



REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS

A COMPONENT UNIT OF THE COUNTY OF BERKS

FINANCIAL REPORT

DECEMBER 31, 2008

*Fresh thinking.
Solid solutions.*



Reinsel Kuntz Lesher^{LLP}
Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Redevelopment Authority of the County of Berks
Berks County, Pennsylvania**

We have audited the accompanying basic financial statements of the Redevelopment Authority of the County of Berks, a component unit of the County of Berks, as of and for the years then ended December 31, 2008 and 2007. These financial statements are the responsibility of the management of the Redevelopment Authority of the County of Berks. 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. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Redevelopment Authority of the County of Berks as of December 31, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on Pages 3-8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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.



The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Redevelopment Authority of the County of Berks. Such information has been subjected to the auditing procedures applied in the audits 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.

Reinsel Kuntz Lesher LLP

**Wyomissing, Pennsylvania
August 17, 2009**

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Redevelopment Authority of the County of Berks' (the "Authority") activities and financial performance provides an introduction and overview to the Authority's basic financial statements for the year ended December 31, 2008. Please read it in conjunction with the Authority's financial statements, which begin on Page 9.

Authority Activities and Highlights

- The Authority was designated by the County of Berks as the administrative entity for the Acquisition, Demolition and Disposition Program (the "ADD Program") of the County of Berks in April 2002. Through this Program, the Authority is authorized to purchase properties within the City of Reading that are beyond rehabilitation, demolish the buildings and obtain an adjacent property owner willing to take ownership after demolition. The Program is funded by three primary sources: Act 137 funds from the County of Berks, a grant from the City of Reading, and a grant from the Department of Community and Economic Development Contract for Housing and Development Assistance Program.
- In 2004, the Authority began a project for the redevelopment of a portion of Penn Avenue in the Borough of West Reading on the site of the Penn View Motel. The Authority received several grants, including a \$ 750,000 State Redevelopment Assistance Grant, and has borrowed \$ 1,500,000 from another bank to be used for this project. Related to the debt service for the loan, the Authority has entered into a cooperative agreement with the Borough of West Reading, the Wyomissing School District and the County of Berks to establish a tax increment district, the proceeds of which will fund the debt service.
- The Authority's net assets decreased by \$ 153,129 during 2008, increased by \$ 510,342 in 2007 and decreased by \$ 418,090 in 2006.
- The Authority's operating revenues increased by \$ 195,009 during 2008, decreased by \$ 790,307 in 2007 and increased in 2006 by \$ 1,092,409, while operating expenses increased by \$ 589,088 in 2008, decreased by \$ 1,500,466 in 2007 and increased in 2006 by \$ 1,522,826. Increases and decreases in revenues and expenses generally resulted from increases and decreases in activity in the Hamburg, Birdsboro/Union Township and Fleetwood redevelopment areas, the ADD Program and the West Reading Project.
- During 2007, the Authority borrowed \$ 6,359,000 which will be used for the Exeter Project. Debt service for this note, guaranteed by the County of Berks, is assigned to the Berks County Industrial Development Authority, a component unit of the County of Berks. The amounts of principal outstanding as of December 31, 2008 and 2007 are \$ 5,841,817 and \$ 6,359,000, respectively.

Overview of the Financial Statements

The Authority's basic financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows and notes to financial statements. This report also includes other supplementary information in addition to the basic financial statements themselves.

The Authority's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB).

Statements of net assets. The statements of net assets present the financial position of the Authority. It presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statements of revenues, expenses and changes in net assets. The statements of revenues, expenses and changes in net assets present information showing how the Authority's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Statements of cash flows. The statements of cash flows present information on the effects that changes in assets and liabilities have on cash during the course of the year.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes to the financial statements can be found on Pages 14-25 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information, which includes the balances on bonds and notes outstanding on Authority-approved development projects.

Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceed liabilities by \$ 114,084, \$ 267,213 and \$ (243,129) at December 31, 2008, 2007 and 2006, respectively.

