

THE READING PARKING AUTHORITY
A Component Unit of The City of Reading

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2009 and 2008

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**To the Members of the Board
The Reading Parking Authority
Reading, Pennsylvania**

Independent Auditor's Report

We have audited the accompanying financial statements of business-type activities of The Reading Parking Authority, a component unit of the City of Reading, as of December 31, 2009 and 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to audits contained in the *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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of The Reading Parking Authority as of December 31, 2009 and 2008, and respective changes in financial position and cash flows for the years 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 15, 2010 on our consideration of the Reading Parking Authority'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 considered in assessing the results of our audit.



Information included under Management's Discussion and Analysis is not a required part of the basic financial statements but is 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 methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Reading Parking Authority's basic financial statements. The Budgetary Comparison Schedule is presented for additional analysis and is not a required part of the basic financial statements. The Budgetary Comparison Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with the provisions of Article IX, Sections 5.01 and 9.07 of the Trust Indenture dated April 1, 1993 between the Reading Parking Authority and the bond trustee, nothing came to our attention for the year ended December 31, 2009 and 2008, which caused us to believe that the provisions of the Trust Indenture had not been complied with.

Herbein + Company, Inc.

Reading, Pennsylvania
April 15, 2010

Reading Parking Authority

April 15, 2010

Reading Parking Authority

Management's Discussion and Analysis

This section presents management's analysis of the Authority's financial condition and the Authority's performance over the course of the year ended December 31, 2009. Please read this in conjunction with the Authority's financial statements, which follows this section.

Financial Highlights

The Authority performed well within budgetary guidelines for the year ended December 31, 2009 and performed well within its debt covenants. The following are key financial highlights:

The Parking Authority is constructing a nine hundred and twenty nine (929) space garage in 2009 to provide parking for the proposed DoubleTree Convention Center hotel to be built in late 2011. The Parking Authority initially financed their Series 2009 debt for \$8,700,000 from National Penn Bank in December 2008 for the garage. However, the Authority took advantage of the Build America Bonds (BAB) for \$8.2MM that became available in February 2009 whereby the Federal government pays 35% of the interest on the borrowed money. The bond was secured from Fulton Bank. Although the Parking Authority paid approximately \$70,000 in closing costs for the initial loan with National Penn Bank, the Authority saved enough money to warrant the switch to the BAB loan from Fulton. The funding for the project includes an \$8.2MM pay down loan under the administration's Build America Bond (BAB) from Fulton Bank, \$6.0MM grant provided by the State of Pennsylvania and a bridge loan for \$6.0MM in the event the grant is not available when needed. The loan to the Parking Authority will result in an additional \$500,000 in bond debt overall starting in 2011.

The Parking Authority authorized a \$4,000,000 payment to the City of Reading in April of 2009, eliminating our debt with the City of Reading and providing a "gift" of approximately \$1,279,551 to assist the city with their underfunded budget for 2009. The Authority also eliminated the following specific debts with the City of Reading: \$1,029,196 remaining on the Pooled Capital Program of the Washington County Authority for the construction of the Reed and Court garage, \$68,221 for the land purchase for the Reed and Court garage and \$800,000 remaining on the purchase of the Wyndham garage. The Authority also eliminated the existing city debt whereby the City of Reading had paid on behalf of the Parking Authority under the city guarantee for the Authority debt. The payments will enhance our debt to earnings ratio and further posture the Reading Parking Authority to make systematic financial contributions to the city in the near future.

The Reading Parking Authority and the Reading Redevelopment Authority again joined forces in the development of property to build the DoubleTree Convention Center garage. The Parking Authority purchased the land from the Reading Redevelopment Authority for \$178,525 and further joined forces to apply for a \$6MM state grant to assist in funding the project. The Redevelopment Authority was paid \$10,000 by the Parking Authority to apply, monitor and administer the grant for the Parking Authority.

"Park smart, park legal, everyday."

April 15, 2010

The Authority reviewed the recommendations from the Parking Study conducted by Walker Parking Consultants at the end of 2008 and implemented parking rates increases for 2009. Meter hourly rates increased from \$.75 per hour to \$1.00 per hour and meter violations increased from a \$12.00 (initial violation) and \$15.00 (late fee defined as after 10 days) to \$15.00 for the initial violation to \$30.00 for late payment. The Authority also increased monthly permit rates 13% from \$72 per month to \$82 per month. Other modest rate increases were implemented for maximum daily rates in garages, residential monthly rates, new late payment penalties, event parking, and discounted parking daily/hourly stamps.

The Authority experienced a major unexpected maintenance repair to our 4th and Cherry parking garage. Visual observation of surface spalling was investigated and a structural engineer was hired to investigate. After further intense investigation, the garage underwent significant repairs costing the Authority \$886,000 to ensure the integrity of the structure. The Authority was very fortunate in that we were able to continue to use the garage during the four month construction process without loss of revenue. The Authority is now assured that the structure will last another 20-25 years without significant maintenance costs.

The Authority replaced all of our lights (a total of 2,529 lights) throughout the Parking Authority in 2009. The old metal halide and high pressure sodium lights were expensive to maintain, expensive to operate and expensive to replace. The new florescent lights provided a high light dispersion, increased candle light power (illumination), and are very inexpensive to operate. The new light installation was completed in February 2009 and the Authority saved over \$85,000 alone in operating costs. Lastly, and most importantly, the lights were provided and installed free by the federal Honeywell lighting program designed to reduce lighting costs across the country.

Lastly, the Authority took another serious look at increasing health insurance deductibles even though we are bound by union contract deductible limits. The Authority met with union representatives, AFSCME 88 and crafted a mutually beneficial deductible plan that benefited the workers and the Parking Authority and at the same time significantly reducing our premiums for health insurance.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, the current budget year, bond Resolutions and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector.

The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements. The statement of net assets presents the financial position of the Authority on a full accrual historical cost basis. While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net assets presents the result of the business activities over the course of the fiscal year and the amounts by which the net assets changed during the year. All changes in net assets are reported concurrently with the occurrence of the underlying event giving rise to the change, regardless of the timing of the related cash flows.

