

PATERSON MUNICIPAL UTILITIES AUTHORITY

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JANUARY 31, 2011 AND 2010**

**MALIGU ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS**

PATERSON MUNICIPAL UTILITIES AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Paterson Municipal Utilities Authority
Paterson, New Jersey

We have audited the accompanying statements of net assets of Paterson Municipal Utilities Authority (The Authority) as of January 31, 2011 and 2010, and the related statements of revenues and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paterson Municipal Utilities Authority as of January 31, 2011 and 2010, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2011 on our consideration of the Paterson Municipal Utilities Authority'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 performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 18 and 19 is presented for additional analysis as required by the Local Finance Board, 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 basic financial statements taken as a whole.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Malaga Associates, LLC

April 20, 2011
Jersey City, New Jersey

PATERSON MUNICIPAL UTILITIES AUTHORITY MANAGEMENT DISCUSSION AND ANALYSIS

This section of Paterson Municipal Utilities Authority annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended January 31, 2010. Please read it in conjunction with the Authority's financial statements which follow this section.

The Paterson Municipal Utilities Authority (MUA) was created on June 29, 1981 under New Jersey State Statues. Its primary purpose is to manage a 1914 hydroelectric plant on the Passaic River and the care and maintenance of the surrounding property. The surrounding property includes two public parks, Overlook Park at McBride Avenue Extension and Mary Ellen Kramer Park at Maple Street. The hydroelectric plant has been renovated and is operated under a site lease between the MUA and the Great Falls Hydro Electric Company, a limited partnership. The partnership interest is owned by Algonquin Power, Ontario, Canada which purchased ownership in September 2000. The hydroelectric plant is operated under Federal Energy Regulatory Commission license number 2814 and a water diversion permit issued by the New Jersey Department of Environmental Protection.

FINANCIAL HIGHLIGHTS

Recurring Business Activities:

- The Authority's net assets changed over the course of this year's operations, increasing by \$101,679, a 3.2% increase.
- Monthly revenue from the Authority's business-type activities of rental income was the same as the previous year.
- Expenses related to the Authority's business-type activities without consideration of preservation and interpretive expenses, decreased by \$10,179 or 7.4%.

Non-Recurring Business Activities:

- Total current year's rental income was lower in comparison to the previous year due to the previous year's receipt of a special one-time billing of \$183,881 in additional rental income. This additional income was received from Algonquin Power for past years' production for those months in which the power sales rate exceeded 70 mills. Refer to page 5 "Revenue & Expenses" for further details.
- Grant awards of \$33,420 were received during the year. Additional grant revenue of \$58,639, not applied for by the end of the fiscal year, was accrued to match expenses incurred on the project during the year.
- There were no preservation & interpretive expenses incurred in the current year compared to \$35,351 of these expenses incurred in the previous year. Therefore, expenses related to the Authority's business-type activities were lower by \$35,351 in comparing the current year to the previous year.

FINANCIAL HIGHLIGHTS - CONTINUED

Total recurring and non-recurring operating revenues and expenses were in line with budgeted amounts.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

The financial statements are presented on the accrual basis and present the Authority's financial information as a proprietary fund which offers short and long term financial information about activities operated like businesses.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the entities assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

FINANCIAL ANALYSIS OF THE PATERSON MUNICIPAL UTILITIES AUTHORITY

Changes in Net Assets:

The Authority's net assets increased to \$3.27 million between fiscal years 2011 and 2010. Approximately \$2.09 million is invested in land and buildings. The remaining \$1.18 million is unrestricted and available for use in the maintenance and improvement of the property. Costs incurred this current year in restoring the hydroelectric plant exterior and stabilizing the plaza of the former S.U.M. steam plant foundation were capitalized and included in capital assets.