A condensed summary of the Authority's statements of net assets at December 31, 2008, 2007 and 2006 is presented below:

Statements of Net Assets

	2008	2007	2006
Cash and investments	\$ 488,517	\$ 5,974,203	\$ 1,304,916
Due from the County of Berks	5,456,804	946,383	-
Grant receivable	19,370	15,854	750,000
Due from West Reading TIF	1,107,361	1,000,000	-
Prepaid expenses	6,086	7,237	7,437
Intangible assets	<u>368,574</u>	<u>378,583</u>	<u>-</u>
Total assets	<u>\$ 7,446,712</u>	<u>\$ 8,322,260</u>	<u>\$ 2,062,353</u>
Accounts payable	\$ 93,793	\$ 228,087	\$ 33,314
Accrued expenses	11,200	17,960	22,168
Deferred revenue	28,457	-	-
Loan payable	250,000	-	-
Notes payable	<u>6,949,178</u>	<u>7,809,000</u>	<u>2,250,000</u>
Total liabilities	7,332,628	8,055,047	2,305,482
Net assets, unrestricted (deficit)	<u>114,084</u>	<u>267,213</u>	<u>(243,129)</u>
Total liabilities and net assets	<u>\$ 7,446,712</u>	<u>\$ 8,322,260</u>	<u>\$ 2,062,353</u>

Changes in net assets. A condensed summary of the Authority's statements of revenues, expenses and changes in net assets for the years ended December 31, 2008, 2007 and 2006 is presented below:

Statements of Revenues, Expenses and Changes in Net Assets

	2008	2007	2006
Operating revenue	<u>\$ 1,137,395</u>	<u>\$ 942,386</u>	<u>\$ 1,732,693</u>
Operating expenses:			
Program expenditures, acquisition, demolition and disposition projects	1,096,395	631,944	2,099,611
Accounting	11,410	7,500	6,000
Administrative fees	29,745	12,699	7,131
Advertising	800	-	-
Consulting	6,145	-	-
Insurance	10,055	64	2,013
Legal	53,172	-	-
Amortization	40,009	6,417	-
Miscellaneous	<u>132</u>	<u>151</u>	<u>278</u>
	<u>1,247,863</u>	<u>658,775</u>	<u>2,115,033</u>
Operating income (loss)	<u>(110,468)</u>	<u>283,611</u>	<u>(382,340)</u>
Nonoperating revenue (expense):			
Interest income	6,907	16,677	8,458
Interest payments made on behalf of the Authority	279,293	-	-
Debt forgiveness	-	300,000	-
Interest expense	<u>(328,861)</u>	<u>(89,946)</u>	<u>(44,208)</u>
	<u>(42,661)</u>	<u>226,731</u>	<u>(35,750)</u>
Increase (decrease) in net assets	<u>\$ (153,129)</u>	<u>\$ 510,342</u>	<u>\$ (418,090)</u>

The Authority's major expenses include property purchase, demolition and rehabilitation costs, and legal costs. The increase in operating revenues in 2008 is related generally attributable to the Authority receiving proceeds from the sale of the former motel site in West Reading of approximately \$ 207,006.

**Statement of Changes in Net Assets
Year Ended December 31, 2008**

	Beginning Balance	Increase (Decrease)	Ending Balance
Unrestricted net assets	\$ <u>267,213</u>	\$ <u>(153,129)</u>	\$ <u>114,084</u>

**Statement of Changes in Net Assets
Year Ended December 31, 2007**

	Beginning Balance	Increase (Decrease)	Ending Balance
Unrestricted net assets (deficit)	\$ <u>(243,129)</u>	\$ <u>510,342</u>	\$ <u>267,213</u>

**Statement of Changes in Net Assets
Year Ended December 31, 2006**

	Beginning Balance	Increase (Decrease)	Ending Balance
Unrestricted net assets (deficit)	\$ <u>174,961</u>	\$ <u>(418,090)</u>	\$ <u>(243,129)</u>

Capital Assets

The Authority has no capital assets.

Debt Administration

In 2008, the HUD guaranteed loan was refinanced on or around April 1, 2008 with a bank. The amount refinanced was \$ 1,007,361 including \$ 7,361 of accrued interest. An additional \$ 100,000 was drawn after the refinancing and this loan is not HUD guaranteed. This note will be repaid with tax increment revenues collected by the County of Berks, the Borough of West Reading and the Wyomissing School District pursuant to the cooperation agreement.

In 2007, the Authority issued the 2007 County Revenue Note, Series of 2007, in the amount of \$ 6,359,000, the proceeds to be used for the Exeter Project. In 2008, \$ 517,183 of principal was paid on behalf of the Authority by the Berks County Industrial Development Authority. The outstanding balance of this Note is \$ 5,841,817 as of December 31, 2008.

