

Harrisburg Parking Authority

Financial Statements and
Supplementary Information

Years Ended December 31, 2009 and 2008 with
Independent Auditor's Report

HARRISBURG PARKING AUTHORITY

YEARS ENDED DECEMBER 31, 2009 AND 2008

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Balance Sheets	1
Statements of Revenues, Expenses, and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	6

Supplementary Information:

Calculation of Payments to Coordinated Parking Fund	34
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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 (Authority), a component unit of the City of Harrisburg, as of and for the years ended December 31, 2009 and 2008, 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 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 respective financial position of the Authority as of December 31, 2009 and 2008, 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 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.

Our audits were conducted for the purpose of forming an opinion on the Authority's financial statements. 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 the audits of the basic financial statements and, accordingly, we express no opinion on it.

Maher Duessel

Harrisburg, Pennsylvania
May 6, 2010

HARRISBURG PARKING AUTHORITY

BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ -	\$ 2,382,430
Receivables - trade	423,412	138,284
Due from Coordinated Parking Fund	3,737,474	1,149,755
Due from City of Harrisburg	10,000	10,000
Prepaid expenses	9,096	166,238
Total current assets	<u>4,179,982</u>	<u>3,846,707</u>
Restricted assets:		
Cash and cash equivalents	111	12
Investments	11,850,636	11,895,038
Total restricted assets	<u>11,850,747</u>	<u>11,895,050</u>
Noncurrent assets:		
Capital assets not being depreciated	8,226,047	7,989,505
Capital assets (net of accumulated depreciation of \$33,741,934 and \$30,551,169)	53,535,151	56,601,739
Equitable ownership interest	14,000,500	14,000,500
Deferred bond issuance costs (net of amortization of \$1,621,984 and \$1,297,804)	3,829,120	4,153,300
Management and operating rights (net of amortization of \$1,098,438 and \$979,688)	1,751,562	1,870,312
Total noncurrent assets	<u>81,342,380</u>	<u>84,615,356</u>
Total Assets	<u><u>\$ 97,373,109</u></u>	<u><u>\$100,357,113</u></u>

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

Liabilities and Net Assets	<u>2009</u>	<u>2008</u>
Liabilities:		
Current liabilities:		
Cash overdraft	\$ 660,123	\$ -
Accounts payable and accrued expenses	1,095,230	1,014,406
Deferred parking revenue	584,434	643,096
Current portion of bonds and notes payable	3,710,000	2,865,000
Total current liabilities	<u>6,049,787</u>	<u>4,522,502</u>
Current liabilities payable from restricted assets:		
Accrued interest payable on bonds	1,176,222	1,225,551
Total current liabilities payable from restricted assets	<u>1,176,222</u>	<u>1,225,551</u>
Long-term liabilities:		
Bonds and notes payable, net of current portion	100,828,271	104,196,595
Deferred revenue	250,033	298,181
Net other post-employment liability	183,164	-
Total long-term liabilities	<u>101,261,468</u>	<u>104,494,776</u>
Total Liabilities	<u>108,487,477</u>	<u>110,242,829</u>
Net Assets:		
Invested in capital assets, net of related debt	(14,273,029)	(13,646,455)
Unrestricted	3,158,661	3,760,739
Total Net Assets	<u>(11,114,368)</u>	<u>(9,885,716)</u>
Total Liabilities and Net Assets	<u>\$ 97,373,109</u>	<u>\$100,357,113</u>

HARRISBURG PARKING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Operating Revenues:		
Public parking	\$ 12,584,192	\$ 11,562,563
State parking	1,247,889	1,275,120
Office rent	67,718	69,428
Other	64,406	60,436
	13,964,205	12,967,547
Operating Expenses:		
Salaries and fringe benefits	2,761,957	2,380,571
Repairs, maintenance, and supplies	563,765	641,231
Professional services	368,080	737,511
Depreciation	3,190,765	3,192,501
Insurance	253,670	217,627
Utilities	564,258	460,843
Real estate taxes	52,908	56,314
Rental	24,972	55,557
Other	206,568	186,346
	7,986,943	7,928,501
Operating Income	5,977,262	5,039,046
Nonoperating Revenue (Expenses):		
Investment income	329,953	819,050
Interest expense	(5,308,270)	(5,568,292)
Transfer from the Coordinated Parking Fund	3,294,258	3,056,602
Transfer to the Coordinated Parking Fund	(101,056)	(1,008,920)
Required payments under cooperation agreement for downtown parking system to the Coordinated Parking Fund	(5,420,799)	(5,824,276)
Loss on disposal of capital assets	-	(496,468)
	(7,205,914)	(9,022,304)
Change in Net Assets	(1,228,652)	(3,983,258)
Net Assets:		
Beginning	(9,885,716)	(5,902,458)
Ending	\$ (11,114,368)	\$ (9,885,716)