Revenues and Expenses:

Normal monthly revenues from the Authority's rental activity remained the same as last year as they are fixed by the terms of the leases. The principal revenue source of the MUA is the rental income from the site lease, an amount that is fixed for the term of the lease. During fiscal year ended January 31, 2010, a review was conducted for additional rental income over the past years as a result of annual power generated. Power sales rates were examined on a monthly basis to determine if rent adjustments were merited. As a result of this review for the period August 2006 through November 2009, additional rental income of \$183,881 was recovered and deposited in January 2010. Other rental income is derived from a long-term lease with a nearby restaurant. Earnings from certificates of deposit investments continued to decline during the current year. A \$50,000 matured CD was redeemed in part to cover expenses during the year. Interest earnings on CD investments decreased by \$10,815 compared to last year.

Revenues and Expenses - Continued

Administrative expenses have been relatively stable. There is no full-time staff. Legal services and project manager services are provided by third party contracts. Basic lawn maintenance and snow removal are on a contract basis.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

Capital asset additions during the year included costs incurred for projects in progress in restoring the hydroelectric plant exterior and stabilizing the plaza of the former S.U.M. steam plant foundation. For purposes of the Authority's 2011 capital budget, capital expenditures were not budgeted. These costs were considered repair and maintenance expenses.

The previous year's operating budget reflects the receipt of non-operating revenues of an \$180,000 grant from the New Jersey Historic Trust (NJHT) and a matching \$180,000 local subsidy and donation. The Authority will utilize the NJHT grant to assist its lessee of the S.U.M. Power Plant, Algonquin Power, in its responsibility for repairs to the plant. Algonquin Power will provide the required match through a combination of cash and in-kind expenditures for the repair project. During the current year, Algonquin Power paid the Authority \$135,000 and these funds are classified as a customer deposit under current liabilities on the balance sheet as of January 31, 2011. The primary repairs will be to the terra cotta cornice on the building exterior.

The Authority is also working with the City of Paterson which will implement two Green Acres projects on MUA property. Improvements are planned for Mary Ellen Kramer Park and for the first phase of Overlook Park, which will include the stabilization on the plaza of the former S.U.M. Steam Plant foundation. Both Projects will be administered by the City under a license agreement. In the current year, the city took bids and awarded the contract to Sparwick Contracting for the plaza stabilization.

Long-Term Debt:

The MUA financial statements do not have long-term debt for the fiscal year ended January 31, 2011. Long term debt was not budgeted for fiscal year ended January 31, 2012.

FACTORS BEARING ON THE AUTHORITY'S FUTURE

At the time these financial statements were prepared and audited, the Authority was not aware of any circumstances that could have a significant effect on its future financial health.

As almost all of the Authority's revenue comes from the hydroelectric plant lease, a significant impediment to the flow of the river could in the long run affect MUA's revenue stream.

PATERSON MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF NET ASSETS

JANUARY 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
<u>Current Assets</u>		
Cash	\$ 186,436	\$ 22,829
Invested Funds	1,108,192	1,145,590
Grants Receivable	<u>58,639</u>	<u>-</u>
Total Current Assets	1,353,267	1,168,419
<u>Capital Assets</u>		
Land	1,911,027	1,911,027
Buildings and Improvements	287,030	287,030
Restoration Projects in Progress	70,411	-
Office Equipment	5,853	5,853
Less: Accumulated Depreciation	<u>(184,270)</u>	<u>(175,236)</u>
Capital Assets-Net	<u>2,090,051</u>	<u>2,028,674</u>
TOTAL ASSETS	<u><u>\$ 3,443,318</u></u>	<u><u>\$ 3,197,093</u></u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accrued Liabilities	\$ 23,126	\$ 13,580
Refundable Deposit	<u>135,000</u>	<u>-</u>
	<u>158,126</u>	<u>13,580</u>
<u>Non-Current Liabilities</u>		
Security Deposit	<u>16,400</u>	<u>16,400</u>
	<u>16,400</u>	<u>16,400</u>
TOTAL LIABILITIES	<u>174,526</u>	<u>29,980</u>
<u>Net Assets</u>		
Invested in Capital Assets	2,090,051	2,028,674
Unrestricted	<u>1,178,741</u>	<u>1,138,439</u>
Total Net Assets	<u>3,268,792</u>	<u>3,167,113</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,443,318</u></u>	<u><u>\$ 3,197,093</u></u>

See accompanying notes to financial statements.

