

HARRISBURG PARKING AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2008 AND 2007
WITH
INDEPENDENT AUDITOR'S REPORT**

MAHER DUESSEL

CERTIFIED PUBLIC ACCOUNTANTS

HARRISBURG PARKING AUTHORITY

YEARS ENDED DECEMBER 31, 2008 AND 2007

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Independent Auditor's Report

Board of Directors
Harrisburg Parking Authority

We have audited the accompanying balance sheets of the Harrisburg Parking Authority (the Authority), a component unit of the City of Harrisburg, as of December 31, 2008 and 2007, and the related statements of revenues, expenses, and change in net assets and cash flows for the years then ended. 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. 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 financial position of the Authority 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. The Authority has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

Board of Directors
Harrisburg Parking Authority
Independent Auditor's Report
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Our audits were conducted for the purpose of forming an opinion on the Authority's financial statements taken as a whole. The Calculation of Payments to Coordinated Parking Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

Maher Duessel

Harrisburg, Pennsylvania
April 17, 2009

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HARRISBURG PARKING AUTHORITY

BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 2,382,430	\$ 3,603,116
Receivables - trade	138,284	171,097
Due from Coordinated Parking Fund	1,149,755	1,515,135
Due from City of Harrisburg	10,000	10,000
Prepaid expenses	166,238	150,916
Total current assets	<u>3,846,707</u>	<u>5,450,264</u>
Restricted assets:		
Cash and cash equivalents	12	13
Investments	11,895,038	20,398,231
Total restricted assets	<u>11,895,050</u>	<u>20,398,244</u>
Noncurrent assets:		
Capital assets not being depreciated	7,989,505	7,184,250
Capital assets (net of accumulated depreciation of \$30,551,169 and \$27,366,868)	56,601,739	60,799,203
Equitable ownership interest	14,000,500	7,050,000
Deferred bond issuance costs (net of amortization of \$1,297,804 and \$973,886)	4,153,300	4,572,101
Management and operating rights (net of amortization of \$979,688 and \$860,938)	1,870,312	1,989,062
Total noncurrent assets	<u>84,615,356</u>	<u>81,594,616</u>
Total Assets	<u><u>\$100,357,113</u></u>	<u><u>\$107,443,124</u></u>

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

Liabilities and Net Assets	<u>2008</u>	<u>2007</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,014,406	\$ 1,263,989
Deferred parking revenue	643,096	358,771
Current portion of bonds and notes payable	2,865,000	2,175,000
Total current liabilities	<u>4,522,502</u>	<u>3,797,760</u>
Current liabilities payable from restricted assets:		
Construction payables	-	1,198,396
Accrued interest payable on bonds	1,225,551	1,185,671
Deferred parking revenue	-	87,063
Total current liabilities payable from restricted assets	<u>1,225,551</u>	<u>2,471,130</u>
Long-term liabilities:		
Bonds and notes payable, net of current portion	104,196,595	106,727,390
Deferred revenue	298,181	349,302
Total long-term liabilities	<u>104,494,776</u>	<u>107,076,692</u>
Total Liabilities	<u>110,242,829</u>	<u>113,345,582</u>
Net Assets:		
Invested in capital assets, net of related debt	(13,646,455)	(11,378,608)
Unrestricted	3,760,739	5,476,150
Total Net Assets	<u>(9,885,716)</u>	<u>(5,902,458)</u>
Total Liabilities and Net Assets	<u>\$100,357,113</u>	<u>\$107,443,124</u>

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HARRISBURG PARKING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Public parking	\$ 11,562,563	\$ 11,194,032
State parking	1,275,120	1,328,892
Office rent	69,428	67,577
Other	60,436	56,799
Total operating revenues	<u>12,967,547</u>	<u>12,647,300</u>
Operating Expenses:		
Salaries and fringe benefits	2,380,571	2,237,619
Repairs, maintenance, and supplies	641,231	685,588
Professional services	737,511	396,052
Depreciation	3,192,501	2,747,728
Insurance	217,627	194,210
Utilities	460,843	514,088
Real estate taxes	56,314	52,932
Rental	55,557	38,373
Other	186,346	207,653
Total operating expenses	<u>7,928,501</u>	<u>7,074,243</u>
Operating Income	<u>5,039,046</u>	<u>5,573,057</u>
Nonoperating Revenue (Expenses):		
Investment income	819,050	1,726,621
Interest expense	(5,568,292)	(5,074,477)
Transfer from the Coordinated Parking Fund	3,056,602	2,720,725
Transfer to the Coordinated Parking Fund	(1,008,920)	-
Required payments under cooperation agreement for downtown parking system to the Coordinated Parking Fund	(5,824,276)	(5,102,382)
Loss on disposal of capital assets	(496,468)	-
Total nonoperating expenses, net	<u>(9,022,304)</u>	<u>(5,729,513)</u>
Change in Net Assets	<u>(3,983,258)</u>	<u>(156,456)</u>
Net Assets:		
Beginning	<u>(5,902,458)</u>	<u>(5,746,002)</u>
Ending	<u>\$ (9,885,716)</u>	<u>\$ (5,902,458)</u>

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

HARRISBURG PARKING AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Cash Flows From Operating Activities:		
Received from user charges	\$ 13,554,040	\$ 12,654,314
Payments to employees for services	(2,380,571)	(2,237,619)
Payments to suppliers for goods and services	(2,406,701)	(1,693,983)
	8,766,768	8,722,712
Net cash provided by operating activities		
Cash Flows From Capital and Related Financing Activities:		
Proceeds from issuance of parking revenue bonds	-	36,588,891
Interest paid on parking revenue bonds	(4,870,289)	(5,117,099)
Principal paid on parking revenue bonds	(2,175,000)	(2,640,000)
Cash paid to bond escrow agent	-	(18,388,217)
Cash payments to Coordinated Parking Fund	(6,833,196)	(5,102,382)
Cash payments from Coordinated Parking Fund	3,056,602	2,720,725
Acquisition and construction of capital assets	(2,320,156)	(8,042,643)
Proceeds from the sale of capital assets	825,000	-
Equitable ownership interest in condominium unit	(6,950,000)	(7,050,000)
Cash paid for bond issuance costs	-	(2,286,487)
	(19,267,039)	(9,317,212)
Net cash used in capital and related financing activities		
Cash Flows From Investing Activities:		
Investment income	817,987	1,579,974
Purchases of investment securities	(14,665,874)	(12,069,481)
Proceeds from sale and maturities of investment securities	23,127,471	11,147,000
Payments received on note receivable	-	59,879
	9,279,584	717,372
Net cash provided by (used in) investing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(1,220,687)	122,872
Cash and Cash Equivalents:		
Beginning	3,603,129	3,480,257
Ending	\$ 2,382,442	\$ 3,603,129

