

***THE READING PARKING AUTHORITY***  
***A Component Unit of the City of Reading***

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Years Ended December 31, 2011 and 2010**

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**HERBEIN+COMPANY, INC.**  
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## INDEPENDENT AUDITOR'S REPORT

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

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, 2011 and 2010, 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 financial 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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, 2011 and 2010, 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 25, 2012 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Reading Parking Authority's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements 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 years ended December 31, 2011 and 2010, which caused us to believe that the provisions of the Trust Indenture had not been complied with.

*Herbein + Company, Inc.*

Reading, Pennsylvania  
April 25, 2012

# Reading Parking Authority

April 25, 2012

## 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, 2011. 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, 2011 and performed well within its debt covenants. The following are key financial highlights:

The Parking Authority continues to seek financial initiatives in the form of refinancing of existing loans to improve our overall financial posture. The refinancing of \$1,570,000 on 22 December 2011 included the replacement of the existing 2006 Build America Bond (3.9% through 15 May 2018 and thereafter at an interest rate equal to 70% of the bank's prime rate – not to exceed 7% with 3.15% through 15 November 2021 at an interest rate equal to 65% of the bank's prime rate – not to exceed 6%). The Authority will also recoup 35% of the interest of the Build America Bond for a "refund" of \$13,650. Closing for this loan was scheduled for 22 December 2011. The Authority will also refinance the existing \$9,570,000 2004 note (3.9% through 15 May 2018 and thereafter at an interest rate of equal to 70% of the bank's prime rate – not to exceed 6% with 3.15% of the bank's prime rate – not to exceed 6%). The total savings through 2017 will be \$430,823 after expenses. The closing of this loan was 12 January 2012.

The first full year of the operation of the Doubletree Convention Center garage netted a modest \$187,987. The DoubleTree is at 25% occupancy which is far less than anticipated. Lack of funding for the construction of the DoubleTree Convention Center will result in less than full utilization of the DoubleTree garage. The Authority has minimized the negative impact of the limited use of the garage, and has maximized the garage finances with full receipt of the \$6.0MM Redevelopment Assistance Capital Program (RCAP) grant.

The Authority continues to be an active contributor to the City of Reading's Act 47 recovery plan.

	2010	2011	2012	2013	2014	Total
Annual	\$100,000	\$600,000	\$600,000	\$600,000	\$600,000	\$2.5MM
PILOT	\$ 0	\$350,000	\$400,000	\$450,000	\$500,000	\$1.7MM
Meters	\$550,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2.15MM
	\$650,000	\$1,350,000	\$1,400,000	\$1,450,000	\$1,500,000	\$6.35MM

Although our contribution doubled in 2011, the Authority continues to make systematic monthly payments to meet our requested contribution to the overall city recovery under the Act 47 plan.

*"Park smart, park legal, everyday."*

The Authority encountered a number of serious injuries in parking enforcement in 2011 with a twelve month disability for one employee and an eleven month disability for another employee. Consequently, the Authority could not find a private company to offer workers compensation commencing 1 December 2011 and was required to accept coverage through the State Worker's Compensation Program. The fees for workers compensation increased from \$42,000 in 2010 to over \$125,326 in 2011/2012. The implementation of an employee safety manual and mandated safety committee meetings are anticipated to lower our premium along with directed management practices in 2011/2012.

The Authority completed our revenue control equipment upgrades/standardization in August 2011. The upgrades cost the Authority \$241,265 but the advantages (same equipment in all eight {8} garages, ease of repairs and repair parts, credit card capabilities throughout the organization, and increased equipment reliability and two garages equipped with total automation) outweigh the unfortunate lay off of four {4} booth attendants. The equipment has a return on investment of just two and one-half years. The automation upgrade will allow us to streamline our daytime as well as night time operations while not jeopardizing our commitment to customer service.

The Authority also upgraded our parking meter plant by replacing three hundred and eighty-five old, and unreliable mechanical parking meters with electronic meters capable of taking nickels, dimes, quarters and dollar coins. The used meters were purchased at \$65 each for a total of \$25,025. The upgrade also allowed us to standardize the meter fees at \$1.50 per hour across the entire city with a total number of meters citywide of eight hundred and thirty five.

The Authority bid out our electric consumption for all of our garages and awarded a two year locked in rate with Constellation Energy commencing 1 January 2011 at \$.068552 per kilowatt hour which has resulted in a gross savings of over \$33,607 in 2011. This coupled with our recent standardization and change to florescent lights has made our facilities very energy efficient.

Lastly, the Authority once again took another serious look at increasing health insurance deductibles even through 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 for a second straight year.