The statement of cash flows reports changes in cash and cash equivalents resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursements

April 15, 2010

information, without consideration of the earnings event, the timing of any arising obligations, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of the financial data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events. Supplementary information comparing the budget to actual expenses is also provided.

Financial Analysis

A summary of the Authority's net assets and changes in net assets is presented below together with pertinent comments and information.

Summary of Net Assets

	December 31	
	2009	2008
Total Current Assets	\$8,638,048	12,498,603
Net Property & Equip (plus other assets)	<u>\$39,898,363</u>	<u>33,452,080</u>
Total Assets	\$48,536,411	45,950,683
Total Current Liabilities	\$6,094,037	3,513,890
Total Non-current Liabilities	<u>\$30,619,150</u>	<u>\$31,211,046</u>
Total liabilities	\$36,713,187	\$34,724,936
Net assets:		
Invested in capital assets, net of related debt	\$2,641,909	0
Net Assets, unrestricted	<u>\$11,823,224</u>	<u>\$11,225,747</u>
Total Liabilities and Net Assets	<u>\$48,536,411</u>	<u>\$45,950,683</u>

Changes in Net Assets

	December 31	
	2009	2008
OPERATING REVENUES		
Parking Fees	\$5,108,271	\$5,069,002
Violations and Meters	\$2,872,632	\$2,816,649
Management fees	<u>\$ 83,826</u>	<u>\$ 37,822</u>
	\$8,064,729	\$7,923,473
OPERATING & ADMIN EXPENSES		
Depreciation	\$1,248,610	\$1,239,720
Insurance	\$247,144	\$227,894
Rent-Meters	\$399,996	\$399,996
Utilities	\$204,759	\$291,208
Wages	\$1,263,619	\$1,224,727
Other expenses	<u>\$591,701</u>	<u>\$686,332</u>
	\$3,955,829	\$4,069,877
INCOME FROM OPERATIONS		
OTHER REVENUES		
Income from operations	\$4,108,900	\$3,853,596
Total other revenues (expenses)	<u>(\$3,511,423)</u>	<u>(\$1,546,037)</u>
Net Income	\$597,477	\$2,307,559
Total net assets, beginning of year	\$11,225,747	<u>\$8,918,188</u>
Total net assets, end of year	<u>\$11,823,224</u>	<u>\$11,225,747</u>

April 15, 2010

The Authority's operating revenues increased slightly from 2008 to 2009 at \$7,923,473, to \$8,064,729 respectively or \$114,256. The largest increase in operating revenues (\$46,004) or 221% of management fees was due to the closing of our Penn Court open lot (due to the construction of our new parking garage) and the subsequent monthly permits increased in the Barta Park'n Transit garage. It should also be noted that our remaining garages also absorbed the redistribution of revenue lost from the Penn Court closing thereby minimizing the overall impact to the Authority.

Our total operating and administrative expenses decreased from \$4,069,877 in 2008 to \$3,955,829 in 2009 due to a significant decrease in utilities explained by the removal of cost inefficient lighting and replacing those lights with cost efficient florescent lighting which was obtained and installed at no cost to the Reading Parking Authority.

Schedule of Capital Assets and Long Term Debt

	2009	2008
Land	\$2,614,070	\$2,435,545
Parking facilities	\$45,655,671	\$45,672,618
Buildings/Other property	\$395,523	\$395,523
Leasehold improvements	\$144,620	\$144,620
Parking equipment	\$1,220,965	\$1,001,958
Office equip & vehicles	\$407,116	\$407,116
Construction in-progress	<u>\$7,639,407</u>	<u>\$331,218</u>
Total gross capital assets	\$58,077,372	\$50,388,598
Accumulated depreciation	<u>(\$19,067,925)</u>	<u>(\$17,819,315)</u>
Net Property/Equipment	\$39,009,447	\$32,569,283

The Parking Authority acquired the previously leased property in July 2009 for the location of our new DoubleTree Convention Center garage. The garage is approximately 80% complete as of 1 April 2010.

The Authority increased our vehicle fleet with the addition of a new garage street sweeper vehicle from Tennant. Our aging boss sweeper was replaced after 15 years of service.

The Authority's accumulated depreciation increased for the second year in a row with 2009 at \$19,067,925 over 2008's \$17,819,315 due to the continued depreciation of the Second and Washington parking garage which was completed in late 2007.

The long term debt is being paid as required by bond covenants and the Authority continues to look for ways for the debt to be reduced overall. A large portion of debt, \$1,897,417 with the City of Reading. Additionally we are in the final steps of drawing on the \$6MM RCAP grant provided by the State of Pennsylvania to reduce debt for the new garage construction expected to be completed in August 2010.

Economic Factors and Future Developments

The new DoubleTree Convention Center garage will be completed in the third quarter of 2010. Timely availability and utilization of the \$6MM state grant will be important in satisfying final construction costs without significant and long term use of the short term bridge loan that matures in three years (1 June 2012). Subsequent construction of the DoubleTree Convention Center will also be instrumental in the financial success of the new garage. The garage is located in the middle of the downtown area and the Authority anticipates high demand for the additional parking spaces. Conventions, weddings, seminars, symposiums, Christmas parties, barmitzfvahs, special event parking and a variety of other activities should keep the parking facility busy.

April 15, 2010

The Authority will need to monitor the MET-ED electric deregulation in 2010 as it may have a significant impact on energy costs for our facilities. The Authority was fortunate to change all of our lighting fixtures in 2009 and save \$85,000 in energy costs alone. These new inexpensive florescent fixtures coupled with an extremely energy efficient fixture should minimize any energy cost increases.

Another new initiative in 2010 is the more efficient and well distributed adjudication process for our parking tickets by the courts. In previous years, all parking violations were heard by only one district justice. A new plan to be implemented in March 2010 will more equally distribute the heavy judicial work load for ticket hearings to four district justices thereby eliminating backlogs for hearings and at the same time provide the accused of a more expeditious hearing at a more convenient local location. The Parking Authority is also aggressively pursuing driver identification for out of state license plates. The new program will allow direct access to out of state plates and consequently greatly assist in the collection process for these parking violators. The program should become effective in the third quarter of 2010.

