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THE PARKING AUTHORITY
OF THE CITY OF SCRANTON, PENNSYLVANIA
(A COMPONENT UNIT OF THE CITY OF SCRANTON)
FINANCIAL STATEMENTS
DECEMBER 31, 2005

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THE PARKING AUTHORITY OF THE CITY OF SCRANTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)

The discussion and analysis of The Parking Authority of the City of Scranton's (the Authority) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the Authority's financial performance; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$16,498, which represents a 0.7 percent increase from 2004.
- Operating revenues accounted for \$1,677,990 in revenue or 93.8 percent of all revenues. Investment income accounted for \$88,176 in revenue or 4.9 percent of all revenues.
- Total assets increased by \$8,622,981 as current assets increased \$255,185, restricted assets decreased \$5,040,405, noncurrent assets decreased \$24,605 and net investment in parking facilities and equipment increased by \$13,432,806.
- The Authority had \$898,540 in operating expenses before depreciation and \$378,358 in depreciation expense.
- Operating revenues were adequate to provide for operating expenses and depreciation.

USING THIS GENERAL ACCEPTED ACCOUNTING PRINCIPALS REPORT (GAAP)

This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority, an entire operating entity. The statements provide a detailed look at the Authority's financial activities.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Authority, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances.

BALANCE SHEET AND THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

This view of the Authority looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

THE PARKING AUTHORITY OF THE CITY OF SCRANTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED-CONTINUED)

These two statements report the Authority's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Authority, the financial position of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not.

THE BALANCE SHEET

Table 1 provides a summary of the Authority's total assets for 2004 compared to 2005:

TABLE 1

NET ASSETS

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Current Assets	\$ 879,206	\$ 624,021
Restricted Assets	4,068,795	9,109,200
Noncurrent Assets	548,589	573,194
Net Capital Assets	<u>26,117,394</u>	<u>12,684,588</u>
 TOTAL ASSETS	 <u>\$ 31,613,984</u>	 <u>\$ 22,991,003</u>
 <u>LIABILITIES</u>		
Current Liabilities	\$ 259,850	\$ 187,659
Current Liabilities, payable from Restricted Assets	810,871	573,938
Other Liabilities	<u>28,229,573</u>	<u>19,932,214</u>
 TOTAL LIABILITIES	 <u>29,300,294</u>	 <u>20,693,811</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Debt	(456,510)	(439,099)
Restricted for debt service	1,236,815	1,293,725
Unrestricted	<u>1,533,385</u>	<u>1,442,566</u>
 TOTAL NET ASSETS	 <u>2,313,690</u>	 <u>2,297,192</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$31,613,984</u>	 <u>\$22,991,003</u>

THE PARKING AUTHORITY OF THE CITY OF SCRANTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED-CONTINUED)

Total assets increased by \$8,622,981 as restricted assets decreased by \$5,040,405 and net capital assets increased by \$13,432,806 in connection with the construction of a new parking facility and inception of a parking facility capital lease. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the Authority increased by \$90,819 during the year.

Table 2 shows the changes in net assets for the year ended December 31, 2005.

TABLE 2
CHANGES IN NET ASSETS

<u>REVENUES</u>	<u>2005</u>	<u>PERCENTAGE</u>
<u>Operating revenues:</u>		
Charges for services	\$ 1,511,707	84.5%
Other operating revenues	166,283	9.3%
<u>Non-operating revenue:</u>		
Investment income	88,176	4.9%
Casualty gain	<u>23,829</u>	<u>1.3%</u>
TOTAL REVENUES	<u>1,789,995</u>	<u>100%</u>
<u>EXPENSES</u>		
Operating expenses	898,540	50.6%
Depreciation	378,358	21.4%
Non-operating expenses	<u>496,599</u>	<u>28.0%</u>
TOTAL EXPENSES	<u>1,773,497</u>	<u>100%</u>
INCREASE IN NET ASSETS	<u>\$ 16,498</u>	

OPERATING ACTIVITIES

The Authority operates the parking facilities it has purchased since its inception.

