

**BOROUGH OF HADDONFIELD
COUNTY OF CAMDEN
STATE OF NEW JERSEY
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008
(As Required by Securities & Exchange Commission Under
Rule 15c 2-12 (b) (5))**

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CERTAIN TAX INFORMATION

TEN LARGEST TAXPAYERS (1)

The following table outlines the assessed value of the ten (10) largest commercial properties within the Borough:

NAME OF TAXPAYER	TYPE OF BUSINESS	2008 ASSESSED VALUATION
Verizon	Telecommunications	\$12,146,554
One Centennial Square Assoc	Law Offices	9,550,000
95 Grove Street Partnership	Offices	7,989,400
Gerald & Erica Levin	Offices, Apts, Retail	5,690,000
Tommar LLC	Offices	4,150,000
Laurie Industries (A cme Markets)	Supermarket	3,894,400
807 Haddon Properties	Medical Services	3,530,000
Thirty-Five Kings Highway East	Offices, Apts, Retail	3,250,000
110 Kings Highway East Assn	Apartments	2,945,200
Thirty Washington LLC	Apartments	2,870,000
Total		\$56,015,554

(1) Source: Borough Tax Assessor

CURRENT TAX COLLECTIONS (1)

YEAR	TOTAL LEVY	CASH COLLECTIONS	% OF COLLECTION
2008	\$52,684,848	52,041,615	98.78%
2007	\$51,369,157	50,763,822	98.82%
2006	49,613,245	49,092,462	98.95%
2005	45,987,788	45,447,166	98.82%
2004	42,853,631	42,431,294	99.01%

CURRENT WATER AND SEWER UTILITY COLLECTIONS (1)

YEAR	BALANCE BEGINNING OF YEAR		LEVY	TOTAL	CASH COLLECTIONS
	RECEIVABLE	LIENS			
2008	\$564,534		2,653,384	3,217,918	2,663,389
2007	576,650		2,694,196	3,270,846	2,670,805
2006	699,641		2,458,790	3,158,431	2,570,166
2005	503,619		3,037,960	3,541,579	2,276,648
2004	476,327		2,671,425	3,147,752	2,207,029

(1) Source: Borough Audit Reports

DELINQUENT TAXES & TAX TITLE LIENS (1)

YEAR	AMOUNT OF TAX LIEN	AMOUNT OF DELINQUENT TAX	TOTAL DELINQUENT	% OF LEVY
2008	\$1,262	557,260	558,522	1.06%
2007	681	606,149	606,830	1.18%
2006	10,152	518,162	528,314	1.06%
2005	9,437	519,817	529,254	1.15%
2004	8,663	403,933	412,596	0.96%

PROPERTY ACQUIRED BY TAX TITLE LIEN(1)

YEAR	AMOUNT
2008	\$39,700
2007	39,700
2006	24,300
2005	24,300
2004	24,300

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (1)

YEAR	NET ASSESSED VALUATION	TOTAL TAX RATE	COUNTY	LOCAL SCHOOL	MUNICIPAL
2008 *	\$2,261,891,796	2.310	0.576	1.352	0.382
2007	1,038,588,443	4.892	1.271	2.844	0.777
2006	1,030,417,375	4.762	1.302	2.751	0.709
2005	1,018,820,904	4.450	1.195	2.616	0.639
2004	1,011,118,379	4.202	1.149	2.468	0.585
*	Revaluation				

RATIO OF ASSESSED VALUATION TO TRUE VALUE (2)

YEAR	AGGREGATE ASSESSED VALUATION	PERCENTAGE OF TRUE VALUE	AGGREGATE TRUE VALUE REAL PROPERTY
2008	\$2,255,271,200	102.14%	2,208,019,581
2007	1,035,564,900	48.43%	2,138,271,526
2006	1,027,068,300	51.87%	1,980,081,550
2005	1,014,759,600	58.15%	1,745,072,399
2004	1,002,778,700	71.83%	1,396,044,410

REAL PROPERTY CLASSIFICATION (3)

YEAR	2008	2007	2006	2005	2004
Vacant Land	\$12,511,200	2,849,400	3,451,900	2,709,900	3,118,100
Residential	2,007,692,800	920,345,300	912,781,000	900,204,200	891,844,600
Q Farm					
Commercial	220,959,500	106,420,600	104,609,600	105,631,300	105,340,600
Industrial					
Apartment	14,107,700	5,949,600	6,225,800	6,214,200	6,214,200
Total	<u>\$2,255,271,200</u>	<u>1,035,564,900</u>	<u>1,027,068,300</u>	<u>1,014,759,600</u>	<u>1,006,517,500</u>

(1) Source: Borough Audit Reports

(2) Source: State of New Jersey, Department of Treasury, Division of Taxation

(3) Source: Borough Tax Collector

**BOROUGH OF HADDONFIELD
2009 MUNICIPAL BUDGET (1)**

CURRENT FUND

Anticipated Revenues:

Fund Balance	\$2,320,000
Miscellaneous Revenues:	
Local Revenues	540,000
State Aid Without Offsetting Appropriations	1,256,918
Dedicated Uniform Construction Code Fees	155,000
Public & Private Programs Offset With Appropriations	1,158,846
Other Special Items of Revenue	300,000
Receipts from Delinquent Taxes	350,000
Amount to be Raised by Taxation for Municipal Purposes	<u>8,868,380</u>

Total Anticipated Revenues \$14,949,144

Appropriations:

Within "CAPS":	
Operations	\$8,981,175
Deferred Charges & Statutory Expenditures	927,284
Excluded from "CAPS":	
Other Operations	944,000
Public & Private Programs	28,846
Capital Improvements	1,780,000
Debt Service	962,620
Deferred Charges	105,000
Reserve for Uncollected Taxes	<u>1,220,219</u>

Total Appropriations \$14,949,144

WATER AND SEWER UTILITY FUND

Anticipated Revenues:

Operating Surplus Anticipated	525,000
Rents	2,559,000
Miscellaneous	<u>130,004</u>

Total Anticipated Revenues \$3,214,004

Appropriations:

Operating	\$2,692,454
Debt Service	422,050
Pension, Social Security & Unemployment Compensation	57,000
Payment of Senior citizen's CCMUA Bills	<u>42,500</u>

Total Appropriations \$3,214,004

(1) Source: 2009 Adopted Municipal Budget.