Also in 2007, the County of Berks forgave \$ 300,000 of its \$ 750,000 note and the Authority repaid \$ 500,000 on its Section 108 HUD Loan. In 2008, the Authority repaid the remaining balance of this note of \$ 450,000 plus interest to the County of Berks, in accordance with the terms of the note agreement.

Debt Administration (Continued):

In 2006, the Authority borrowed \$ 2,250,000, all related to the West Reading Project. The Authority borrowed \$ 750,000 from the County of Berks and \$ 1,500,000 from a bank under the terms of a HUD Section 108 Loan Guarantee Program. The loan from the County of Berks will be repaid upon receipt of a State Redevelopment Assistance Capital Program Grant. The HUD guaranteed loan will be repaid with revenue from the tax increment district established as part of the West Reading Project. Further details on the debt can be found in Note 8.

Economic Factors and Next Year's Budget

Like the rest of the Commonwealth, Berks County experienced a drain of population from the urbanized areas and an increase in population in suburban areas. The issue of population drain from the urbanized areas and other economic factors prompted the Authority to design and implement programs that assist in the redevelopment of communities. The ADD Program currently operating within the City of Reading and the redevelopment efforts by the Authority in West Reading Borough are examples.

The current conditions of a stagnant economy and slowly climbing unemployment are also expected to have an impact on the programs and operations of the Authority.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers and taxpayers with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives. If there are any questions about this report or if additional financial information is required, please contact the Authority's Director, Kenneth L. Pick, at the Redevelopment Authority of the County of Berks, 633 Court Street, 14th Floor, Reading, Pennsylvania 19601-3540.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

**STATEMENTS OF NET ASSETS
December 31, 2008 and 2007**

ASSETS	2008	2007
CURRENT ASSETS		
Cash, operating accounts	\$ 49,860	\$ 198,830
Cash, restricted	383,853	5,722,111
Investment, certificate of deposit	54,804	53,262
Due from the County of Berks	5,456,804	946,383
Grant receivable	19,370	15,854
Due from West Reading TIF	1,107,361	1,000,000
Prepaid expenses	6,086	7,237
Debt issuance costs, net of amortization 2008 \$ 46,426; 2007 \$ 6,417	368,574	378,583
	\$ 7,446,712	\$ 8,322,260
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 93,793	\$ 228,087
Accrued expenses	11,200	17,960
Deferred revenue	28,457	-
Loan payable	250,000	-
Notes payable	6,949,178	7,809,000
	7,332,628	8,055,047
Total liabilities		
	7,332,628	8,055,047
COMMITMENTS AND CONTINGENCY	-	-
NET ASSETS, unrestricted	114,084	267,213
	\$ 7,446,712	\$ 8,322,260

See Notes to Financial Statements.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

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

Years Ended December 31, 2008 and 2007

	2008	2007
Operating revenue:		
Program revenue, acquisition, demolition, disposition and redevelopment projects	\$ 1,126,875	\$ 942,386
Other:		
Financing fees income	7,500	-
Other income	3,020	-
	<hr/> 1,137,395 <hr/>	<hr/> 942,386 <hr/>
Operating expenses:		
Program expenses, acquisition, demolition, disposition and redevelopment projects	1,096,395	631,944
Other operating expenses:		
Accounting	11,410	7,500
Administrative fees	29,745	12,699
Advertising	800	-
Consulting	6,145	-
Insurance	10,055	64
Legal	53,172	-
Amortization	40,009	6,417
Miscellaneous	132	151
	<hr/> 1,247,863 <hr/>	<hr/> 658,775 <hr/>
Operating income (loss)	<hr/> (110,468) <hr/>	<hr/> 283,611 <hr/>
Nonoperating revenue (expense):		
Interest income	6,907	16,677
Interest payments made on behalf of the Authority	279,293	-
Debt forgiveness	-	300,000
Interest expense	(328,861)	(89,946)
	<hr/> (42,661) <hr/>	<hr/> 226,731 <hr/>

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS (CONTINUED)
Years Ended December 31, 2008 and 2007**

	2008	2007
Increase (decrease) in net assets	\$ (153,129)	\$ 510,342
Net assets:		
Beginning	<u>267,213</u>	<u>(243,129)</u>
Ending	<u><u>\$ 114,084</u></u>	<u><u>\$ 267,213</u></u>

See Notes to Financial Statements.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

**STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and other receipts for operations	\$ 1,162,337	\$ 1,676,532
Cash payments to suppliers for goods and services	<u>(1,455,119)</u>	<u>(1,461,593)</u>
Net cash provided by (used in) operating activities	<u>(292,782)</u>	<u>214,939</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from loans	1,357,361	6,359,000
Cash payments related to Exeter Project	(5,027,604)	(946,383)
Principal paid on loans	(1,450,000)	(500,000)
Debt issuance costs paid	(30,000)	(385,000)
Interest paid on loans	<u>(49,567)</u>	<u>(89,946)</u>
Net cash provided by (used in) noncapital financing activities	<u>(5,199,810)</u>	<u>4,437,671</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	6,907	16,677
Purchase of certificate of deposit	<u>(1,543)</u>	<u>(1,878)</u>
Net cash provided by investing activities	<u>5,364</u>	<u>14,799</u>
Net increase (decrease) in cash	(5,487,228)	4,667,409
Cash:		
Beginning	<u>5,920,941</u>	<u>1,253,532</u>
Ending	<u>\$ 433,713</u>	<u>\$ 5,920,941</u>

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

**STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2008 and 2007**

	2008	2007
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (110,468)	\$ 283,611
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Amortization of debt issuance costs	40,009	6,417
Change in assets and liabilities:		
(Increase) in due from West Reading TIF	(107,361)	(1,000,000)
(Increase) decrease in grant receivable	(3,516)	734,146
Decrease in prepaid expenses	1,151	200
Increase (decrease) in accounts payable	(134,294)	194,773
(Decrease) in accrued expenses	(6,760)	(4,208)
Increase in deferred revenue	28,457	-
	(292,782)	214,939
Net cash provided by (used in) operating activities	\$ (292,782)	\$ 214,939
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Debt forgiveness	\$ -	\$ 300,000
Interest paid on notes payable	\$ 49,567	\$ 89,946
Principal payments of note made on behalf of the Authority	\$ 517,183	\$ -
Interest payments on note made on behalf of the Authority	\$ 279,293	\$ -

See Notes to Financial Statements.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies

Nature of activity:

The Redevelopment Authority of the County of Berks (the "Authority"), a component unit of the County of Berks, was created on December 29, 1961 by the County of Berks under the laws of the Commonwealth of Pennsylvania, in compliance with the Pennsylvania Urban Redevelopment Law Act of May 24, 1945, as amended, for the purpose of assisting in the rehabilitation and aiding in the construction and preservation of housing within the County of Berks. The Authority is authorized to issue redevelopment revenue notes and bonds, which lower the cost of borrowing to project developers. These obligations do not constitute indebtedness of the Authority and are secured by revenues received from the developer of the project (borrower) on whose behalf the obligations are issued. The Board of Directors of the Authority is appointed by the Berks County Board of Commissioners.

The Authority was designated by the County of Berks as the administrative entity for the Acquisition, Demolition and Disposition Program (the "ADD Program") of the County of Berks. Through this Program, the Authority is authorized to purchase properties within the City of Reading, which are deteriorated beyond rehabilitation, demolish the buildings and obtain an adjacent property owner willing to take ownership after demolition.

The Authority currently has rehabilitation projects in the Berks County Boroughs of Hamburg, Birdsboro, Fleetwood and West Reading and the Township of Union.

A summary of the Authority's significant accounting policies follows:

The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies used by the Authority.

A. THE FINANCIAL REPORTING ENTITY

Accounting principles generally accepted in the United States of America require that the reporting entity include the 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 would cause the reporting entity's financial statements to be misleading or incomplete. There are no agencies or entities which should be presented with the Authority.

The Authority is a component unit of the County of Berks.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Authority's significant accounting policies follows (continued):

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed to the extent these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority has elected to follow subsequent private-sector guidance, subject to the same limitation.

Operating revenues and expenses are distinguished from nonoperating items in the statements of revenues, expenses and changes in net assets. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are related to the Acquisition, Demolition and Disposition Program and rehabilitation projects. Operating expenses include program and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. The principal nonoperating revenue of the Authority is investment income. The principal nonoperating expense of the Authority is interest expense.