HARRISBURG PARKING AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 5,039,046	\$ 5,573,057
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	3,192,501	2,747,728
Amortization	118,750	118,750
Changes in operating assets and liabilities:		
Receivables:		
Trade	32,570	51,650
Coordinated Parking Fund	365,380	53,662
City of Harrisburg	-	(10,000)
Prepaid expenses	(15,322)	(106,769)
Accounts payable and accrued expenses	(154,700)	392,932
Deferred parking revenue	188,543	(98,298)
Net cash provided by operating activities	<u>\$ 8,766,768</u>	<u>\$ 8,722,712</u>

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

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description

The Harrisburg Parking Authority (HPA) was incorporated in 1972 under the Pennsylvania Parking Authority Law of 1947. HPA is an agency and instrumentality of the City of Harrisburg (City), Pennsylvania, which owns and operates parking facilities in the City. For financial statement purposes, HPA is a component unit (single enterprise fund) of the City and is thus included in the City's comprehensive annual financial report.

The five-member board of HPA is appointed by the Mayor and members of the Board can be removed from the Board at will. The City receives the benefit of excess parking revenues through a Cooperation Agreement with HPA and the City has guaranteed a majority of HPA's outstanding debt.

B. Reporting Entity

For financial reporting purposes, HPA includes those operations that are generally controlled by or dependent on HPA. Controlled by or dependent on HPA is determined on the basis of such factors as budget adoption, outstanding debt secured by revenues of HPA, obligations of HPA to finance any deficit that may occur, or receipt of significant subsidies from HPA.

The City, Harrisburg Redevelopment Authority (HRA), Harristown Development Corporation, HPA, the Mayor of Harrisburg, and Harrisburg City Council entered into a Cooperation Agreement for a Downtown Coordinated Parking System (Cooperation Agreement). In accordance with the Cooperation Agreement, HPA established the Coordinated Parking Fund (Fund). Under terms of the Cooperation Agreement, HPA manages and operates a coordinated parking system and is required to deposit the net operating revenues, as defined, from the operations of the components of the coordinated parking system into the Fund. Since HPA does not exercise control over the Fund, financial information for the Fund is reported in separate financial statements and is excluded from HPA's reporting entity.

C. Basis of Presentation

HPA's operations are funded through user charges. Therefore, HPA is presented within the City's comprehensive annual financial report as an enterprise fund, a proprietary fund type, using the economic resources measurement focus. An enterprise fund is used to account for operations where the costs of providing services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

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 HPA are charges for parking. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Basis of Accounting

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

The accounting and financial reporting treatment applied to HPA is determined by its measurement focus. The transactions of HPA are accounted for on a flow of economic resources measurement focus, all assets and all liabilities associated with the operations are included on the balance sheets. Net assets (i.e., total assets net of total liabilities) are segregated into "Invested in capital assets, net of related debt" and "Unrestricted" components.

E. Cash Equivalents

For purposes of the statements of cash flows, HPA considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. Restricted Assets

Assets required to be segregated by bond indentures or contractual obligations are identified as restricted assets. Restricted assets at December 31, 2008 represent monies required to be restricted under the terms of bond indentures related to the Series I, J, K, N, O, P, R, and T Series Guaranteed Parking Revenue Bonds and a purchase agreement executed between HPA and Allegheny Electric Cooperative, Inc. (AEC) in 1987, as mentioned in Note 7.

G. Investments

Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

H. Capital Assets

Capital assets in service and construction in progress are stated on the basis of cost. Capital assets are defined by HPA as assets with an initial, individual cost of \$10,000 for land, buildings, and related improvements, or \$1,000 for furniture and equipment purposes, and an estimated useful life in excess of three years. Maintenance and repairs, which do not significantly extend the value or life of capital assets, are expensed as incurred.

Depreciation expense is computed using the straight-line method over the estimated useful asset lives ranging from three to thirty years. Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest costs incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

I. Deferred Bond Issuance Costs

Deferred bond issuance costs are carried at cost, net of accumulated amortization, and are amortized over the outstanding terms of the associated bond issues using the bonds-outstanding method, which approximates the effective interest method.

J. Pooled Cash and Investments

HPA maintains a separate operating account for each component of the coordinated parking system and for the Coordinated Parking Fund, as mentioned in Note 2. Amounts deposited into these accounts are combined into one account for investment by HPA, as mentioned in Note 3. Interest earned from the investment account is allocated to the operating accounts based on the monthly investment balance.

K. Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net assets are classified in the following components: invested in capital assets, net of related debt and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Unrestricted consists of all other net assets not included in the above categories.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

L. Restricted Resources

When both restricted and unrestricted resources are available for use, it is HPA's policy to use restricted resources first, then unrestricted resources as they are needed.

M. Accounting Standards

Under the guidelines of GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," HPA 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 HPA's operations and activities. This is consistent with the election made by the City of Harrisburg.

N. Risk Management

HPA 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. There were no significant reductions in insurance coverages in 2008. Settlement amounts have not exceeded insurance coverages for the current year or three prior years.

O. 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.

P. Pending Changes in Accounting Principles

In August of 2004, the GASB issued Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*." Statement No. 45 addresses how HPA should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. HPA is required to adopt Statement No. 45 for their calendar year 2009.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

2. COOPERATION AGREEMENT

The City of Harrisburg (City), Harrisburg Redevelopment Authority (HRA), Harristown Development Corporation, HPA, the Mayor of Harrisburg, and Harrisburg City Council entered into a Cooperation Agreement for a Downtown Coordinated Parking System (Cooperation Agreement). In connection with the Cooperation Agreement, HPA issued Parking Revenue Bonds, Series A of 1986 (the Series A Bonds). The proceeds of the Series A Bonds were used to acquire land and to finance construction of the Locust Street Garage.

In accordance with the Cooperation Agreement, HPA established the Coordinated Parking Fund (Fund). Under terms of the Cooperation Agreement, HPA manages and operates a coordinated parking system and is required to deposit the net operating revenues, as defined, from the operations of the components of the coordinated parking system into the Fund. The components of the coordinated parking system include nine parking garages owned by HPA (HPA Garages), two of the City's surface lots (City Lots), and the City's parking meters (Parking Meters). HPA is also required to deposit into the Fund two-thirds of the revenues from a parking tax imposed by the City and any unrestricted portion of HPA's administrative fund net assets.

