refunding was undertaken to reduce total debt service payments over the next seven years by $107,292.

NOTE 19 SUBSEQUENT EVENTS

Debt Authorized

The Borough adopted several Bond Ordinances authorizing the issuance $1,163,750 in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

BOROUGH OF HAWTHORNE
STATEMENT OF CURRENT CASH - TREASURER

Balance, December 31, 2008		$ 12,145,122
Increased by Receipts:		
Non-Budget Revenues	$ 207,120	
Petty Cash	300	
Revenue Accounts Receivable	3,336,428	
2009 Budget Revenues:		
Reserve for Payment of Debt Service - General Capital Fund	75,000	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	192,686	
Taxes Receivable	57,347,909	
Prepaid Taxes	227,355	
Fees Payable	29,179	
Receipts from Assessment Trust Fund	840	
Receipts from General Capital Fund	127,321	
Receipts from Other Trust Fund	2,911	
Receipts from Public Assistance Trust Fund	89	
Receipts from Animal Control Trust Fund	140	
Grants Receivable	112,135	
Tax Overpayments	16,341	
Reserve for Library State Aid	16,884	
Reserve for Grants - Unappropriated	5,972	
		61,698,610
		73,843,732
Decreased by Disbursements:		
2009 Budget Appropriations	15,814,854	
2008 Appropriation Reserves	735,688	
Accounts Payable	190,194	
Petty Cash	300	
Payments to Water Utility Operating Fund	125,000	
County Taxes Payable	14,491,284	
Local District School Taxes Payable	30,222,962	
Appropriated Reserves for Grants	19,854	
Refund of Tax Overpayments	17,585	
Fees Payable	26,676	
Reserve for Tax Appeals	63,382	
Refund of Prior Year Revenue	152,280	
Reserve for Library State Aid	16,884	
Due to Length of Service Award Program Fund	116,716	
		61,993,659
Balance, December 31, 2009		$ 11,850,073

EXHIBIT A-5

BOROUGH OF HAWTHORNE
STATEMENT OF CHANGE FUNDS

Office	Balance, December 31, 2008	Balance, December 31, 2009
Tax Collector/Treasurer	$ 100	$ 100
Municipal Court	150	150
Borough Clerk	25	25
Board of Health/Registrar	25	25
Library	10	10
	$ 310	$ 310

EXHIBIT A-6

STATEMENT OF PETTY CASH

Increased by:	
Petty Cash Advanced	$ 300
Decreased by:	
Petty Cash Returned	$ 300

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

Balance, December 31, 2008		$ 56,195
Increased by:		
Senior Citizens' and Veterans' Deductions Disallowed by Collector - Current Year's Taxes	$ 5,750	
Senior Citizens' and Veterans' Deductions Disallowed by Collector - Prior Year's Taxes	2,250	
Receipts from State of New Jersey	192,686	
		200,686
		256,881
Decreased by:		
Senior Citizens' and Veterans' Deductions per Tax Billings	192,000	
Senior Citizens' and Veterans' Deductions Allowed by Collector	2,750	
		194,750
Balance, December 31, 2009		$ 62,131

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

Year	Balance, December 31, 2008	2009 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collections 2008	Collections 2009	Senior Citizens' and Veterans' Deductions Allowed	Transferred to Tax Title Liens	Cancelled	Balance, December 31, 2009
2008	$ 778,206	-	$ 2,250	-	$ 774,596	-	-	$ 5,860	-
	778,206	-	2,250	-	774,596	-	-	5,860	-
2008	-	$ 58,050,608	5,750	$ 206,545	56,573,313	$ 194,750	$ 56,036	94,561	$ 931,153
	$ 778,206	$ 58,050,608	$ 8,000	$ 206,545	$ 57,347,909	$ 194,750	$ 56,036	$ 100,421	$ 931,153

Analysis of 2009 Property Tax Levy

Tax Yield			
General Purpose Tax		$ 57,932,409	
Added Taxes (RS 54:4-63.1 et seq.)		118,199	
			$ 58,050,608
Tax Levy			
Local District School Taxes		$ 30,870,254	
County Taxes			
County Tax	$14,114,918		
County Open Space Tax	286,218		
Due County for Added/Omitted Taxes	29,423		
		14,430,559	
Local Tax for Municipal Purposes	12,652,715		
Add: Additional Tax Levied	97,080		
		12,749,795	
			$ 58,050,608

EXHIBIT A-9

BOROUGH OF HAWTHORNE
STATEMENT OF TAX TITLE LIENS

Balance, December 31, 2008		$ 650,653
Increased by:		
Prior Year Adjustment	$ 19,812	
Transferred from Taxes Receivable	56,036	
		75,848
Balance, December 31, 2009		$ 726,501

EXHIBIT A-10

STATEMENT OF PROPERTY ACQUIRED FOR TAXES -
AT ASSESSED VALUATIONS

Balance, December 31, 2008	$ 34,980
Balance, December 31, 2009	$ 34,980

BOROUGH OF HAWTHORNE
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, 2008	Accrued in 2009	Collected in 2009	Balance, December 31, 2009
Borough Clerk				
Licenses				
Alcoholic Beverages		$ 40,200	$ 40,200	
Other		13,875	13,875	
Police Department				
Fees and Permits		5,386	5,386	
Fire Prevention				
Fees & Permits		30,997	30,997	
Board of Health/Registrar of Vital Statistics				
Licenses		4,639	4,639	
Fees and Permits		31,332	31,332	
Public Works Dept.				
Fees and Permits		10,969	10,969	
Planning Board				
Fees and Permits		350	350	
Zoning Board of Adjustment				
Fees and Permits		1,950	1,950	
Building Department				
Fees and Permits		25,785	25,785	
Construction Code Official				
Uniform Construction				
Code Fees		154,144	154,144	
Municipal Court				
Fines and Costs	$ 25,485	301,309	306,005	$ 20,789
Interest & Costs on Taxes		186,151	186,151	
Swimming Pool Admission Fees		111,564	111,564	
Interest on Investments and Deposits		132,407	132,407	
Consolidated Municipal Property Tax Relief Aid		379,781	379,781	
Energy Receipts Taxes		1,465,949	1,465,949	
Rental - Cellular Phones		236,342	236,342	
Rental - Board of Education		20,000	20,000	
Uniform Fire Safety Act				
Life Hazard Use Fees		36,680	36,680	
Sewer User Fees		43,946	43,946	
Commuter Parking		31,812	31,812	
Cable Television Franchise Fees	-	66,164	66,164	-
	$ 25,485	$ 3,331,732	$ 3,336,428	$ 20,789

EXHIBIT A-12

BOROUGH OF HAWTHORNE
STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31, 2008	Accrued	Received	Cancelled	Balance, December 31, 2009
Municipal Alliance Program	$ 26,394	$ 27,700	$ 22,893		$ 31,201
Clean Communities		21,656	21,656		
Drunk Driving Enforcement Fund		7,090	7,090		
Livable Communities - Library Grant	90,000				90,000
Emergency Management Grant		5,000	5,000		
Alcohol Education and Rehabilitation		1,578	1,578		
Livable Communities - Municipal Bldg Improvements	75,000		75,000		
Open Space Preservation Grant	40,000		39,124	$ 876	
H1N1 Supplemental Grant		37,760			37,760
Recycling Tonnage Grant		38,512	38,512		
Domestic Violence Grant	2,571			2,571	
Click It or Ticket		4,000	4,000		
Police Body Armor	3,572		1,406		2,166
Speed Enforcement Grant		4,000	4,000		
Over the Limit, Under Arrest	-	6,000	6,000	-	-
	$ 237,537	$ 153,296	$ 226,259	$ 3,447	$ 161,127

Cash Received	$ 112,135
Due from General Capital Fund	114,124
	$ 226,259

Appropriated Grant Reserves	$ 2,571
Operations	876
	$ 3,447

EXHIBIT A-13

STATEMENT OF DEFERRED CHARGES

	Balance, December 31, 2008	Added in 2009	Raised in 2009 Budget	Balance, December 31, 2009
Emergency Authorization	$ 7,785	$ -	$ 7,785	$ -

BOROUGH OF HAWTHORNE
STATEMENT OF 2008 APPROPRIATION RESERVES

	Balance, December 31, 2008	Prior Year Encumbrances Payable	Transfers	Balance After Modifications	Paid or Charged	Balanced Lapsed
OPERATIONS WITHIN "CAPS"						
General Administration						
Salaries and Wages	$ 1,877			$ 1,877		$ 1,877
Other Expenses	2,286	$ 837		3,123	$ 1,057	2,066
Mayor and Council						
Salaries and Wages	2,382			2,382		2,382
Other Expenses	807			807		807
Municipal Clerk						
Salaries and Wages	2,354			2,354		2,354
Other Expenses	1,291	1,222		2,513	1,540	973
Financial Administration						
Salaries and Wages	1			1		1
Other Expenses		3,948		3,948	3,948	
Audit Services						
Other Expenses		$ 29,000		29,000	25,918	3,082
Revenue Administration						
Other Expenses		1,400		1,400	1,200	200
Tax Assessment Administration						
Salaries and Wages	556			556		556
Other Expenses	7	4,615		4,622	2,122	2,500
Legal Services and Costs						
Other Expenses		1,710	$ 3,000	4,710	4,710	
Engineering Services						
Other Expenses		8,013	6,000	14,013	13,090	923
Future of Hawthorne	2,445			2,445		2,445
Land Use Administration NJSA 40:55D-1						
Planning Board						
Other Expenses	187			187	85	102
Zoning Board of Adjustments						
Other Expenses	99	41	250	390	247	143
Public Safety						
Police						
Salaries and Wages	5,734	19,643		25,377	14,838	10,539
Other Expenses		31,855		31,855	31,006	849
Police Dispatchers	1,821			1,821	1,375	446
Occupational Safety Health Act (NJS 40A:4-45.3)						
Other Expenses	126	2,213		2,339	316	2,023
Emergency Management Services						
Other Expenses	1,556	1,564		3,120	3,120	
Ambulance Corps						
Other Expenses	540			540		540
Domestic Violence Response						
Other Expenses	4			4		4
Fire						
Salaries and Wages	2,288			2,288		2,288
Other Expenses - Miscellaneous	26	21,329		21,355	18,237	3,118
Uniform Fire Safety						
Salaries and Wages	3,166			3,166	2,319	847
Other Expenses	675	2,591		3,266	3,266	
Municipal Court						
Salaries and Wages	1,939			1,939	188	1,751
Other Expenses	268	1,349		1,617	1,578	39
Public Defender	300			300		300