The Authority Board of Directors has again agreed to assist the city with a \$150,000 donation towards the City of Reading's budget for 2010. Although significantly less than last year's \$4MM contribution, the Parking Authority remains vigilant in supporting the city financially as the Authority becomes more economically stable.

The Parking Authority is also encouraging retail space development on the ground floor of our Boscov Plaza garage (previously named Second and Washington) which is anticipated in the second quarter of 2010. The retail development in this area of the city will provide additional synergy and necessary foot traffic to enhance parking operations as well as support the IMAX Theater and surrounding local businesses. The IMAX Theater has experienced great success in 2009 and additional retail stores and restaurants will provide an even more successful platform for economic development in the area.

Our aging parking facilities will continue to demand capitol improvements for years to come. The Authority estimates a \$50,000 to \$75,000 budget each year to address this problem. However, the Parking Study completed by Walker Parking Consultants in November 2008 made serious mention that the Authority must set aside at least \$385,000 for improving the overall posture of our garages on an annual bases. Our board of directors acknowledges these repair challenges and has aggressively set aside funding for this purpose.

Contacting the Authority's Management

This financial report is designed to provide the Authority's customers, investors, creditors and a related organization – the City of Reading with a general overview of the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact Lawrence Lee, Executive Director – Reading Parking Authority, 613 Franklin Street, Reading, Pennsylvania 19602.

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THE READING PARKING AUTHORITY

STATEMENTS OF NET ASSETS

December 31

ASSETS	2009	2008
CURRENT ASSETS		
Unrestricted assets:		
Cash	\$ 3,374,786	\$ 7,097,940
Accounts receivable	286,006	184,197
Prepaid expenses	45,802	47,137
	<u>3,706,594</u>	<u>7,329,274</u>
TOTAL UNRESTRICTED ASSETS	3,706,594	7,329,274
Restricted assets:		
Cash and temporary investments held by trustee:		
Custodian account	1,092	1,087
Debt service funds	5,564	49,703
Debt service reserve funds	4,924,798	5,118,471
Clearing funds	-	68
	<u>4,931,454</u>	<u>5,169,329</u>
TOTAL RESTRICTED ASSETS	4,931,454	5,169,329
TOTAL CURRENT ASSETS	8,638,048	12,498,603
PROPERTY AND EQUIPMENT		
Land	2,614,070	2,435,545
Parking facilities	45,655,671	45,672,618
Other property	159,241	159,241
Buildings	236,282	236,282
Leasehold improvements	144,620	144,620
Parking equipment	1,220,965	1,001,958
Office equipment	105,368	105,368
Vehicles	301,748	301,748
Construction-in-progress	7,639,407	331,218
	<u>58,077,372</u>	<u>50,388,598</u>
Accumulated depreciation	<u>(19,067,925)</u>	<u>(17,819,315)</u>
NET PROPERTY AND EQUIPMENT	39,009,447	32,569,283
OTHER ASSETS		
Unamortized bond issue costs	556,115	609,731
Unamortized loan origination fees	332,801	273,066
	<u>888,916</u>	<u>882,797</u>
TOTAL OTHER ASSETS	888,916	882,797
TOTAL ASSETS	\$ 48,536,411	\$ 45,950,683

See accompanying notes.

December 31

	2009	2008
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payable from current assets:		
Accounts payable, regular	\$ 191,645	\$ 273,426
Accounts payable, construction project	2,943,442	142,379
Salaries and wages	41,071	38,021
Accrued interest	55,648	55,648
Prepaid parking liability	-	75,824
Current portion of noncurrent liabilities paid from unrestricted assets	102,231	96,097
Total payable from unrestricted assets	<u>3,334,037</u>	<u>681,395</u>
Payable from restricted assets:		
Current portion of capital lease	-	73,495
Current portion revenue bonds payable	2,760,000	2,755,000
Current portion of note payable to City of Reading	-	4,000
Total payable from restricted assets	<u>2,760,000</u>	<u>2,832,495</u>
TOTAL CURRENT LIABILITIES	6,094,037	3,513,890
NONCURRENT LIABILITIES		
Control card deposits	57,286	55,578
Advances - City of Reading	-	823,032
Capital lease obligations	274,244	1,237,987
Net revenue bonds payable	15,709,620	16,835,228
Notes payable	14,578,000	12,259,221
TOTAL NONCURRENT LIABILITIES	30,619,150	31,211,046
TOTAL LIABILITIES	36,713,187	34,724,936
NET ASSETS		
Invested in capital assets, net of related debt	2,641,909	-
Unrestricted, undesignated	8,794,840	10,839,272
Unrestricted, designated	386,475	386,475
TOTAL NET ASSETS	11,823,224	11,225,747
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 48,536,411</u>	<u>\$ 45,950,683</u>

THE READING PARKING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended December 31	
	2009	2008
OPERATING REVENUES		
Parking fees	\$ 5,108,271	\$ 5,069,002
Violations and meters	2,872,632	2,816,649
Management fees and expense reimbursement	<u>83,826</u>	<u>37,822</u>
TOTAL OPERATING REVENUES	8,064,729	7,923,473
OPERATING AND ADMINISTRATIVE EXPENSES		
Accounting	9,800	9,750
Advertising	2,994	828
Bank charges and debt related fees	40,090	68,560
Computer expense	41,975	68,869
Depreciation	1,248,610	1,239,720
Dues and subscriptions	1,033	1,069
Employees' pension plan	71,323	63,740
Insurance	247,144	227,894
Legal and professional fees	57,621	88,002
Meetings, seminars and conventions	4,319	5,992
Miscellaneous	8,948	6,837
Office supplies and expenses	29,358	43,418
Operating supplies and expenses	34,662	38,600
Parking lot repairs and maintenance	130,974	135,669
Payroll service	3,694	3,632
Rent - meters	399,996	399,996
Rent - parking lots	12,167	18,000
Taxes - payroll	95,469	91,872
Telephone	18,350	16,809
Truck expenses	18,920	18,705
Unemployment costs	10,004	5,980
Utilities	204,759	291,208
Wages	<u>1,263,619</u>	<u>1,224,727</u>
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	<u>3,955,829</u>	<u>4,069,877</u>
INCOME FROM OPERATIONS	4,108,900	3,853,596