### **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 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	
	2011	2010
Total Current Assets	\$10,083,348	\$9,714,500
Net Property & Equip (plus other assets)	<u>\$44,391,365</u>	<u>\$45,791,562</u>
Total Assets	\$54,474,713	\$55,506,062
Total Current Liabilities	\$3,268,595	\$3,419,962
Total Non-current Liabilities	<u>\$29,924,061</u>	<u>\$32,550,747</u>
Total liabilities	\$33,192,656	\$35,970,709
Total Net Assets:	\$21,282,057	\$19,535,353
Total Liabilities and Net Assets	<u>\$54,474,713</u>	<u>\$55,506,062</u>

**Changes in Net Assets**

	December 31	
	2011	2010
<b>OPERATING REVENUES</b>		
Parking Fees	\$5,314,860	\$5,157,155
Violations and Meters	\$2,971,561	\$2,844,554
Management fees	<u>\$ 74,924</u>	<u>\$ 96,232</u>
	\$8,361,345	\$8,097,941
<b>OPERATING &amp; ADMIN EXPENSES</b>		
Depreciation	\$1,612,525	\$1,363,041
Insurance	\$278,747	\$283,997
Rent-Meters	\$400,000	\$399,996
Utilities	\$228,053	\$227,132
Wages	\$1,217,152	\$1,263,229
Other expenses	<u>\$580,825</u>	<u>\$567,673</u>
	\$4,317,302	\$4,105,068
<b>INCOME FROM OPERATIONS</b>		
<b>OTHER REVENUES</b>		
Income from operations	\$4,044,043	\$3,992,873
Total other revenues (expenses)	<u>(\$2,297,339)</u>	<u>\$3,719,256</u>
Net Income	\$1,746,704	\$7,712,129
Total net assets, beginning of year	\$19,535,353	\$11,823,224
Total net assets, end of year	<u>\$21,282,057</u>	<u>\$19,535,353</u>

The most significant change in expenses and other revenues comes from the monies provided under the Redevelopment Assistance Capital Program (RACP) grant in 2010 at \$5,755,390 compared to \$244,610 for 2011. Further, the Authority more than doubled the contribution to the City of Reading under the Act 47 program in 2011 at \$950,000 compared to \$150,000 in 2010. Therefore, the total other revenue (expenses) in 2011 were a negative (\$2,297,339) compared to a positive \$3,719,256 for 2010 when considering grant revenues.

The Authority's total operating revenues grew by a modest 3.2% in 2011 at \$8,361,345 compared to 2010s revenue of \$8,097,941.

**Schedule of Capitol Assets and Long Term Debt**

	2011	2010
Land	\$2,614,070	\$2,614,070
Parking Facilities	\$60,721,071	\$60,641,362
Buildings/Other property	\$395,523	\$395,523
Leasehold improvements	\$144,620	\$144,620
Parking equipment	\$1,484,047	\$1,230,117
Office equip & vehicles	\$407,099	\$407,116
Construction in-progress	-	-
Total gross capitol assets	\$65,766,430	\$65,432,808
Accumulated depreciation	(\$22,026,464)	(\$20,430,966)
Net Property/Equipment	\$43,739,966	\$45,001,842

Our net property and equipment took a slight dip in value due to depreciation of the new DoubleTree Convention garage being in operation an entire year. The Authority continued its moderation of revenue control equipment accounting for the increase in parking equipment value.

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. The refinancing of over \$16MM with Fulton Bank will benefit the Authority significantly in reducing our overall annual bond payments. Further, the direct pay down of \$1MM from the last of the grant monies received in January reduced our overall debt to revenue ratio.

**Economic Factors and Future Developments**

The new DoubleTree Convention Center garage was completed 1 September 2010. However, the subsequent delay in the construction of the DoubleTree Convention Center will adversely affect our cash flow from revenues of the new garage. The Authority has received \$6MM from the state grant and therefore has minimized the impact of not having the convention center built. The final two grant payments totally \$2.66MM was directly applied to the \$8.20MM borrowed to construct the garage. The garage is located in the middle of the downtown area and the County of Berks will utilize 300 parking spaces in the DoubleTree garage in 2012 for 8-10 months while their parking facility is renovated. This one time influx of revenue will help us bridge the gap in time for the construction of the convention center.

The pursuit of civil parking ticket adjudication in 2012 instead of the existing criminal prosecution of parking offenses using local district justices should be implemented in 2012. In house civil hearings of parking tickets should significantly reduce wait time for offenders and allow quicker and less expensive payment options for guilty offenders. The new adjudication process should also eliminate a heavy load on the district justices as well as costly warrants to locate and prosecute offenders. Utilization of bad credit ratings coupled with immediate towing for delinquent accounts should render the new civil processing system cost effective.