The Fund is pledged as security for the debt service payments of HPA's Parking Revenue Bonds, Series F (Series F Bonds). During the year ended December 31, 2003, HPA issued Parking Revenue Bonds, Series N, which were used to defease the Series F Bonds. The Fund continues to be pledged as security for the Series N Bonds. The Fund is also used to reimburse certain HPA garages for below market rentals to certain lessors and, if any excess is available, to distribute such amount to the City calculated in accordance with the Cooperation Agreement. The Fund is also designated for future distributions to the City as cash becomes available.

During the years ended December 31, 2008 and 2007, a total of \$630,893 and \$736,500 was transferred to HPA from the Fund for payment of Series N Debt Service.

Under a separate agreement executed between the City and HPA, the City has agreed to make the excess funds in the Coordinated Parking 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 Series K Bonds. During the years ended December 31, 2008 and 2007, a total of \$1,423,676 and \$1,533,181 was transferred to HPA from the Fund for payment of Series J debt service. A total of \$225,333 and \$451,044 was transferred to HPA from the Fund for payment of Series K debt service during the years ended December 31, 2008 and 2007.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

Under a separate agreement executed between the City and HPA, the City has agreed to make the excess funds in the Coordinated Parking 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 year ended December 31, 2008, a total of \$776,700 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.

3. DEPOSITS AND INVESTMENTS

Deposits

The Parking Authority Law limits HPA to the type 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.

Custodial credit risk. At December 31, 2008 and 2007, the non-pooled book balances of HPA were \$864,993 and \$1,366,703 and the bank balances were \$876,534 and \$1,361,576, respectively. Of the non-pooled bank balances, \$250,000 was covered by federal depository insurance at December 31, 2008 and \$100,000 was covered by federal depository insurance at December 31, 2007. The remainder of the non-pooled bank balance at December 31, 2008 and 2007 was collateralized under Act No. 72 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.

HPA pools certain of its deposits with the Coordinated Parking Fund. At December 31, 2008 and 2007, the pooled account had a book and bank balance of \$3,115,943 and \$3,760,341, respectively. Of this balance, \$2,671,244 and \$1,399,675 was held in certificates of deposit purchased through a third party, all of which was covered by federal depository insurance held in the name of HPA at December 31, 2008 and 2007, respectively. The remaining balance of \$444,699 and \$2,360,666 was invested in a money market fund which carried a AAA rating and had an average weighted maturity of less than one year at December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, HPA's position in the pool was \$1,517,449 and \$2,236,426, respectively, and the Coordinated Parking Fund's position in the pool was \$1,598,494 and \$1,523,915, respectively.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

Investments

The bond indentures related to HPA's parking revenue bonds and the purchase agreement executed between HPA and Allegheny Electric Cooperative, Inc. (AEC) in 1987 (Purchase Agreement) required the establishment of various funds and accounts. The unexpended amounts in these funds and accounts as of December 31, 2008 and 2007, and the related interest receivable are restricted for designated purposes under the bond indentures and the Purchase Agreement.

Allowable investments as outlined in HPA's internal investment policy include certificates of deposit, repurchase agreements with financial institutions having assets in excess of \$500,000,000, direct obligations of the U.S. Government, or as permitted in the individual trust indentures.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

The composition of restricted assets at December 31, 2008 and 2007, by fund and account is as follows:

December 31, 2008			Construction Fund	Total Fair Value
Series I Proceeds:				
Money market funds			\$ 19,374	\$ 19,374
		Debt Service	Reserve	Total Fair Value
Series K Proceeds:				
Money market funds		\$ -	\$ 1,199,465	\$ 1,199,465
	Clearing Fund	Debt Service	Debt Service Reserve Fund	Total Fair Value
Series J Proceeds:				
Commercial Paper	\$ -	\$ -	\$ 2,632,797	\$ 2,632,797
Money market funds	223	-	652,611	652,834
	\$ 223	\$ -	\$ 3,285,408	\$ 3,285,631
	Clearing Fund	Interest and Principal Fund	Debt Service Reserve Fund	
Series N Proceeds:				
Money market funds	\$ 12	\$ 4,153	\$ 815,677	
			Rebate Fund	Total Fair Value
Series N Proceeds (continued):				
Money market funds			\$ 36,000	\$ 855,842

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

December 31, 2008	Clearing Fund	Debt Service Fund	Debt Service Reserve Fund		
Series O Proceeds:					
Commercial paper	\$ -	\$ -	\$ 1,805,013		
Money market funds	-	-	974		
	\$ -	\$ -	\$ 1,805,987		
				Rebate Fund	Total Fair Value
Series O Proceeds (continued):					
Commercial paper			\$ -		\$ 1,805,013
Money market funds			9,014		9,988
			\$ 9,014		\$ 1,815,001
	Clearing Fund	Debt Service Fund	Debt Service Reserve Fund		
Series P Proceeds:					
Money market funds	\$ -	\$ 1,862	\$ 1,676,371		
				Rebate Fund	Construction Funds
Series P Proceeds (continued):					Total Fair Value
Money market funds		\$ -	\$ 33		\$ 1,678,266
	Settlement Fund	Debt Service Fund	Debt Service Reserve Fund		
Series R Proceeds:					
Money market funds	\$ 2	\$ 3,775	\$ 1,093,799		
				Construction Fund	Total Fair Value
Series R Proceeds (continued):					
Money market funds			\$ 193,132		\$ 1,290,708

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

December 31, 2008	Clearing Fund	Debt Service Fund	Debt Service Reserve Fund		
Series T Proceeds:					
Money market funds	\$ 274	\$ 308,982	\$ 1,421,056	Settlement Fund	Total Fair Value
Series T Proceeds (continued):					
Money market funds			\$ 20,439	Construction Fund	Total Fair Value
December 31, 2007					
Series I Proceeds:					
Money market funds			\$ 665,590	Prepaid Rental Escrow	Total Fair Value
Prepaid rental proceeds held in escrow account:					
Money market funds			95,782		95,782
			\$ 95,782	Debt Service Reserve	Total Fair Value
Series K Proceeds:					
Money market funds		\$ 25	\$ 1,311,708	Debt Service Reserve Fund	Total Fair Value
Series J Proceeds:					
Commercial Paper		\$ -	\$ 2,633,707		\$ 2,633,707
Money market funds		1	712,157		712,158
		\$ 1	\$ 3,345,864	Debt Service Reserve Fund	Total Fair Value
Guaranteed Parking:					
Revenue bonds proceeds					
Money market funds		\$ 388	\$ 5,096		\$ 5,484