THE READING PARKING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED

	Year Ended December 31	
	2009	2008
INCOME FROM OPERATIONS - from previous page	4,108,900	3,853,596
OTHER REVENUES (EXPENSES)		
Advertising income	1,625	6,500
Interest income:		
Earned by 1993 Bond Trustee	16,088	24,298
Earned by 2003 Bond Trustee	1	-
Operating funds	79,362	126,128
Gain (loss) on investments:		
Earned by 1993 debt service reserve funds	(152,399)	547,617
Interest expense	(2,101,219)	(2,189,385)
Amortization of bond issue costs and loan origination fees	(76,881)	(66,829)
Contributions to City of Reading	(1,279,551)	-
Other income	1,551	5,634
TOTAL OTHER REVENUES (EXPENSES)	(3,511,423)	(1,546,037)
NET INCOME	597,477	2,307,559
NET ASSETS AT BEGINNING OF YEAR	11,225,747	8,918,188
NET ASSETS AT END OF YEAR	\$ 11,823,224	\$ 11,225,747

THE READING PARKING AUTHORITY

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 7,887,096	\$ 8,017,630
Cash payments to suppliers for goods and services	(1,499,634)	(1,269,753)
Cash payments to employees for services	(1,427,362)	(1,369,853)
	<u>4,960,100</u>	<u>5,378,024</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,960,100	5,378,024
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating revenue	3,176	12,134
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of fixed assets	(4,745,331)	(470,400)
Control card deposits	1,708	463
Repayment of City advance	(823,032)	(550,000)
Repayment of capital lease obligations	(1,036,103)	(54,854)
Proceeds from notes payable	3,348,000	-
Repayment of notes payable	(1,028,221)	(75,000)
Repayment of revenue bonds	(2,755,000)	(2,765,000)
Interest paid	(466,827)	(412,835)
Bond/note issue costs	(83,000)	(38,000)
	<u>(7,587,806)</u>	<u>(4,365,626)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(7,587,806)	(4,365,626)
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to the City	(1,279,551)	-
Receipts of interest and dividends	180,927	172,649
	<u>(1,098,624)</u>	<u>172,649</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,098,624)	172,649
NET INCREASE (DECREASE) IN CASH	(3,723,154)	1,197,181
CASH AT BEGINNING OF YEAR	7,097,940	5,900,759
	<u>7,097,940</u>	<u>5,900,759</u>
CASH AT END OF YEAR	\$ 3,374,786	\$ 7,097,940
	<u>\$ 3,374,786</u>	<u>\$ 7,097,940</u>

See accompanying notes.

THE READING PARKING AUTHORITY
STATEMENTS OF CASH FLOWS - CONTINUED

	Year Ended December 31	
	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 4,108,900	\$ 3,853,596
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,248,610	1,239,720
Changes in:		
Accounts receivable	(101,809)	94,157
Prepaid expense	1,334	(6,501)
Accounts payable	(224,160)	110,742
Salaries and wages	3,049	10,486
Prepaid parking liability	(75,824)	75,824
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 4,960,100</u>	<u>\$ 5,378,024</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Long-term debt incurred for the construction of a parking facility	\$ 3,348,000	\$ 70,000
Capital lease incurred for the acquisition of land	-	76,458

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reading Parking Authority is a government entity created pursuant to an ordinance of the Council of the City of Reading under an act of the General Assembly of the Commonwealth of Pennsylvania, approved June 5, 1947 P.L. 458. The Certificate of Incorporation of the Authority was issued by the Secretary of the Commonwealth of Pennsylvania on October 15, 1953.

The Authority was formed to provide parking facilities to residential and commercial users. In 2002, the Authority began providing management services to parking facilities.

The governing body of The Reading Parking Authority is a board consisting of five members approved by the Mayor of the City.

Financial Reporting Entity

A financial reporting entity is defined based on the concept of accountability. A primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion of the entity would cause the reporting entity's financial statements to be misleading or incomplete is what now constitutes a financial reporting entity for reporting purposes. Based on the application of the criteria for a financial reporting entity, the Authority is considered to be a component unit of the City of Reading. The City of Reading has agreed to guarantee all of the existing revenue bonds of the Authority.

Basis of Presentation and Accounting

All activities of the Authority have been consolidated and are accounted for within a single proprietary (enterprise) fund and presented in one set of financial statements. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Authority's financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or “financial flow” measurement focus. Governmental fund type operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets.

Cash and Investments

Cash includes amounts in highly liquid investments (including restricted assets) with a maturity of three months or less. State statutes authorize the Authority to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are stated at fair value.

Restricted Assets

The Reading Parking Authority entered into a trust indenture and supplements to the indenture with a bank, in connection with the initial issuance of its Revenue Bonds, Series of 1993.

The aforementioned Trust Indenture and the supplements, among other things, provide for the creation and restriction of assets for:

A Construction/Custodian Fund for payment of costs of acquisition or costs of construction relating to the various parking facilities.

A Debt Service Fund into which monies are to be held and pledged irrevocably for payments of principal and interest on such bonds.

A Debt Service Reserve Fund for the purpose of funding deficiencies, which may occur in the Debt Service Fund. The amount in this account at all times must be at least equal to the Debt Service Fund Requirements as stipulated in the Indenture.

A Clearing Fund for deposit and payment of amounts necessary to cover principal on the Bonds maturing during the next year.

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable

All accounts receivable are shown net of an allowance for uncollectible, as applicable. Account receivables are evaluated for collectibility and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives. The straight-line method of computing depreciation is used. Estimated useful lives are as follows:

Parking facilities and buildings	20 - 40 years
Leasehold improvements	10 years
Parking equipment	7 - 10 years
Office equipment	5 - 10 years
Vehicles	5 years

Unamortized Bond Issue Costs

Unamortized bond issue costs represent costs incurred to underwrite and issue the Authority Revenue Bonds, Series of 1993. These costs are amortized using the straight-line method over the life of the related bond. Accumulated amortization is \$891,362 and \$837,746 at December 31, 2009 and 2008, respectively.