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

HARRISBURG PARKING AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities:		
Received from user charges	\$ 11,032,939	\$ 13,554,040
Payments to employees for services	(2,578,793)	(2,380,571)
Payments to suppliers for goods and services	(1,677,505)	(2,406,701)
Net cash provided by operating activities	<u>6,776,641</u>	<u>8,766,768</u>
Cash Flows From Capital and Related Financing Activities:		
Interest paid on parking revenue bonds	(4,691,743)	(4,870,289)
Principal paid on parking revenue bonds	(2,865,000)	(2,175,000)
Cash payments to Coordinated Parking Fund	(5,521,855)	(6,833,196)
Cash payments from Coordinated Parking Fund	3,294,258	3,056,602
Acquisition and construction of capital assets	(360,719)	(2,320,156)
Proceeds from the sale of capital assets	-	825,000
Equitable ownership interest in condominium unit	-	(6,950,000)
Net cash used in capital and related financing activities	<u>(10,145,059)</u>	<u>(19,267,039)</u>
Cash Flows From Investing Activities:		
Investment income	198,413	817,987
Purchases of investment securities	(8,782,600)	(14,665,874)
Proceeds from sale and maturities of investment securities	8,910,151	23,127,471
Net cash provided by investing activities	<u>325,964</u>	<u>9,279,584</u>
Net Decrease in Cash and Cash Equivalents	<u>(3,042,454)</u>	<u>(1,220,687)</u>
Cash and Cash Equivalents:		
Beginning	<u>2,382,442</u>	<u>3,603,129</u>
Ending	<u>\$ (660,012)</u>	<u>\$ 2,382,442</u>

HARRISBURG PARKING AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 5,977,262	\$ 5,039,046
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,190,765	3,192,501
Amortization	118,750	118,750
Changes in operating assets and liabilities:		
Receivables:		
Trade	(284,885)	32,570
Coordinated Parking Fund	(2,587,719)	365,380
Prepaid expenses	157,142	(15,322)
Accounts payable and accrued expenses	80,824	(154,700)
Deferred parking revenue	(58,662)	188,543
Net other post-employment liability	183,164	-
Net cash provided by operating activities	<u>\$ 6,776,641</u>	<u>\$ 8,766,768</u>

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

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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, 2009 AND 2008

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, 2009 and 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.

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, 2009 AND 2008

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 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, 2009 AND 2008

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

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.

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 2009 or 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.

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,

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

from the operations of the components of the coordinated parking system into the Fund. 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). 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, 2009 and 2008, a total of \$756,981 and \$630,893, respectively, 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 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, 2009 and 2008, a total of \$1,526,743 and \$1,423,676, respectively, was transferred to HPA from the Fund for payment of Series J debt service. A total of \$147,690 and \$225,333 was transferred to HPA from the Fund for payment of Series K debt service during the years ended December 31, 2009 and 2008, respectively.

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, 2009 and 2008, a total of \$862,844 and \$776,700, 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.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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, 2009 and 2008, the non-pooled book balances of HPA were \$1,329,786 and \$864,993 and the bank balances were \$1,190,386 and \$876,534, respectively. Of the non-pooled bank balances, \$250,000 was covered by federal depository insurance at December 31, 2009 and 2008. The remainder of the non-pooled bank balance at December 31, 2009 and 2008 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 Fund. At December 31, 2009 and 2008, the pooled account had a book and bank balance of \$1,841,969 and \$3,115,943, respectively. Of this balance, \$1,016,227 and \$2,671,244 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, 2009 and 2008, respectively. The remaining balance of \$825,742 and \$444,699 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, 2009 and 2008, respectively. At December 31, 2009 and 2008, HPA's position in the pool was (\$1,989,798) and \$1,517,449, respectively, and the Fund's position in the pool was \$3,831,767 and \$1,598,494, respectively.

Investments

The bond indentures related to HPA's parking revenue bonds required the establishment of various funds and accounts. The unexpended amounts in these funds and accounts as of December 31, 2009 and 2008, and the related interest receivable are restricted for designated purposes under the bond indentures.