The Authority will be required to renegotiate our labor agreement with AFSCME 88 in September 2012. Health care, pensions, raises and other critical employee benefits will be important in maintaining a qualified and sustainable work force in 2012 and beyond.

The Authority continued to close the loop on our out-of-state parking violators. We were the first Parking Authority in the State of Pennsylvania to obtain JNET/CLEAN authorization that will allow instant internet access for license plate identification both in state and out of state vehicle owners. The Authority collected \$86,136 in 2011 for out of state violators which is up from \$68,895 in 2010. Compliance is approximately 50% from letter notification to the violators.

Lastly and perhaps most importantly is our financial contribution to the City of Reading under Act 47 which is outlined below.

	2010	2011	2012	2013	2014	Total
<b>Annual</b>	\$100,000	\$600,000	\$600,000	\$600,000	\$600,000	\$2.5MM
<b>PILOT</b>	\$ 0	\$350,000	\$400,000	\$450,000	\$500,000	\$1.7MM
<b>Meters</b>	<u>\$550,000</u>	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$2.15MM</u>
	\$650,000	\$1,350,000	\$1,400,000	\$1,450,000	\$1,500,000	<b>\$6.35MM</b>

These specified contributions noted above to the City of Reading will challenge our abilities to meet our own fiduciary operational responsibilities in addition to being an active participant in resolving the City of Reading's financial shortfalls over the next three years.

#### **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.

**THE READING PARKING AUTHORITY**  
**STATEMENTS OF NET ASSETS**

	December 31	
ASSETS	2011	2010
<b>CURRENT ASSETS</b>		
Unrestricted assets:		
Cash	\$ 3,062,579	\$ 3,406,706
Accounts receivable	225,709	175,759
Grant receivable	1,060,122	815,512
Prepaid expenses	149,315	145,805
<b>TOTAL UNRESTRICTED ASSETS</b>	<b>4,497,725</b>	<b>4,543,782</b>
Restricted assets:		
Cash and temporary investments held by trustee:		
Custodian account	1,095	1,094
Debt service funds	4,750	3,403
Debt service reserve funds	5,579,778	5,156,220
Clearing funds	-	10,001
<b>TOTAL RESTRICTED ASSETS</b>	<b>5,585,623</b>	<b>5,170,718</b>
<b>TOTAL CURRENT ASSETS</b>	<b>10,083,348</b>	<b>9,714,500</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	2,614,070	2,614,070
Parking facilities	60,721,071	60,641,362
Other property	159,241	159,241
Buildings	236,282	236,282
Leasehold improvements	144,620	144,620
Parking equipment	1,484,047	1,230,117
Office equipment	105,368	105,368
Vehicles	301,731	301,748
	65,766,430	65,432,808
Accumulated depreciation	(22,026,464)	(20,430,966)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>43,739,966</b>	<b>45,001,842</b>
<b>OTHER ASSETS</b>		
Unamortized bond issue costs	448,883	502,499
Unamortized loan origination fees	202,516	287,221
<b>TOTAL OTHER ASSETS</b>	<b>651,399</b>	<b>789,720</b>
<b>TOTAL ASSETS</b>	<b>\$ 54,474,713</b>	<b>\$ 55,506,062</b>

See accompanying notes.

	December 31	
	2011	2010
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Payable from current assets:		
Accounts payable, regular	\$ 234,395	\$ 170,827
Accounts payable, construction project	-	189,987
Salaries and wages	45,014	48,481
Accrued interest	59,198	87,314
Deferred revenue	67,063	25,783
Current portion of noncurrent liabilities paid from unrestricted assets	102,925	142,570
Total payable from unrestricted assets	<u>508,595</u>	<u>664,962</u>
Payable from restricted assets:		
Current portion revenue bonds payable	<u>2,760,000</u>	<u>2,755,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,268,595</b>	<b>3,419,962</b>
<b>NONCURRENT LIABILITIES</b>		
Control card deposits	62,426	58,136
Capital lease obligations	258,749	266,674
Net revenue bonds payable	15,910,692	17,591,009
Notes payable	16,615,000	17,695,000
Deferred loss on early retirement of debt, net of amortization	<u>(2,922,806)</u>	<u>(3,060,072)</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>29,924,061</b>	<b>32,550,747</b>
<b>TOTAL LIABILITIES</b>	<b>33,192,656</b>	<b>35,970,709</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	11,015,406	9,422,473
Unrestricted, undesignated	9,755,976	9,726,405
Unrestricted, designated	<u>510,675</u>	<u>386,475</u>
<b>TOTAL NET ASSETS</b>	<b>21,282,057</b>	<b>19,535,353</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 54,474,713</u></b>	<b><u>\$ 55,506,062</u></b>