Unamortized Loan Origination Fee

Unamortized loan origination fee represents fees paid to the City of Reading for the loans granted related to the issue costs of the 2004, 2006, 2008 and 2009 notes. These fees are being amortized using the straight-line method over the life of the loans. Accumulated amortization is \$112,419 and \$89,172 at December 31, 2009 and 2008, respectively.

Net Revenue Bonds Payable

Deferred Loss on Early Retirement of Debt: Deferred loss on early retirement of debt represents the difference between the book value of the old debt and the amount required to retire the debt. This difference will be amortized over the life of the issues refunded and recorded as interest expense. It is shown net of revenue bonds payable on the balance sheet.

Unamortized Bond Discount/Premium: Unamortized bond discount/premium, Series of 1993 will be amortized as interest using a present value calculation method or straight-line method over the term of the related bond issues. It is shown net of revenue bonds payable on the balance sheet.

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Construction Period Interest

Construction period interest related to the construction and improvements of parking facilities has been capitalized and is being amortized over the life of the respective assets. Capitalized interest for the years ended December 31, 2009 and 2008 was \$0 and \$0, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through April 15, 2010, the date the financial statements were available to be issued. At the time of issuance, the entire balance remaining under the Federally Taxable Parking Revenue Note - Series of 2009 was drawn.

NOTE 2 - CASH AND INVESTMENTS

Cash is carried at cost and investments are carried at market. Cash and investments consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Unrestricted		
Deposits	\$ 3,362,107	\$ 7,087,842
Petty cash	12,679	10,098
	<u>\$ 3,374,786</u>	<u>\$ 7,097,940</u>
Restricted		
Deposits	\$ 1,698,821	\$ 1,620,298
Investments	3,232,633	3,549,031
	<u>\$ 4,931,454</u>	<u>\$ 5,169,329</u>

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of December 31, 2009 and 2008, the carrying amount of the Authority's deposits was \$5,060,928 and \$8,708,140, respectively, and the bank balance was \$5,144,623 and \$8,708,138, respectively. For the years ended December 31, 2009 and 2008, \$501,092 and \$501,087, respectively, of the bank balance was covered by federal depository insurance and the rest was exposed to custodial credit risk because it was uninsured and the collateral held by the depository agent was not in the Authority's name.

Investments

The Authority is permitted to invest funds in:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities back by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approval collateral as provided by law therefore, shall be pledged by the depository.

As of December 31, 2009, the Authority had the following investments:

US Government Issues

	Maturities	Fair Value
Resolution FDG Corp Fed 0% Cpn Strips	4 months - 12 years	\$ 1,423,746
U.S. Treasury Strips	12 years	1,808,887
		\$ 3,232,633

As of December 31, 2008, the Authority had the following investments:

Resolution FDG Corp Fed 0% Cpn Strips	4 months - 13 years	\$ 1,302,026
U.S. Treasury Strips	13 years	2,247,005
		\$ 3,549,031

Investments classified as U.S. Agencies are securities of agencies of the U.S. government that have an implied but not explicit guarantee.

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Interest Rate Risk

The Authority does not have a formal investment policy that limits maturities in certain investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Authority does not have an investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2009 and 2008, the Authority's investments were all rated as AAA by a nationally recognized rating organization.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. 44.0% of the Authority's investments are U.S. Treasury Strips and 56.0% are Resolution FDG Corp Fed 0% Cpn Strips for the year ended December 31, 2009. 36.7% of the Authority's investments are U.S. Treasury Strips and 63.3% are Resolution FDG Corp Fed 0% Cpn strips for the year ended December 31, 2008.

NOTE 3 - ACCOUNTS RECEIVABLE

	December 31	
	2009	2008
Accounts receivable represents monthly parking permits, valometers, revenue from violations due, event revenues and shopping stamps not paid as of the end of the year. It also includes \$64,476 due from the Reading Redevelopment Authority (RRA). The terms of the sales agreement regarding the land the convention center is being built on requires the RRA to pay for any environmental costs related to the land. At December 31, 2009, environmental cleanup costs totaled \$64,476.	<u>\$ 286,006</u>	<u>\$ 184,197</u>

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of changes in property and equipment during the year ended December 31, 2009:

	Balance January 1 2009	Additions	Deletions/ Adjustments	Balance December 31 2009
Capital assets not being depreciated:				
Land	\$ 2,435,545	\$ 178,525	\$ -	\$ 2,614,070
Construction-in-progress	331,218	7,308,189	-	7,639,407
Capital assets being depreciated:				
Parking facilities	45,672,618	-	(16,947)	45,655,671
Other Property	159,241	-	-	159,241
Buildings	236,282	-	-	236,282
Leasehold improvements	144,620	-	-	144,620
Parking equipment	1,001,958	219,007	-	1,220,965
Office equipment	105,368	-	-	105,368
Vehicles	301,748	-	-	301,748
	<u>47,621,835</u>	<u>219,007</u>	<u>(16,947)</u>	<u>47,823,895</u>
Less: accumulated depreciation	<u>17,819,315</u>	<u>1,248,610</u>	<u>-</u>	<u>19,067,925</u>
Total Property and Equipment Being Depreciated, Net	<u>29,802,520</u>	<u>(1,029,603)</u>	<u>(16,947)</u>	<u>28,755,970</u>
Total Property and Equipment, Net	<u>\$ 32,569,283</u>	<u>\$ 6,457,111</u>	<u>\$ (16,947)</u>	<u>\$ 39,009,447</u>

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 4 - PROPERTY AND EQUIPMENT - CONTINUED

The following is a summary of changes in property and equipment during the year ended December 31, 2008:

	Balance January 1 2008	Additions	Deletions/ Adjustments	Balance December 31 2008
Capital assets not being depreciated:				
Land	\$ 2,359,086	\$ 76,459	\$ -	\$ 2,435,545
Construction-in-progress	-	331,218		331,218
Capital assets being depreciated:				
Parking facilities	45,592,577	80,041	-	45,672,618
Other Property	-	159,241	-	159,241
Buildings	240,515	6,985	(11,218)	236,282
Leasehold improvements	144,620	-	-	144,620
Parking equipment	985,184	16,774	-	1,001,958
Office equipment	94,440	10,928	-	105,368
Vehicles	277,295	24,453	-	301,748
	<u>47,334,631</u>	<u>298,422</u>	<u>(11,218)</u>	<u>47,621,835</u>
Less: accumulated depreciation	<u>16,590,813</u>	<u>1,239,720</u>	<u>(11,218)</u>	<u>17,819,315</u>
Total Property and Equipment Being Depreciated, Net	<u>30,743,818</u>	<u>(941,298)</u>	<u>-</u>	<u>29,802,520</u>
Total Property and Equipment, Net	<u>\$ 33,102,904</u>	<u>\$ (533,621)</u>	<u>\$ -</u>	<u>\$ 32,569,283</u>

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 5 - LONG-TERM LIABILITIES

Capital Leases Payable

	December 31	
	2009	2008
<u>Related Party</u>		
On August 1, 1988, the Authority entered into a Lease and Sublease Agreement with the City of Reading. The City and the Authority agreed that the Authority may take advantage of the City's participation in the Pooled Capital Program of the Washington County Authority (WCA). During 1988, the Authority requested the City advance \$4,950,000 and then in 1989, requested an additional \$1,580,000. The Authority agreed to pay rent to the City in varying amounts for a term of years coinciding with the life of the WCA Bond Issue, which rents are sufficient for the City to pay the debt service requirements of the Authority's share of the Subseries B Bonds. On September 5, 1990, the \$4,950,000 advance to the Authority was satisfied by the issuance of the 1990 Bond Issue. On April 22, 2009, the Authority satisfied the outstanding debt in full.	\$ -	\$ 1,029,196
On May 1, 2006, the Authority entered into a lease with the Reading Redevelopment Authority (RRA) for a parcel of land at 2 nd and Washington Streets. The lease includes monthly payments of \$1,667 with the final payment due May 1, 2031. Upon payment by the Authority of all minimum rentals, RRA will convey the leased premises to the Authority within thirty days of request to do so.	<u>281,475</u>	<u>288,383</u>
	<u>281,475</u>	<u>1,317,579</u>
Portion payable within one year and classified as current:		
Payable from restricted assets	-	(73,495)
Payable from unrestricted assets	<u>(7,231)</u>	<u>(6,097)</u>
	<u>\$ 274,244</u>	<u>\$ 1,237,987</u>

THE READING PARKING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - LONG-TERM LIABILITIES - CONTINUED

Revenue Bonds Payable

Gross Bonds payable is comprised of the following individual issue:

	December 31	
	2009	2008
Series of 1993, Guaranteed Authority Bonds were issued under a Trust Indenture dated April 1, 1993, between the Authority and Meridian Capital Markets, the Trustee. A total of \$57,500,000 of bonds were issued. \$18,885,000 of the bonds were fully registered bonds and paid interest semi-annually on May 15 and November 15 of each year. During 2003, \$9,550,000 of the remaining current contract bonds were currently refunded in conjunction with the 2003 bond issue.		
The remaining bonds are capital appreciation bonds, which do not bear current interest. These bonds were issued in the present value principal amount of \$11,418,026 with a stated maturity value of \$38,615,000. The original issue discount of \$27,196,974 will be amortized over the life of the bond issue based on present value calculations. The principal of the bonds will be paid to the registered owners when due and are subject to redemption prior to maturity.		
The bonds are secured by the Debt Service Reserve Fund established under the indenture as well as the City Guaranty and an insurance policy from Municipal Bonds Investors Assurance Corporation.	\$ 30,330,000	\$ 33,085,000
Portion payable within one year and classified as current - payable from restricted assets	<u>(2,760,000)</u>	<u>(2,755,000)</u>
Noncurrent Bonds Payable	27,570,000	30,330,000
Less: Deferred loss on early retirement of debt	<u>(3,325,614)</u>	(3,580,519)
Unamortized bond premium (discount)	<u>(8,534,766)</u>	<u>(9,914,253)</u>
Net Bonds Payable at December 31	<u>\$ 15,709,620</u>	<u>\$ 16,835,228</u>

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 5 - LONG-TERM LIABILITIES - CONTINUED

	December 31	
<u>Notes Payable</u>	2009	2008
<p>On September 30, 2009, the Federally Taxable Parking Revenue Note - Series of 2009 (Build America Bond - Direct Payment) was issued by a local bank for \$8,200,000. \$3,318,000 was drawn on the note as of December 31, 2009 and the balance will be drawn as needed to pay construction expenses related to the 700 Penn Street Project. Repayment of the note begins in 2010 in varying amounts, and the maturity of the note is November 15, 2026. Interest on the note is a taxable fixed rate of 6.30% per annum from the date of issue through November 15, 2019, and thereafter at an interest rate equal to the LIBOR rate plus 1.75%, but not less than 4% or more than 15% per annum.</p>	\$ 3,318,000	\$ -
<p>On June 11, 2009, the Authority issued a Grant Anticipation Note - Series of 2009 with principal not to exceed \$6,000,000. \$30,000 was drawn on the note as of December 31, 2009 to cover issuance costs and the balance will be drawn as needed to pay construction expenses and construction period interest through June 1, 2012. The note was issued to fund construction costs for the construction of a new garage until the state grant monies are available and received (see Note 7). Interest on the note is payable semi-annually May 15 and November 15 at a rate of 4.25% per annum through June 1, 2012, and after a determination of taxability at a rate of 6.34% per annum. The note is due and payable June 1, 2012.</p>	30,000	-
<p>On December 22, 2008, the Series of 2008 Guaranteed Parking Revenue notes was issued by a local bank for \$8,635,000. \$70,000 was drawn on the note as of December 31, 2008 with the balance to be drawn as needed to pay construction expenses beginning 2009. The note was issued to fund construction costs for the construction of a new garage. During the year ended December 31, 2009, the Authority terminated the Series 2008 note and repaid the \$70,000 outstanding which was used for closing costs. No other draw downs were taken on the loan before termination occurred.</p>	-	70,000

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 5 - LONG-TERM LIABILITIES - CONTINUED