BOROUGH OF HAWTHORNE
STATEMENT OF 2008 APPROPRIATION RESERVES

	Balance, December 31, 2008	Prior Year Encumbrances Payable	Transfers	Balance After Modifications	Paid or Charged	Balanced Lapsed
OPERATIONS WITHIN "CAPS" (cont'd)						
Public Works						
Salaries and Wages		$ 42,138		$ 42,138	19,222	$ 22,916
Other Expenses	$ 1,510	51,504		53,014	47,055	5,959
Sewer System Maintenance						
Salaries and Wages		7,477		7,477	533	6,944
Other Expenses	7,803	23,655		31,458	10,847	20,611
Shade Tree Commission						
Salaries and Wages	2,445			2,445		2,445
Other Expenses		38,557		38,557	35,005	3,552
Solid Waste Collection						
Salaries and Wages - Recycling		14,325		14,325	6,213	8,112
Other Expenses - Recycling	12,410	19,989		32,399	16,026	16,373
Other Expenses - Garbage Removal - Contractual						
Buildings and Grounds						
Salaries and Wages		7,295		7,295	2,342	4,953
Other Expenses	180	2,512		2,692	966	1,726
Maintenance of Parks						
Other Expenses	1,572	354		1,926	72	1,854
Vehicle Maintenance						
Other Expenses	13,939	21,887	$ (7,000)	28,826	23,700	5,126
Community Services Act (Municipal Srvs. For Condo)		38,000		38,000	37,117	883
Health and Human Services						
Board of Health						
Salaries and Wages	759			759	759	-
Other Expenses	3,445	501		3,946	1,819	2,127
Environmental Commission						
Other Expenses	124	104		228	104	124
Health and Human Services (Continued)						
Board of Recreation						
Salaries and Wages	3,229			3,229	180	3,049
Other Expenses	91	2,375		2,466	2,302	164
Swimming Pool						
Salaries and Wages						
Other Expenses	5,057	250		5,307	5,057	250
Other Common Operating Functions						
Committee on Disability Issues						
Other Expenses	100			100		100
Celebration of Public Events						
Other Expenses	1	4,016		4,017	4,017	
Computerized Data Processing		6,037		6,037	6,037	
Bond Fees						
Other Expenses	863			863		863
Uniform Construction Code Enforcement Functions						
Salaries and Wages	3,467			3,467	1,624	1,843
Other Expenses	863	71,868		72,731	70,209	2,522
Property Code Enforcement Functions						
Salaries and Wages	11,500		(2,250)	9,250	1,136	8,114
Other Expenses	775	808		1,583	848	735
Unclassified						
Utilities Expenses and Bulk Purchases						
Electricity	1,232	37,363		38,595	16,755	21,840
Street Lighting		13,858		13,858	13,126	732
Telephone		8,507		8,507	2,147	6,360
Gasoline	1,423	29,243		30,666	11,373	19,293

BOROUGH OF HAWTHORNE
STATEMENT OF 2008 APPROPRIATION RESERVES

	Balance, December 31, 2008	Prior Year Encumbrances Payable	Transfers	Balance After Modifications	Paid or Charged	Balanced Lapsed
OPERATIONS EXCLUDED FROM "CAPS"						
Landfill/Solid Waste Disposal Costs						
Dumping Fees						
Contingent	$ 2,000			$ 2,000		$ 2,000
Social Security System (O.A.S.I.)		$ 14,094		14,094		14,094
PERS	1			1		1
CPFPF Pension Adjustment	1			1		1
Sewer Processing and Disposal						
Other Expenses - Passaic Valley Sewer Rental	1			1		1
Other Expenses - Glen Rock, Prospect Park and N.Haledo	439	3,000		3,439	$ 3,000	439
Insurance						
General Insurance		4,327		4,327	3,931	396
Group Insurance for Employees	1,750	32,284		34,034	925	33,109
Maintenance of Free Public Library						
Salaries and Wages		30,835		30,835	30,835	
NJPDES Stormwater Permits	44			44		44
Alcohol Education and Rehabilitation Fund	375			375	375	
Municipal Alliance	1,948	10,231		12,179	12,179	
Local Match						
Planning Board						
Other Expenses - Affordable Housing (Fair Share)		4,086		4,086	4,086	
Recycling Tax	3,088	77,024		80,112	54,418	25,694
Police Body Armor Grant	1,034	1,434		2,468	2,468	
Drunk Driving Enforcement Fund	789			789	789	
Emergency Management Grant	4,823			4,823	4,823	
Clean Communities Program				-		
Salaries and Wages	5,000			5,000	5,000	
Other Expenses	873			873	873	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Repairs to Sicomac Pump Station	85,000			85,000	85,000	
Topcoat Thomas Right		35,000		35,000	35,000	
Road DPT Sander	7,374	16,626		24,000	16,626	7,374
Scasa System Upgrade		18,000	$ 8,000	26,000	26,000	
Muni Bldg HVAC Ph. II		18,539		18,539	18,539	
Summit & Prospect		10,000		10,000	10,000	
Truckwash Station		50,000		50,000	50,000	
Muni Building Roof	11,482		(8,000)	3,482		3,482
Shower		7,500		7,500	7,500	
Non Box Sander	3,049			3,049		3,049
Fire Rescue Boat	1,063	-	-	1,063	-	1,063
Total General Appropriations	$ 235,657	$ 906,933	$ -	$ 1,142,590	$ 839,118	$ 303,472

Cash Disbursements	$ 735,688
Appropriated Grant Reserves	6,698
Due to General Capital	2,694
Accounts Payable	94,038
	$ 839,118

EXHIBIT A-15

BOROUGH OF HAWTHORNE
STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2008	$ 906,933
Increased by:	
Charges to 2009 Appropriations	872,029
	1,778,962
Decreased by:	
Restored to Appropriation Reserves	906,933
Balance, December 31, 2009	$ 872,029

EXHIBIT A-16

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2008		$ 297,577
Increased by:		
Charges to 2008 Appropriation Reserves		94,038
		391,615
Decreased by:		
Payments	$ 190,194	
Cancelled to Operations	97,395	
		287,589
Balance, December 31, 2009		$ 104,026

EXHIBIT A-17

BOROUGH OF HAWTHORNE
STATEMENT OF PREPAID TAXES

Balance, December 31, 2008	$ 206,545
Increased by:	
Collection of 2010 Taxes	227,355
	433,900
Decreased by:	
Application to 2009 Taxes	206,545
Balance, December 31, 2009	$ 227,355

EXHIBIT A-18

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2008	$ 1,244
Increased by:	
Taxes Overpaid	16,341
	17,585
Decreased by:	
Refunds	$ 17,585

EXHIBIT A-19

BOROUGH OF HAWTHORNE
STATEMENT OF FEES PAYABLE

	Balance, December 31, 2008	Cash Received	Cash Disbursed	Balance, December 31, 2009
Due to State of New Jersey				
Construction Code Training Fees	$ 1,468	$ 10,484	$ 9,946	$ 2,006
Miscellaneous	4,630	15,460	13,630	6,460
Sales Tax	7,936			7,936
Burial Certificate Fees	57	410	500	(33)
Marriage License Fees	920	2,825	2,600	1,145
	$ 15,011	$ 29,179	$ 26,676	$ 17,514

EXHIBIT A-20

STATEMENT OF RESERVE FOR LIBRARY STATE AID

Increased by:	
Library State Aid Received	$ 16,884
Decreased by:	
Payments to Library	$ 16,884

EXHIBIT A-21

BOROUGH OF HAWTHORNE
STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2008			$ 90,193
Increased by:			
2009 County Tax Levy	$ 14,114,918		
County Open Space Tax Levy	286,218		
		$ 14,401,136	
County Added and Omitted		29,423	
			14,430,559
			14,520,752
Decreased by:			
Payments to County			14,491,284
Balance, December 31, 2009			$ 29,468

EXHIBIT A-22

STATEMENT OF LOCAL DISTRICT SCHOOL TAX

Balance, December 31, 2008		
School Tax Deferred	$ 7,951,484	
School Tax Payable	6,513,945	
		$ 14,465,429
Increased by:		
Levy School Year July 1, 2009 to June 30, 2010		30,870,254
		45,335,683
Decreased by:		
Payments		30,222,962
Balance, December 31, 2009		
School Tax Deferred	7,951,484	
School Tax Payable	7,161,237	
		$ 15,112,721

Amount Charged to 2009 Operations	
School Tax Paid	$ 30,222,962
School Tax Payable, December 31, 2009	7,161,237
	37,384,199
Less: Tax Payable December 31, 2008	6,513,945
Amount Charged to 2009 Operations	$ 30,870,254

EXHIBIT A-23

BOROUGH OF HAWTHORNE
STATEMENT OF UNAPPROPRIATED RESERVES FOR GRANTS

	Balance, December 31, 2008	Cash Receipts	Budget Revenue Realized	Balance, December 31, 2009
Body Armor Grant	$ 3,108		$ 3,108	
Clean Communities Program	2,399	$ 5,972	2,399	$ 5,972
	$ 5,507	$ 5,972	$ 5,507	$ 5,972

EXHIBIT A-24

STATEMENT OF APPROPRIATED RESERVES FOR GRANTS

Grant	Balance, December 31, 2008	Transferred from 2008 Reserves	Expended	Cancelled	Balance, December 31, 2009
Clean Communities Grant Program	$ 28,624	$ 5,000	$ 7,112		$ 26,512
Municipal Court Administration Fund	21				21
Emergency Road Repair Grant	248		248		
Alcohol Education and Rehabilitation Fund	666	375	300		741
Municipal Alliance Program	-	1,272			1,272
Shade Tree Grant	3,716				3,716
Scrap Tire Grant	617		189		428
Recycling Grant	28,732				28,732
Drunk Driving Enforcement Fund	1,358	51			1,409
Domestic Violence Grant	2,678			$ 2,571	107
Fire Forestry Grant	1,360		1,360		
Open Space Grant	12,814		7,245	5,569	
Stormwater Grant	20,369		8,324		12,045
Audio/Visual Grant	2,805		2,321		484
Livable Communities - Municipal Bldg	16,287	-	-	-	16,287
	$ 120,295	$ 6,698	$ 27,099	$ 8,140	$ 91,754

Cash Disbursed	$ 19,854	
Due to General Capital Fund	7,245	
Fund Balance		$ 5,569
Grants Receivable	-	2,571
	$ 27,099	$ 8,140

EXHIBIT A-25

BOROUGH OF HAWTHORNE
STATEMENT OF RESERVE FOR UCC DEDICATED REVENUES

Balance, December 31, 2008	$ 116,728
Decreased by:	
Anticipated Revenue in Current Fund Budget	77,907
Balance, December 31, 2009	$ 38,821

EXHIBIT A-26

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2008	$ 63,382
Decreased by:	
Cash Paid to Appellants	$ 63,382