BOROUGH OF HADDONFIELD
CAPITAL PROGRAM (1)
PROJECTS SCHEDULED FOR THE YEARS 2009 - 2014

	ESTIMATED TOTAL COST	BUDGET APPROPRIATIONS		GRANTS & OTHER FUNDS	BONDS & NOTES	
		CURRENT YEAR BUDGET	CAPITAL IMPROVEMENT FUND		GENERAL	SELF- LIQUIDATING
GENERAL IMPROVEMENTS						
Consturction & Reconstruction of Various Roads	\$6,690,000		334,500		6,355,500	
Sidewalk Improvements	155,000		7,750		147,250	
Recreation Field Improvements	575,000		28,750		546,250	
New Library	8,000,000		400,000		7,600,000	
Improvements to Borough Buildings	525,000		26,250		498,750	
Purchase Public Works Vehicles and Equipment	1,740,000		87,000		1,653,000	
Improvements to Public Works Facilities	90,000		4,500		85,500	
Purchase of Fire Trucks	485,000		24,250		460,750	
Drainage Improvements	375,000		18,750		356,250	
Road Program Utility Work	7,410,000			2,660,000		4,750,000
Pump Station Improvements	1,625,000			225,000		1,400,000
Improvements to Building Facilities	160,000					160,000
Water Plant Improvements	200,000					200,000
Water Meter Replacements	150,000			150,000		
Total All Projects	\$28,180,000		931,750	3,035,000	17,703,250	6,510,000

(1) Source: 2009 Adopted Municipal Budget

**BOROUGH OF HADDONFIELD
STATEMENT OF INDEBTEDNESS (1)**

The following table summarizes the direct debt of the Borough of Haddonfield as of December 31, 2008 in accordance with the requirements of the Local Bond Law of the State of New Jersey (N.J.S.A.40A:2-2 et seq.). The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, Water & Sewer Utility and debt of the Borough of Haddonfield School District. Deductions from gross debt to arrive at net debt includes deductible school debt as well as debt considered to be self-liquidating. The resulting net debt of \$11,894,509 represents 0.56% of the average of equalized valuations for the Borough for the last three years of \$2,108,790,866 within the 3.5% limit imposed by N.J.S.A.40A:2-6.

	DEBT		GROSS	DEDUCTIONS			NET
	DEBT ISSUED BONDS & NOT.	AUTHORITY BUT NOT ISSUED		SCHOOL DEBT	FUNDS IN HAND	SELF- LIQUIDATING	
General	\$9,835,000	2,730,200	12,565,200		670,691		11,894,509
School - Local	22,981,000		22,981,000	22,981,000			
Water & Sewer Utility	5,677,977		5,677,977			5,677,977	
Total	<u>\$38,493,977</u>	<u>2,730,200</u>	<u>41,224,177</u>	<u>22,981,000</u>	<u>670,691</u>	<u>5,677,977</u>	<u>11,894,509</u>

(1) As of December 31 2008

Source: Borough Auditor

DEBT RATIOS AND VALUATIONS (1)

Average of Equalized Valuations of Real Property With Improvements for 2006, 2007 and 2008	\$2,108,790,886
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2006, 2007 and 2008	0.56%
2008 Net Valuation Taxable	2,261,891,796
2008 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	2,208,019,581
Gross Debt (2):	
As a Percentage of 2008 Net Valuation Taxable	1.82%
As a Percentage of 2008 Net Valuation of Real Property and Taxable Personal Property Used in Communications	1.87%
Net Debt (2):	
As a Percentage of 2008 Net Valuation Taxable	0.53%
As a Percentage of 2008 Net Valuation of Real Property and Taxable Personal Property Used in Communications	0.54%
Gross Debt per Capita (3)	3,603
Net Debt per Capita (3)	1,040

(1) As of December 31, 2008

(2) Excluding Overlapping Debt

(3) Based on an Estimated 2008 Census Population of 11,442., U.S. Bureau of the Census 7/1/09

BOROUGH BORROWING CAPACITY (1)

3.5% of Average (2006-08) Equalized Valuation of Real Property Including Improvements (\$2,108,790,886)	\$73,807,681
Net Debt	<u>11,894,509</u>
Remaining Borrowing Capacity	<u><u>\$61,913,172</u></u>

LOCAL BOARD OF EDUCATION BORROWING CAPACITY (1)

4.0% of Average (2006-08) Equalized Valuation of Real Property Including Improvements (\$2,108,790,886)	\$84,351,635
Net Debt	<u>22,981,000</u>
Remaining Borrowing Capacity	<u><u>\$61,370,635</u></u>

**COUNTY OF CAMDEN
OVERLAPPING DEBT
AS OF DECEMBER 31, 2008**

COUNTY	DEBT ISSUED			NET DEBT OUTSTANDING ALLOCATED TO THE ISSUER
	DEBT OUTSTANDING	DEDUCTIONS	NET DEBT OUTSTANDING	
General Bonds Issued by Other Public Bodies Guaranteed by the County	\$33,337,812	11,904,735 (1)	21,433,077	1,110,233 (2)
Improvement Authority	804,362,154	804,362,154 (3)	45,950,000	2,380,210
Total Overlapping Debt	\$883,649,966	816,266,889	67,383,077	3,490,443

(1) Includes cash on hand, accounts receivable and General Obligation Refunding Pension Bonds.