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, 2009 AND 2008

The composition of restricted assets at December 31, 2009 and 2008, by fund and account, is as follows:

<u>December 31, 2009</u>		<u>Construction Fund</u>	<u>Total Fair Value</u>
Series I Proceeds:			
Money market funds		<u>\$ 5,633</u>	<u>\$ 5,633</u>
		<u>Debt Service Reserve</u>	<u>Total Fair Value</u>
Series K Proceeds:			
Money market funds	<u>\$ 5,297</u>	<u>\$ 1,180,000</u>	<u>\$ 1,185,297</u>
	<u>Clearing Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Total Fair Value</u>
Series J Proceeds:			
Commercial Paper	\$ -	\$ -	\$ 2,633,707
Money market funds	32	5	683,924
	<u>\$ 32</u>	<u>\$ 5</u>	<u>\$ 3,317,631</u>
	<u>Clearing Fund</u>	<u>Interest and Principal Fund</u>	<u>Debt Service Reserve Fund</u>
Series N Proceeds:			
Money market funds	<u>\$ 12</u>	<u>\$ 1,873</u>	<u>\$ 790,557</u>
		<u>Rebate Fund</u>	<u>Total Fair Value</u>
Series N Proceeds (continued):			
Money market funds		<u>\$ 36,214</u>	<u>\$ 828,656</u>

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

December 31, 2009	Clearing Fund	Debt Service Fund	Debt Service Reserve Fund		
Series O Proceeds:					
Commercial paper	\$ -	\$ -	\$ 1,806,287		
Money market funds	6	34,945	278		
	\$ 6	\$ 34,945	\$ 1,806,565		
				Rebate Fund	Total Fair Value
Series O Proceeds (continued):					
Commercial paper			\$ -		\$ 1,806,287
Money market funds			9,671		44,900
			\$ 9,671		\$ 1,851,187
	Clearing Fund	Debt Service Fund	Debt Service Reserve Fund		
Series P Proceeds:					
Money market funds	\$ 6	\$ 1	\$ 1,663,611		
				Rebate Fund	Construction Funds
Series P Proceeds (continued):					
Money market funds		\$ -	\$ 33		\$ 1,663,651
	Settlement Fund	Debt Service Fund	Debt Service Reserve Fund		
Series R Proceeds:					
Money market funds	\$ -	\$ 170,014	\$ 1,091,988		
				Construction Fund	Total Fair Value
Series R Proceeds (continued):					
Money market funds				\$ 19	\$ 1,262,021

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

<u>December 31, 2009</u>	<u>Clearing Fund</u>	<u>Debt Service Fund</u>	<u>Debt Service Reserve Fund</u>		
Series T Proceeds:					
Money market funds	<u>\$ 3</u>	<u>\$ 317,544</u>	<u>\$ 1,418,976</u>	Settlement Fund	Total Fair Value
Series T Proceeds (continued):					
Money market funds			<u>\$ -</u>		<u>\$ 1,736,523</u>
<u>December 31, 2008</u>					
Series I Proceeds:					
Money market funds			<u>\$ 19,374</u>	Debt Service Reserve	<u>\$ 19,374</u>
Series K Proceeds:					
Money market funds		<u>\$ -</u>	<u>\$ 1,199,465</u>	Debt Service Reserve	<u>\$ 1,199,465</u>
Series J Proceeds:					
Commercial Paper	\$ -	\$ -	\$ 2,632,797	Debt Service Reserve Fund	\$ 2,632,797
Money market funds	223	-	652,611		652,834
	<u>\$ 223</u>	<u>\$ -</u>	<u>\$ 3,285,408</u>		<u>\$ 3,285,631</u>
Series N Proceeds:					
Money market funds	<u>\$ 12</u>	<u>\$ 4,153</u>	<u>\$ 815,677</u>	Rebate Fund	Total Fair Value
Series N Proceeds (continued):					
Money market funds			<u>\$ 36,000</u>		<u>\$ 855,842</u>

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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	Total Fair Value
Series P Proceeds (continued):				
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

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

<u>December 31, 2008</u>	<u>Clearing Fund</u>	<u>Debt Service Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Settlement Fund</u>	<u>Total Fair Value</u>
Series T Proceeds:					
Money market funds	\$ 274	\$ 308,982	\$ 1,421,056		
Series T Proceeds (continued):					
Money market funds				\$ 20,439	\$ 1,750,751

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.