TRUST FUND

EXHIBIT B-2

BOROUGH OF HAWTHORNE
STATEMENT OF CASH AND INVESTMENTS - TREASURER

	Assessment		Animal Control		Other Trust	
Balance, December 31, 2008		$ 122,068		$ 20,628		$ 1,144,305
Increased by Receipts:						
Assessments Receivable	$ 68,459					
Interest and Costs on Assessments	4,658					
Due to State of NJ - Dog Registration Fees			$ 2,186			
Dog License Fees Collected			24,207			
Employee Payroll Deductions					$ 9,442,283	
Investment Earnings - Due to Current Fund	840		127		18,360	
Investment Earnings - Due to Developers						
Investment Earnings - Unemployment Trust					1,985	
Due to Assessment Trust Fund					4,638	
Due from Current Fund						
Appreciation of LOSAP Investments						
Municipal Alliance Donations					5,900	
Tax Sale Premiums					40,800	
Off-Duty Police Pay					349,974	
Recycling Fees					176,327	
Recycling Tonnage Grant						
Miscellaneous Reserves					352,482	
Employee Contributions - Unemployment Trust					11,078	
Escrow Deposits	-		-		131,123	
		73,957		26,520		10,534,950
		196,025		47,148		11,679,255
Decreased by Disbursements:						
Payments to Current Fund	840		140		2,911	
Expenditures Under R.S. 4:19-15.11			19,826			
Due State of NJ - Dog Registration Fees			2,186			
Due State of NJ - Unemployment Claims					15,605	
Off-Duty Policy Pay					353,185	
Recycling Expenditures					61,052	
Reserve for Municipal Alliance					3,458	
Tax Sale Premiums					32,400	
Miscellaneous Reserves					398,889	
Escrow Deposits					110,633	
Withdrawal - LOSAP Benefits						
Payroll Deductions Payable	-		-		9,444,096	
		840		22,152		10,422,229
Balance, December 31, 2009		$ 195,185		$ 24,996		$ 1,257,026

EXHIBIT B-3

BOROUGH OF HAWTHORNE
ANALYSIS OF ASSESSMENT CASH

		Balance, December 31, 2009
Due from Current Fund		$ (69,843)
Due from Other Trust Fund		(4,638)
Due to General Capital Fund		381,320
Fund Balance		6
Bond Anticipation Notes		
Ord. No.		
1939	Van Winkle Ave - Sidewalks/Driveways	12,500
Unfinanced Assessments		
Ord. No.		
1733	Bamford Ave. - Curbs and Sidewalks	(1,741)
1734/1757	Constr. Of Sanitary Sewers - Highview/Charwalt	(90,000)
1939	Van Winkle Ave - Sidewalks/Driveways	(11,360)
1948	Tuxedo Ave - Sidewalks/Driveways	(21,059)
		$ 195,185

BOROUGH OF HAWTHORNE
STATEMENT OF ASSESSMENTS RECEIVABLE

Ord. No.	Improvement Description	Annual Installment	Due Dates	Balance, December 31, 2008	Confirmed	Collected	Balance, December 31, 2009	Balance Pledged To Reserve	Balance Pledged To General Capital
1427/1462	Mountain Ave. - Sewers	10	10/7/91-00	$ 3,978			$ 3,978	$ 3,978	
1428/1463	Mountain Ave. - Curbs			3			3	3	
1433	Central Ave - Curbs/Sidewalks	5	7/18/97-01	469			469	469	
1628	Lincoln Ave - Curbs/Sidewalks	5	11/21/98-02	1,546			1,546	1,546	
1607/1682	Lafayette Ave.-Curbs/Sidewalks	7	2/4/00-07	3,798			3,798	3,798	
1655	Lafayette Ave - Curbs/Sidewalks	7	5/5/00-07	14,400			14,400	14,400	
1733	Bamford Ave- Curbs & Sidewalks	10	7/16/04-13	4,039		$ 2,298	1,741		$ 1,741
1734/1757	Constr.of Sanitary Sewers- - Highview/Charwalt	10	3/16/05-14	108,000		18,000	90,000		90,000
1939	Van Winkle Ave - Sidewalks/Driveways	5	6/20/09-13		$ 37,540	26,180	11,360		11,360
1948	Tuxedo Ave - Sidewalks/Driveways	10	6/20/09-18	-	43,040	21,981	21,059	-	21,059
				$ 136,233	$ 80,580	$ 68,459	$ 148,354	$ 24,194	$ 124,160

EXHIBIT B-5

BOROUGH OF HAWTHORNE
STATEMENT OF ASSESSMENT LIENS

Ord. No.	Improvement Description	Balance, December 31, 2008	Balance, December 31, 2009	Balance Pledged to Reserve
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	2,633	2,633	2,633
		$ 10,331	$ 10,331	$ 10,331

EXHIBIT B-6

STATEMENT OF ASSESSMENT LIEN INTEREST AND COSTS

Ord. No.	Improvement Description	Balance, December 31, 2008	Balance, December 31, 2009	Balance Pledged to Reserve
	Prior Year - Unallocated	$ 121	$ 121	$ 121
1607/1682	Lafayette Ave. - Curbs/Sidewalks	1,881	1,881	1,881
1636/1684	Lafayette Ave. - Brick Pavers	741	741	741
		$ 2,743	$ 2,743	$ 2,743

EXHIBIT B-7

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

Balance, December 31, 2008		$ 79,139
Increased by:		
Payments to Current Fund		840
		79,979
Decreased by:		
Interest and Costs on Assessments	$ 4,658	
Interest and Costs on Assessments - Due from Other Trust Fund	4,638	
Interest on Investments	840	
		10,136
Balance, December 31, 2009		$ 69,843

EXHIBIT B-8

STATEMENT OF DUE TO GENERAL CAPITAL FUND - ASSESSMENT TRUST FUND

Balance, December 31, 2008	$ 313,240
Increased by:	
Assessments Confirmed	80,580
	393,820
Decreased by:	
Bond Anticipation Notes Transferred to Assessment Trust Fund	12,500
Balance, December 31, 2009	$ 381,320

EXHIBIT B-9

BOROUGH OF HAWTHORNE
STATEMENT OF PROSPECTIVE ASSESSMENTS FUNDED

Ord. No.	Improvement Description	Balance, December 31, 2008	Balance December 31, 2009	Balance Pledged to Reserve
1506	Construction of Curbs on Royal Ave.	$ 40,800	$ 40,800	$ 40,800
		$ 40,800	$ 40,800	$ 40,800

EXHIBIT B-10

STATEMENT OF RESERVE FOR ASSESSMENTS AND LIENS

Ord. No.	Improvement Description	Balance, December 31, 2008	Balance, December 31, 2009
Assessments Receivable:			
1427/1462	Mountain Ave. - Sewers	$ 3,978	$ 3,978
1428/1463	Mountain Ave. - Curbs	3	3
1433	Central Ave. - Curbs/Sidewalks	469	469
1628	Lincoln Ave. - Curbs/Sidewalks	1,546	1,546
1607/1682	Lafayette Ave. - Curbs/Sidewalks	3,798	3,798
1655	Lafayette Ave. - Curbs/Sidewalks	14,400	14,400
		24,194	24,194
Assessment Liens:			
1370	Central Ave. - Sidewalks	1,019	1,019
1607/1682	Lafayette Ave. - Curbs/Sidewalks	6,679	6,679
1636/1684	Lafayette Ave. - Brick Pavers	2,633	2,633
		10,331	10,331
Prospective Assessments Funded:			
1506	Const. of Curbs on Royal Ave.	40,800	40,800
		$ 75,325	$ 75,325

EXHIBIT B-11

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

Balance, December 31, 2008	$ 31
Increased by:	
Payments to Current Fund	140
	171
Decreased by:	
Interest Earned on Investments	127
Balance, December 31, 2009	$ 44

EXHIBIT B-12

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance, December 31, 2008	$ 20,659
Increased by:	
Dog License Fees Collected	24,207
	44,866
Decreased by:	
Expenditures Under R.S. 4:19-15.11	19,826
Balance, December 31, 2009	$ 25,040

EXHIBIT B-13

STATEMENT OF DUE STATE OF NEW JERSEY - ANIMAL CONTROL FUND

Increased by:	
State Fees Collected	$ 2,186
Decreased by:	
Payments	$ 2,186

EXHIBIT B-14

BOROUGH OF HAWTHORNE
STATEMENT OF ESCROW DEPOSITS

Balance, December 31, 2008	$ 296,120
Increased by:	
Deposits Received	131,123
	427,243
Decreased by:	
Cash Disbursements	110,633
Balance, December 31, 2009	$ 316,610

EXHIBIT B-15

STATEMENT OF RESERVE FOR RECYCLING EXPENDITURES

Balance, December 31, 2008	$ 270,619
Increased by:	
Recycling Fees Collected	176,327
	446,946
Decreased by:	
Cash Disbursements	61,052
Balance, December 31, 2009	$ 385,894

EXHIBIT B-16

STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE

Balance, December 31, 2008		$ 210,516
Increased by Receipts:		
Employee Contributions	$ 11,078	
Interest on Investments	1,985	
		13,063
		223,579
Decreased by:		
Due to State of New Jersey - Unemployment Claims Payable		16,394
Balance, December 31, 2009		$ 207,185

EXHIBIT B-17

BOROUGH OF HAWTHORNE
STATEMENT OF PAYROLL DEDUCTIONS PAYABLE

Balance, December 31, 2008	$ 1,904
Increased by:	
Employee Payroll and Deductions Payable	9,442,283
	9,444,187
Decreased by:	
Cash Disbursements	9,444,096
Balance, December 31, 2009	$ 91

EXHIBIT B-18

STATEMENT OF RESERVE FOR OFF-DUTY MUNICIPAL POLICE PAY

Balance, December 31, 2008	$ 31,186
Increased by:	
Cash Receipts	349,974
	381,160
Decreased by:	
Cash Disbursements	353,185
Balance, December 31, 2009	$ 27,975

EXHIBIT B-19

BOROUGH OF HAWTHORNE
STATEMENT OF RESERVE FOR MUNICIPAL ALLIANCE PROGRAM

Balance, December 31, 2008	$ 12,164
Increased by:	
Cash Receipts - Donations	5,900
	18,064
Decreased by:	
Cash Disbursements	3,458
Balance, December 31, 2009	$ 14,606

EXHIBIT B-20

STATEMENT OF RESERVE FOR TAX SALE PREMIUMS

Balance, December 31, 2008	$ 83,000
Increased by:	
Premiums Collected at Tax Sale	40,800
	123,800
Decreased by:	
Premiums Refunded	32,400
Balance, December 31, 2009	$ 91,400

