

Coordinated Parking Fund

Financial Statements

Years Ended December 31, 2010 and 2009 with
Independent Auditor's Report

COORDINATED PARKING FUND
YEARS ENDED DECEMBER 31, 2010 AND 2009
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Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
Harrisburg Parking Authority

We have audited the accompanying balance sheets of the Coordinated Parking Fund (Fund), a component unit of the City of Harrisburg, as of December 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund'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. Those standards require that we plan and perform the audits 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 respective financial position of the Fund as of December 31, 2010 and 2009, and the respective changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Maher Duessel

Harrisburg, Pennsylvania
April 20, 2011

COORDINATED PARKING FUND

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 266,821	\$ 3,831,767
Due from the City of Harrisburg	345,825	347,712
Due from Harrisburg Parking Authority	27,046	-
Total Assets	\$ 639,692	\$ 4,179,479
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 6,155	\$ 2,955
Due to Harrisburg Parking Authority	-	3,737,474
Total Current Liabilities	6,155	3,740,429
Net assets:		
Unrestricted net assets	633,537	439,050
Total Liabilities and Net Assets	\$ 639,692	\$ 4,179,479

The accompanying notes are an integral part of these financial statements.

COORDINATED PARKING FUND
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Operating Revenues:		
Contributions:		
Harrisburg Parking Authority	\$ 5,045,725	\$ 5,521,855
City of Harrisburg	1,454,716	1,475,848
Total operating revenues	6,500,441	6,997,703
Operating Expenses:		
Payments to the Harrisburg Parking Authority	3,638,006	3,294,258
Distribution to City of Harrisburg	2,664,000	4,050,000
Professional fees	6,400	3,200
Total operating expenses	6,308,406	7,347,458
Operating Income (Loss)	192,035	(349,755)
Nonoperating Revenue:		
Investment income	2,452	7,188
Change in Net Assets	194,487	(342,567)
Net Assets:		
Beginning of year	439,050	781,617
End of year	\$ 633,537	\$ 439,050

The accompanying notes are an integral part of these financial statements.

COORDINATED PARKING FUND

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities:		
Received from user charges	\$ 2,737,808	\$ 9,572,918
Payments to suppliers for goods and services	<u>(6,305,206)</u>	<u>(7,346,833)</u>
Net cash provided by (used in) operating activities	<u>(3,567,398)</u>	<u>2,226,085</u>
Cash Flows From Investing Activities:		
Interest on investments	<u>2,452</u>	<u>7,188</u>
Net cash provided by investing activities	<u>2,452</u>	<u>7,188</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,564,946)	2,233,273
Cash and Cash Equivalents:		
Beginning	<u>3,831,767</u>	<u>1,598,494</u>
Ending	<u>\$ 266,821</u>	<u>\$ 3,831,767</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ 192,035	\$ (349,755)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Due from City of Harrisburg	1,887	(12,504)
Accounts payable	3,200	625
Due to/from Harrisburg Parking Authority	<u>(3,764,520)</u>	<u>2,587,719</u>
Net cash provided by (used in) operating activities	<u>\$ (3,567,398)</u>	<u>\$ 2,226,085</u>

The accompanying notes are an integral part of these financial statements.

COORDINATED PARKING FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

1. COOPERATION AGREEMENT

On June 27, 1984, the City of Harrisburg (City), the Harrisburg Redevelopment Authority (HRA), Harristown Development Corporation (HDC), Harrisburg Parking Authority (HPA), the Mayor of Harrisburg, and Harrisburg City Council entered into the Cooperation Agreement for a Downtown Coordinated Parking System (Cooperation Agreement). The Cooperation Agreement established a coordinated parking system that is managed and operated by HPA. The components of the coordinated parking system include ten parking garages owned by HPA (HPA Garages), two of the City's surface lots (City Lots), and the City's parking meters (Parking Meters).

In accordance with the Cooperation Agreement, HPA established the Coordinated Parking Fund (Fund), and HPA is required to deposit therein the net operating revenues, as defined, from the components of the coordinated parking system. HPA is also required to deposit into the Fund two-thirds of the parking tax revenues collected by the City upon receipt from the City and all of HPA's unreserved net assets.

The Fund is pledged as security for the debt service payments of the HPA Series N Bonds and is currently used to make HPA's debt service payments for such bonds. These bonds were issued to advance refund HPA's Series F Bonds which were issued to advance refund HPA's Series B Bonds that financed the construction of the Market Square Garage, which is owned and operated by HPA.

The Fund is pledged as security for the debt service payments of the HPA Series R Bonds and the Harrisburg University subsidy payments are to be used to make HPA's debt service payments for such bonds. These bonds were issued to provide for the acquisition of a parking condominium, funding of a debt service reserve fund under the HPA indenture; and the payment of the costs of issuing the bonds.