PATERSON MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED JANUARY 31, 2011 AND 2010

	Unrestricted Net Assets	Net Assets Invested in Capital Assets	Total
BALANCE FEBRUARY 1, 2009 (as restated)	\$ 950,430	\$ 2,037,862	\$ 2,988,292
Net Revenues Over Expenses	188,009	-	188,009
Net Change in Investment in Capital Assets	-	(9,188)	(9,188)
BALANCE JANUARY 31, 2010	1,138,439	2,028,674	3,167,113
Net Revenues Over Expenses	110,713	-	110,713
Net Change in Investment in Capital Assets	(70,411)	61,377	(9,034)
BALANCE JANUARY 31, 2011	<u>\$ 1,178,741</u>	<u>\$ 2,090,051</u>	<u>\$ 3,268,792</u>

See accompanying notes to financial statements.

PATERSON MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES

FOR THE YEARS ENDED JANUARY 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Rental Income	\$ 124,500	\$ 308,381
Grant Awards	92,059	20,035
Interest Income	12,602	23,417
Total Revenues	<u>229,161</u>	<u>351,833</u>
EXPENSES		
Project Manager Services	24,000	24,000
Professional Fees	37,300	35,000
Utilities and Telephone	9,035	8,878
Repairs and Maintenance	35,895	47,953
Preservation & Interpretive Expense	-	35,351
Secretarial Services	3,216	4,300
Administrative Expenses	7,169	5,842
Commissioner Fees	1,833	2,500
Depreciation	9,034	9,188
Total Expenses	<u>127,482</u>	<u>173,012</u>
Net revenues over expenses before transfer of depreciation to invested net assets	101,679	178,821
Transfer of depreciation to invested net assets	9,034	9,188
NET REVENUES OVER EXPENSES	<u>\$ 110,713</u>	<u>\$ 188,009</u>

See accompanying notes to financial statements.

PATERSON MUNICIPAL UTILITIES AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JANUARY 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental and other income received	\$ 157,920	\$ 328,416
Refundable deposits received	135,000	-
Cash payments to suppliers for services	<u>(108,902)</u>	<u>(190,338)</u>
Net Cash Provided by Operating Activities	<u>184,018</u>	<u>138,078</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	12,602	23,417
Sale/(Purchase) of certificates of deposit	37,398	(223,417)
Restoration Projects in Progress	<u>(70,411)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(20,411)</u>	<u>(200,000)</u>
Net Change in Cash	163,607	(61,922)
Cash at Beginning of Year	<u>22,829</u>	<u>84,751</u>
Cash at End of Year	<u>\$ 186,436</u>	<u>\$ 22,829</u>
Reconciliation of operating income to net cash provided by operating activities		
Net revenues over expenditures	\$ 110,713	\$ 188,009
Less: Non-operating revenues	<u>(12,602)</u>	<u>(23,417)</u>
Operating income	98,111	164,592
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities		
(Decrease) in grant receivable	(58,639)	-
Increase (Decrease) in accrued liabilities	9,546	(16,478)
Increase (Decrease) in deferred revenues	<u>135,000</u>	<u>(10,036)</u>
	85,907	(26,514)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 184,018</u>	<u>\$ 138,078</u>

See accompanying notes to financial statements.

PATERSON MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies of Paterson Municipal Utilities Authority is presented to assist in understanding the Authority's financial statements.

Organization

The Paterson Municipal Utilities Authority was created on August 11, 1981 to develop the existing site, which would provide the generation of hydroelectric power, in Passaic County, New Jersey. As a public body, under existing statute, the Authority is exempt from both Federal and State income taxes.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments.

Revenue Recognition

Revenue from rentals is recognized based on the terms of the lease agreement.

Capital Assets

Capital assets consist of property, plant, and equipment originally recorded at cost on date of acquisition. The Authority capitalizes all capital assets over \$1,500. Repairs, maintenance, and minor replacements are expensed as incurred. The Authority uses straight-line methods to compute its annual depreciation expense over the useful lives of its assets as follows:

Buildings	40 Years
Improvements	10-40 Years
Office equipment	5 Years

Fair Value Measurements

The Authority has adopted SFAS-157, Fair Value Measurements, subsequently included in the codification as ASC 820. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

PATERSON MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Continued

In determining fair value, the Authority uses valuation approach. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1-Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2-Valuation based on quoted price in markets that are not active, or for which all significant inputs are observable, either directly or indirectly.