EXHIBIT B-21

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

Balance, December 31, 2008	$ 16,446
Increased by:	
Payments Made to Current Fund	2,911
	19,357
Decreased by:	
Interest on Investments	18,360
Balance, December 31, 2009	$ 997

EXHIBIT B-22

STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND

	Balance, December 31, 2008	Increases	Decreases	Balance, December 31, 2009
PCUA - EIC	$ 10			$ 10
Public Defender Fees	8,306	$ 2,600	$ 300	10,606
POAA	1,761	660	908	1,513
Trustee - Liens (Third Party)	1,440	287,490	282,349	6,581
Confiscated Funds	(2,631)	2,385	1,097	(1,343)
Housing Trust	79,729	41,047	110,920	9,856
Domestic Violence	19			19
Fire Code	1,319			1,319
Pre-Tax Medical Payments	1,727	3,150	3,315	1,562
Relocation Fund	5,000			5,000
UCC Penalties	157,161	15,150	-	172,311
	$ 253,841	$ 352,482	$ 398,889	$ 207,434

EXHIBIT B-23

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

Balance, December 31, 2008	$ 1,401
Increased by:	
Unemployment Claims Incurred	16,394
	17,795
Decreased by:	
Payments to State of New Jersey	15,605
Balance, December 31, 2009	$ 2,190

EXHIBIT B-24

STATEMENT OF DUE FROM OTHER TRUST FUND - ASSESSMENT TRUST FUND

Increased by:	
Due from Other Trust Fund - Interest and Costs on Assessments	$ 4,638
Balance, December 31, 2009	$ 4,638

BOROUGH OF HAWTHORNE
ASSESSMENT TRUST FUND
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	Increased	Balance, December 31, 2009
Local Improvements								
1939	Van Winkle Ave - Sidewalk/Driveways	$ 12,500	10/9/2009	10/9/2009	10/8/2010	2.00%	$ 12,500	$ 12,500
							$ 12,500	$ 12,500
				Due from General Capital Fund			$ 12,500	

GENERAL CAPITAL FUND

BOROUGH OF HAWTHORNE
SCHEDULE OF CASH - TREASURER

Balance, December 31, 2008		$ 484,979
Increased by:		
2009 Budget Appropriations:		
Capital Improvement Fund	$ 100,000	
Premium on Serial Bonds	9,244	
Premium on Serial Notes	4,540	
Grants Receivable	137,461	
Receipts Due to Current Fund	169,124	
Deferred Charges Unfunded - JIF Proceeds	12,996	
Bond Anticipation Notes	1,560,000	
Interest on Investments	2,900	
		1,996,265
		2,481,244
Decreased by:		
Improvement Authorizations	1,064,902	
Encumbrances Payable	234,349	
Reserve for Preliminary Expenses	25,000	
Current Fund Budgeted Revenue:		
Reserve for Payment of Bonds	75,000	
Payment of Bond Sale Issuance Costs	18,997	
Payments Made for Current Fund	7,245	
Payments to Current Fund	127,321	
		1,552,814
Balance, December 31, 2009		$ 928,430

BOROUGH OF HAWTHORNE
ANALYSIS OF CASH

	Balance, December 31, 2009
Grants Receivable	$ (147,500)
Due from Trust Assessment Fund	(381,320)
Loan Receivable - NJEIT	(561,378)
Due to Current Fund	118,541
Capital Improvement fund	144,363
Encumbrances Payable	499,689
Reserve for Bond Sale Issuance Costs	2,404
Reserve for Payment of Debt	193,406
Fund Balance	162,964

Improvements Authorizations:

Ord. No.		
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	98,512
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	-
1765	Acq. & Install. Of Public Safety Communication System	130,856
1810	Curbs, Sidewalks and Driveway Aprons- Hutchinson, Roosevelt, Van Winkle, et al	(2,410)
1826	Sewer Pump Station and Line Improvements	534,105
1856	2005 Road Improvement Program	23,552
1865	Acquisition of Fire Department Equipment	20,891
1866	Improvements to Buena Vista Ave - Phase III	49,827
1867	Sanitary Sewer Improvements	5,558
1885	Improvements to Municipal Pool	(4,736)
1892/1907	Improvements to Brookside Ave	527
1905	2007 Road Program	5,908
1908	Repairs and Renovation to Municipal Pool	9,338
1918	Improvements to Municipal Building	179
1938	Impvt. Of Van Winkle Ave	27,693
1939	Replace Sidewalks & Driveway Approns Van Winkle Ave	(290)
1948	Sidewalks & Driveway Approns Tuxedo Ave	(5,741)
1949	Road Construction, Curbing, resurfacing & Drainage Imprv.	23,382
1956	Drainage & Stormwater Improvements Various Locations	(149,453)
1959	Recreation Facility at Wagaraw Road	11,237
1961	Repairs to Sicomac Ave Pump Station	(18,106)
1963	Municipal Building HVAC Improvements	17,739
1972	Reconstruction of Sidewalks and Driveway Aprons - Central Ave.	(55,829)
1974	Installation of Handicapped Accessible Ramps	40,559
1975	Road Reconstruction and Improvements to Central Ave.	(70,966)
1976	Various Road Reconstruction, Curbing, Resurfacing and Drainage	3,391
1989	Road Reconstruction, Stormwater Conveyance Improvements, Curbing and Other Improvements on Brockhuizen Lane	295,861
1991	Improvements to Goffle Hill Road and Sicomac Road Sewage Pumping Station	(28,263)
		$ 928,430

BOROUGH OF HAWTHORNE
STATEMENT OF GRANTS RECEIVABLE

Ord. No.	Project	Balance, December 31, 2008	Grants Awarded	Cash Receipts	Balance, December 31, 2009	Balance Pledged To Improvement Authorizations	Balance Pledged To Reserve
State Dept. of Transportation							
1825	Buena Vista Improvements	$ 16,970			$ 16,970		$ 16,970
1938	Impvt. Of Van Winkle Ave	60,627			60,627		60,627
1975	Impvt. Of Central Ave		$ 220,000	$ 107,461	112,539		112,539
Passaic County Open Space Trust Fund							
1817	Recreation Improvements	30,000		30,000			
Community Development Block Grant							
1974	Handicapped Accessible Ramps	-	147,500	-	147,500	$ 147,500	-
		$ 107,597	$ 367,500	$ 137,461	$ 337,636	$ 147,500	$ 190,136

Reserve for Grants Receivable	$ 220,000	
Pledged to Ordinance	147,500	
Deferred Charges - Unfunded		$ 107,461
Reserve for Payment of Debt	-	30,000
	$ 367,500	$ 137,461

EXHIBIT C-5

BOROUGH OF HAWTHORNE
STATEMENT OF DUE FROM TRUST ASSESSMENT FUND

Balance, December 31, 2008	$ 313,240
Increased by:	
Assessments Confirmed	80,580
	393,820
Decreased by:	
Bond Anticipation Notes Transferred to Assessment Trust Fund	12,500
Balance, December 31, 2009	$ 381,320

EXHIBIT C-6

STATEMENT OF ENVIRONMENTAL INFRASTRUCTURE LOAN (NJ EIT) PROCEEDS RECEIVABLE

Balance, December 31, 2008	$ 561,378
Balance, December 31, 2009	$ 561,378

BOROUGH OF HAWTHORNE
STATEMENT OF PROSPECTIVE ASSESSMENTS RAISED BY TAXATION

Ord. No.	Improvement Description	Total Appropriated	Down-payment	Balance, December 31, 2008	Financed by Capital Improvement Fund	Assessments Confirmed	Balance, December 31, 2009
Local Improvements							
1939	Sidewalks and Driveway Aprons - Van Winkle Ave.	$ 75,000	$ 3,750	$ 3,750		$ 3,750	
1948	Sidewalks and Driveway Aprons - Tuxedo Ave.	85,000	4,250	4,250		4,250	
1972	Reconstruction of Sidewalks and Driveway Aprons - Central Ave.	65,000	3,250		$ 3,250		$ 3,250
1989	Road Reconstruction, Stormwater Conveyance Improvements, Curbing and Other Improvements on Brockhuizen Lane	400,000	20,000	-	20,000	-	20,000
				$ 8,000	$ 23,250	$ 8,000	$ 23,250

EXHIBIT C-8

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

Balance, December 31, 2008		$ 15,936,229
Increased by:		
Refunding Serial Bonds Issued		1,585,000
		17,521,229
Decreased by:		
2009 Budget Appropriations:		
Payment of Serial Bonds	$ 945,000	
Refund of Serial Bonds	1,553,000	
Payment of Wastewater Loan Principal	309,442	
Payment of EDA Loan Principal	12,950	
		2,820,392
Balance, December 31, 2009		$ 14,700,837

BOROUGH OF HAWTHORNE
SCHEDULE OF DEFERRED CHARGES - UNFUNDED

Ord. No.	Improvement Description	Balance, December 31, 2008	2009 Authori-zation	Funded by JIF Proceeds	Funded by Grant Proceeds	Assessments Confirmed	Due from Current Fund	Balance, December 31, 2009	Analysis of Balance, December 31, 2009: Bond Anticipation Notes	Analysis of Balance, December 31, 2009: Expenditures	Analysis of Balance, December 31, 2009: Unexpended Improvement Authorization
General Improvements											
1586/1597/ 1635/1638/ 1773/1793	Various Capital Improvements										
1591	Constr. of Roadway - Sherman Ave.	$ 786						$ 786		$ 786	
1634/1663	Resurfacing and Reconst. of Grand Ave.	3,844						3,844		3,844	
1867	Sanitary Sewer Improvements	90,000						90,000			$ 90,000
1908	Repairs and Renovation to Municipal Pool	187						187			187
1938	Impvt. Of Van Winkle Ave	61,127						61,127	$ 61,000		127
1949	Road Construction, Curbing, resurfacing & Drainage Imprv.	285,000						285,000	285,000		-
1956	Drainage & Stormwater Improvements Various Locations	959,500						959,500		149,453	810,047
1959	Recreation Facility at Wagaraw Road	14,250						14,250	14,000		250
1961	Repairs to Sicomac Ave Pump Station	33,796		$ 12,996			$ 2,694	18,106		18,106	
1963	Municipal Building HVAC Improvements		$ 237,500					237,500	237,500		
1885/1970	Repairs and Renovation to Municipal Pool		6,650					6,650		4,736	1,914
1975	Road Reconstruction and Improvements to Central Ave.		209,000		$ 107,461			101,539		70,966	30,573
1976	Various Road Reconstruction, Curbing, Resurfacing and Drainage		570,000					570,000	570,000		
1991	Improvements to Goffle Hill Road and Sicomac Road Sewage Pumping Station		700,000					- 700,000		28,263	671,737
Local Improvements											
1427/1462	Impvt. Mountain Ave. Sanitary Sewers	4,343						4,343		4,343	
1540	Reconst. of Concrete Curbs - VanWinkle Ave.	974						974		974	
1554	Constr. of Sanitary Sewers - Highview Terr.	15,870						15,870		15,870	
1564	Reconst. of Curbs/Driveway Aprons/Sidewalks on Rock/Goffle Rds.	3,119						3,119		3,119	
1607/1682	Reconst. of Concrete Curbs/Sidewalks on Lafayette Ave.	3,800						3,800		3,800	
1636/1684	Installation of Pavers on Lafayette Ave.	3,450						3,450		3,450	
1726	Post Ave. Curbs, Sidewalks, Aprons	4,124						4,124		4,124	
1733	Bamford Ave. Curbs, Sidewalks, Aprons	3,563						3,563		3,563	
1734/1757	Constr.of Sanitary Sewers-Highview/Charwalt	22,187						22,187		22,187	
1810	Curbs, Sidewalks and Driveway Aprons-Hutchinson, Roosevelt, Van Winkle, et al	2,410						2,410		2,410	
1939	Replace Sidewalks & Driveway Approns Van Winkle Ave	71,250				$ 37,540		33,710		290	33,420
1948	Sidewalks & Driveway Approns Tuxedo Ave	80,750				43,040		37,710		5,741	31,969
1972	Reconstruction of Sidewalks and Driveway Aprons - Central Ave.		61,750					61,750		55,829	5,921
1989	Road Reconstruction, Stormwater Conveyance Improvements, Curbing and Other Improvements on Brockhuizen Lane	-	380,000	-	-	-	-	380,000	380,000	-	-
		$ 1,664,330	$ 2,164,900	$ 12,996	$ 107,461	$ 80,580	$ 2,694	$ 3,625,499	$ 1,547,500	$ 401,854	$ 1,676,145