THE PARKING AUTHORITY OF THE CITY OF SCRANTON
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED-CONTINUED)

CAPITAL ASSETS

At December 31, 2005, the Authority had \$26,117,394 invested in parking facilities and equipment.

Table 3 shows the 2005 balance compared to 2004.

TABLE 3

CAPITAL ASSETS (NET OF DEPRECIATION) AT DECEMBER 31.

	<u>2005</u>	<u>2004</u>
Land	\$ 903,293	\$ 903,293
Construction-in-progress	5,974,263	4,210,020
Buildings and improvements	19,124,875	7,548,016
Equipment	<u>114,963</u>	<u>23,259</u>
TOTAL	<u>\$21,117,394</u>	<u>\$12,684,588</u>

Depreciation amounted to \$378,358 and capital assets increased by \$4,886,846 in construction-in-progress financed through the issuance of the 2004 Guaranteed Parking Revenue Bonds by the Authority. Building and improvements increased \$11,930,884 due to the completion of a parking facility under a capital lease.

See footnotes # 5 and 6 for additional information on the Authority's capital assets.

LONG TERM LIABILITIES

At December 31, 2005, the Authority had \$17,475,000 of Revenue Bonds Payable and \$11,930,884 recorded as a Lease Payable. During the year ended December 31, 2005, the Authority paid \$330,000 of principal on these liabilities.

See footnote # 6 for additional information on these liabilities.

THE PARKING AUTHORITY OF THE CITY OF SCRANTON
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED-CONTINUED)

CURRENT FINANCIAL ISSUES AND CONCERNS

Finances of the Authority depend primarily upon operating revenues. Should the Authority have any problems in securing capital funding for future projects, it has the ability to scale back and/or eliminate the projects.

In conclusion, the Authority has committed itself to financial excellence for many years. The Authority plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information contact P. James Wintermantel, Executive Director of the Authority, 419 Linden Street, Scranton, Pennsylvania.



McGrail Merkel Quinn & Associates

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To the Board of Directors of
The Parking Authority of the
City of Scranton, Pennsylvania

Independent Auditor's Report

We have audited the accompanying financial statements of The Parking Authority of the City of Scranton, Pennsylvania, a component unit of the City of Scranton, as of and for the year ended December 31, 2005, as listed in the Index. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Parking Authority of the City of Scranton, Pennsylvania as of December 31, 2005, and the changes of its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority was not in compliance with the provisions of the Trust Indenture between The Parking Authority of the City of Scranton, Pennsylvania and J. P. Morgan Trust Company, National Association and that the Authority has also complied with the provisions of the lease agreement with the City of Scranton, Pennsylvania insofar as they relate to accounting and auditing matters. It should be noted, however, that our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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To the Board of Directors of
The Parking Authority of the
City of Scranton, Pennsylvania

The management's discussion and analysis on pages 1-5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of The Parking Authority of the City of Scranton, Pennsylvania taken as a whole. The supplementary information presented in Schedule 1 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

McSail, Madel, Jun
+ Associates

Scranton, Pennsylvania
June 14, 2006

THE PARKING AUTHORITY OF THE CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

ASSETS

Current assets

Cash and cash equivalents	\$ 717,487
Accounts receivable	39,984
Due from the City of Scranton	77,064
Accrued interest receivable	435
Prepaid expenses	<u>44,236</u>
Total current assets	<u>879,206</u>

Noncurrent assets

Restricted assets - Schedule 1

Cash and cash equivalents	2,869,468
Investments	1,173,528
Accrued interest receivable	<u>25,799</u>
Total restricted assets	4,068,795

Deferred charges, net of amortization	548,589
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Capital assets (Note 5)

Parking facilities and equipment, net	<u>26,117,394</u>
Total noncurrent assets	<u>30,734,778</u>

Total assets	<u>31,613,984</u>
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LIABILITIES

Current liabilities (payable from current assets)