(2) Such debt is allocated as a proportion of the Issuer's share of the total 2008 Net Valuations on which County taxes are apportioned, which is 5.18%.

(3) Deductible in accordance with N.J.S.40:37A-80.

BOROUGH OF HADDONFIELD
DEBT SERVICE SCHEDULE (1) (2)
(BONDED DEBT ONLY)

YEAR	GENERAL			WATER & SEWER UTILITY			GRAND TOTAL
	PRICIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2009	400,000	323,485	723,485	230,000	192,046	422,046	1,145,531
2010	420,000	306,985	726,985	230,000	183,996	413,996	1,140,981
2011	440,000	289,660	729,660	250,000	175,946	425,946	1,155,606
2012	460,000	271,510	731,510	250,000	167,196	417,196	1,148,706
2013	480,000	252,535	732,535	250,000	158,446	408,446	1,140,981
2014	510,000	232,135	742,135	300,000	149,696	449,696	1,191,831
2015	530,000	210,460	740,460	300,000	138,821	438,821	1,179,281
2016	550,000	187,935	737,935	300,000	127,571	427,571	1,165,506
2017	580,000	164,560	744,560	375,000	116,321	491,321	1,235,881
2018	600,000	139,910	739,910	375,000	101,790	476,790	1,216,700
2019	630,000	114,410	744,410	375,000	83,040	458,040	1,202,450
2020	660,000	87,635	747,635	400,000	68,040	468,040	1,215,675
2021	690,000	59,586	749,586	425,000	52,040	477,040	1,226,626
2022	712,000	30,260	742,260	425,000	35,040	460,040	1,202,300
2023				451,000	18,040	469,040	469,040
Total	<u>\$7,662,000</u>	<u>2,671,066</u>	<u>10,333,066</u>	<u>4,936,000</u>	<u>1,768,029</u>	<u>6,704,029</u>	<u>17,037,095</u>

APPENDIX A

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Commission
Borough of Haddonfield
County of Camden
Haddonfield, New Jersey 08033

We have audited the accompanying statements of assets, liabilities, reserves and fund balance--regulatory basis of the various funds of the Borough of Haddonfield, State of New Jersey as of December 31, 2008 and the related statements of operations and changes in fund balance--regulatory basis for the year then ended, and the related statements of operations and changes in fund balance--regulatory basis for the year then ended. The financial statements of the Borough of Haddonfield as of December 31, 2007 and 2006 were audited by other auditors whose reports dated June 17, 2008 and June 23, 2007, respectively, expressed an unqualified opinion on those statements. These financial statements are the responsibility of the Borough of Haddonfield's management. Our responsibility is to express an opinion on these financial statements based on our audit described below.

Except as discussed in the following paragraph, 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 in compliance with 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 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 audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statements previously referred to have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which differ from accounting principles generally accepted in the United States of America. The effects 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 our opinion, except for the effects on the financial statements of the requirement that the Borough of Haddonfield prepare its financial statements in accordance with the accounting practices on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Haddonfield, State of New Jersey, as of December 31 2008, or the results of its operations and changes in fund balance for the years then ended.

Furthermore, in our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance—regulatory basis of the various funds of the Borough of Haddonfield, State of New Jersey, as of December 31, 2008, and the results of its operations and changes in fund balance of such funds--regulatory basis for the years then ended, and the revenues--regulatory basis, expenditures--regulatory basis of the various funds and general fixed assets, for the year ended December 31, 2008 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2009, on our consideration of the Borough of Haddonfield, State of New Jersey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements of the Borough of Haddonfield's basic financial statements. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 of each of the respective individual funds and account group taken as a whole.

Respectfully submitted,

HOLMAN & FRENIA, P.C.

A handwritten signature in black ink, appearing to read 'R. Haines', with a stylized flourish at the end.

Rodney R. Haines
Registered Municipal Accountant
CR 498

Medford, New Jersey
June 4, 2009

**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**

The Honorable Mayor and Members
of the Borough Commission
Borough of Haddonfield
County of Camden
Haddonfield, New Jersey 08033

We have audited the financial statements of the Borough of Haddonfield, County of Camden, State of New Jersey, as of and for the fiscal year ended December 31, 2008, and have issued our report thereon dated June 4, 2009. Our report disclosed that, as described in Note 1 to the financial statements, the Borough prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Service, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 as 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 Haddonfield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Borough's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Haddonfield'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.

We noted certain matters that we reported to management of Borough of Haddonfield, State of New Jersey, in a separate letter dated June 4, 2009.

This report is intended solely for the information and use of the Borough of Haddonfield's management, and Commission members, others within the organization, the Division of Local Government Services, and federal and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

HOLMAN & FRENIA, P.C.

A handwritten signature in black ink, appearing to read 'R. Haines', with a long horizontal flourish extending to the right.