**THE READING PARKING AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

	Year Ended December 31	
	2011	2010
<b>OPERATING REVENUES</b>		
Parking fees	\$ 5,314,860	\$ 5,157,155
Violations and meters	2,971,561	2,844,554
Management fees and expense reimbursement	74,924	96,232
<b>TOTAL OPERATING REVENUES</b>	<b>8,361,345</b>	<b>8,097,941</b>
<b>OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Accounting	10,250	10,000
Advertising	1,004	1,379
Bank charges and debt related fees	48,971	41,486
Computer expense	42,303	49,589
Depreciation	1,612,525	1,363,041
Dues and subscriptions	1,240	1,224
Employees' pension plan	72,047	69,189
Insurance	278,747	283,997
Legal and professional fees	42,418	36,883
Meetings, seminars, and conventions	3,543	4,398
Miscellaneous	9,126	8,182
Office supplies and expenses	24,878	36,485
Operating supplies and expenses	36,438	31,827
Parking lot repairs and maintenance	142,430	127,859
Payroll service	3,651	3,923
Rent - meters	400,000	399,996
Rent - parking lots	4,000	4,000
Taxes - payroll	92,455	95,106
Telephone	27,801	23,349
Truck expenses	14,270	20,640
Unemployment costs	4,000	2,154
Utilities	228,053	227,132
Wages	1,217,152	1,263,229
<b>TOTAL OPERATING AND ADMINISTRATIVE EXPENSES</b>	<b>4,317,302</b>	<b>4,105,068</b>
<b>INCOME FROM OPERATIONS</b>	<b>4,044,043</b>	<b>3,992,873</b>

See accompanying notes.

**THE READING PARKING AUTHORITY**

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

	Year Ended December 31	
	2011	2010
<b>INCOME FROM OPERATIONS - from previous page</b>	<b>4,044,043</b>	3,992,873
<b>OTHER REVENUES (EXPENSES)</b>		
Redevelopment Assistance grant	244,610	5,755,390
Federal Subsidy - Build America Bonds	159,930	159,384
Advertising income	3,300	1,950
Interest income:		
Earned by 1993 Bond Trustee	2,734	5,474
Operating funds	16,081	29,336
Gain (loss) on investments:		
Earned by 1993 debt service reserve funds	524,213	330,242
Gain on sale of asset	500	-
Interest expense	(2,224,124)	(2,313,459)
Amortization of bond issue costs and loan origination fees	(74,631)	(99,196)
Contributions to City of Reading	(950,000)	(150,000)
Other income	48	135
<b>TOTAL OTHER REVENUES (EXPENSES)</b>	<b>(2,297,339)</b>	3,719,256
<b>Income From Capital Grant</b>	244,610	5,755,390
<b>Income From Operations</b>	1,502,094	1,956,739
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>19,535,353</b>	11,823,224
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 21,282,057</b>	\$ 19,535,353

See accompanying notes.

**THE READING PARKING AUTHORITY**

**STATEMENTS OF CASH FLOWS**

	Year Ended December 31	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 8,366,326	\$ 8,233,972
Cash payments to suppliers for goods and services	(1,453,053)	(1,435,325)
Cash payments to employees for services	(1,385,121)	(1,420,114)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>5,528,152</b>	<b>5,378,533</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating revenue	3,348	2,085
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Redevelopment Assistance Grant	-	4,939,878
Federal subsidy on bonds payable	146,279	159,384
Acquisition and construction of fixed assets	(350,649)	(5,006,033)
Gain on sale of fixed asset	500	-
Control card deposits	4,290	850
Repayment of capital lease obligations	(7,570)	(7,231)
Proceeds from notes payable	-	2,383,000
Repayment of notes payable	(1,195,000)	(4,108,000)
Repayment of revenue bonds	(2,755,000)	(2,760,000)
Interest paid	(877,848)	(926,334)
Loan origination fees	(23,500)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(5,058,498)</b>	<b>(5,324,486)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Contributions to the City	(950,000)	(150,000)
Receipts of interest and dividends	132,871	125,788
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(817,129)</b>	<b>(24,212)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(344,127)</b>	<b>31,920</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>3,406,706</b>	<b>3,374,786</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 3,062,579</b>	<b>\$ 3,406,706</b>

See accompanying notes.