C. ASSETS AND NET ASSETS

Cash:

For purposes of reporting cash flows, the Authority considers all cash accounts, which are not subject to withdrawal restrictions or penalties, to be cash.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Authority's significant accounting policies follows (continued):

C. ASSETS AND NET ASSETS (CONTINUED)

Investments:

The Board is permitted to invest the Authority's funds as defined in the Pennsylvania Municipality Authorities Act. Authorized types of investments include the following:

1. U. S. Treasury Bills.
2. Short-term obligations of the U. S. Government and federal agencies.
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions.
4. General obligation bonds of the Federal Government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
5. Shares of mutual funds whose investments are restricted to the above categories.

When making investments, the Board can combine monies from more than one fund under the Authority's control for the purchase of a single investment and join with other political subdivisions and municipal authorities in the purchase of a single investment.

Investments are stated at fair value.

Debt issuance costs:

Debt issuance costs are deferred and amortized over the term of the debt using the straight-line method. Debt issuance costs are presented as assets.

Net assets:

Net assets are classified into three categories as follows:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies (Continued)

A summary of the Authority's significant accounting policies follows (continued):

C. ASSETS AND NET ASSETS (CONTINUED)

Net assets (continued):

Restricted net assets are amounts that have externally imposed restrictions on how the funds can be spent.

Unrestricted net assets are amounts that do not meet the definitions of "invested in capital assets" or "restricted" and are available for Authority operations.

Note 2. Budget Matters

The Authority is not required to adopt a budget.

Note 3. Stewardship, Compliance and Accountability

Compliance with finance-related legal and contractual provisions:

The Authority had no material violations of finance-related legal and contractual provisions.

Note 4. Deposits and Investments

The Authority's available cash is invested in demand deposit accounts, savings accounts and a certificate of deposit. The carrying amounts of cash and investments at December 31, 2008 and 2007 consist of the following:

	2008	2007
Cash	\$ 433,713	\$ 5,920,941
Investment, certificate of deposit	<u>54,804</u>	<u>53,262</u>
	<u>\$ 488,517</u>	<u>\$ 5,974,203</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Deposits and Investments (Continued)

Reconciliation to statement of net assets:

	2008	2007
Cash, operating accounts	\$ 49,860	\$ 198,830
Cash, restricted	383,853	5,722,111
Investment, certificate of deposit	<u>54,804</u>	<u>53,262</u>
	<u>\$ 488,517</u>	<u>\$ 5,974,203</u>

Custodial credit risk - deposits:

Custodial credit risk is the risk that, in the event of a financial institution failure, the deposits may not be returned to the Authority.

At December 31, 2008 and 2007, the carrying amounts of the Authority's bank deposits were \$ 488,517 and \$ 5,974,203, respectively. The corresponding bank balances at December 31, 2008 and 2007 were \$ 524,903 and \$ 5,978,936, respectively, of which \$ 524,903 and \$ 353,262 was directly covered by Federal Depository Insurance at December 31, 2008 and 2007, respectively. The remaining \$ -0- and \$ 5,625,674 of deposits were exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

Cash is restricted for the following projects at December 31, 2008 and 2007:

	2008	2007
West Reading Project	\$ 33,229	\$ 210,585
Exeter Project	13	5,027,617
Birdsboro Project	49,218	46,259
Fleetwood Project	266,730	313,682
Hamburg Project	<u>34,663</u>	<u>123,968</u>
	<u>\$ 383,853</u>	<u>\$ 5,722,111</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Due from the County of Berks/Exeter Project

The Authority has incurred expenditures related to the Exeter Project which were funded by proceeds of the County Guaranteed Revenue Note, Series of 2007. The Authority will recover these funds as the County reimburses the Authority for debt service of the Note under the terms of the Guaranty Agreement between the Authority and the County of Berks. Amounts that are due from the County of Berks equal \$ 5,456,804 and \$ 946,383 as of December 31, 2008 and 2007, respectively. During the years ended December 31, 2008 and 2007, the County of Berks paid debt principal of \$ 517,183 and \$ -0- and interest of \$ 279,293 and \$ -0-, respectively, on behalf of the Authority related to the Exeter Project.

Note 6. Due From West Reading Tax Incremental Financing (TIF)

The Authority has entered into cooperative agreements with the Borough of West Reading, the Wyomissing School District and the County of Berks to create a tax increment district in the area of the Authority's West Reading Project. The Borough, School District and County will establish a real estate levy for the tax increment district, and the tax revenues will be deposited into a fund for use by the Authority in payment of the debt service related to the \$ 1,500,000 note payable related to the Project. No tax revenues were received related to this Project in 2008 or 2007. The amounts receivable under the agreement as of December 31, 2008 and 2007 were \$ 1,107,361 and \$ 1,000,000, respectively.