Level 3-Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on inputs that are less observable in the market, the determination of fair value requires more judgment. The estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future that cannot be reasonable determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market exist. Accordingly, the degree of judgment exercised by the Authority in determining fair value is greatest for assets and liabilities categorized as Level 3.

PATERSON MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Continued

The carrying amounts of cash and investments funds approximate fair value because of the short maturity of these financial instruments. The Authority's financial instruments are summarized as follows:

<u>Asset</u>	<u>Fair Value</u>	<u>Level 1</u>
Cash	\$ 186,436	\$ 186,436
Invested Funds	\$ 1,108,192	\$ 1,108,192

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 INVESTED FUNDS

Invested funds are primarily certificates of deposit and are stated at cost plus accrued interest. The investments are maintained at high quality banking institutions.

NOTE 3 SITE LEASE

The Authority had entered into a leasing agreement with the Great Falls Hydroelectric Company (GFHC) in which the tenant agreed to develop the site. The net lease, which is dated September 10, 1984, expires on March 10, 2021. The minimum annual rental of \$99,000 per year was effective January 1, 1987. There are provisions for additional rent adjustments, which will not be realized until the facility generates greater kilowatt hours. The lease also calls for an annual insurance reimbursement. During Fiscal 2001 GFHC transferred its rights under the lease to Algonquin Power Fund (America), Inc. which now operates GFHC.

PATERSON MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2011 AND 2010

NOTE 3 SITE LEASE - CONTINUED

In fiscal year ending January 31, 2011 and 2010, the Authority received additional rent in the amount of \$-0- and \$183,881, respectively for rent adjustment due to increase in purchase price.

NOTE 4 CAPITAL SUBSIDY

Net assets (invested in capital assets) include contributed capital of \$2,090,051 and \$2,028,674, net of allocated depreciation, at January 31, 2011 and 2010, respectively.

NOTE 5 COMMITMENTS AND CONTINGENCIES

Contributed Capital

The City of Paterson carries on its books an amount in excess of \$3 million in connection with its original investment in the Authority. A loan of \$2 million from the U.S. Department of Housing and Urban Development was originally used to fund the transfer of land to the Authority. The city paid back the loan with interest in annual installments from 1983 through 1988. The Authority accounted for the funds as contributed capital. Repayment of any part of this remains an unresolved issue with the City.

Grants

In fiscal year 2010, Paterson Municipal Utilities Authority was awarded a grant from the New Jersey Historic Trust Fund amounting to \$180,000. In fiscal year 2011 the MUA also received matching funds of \$135,000 from Algonquin Power Fund (America), Inc. The funds are to be used for the restoration of Great Falls Power Plant. In addition, The MUA received \$44,407 grant from the Passaic County Open Space Trust Fund in fiscal year ending January 31, 2011.

Contract Fees

The Paterson Municipal Utilities Authority contracted with an engineering firm to design an outdoor theatre structure to be placed on the Authority's property. The consultants presented a claim for additional compensation which was not accepted by the MUA. The MUA requested additional documentation which has not been provided. A potential liability exists if the engineering firm seeks to collect remuneration for the additional work performed. Management believes that the ultimate resolution of these matters will not have a material adverse effect upon the Authority's financial position or results of operations.

PATERSON MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2011 AND 2010

NOTE 6 REFUNDABLE DEPOSIT

The Authority received a matching grant from Algonquin Power Fund (America), Inc. in fiscal year 2010-2011 for restoration of the power plant. The work is scheduled in the following fiscal year and so, the total amount of \$135,000 received is recorded as refundable deposit in the accompanying financial statements.

NOTE 7 PRIOR PERIOD ADJUSTMENT

During the year ended January 31, 2009, it became apparent that an error was made in the year ended January 31, 2008 financial statements resulting in the misclassification of unrestricted net assets in the amount of \$385,282. A prior period adjustment was made resulting a decrease of the beginning unrestricted net assets and change in net assets invested in capital assets in that amount.