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

December 31, 2007	Clearing Fund	Interest and Principal Fund	Debt Service Reserve Fund	Total Fair Value
Series N Proceeds:				
Commercial paper	\$ -	\$ -	\$ 796,055	\$ 796,055
Fixed income government issues	-	125,639	-	125,639
Money market funds	12	725	428	1,165
	\$ 12	\$ 126,364	\$ 796,483	\$ 922,859
	Clearing Fund	Debt Service Fund	Debt Service Reserve Fund	
Series O Proceeds:				
Commercial paper	\$ -	\$ -	\$ 1,806,223	
Money market funds	283	35,610	915	
	\$ 283	\$ 35,610	\$ 1,807,138	
			Rebate Fund	Total Fair Value
Series O Proceeds (continued):				
Commercial paper			\$ -	\$ 1,806,223
Money market funds			9,535	46,343
			\$ 9,535	\$ 1,852,566
	Clearing Fund	Debt Service Fund	Debt Service Reserve Fund	
Series P Proceeds:				
Money market funds	\$ -	\$ 1,111	\$ 1,733,355	
		Rebate Fund	Construction Funds	Total Fair Value
Series P Proceeds (continued):				
Money market funds		\$ 34,919	\$ 28,710	\$ 1,798,095

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

December 31, 2007	Settlement Fund	Debt Service Fund	Debt Service Reserve Fund		
Series R Proceeds:					
Money market funds	\$ 2	\$ 3,666	\$ 1,100,727		
			Construction Fund	Total Fair Value	
Series R Proceeds (continued):					
Money market funds			\$ 7,711,794	\$ 8,816,189	
	Settlement Fund	Debt Service Fund	Debt Service Reserve Fund	Total Fair Value	
Series T Proceeds:					
Money market funds	\$ 156,452	\$ 6,791	\$ 1,420,825	\$ 1,584,068	

Custodial Credit Risk. Custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. HPA does not have an investment policy for custodial credit risk. The securities are held by the counterparty, not in HPA's name.

HPA's U.S. government obligations include U.S. Treasury principal-only STRIPS. These particular STRIPS have little credit and legal risk while the market risk is significant as principal-only STRIPS are more sensitive to fluctuations in interest rates than other traditional investments. The carrying amount of these STRIPS at December 31, 2008 and 2007 was zero and \$89,349, respectively, and is reported as part of restricted investments on the balance sheets.

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Concentration of credit risk. HPA places no limit on the amount HPA may invest in any one issuer. More than 5% of HPA's investments were held with the following issuers:

December 31, 2008	Fair Value	Percent of Investments
Restricted		
Commercial paper:		
General Electric Capital Corporation	\$ 2,632,797	22.13%
Yorktown Capital, LLC	\$ 1,805,013	15.17%
December 31, 2007		
Restricted		
Commercial paper:		
UBS Financial	\$ 4,439,930	21.77%

Credit risk. HPA does not have a formal policy that would limit its investment choices with regard to credit risk. HPA's money market funds and fixed income investments had the following level of exposure to credit risk as of December 31, 2008 and 2007:

December 31, 2008	Fair Value	Rating
Restricted		
Money market funds	\$ 7,457,228	AAA
Commercial paper	\$ 4,437,810	A1
December 31, 2007		
Restricted		
Money market funds	\$ 15,036,607	AAA
Commercial paper	\$ 796,055	AAA
Commercial paper	\$ 4,439,930	AA-

Interest rate risk. HPA does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2008 and 2007, HPA's money market and fixed income investments have an average maturity of less than one year.

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4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Dispositions/ Transfers Out</u>	<u>End of Year</u>
Capital assets, not being depreciated:				
Land	\$ 6,939,212	\$ -	\$ -	\$ 6,939,212
Construction-in-progress	245,038	956,224	(150,969)	1,050,293
Total capital assets, not being depreciated	<u>7,184,250</u>	<u>956,224</u>	<u>(150,969)</u>	<u>7,989,505</u>
Capital assets, being depreciated:				
Land improvements	127,922	-	-	127,922
Buildings and improvements	85,497,406	307,919	(1,328,850)	84,476,475
Furniture and fixtures	322,291	4,240	-	326,531
Machinery and equipment	2,218,452	3,528	-	2,221,980
Total capital assets, being depreciated	<u>88,166,071</u>	<u>315,687</u>	<u>(1,328,850)</u>	<u>87,152,908</u>
Less accumulated depreciation	<u>(27,366,868)</u>	<u>(3,192,501)</u>	<u>8,200</u>	<u>(30,551,169)</u>
Total capital assets, being depreciated, net	<u>60,799,203</u>	<u>(2,876,814)</u>	<u>(1,320,650)</u>	<u>56,601,739</u>
Capital assets, net	<u>\$ 67,983,453</u>	<u>\$ (1,920,590)</u>	<u>\$ (1,471,619)</u>	<u>\$ 64,591,244</u>

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Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Dispositions/ Transfers Out</u>	<u>End of Year</u>
Capital assets, not being depreciated:				
Land	\$ 6,959,764	\$ -	\$ (20,552)	\$ 6,939,212
Construction-in-progress	<u>8,058,446</u>	<u>8,835,135</u>	<u>(16,648,543)</u>	<u>245,038</u>
Total capital assets, not being depreciated	<u>15,018,210</u>	<u>8,835,135</u>	<u>(16,669,095)</u>	<u>7,184,250</u>
Capital assets, being depreciated:				
Land improvements	127,922	-	-	127,922
Buildings and improvements	69,038,035	16,459,371	-	85,497,406
Furniture and fixtures	308,965	13,326	-	322,291
Machinery and equipment	<u>2,199,356</u>	<u>19,096</u>	<u>-</u>	<u>2,218,452</u>
Total capital assets, being depreciated	<u>71,674,278</u>	<u>16,491,793</u>	<u>-</u>	<u>88,166,071</u>
Less accumulated depreciation	<u>(24,619,141)</u>	<u>(2,747,727)</u>	<u>-</u>	<u>(27,366,868)</u>
Total capital assets, being depreciated, net	<u>47,055,137</u>	<u>13,744,066</u>	<u>-</u>	<u>60,799,203</u>
Capital assets, net	<u>\$ 62,073,347</u>	<u>\$ 22,579,201</u>	<u>\$ (16,669,095)</u>	<u>\$ 67,983,453</u>

5. MANAGEMENT AND OPERATING RIGHTS

On October 15, 2000, HPA entered into an agreement with the Harrisburg Authority to assist in the development and operation of the parking facilities at the National Civil War Museum and to act as the sole and exclusive manager and operator of such parking facility through October 2024. In consideration for its appointment and designation as manager and operator of the parking facilities, HPA agreed to pay \$2,850,000 to the Harrisburg Authority. The management and operating rights acquired by HPA are being amortized over the life of the agreement. Amortization of the rights for the years ended December 31, 2008 and 2007 totaled \$118,750.