Note 7. Loan Payable

The Authority has a loan payable to a not-for-profit organization in the amount of \$ 250,000 for the year ended December 31, 2008. The loan is noninterest bearing and without a formal due date. The Authority plans to repay the full amount of \$ 250,000 during 2009.

NOTES TO FINANCIAL STATEMENTS

Note 8. Notes Payable

The Authority has the following notes payable at December 31, 2008 and 2007:

	Balance Outstanding January 1, 2008	Additions	Reductions	Balance Outstanding December 31, 2008
<p>Note payable to a bank, original amount \$ 1,500,000, proceeds used for the West Reading Project, at LIBOR, interest only to August 2010, then annual principal payments of \$ 95,000 plus interest to August 2020, guaranteed by the U. S. Department of Housing and Urban Development - Section 108 Loan Program, to be repaid through real estate tax revenues from a tax increment district established for the project</p>	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
<p>Note payable to the County of Berks, original amount \$ 750,000, at 1% to October 2008, proceeds to be used for the West Reading Project</p>	450,000	-	450,000	-
<p>County Guaranteed Revenue Note, Series of 2007, original amount \$ 6,359,000, payable to a bank at 4.149001%, due in semiannual installments with varying principal amounts to November 2017, guaranteed by the County of Berks</p>	6,359,000	-	517,183	5,841,817

NOTES TO FINANCIAL STATEMENTS

Note 8. Notes Payable (Continued)

	Balance Outstanding January 1, 2008	Additions	Reductions	Balance Outstanding December 31, 2008
<p>Note payable to a bank, original amount \$ 1,500,000, at 4.65%, interest only to October 2009, then starting November 2009, fixed monthly principal payments of \$ 5,350 plus interest to January 2027, to be repaid through real estate tax revenues from a tax increment district established for the project</p>	\$ -	\$ 1,107,361	\$ -	\$ 1,107,361
	<u>\$ 7,809,000</u>	<u>\$ 1,107,361</u>	<u>\$ 1,967,183</u>	<u>\$ 6,949,178</u>
	Balance Outstanding January 1, 2007	Additions	Reductions	Balance Outstanding December 31, 2007
<p>Note payable to a bank, original amount \$ 1,500,000, proceeds used for the West Reading Project, at LIBOR, interest only to August 2010, then annual principal payments of \$ 95,000 plus interest to August 2020, guaranteed by the U. S. Department of Housing and Urban Development - Section 108 Loan Program, to be repaid through real estate tax revenues from a tax increment district established for the project</p>	\$ 1,500,000	\$ -	\$ 500,000	\$ 1,000,000

NOTES TO FINANCIAL STATEMENTS

Note 8. Notes Payable (Continued)

	Balance Outstanding January 1, 2007	Additions	Reductions	Balance Outstanding December 31, 2007
Note payable to the County of Berks, original amount \$ 750,000, at 1% to October 2008, proceeds to be used for the West Reading Project	\$ 750,000	\$ -	\$ 300,000	\$ 450,000
County Guaranteed Revenue Note, Series of 2007, original amount \$ 6,359,000, payable to a bank at 4.149001%, due in semiannual installments with varying principal amounts to November 2017, guaranteed by the County of Berks	<u>-</u>	<u>6,359,000</u>	<u>-</u>	<u>6,359,000</u>
	<u>\$ 2,250,000</u>	<u>\$ 6,359,000</u>	<u>\$ 800,000</u>	<u>\$ 7,809,000</u>

Aggregate maturities required on notes payable at December 31, 2008 are as follows:

Year Ending	Principal	Interest	Total Debt Service
2009	\$ 562,699	\$ 277,587	\$ 840,286
2010	639,195	273,378	912,573
2011	663,195	246,071	909,266
2012	687,195	217,750	904,945
2013	713,195	188,412	901,607
2014-2018	3,164,791	463,777	3,628,568
2019-2023	320,974	83,955	404,929
2024-2027	<u>197,934</u>	<u>14,573</u>	<u>212,507</u>
	<u>\$ 6,949,178</u>	<u>\$ 1,765,503</u>	<u>\$ 8,714,681</u>

NOTES TO FINANCIAL STATEMENTS

Note 9. Redevelopment Notes and Bonds

The Authority is authorized to issue redevelopment revenue notes and bonds that offer tax-free treatment of interest on the obligation to the lender, which results in a lower cost of borrowing to the developer of the project (borrower). In these transactions, the Authority holds title to the assets of the project until the underlying obligation is satisfied. The Authority enters into a capital lease agreement with the developer of the project (borrower) where the Authority is the lessor of the project. The obligation of the lender is secured by the lease agreement and rental payments. These obligations do not constitute indebtedness of the Authority, nor is the Authority liable for the default of the developer of the project (borrower).