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:

<u>December 31, 2009</u>	<u>Fair Value</u>	<u>Percent of Investments</u>
Restricted		
Commercial paper:		
HSBC Finance Corporation	\$ 4,439,994	37.47%
<u>December 31, 2008</u>		
Restricted		
Commercial paper:		
General Electric Capital Corporation	\$ 2,632,797	22.13%
Yorktown Capital, LLC	1,805,013	15.17%

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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, 2009 and 2008:

<u>December 31, 2009</u>	<u>Fair Value</u>	<u>Rating</u>
Restricted		
Money market funds	\$ 7,410,642	AAA
Commercial paper	4,439,994	A1
<u>December 31, 2008</u>		
Restricted		
Money market funds	\$ 7,457,228	AAA
Commercial paper	4,437,810	A1

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, 2009 and 2008, HPA's money market and fixed income investments have an average maturity of less than one year.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Dispositions</u>	<u>End of Year</u>
Capital assets, not being depreciated:				
Land	\$ 6,939,212	\$ -	\$ -	\$ 6,939,212
Construction-in-progress	<u>1,050,293</u>	<u>236,542</u>	<u>-</u>	<u>1,286,835</u>
Total capital assets, not being depreciated	<u>7,989,505</u>	<u>236,542</u>	<u>-</u>	<u>8,226,047</u>
Capital assets, being depreciated:				
Land improvements	127,922	-	-	127,922
Buildings and improvements	84,476,475	19,800	-	84,496,275
Furniture and fixtures	326,531	1,035	-	327,566
Machinery and equipment	<u>2,221,980</u>	<u>103,342</u>	<u>-</u>	<u>2,325,322</u>
Total capital assets, being depreciated	87,152,908	124,177	-	87,277,085
Less accumulated depreciation	<u>(30,551,169)</u>	<u>(3,190,765)</u>	<u>-</u>	<u>(33,741,934)</u>
Total capital assets, being depreciated, net	<u>56,601,739</u>	<u>(3,066,588)</u>	<u>-</u>	<u>53,535,151</u>
Capital assets, net	<u>\$ 64,591,244</u>	<u>\$ (2,830,046)</u>	<u>\$ -</u>	<u>\$ 61,761,198</u>

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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	<u>245,038</u>	<u>956,224</u>	<u>(150,969)</u>	<u>1,050,293</u>
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	<u>2,218,452</u>	<u>3,528</u>	<u>-</u>	<u>2,221,980</u>
Total capital assets, being depreciated	88,166,071	315,687	(1,328,850)	87,152,908
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>

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, 2009 and 2008 totaled \$118,750.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

6. BONDS AND NOTES PAYABLE

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

	<u>2009</u>	<u>2008</u>
Series K Note dated June 1, 2000:		
Variable rate term notes due December 1, 2023 (.32% at December 31, 2009) (approximately BMA)	\$ 2,900,000	\$ 2,900,000
Variable rate term notes due December 1, 2024 (.32% at December 31, 2009) (approximately BMA)	8,900,000	8,900,000
	<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>28,010,000</u>	<u>28,290,000</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>4,685,000</u>	<u>5,265,000</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>10,435,000</u>	<u>11,820,000</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	12,510,000	12,515,000
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>16,620,000</u>	<u>16,625,000</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>

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</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>19,275,000</u>	<u>19,890,000</u>
Total Debt	<u>107,790,000</u>	<u>110,655,000</u>
Plus (less):		
Amortized debt premium (discount)	585,217	671,781
Deferred loss on defeasance	(3,836,946)	(4,265,186)
Current portion	<u>(3,710,000)</u>	<u>(2,865,000)</u>
	<u>(6,961,729)</u>	<u>(6,458,405)</u>
Long-term portion	<u>\$ 100,828,271</u>	<u>\$ 104,196,595</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 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 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."

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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 proceeds 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.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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, 2009 and 2008, respectively, \$15,965,000 and \$16,540,000 of Series 2001 Bonds remained outstanding.