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6. BONDS AND NOTES PAYABLE

At December 31, bonds and notes payable consist of the following:

	<u>2008</u>	<u>2007</u>
Series K Note dated June 1, 2000:		
Variable rate term notes due December 1, 2023 (2.03% at December 31, 2008) (approximately BMA)	\$ 2,900,000	\$ 2,900,000
Variable rate term notes due December 1, 2024 (2.03% at December 31, 2008) (approximately BMA)	<u>8,900,000</u>	<u>8,900,000</u>
	<u>11,800,000</u>	<u>11,800,000</u>
Series J Bonds dated September 1, 2001:		
2.80% to 5.00% Bonds due serially from September 1, 2003 to September 1, 2022 in annual installments ranging from \$5,000 to \$4,835,000	<u>28,290,000</u>	<u>28,565,000</u>
Series N Bonds dated October 28, 2003:		
2.50% to 4.30% Bonds due serially from November 15, 2004 to November 15, 2016 in annual installments ranging from \$485,000 to \$730,000	<u>5,265,000</u>	<u>5,820,000</u>
Series O Bonds dated November 18, 2003:		
1.50% to 5.00% Bonds due serially from August 1, 2004 to August 1, 2016 in annual installments ranging from \$735,000 to \$2,770,000	<u>11,820,000</u>	<u>13,160,000</u>
Series P Bonds dated July 15, 2005:		
3.30% to 5.25% Bonds due serially from September 1, 2007 to September 1, 2027 in annual installments ranging from \$5,000 to \$4,850,000	12,515,000	12,520,000
5.70% Bonds due serially from September 1, 2023 to September 1, 2025 in annual installments ranging from \$365,000 to \$2,810,000	<u>4,110,000</u>	<u>4,110,000</u>
	<u>16,625,000</u>	<u>16,630,000</u>
Series R Bonds dated January 11, 2007:		
3.60% to 5.00% Bonds due serially from May 15, 2010 to May 15, 2036 in annual installments ranging from \$340,000 to \$1,065,000	<u>16,965,000</u>	<u>16,965,000</u>

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	<u>2008</u>	<u>2007</u>
Continued:		
Series T Bonds dated December 15, 2007: 3.50% to 4.50% Bonds due serially from May 15, 2009 to May 15, 2030 in annual installments ranging from \$480,000 to \$1,360,000	<u>19,890,000</u>	<u>19,890,000</u>
Total Debt	<u>110,655,000</u>	<u>112,830,000</u>
Plus (less):		
Amortized debt premium (discount)	671,781	765,657
Deferred loss on defeasance	(4,265,186)	(4,693,267)
Current portion	<u>(2,865,000)</u>	<u>(2,175,000)</u>
	<u>(6,458,405)</u>	<u>(6,102,610)</u>
Long-term portion	<u>\$ 104,196,595</u>	<u>\$ 106,727,390</u>

On March 16, 1994, HPA issued the "Harrisburg Parking Authority Federally Taxable Guaranteed Parking Revenue Refunding Bonds, Series G of 1994" (Series G Bonds) and the "Harrisburg Parking Authority Tax-Exempt Guaranteed Parking Revenue Refunding Bonds, Series H of 1994" (Series H Bonds) in the aggregate principal amount of \$26,860,000 (plus accrued interest of \$122,550 less an original issue discount of \$475,176) with interest rates ranging from 4.00% to 6.55% to advance refund \$24,045,000 of outstanding Series C, D, and E Bonds with interest rates ranging from 5.00% to 7.00%. The net proceeds of \$25,535,783 (after payment of \$837,655 in insurance costs and deposit of \$11,386 to the Debt Service Reserve Fund for the series G and H Debt Service Accounts), were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series C, D, and E Bonds. As a result, the Series C, D, and E Bonds are considered to be defeased and the liability for those bonds has been removed from HPA's balance sheet. At December 31, 2008, no Series C, D, or E Bonds remained outstanding.

The debt service requirements for Series F Bonds were payable solely from and secured by a pledge of (1) all the right, title, and interest of HPA in and to the Coordinated Parking Fund, (2) all amounts on deposit and investment securities in any fund or account established under the related bond indenture, (3) guaranty by the City, and (4) a municipal bond insurance policy. Amounts on deposit in the Coordinated Parking Fund are to be transferred to the Debt Service Fund created under the bond indenture and used to make required debt service payments on the Series F Bonds. These Bonds have been defeased through the issuance of "Harrisburg Parking Authority Guaranteed Parking Revenue Refunding Bonds, Series N of 2003."

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Debt service on the Series G and Series H Bonds was payable from certain Capital Replacement Reserve Funds held by HPA as established under the Cooperation Agreement.

The Series G and Series H Bonds were also secured by a pledge of (1) all amounts on deposit and investment securities in any fund established under the related bond indenture, (2) the City's guaranty, and (3) a municipal bond insurance policy. The annual payment of debt service on the Series G and Series H Bonds is subordinated to provision of funds to cover 130% of the debt service on HPA Series F Bonds. The Series H Bonds have been defeased through the issuance of "Guaranteed Parking Revenue Bonds, Series O of 2003."

In 1998, HPA issued the "Guaranteed Parking Revenue Bonds, Series I of 1998" (Series I Bonds) in the aggregate principal amount of \$25,800,000 (less an original issue discount of \$635,978) with interest rates ranging from 4.50% to 6.15% to provide for the acquisition, design, development, and construction of three parking garages, provide for the funding of a debt service reserve fund under the HPA indenture and the payment of the costs of issuing the Bonds. These Bonds have been defeased through the issuance of "Guaranteed Parking Revenue Bonds, Series J of 2001."

In 2000, HPA issued the "Guaranteed Parking Revenue Note, Series K of 2000" (Series K Notes) in the aggregate principal amount of \$11,800,000 with a variable interest rate to provide funding for the costs of completing the acquisition, design, development, construction, and equipping of three parking garages; certain costs of acquiring, constructing, and equipping miscellaneous capital additions of HPA's parking facilities and parking system; debt service reserve funds under a third supplemental indenture of the City of York General Authority and fund capitalized interest on the Series K Note; and paying the costs of issuing HPA's Series K Notes. In order to minimize the risk of interest rate fluctuations, HPA has entered into an interest rate cap agreement, the term of which will run from June 1, 2000 through and including October 1, 2024. The maximum rate under this agreement is 8.0% annually.