Unexpended Balance of Improvement Authorizations		$ 2,055,448
Unexpended Proceeds of Bond Anticipation Notes Issued		
Ord. No. 1938	$ 27,693	
Ord. No. 1949	23,382	
Ord. No. 1959	11,237	
Ord. No. 1963	17,739	
Ord. No. 1976	3,391	
Ord. No. 1989	295,861	
		379,303
		$ 1,676,145

EXHIBIT C-10

BOROUGH OF HAWTHORNE
STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2008		$ 146,963
Increased by:		
2009 Budget Appropriation		100,000
		246,963
Decreased by:		
Appropriated to Finance Improvement Authorization	$ 77,600	
Reserve for Preliminary Expenses	25,000	
		102,600
Balance, December 31, 2009		$ 144,363

EXHIBIT C-11

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2008		$ 268,705
Increased by:		
Charges to Improvement Authorizations		498,046
		766,751
Decreased by:		
Cash Disbursements	$ 234,349	
Cancellations Restored to Improvement Authorizations	32,713	
		267,062
Balance, December 31, 2009		$ 499,689

BOROUGH OF HAWTHORNE
STATEMENT OF DUE TO CURRENT FUND

Balance, December 31, 2008		$ 83,777
Increased by:		
Interest Earned on Investments	$ 2,900	
Receipts Due to Current Fund		
Grant Proceeds - Open Space Preservation Grant	39,124	
Grant Proceeds - Livable Communities Grant	75,000	
Prior Year Reimbursement - Grant Proceeds	55,000	
		172,024
		255,801
Decreased by:		
Deferred Charges to Future Taxation - Unfunded	2,694	
Payments Made for Current Fund	7,245	
Payments Made to Current Fund	127,321	
		137,260
Balance, December 31, 2009		$ 118,541

BOROUGH OF HAWTHORNE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Balance, December 31, 2008 Funded	Balance, December 31, 2008 Unfunded	2009 Authorizations: Capital Improvement Fund	2009 Authorizations: Grants Receivable	2009 Authorizations: Deferred Charges Unfunded	Encumbrances Cancelled	Reclassification	Expended	Balance, December 31, 2009 Funded	Balance, December 31, 2009 Unfunded
General Improvements											
1586/1597/1635/ 1638/1773/93	Various Capital Improvements	$ 249						$ 113,001	$ 14,738	$ 98,512	
1750	Removal of Handicapped Barriers	113,001						(113,001)			
1765	Acq. & Install. Of Public Safety Commun. System	130,856								130,856	
1817/1959	Improvement of Recreational Facilities		$ 3,505				$ 7,982				$ 11,487
1826	Sewer Pump Station & Line Improvements	534,105								534,105	
1856	2005 Road Improvement Program	23,552								23,552	
1865	Acquisition of Fire Department Equipment	20,891								20,891	
1866	Improvements to Buena Vista Ave - Phase III	49,827								49,827	
1867	Sanitary Sewer Improvements	5,558	90,000							5,558	90,000
1885/1970	Improvements to Municipal Pool	20,972		$ 350		$ 6,650			26,058	-	1,914
1892/1907	Improvements to Brookside Ave	527								527	
1905	2007 Road Program	5,908								5,908	
1908	Repairs and Renovation to Municipal Pool	12,759	187						3,421	9,338	187
1918	Improvements to Municipal Building	204							25	179	
1938	Impvt. Of Van Winkle Ave		23,977				3,843				27,820
1949	Road Const, Curbing, resurfacing & Drainage Imprv.		2,494				20,888				23,382
1956	Drainage & Stormwater Imprvmnts Various Locations	50,479	959,500						199,932		810,047
1963	Municipal Building HVAC Improvements			12,500		$ 237,500			232,261		17,739
1974	Installation of Handicapped Accessible Ramps			500	$ 147,500				107,441	40,559	
1975	Road Reconstruction and Improvements to Central Ave.			11,000		209,000			189,427		30,573
1976	Various Road Reconstruction, Curbing, Resurfacing and Drainage			30,000		570,000			596,609		3,391
1991	Improvements to Goffle Hill Road and Sicomac Road Sewage Pumping Station					700,000			28,263		671,737
Local Improvements											
1939	Sidewalks & Driveway Approns Van Winkle Ave		33,810						390		33,420
1948	Sidewalks & Driveway Approns Tuxedo Ave		33,134						1,165		31,969
1972	Reconstruction of Sidewalks and Driveway Aprons - Central Ave.			3,250		61,750			59,079		5,921
1989	Road Reconstruction, Stormwater Conveyance Improvements, Curbing and Other Improvements on Brockhuizen Lane	-	-	20,000	-	380,000	-	-	104,139	-	295,861
	Total	$ 968,888	$ 1,146,607	$ 77,600	$ 147,500	$ 2,164,900	$ 32,713	$ -	$ 1,562,948	$ 919,812	$ 2,055,448

Cash Disbursed	$ 1,064,902
Encumbrances Payable	498,046
	$ 1,562,948

EXHIBIT C-14

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, 2008	Increased	Decreased	Balance, December 31, 2009
General Improvements										
1938	Road Reconstruction, Drainage and Curb Improvements from Van Winkle Ave Bridge to Lafayette Ave - Phase 1	$ 61,000	10/9/2009	10/9/2009	10/8/2010	2.00%		$ 61,000		$ 61,000
1949	Various Road Reconstructions, Drainage and Curb Improvements - Phase 1	285,000	10/9/2009	10/9/2009	10/8/2010	2.00%		285,000		285,000
1959	Creation of a Recreation Facility	14,000	10/9/2009	10/9/2009	10/8/2010	2.00%		14,000		14,000
1963	Municipal Building HVAC Improvements	237,500	10/9/2009	10/9/2009	10/8/2010	2.00%		237,500		237,500
1976	Various Road Reconstruction, Curbing, Resurfacing and Drainage Drainage Improvements	570,000	10/9/2009	10/9/2009	10/8/2010	2.00%		570,000		570,000
Local Improvements										
1939	Van Winkle Ave-Sidewalk/Driveway	12,500	10/9/2009	10/9/2009	10/2/2010	2.0%		12,500	$ 12,500	
1989	Various Road Reconstruction and Stormater Conveyance	380,000	10/9/2009	10/9/2009	10/8/2010	2.00%	-	380,000	-	380,000
							$ -	$ 1,560,000	$ 12,500	$ 1,547,500
							Issued for Cash	$ 1,560,000		
							Due to Assessment Trust Fund		$ 12,500	

BOROUGH OF HAWTHORNE
STATEMENT OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2009 Date	Amount	Interest Rate	Balance, December 31, 2008	Increased	Decreased	Balance, December 31, 2009
General Improvement Bonds	10/15/2000	$ 3,193,000				$ 1,773,000		$ 1,773,000	
General Improvement Bonds	6/1/2004	6,292,000	6/1/2010-12	$ 300,000					
			6/1/2013	500,000					
			6/1/2014	550,000					
			6/1/2015	600,000					
			6/1/2016	700,000					
			6/1/2017	730,000					
			6/1/2018	760,000					
			6/1/2019	777,000	4.125%	5,817,000		300,000	$ 5,517,000
Refunding Bonds of 2005	4/1/2005	3,285,000	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%	2,180,000		320,000	1,860,000
General Improvement Bonds	9/1/2008	3,510,000	3/1/2010	110,000	5.000%				
			3/1/2011	160,000	5.000%				
			3/1/2012	200,000	5.000%				
			3/1/2013	205,000	5.000%				
			3/1/14-19	210,000	5.000%				
			3/1/20-23	210,000	4.000%				
			3/1/2024	210,000	4.125%				
			3/1/25-26	210,000	4.250%	3,510,000		105,000	3,405,000
2009 Refunding Bonds	10/15/2009	1585000	10/15/2010	240,000	3.00%				
			10/15/2011	235,000	2.00-3.50%				
			10/15/2012	230,000	2.00-3.00%				
			10/15/2013	225,000	2.25-2.50%				
			10/15/2014-15	220,000	2.50-3.50%				
			10/15/2016	215,000	3.125%	-	$ 1,585,000	-	1,585,000
						$ 13,280,000	$ 1,585,000	$ 2,498,000	$ 12,367,000

Deferred Charges - Unfunded	$ 1,585,000	$ 1,553,000
Paid by Budget Appropriation	-	945,000
	$ 1,585,000	$ 2,498,000

EXHIBIT C-16

BOROUGH OF HAWTHORNE
STATEMENT OF NEW JERSEY
ENVIRONMENTAL INFRASTRUCTURE LOAN PAYABLE

Balance, December 31, 2008	$ 2,630,329
Decreased by:	
Paid by 2009 Budget Appropriation	309,442
Balance, December 31, 2009	$ 2,320,887

EXHIBIT C-17

STATEMENT OF NEW JERSEY
EDA LOAN PAYABLE

Balance, December 31, 2008	$ 25,900
Decreased by:	
Paid by 2009 Budget Appropriation	12,950
Balance, December 31, 2009	$ 12,950