**THE READING PARKING AUTHORITY**  
**STATEMENTS OF CASH FLOWS - CONTINUED**

	Year Ended December 31	
	2011	2010
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 4,044,043	\$ 3,992,873
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,612,525	1,363,041
Changes in:		
Accounts receivable	(36,299)	110,248
Prepaid expense	(3,511)	(100,004)
Accounts payable	(126,419)	(20,818)
Salaries and wages	(3,467)	7,410
Deferred revenue	41,280	25,783
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 5,528,152</b>	<b>\$ 5,378,533</b>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Long-term debt incurred for the construction of a parking facility	\$ -	\$ 4,882,000
Capitalized interest included in interest paid	-	220,857
The Authority issued Parking Revenue Notes totaling \$7,140,000 with proceeds used for:		
Refinancing outstanding parking revenue notes	\$ 7,065,000	\$ -
Closing costs associated with notes	49,000	-
Accrued interest on notes refinanced	21,252	-
Sinking fund deposit	4,748	-
	<b>\$ 7,140,000</b>	<b>\$ -</b>

See accompanying notes.

## THE READING PARKING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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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, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**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 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, 2011 and 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**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 \$998,594 and \$944,978 at December 31, 2011 and 2010, respectively.

**Unamortized Loan Origination Fees**

Unamortized loan origination fee represents fees paid to the City of Reading for the loans granted related to the issue costs of the 2004, 2011, and 2011A notes as of December 31, 2011. The unamortized loan origination fees outstanding as of December 31, 2010 are related to the issuance 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 \$116,257 and \$127,999 at December 31, 2011 and 2010, 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 and notes payable on the balance sheets.

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 sheets.

**THE READING PARKING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2011 and 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**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. The capitalized interest for the year ended December 31, 2010 was \$220,857. There was no capitalized interest for the year ended December 31, 2011.

**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.

**Reclassifications**

Certain amounts have been reclassified in the prior year financial statements to conform to their presentation at December 31, 2011. The adjustments had no effect to the net assets of either year.

**Subsequent Events**

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through April 25, 2012, the date the financial statements were available to be issued. (See Note 14)

**NOTE 2 - CASH AND INVESTMENTS**

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

	<u>2011</u>	<u>2010</u>
Unrestricted		
Deposits	\$ 3,047,196	\$ 3,393,174
Petty cash	15,383	13,532
	<u>\$ 3,062,579</u>	<u>\$ 3,406,706</u>
Restricted		
Deposits	\$ 1,824,697	\$ 1,771,393
Investments	3,760,926	3,399,325
	<u>\$ 5,585,623</u>	<u>\$ 5,170,718</u>

**THE READING PARKING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**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, 2011 and 2010, the carrying amount of the Authority's deposits was \$4,871,892 and \$5,164,567, respectively, and the bank balance was \$4,926,822 and \$5,188,204, respectively. For both of the years ended December 31, 2011 and 2010, \$501,094 of the bank balance was covered by federal depository insurance and the rest was exposed to custodial credit risk, but covered by collateralization requirements in accordance with Act 72.

**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, 2011, the Authority had the following investments:

US Government Issues

	Maturities	Fair Value
Resolution FDG Corp Fed 0% Cpn Strips	4 months - 9 years	\$ 1,305,545
U.S. Treasury Strips	9 years	2,455,381
		<b>\$ 3,760,926</b>

As of December 31, 2010, the Authority had the following investments:

Resolution FDG Corp Fed 0% Cpn Strips	4 months - 10 years	\$ 1,365,370
U.S. Treasury Strips	10 years	2,033,955
		<b>\$ 3,399,325</b>

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, 2011 and 2010**

**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, 2011 and 2010, 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. 65.3 percent of the Authority's investments are U.S. Treasury Strips and 34.7 percent are Resolution FDG Corp Fed 0% Cpn Strips for the year ended December 31, 2011. 59.8 percent of the Authority's investments are U.S. Treasury Strips and 40.2 percent are Resolution FDG Corp Fed 0% Cpn Strips for the year ended December 31, 2010.

**NOTE 3 - ACCOUNTS RECEIVABLE**

	December 31	
	2011	2010
Monthly parking permits, valometers, revenue from violations due, event revenues, and shopping stamps not paid as of the end of the year.	<b>\$ 225,709</b>	\$ 175,759
Redevelopment Assistance Capital Funding Grant. (See Note7)	<b>1,060,122</b>	815,512
	<b><u>\$ 1,285,831</u></b>	<u>\$ 991,271</u>

**THE READING PARKING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 4 - PROPERTY AND EQUIPMENT**

The following is a summary of changes in property and equipment during the year ended December 31, 2011:

	Balance January 1 2011	Additions	Deletions/ Adjustments	Balance December 31 2011
Capital assets not being depreciated:				
Land	\$ 2,614,070	\$ -	\$ -	\$ 2,614,070
Capital assets being depreciated:				
Parking facilities	60,641,362	79,709	-	60,721,071
Other property	159,241	-	-	159,241
Buildings	236,282	-	-	236,282
Leasehold improvements	144,620	-	-	144,620
Parking equipment	1,230,117	253,930	-	1,484,047
Office equipment	105,368	-	-	105,368
Vehicles	301,748	17,010	(17,027)	301,731
	<u>62,818,738</u>	<u>350,649</u>	<u>(17,027)</u>	<u>63,152,360</u>
Less: accumulated depreciation	<u>20,430,966</u>	<u>1,612,525</u>	<u>(17,027)</u>	<u>22,026,464</u>
Total Property and Equipment Being Depreciated, Net	<u>42,387,772</u>	<u>(1,261,876)</u>	<u>-</u>	<u>41,125,896</u>
Total Property and Equipment, Net	<u>\$ 45,001,842</u>	<u>\$ (1,261,876)</u>	<u>\$ -</u>	<u>\$ 43,739,966</u>

**THE READING PARKING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 4 - PROPERTY AND EQUIPMENT - CONTINUED**

The following is a summary of changes in property and equipment during the year ended December 31, 2010:

	Balance January 1 2010	Additions	Deletions/ Adjustments	Balance December 31 2010
Capital assets not being depreciated:				
Land	\$ 2,614,070	\$ -	\$ -	\$ 2,614,070
Construction-in-progress	7,639,407	7,125,426	(14,764,833)	-
Capital assets being depreciated:				
Parking facilities	45,655,671	14,985,691	-	60,641,362
Other property	159,241	-	-	159,241
Buildings	236,282	-	-	236,282
Leasehold improvements	144,620	-	-	144,620
Parking equipment	1,220,965	9,152	-	1,230,117
Office equipment	105,368	-	-	105,368
Vehicles	301,748	-	-	301,748
	<u>47,823,895</u>	<u>14,994,843</u>	<u>-</u>	<u>62,818,738</u>
Less: accumulated depreciation	<u>19,067,925</u>	<u>1,363,041</u>	<u>-</u>	<u>20,430,966</u>
Total Property and Equipment Being Depreciated, Net	<u>28,755,970</u>	<u>13,631,802</u>	<u>-</u>	<u>42,387,772</u>
Total Property and Equipment, Net	<u>\$ 39,009,447</u>	<u>\$ 20,757,228</u>	<u>\$ (14,764,833)</u>	<u>\$ 45,001,842</u>

**NOTE 5 - LONG-TERM LIABILITIES**

Capital Leases Payable

On May 1, 2006, the Authority entered into a lease with the Reading Redevelopment Authority (RRA) for a parcel of land at 2<sup>nd</sup> 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.

Portion payable within one year and classified as current:  
Payable from unrestricted assets

	December 31	
	2011	2010
	\$ 266,674	\$ 274,244
	<u>(7,925)</u>	<u>(7,570)</u>
	<u>\$ 258,749</u>	<u>\$ 266,674</u>

**THE READING PARKING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 5 - LONG-TERM LIABILITIES - CONTINUED**

Revenue Bonds Payable

Gross Bonds payable is comprised of the following individual issue:

	December 31	
	2011	2010
<b>Series of 1993, Guaranteed Authority Bonds</b> 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 accreted interest 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.	<b>\$ 24,815,000</b>	\$ 27,570,000
Portion payable within one year and classified as current - payable from restricted assets	<b>(2,760,000)</b>	(2,755,000)
Noncurrent Bonds Payable	<b>22,055,000</b>	24,815,000
Less: Unamortized accreted interest	<b>(6,144,308)</b>	(7,223,991)
<b>Net Bonds Payable at December 31</b>	<b><u>\$ 15,910,692</u></b>	<b><u>\$ 17,591,009</u></b>

**THE READING PARKING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 5 - LONG-TERM LIABILITIES - CONTINUED**

	December 31	
<u>Notes Payable</u>	2011	2010
<p>On December 22, 2011, the Series A of 2011 Parking Revenue note was issued by a local bank for \$1,570,000. The note was issued to refinance the Series of 2006 Guaranteed Parking Revenue note. Repayment of the note is due November 15, 2024. Interest on the note is stated at 3.15% per annum from the date of issue through November 15, 2021, and thereafter at an interest rate equal to 65% of the bank's prime rate, but in no event less than 2.85% or more than 6.00% per annum. The Authority estimates a present value savings of \$69,145 on the fixed rate amount.</p>	<b>\$ 1,570,000</b>	\$ -
<p>On December 19, 2011, the Series of 2011 Parking Revenue note was issued by a local bank for \$5,570,000. The note was issued to refinance the Federally Taxable Parking Revenue note - Series of 2009 (Build America Bond - Direct Payment). Repayment of the note begins in 2012 in varying amounts, and the maturity of the note is November 15, 2025. Interest on the note is stated at 3.15% per annum from the date of issue through November 15, 2021, and thereafter at an interest rate equal to 65% of the bank's prime rate, but in no event less than 2.85% or more than 6.00% per annum. The Authority estimates a present value savings of \$332,483 on the fixed rate amount.</p>	<b>5,570,000</b>	-
<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 was drawn in full during 2010 to pay construction expenses related to the 700 Penn Street Project. Repayment of the note began 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. As a function of the Build America Bond, the Authority receives a subsidy equal to 33% of the interest expense paid. This amount totaled \$159,384 for the year ended December 31, 2010. A pre-payment of \$1,600,000 was made in December 2010 to reduce the principal repayment terms. The Note was refunded with the Parking Revenue note Series of 2011. Final subsidy payment from the note was received in 2011.</p>	-	6,595,000