Accounts payable	81,440
Accrued payroll and payroll taxes withheld	36,554
Accrued real estate taxes payable	119,657
Other current liabilities	<u>22,199</u>
Total current liabilities (payable from current assets)	<u>259,850</u>

Current liabilities (payable from restricted assets)

Revenue bonds payable (Note 6)	340,000
Lease payable (Note 6)	225,000
Accrued revenue bond interest payable	<u>245,871</u>
Total current liabilities (payable from restricted assets)	<u>810,871</u>

Noncurrent liabilities

Accrued expenses - long-term	32,278
Revenue bonds payable, net of current portion (Note 6)	17,135,000
Lease payable (Note 6)	11,705,884
Deferral from refunding, net	(643,589)
Total noncurrent liabilities	<u>28,229,573</u>

Total liabilities	<u>29,300,294</u>
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Net assets

Invested in capital assets, net of related debt	(456,510)
Restricted for debt service	1,236,815
Unrestricted	<u>1,533,385</u>
Total net assets	<u>\$ 2,313,690</u>

The accompanying Notes are an integral part of these Financial Statements.

THE PARKING AUTHORITY OF THE CITY OF SCRANTON, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2005

	<u>Total</u>	<u>Parking Authority Garage</u>	<u>Electric City Garage</u>	<u>South Washington Lot</u>	<u>Casey Garage</u>	<u>On Street Parking Program</u>
Operating revenues						
Daily parking	\$ 431,301	\$ 305,643	\$ 117,753	\$ -	\$ 7,905	\$ -
Monthly parking	874,722	451,472	389,567	30,643	3,040	-
Validations	78,643	41,600	30,000	-	7,043	-
Tenant rentals	127,041	127,041	-	-	-	-
Other revenue	<u>166,283</u>	<u>67,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,130</u>
Total operating revenues	<u>1,677,990</u>	<u>992,909</u>	<u>537,320</u>	<u>30,643</u>	<u>17,988</u>	<u>99,130</u>
Operating expenses						
Salaries and wages	368,645	252,075	75,534	-	41,036	-
Payroll taxes	32,934	22,520	6,748	-	3,666	-
Pension plan	25,880	19,188	6,361	-	331	-
Maintenance supplies and expense	89,159	44,402	25,756	7,450	11,551	-
Utilities and telephone	67,985	62,446	2,399	3,120	20	-
Insurance	202,438	161,761	30,452	2,447	7,778	-
Real estate taxes	48,944	48,944	-	-	-	-
Trustee and professional fees	47,129	47,129	-	-	-	-
Miscellaneous	<u>15,426</u>	<u>15,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>898,540</u>	<u>673,891</u>	<u>147,250</u>	<u>13,017</u>	<u>64,382</u>	<u>-</u>
Operating income before depreciation	779,450	319,018	390,070	17,626	(46,394)	99,130
Less: Depreciation	<u>378,358</u>	<u>205,251</u>	<u>126,004</u>	<u>7,334</u>	<u>39,769</u>	<u>-</u>
Operating income	<u>401,092</u>	<u>113,767</u>	<u>264,066</u>	<u>10,292</u>	<u>(86,163)</u>	<u>99,130</u>
Non-operating revenues (expenses)						
Interest earned	88,176	19,944	68,232	-	-	-
Bond interest - current	(471,993)	(195,584)	(276,409)	-	-	-
Bond discount	(9,438)	(7,543)	(1,895)	-	-	-
Prepaid expenses	(15,168)	(11,259)	(3,909)	-	-	-
Casualty gain	<u>23,829</u>	<u>7,363</u>	<u>-</u>	<u>16,466</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(384,594)</u>	<u>(187,079)</u>	<u>(213,981)</u>	<u>16,466</u>	<u>-</u>	<u>-</u>
Change in net assets	16,498	(73,312)	50,085	26,758	(86,163)	99,130
Net assets, beginning	<u>2,297,192</u>	<u>1,265,731</u>	<u>(1,264,830)</u>	<u>1,436,291</u>	<u>-</u>	<u>860,000</u>
Net assets, ending	<u>\$2,313,690</u>	<u>\$1,192,419</u>	<u>(\$1,214,745)</u>	<u>\$1,463,049</u>	<u>(\$86,163)</u>	<u>\$959,130</u>

The accompanying Notes are an integral part of these Financial Statements.