Rodney R. Haines
Registered Municipal Accountant
CR 498

Medford, New Jersey
June 4, 2009

**BOROUGH OF HADDONFIELD
CURRENT FUND**

Statements of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis

	As of December 31,		
	2008	2007	2006
ASSETS			
Cash	\$ 5,342,843	5,631,200	4,890,160
Federal & State Grants Receivable	437,300	139,746	234,378
Receivables & Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	557,260	606,149	518,162
Tax Title Liens Receivable	1,262	681	10,152
Property Acquired for Taxes--Assessed Valuation	39,700	39,700	24,300
Revenue Accounts Receivable	7,479	8,140	10,515
Interfunds Receivable	38,755	16,628	13,409
Other Accounts Receivable	7,013	12,511	9,228
Deferred Charges to Future Years Budgets	300,000	405,000	510,000
	\$ 6,731,612	6,859,755	6,220,304
LIABILITIES, RESERVES & FUND BALANCE			
Appropriations Reserves	\$ 508,856	563,427	290,206
Reserve for Encumbrances	233,560	382,639	569,325
Accounts Payable	5,985		
Due State of New Jersey	53,703	52,252	55,909
Interfunds Payable	174,344	446,063	190,549
County Taxes Payable	43,148	81,006	80,397
Local School Taxes Payable	1,123,680	598,541	
Prepaid Taxes	367,401	292,161	338,187
Tax Overpayments	1,462	103,066	130,352
Other Liabilities & Special Funds	143,856	224,105	337,909
Reserve for Receivables & Other Assets	616,812	668,321	573,890
Reserve for Federal and State Grants	528,845	229,627	161,024
Fund Balance	2,929,960	3,218,547	3,492,556
	\$ 6,731,612	6,859,755	6,220,304

The accompanying Notes to Financial Statements are an integral part of this statement.

**BOROUGH OF HADDONFIELD
CURRENT FUND**

Statements of Operations And Changes In Fund Balance -- Regulatory Basis

	As of December 31,		
	2008	2007	2006
Revenue Realized:			
Current Tax Collections	\$ 52,041,615	50,763,921	49,092,462
Delinquent Tax & Tax Title Liens	605,387	518,271	522,538
Total Taxes	52,647,002	51,282,192	49,615,000
Miscellaneous Revenue Anticipated	2,906,805	2,901,225	3,182,267
Other Income	970,148	658,823	844,720
Fund Balance Utilized	2,320,000	2,300,000	1,707,405
Total Income	58,843,955	57,142,240	55,349,392
Expenditures & Encumbrances:			
Operating	11,196,504	10,385,833	10,100,510
Capital Improvements	625,000	792,000	520,200
Debt Service	803,727	339,573	916,762
Deferred Charges & Statutory Expenditures	105,000	412,440	115,000
County Taxes	13,043,716	13,268,447	13,486,813
Local District School Tax	30,595,409	29,543,527	27,497,370
Special District Tax	250,000	249,818	250,040
Municipal Open Space Tax	113,468	104,487	
Other Expenditures	79,718	20,124	1,636
Total Expenditures & Encumbrances	56,812,542	55,116,249	52,888,331
Excess in Revenue	2,031,413	2,025,991	2,461,061
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			450,000
Statutory Excess to Fund Balance	2,031,413	2,025,991	2,911,061
Fund Balance Beginning of Year	3,218,547	3,492,556	2,288,900
	5,249,960	5,518,547	5,199,961
Decreased by:			
Utilization as Anticipated Revenue	2,320,000	2,300,000	1,707,405
Balance December 31	\$ 2,929,960	3,218,547	3,492,556

The accompanying Notes to Financial Statements are an integral part of this statement.

**BOROUGH OF HADDONFIELD
GENERAL CAPITAL FUND**

Statements of Assets, Liabilities, Reserves, and Fund Balance -- Regulatory Basis

	As of December 31,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
ASSETS			
Cash & Investments	\$ 50,776	2,354,406	2,172,261
Accounts Receivable - Other	5,294	334,669	184,424
Deferred Charges To Future Taxation:			
Funded	7,662,000	8,052,000	8,052,000
Unfunded	4,903,200	2,660,700	1,508,978
	<u>\$ 12,621,270</u>	<u>13,401,775</u>	<u>11,917,663</u>
LIABILITIES, RESERVES & FUND BALANCE			
General Serial Bonds	\$ 7,662,000	8,052,000	8,052,000
Bond Anticipation Notes	2,173,000	2,173,000	
Improvement Authorizations:			
Funded	296,831	311,457	510,949
Unfunded	542,628	1,002,618	892,278
Reserve for Encumbrances	531,222	90,999	1,534,552
Retainage Payable		13,871	
Contracts Payable		748,438	
Capital Improvement Fund	141,988	182,988	140,488
Interfunds Payable	251,438	1,438	
Other Liabilities & Special Funds	906,493	721,408	672,058
Fund Balance	115,670	103,558	115,338
	<u>\$ 12,621,270</u>	<u>13,401,775</u>	<u>11,917,663</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF HADDONFIELD
WATER AND SEWER UTILITY FUND
Statements of Assets, Liabilities, Reserves,
and Fund Balance -- Regulatory Basis