**THE READING PARKING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 5 - LONG-TERM LIABILITIES - CONTINUED**

	December 31	
	2011	2010
<p>On July 27, 2006, the Series of 2006 Guaranteed Parking Revenue note was issued by a local bank for \$1,570,000. 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%. This note was refunded with the Parking Revenue notes Series A of 2011.</p>	-	1,570,000
<p>On December 29, 2004, the Series of 2004 Guaranteed Parking Revenue note was issued by a local bank for \$10,000,000. 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>	<u>9,570,000</u> <u>16,710,000</u>	<u>9,665,000</u> <u>17,830,000</u>
<p>Portion payable within one year and classified as current - payable from unrestricted assets</p>	<u>(95,000)</u>	<u>(135,000)</u>
	<u><b>\$16,615,000</b></u>	<u><b>\$17,695,000</b></u>

Subsequent to year-end, the Authority issued the Series of 2012 Parking Revenue note in the amount of \$9,570,000. The note was issued to refinance the Series of 2004 Guaranteed Parking Revenue note. Repayment of the note is due November 15, 2024. Interest on the note shall be paid semi-annually on May 15<sup>th</sup> and November 15<sup>th</sup> through maturity at 3.15 percent per annum from the date of issue through November 15, 2021, and thereafter at an interest rate equal to 65 percent of the bank's prime rate, but in no event less than 2.85 percent or more than 6.00 percent per annum. The Authority estimates a present value savings of \$469,331 on the fixed rate amount.

**THE READING PARKING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**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 Payable Series of 1993	Notes Payable	
			Series of 2004/2012	Series of 2011A
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	20,000	2,745,000	60,000	-
2016	20,000	2,740,000	65,000	-
2017 - 2021	100,000	11,070,000	3,010,000	-
2022 - 2026	100,000	-	6,115,000	1,570,000
2027 - 2031	100,000	-	-	-
2032	13,333	-	-	-
	<u>413,333</u>	<u>24,815,000</u>	<u>9,570,000</u>	<u>1,570,000</u>
Unamortized accreted interest	-	(6,144,308)	-	-
Capital lease interest	<u>(146,659)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 266,674</u>	<u>\$ 18,670,692</u>	<u>\$ 9,570,000</u>	<u>\$ 1,570,000</u>

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

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<u>Notes Payable</u> Series of 2011	Total Long-Term Debt Maturities	Notes Payable Interest Maturities *	Total
\$ -	\$ 2,875,000	\$ 466,667	\$ 3,341,667
-	2,880,000	525,262	3,405,262
-	2,885,000	521,955	3,406,955
60,000	2,885,000	518,177	3,403,177
195,000	3,020,000	514,396	3,534,396
815,000	14,995,000	2,464,243	17,459,243
4,500,000	12,285,000	1,038,217	13,323,217
-	100,000	-	100,000
-	13,333	-	13,333
<u>5,570,000</u>	<u>41,938,333</u>	<u>6,048,917</u>	<u>47,987,250</u>
-	(6,144,308)	-	(6,144,308)
-	(146,659)	-	(146,659)
<u>\$ 5,570,000</u>	<u>\$ 35,647,366</u>	<u>\$ 6,048,917</u>	<u>\$ 41,696,283</u>

## THE READING PARKING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

#### NOTE 5 - LONG-TERM LIABILITIES - CONTINUED

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##### **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 percent, \$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, 2011, \$2,770,000 of bonds outstanding is considered defeased, with \$2,339,392 available in a trust fund.

#### NOTE 6 - OPERATING LEASES

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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, 2012 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

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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 Program grant terms and conditions. The City of Reading was awarded \$6,000,000 of Redevelopment Assistance Capital funding used for the 700 Penn Street Project with a budgeted 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 were 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). For the years ended December 31, 2011 and 2010, the Authority has recognized \$244,610 and \$5,755,390 from the grant, respectively, which is reflected on the statement of revenue, expenses and changes in net assets. The Authority also has a receivable related to the grant in the amount of \$1,060,122 and \$815,512 for the years ended December 31, 2011 and 2010, respectively. Final payment due from the grant in the amount of \$1,060,122 was received subsequent to year-end.