In 2001, HPA issued the "Guaranteed Parking Revenue Bonds, Series J of 2001" (Series J Bonds) in the aggregate principal amount of \$29,400,000 (plus an original issue premium of \$174,804 and accrued interest of \$71,090) with interest rates ranging from 2.80% to 5.00% to advance refund \$25,785,000 of Outstanding Series I Bonds with interest rates ranging from 4.50% to 6.15%. The net proceeds of \$28,626,025 (after payment of \$622,136 in issuance costs and deposits of \$347,251 to the Debt Service Reserve Fund for the Series J Bonds and \$50,842 to the Series J Debt Service Account), were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series I Bonds. As a result, the Series I Bonds are considered to be defeased and the liability for those bonds has been removed from HPA's balance sheet. As of December 31, 2008, no Series I remained outstanding.

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In 2001, HPA issued the “Guaranteed Parking Revenue Bonds, Series 2001” in the aggregate principal amount of \$19,500,000 (less an original issue discount of \$37,590) with interest rates ranging from 3.00% to 5.75% to provide for the acquisition of the Seventh Street Garage; funding of a debt service reserve fund under the HPA indenture; and the payment of the costs of issuing bonds. These Bonds have been defeased through the issuance of “Guaranteed Parking Revenue Bonds, Series T of 2007.”

In 2003, HPA issued the “Harrisburg Parking Authority Guaranteed Parking Revenue Refunding Bonds, Series N of 2003” (Series N Bonds) principal amount of \$7,905,000 (plus accrued interest of \$10,051 plus an original issue premium of \$98,721) with interest rates ranging from 2.50% to 4.30% to advance refund \$7,400,000 of outstanding Series F Bonds. The net proceed of \$7,024,776 (after payment of \$267,997 in issuance costs and \$982,000 to fund the termination amount to terminate a forward interest swap agreement relating to the Series N Bonds), were used to currently refund HPA’s Guaranteed Parking Revenue Refunding Bonds, Series F of 1993, establish the necessary reserves under the Indenture, and payment of the costs and expenses associated with the issuance of the Series N Bonds. As a result, the Series F Bonds are considered to be defeased and the liability for those Bonds has been removed from HPA’s balance sheet. At December 31, 2008, no Series F Bonds remained outstanding.

In 2003, HPA issued the “Harrisburg Parking Authority Guaranteed Parking Revenue Refunding Bonds, Series O of 2003” (Series O Bonds) principal amount of \$17,780,000 (plus accrued interest of \$5,442 plus an original issue premium of \$691,189) with interest rates ranging from 1.50% to 5.25% to advance refund \$17,350,000 of outstanding Series H Bonds. The net proceeds of \$18,316,612 (after payment of \$460,990 in issuance costs and deposits of \$1,778,000 to the Series O Debt Service Reserve Fund) together with \$1,491,883 from various Series H trust accounts and additional funds of \$252,000 from HPA were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all debt service payments on the Series H Bonds. As a result, the Series H Bonds are considered to be defeased and the liability for those Bonds has been removed from HPA’s balance sheet. As of December 31, 2008, no Series H Bonds remain outstanding.

In 2005, HPA issued the “Harrisburg Parking Authority Guaranteed Parking Revenue Bonds, Series P of 2005” (Series P Bonds) in the aggregate principal amount of \$16,630,000 (plus an original issue premium of \$506,664) with interest rates ranging from 3.30% to 5.25% to provide for the acquisition and construction of the South Street Garage; funding of a debt service reserve fund under the HPA indenture; and the payment of the costs of issuing the bonds.

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In 2007, HPA issued the “Harrisburg Parking Authority Guaranteed Parking Revenue Bonds, Series R of 2007” (Series R Bonds) in the aggregate principal amount of \$16,695,000 (less an original issue discount of \$98,959) with interest rates ranging from 3.60% to 5.00% to provide for the acquisition of a parking condominium, as described in Note 10; funding of a debt service reserve fund under the HPA indenture; and the payment of the costs of issuing the Bonds.

In 2007, HPA issued the “Harrisburg Parking Authority Parking Revenue Refunding Bonds, Series T of 2007” (Series T Bonds) principal amount of \$19,890,000 (plus accrued interest of \$6,783 less an original issue discount of \$365,066) with interest rates ranging from 3.50% to 4.50% to advance refund \$17,090,000 of outstanding Guaranteed Parking Revenue Bonds, Series 2001 Bonds (Series 2001). The net proceeds of \$18,158,129 (after payment of \$1,174,687 in issuance costs and deposits of \$1,418,976 to the Series T Debt Service Reserve Fund) together with \$1,456,945 from the Series 2001 Debt Service Reserve Fund trust account were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all debt service payments on the Series 2001 Bonds. As a result, the Series 2001 Bonds are considered to be defeased and the liability for those Bonds has been removed from HPA’s balance sheet. As of December 31, 2008, \$16,540,000 of Series 2001 Bonds remain outstanding. The Authority completed the current refunding to extend the life of the debt. The total debt service payments increased by \$3,751,970 through the year 2030 and resulted in an economic loss (difference between the present values of the old and new debt service payments) of \$1,122,968.

As noted, the City has guaranteed the payment of debt service on a majority of HPA’s bonds and notes pursuant to certain Guaranty Agreements. Concurrent with the execution of the Guaranty Agreements, HPA also executed certain Reimbursement Agreements with the City whereby HPA agreed to reimburse the City for any payments made by the City under aforementioned Guaranty Agreements.

HPA bond indentures contain financial and reporting covenants. At December 31, 2008, HPA was in compliance with such covenants.

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Long-term liability activity for the year ended December 31, 2008 was as follows:

	Beginning of Year	Additions	Amortization	Retirements	End of Year	Current Portion
Bonds payable	\$112,830,000	\$ -	\$ -	\$ (2,175,000)	\$110,655,000	\$ 2,865,000
Less:						
Deferred loss on refunding	(4,693,267)	-	428,081	-	(4,265,186)	-
Unamortized premium (discount)	765,657	-	(93,876)	-	671,781	-
Long-term liabilities	<u>\$108,902,390</u>	<u>\$ -</u>	<u>\$ 334,205</u>	<u>\$ (2,175,000)</u>	<u>\$107,061,595</u>	<u>\$ 2,865,000</u>

Long-term liability activity for the year ended December 31, 2007 was as follows:

	Beginning of Year	Additions	Amortization	Retirements	End of Year	Current Portion
Bonds payable	\$ 95,705,000	\$ 36,855,000	\$ -	\$(19,730,000)	\$112,830,000	\$ 2,175,000
Less:						
Deferred loss on refunding	(3,225,381)	(1,783,734)	315,848	-	(4,693,267)	-
Unamortized premium (discount)	1,128,491	(266,107)	(120,753)	24,026	765,657	-
Long-term liabilities	<u>\$ 93,608,110</u>	<u>\$ 34,805,159</u>	<u>\$ 195,095</u>	<u>\$(19,705,974)</u>	<u>\$108,902,390</u>	<u>\$ 2,175,000</u>

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Debt service requirements, including interest, subsequent to December 31, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,865,000	\$ 4,789,799	\$ 7,654,799
2010	3,710,000	4,683,324	8,393,324
2011	3,525,000	4,546,472	8,071,472
2012	3,665,000	4,410,379	8,075,379
2013	3,805,000	4,272,617	8,077,617
2014-2018	23,210,000	18,510,296	41,720,296
2019-2023	31,790,000	12,529,610	44,319,610
2024-2028	28,925,000	5,568,192	34,493,192
2029-2033	7,075,000	1,363,837	8,438,837
2034-2036	2,085,000	94,838	2,179,838
	<u>\$ 110,655,000</u>	<u>\$ 60,769,364</u>	<u>\$ 171,424,364</u>

7. ESCROW AGREEMENT

On June 26, 1987, HPA purchased land from AEC to be used along with the land acquired by HPA in April 1987 as the site for the construction of the Locust Street Garage. Under terms of the purchase agreement, the total purchase price of \$650,000 was paid by HPA to AEC from monies set aside for such acquisition in the Series A construction account. The agreement also provides that HPA will lease to AEC certain guaranteed but unreserved parking spaces in the Locust Street Garage. In consideration of AEC's future use of the parking spaces, AEC was required to pay \$650,000 to HPA which, along with interest earnings thereon, represents prepaid rental for the use of such parking spaces for a period of twenty years beginning January 1, 1989, which was the first day of commercial operation of the Locust Street Garage. The \$650,000 proceeds received by HPA under this arrangement were deposited into an escrow account.

On November 4, 2004, HPA entered into the First Amendment to Locust Street Garage Agreement. This agreement allowed the escrow agent to transfer to HPA all amounts in the prepaid rental escrow account, prior to their maturity. As escrow obligations mature, they may be transferred to HPA for deposit to the Locust Street Account.

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This account was separate and apart from all funds and accounts held under the bond indentures. As of December 31, 2008, the balance of the escrow account had been transferred to the Locust Street account. As of December 31, 2007, \$87,063 of the original proceeds including interest earnings were on deposit in this escrow account and are recorded as deferred revenues.

The amounts held in this escrow account at December 31, 2007, including accrued interest receivable, are included in restricted assets on the financial statements.

8. PENSION PLAN

HPA is the sponsor of a defined contribution plan, called the Parking Authority of the City of Harrisburg Retirement Plan, which covers substantially all full-time employees who are 18 years of age or older and have completed one year of service. Employees may elect to have the employer defer a portion of their compensation, subject to certain maximum limitations, and contribute such amount to the Plan.

Contributions to the Plan are made by HPA at its discretion based on a percentage of the covered employee's compensation. Employees' vesting percentages in such contributions are based on total years of service. Contributions by HPA totaled \$67,505 and \$57,163 for the years ended December 31, 2008 and 2007 and were based on covered compensation of \$1,093,800 and \$1,068,500, compared to total compensation of \$1,794,142 and \$1,652,528. These contributions represented approximately 6.2% and 5.3% of covered payroll for the years ended December 31, 2008 and 2007, respectively. Employee contributions totaled \$46,982 and \$53,059 for the years ended December 31, 2008 and 2007. These contributions represented 4.3% and 5.0% of covered payroll. Pension costs are expensed as funded.

9. DEBT SERVICE RESERVE FUND FORWARD PURCHASE AGREEMENTS

In February 2000, HPA entered into (i) a debt service reserve fund forward purchase agreement with Lehman for investment of monies in the Series F Debt Service Reserve Account securing the Series F Bonds, (ii) a debt service reserve forward delivery agreement with Bank of America, N.A. (BofA) for the investment of monies in the Series G and H Debt Service Reserve Fund securing HPA's Series G Bonds and Series H Bonds, and (iii) a debt service reserve forward delivery agreement with BofA for the Series I Debt Service Reserve Fund securing the Series I Bonds. HPA received fees of \$68,584, \$280,000, and \$210,000 respectively, when it entered into the agreements. In September 2001, HPA refunded the Series I Bonds with its Series J Bonds, and the Series I debt reserve fund agreement was amended to apply to the Series J Debt Service Reserve Account securing HPA's Series J

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Bonds. Similarly, the Series G and H debt reserve fund agreement was amended to apply to the Series O Bonds issued to refund or otherwise retire the Series G and H Bonds. In connection with that November 2003 amendment, BofA paid HPA an additional fee of \$252,000. The Series F debt reserve fund agreement was amended in February 2004 to apply to the debt service reserve fund securing the Series N Bonds issued to refund the Series F Bonds. The deferred revenue is being amortized over the respective life of the agreement under a method that approximates the interest method. Amortization for the years ended December 31, 2008 and 2007 totaled \$51,121 and \$53,664, respectively.

10. COMMITMENTS AND RELATED PARTY TRANSACTIONS

HPA has entered into a parking garage lease with Third and Walnut Inc. (TWI) whereby HPA agreed to lease and allocate up to 277 parking spaces within the Walnut Street Garage and/or the Locust Street Garage to TWI for use by the occupants of a commercial office building (Project). Under the terms of the agreement, the parking spaces will be available through the year 2015. TWI has the option to extend the term of the lease for an additional 25 years and at the end of such 25 years, for an additional 10-year period. In consideration for TWI's use of such parking spaces, TWI was required to pay HPA the current market rate for a portion of the 277 spaces and below market rates for the remaining spaces through 2001. Beginning in 2001 and continuing until termination of the existing lease, TWI is paying HPA the current market rate for the use of the 277 spaces.

On June 30, 1995, HPA entered into an Amended and Restated Market Square Hotel Project Parking Agreement with Harrisburg Hotel Associates (HHA), the City, HRA, HDC, and Richfield Hospitality Services, Inc. to amend and restate the existing parking agreement dated September 29, 1988. Under this agreement, which was effective February 1, 1995, HHA shall pay to HPA a monthly amount equal to \$1.67 times the total number of garage exits by hotel patrons parking in the Walnut Street Garage for such given month. This rate of \$1.67 was in effect through December 31, 1996. Beginning January 1, 1997, and annually on each January 1 thereafter, the cost per garage exit is to be increased subject to certain provision in the agreement, based on the annual percentage increase in the Consumer Price Index. Additionally, HHA is permitted to use other HPA parking facilities for its hotel patrons under this agreement and shall pay HPA the existing unit cost for each garage exit up to 600 exits per year. Any exits in excess of 600 will be charged at two times the unit cost. The rates under this agreement are below current market rates for HPA garages.