EXHIBIT C-18

STATEMENT OF RESERVE FOR BOND SALE ISSUANCE COSTS

Balance, December 31, 2008	$ 21,401
Decreased by:	
Cash Disbursements	18,997
Balance, December 31, 2009	$ 2,404

EXHIBIT C-19

BOROUGH OF HAWTHORNE
STATEMENT OF RESERVE FOR PAYMENT OF BONDS

Balance, December 31, 2008	$ 238,406
Increased by:	
Grant Proceeds for Fully Funded Authorizations	30,000
	268,406
Decreased by:	
Anticipated as Current Fund Budget Revenue	75,000
Balance, December 31, 2009	$ 193,406

EXHIBIT C-20

STATEMENT OF RESERVE FOR PRELIMINARY EXPENSES

Increased by:	
Transfer from Capital Improvement Fund	$ 25,000
Decreased by:	
Cash Disbursed	$ 25,000

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

Ord. No.	Improvement Description	Balance, December 31, 2008	2009 Authori-zations	Funded by JIF Proceeds	Bond Anticipation Notes Issued	Funded by Grant Proceeds	Due from Current Fund	Funded by Assessment Collections	Balance, December 31, 2009 Capital Fund	Balance, December 31, 2009 Trust Fund
General Improvements										
1591	Constr. Of Roadway- Portion of Sherman Ave.	$ 786							$ 786	
1634/1663	Improvement of Grand Ave.	3,844							3,844	
1867	Sanitary Sewer Improvements	90,000							90,000	
1908	Repairs and Renovation to Municipal Pool	187							187	
1938	Impvt. Of Van Winkle Ave	61,127			$ 61,000				127	
1949	Road Construction, Curbing, resurfacing & Drainage Imprv.	285,000			285,000					
1956	Drainage & Stormwater Improvements Various Locations	959,500							959,500	
1959	Recreation Facility at Wagaraw Road	14,250			14,000				250	
1961	Repairs to Sicomac Ave Pump Station	33,796		$ 12,996			$ 2,694		18,106	
1963	Municipal Building HVAC Improvements		$ 237,500		237,500					
1885/1970	Repairs and Renovation to Municipal Pool		6,650						6,650	
1975	Road Reconstruction and Improvements to Central Ave.		209,000			$ 107,461			101,539	
1976	Various Road Reconstruction, Curbing, Resurfacing and Drainage		570,000		570,000					
1991	Improvements to Goffle Hill Road and Sicomac Road Sewage Pumping Station		700,000						700,000	
Local Improvements										
1427/1462	Impvt. of Mountain Ave. Sanitary Sewers	4,343							4,343	
1540	Reconstruction of Concrete Curbs on Van Winkle Ave.	974							974	
1554	Construction of Sanitary Sewers - Highview Terrace	15,870							15,870	
1564	Reconst. of Curbs/Driveway Aprons/Sidewalks on Rock/Goffle Rds.	3,119							3,119	
1607/1682	Reconst. of Concrete Curbs/Sidewalks on Lafayette Ave.	3,800							3,800	
1636/1684	Install. of Pavers - Lafayette Ave.	3,450							3,450	
1726	Post Ave. Curbs, Sidewalks, Aprons	4,124							4,124	
1733	Bamford Ave. Curbs, Sidewalks, Aprons	7,602						$ 2,298	3,563	$ 1,741
1734/1757	Constr.of Sanitary Sewers-Highview/Charwalt	130,187						18,000	22,187	90,000
1810	Curbs, Sidewalks and Driveway Aprons- Hutchinson, Roosevelt, Van Winkle, et al	2,410							2,410	
1939	Replace Sidewalks & Driveway Approns Van Winkle Ave	71,250			12,500			13,680	33,710	11,360
1948	Sidewalks & Driveway Approns Tuxedo Ave	80,750						21,981	37,710	21,059
1972	Reconstruction of Sidewalks and Driveway Aprons - Central Ave.		61,750						61,750	
1989	Road Reconstruction, Stormwater Conveyance Improvements, Curbing and Other Improvements on Brockhuizen Lane	-	380,000	-	380,000	-	-	-	-	-
		$ 1,776,369	$ 2,164,900	$ 12,996	$ 1,560,000	$ 107,461	$ 2,694	$ 55,959	$ 2,077,999	$ 124,160

Capital Fund	$ 1,664,330
Trust Fund	112,039
	$ 1,776,369

WATER UTILITY FUND

BOROUGH OF HAWTHORNE
STATEMENT OF CASH AND INVESTMENTS - WATER COLLECTOR

	Operating		Capital	
Balance, December 31, 2008		$ 278,498		$ 270,966
Increased by Receipts:				
Consumer Accounts Receivable	$ 2,238,458			
Interest Earned on Investments	908		$ 734	
Fire Hydrant Service	97,350			
Reserve for Payment of Debt	55,000			
Interest and Costs on Delinquent Rents	13,022			
New Water Service	11,225			
On/Off Charges	7,951			
Miscellaneous Fees and Charges	856			
Water Rent Overpayments	3,083			
Receipts from Water Utility Capital Fund	922			
Receipts from Current Fund	125,000			
Non-Budget Revenue	1,793		-	
		2,555,568		734
		2,834,066		271,700
Decreased by Disbursements:				
2009 Budget Appropriations	2,325,328			
2008 Appropriation Reserves	135,067			
Payments to Water Utility Operating Fund			922	
Reserve for Payment of Debt			55,000	
Improvement Authorizations			58,037	
Accrued Interest on Bonds and Loans	26,021		-	
		2,486,416		113,959
Balance, December 31, 2009		$ 347,650		$ 157,741

EXHIBIT D-6

BOROUGH OF HAWTHORNE
ANALYSIS OF CASH
WATER UTILITY CAPITAL FUND

		Balance, December 31, 2009
Fund Balance		$ 1,628
Capital Improvement Fund		64,601
Reserve for Payment of Debt		57,141
Loan Proceeds Receivable		(604,120)
Due from Water Utility Operating Fund		(751)
Contracts Payable		252,385
Improvement Authorizations		
Ord. No.		
1575	Acq. of Two Pickup Trucks	(23,344)
1811	Replacement of Various Water Mains	650,623
1957	Goffle Road Pump House Facility Repairs and Renovations	24,519
1994	Various Improvements and Equipment Acquisitions	(264,941)
		$ 157,741

EXHIBIT D-7

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

Balance, December 31, 2008		$ 254,638
Increased by:		
Water Rents - Levies		2,280,497
		2,535,135
Decreased by:		
Water Rents - Collections	$ 2,238,458	
Water Rents Overpayments Applied	5,401	
		2,243,859
Balance, December 31, 2009		$ 291,276

EXHIBIT D-8

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

Balance, December 31, 2008	$ 563
Increased by:	
Payments to Water Utility Operating Fund	922
	1,485
Decreased by:	
Interest on Investments	734
Balance, December 31, 2009	$ 751

EXHIBIT D-9

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

Balance, December 31, 2008	$ 717,925
Decreased by:	
Cancellation of Improvement Authorization Funded by Loan	113,805
Balance, December 31, 2009	$ 604,120

EXHIBIT D-10

STATEMENT OF FIXED CAPITAL
WATER UTILITY CAPITAL FUND

	Balance, December 31, 2008	Balance, December 31, 2009
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	3,637,199	3,637,199
Other Tangible Water Capital	1,824,595	1,824,595
	$ 10,181,434	$ 10,181,434

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

Ord. No.	Improvement Description	Balance, December 31, 2008	2009 Authorizations	Improvement Authorization Cancelled	Balance, December 31, 2009
1811	Replace Various Water Mains	$ 764,674		$ 113,805	$ 650,869
1957	Goffle Road Pump House Facility Repairs and Renovations	70,000			70,000
1994	Various Improvements and Equipment Acquisitions	-	$ 495,000	-	495,000
		$ 834,674	$ 495,000	$ 113,805	$ 1,215,869

EXHIBIT D-12

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

Balance, December 31, 2008	$ 25,332
Increased by:	
2009 Budget Appropriation	24,617
	49,949
Decreased by:	
Cash Disbursements	26,021
Balance, December 31, 2009	$ 23,928

Analysis of Balance	
Accrued Interest on Bonds	$ 1,987
Accrued Interest on Loans	21,941
	$ 23,928

EXHIBIT D-13

STATEMENT OF 2008 APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND

	Balance, December 31, 2008	Balance After Modification	Paid or Charged	Balance Lapsed
Operating				
Salaries and Wages	$ 325	$ 325	$ 325	
Other Expenses	4,344	139,928	108,001	$ 31,927
Laboratory Testing	727	11,712	10,190	1,522
Capital Improvement				
Capital Outlay	-	33,355	32,966	389
	$ 5,396	$ 185,320	$ 151,482	$ 33,838

Appropriation Reserves	$ 5,396
Encumbrances Payable Restored	179,924
	$ 185,320

Cash Disbursements	$ 135,067
Accounts Payable	16,415
	$ 151,482

BOROUGH OF HAWTHORNE
STATEMENT OF ENCUMBRANCES PAYABLE
WATER UTILITY OPERATING FUND

Balance, December 31, 2008	$ 179,924
Increased by:	
Charges to 2009 Appropriations	97,998
	277,922
Decreased by:	
Encumbrances Restored to Appropriation Reserves	179,924
Balance, December 31, 2009	$ 97,998

EXHIBIT D-15

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

Balance, December 31, 2008	$	5,401
Increased by:		
Cash Receipts		3,083
		8,484
Decreased by:		
Applied to Consumer Accounts Receivable		5,401
Balance, December 31, 2009	$	3,083

EXHIBIT D-16

STATEMENT OF RESERVE FOR PAYMENT OF DEBT
WATER UTILITY CAPITAL FUND

Balance, December 31, 2008	$	112,141
Decreased by:		
Anticipated as Water Utility Operating Fund Budget Revenue		55,000
Balance, December 31, 2009	$	57,141

EXHIBIT D-17

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

Balance, December 31, 2008	$ 64,601
Balance, December 31, 2009	$ 64,601

EXHIBIT D-18

STATEMENT OF RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND

Balance, December 31, 2008		$ 8,044,425
Increased by:		
Serial Bonds Paid by Operating Budget	$ 45,000	
Environmental Infrastructure Loan Paid by Operating Budget	73,420	
Environmental Infrastructure Loan Paid by Project Credits	56,975	
		175,395
		8,219,820
Decreased by:		
Cancellation of Improvement Authorization Funded by Environmental Infrastructure Loan		113,805
Balance, December 31, 2009		$ 8,106,015

EXHIBIT D-19

STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND

Ord. No.	Description	Balance, December 31, 2008	Balance, December 31, 2009
1957	Goffle Road Pump House Repairs and Renovations	$ 70,000	$ 70,000