THE PARKING AUTHORITY OF THE CITY OF SCRANTON, PENNSYLVANIA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2005

Cash flows from operating activities	
Cash received from customers	\$2,041,837
Cash paid to vendors	(1,234,134)
Net cash flows from operating activities	<u>807,703</u>
Cash flows from noncapital financing activities	
None	<u>-</u>
Cash flows from capital and related financing activities	
Payment of debt	(330,000)
Payment of interest	(844,353)
Purchase of capital assets	(4,674,235)
Net cash flows from capital and related financing activities	<u>(5,848,588)</u>
Cash flows from investing activities	
Receipt of interest	<u>213,184</u>
Net cash flows from investing activities	<u>213,184</u>
Net change in cash	(4,827,701)
Cash and cash equivalents, beginning	<u>8,414,656</u>
Cash and cash equivalents, ending, as reported on the Statement of Net Assets	<u>\$3,586,955</u>
Reconciliation of operating income to net cash flows from operating activities	
Operating income	\$ 401,092
Depreciation	378,358
Increase in accounts receivable	(42,568)
Increase in other assets	(1,370)
Increase in accounts payable	60,380
Increase in other liabilities	<u>11,811</u>
Net cash provided by operating activities	<u>\$ 807,703</u>

The accompanying Notes are an integral part of these Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Organization

The Parking Authority of the City of Scranton, Pennsylvania (the Authority) is a body corporate and politic organized by the City of Scranton on March 30, 1953, and reactivated on April 7, 1966, under the Pennsylvania Parking Authority Law (the Act of June 5, 1947, P.L. 458) as amended. In 1967, the purchase of land and buildings had begun. Subsequently, construction commenced on a multi-level parking garage and ground level commercial space on the northwest corner of North Washington Avenue and Linden Street in Scranton, Pennsylvania. The facility became operational in August, 1970. In 1988, construction commenced on a five-level addition to the original parking facility. The addition became operational in March, 1989. The Authority also manages an open air parking lot located on South Washington Avenue in Scranton, Pennsylvania.

In 1995, a new parking facility was constructed on the corner of Penn and Lackawanna Avenues in Scranton, Pennsylvania. The 1995 parking facility was designed to connect with the adjacent Globe Parking Facility, which was purchased in 1995. The facility, known as the Electric City Garage, became operational in November, 1995.

The Parking Authority of the City of Scranton, Pennsylvania, has determined that it is a component unit of the City of Scranton and it is included in the reporting entity of the City of Scranton.

Original Trust Indenture

In May, 1969, a bond issue of \$3,135,000, to run to April 1, 2009, with interest costs varying from 4.75% to 5.85%, was sold. This bond issue was redeemed in 2004. Refer to Note 6.

Supplemental Trust Indenture

In July, 1988, an additional bond issue of \$2,595,000, to run to September 15, 2014, with interest costs varying from 5.75% to 8.125%, was sold. This bond issue was redeemed in 1995.

Second Supplemental Trust Indenture

In June, 1995, an additional bond issue of \$7,645,000, to run to September 14, 2015 and September 15, 2020, with interest costs varying from 5.00% to 7.1%, was sold. Proceeds from the sale were turned over to the Trustee for initial distribution to various funds in accordance with the terms of the Trust Indenture of the Authority. The Trustee maintains all funds enumerated in Note 2 and shall continue to function for the life of this bond issue in the collection of rentals, the payment of operating expenses and semi-annual interest payments, and the repurchase and retirement of bonds until the ultimate retirement of all outstanding bonds. This bond issue was partially advance refunded in 2004. Refer to Note 6.