ASSETS	As of December 31,		
	2008	2007	2006
Operating Fund:			
Cash & Investments	\$ 1,096,540	963,921	1,869,292
Receivables With Full Reserves:			
Consumer Accounts Receivable	522,672	564,534	576,650
Other Receivable	412	742	506
Interfunds Receivable	342,392	312,677	18,780
Total Operating Fund	1,962,016	1,841,874	2,465,228
Capital Fund:			
Cash	1,765,341	1,228,890	359,062
Interfunds Receivable	251,438	1,438	717,670
Fixed Capital	10,200,413	10,200,413	9,720,780
Fixed Capital Authorized & Uncompleted	5,237,000	2,287,000	1,825,886
Total Capital Fund	17,454,192	13,717,741	12,623,398
	\$ 19,416,208	15,559,615	15,088,626
<u>LIABILITIES, RESERVES & FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	\$ 313,508	137,488	166,787
Reserve for Encumbrances	70,181		
Accounts Payable		62,442	82,792
Rent Overpayments	29,148	11,283	8,491
Other Liabilities & Reserves			3,164
Accrued Interest on Bonds & Notes	88,021	17,385	13,120
Interfunds Payable	2,598	546	738,621
Reserve for Receivables	523,084	565,276	577,156
Fund Balance	935,476	1,047,454	875,097
Total Operating Fund	1,962,016	1,841,874	2,465,228
Capital Fund:			
Interfunds Payable	338,776	312,534	
Serial Bonds	4,936,000		
Notes Payable		2,072,500	755,025
Reserve for the Repayment of Debt	131,448		
Improvement Authorizations:			
Funded	798,035	261,499	348,744
Unfunded	526,553	937,069	833,519
Capital Improvement Fund	16,780	45,030	28,397
Reserve for Encumbrances	854,144	204,819	895,446
Reserve for Amortization	9,366,225	9,497,673	9,399,268
Deferred Reserve for Amortization	393,212	306,962	286,361
Fund Balance	93,019	79,655	76,638
Total Capital Fund	17,454,192	13,717,741	12,623,398
	\$ 19,416,208	15,559,615	15,088,626

The accompanying Notes to Financial Statements are an integral of this statement.

BOROUGH OF HADDONFIELD
WATER AND SEWER UTILITY OPERATING FUND
Statements of Income and Changes In Operating Fund Balances -- Regulatory Basis

	As of December 31,		
	2008	2007	2006
Revenue Realized:			
Fund Balance Utilized	\$ 421,900	358,400	358,400
Utility Rents	2,663,389	2,670,805	2,561,676
Miscellaneous Revenues	158,983	130,305	196,398
Miscellaneous Revenues Not Anticipated		87,558	40,637
Other Credits to Income	153,632	144,364	205,206
Total Income	3,397,904	3,391,432	3,362,317
Expenditures & Encumbrances:			
Operating	2,843,900	2,698,645	2,524,500
Capital Improvements	58,000		7,000
Debt Service	130,082	107,293	74,268
Deferred Charges & Statutory Expenditures	56,000	54,500	51,900
Other Debits to Income		237	
Total Expenditures & Encumbrances	3,087,982	2,860,675	2,657,668
Statutory Excess to Fund Balance (Deficit in Operations)	309,922	530,757	704,649
Fund Balance Beginning of Year	1,047,454	875,097	528,848
	1,357,376	1,405,854	1,233,497
Decreased by:			
Utilized as Anticipated Revenue	421,900	358,400	358,400
	\$ 935,476	1,047,454	875,097

The accompanying Notes to Financial Statements are an integral of this statement.

**BOROUGH OF HADDONFIELD
TRUST FUNDS**

Statements of Assets, Liabilities, Reserves, and Fund Balance -- Regulatory Basis

	As of December 31,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
ASSETS			
Cash	\$ 711,429	803,493	665,256
Interfund Receivable	145,454	106,202	2,926
Accounts Receivable	10,391	134	140
Deferred Charges	741		
Grant Receivable	71,690	71,690	75,158
	<u>\$ 939,705</u>	<u>981,519</u>	<u>743,480</u>
LIABILITIES, RESERVES & FUND BALANCES			
Other Liabilities & Reserves	\$ 926,486	967,779	729,375
Interfunds Payable	13,177	8,032	8,037
Due to State of New Jersey	42	5,708	6,068
	<u>\$ 939,705</u>	<u>981,519</u>	<u>743,480</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 1. Summary of Significant Accounting Policies

Description of Financial Reporting Entity - The Borough of Haddonfield was incorporated in 1875 and is located in Southwest New Jersey approximately eight miles east of the City of Philadelphia. The population according to the 2000 census is 11,659.

The Borough of Haddonfield operates under a commission form of government. The Mayor is the chief executive officer and is elected by the commissioners.

Component Units - The financial statements of the component units of the Borough of Haddonfield are not presented in accordance with Governmental Accounting Standards Board Statement No. 14. If the provisions of GASBS No. 14 had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the Borough, the primary government:

Haddonfield Public Library
Haddon and Tanner Streets
Haddonfield, New Jersey 08033

Partnership of Haddonfield, Inc.
P.O. Box 773
Haddonfield, New Jersey 08001

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

Basis of Accounting, Measurement Focus and Basis of Presentation - The financial statements of the Borough of Haddonfield contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the Requirement of Audit 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements", the Borough of Haddonfield accounts for its financial transaction through the use of separate funds which are described as follows:

Current Fund – The Current Fund accounts for resources and expenditures for government operations of a general nature, including Federal and State Grant funds.

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 1. Summary of Significant Accounting Policies (continued):

Trust Fund – The various Trust Funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund – The General Capital fund accounts for receipt and disbursement of funds for the acquisition of capital facilities, other than those acquired in the Current Fund.

Water-Sewer Utility Operating and capital Funds – The Water and Sewer Utility Operating and Capital Funds account for the operations and acquisition of capital facilities of the municipally owned Water and Sewer Utility.

Budgets and Budgetary Accounting - The Borough of Haddonfield must adopt an annual budget for its current and water and sewer utility funds in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9. Amendments to adopted budgets, if any, are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management fund. N.J.S.A. addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a

BOROUGH OF HADDONFIELD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

Note 1. Summary of Significant Accounting Policies (continued):

multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the Governmental Units.