BOROUGH OF HAWTHORNE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
WATER UTILITY CAPITAL FUND

Ord. No.	Improvement Description	Ordinance Date	Ordinance Amount	Balance, December 31, 2008 Funded	Balance, December 31, 2008 Unfunded	2009 Authorization	2009 Expenditures	Cancelled	Balance, December 31, 2009 Funded	Balance, December 31, 2009 Unfunded
1811	Replacement of Various Water Mains	6/18/2003	$2,800,000	$ 764,428	$ 246			$ 113,805	$ 650,623	$ 246
1957	Goffle Road Pump House Facility Repairs and Renovations	11/5/2008	70,000	70,000			$ 45,481		24,519	
1994	Various Improvements and Equipment Acquisitions	11/7/2009	495,000	-	-	$ 495,000	264,941	-	-	230,059
				$ 834,428	$ 246	$ 495,000	$ 310,422	$ 113,805	$ 675,142	$ 230,305

Cash Disbursements	$ 58,037
Contracts Payable	252,385
	$ 310,422

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

Ord. No.	Improvement Description	Balance, December 31, 2008	Decrease	Balance, December 31, 2009
1811	Replacement of Various Water Mains	$ 2,255,093	$ 130,395	$ 2,124,698
		$ 2,255,093	$ 130,395	$ 2,124,698

Environmental Infrastructure Loan Paid by Operating Budget	$ 73,420
Project Credits Applied to Loan Repayment Principal	56,975
	$ 130,395

BOROUGH OF HAWTHORNE
STATEMENT OF SERIAL BONDS
WATER UTILITY CAPITAL FUND

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2009 Date	Amount	Interest Rate	Balance, December 31, 2008	Decreased	Balance, December 31, 2009
General Improvement Bonds	6/1/2004	$ 718,000	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	4.125%	$ 623,000	$ 45,000	$ 578,000
						$ 623,000	$ 45,000	$ 578,000
			Paid by Budget Appropriation				$ 45,000	

EXHIBIT D-23

BOROUGH OF HAWTHORNE
STATEMENT OF DUE TO CURRENT FUND
WATER UTILITY OPERATING FUND

Increased by:	
Cash Receipts	$ 125,000
Balance, December 31, 2009	$ 125,000

EXHIBIT D-24

STATEMENT OF ACCOUNTS PAYABLE
WATER UTILITY OPERATING FUND

Increased by:	
Charges to 2008 Appropriation Reserves	$ 16,415
Balance, December 31, 2009	$ 16,415

EXHIBIT D-25

STATEMENT OF CONTRACTS PAYABLE
WATER UTILITY CAPITAL FUND

Increased by:	
Charges to Improvement Authorizations	$ 252,385
Balance, December 31, 2009	$ 252,385

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

Ord. No.	Purpose	Balance, December 31, 2008	2009 Authorizations	Balance, December 31, 2009
1575	Acq. of Two Pickup Trucks	$ 23,344		$ 23,344
1811	Replacement of Various Water Mains	246		246
1994	Various Improvements and Equipment Acquisitions	-	$ 495,000	495,000
		$ 23,590	$ 495,000	$ 518,590

PUBLIC ASSISTANCE FUND

EXHIBIT E-1

BOROUGH OF HAWTHORNE
STATEMENT OF PUBLIC ASSISTANCE CASH - TREASURER

	Total	Account #1	Account #2
Balance, December 31, 2008	$ 18,767	$ 18,767	-
Increased by:			
Donations	200	200	
Interest on Investments	75	75	-
	275	275	-
	19,042	19,042	-
Decreased by:			
Public Assistance	1,900	1,900	
Payments to Current Fund	89	89	-
	1,989	1,989	-
Balance, December 31, 2009	$ 17,053	$ 17,053	$ -

EXHIBIT E-2

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	Total	Account #1	Account #2
Balance, December 31, 2008	$ 19,038	$ 19,038	
Increased by:			
Revenues	200	200	-
	19,238	19,238	-
Decreased by:			
Expenditures	1,900	1,900	-
Balance, December 31, 2009	$ 17,338	$ 17,338	$ -

EXHIBIT E-3

BOROUGH OF HAWTHORNE
STATEMENT OF PUBLIC ASSISTANCE REVENUES

	Total	Account #1	Account #2 (100% State Funded)
Donations	$ 200	$ 200	-
Total Revenues	200	200	-
Interest on Investments	75	75	-
Total Receipts	$ 275	$ 275	$ -

EXHIBIT E-4

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	Total	Account #1	Account #2 (100% State Funded)
Assistance Ineligible for State Aid	$ 1,900	$ 1,900	-
Total Expenditures	1,900	1,900	-
Due to Current Fund	89	89	-
Total Disbursements	$ 1,989	$ 1,989	$ -

BOROUGH OF HAWTHORNE
STATEMENT OF DUE FROM CURRENT FUND

Balance, December 31, 2008	$ 271
Increased by:	
Payments to Current Fund	89
	360
Decreased by:	
Interest on Investments	75
Balance, December 31, 2009	$ 285

BOROUGH OF HAWTHORNE

PASSAIC COUNTY, NEW JERSEY

PART II

GOVERNMENT AUDITING STANDARDS

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GARY W. HIGGINS, CPA, RMA, PSA
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PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

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 – regulatory basis of the Borough of Hawthorne as of and for the year ended December 31, 2009, and have issued our report thereon dated July 16, 2010 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 regulatory 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 – regulatory 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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.

However, we noted certain matters that we reported to management of the Borough of Hawthorne in Part III of this report of audit entitled "Letter of Comments and Recommendations".

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

Lerch, Vinci & Higgins, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429

Fair Lawn, New Jersey
July 16, 2010

BOROUGH OF HAWTHORNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Funding Dept.	State Account Number	CFDA Number	Grant Year	Grant Award	2009 Grant Receipts	Balance, January 1, 2009	Revenues	Expended	Balance, December 31, 2009	(Memo) Cumulative Expenditures
Department of Housing and Urban Development										
Community Development Block Grant		14.218	2009	$ 147,500			$ 147,500	$ 107,441	$ 40,059	$ 107,441
Department of Homeland Security (Passed Through New Jersey Department of Law and Public Safety)										
Emergency Management Performance	1160-100-XXX-2008	97.042	2008	5,000		$ 4,823		4,823		5,000
Department of Transportation (Passed Through New Jersey Department of Law and Public Safety)										
State and Community Highway Safety Speed Enforcement Grant	1160-100-036-2009	20.600	2009	4,000	$ 4,000		$ 4,000	4,000		4,000
Alcohol Traffic Safety and DrunkDriving Over the Limit/Under Arrest Grant	1160-100-057-2010	20.601	2009	6,000	6,000		6,000	6,000		6,000
Motorcycle Helmets and Safety Belt Incentive Grants Click It or Ticket	1160-100-113-2009	20.602	2009	4,000	4,000		4,000	4,000		4,000
(Passed Through New Jersey Department of Transportation)										
Highway Planning and Construction		20.205								
Central Ave - Ord. 1975	6320-480-AKE-2010		2009	220,000	107,461		220,000	189,427	$ 30,573	189,427
Van Winkle Ave - Ord. 1938	6320-480-XXX-2009		2008	-	-	60,627	-	-	60,627	181,373
						$ 65,450	$ 381,500	$ 315,691	$ 131,259	

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

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

BOROUGH OF HAWTHORNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

State Grant Program	Grant Number	Year	Grant Award	2009 Grant Receipts	Balance, January 1, 2009	Revenue Realized	Expended	Cancelled	Balance, December 31, 2009	(Memo) Cumulative Expenditures
Department of Law and Public Safety										
Drunk Driving Enforcement Fund	1110-448-031020-22	2009	$ 7,090	$ 7,090		$ 7,090	$ 1,505		$ 5,585	$ 1,505
Drunk Driving Enforcement Fund	1110-448-031020-22	2008	1,189		$ 789		738		51	1,138
Drunk Driving Enforcement Fund	1110-448-031020-22	2007	3,179		1,358				1,358	1,821
Division of Criminal Justice										
Police Body Armor Grant	1020-718-066-090160	2008	3,108			3,108	120		2,988	120
Police Body Armor Grant	1020-718-066-090160	2007	2,438	1,406	1,034		1,034			3,438
Municipal Alliance Program	N/A	2009	27,700			27,700	27,270		430	27,270
Municipal Alliance Program	N/A	2008	30,700	22,893	1,948		676		1,272	29,428
Domestic Violence Grant	100-066-1020-107	2005			2,571			$ (2,571)		
Domestic Violence Grant	100-066-1020-107	2002			107				107	
Alcohol Education and Rehabilitation Fund	9735-760-098-060000	2009	1,578	1,578	-	1,578			1,578	
Alcohol Education and Rehabilitation Fund	9735-760-098-060000	2008	375		375				375	
Alcohol Education and Rehabilitation Fund	9735-760-098-060000	2007	236		236				236	
Alcohol Education and Rehabilitation Fund	9735-760-098-060000	2006			267		137		130	137
Alcohol Education and Rehabilitation Fund	9735-760-098-060000	2005			163		163			163
Municipal Court Administration Fund	9735-760-098-060000	Prior			21				21	
Emergency Management Grant	N/A	2009	5,000	$ 5,000		5,000	4,122		878	4,122
Department of Environmental Protection										
Solid Waste Administration										
Recycling Tonnage Grant	4900-752-042-178810	2009	38,512	38,512		38,512			38,512	
Recycling Tonnage Grant	4900-752-042-178810	Prior			28,732				28,732	
Clean Communities Program	4900-765-042-178910	2009	27,628	27,628		21,656	4,929		16,727	4,929
Clean Communities Program	4900-765-042-178910	2008	21,547		5,873	2,399	3,272		5,000	16,547
Clean Communities Program	4900-765-042-178910	2007	21,843		14,407				14,407	7,436
Clean Communities Program	4900-765-042-178910	2006			14,217		7,112		7,105	7,112
Scrap Tire Grant	N/A	2001			617		189		428	189
H1N1 Supplemental Grant	N/A	2009	37,760		-	37,760	10,378		27,382	10,378
NJ Shade Tree Grant	N/A	2004			200				200	
NJ Shade Tree Grant	N/A	2002			3,200				3,200	
NJ Shade Tree Grant	N/A	2001			316				316	
NJEIT Loan Programs										
Ord. 1811 - Water Utility	340881-03	2003	2,724,259		764,428			(764,428)		1,959,831
Ord. 1826 - General Capital	340881-04	2004	1,850,450		384,555			(384,555)		1,465,895
Municipal Stormwater Grant	N/A	2007	12,029		12,029				12,029	
Municipal Stormwater Grant	N/A	2004			8,340		8,324		16	8,324