At December 31, 2008 and 2007, \$ 5,508,000 and \$ 13,092,000, respectively, of notes and bonds are outstanding under debt obligations that have been authorized by the Authority.

Note 10. Management Agreement

The Authority has entered into a management agreement with the County of Berks to provide administrative services to the Authority. The agreement calls for the reimbursement of wages, benefits and other direct costs associated with the administrative services provided to the Authority. Administrative fees charged to operations were \$ 29,745 and \$ 12,699 for the years ended December 31, 2008 and 2007, respectively.

Note 11. Guaranty Agreement

On October 10, 2007, the Authority and the County of Berks entered into a Guaranty Agreement related to issuance of the County Guaranteed Revenue Note, Series of 2007, whereby the County will provide to the Authority semiannual payments in an amount equal to the debt service on the Note.

The County of Berks anticipates the Berks County Industrial Development Authority will receive an Infrastructure and Facilities Improvement Fund Grant of \$ 796,476 for ten years that will be provided to the Authority for debt service on the County Guaranteed Revenue Note, Series of 2007. For the year ended December 31, 2008, \$ 796,476 was provided to the Authority for the debt service described above.

NOTES TO FINANCIAL STATEMENTS

Note 12. Redevelopment Projects/County of Berks' Commitment

The Authority has started redevelopment projects in the Borough of Birdsboro and Union Township and the Boroughs of Fleetwood and Hamburg, all in Berks County, Pennsylvania. In connection with these projects, the Board of Commissioners of Berks County has committed \$ 2,000,000 of Community Development Block Grant funds for these projects. At December 31, 2008, these commitments are outstanding as follows:

Birdsboro/Union Township Project	\$ 717,268
Fleetwood Project	492,809
Hamburg Project	<u>298,350</u>
	<u>\$ 1,508,427</u>

Note 13. Commitments and Contingency

Commitments:

At December 31, 2008, the Authority is committed to a demolition project of \$ 44,800.

The Authority contracted with the County of Berks Mental Health/Mental Retardation unit in January 2009 for the purpose of encouraging the development of supportive housing opportunities to assist in the acquisition, demolition, rehabilitation, redevelopment and construction of safe and affordable permanent supporting housing units for mental health and/or drug and alcohol priority consumers as outlined with this plan. This agreement commenced January 27, 2009 and the allocation was \$ 1,500,000, all of which was received by the Authority in February 2009.

Contingency:

General:

In the normal course of business, the Authority is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

Note 14. Reclassification of 2007 Financial Statements

Certain items on the 2007 financial statements have been reclassified to conform to the 2008 financial statement presentation.

NOTES TO FINANCIAL STATEMENTS

Note 15. Restatement of Prior Year Financial Statements

A prior period adjustment was made to the December 31, 2007 financial statements to correct an understatement of receivables and revenues for the year ended December 31, 2007. The effect of the prior period adjustment was to increase receivables and unrestricted net assets and decrease expenses by \$ 1,000,000 at December 31, 2007.

**REDEVELOPMENT AUTHORITY OF THE COUNTY OF BERKS
A COMPONENT UNIT OF THE COUNTY OF BERKS**

**SCHEDULES OF NOTES AND BONDS
December 31, 2008 and 2007**

	2008	2007
Series of 1986, Senior Single Family Mortgage Revenue Bonds, Series A, and Subordinated Single Family Mortgage Revenue Bonds, Series B	\$ 200,000	\$ 275,000
Series of 1998, Redevelopment Revenue Refunding Bonds, Woodgate Associates Project \$ 8,520,000	-	7,390,000
Series of 2004, Redevelopment Revenue Note, Reading Area Community College Project \$ 2,500,000	2,447,000	2,463,000
Series of 2005, Revenue Note, Service Access and Management, Inc. \$ 3,060,000	2,861,000	2,964,000
	<u>\$ 5,508,000</u>	<u>\$ 13,092,000</u>