The cash management plan adopted by the Borough of Haddonfield requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Interfunds - Interfunds receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual are not included on the various statements of assets, liabilities, reserves and fund balance.

General Fixed Assets - Accounting for Governmental Fixed Assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the Regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The Borough has adopted a capitalization threshold of \$5,000, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation. The Borough is required to maintain a subsidiary ledger detailing fixed assets records to control additions, reflecting the activity for the year, must be included in the Borough's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 1. Summary of Significant Accounting Policies (continued):

maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage or theft.

Utility Fixed Assets - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. The Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property and equipment and improvements and contributed capital.

Foreclosed Property - Foreclosed Property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

Deferred Charges - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Liens Sold for Other Governmental Units - Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the cost of the initial sale. The related costs of sale are recognized as revenue when received.

Fund Balance - Fund Balances included in the current fund and utility operating fund represent amounts available for anticipation as revenue in future year's budgets, with certain restrictions.

Revenues - Revenues are recorded as received in cash except for certain amounts, which may be due from other governmental units. Revenue from Federal and State grants are realized when anticipated as such in the Borough's Budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budgets of the

BOROUGH OF HADDONFIELD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

Note 1. Summary of Significant Accounting Policies (continued):

County of Camden, Borough of Haddonfield School District and Borough of Haddonfield Business Improvement District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes – The municipality is responsible for levying, collecting and remitting school taxes for the Borough of Haddonfield School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December 31 increased by the amount deferred at December 31, 2008 and decreased by the amount deferred at December 31, 2007.

County Taxes – The municipality is responsible for levying, collecting and remitting county taxes for the County of Camden. Operations are charged for the amount due the County for the year, based upon the ratable required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

Business Improvement District Taxes – The municipality is responsible for levying, collecting, and remitting Business District Taxes for Borough of Haddonfield Business Improvement District. Properties within the boundaries of the Business Improvement District are assessed taxes at the rate approved by resolution. Operations are charged for the full amount required to be raised by taxation to support the District.

Reserve for Uncollected Taxes – The inclusion of the “Reserve for Uncollected Taxes” appropriation in the Borough’s annual budget protects the Borough from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures – are recorded on the “budgetary” basis of accounting. Generally expenditures are recorded when paid. However, for charges to amounts appropriated for “other expenses”, an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey Municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; whereas interest on utility indebtedness is on the accrual basis.

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 1. Summary of Significant Accounting Policies (continued):

Appropriation Reserves – Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Long-Term Debt – Long-Term Debt, relative to the acquisition of capital assets, is recorded as a liability in the General Capital and Utility Capital Funds. Where an improvement is a “local Improvement”, i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences and Postemployment Benefits – Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

Note 2. Cash and Cash Equivalents and Investments

The Borough is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at December 31, 2008, and reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand Deposits	\$8,510,318
New Jersey Cash Management Fund	137,970
Investments	<u>318,641</u>
Total Deposits	<u>\$8,966,929</u>
Reconciliation of Statement of Comparative Balance Sheets:	
Current:	
Treasurer	\$5,281,467
State & Federal Grant	61,376
Dog Trust	720
Other Trust	710,709
General Capital	50,776
Water/Sewer Operating	1,096,540
Water/Sewer Capital	<u>1,765,341</u>
Total Reconciliation of Comparative Balance Sheets	<u>\$8,966,929</u>

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 2. Cash and Cash Equivalents and Investments (continued):

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of \$9,103,309 at December 31, 2008. Of the bank balance \$297,800 was fully insured by the FDIC (Federal Depository Insurance Corporation) and \$8,805,509 was secured by a collateral pool held by the bank, but not in the Borough's name, as required by New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Governmental Unit Deposit Protection Act is more fully described in Note 3 of these financial statements.

Investment Interest Rate Risk – The Borough has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investment held at December 31, 2008, are provided in the above schedule.

Investment Credit Risk – The Borough has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Borough or bonds or other obligations of the local unit or units within which the Borough is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Borough;
- Local Governments investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities with certain limitations.

Concentration of Investment Credit Risk – The Borough places no limit on the amount it may invest in any one issuer.

BOROUGH OF HADDONFIELD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

Note 3. Governmental Unit Deposit Protection Act (GUDPA)

The Borough has deposited cash in 2008 with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act. In addition to savings and checking accounts the Borough invests monies in certificates of deposits.

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the 6 month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the 6 month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by F.D.I.C. or any other U.S. agency which insures public depository funds.

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in the aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after the default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each such governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30th and December 31st, with the Commissioner of Banking. Any public depository which refuses or neglects to give any information so requested may be excluded by the

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 3. Governmental Unit Deposit Protection Act (GUDPA) (continued):

Commissioner from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The Municipality should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

Note 4. Pension Plans

The Borough of Haddonfield contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System and the Police and Firemen's Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. These plans provide retirement, death and disability, and medical benefits to qualified members. Vesting and benefits provisions are established by N.J.S.A. 43:15A and 43:3B for the PERS and N.J.S.A. 43:16A and 43:3B for the PFRS. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System are required to contribute 5% of their annual covered salary. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the Police and Firemen's Retirement System are required to contribute 8.5% of their annual covered salary. The Borough is billed annually for its normal contribution plus any accrued liability.