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

BOROUGH OF HAWTHORNE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

State Grant Program	Grant Number	Year	Grant Award	2009 Grant Receipts	Balance, January 1, 2009	Revenue Realized	Expended	Cancelled	Balance, December 31, 2009	(Memo) Cumulative Expenditures
Dept. of Community Affairs										
Forestry Volunteer Fire Grant	N/A	2007	$ 2,500		$ 1,360		$ 1,360			$ 2,500
Audio/Visual Grant	N/A	2005			2,805		2,321		$ 484	2,321
Emergency Road Repair Grant	N/A	Prior			248		248			248
Livable Communities - Municipal Building Improvements	N/A	2006		$ 75,000	16,287				16,287	
Removal of Handicapped Barriers - Ord. 1750	00-100-022-8020-078-F292-6120-SC99	2001			113,001			$ (113,001)		
Department of State										
Division of State Library										
Library State Aid	2541-100-074-510140	2009	16,884	16,884	-	$ 16,884	16,884	-	-	16,884
					$ 1,379,484	$ 161,687	$ 90,782	$(1,264,555)	$ 185,834	

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

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

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

BOROUGH OF HAWTHORNE
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2009

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 awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the regulatory 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:

	Federal	State	Total
Current Fund	$ 14,000	$ 161,687	$ 175,687
General Capital Fund	367,500	-	367,500
Total Financial Awards	$ 381,500	$ 161,687	$ 543,187

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 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2009, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

Loan Program	State
Environmental Infrastructure Loan-General	$ 2,320,887
Environmental Infrastructure Loan-Water	2,124,698
EDA Loan	12,950
	$ 4,458,535

BOROUGH OF HAWTHORNE

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2009

BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE–CURRENT FUND

	Year 2009		Year 2008	
	Amount	Percent	Amount	Percent
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	$ 1,460,185	2.29 %	$ 1,558,500	2.52 %
Miscellaneous - From Other Than Local Property Tax Levies	4,025,633	6.33	4,428,421	7.15
Collection of Delinquent Taxes and Tax Title Liens	774,596	1.22	710,511	1.15
Collection of Current Tax Levy	56,968,858	89.52	54,837,111	88.55
Other Credits to Income	406,436	0.64	393,863	0.63
Total Income	63,635,708	100.00 %	61,928,406	100.00 %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	17,153,989	27.29 %	16,793,059	27.78 %
County Taxes	14,430,559	22.96	13,970,425	23.11
Local School Taxes	30,870,254	49.11	29,574,279	48.93
Other Expenditures	398,947	0.64	102,888	0.18
Total Expenditures	62,853,749	100.00 %	60,440,651	100.00 %
Excess in Revenue	781,959		1,487,755	
Adjustments to Income before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	-		7,785	
Expenditures Included Above Which were Funded by General Capital Fund Improvement Authorization	-		85,000	
Statutory Excess to Fund Balance	781,959		1,580,540	
Fund Balance, January 1	3,504,360		3,482,320	
	4,286,319		5,062,860	
Decreased by:				
Utilization as Anticipated Revenue	1,460,185		1,558,500	
Fund Balance, December 31	$ 2,826,134		$ 3,504,360	

BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA

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

	Year 2009		Year 2008	
	Amount	Percent	Amount	Percent
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	$ 11,000	0.44 %	$ 76,965	2.89 %
Collection of Water Rents	2,243,859	90.57	2,398,493	89.91
Miscellaneous - From Other than Water Rents	188,839	7.62	178,907	6.71
Other Credits to Income	33,838	1.37	13,281	0.49
Total Income	2,477,536	100.00 %	2,667,646	100.00 %
EXPENDITURES				
Budget Expenditures				
Operating	2,209,398	89.29 %	2,150,472	81.84 %
Capital Improvements	-	-	108,420	4.13
Debt Service	143,037	5.78	249,021	9.48
Deferred Charges and Statutory Expenditures	122,000	4.93	112,000	4.26
Other Debits to Income	-	-	7,812	0.29
Total Expenditures	2,474,435	100.00 %	2,627,725	100.00 %
Excess in Revenue	3,101		39,921	
Fund Balance, January 1	61,982		244,026	
	65,083		283,947	
Decreased by:				
Anticipated as Current Fund Revenue	-		145,000	
Utilization by Water Operating Budget	11,000		76,965	
Fund Balance, December 31	$ 54,083		$ 61,982	

BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA

Comparative Schedule of Tax Rate Information

	2009	2008	2007
Tax Rate	$4.676	$4.487	$4.27
Apportionment of Tax Rate			
Municipal	1.0215	.9641	.911
County	1.393	1.103	1.027
County Open Space	.0232	.0224	.022
Local School	2.492	2.3975	2.31

Assessed Valuation	
2009	$1,238,930,898
2008	$1,233,653,631
2007	$1,224,345,290

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.

Year	Tax Levy	Cash Collections	Percentage of Collection
2009	$ 58,050,608	$ 56,968,858	98.13%
2008	55,714,010	54,837,111	98.43%
2007	52,645,449	51,867,831	98.52%

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.

December 31 Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2009	$ 931,153	$ 726,501	$ 1,657,654	2.86%
2008	650,653	778,206	1,428,859	2.56%
2007	596,094	712,648	1,308,742	2.49%

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:

Year	Amount
2009	$34,980
2008	34,980
2007	34,980

Comparison of Water Utility Levies

Year	Levy	Cash Collections *	Percentage of Collection
2009	$2,280,497	$2,243,859	101.63%
2008	2,377,447	2,398,493	100.88%
2007	2,158,408	2,328,888	107.89%

* Includes collection of prior year accounts receivable.

BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA

Comparative Schedule of Fund Balances

	Year	Balance, December 31	Utilized In Budget of Succeeding Year
Current Fund	2009	$2,826,134	$1,120,000
	2008	3,504,360	1,460,185
	2007	3,482,320	1,558,500
	2006	3,028,000	1,361,000
	2005	2,411,357	1,200,000
Water Utility Fund	2009	54,083	11,270
	2008	61,982	11,000
	2007	244,026	76,965
	2006	297,290	147,849
	2005	418,109	67,124

BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA

OFFICIALS IN OFFICE DURING THE PERIOD UNDER AUDIT AND SURETY BONDS

Name	Title
Richard Goldberg	Mayor
Shirley Shortway English	Councilwoman at Large
Bruce Bennett	Councilman at Large
Dominick Mele	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
Susan Witkowski	Borough Clerk
Karen Rambala	Deputy Borough Clerk (1/1/09-9/18/09)
Elaine Sweeney	Deputy Borough Clerk (9/19/09-12/31/09)
Barbara Crowley	Tax Collector
Mary Jeanne Hewitt	Chief Financial Officer
Tim Henderson	Tax Assessor
John Meola	Magistrate of Municipal Court
Christine Oravetz	Municipal Court Administrator
Joyce Comerro	Violations Clerk
Ralph Fava	Prosecutor
Carol Chamberlin	Secretary to Board of Health, Registrar of Vital Statistics, Deputy Dir. of Welfare
John Pallotta	Zoning Consultant/Building Sub-Code Official and Building Inspector
Gene DeAugustine	Fire Prevention Sub-Code Official
Don Tedeschi	Superintendent of Water Utility
Joseph Scarmazzo	Superintendent of Roads and Sewer
Joseph Clementi	Director of Public Works
Charles Collins	Secretary - Board of Adjustment
William Monaghan	Secretary - Planning Board
Boswell McClave Eng.	Borough Engineer
Michael Pasquale	Borough Attorney

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

BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA

GENERAL COMMENTS

Our audit of payroll revealed certain payroll tax returns (i.e., IRS Form 941, NJ-927) mailing and/or e-mail addresses are not that of the Borough but appear to be the payroll service provider's address. It is recommended that the mailing and e-mail addresses on the Borough's payroll tax returns reflect the Borough's official addresses and not that of the payroll service provider.

Our audit revealed that there are General Capital and Water Utility Capital ordinances over five years old that had cash deficits. It is recommended that the Borough fund General Capital and Water Utility Capital ordinances over five years old that have cash deficits.

Our audit revealed that the balance of the tax title liens in the Tax Department computer system was not complete and not in agreement with the general ledger or manual tax title lien ledger. It is recommended that the Tax Department ensure that the balance of the tax title liens in the computer system be in agreement with tax records.

Our audit revealed the Borough Attorney was enrolled in the State pension system and confirmation of his eligibility with the State Division of Pensions was not available for audit. It is recommended the Borough review with the State Division of Pensions the status of the Borough Attorney as to eligibility of enrollment in the State pension system.

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

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

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

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

Stainless Steel Dump/Spreader Body
Retrofitting of Vav Boxes
Limestone Cleaning
Construction of Kohler Field
Municipal Pool Cover
2009 Road Improvement Program
Truck, Vehicle and Equipment Repair
Improvements to Van Winkle Ave

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

GENERAL COMMENTS

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

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 3, 2009 adopted the following resolution authorizing interest to be charged on delinquent taxes and water accounts:

> WHEREAS, under the provisions of R.S. 54:4-67, the governing body of each municipality may by resolution fix interest and penalties to be charged for delinquent taxes and other municipal liens and charges, and
>
> WHEREAS, it has been determined by the governing body that the fixing of such interest rates and penalties would be beneficial to the municipality;
>
> NOW, THEREFORE BE IT RESOLVED, that the governing body of the Borough of Hawthorne, County of Passaic, does hereby fix the maximum allowed under R.S. 54:4-67 to be charged against all properties who become delinquent as defined under R.S. 54:4-66 and 67.
>
> BE IT FURTHER RESOLVED, that the charges on account of delinquent properties as set forth herein remain in effect from year to year until such time as the governing body adopts a new resolution setting forth new or different rates.

It appears from an examination of the Collector's record that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on June 17, 2009.

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

Year	Number of Liens
2009	2
2008	2
2007	2

GENERAL COMMENTS

Delinquent Taxes and Tax Title Liens (Continued)

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

APPRECIATION

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

BOROUGH OF HAWTHORNE
SUPPLEMENTARY DATA

RECOMMENDATIONS

It is recommended that:

1. The mailing and e-mail addresses on the Borough's payroll tax returns reflect the Borough's official addresses and not that of the payroll service provider.

2. The Borough fund General Capital and Water Utility Capital ordinances over five years old that have cash deficits.

3. The Tax Department ensure that the balance of the tax title liens in the computer system be in agreement with tax records.

4. The Borough review with the State Division of Pensions the status of the Borough Attorney as to eligibility of enrollment in the State pension system.

Status of Prior Year's Audit Findings/Recommendations

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

* * * * * * * * * *

Lerch, Vinci & Higgins, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429