NOTE 8 SUBSEQUENT EVENTS

Management has reviewed events subsequent to January 31, 2011, up through the financial statements issuance to evaluate their effect on the fair presentation of the financial statements. As of the issuance date of April 20, 2011, there have been no events that are required to be disclosed in order to present fairly the financial position and changes in net assets of the Authority.

**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**

Paterson Municipal Utilities Authority
Paterson, New Jersey

We have audited the financial statements of Paterson Municipal Utilities Authority (the Authority), as of and for the year ended January 31, 2011, and have issued our report thereon dated April 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity'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 Authority'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.

This report is intended solely for the information and use of the trustees and management of Paterson Municipal Utilities Authority and the Bureau of Authority Regulation. However, this report is a matter of public record and its distribution is not limited.

Malague Associates, LLC

April 20, 2011
Jersey City, New Jersey

PATERSON MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2011 AND 2010

SCHEDULE OF AUDIT FINDING

Current Audit Finding

There were no significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Status of Prior Audit Finding

There were no findings in prior year.

SUPPLEMENTARY INFORMATION

PATERSON MUNICIPAL UTILITIES AUTHORITY

SUPPLEMENTARY INFORMATION

**Schedule of Cash Receipts, Cash Disbursements and
Changes in Cash and Invested Funds - Unrestricted Accounts**

FOR THE YEARS ENDED JANUARY 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash and Invested Funds - Beginning	\$ 1,168,419	\$ 1,006,924
Cash Receipts		
Rental and Other Income	157,920	328,416
Interest on Investments	12,602	23,417
Refundable Deposits	<u>135,000</u>	<u>-</u>
Total Cash and Invested Funds Available	<u>1,473,941</u>	<u>1,358,757</u>
Cash Disbursements		
Operations	108,902	190,338
Capital Outlay	<u>70,411</u>	<u>-</u>
Total Cash Disbursements	<u>179,313</u>	<u>190,338</u>
Cash and Invested Funds - Ending	<u>\$ 1,294,628</u>	<u>\$ 1,168,419</u>
Balance Comprised of		
Cash	186,436	22,829
Invested Funds - Certificates of Deposit	<u>1,108,192</u>	<u>1,145,590</u>
TOTAL	<u>\$ 1,294,628</u>	<u>\$ 1,168,419</u>

See accompanying notes to financial statements.

PATERSON MUNICIPAL UTILITIES AUTHORITY

SUPPLEMENTARY INFORMATION

**Schedules of Operating Revenues and costs Funded
by Operating Revenues Compared to Budget**

FOR THE YEARS ENDED JANUARY 31, 2011 AND 2010

	<u>2011 Budget</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
REVENUES			
Rental Income-Land Lease	\$ 99,000	\$ 99,000	\$ 282,881
Rental Income - Other	25,500	25,500	25,500
Grant Award	360,000	92,059	20,035
Interest Income	<u>18,000</u>	<u>12,602</u>	<u>23,417</u>
TOTAL REVENUES	<u>502,500</u>	<u>229,161</u>	<u>351,833</u>
 EXPENDITURE			
<u>Operating</u>			
Project Manager Services	24,000	24,000	24,000
Professional Fees	38,500	37,300	35,000
Utilities and Telephone	10,800	9,035	8,878
Repairs and Maintenance	390,000	35,895	47,953
Secretarial Services	3,000	3,216	4,300
Administrative Expenses	6,000	7,169	5,842
Commissioner Fees	2,500	1,833	2,500
Engineering Fees	<u>65,000</u>	<u>-</u>	<u>35,351</u>
	539,800	118,448	163,824
 <u>Other Costs Funded by Revenues</u>			
Capital Outlay	<u>-</u>	<u>70,411</u>	<u>-</u>
 Total Costs Funded by Revenues	539,800	188,859	163,824
 Add: Surplus	<u>(37,300)</u>	<u>40,302</u>	<u>188,009</u>
	<u>\$ 502,500</u>	<u>\$ 229,161</u>	<u>\$ 351,833</u>

See accompanying notes to financial statements.