The Borough's contributions to the various plans, equal to the required contributions, were as follows:

Public Employees Retirement System

Year	Normal Contribution	Accrued Liability	Total Liability	Funded by State	Paid by Borough
2008	\$142,473.00	\$109,796.00	\$252,269.00	\$56,454.00	\$195,815.00 (1)
2007	127,276.00	73,623.40	200,899.40	77,347.20	123,552.20 (1)
2006	125,840.00	34,614.00	160,454.00	96,272.40	64,181.60 (1)

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 4. Pension Plans (continued):

Police and Firemen's Retirement System

Year	Normal Contribution	Accrued Liability	Total Liability	Funded by State	Paid by Borough	
2008	\$236,238.00	\$136,960.00	\$373,198.00	\$ -0-	\$373,198.00	(1)
2007	220,621.00	108,164.00	328,785.00	65,757.00	263,028.00	(1)
2006	193,792.00	70,109.00	263,901.00	105,560.40	158,340.60	(1)

The accrued liability for employees in the Public Employees Retirement System as of December 31, 2008 was \$314,072.00 due on April 1, 2009. The accrued liability for employees in the Police and Firemen's Retirement System as of June 30, 2008 was \$391,767.00 due on April 1, 2009.

- (1) Under the provisions of Chapter 108, P.L. 2003 the Borough's share of the total normal contribution and accrued liability will increase approximately 20% per year until the Borough is paying 100% of the total normal contribution and accrued liability.

Note 5. Investments

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

Investment	Maturities	Credit Rating	Fair Value
MBIA Class	Various	N/A	\$305,658
NJARM	Various	N/A	<u>12,983</u>
Total			<u>\$318,641</u>

Note 6. Interfund Receivable and Payables

The following Interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balances as of December 31, 2008:

Fund	Interfunds Receivable	Interfunds Payable
Current Fund	\$ 4,098	\$174,344
State & Federal Grant	34,657	
Trust - Other Funds	145,269	11,677
Trust - Animal Control	185	1,500
General Capital Fund	2,294	251,438
Water & Sewer Utility Operating Fund	342,392	2,598
Water & Sewer Utility Capital Fund	<u>251,438</u>	<u>338,776</u>
Total	<u>\$780,333</u>	<u>\$780,333</u>

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 7. Other Post Employment Benefits

In addition to the pension benefits described in Note 4, the Borough, by resolution dated July 10, 1990, agreed to the following provision relation to medical insurance benefits for relatives of the Borough: “to pay the premium or periodic charges for the benefits provided to all eligible retired employees and their dependents covered under the program, including surviving spouses, if such employees retire from a State locally administered retirement system on a benefit based on 25 years or more of service credited in such retirement system, excepting the employees who elected deferred retirement but including the employees who retired on disability pensions based on fewer years of service credited in such retirement system and also to reimburse such retired employees and their spouses in accordance with the regulation of the State Health Benefits Commission”.

The Borough funds these benefits on a pay-as-you-go basis and therefore does not record accrued expenses related to these benefits. During the year 2008, there were forty-two retired employees who received this benefit resulting in the payment of \$455,100 in related health care premiums.

The Borough’s annual Other Post-Employment Benefit cost is calculated based on the Annual Required Contribution. The actuarial cost method used to determine the Plan’s funding requirements is the “Unit Credit” method. Under this method, an actuarial accrued liability is determined as the present value of the earned benefits, which is allocated to service before the current plan year. The Plan is currently unfunded. The unfunded actuarial liability is amortized over thirty years. The following table shows the changes in the Borough’s annual Other Post-Employment Benefit cost for the year, the amount actually contributed to the Plan and changes in their net Other Post-Employment Benefit obligation to the plan:

Annual Required Contribution	\$2,471,600
Interest on Net Other Post-Employment Benefit	-
Adjustment to Annual Required Contribution	<u>-</u>
Subtotal	2,471,600
Annual Other Post-Employment Benefit Contributions Made	<u>455,100</u>
Increase in Net OPEB Obligation	2,016,500
Net OPEB, Beginning of Year	<u>24,866,800</u>
Net OPEB, End of Year	<u>\$26,883,300</u>

The Borough’s annual Other Post-Employment Benefit cost, the percentage of annual Other Post Employment Benefit cost contributed to the Plan, and the net Other Post Employment Benefit obligation (OPEB) for the year ending December 31, 2008 is as follows:

YEAR ENDED	ANNUAL OPEB COST	PERCENTAGE CONTRIBUTED	NET OPEB OBLIGATION
12/31/08	\$2,471,600	18.4%	\$2,016,500

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 7. Other Post Employment Benefits (continued):

Actuarial assumptions were used to value the post-retirement medical liabilities. Actuarial assumptions were based on the actual experience of the covered group, to the extent that creditable experience data was available, with an emphasis on expected long-term future trends rather than giving undue weight to recent past experience. The reasonableness of each actuarial assumption was considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions.

Two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that being partially funded. We assumed a discount rate of 4.0 percent for purposes of developing the liabilities and Annual Required Contribution on the basis that the Plan would not be funded. The trend assumption is used to project the growth of the expected claims over the lifetime of the healthcare recipients. For medical benefits, this amount initially is at 10.5% and decreases to a 5.0% long-term trend rate for all medical benefits after eleven years. For prescription drug benefits, the initial trend rate is 11.5%, decreasing to a 5.0% long-term trend rate after thirteen years.

The Borough currently has forty-two eligible retired employees receiving retirement benefits. The net Other Post-Employment Benefit obligation to the Borough to provide benefits to the retiree for the year ended December 31, 2008, was \$2,016,500.

Note 8. Compensated Absences

Full-time employees are entitled to varying amount of paid sick leave days each year, depending upon the length of service. Unused sick leave may not be accumulated. Vacation days not used during the year may be accumulated and carried forward to February 28 of the subsequent year. Therefore, since no accumulation of sick leave and/or vacation leave is permitted, no liability for compensated absences exists at December 31, 2008.