**THE READING PARKING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 8 - EMPLOYEES PENSION PLAN**

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The Authority has adopted a money purchase pension plan for its employees. Annual contributions are based on eight percent of the eligible employees' salaries plus six percent of compensation over \$16,500 for nonunion employees. During the years 2011 and 2010, contributions in the amount of \$72,047 and \$69,189 were made, respectively.

**NOTE 9 - PENNSYLVANIA UNEMPLOYMENT COMPENSATION**

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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, 2011 and 2010, the Authority had no liability outstanding to the commonwealth.

**NOTE 10 - RELATED PARTY TRANSACTIONS**

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The Authority has balances due to and from the City of Reading as of December 31:

	<u>2011</u>	<u>2010</u>
Accounts receivable from the City of Reading (included in the accompanying balance sheets)	<b>\$ 9,125</b>	\$ 14,242
Accounts payable to the City of Reading (included in the accompanying balance sheets)	<b>77,250</b>	81,710

The City of Reading is considered fiscally distressed and is currently operating under the Commonwealth's Act 47 Program. The Reading Parking Authority approved contributions to the City of Reading of \$950,000 and \$150,000 for the years ended December 31, 2011 and 2010, respectively to help with the City's current fiscal challenges.

**THE READING PARKING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 11 - PARKING FACILITY MANAGEMENT AGREEMENTS**

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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, 2011 and 2010 were \$74,924 and \$96,232, respectively.

**NOTE 12 - RISK MANAGEMENT**

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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 2011 year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 13 - FUND BALANCE**

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The Authority Board designated \$510,675 and \$386,475 of the fund balance to be used for emergency and safety repairs for the years ended December 31, 2011 and 2010, respectively. The unrestricted/undesignated portion of the fund balance is \$9,755,976 and \$9,726,405 for the years ended December 31, 2011 and 2010, respectively.

**NOTE 14 - SUBSEQUENT EVENT**

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Subsequent to December 31, 2011, the Authority received notice for repair on one of their parking structures. Costs for the repair work is estimated to be \$290,000.

**SUPPLEMENTARY INFORMATION**

**THE READING PARKING AUTHORITY**  
**BUDGETARY COMPARISON SCHEDULE**

Year Ended December 31, 2011

	<u>BUDGET *</u>	<u>ACTUAL</u> (GAAP Basis)	<u>VARIANCE</u> Final to Actual
<b>REVENUES</b>	\$ 5,441,500	\$ 8,361,345	\$ 2,919,845
<b>EXPENDITURES</b>			
Accounting	13,000	10,250	2,750
Bank charges and debt related fees	50,000	48,971	1,029
Computer expense	50,000	42,303	7,697
Depreciation expense	1,600,000	1,612,525	(12,525)
Employees' pension plan	75,000	72,047	2,953
Insurance	280,000	278,747	1,253
Legal and professional fees	50,000	42,418	7,582
Office supplies	30,000	24,878	5,122
Operating supplies and expenses	35,000	36,438	(1,438)
Other operating expenses	53,500	26,564	26,936
Parking lot repairs and maintenance	140,000	142,430	(2,430)
Lease of parking meters	400,000	400,000	-
Taxes - payroll	105,000	92,455	12,545
Telephone	25,000	27,801	(2,801)
Truck expenses	20,000	14,270	5,730
Utilities	215,000	228,053	(13,053)
Wages	1,350,000	1,217,152	132,848
<b>TOTAL EXPENDITURES</b>	<u>4,491,500</u>	<u>4,317,302</u>	<u>174,198</u>
<b>INCOME FROM OPERATIONS</b>	950,000	4,044,043	3,094,043
<b>OTHER REVENUES (EXPENSES)</b>	<u>(950,000)</u>	<u>(2,297,339)</u>	<u>(1,347,339)</u>
<b>NET INCOME</b>	<u>\$ -</u>	<u>1,746,704</u>	<u>\$ 1,746,704</u>
<b>NET ASSETS - JANUARY 1, 2011</b>		<u>19,535,353</u>	
<b>NET ASSETS - DECEMBER 31, 2011</b>		<u>\$ 21,282,057</u>	

\* Original and final budget are the same.



**HERBEIN+COMPANY, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

**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, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 25, 2012. 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

Management of the Reading Parking Authority is responsible for establishing and maintaining effective 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.

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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 or other matters 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 25, 2012.

This report is intended solely for the information and use of management and the board of directors, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Herbein + Company, Inc.*

Reading, Pennsylvania  
April 25, 2012