	December 31	
	2009	2008
<p>On July 27, 2006, the Series of 2006 Guaranteed Parking Revenue notes was issued by a local bank for \$1,570,000. \$44,250 was drawn on the note as of December 31, 2006 and the balance was drawn as needed to pay construction expenses. The note was issued to fund construction costs for the construction of a new garage. Repayment of the note is due November 15, 2024. Interest on the note is stated at 3.9% per annum from the date of issue through May 15, 2018, and thereafter at an interest rate equal to 70% of the bank's prime rate, not to exceed 7%.</p>	1,570,000	1,570,000
<p>On December 29, 2004, the Series of 2004 Guaranteed Parking Revenue notes was issued by a local bank for \$10,000,000. \$75,000 was drawn on the note as of December 31, 2004 and the balance was drawn as needed to pay construction expenses during 2005 and 2006. The note was issued to fund construction costs for the renovation of one garage and the construction of a new garage. Repayment of the note begins in 2006 in varying amounts, and the maturity of the note is November 15, 2024. Interest on the note is stated at 3.9% per annum from the date of issue through May 15, 2018, and thereafter at an interest rate equal to 70% of the bank's prime rate, not to exceed 6%.</p>	9,755,000	9,845,000
<p><u>Related Party</u> On February 24, 1977, the City of Reading agreed to loan money to the Reading Parking Authority to purchase land for the Reed and Court Street Parking Garage. The loan term is for 96 years with annual principal payments of \$1,000 with final payment due in January, 2074. On April 22, 2009, the Authority satisfied the outstanding debt in full.</p>	-	68,221

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THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 5 - LONG-TERM LIABILITIES - CONTINUED

	December 31	
	2009	2008
<p>On July 26, 1996, the City of Reading agreed to loan money to the Reading Parking Authority to purchase the Abe Lincoln Parking Garage. Two loans were established, a garage loan and a system loan. The garage loan was originally for \$500,000 and then was reduced by \$125,000 for escrowed funds released, bringing the total liability down to \$375,000. In April, 2004, the Authority repaid the garage loan. The System loan is an \$800,000 noninterest bearing note and is payable in thirty (30) annual payments of \$26,667. The note will mature July 26, 2026, and was payable from all receipts and revenues generated by the Authority subject to available cash flow. On April 22, 2009, the Authority satisfied the outstanding debt in full.</p>	-	800,000
	14,673,000	12,353,221
<p>Portion payable within one year and classified as current - payable from unrestricted assets</p>	(95,000)	(90,000)
<p>Portion payable within one year and classified as current - payable from restricted assets</p>	-	(4,000)
	\$14,578,000	\$ 12,259,221

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 5 - LONG-TERM LIABILITIES - CONTINUED

Long-term debt maturities for the years ending December 31 are as follows:

Year Ending December 31	Reading Redevelopment Authority Unrestricted	Revenue Bonds	Notes Payable	
		Payable	Series of 2004	Series of 2006
2010	\$ 20,000	\$ 2,760,000	\$ 90,000	\$ -
2011	20,000	2,755,000	95,000	-
2012	20,000	2,760,000	95,000	-
2013	20,000	2,755,000	105,000	-
2014	20,000	2,745,000	120,000	-
2015 - 2019	100,000	13,740,000	310,000	-
2020 - 2024	100,000	2,815,000	8,940,000	1,570,000
2025 - 2029	100,000	-	-	-
2029 - 2033	53,333	-	-	-
2034 - 2038	-	-	-	-
2039 - 2043	-	-	-	-
2044 - 2048	-	-	-	-
2049 - 2053	-	-	-	-
2054 - 2058	-	-	-	-
2059 - 2063	-	-	-	-
2064 - 2068	-	-	-	-
2069	-	-	-	-
Funds not advanced at year end	-	-	-	-
	<u>453,333</u>	<u>30,330,000</u>	<u>9,755,000</u>	<u>1,570,000</u>
Unamortized interest	-	(11,860,380)	-	-
Capital lease interest	<u>(171,858)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 281,475</u>	<u>\$ 18,469,620</u>	<u>\$ 9,755,000</u>	<u>\$ 1,570,000</u>

* - Includes only interest for bank notes estimated based on stated rates.

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 5 - LONG-TERM LIABILITIES - CONTINUED

Defeasance of Debt 1977 Revenue Bonds

On February 16, 1984, the Authority issued \$8,530,000 in Guaranteed Authority Revenue Bonds with an average interest rate of 7.18%, \$7,780,000 of the proceeds provided for an early retirement of the 1977 Series Authority Revenue Bonds. The net proceeds were deposited into a trust fund to be used to redeem the 1977 Series when the bonds were called. As a result, the 1977 Series Bonds were considered defeased and the liability for those bonds was removed from the revenue bonds payable. At December 31, 2009, \$3,360,000 of bonds outstanding is considered defeased, with \$2,853,861 available in a trust fund.

NOTE 6 - OPERATING LEASES

As part of a City Parking Reorganization Plan, the Authority was empowered to develop, administer and enforce a system of street parking. The agreement was for a four-year period beginning May 1, 2001. The agreement will remain in effect for an additional four-year term beginning May 1, 2005, and every four years thereafter, unless renegotiated by both parties. In return for the collections from violations, the Authority must pay the City \$400,000 per year, payable in equal monthly installments. Future minimum payments under this agreement for the year ending December 31, 2010 are \$400,000.

In addition to the above lease, the Authority also leases various parking lots and equipment under various agreements.

NOTE 7 - REDEVELOPMENT ASSISTANCE GRANT AGREEMENT

The Reading Parking Authority entered into a Cooperation Agreement with the City of Reading and the Reading Redevelopment Authority agreeing to comply with Redevelopment Assistance Capital Funding terms and conditions. The City of Reading was awarded \$6,000,000 of Redevelopment Assistance Capital funding to be used for the 700 Penn Street Project with a total cost of \$14,700,000, with the Reading Parking Authority as a subgrantee. The remaining \$8.7 million of costs related to the project are being paid by private matching funds; costs paid directly from fund balance of the Reading Parking Authority and from funds available through the \$8.2 million Build America Bonds (see Note 5).