Note 9. Deferred Compensation Salary Account

The Borough offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 9. Deferred Compensation Salary Account (continued):

Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefits of participating employees and not be accessible by the Borough or its creditors. Since the Borough does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Borough's financial statements.

Note 10. Lease Obligations

At December 31, 2008, the Borough had lease agreements in effect for the following:

Capital:

- One (1) 2006 Dodge Durango
- One (1) 2006 Ford Crown Victoria
- One (1) 2008 Chevrolet Impala

The following is an analysis of capital leases.

Capital Leases – The following capital fixed assets were acquired by capital lease.

	2008	2007
Vehicles	\$19,948.95	\$30,596.25

Future minimum lease payments under capital lease agreements are as follows:

Year	Amount
2009	\$14,105.00
2010	<u>7,580.50</u>
Total	21,685.50
Less: Interest Portion	<u>(1,736.55)</u>
Principal	<u>\$19,948.95</u>

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 11. Capital Debt

Summary of Debt:

	Year 2008	Year 2007	Year 2006
Issued			
General:			
Bonds & Notes	\$ 9,835,000	\$10,225,000	\$ 8,052,000
Water/Sewer Utility:			
Bonds & Notes	<u>4,936,000</u>	<u>2,072,500</u>	<u>755,025</u>
Total Issued	<u>4,771,000</u>	<u>12,297,500</u>	<u>8,807,025</u>
Authorized but not Issued:			
General:			
Bonds & Notes	2,730,200	487,700	1,508,978
Water/Sewer Utility:			
Bonds & Notes	<u>741,977</u>	<u>741,726</u>	<u>1,198,638</u>
Total Authorized but Not Issued	<u>3,472,177</u>	<u>1,229,426</u>	<u>2,707,616</u>
Total Issued & Authorized buy Not Issued	<u>8,243,177</u>	<u>13,526,926</u>	<u>11,514,641</u>
Deductions:			
Funds Temporarily Held to Pay Notes	670,691	670,846	596,125
Self-liquidating Debt	<u>5,677,977</u>	<u>2,814,226</u>	<u>1,953,663</u>
Total Deductions	<u>6,348,668</u>	<u>3,485,073</u>	<u>2,549,788</u>
Net Debt	<u>\$11,894,509</u>	<u>\$10,041,854</u>	<u>\$ 8,964,854</u>

The aggregate maturities of principal and interest of the outstanding bonds are as follows:

General Obligation Bonds

GENERAL CAPITAL FUND

YEAR	PRINCIPAL	INTEREST
2009	400,000	323,485
2010	420,000	306,985
2011	440,000	289,660
2012	460,000	271,510
2013	480,000	252,535
2014-18	2,770,000	935,000
2019-22	2,692,000	291,890

BOROUGH OF HADDONFIELD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 11. Capital Debt (continued):

WATER-SEWER CAPITAL FUND

YEAR	PRINCIPAL	INTEREST
2009	230,000	192,046
2010	230,000	183,996
2011	250,000	175,946
2012	250,000	167,196
2013	250,000	158,446
2014-18	1,650,000	634,200
2019-22	2,076,000	256,200

Note 12. Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2008, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following fund(s):

	Balance Dec. 31, 2008	2009 Budget Appropriation
Current Fund:		
Special Emergency Authorizations	<u>\$300,000</u>	<u>\$105,000</u>

The appropriations in the 2009 budget as introduced are not less than that required by the statutes.

Note 13. School Taxes

Haddonfield Local School Tax has been raised and the liability deferred by statutes, resulting in the school tax payable set forth in the Current Fund liabilities as follows:

	Balance Dec. 31, 2008	2007
Balance of Tax	\$15,296,143	\$14,771,004
Deferred	<u>14,172,463</u>	<u>14,172,463</u>
Total	<u>\$ 1,123,680</u>	<u>\$ 598,541</u>

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 14. Joint Insurance Pool

The Borough of Haddonfield is a member of the Camden County Municipal Joint Insurance Fund. The Fund provides its members with the following coverage:

Workers' Compensation and Employer's Liability
Liability other than Motor Vehicles
Property Damage other than Motor Vehicles
Motor Vehicles

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the fund's actuary. The commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Fund provides the Borough with the following coverage:

Property -- Blanket Building & Grounds
Boiler & Machinery
General & Automobile Liability
Workers' Compensation
Environmental Liability
Employment Practices Liability
Public Employees Bond
Public Officials Bond

Contributions to the Fund, are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Borough's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2008, which can be obtained from:

Camden County Municipal Joint Insurance Fund
Park 80 West, Plaza One
Saddle Brook, New Jersey 07066

Note 15. New Jersey Unemployment Compensation Insurance

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

BOROUGH OF HADDONFIELD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 15. New Jersey Unemployment Compensation Insurance (continued):

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, reimbursements to the State for benefits paid and the ending balance of the Borough's trust fund for the current and previous two years:

Borough Year	Amount Contributions	Ending Reimbursed	Balance
2008	\$17,000.00	\$21,426.00	\$34,528.00
2007	22,000.00	17,969.65	24,650.11
2006	28,000.00	28,378.43	8,381.73

Note 16. Litigation

The Borough is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Borough, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 17. Subsequent Events

Subsequent to December 31, 2008, the Borough of Haddonfield authorized additional Bonds and Notes as follows:

Purpose	Date	Amount
General Capital: Bonds & Notes: Various Capital Improvements	April 14, 2009	\$1,097,250