In connection with an office building lease between HDC and the Commonwealth of Pennsylvania (Commonwealth), HDC entered into an agreement with the Commonwealth whereby HDC agreed to provide 1,500 off-street parking spaces for the use of the Commonwealth. The rental paid by the Commonwealth for these spaces is the annual

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

amount required to amortize the HDC bonds, including interest, used to finance the total allowance costs of the parking facilities, plus annual operating and administrative costs determined on a per parking space basis, times the number of spaces used by the Commonwealth, but not less than 1,500 spaces. On December 31, 1991, this agreement with the Commonwealth was assigned by HDC to HPA in connection with HPA's acquisition of certain garages from HDC.

On February 25, 2005, HPA executed an agreement with PSEA, whereby HPA agreed to acquire PSEA property in order to construct the South Street Garage. The consideration for the PSEA real property is the long-term parking rights in sixty-four parking spaces, which have a final determination value of \$13,750 per parking space upon the completion of the parking garage. The initial option period to acquire these parking rights commenced on the date the South Street Garage was completed in November 2007 and made available for use by PSEA and expires on the fifth anniversary of such date. In addition to this option, HPA also agreed to lease to PSEA up to eighty-nine parking spaces at the South Street Garage. At its option, PSEA may extinguish the discounted lease rate at the River Street Garage, on some or all of its discounted leased spaces, in exchange for the remaining term of the discount as per the agreement between PSEA and HPA dated August 25, 1999. When all sixty spaces at the River Street Garage for which PSEA has a right to a discount have been extinguished, no further discounts will accrue or be available to PSEA. All rights to discounts will expire based upon the expiration of the term of discount available to PSEA at the River Street Garage. The period of the agreement is for twenty-five years. In March 2008, PSEA exercised this option and acquired sixty parking rights at the South Street Garage at \$13,750 each, totaling \$825,000.

On January 11, 2007, HPA entered into an agreement with Harrisburg University of Science and Technology (University), whereby HPA intends to purchase a condominium unit in a building to be constructed by the University. The condominium unit will consist of seven floors of parking facilities which will include approximately 392 parking spaces. The total purchase price of this unit is \$14,000,000, which was financed through the issuance of the Guaranteed Parking Revenue Bonds, Series R of 2007. The agreement required an earnest money deposit in the amount of \$100,000 payable upon execution of the agreement and twenty-four equal monthly payments of \$579,167, commencing January 2007. As of December 31, 2008, \$14,000,500 represents HPA's portion of equitable ownership interest in the property. All required payments have been made as of December 31, 2008.

In addition to the aforementioned agreement, HPA also entered into an Option to Purchase agreement with the University on January 11, 2007, whereby HPA agrees to lease three hundred parking permits to the University for the right to park in the condominium unit. The agreement commences when the construction of the garage is complete and when the legal title to the parking units has been conveyed to HPA. The first years rent for the leased spaces

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

shall be the fair market rate, multiplied by 300 for parking spaces located within the central business district parking garages owned and operated in the City by HPA. HPA also grants the University a total of five options to purchase the parking units, the first option commencing on January 11, 2017, and the remaining options commencing on each succeeding five-year anniversary date. The options shall be exercisable with at least six months advance written notice by the University to HPA. The period of this agreement is thirty years.

11. LITIGATION

HPA is involved in several lawsuits arising in the normal course of business. Management believes that none of the litigation outstanding against HPA will have a material adverse effect on the financial position of HPA at December 31, 2008.

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SUPPLEMENTARY INFORMATION

HARRISBURG PARKING AUTHORITY

CALCULATION OF PAYMENTS TO COORDINATED PARKING FUND

YEAR ENDED DECEMBER 31, 2008

	Admini- strative	City Lots	HPA Garages	Parking Meters	Total
Operating Revenues:					
Administration fees	\$ 984,270	\$ -	\$ -	\$ -	\$ 984,270
Public parking revenue					
Monthly parking	-	222,915	7,067,464	-	7,290,379
Daily parking	-	86,522	2,869,045	-	2,955,567
Meter operations	-	-	-	1,234,578	1,234,578
State parking revenue	-	-	1,275,120	-	1,275,120
Other income	-	25,014	93,240	1,125	119,379
Total operating revenues	<u>984,270</u>	<u>334,451</u>	<u>11,304,869</u>	<u>1,235,703</u>	<u>13,859,293</u>
Operating Expenses:					
Salaries and fringe benefits	466,250	114,814	1,724,534	64,401	2,369,999
Repairs, maintenance and supplies	90,871	144,799	272,751	14,017	522,438
Professional services	297,905	13,171	180,027	2,227	493,330
Insurance	17,040	10,676	176,363	6,174	210,253
Depreciation	28,473	-	-	-	28,473
Utilities	30,291	37,721	385,349	-	453,361
Real estate taxes	-	-	56,314	-	56,314
Rental	19,067	-	36,491	-	55,558
Other	34,373	18,753	24,618	-	77,744
Administrative fees	-	25,241	852,326	93,264	970,831
Total operating expenses	<u>984,270</u>	<u>365,175</u>	<u>3,708,773</u>	<u>180,083</u>	<u>5,238,301</u>
Operating Income (Loss)	<u>-</u>	<u>(30,724)</u>	<u>7,596,096</u>	<u>1,055,620</u>	<u>8,620,992</u>
Nonoperating Revenues (Expenses):					
Interest income	17,922	-	4,678	54	22,654
Interest expense	-	-	-	-	-
Transfer to the City of Harrisburg	-	-	-	-	-
Required payments from the coordinated parking fund	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>17,922</u>	<u>-</u>	<u>4,678</u>	<u>54</u>	<u>22,654</u>
Income before contributions to capital replacement reserve accounts	17,922	(30,724)	7,600,774	1,055,674	8,643,646
Capital replacement reserve accounts	-	-	(2,136,677)	(73,260)	(2,209,937)
Transfer debt service	-	-	(640,157)	-	(640,157)
Operating account balances	<u>17,922</u>	<u>(30,724)</u>	<u>4,823,940</u>	<u>982,414</u>	<u>5,793,552</u>
Required Payments to Coordinated Parking Fund	<u>\$ (17,922)</u>	<u>\$ -</u>	<u>\$ (4,823,940)</u>	<u>\$ (982,414)</u>	<u>\$ (5,824,276)</u>