NOTE 8 - EMPLOYEES PENSION PLAN

The Authority has adopted a money purchase pension plan for its employees. Annual contributions are based on 8% of the eligible employees' salaries plus 6% of compensation over \$16,500 for non-union employees. During the years 2009 and 2008, contributions in the amount of \$71,323 and \$63,740 were made, respectively.

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 9 - PENNSYLVANIA UNEMPLOYMENT COMPENSATION

Under state law, employees of parking authorities are considered as state employees for the purposes of Pennsylvania Unemployment Compensation. As such, The Reading Parking Authority may not be a contributory employer, but must be a reimbursing employer. The Reading Parking Authority will be required to reimburse the Pennsylvania Unemployment Compensation Act for previous employees of The Reading Parking Authority. At December 31, 2009 and 2008, the Authority had a liability of \$6,883 and \$0, respectively, outstanding to the state.

NOTE 10 - RELATED PARTY TRANSACTIONS

During 1999, the City of Reading agreed to loan \$830,000 to the Reading Parking Authority to fund the payment of the 1993 debt service obligation of the Authority as outlined in the reimbursement agreement dated April 1, 1993. An additional \$675,000 was loaned during 2000 and \$550,000 during 2001. No terms for repayment were established. As part of this agreement, the Authority was to pay a fee of \$231,000 per year to the City beginning January 2, 1994. This fee has been waived in exchange for parking facility permits of an approximately equal value. During the year ended December 31, 2005, \$668,226 was repaid with a \$500,000 cash payment and a transfer of property resulting in a debt reduction of \$168,226. During the year ended December 31, 2006, a debt reduction of \$13,742 was made as a result of an agreement to allow an organization visiting the City free parking for various events. During the years ended December 31, 2009 and 2008, repayments of \$550,000 and \$823,032 were made, respectively. The outstanding debt to the City of Reading was satisfied in full during the year ended December 31 2009.

In addition, the Authority has balances due to and from the City of Reading as of December 31:

	<u>2009</u>	<u>2008</u>
Accounts receivable from the City of Reading (included in the accompanying balance sheets)	\$ 3,282	\$ 279
Accounts payable to the City of Reading (included in the accompanying balance sheets)	54,970	77,717

NOTE 11 - PARKING FACILITY MANAGEMENT AGREEMENTS

The Authority has an agreement in place to manage a parking facility. The agreement with the Berks Area Reading Transportation Authority (BARTA) entitles the Authority to share revenue with BARTA in return for providing services and equipment to operate the facility. Revenues earned on the agreement with BARTA for the years ended December 31, 2009 and 2008 were \$83,826 and \$37,822, respectively.

THE READING PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 12 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Significant losses are covered by commercial insurance for all areas for which the Authority retains risk of loss. There were no material reductions in insurance coverages for the 2009 year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 13 - FUND BALANCE

The Authority Board designated \$386,475 of the fund balance to be used for emergency and safety repairs. The unrestricted/undesignated portion of the fund balance is \$8,794,840.

NOTE 14 - COMMITMENTS

At December 31 2009, the Authority has entered into a number of contracts related to the 700 Penn Street Project (convention center) and 4th and Cherry projects. Contracts awarded and commitments outstanding are as follows:

	<u>Contract Amount</u>	<u>Commitment Remaining</u>
Convention Center:		
Dual Temp. Company	\$ 324,900	\$ 254,900
MBR Construction	842,250	666,400
The Whiting Turner Contracting Company	11,147,244	6,264,494
4th and Cherry:		
Concrete Protection and Restoration	869,465	166,498
	<u>\$ 13,183,859</u>	<u>\$ 7,352,292</u>

The Authority intends to use the remaining available 2009 parking revenue note funds, \$6,000,000 from the Redevelopment Assistance Grant and operating funds to satisfy the remaining commitments.

SUPPLEMENTARY INFORMATION

THE READING PARKING AUTHORITY
BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2009

	<u>BUDGET *</u>	<u>ACTUAL</u> <u>(GAAP Basis)</u>	<u>VARIANCE</u> <u>Final to Actual</u>
REVENUES	\$ 3,978,500	\$ 8,064,729	\$ 4,086,229
EXPENDITURES			
Accounting	10,000	9,800	200
Bank charges and debt related fees	70,000	40,090	29,910
Computer expense	45,000	41,975	3,025
Depreciation expense	1,250,000	1,248,610	1,390
Employees' pension plan	65,000	71,323	(6,323)
Insurance	275,000	247,144	27,856
Legal and professional fees	55,000	57,621	(2,621)
Office supplies	37,000	29,358	7,642
Operating supplies and expenses	38,000	34,662	3,338
Other operating expenses	63,500	43,159	20,341
Parking lot repairs and maintenance	120,000	130,974	(10,974)
Lease of parking meters	400,000	399,996	4
Taxes-payroll	92,000	95,469	(3,469)
Telephone	18,000	18,350	(350)
Truck expenses	20,000	18,920	1,080
Utilities	220,000	204,759	15,241
Wages	1,200,000	1,263,619	(63,619)
TOTAL EXPENDITURES	<u>3,978,500</u>	<u>3,955,829</u>	<u>22,671</u>
INCOME FROM OPERATIONS	-	4,108,900	4,108,900
OTHER REVENUES (EXPENSES)	<u>-</u>	<u>(3,511,423)</u>	<u>(3,511,423)</u>
NET INCOME	<u>\$ -</u>	<u>597,477</u>	<u>\$ 597,477</u>
NET ASSETS - JANUARY 1, 2009		<u>11,225,747</u>	
NET ASSETS - DECEMBER 31, 2009		<u>\$ 11,823,224</u>	

* Original and final budget are the same.



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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards

**To the Board of Directors
Reading Parking Authority
Reading, Pennsylvania**

We have audited the financial statements of Reading Parking Authority as of and for the year ended December 31, 2009, and have issued our report thereon dated April 15, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Reading Parking 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 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 Reading Parking 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Reading Parking Authority in a separate letter dated April 15, 2010.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Herbein + Company, Inc.

Reading, Pennsylvania
April 15, 2010