The amount available for distribution to the City is based on the cash actually received by the Fund in such year or period. Distributions to the City are permitted only when the balance in the Fund, together with amounts expected to be deposited therein from the components of the Coordinated Parking System in the period preceding the next debt service payment on the HPA Series N Bonds, are equal to 130% of such next debt service payment. Distributions paid to the City during the years ended December 31, 2010 and 2009 totaled \$2,664,000 and \$4,050,000, respectively.

Under an agreement executed between the City and HPA in 2002, the City has agreed to make the excess funds in the Fund available to HPA for the purpose of funding the River Street Replacement Reserve Fund, for payment of the debt service on HPA Series J Bonds, and HPA Series K Bonds. During the years ended December 31, 2010 and 2009, a total of \$1,787,259 and \$1,526,743, respectively, was transferred to HPA from the Fund for payment of Series J debt

COORDINATED PARKING FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

service. During the years ended December 31, 2010 and 2009, a total of \$131,341 and \$147,690, respectively, was transferred to HPA from the Fund for payment of Series K debt service.

Under a separate agreement executed between the City and HPA, the City has agreed to make the excess funds in the Fund available to HPA for reimbursement of debt service and related expenses incurred by HPA in connection with making payment on Series P Bonds. During the years ended December 31, 2010 and 2009, a total of \$936,409 and \$862,844, respectively, was transferred to HPA from the Fund for payment of Series P debt service.

The amounts that are transferred to HPA for debt service and parking projects represent excess funds that would be available for distribution to the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The operations and activities of the Fund are accounted for as an enterprise fund, a proprietary fund type. An enterprise fund is used to account for operations where the costs of providing services to the general public on a continuing basis are financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Fund are excess parking facility revenues charged by HPA. Operating expenses include administrative expenses, payments to HPA to fund debt service, and replacement reserves and distributions to the City. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of Accounting

The accrual basis of accounting is utilized by the Fund. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

As a proprietary fund type, the Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this Fund are included on the balance sheets.

COORDINATED PARKING FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

Cash Equivalents

For purposes of the statements of cash flows, the Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounting Standards

The Fund has elected not to apply any Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, relative to the accounting and financial reporting of the Fund's operations and activities.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. DEPOSITS

HPA maintains a separate operating account for each component of the coordinated parking system and for the Fund. Amounts deposited into these accounts are combined into one account for investment by HPA. Interest earned from the investment account is allocated to the operating accounts, including the Fund's operating account, based on the monthly investment balance.

The Parking Authority Law limits HPA to the types of deposits it may make. Allowable deposits include deposits with banks or savings associations that, to the extent not insured, are secured by a pledge of direct obligations of the U.S. Government, Commonwealth of Pennsylvania, or the City having an aggregate market value at least equal to the balance of such deposits. HPA has elected to apply this law to the Fund's deposits.

Allowable investments as outlined in the Cooperation Agreement include certificates of deposit or repurchase agreements with financial institutions having assets in excess of \$500,000,000 or direct obligations of the U.S. Government.

Deposits

HPA pools certain of its deposits with the Fund. At December 31, 2010, the pooled book and bank balances were \$2,783,347 and \$2,488,825, respectively. Of the pooled bank balance, \$250,000 was covered by federal depository insurance at December 31, 2010 and \$393,114 was

COORDINATED PARKING FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits. The remaining \$1,845,711 was invested in the Pennsylvania Treasurer's INVEST Program for Local Governments and Nonprofits (INVEST). INVEST issues audited financial statements that are available to the public. The fair value of HPA's and the Fund's position in the external investment pool was equivalent to value of the external investment pool shares. The Commonwealth provides external regulatory oversight for the external investment pool. At December 31, 2010, INVEST carried a AAA rating and had an average weighted maturity of less than one year. At December 31, 2010, HPA's position in the pool was \$2,516,526, and the Fund's position in the pool was \$266,821.

At December 31, 2009, the pooled account balance had a book and bank balance of \$1,841,969. Of this balance, \$1,016,227 was held in certificates of deposit purchased through a third party, all of which were covered by federal depository insurance, held in the name of HPA at December 31, 2009. The remaining balance of \$825,742 was invested in a money market fund that carried a AAA rating, and had an average weighted maturity of less than one year at December 31, 2009. At December 31, 2009, HPA's position in the pool was (\$1,989,798), and the Fund's position in the pool was \$3,831,767.

4. COMMITMENTS

The Series N Bonds were used to advance refund the Series F Bonds during the year ended December 31, 2003 and are secured primarily with a pledge by HPA of all its rights, title, and interest in and to the Fund.

COORDINATED PARKING FUND

NOTES TO FINANCIAL STATEMENTS

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Debt service requirements, including interest, on Series N Bonds outstanding at December 31, 2010 are as follows:

	<u>Amount</u>
2011	\$ 786,195
2012	786,395
2013	790,595
2014	789,270
2015	781,270
2016	<u>761,390</u>
	4,695,115
Less interest	<u>(605,115)</u>
	<u>\$ 4,090,000</u>

During the years ended December 31, 2010 and 2009, a total of \$782,997 and \$756,981, respectively, was transferred to HPA from the Fund for payment of Series N Debt Service.