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, 2009 and 2008, HPA was in compliance with such covenants.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

Long-term liability activity for the year ended December 31, 2009 was as follows:

	Beginning of Year	Additions	Amortization	Retirements	End of Year	Current Portion
Bonds payable	\$110,655,000	\$ -	\$ -	\$ (2,865,000)	\$107,790,000	\$ 3,710,000
Less:						
Deferred loss on refunding	(4,265,186)	-	428,240	-	(3,836,946)	-
Unamortized premium (discount)	671,781	-	(86,564)	-	585,217	-
Long-term liabilities	<u>\$107,061,595</u>	<u>\$ -</u>	<u>\$ 341,676</u>	<u>\$ (2,865,000)</u>	<u>\$104,538,271</u>	<u>\$ 3,710,000</u>

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>

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

Debt service requirements, including interest, subsequent to December 31, 2009 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,710,000	\$ 4,481,544	\$ 8,191,544
2011	3,525,000	4,344,692	7,869,692
2012	3,665,000	4,208,599	7,873,599
2013	3,805,000	4,070,837	7,875,837
2014	3,975,000	3,903,034	7,878,034
2015-2019	24,230,000	16,429,285	40,659,285
2020-2024	33,825,000	10,380,212	44,205,212
2025-2029	24,030,000	4,228,253	28,258,253
2030-2034	4,940,000	999,675	5,939,675
2035-2036	2,085,000	94,838	2,179,838
	<u>\$ 107,790,000</u>	<u>\$ 53,140,969</u>	<u>\$ 160,930,969</u>

7. PENSION PLAN

HPA is the sponsor of a defined contribution plan, called the Parking Authority of the City of Harrisburg Retirement Plan (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 \$61,524 and \$67,505 for the years ended December 31, 2009 and 2008, respectively, and were based on covered compensation of \$1,110,837 and \$1,093,800, compared to total compensation of \$1,962,615 and \$1,794,142. These contributions represented approximately 5.5% and 6.2% of covered payroll for the years ended December 31, 2009 and 2008, respectively. Employee contributions totaled \$41,371 and \$46,982 for the years ended December 31, 2009 and 2008, respectively. These contributions represented 3.7% and 4.3% of covered payroll, respectively. Pension costs are expensed as funded.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

8. OTHER POSTEMPLOYMENT BENEFITS

HPA adopted Governmental Accounting Standards Board Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,"* prospectively for the year ended December 31, 2009.

Plan Descriptions:

In addition to the pension benefits described in Note 7, HPA has two single-employer, defined benefit OPEB plans covering substantially all of its employees. The plans' benefit provisions and all other requirements are established by collective bargaining agreements and Board of Directors (Board) approval.

Collective bargaining agreements, which require Board approval, are the authority under which benefit provisions are established or may be amended.

Management OPEB Plan:

Benefits are payable for management employees who retire at the later of attainment of age 55 and completion of 7 years of service. Eligible management employees and spouses may elect medical, prescription drug, dental, and vision coverage. If the management employee has completed 25 years of service prior to retirement, HPA will pay 100% of the medical and prescription drug premiums for the employee and spouse. All eligible management employees and spouses may continue coverage for life. Upon reaching Medicare age, the management employee and spouse must move to the Medicare Supplement plan provided. Upon the death of a retired employee, the spouse may continue coverage.

If a management employee has completed 25 years of service prior to retirement, HPA provides the retired management employee with a \$5,000 paid up life insurance policy.

AFSCME OPEB Plan:

Benefits are payable to AFSCME employees who retire at the later of attainment of age 55 and completion of 7 years of service. Eligible AFSCME employees and spouses may elect medical, prescription drug, dental, and vision coverage. If the AFSCME employee has completed 25 years of service prior to retirement, HPA will pay 25% of all premiums for the employee and spouse. All eligible AFSCME employees and spouses may continue coverage for life. Upon reaching Medicare age, the employee and spouse must move to the Medicare Supplement plan provided. Upon the death of a retired employee, the spouse may continue coverage.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

Funding Policy and Annual OPEB Costs

HPA's contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2009, HPA contributed \$0 to the Management and AFSCME OPEB plans.

Collective bargaining agreements, which require Board approval for establishment or amendments, are the authority that obligates HPA to contribute to the plans.

HPA's annual OPEB costs (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of the valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

Information as of the latest actuarial valuation follows:

	Management OPEB Plan	AFSCME OPEB Plan
Valuation date	1/1/2009	1/1/2009
Actuarial cost method	Entry age normal, level dollar	Entry age normal, level dollar
Actuarial assumptions		
Interest rate	4.5%	4.5%
Salary increases	4.0%	4.0%
Medical inflation	8% in 2009, decreasing by .5% per year to 5.5% in 2014. Rates gradually decrease from 5.3% in 2015 to 4.2% in 2099.	8% in 2009, decreasing by .5% per year to 5.5% in 2014. Rates gradually decrease from 5.3% in 2015 to 4.2% in 2099.
Amortization period	30 years, open period	30 years, open period

Annual OPEB Cost and Net OPEB Obligation

HPA's annual OPEB costs and net OPEB obligations to the plans for the year ended December 31, 2009 were as follows:

	Management OPEB Plan	AFSCME OPEB Plan
Annual required contribution	\$ 101,309	\$ 81,857
Contribution made	-	-
Change in Net OPEB Obligation	101,309	81,857
Net OPEB Obligation, beginning	-	-
Net OPEB Obligation, ending	<u>\$ 101,309</u>	<u>\$ 81,857</u>

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

Three-Year Trend Information:

	<u>Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
Management OPEB Plan:	2009	\$ 101,309	0%	\$ 101,309
	2008	N/A	N/A	N/A
	2007	N/A	N/A	N/A
AFSCME OPEB Plan:	2009	\$ 81,857	0%	\$ 81,857
	2008	N/A	N/A	N/A
	2007	N/A	N/A	N/A

N/A - Not Applicable, 2009 is implementation year for GASB Statement No. 45.

Funded Status and Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
Management OPEB Plan:						
1/1/2009	\$ -	\$ 826,788	\$ 826,788	0.00%	\$ 301,132	274.56%
AFSCME OPEB Plan:						
1/1/2009	\$ -	\$ 476,858	\$ 476,858	0.00%	\$ 1,324,429	36.00%

Note: Valuations as of 1/1/2009 represent the initial valuations for the plans as required under GASB Statement No. 45.

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

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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 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, 2009 and 2008 totaled \$48,148 and \$51,121, 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

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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 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 constructed by the University. The condominium unit consists of seven floors of parking facilities which includes 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, 2009 and 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, 2009 and 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

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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 will 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, 2009.

12. CONTINGENCY

On, January 27, 2010, HPA filed a material event notice. A portion of the funds derived from the Series R Bonds are being used by HPA to acquire a condominium unit in a building constructed by Harrisburg University (University). The condominium unit consists of seven floors of parking facilities, which includes approximately 392 parking spaces. Under the parking license, in any year in which revenues from operation of the parking facility fail to meet HPA's debt service requirements on the Series R Bonds and the operation and maintenance costs of the parking facility, the University is required to pay the difference up to an annual cap (HU Subsidy) to HPA.

Under the Indenture, HPA agreed to pay debt service on the Series R Bonds from a debt service account funded, in part, with revenues of the parking facility, including the HU Subsidy and other payments to be made by the University under the parking license. In the event of a shortfall in the debt service account, HPA agreed to pay debt service from a debt service reserve account.

Despite demand, the University failed to make the first payment of the HU Subsidy on or before November 10, 2009, as required by the parking license. To avoid a draw on the debt service reserve account to make the debt service payment on November 15, 2009, HPA deposited money from its general fund into the debt service account. If the University fails to make future debt service payments on the Series R Bonds, the debt service payments will be paid from the debt service reserve account.

Supplementary Information

HARRISBURG PARKING AUTHORITY

CALCULATION OF PAYMENTS TO COORDINATED PARKING FUND

YEAR ENDED DECEMBER 31, 2009

	Admini- strative	City Lots	HPA Garages	Parking Meters	Total
Operating Revenues:					
Administration fees	\$ 1,035,210	\$ -	\$ -	\$ -	\$ 1,035,210
Public parking revenue					
Monthly parking	-	237,941	7,439,326	-	7,677,267
Daily parking	-	85,882	2,759,582	-	2,845,464
Meter operations	-	-	-	1,186,867	1,186,867
State parking revenue	-	-	1,247,889	-	1,247,889
Other income	-	25,040	95,751	(379)	120,412
Total operating revenues	1,035,210	348,863	11,542,548	1,186,488	14,113,109
Operating Expenses:					
Salaries and fringe benefits	638,544	100,048	1,841,914	85,748	2,666,254
Repairs, maintenance, and supplies	77,668	48,007	256,007	17,503	399,185
Professional services	196,644	8,487	64,857	3,832	273,820
Insurance	21,017	12,878	201,166	7,673	242,734
Depreciation	34,990	-	-	-	34,990
Utilities	22,869	39,887	493,808	-	556,564
Real estate taxes	-	-	52,908	-	52,908
Rental	13,866	-	11,105	-	24,971
Other	29,612	36,670	23,153	-	89,435
Administrative fees	-	26,320	869,355	89,514	985,189
Total operating expenses	1,035,210	272,297	3,814,273	204,270	5,326,050
Operating Income	-	76,566	7,728,275	982,218	8,787,059
Nonoperating Revenues (Expenses):					
Interest income	3,380	-	270	-	3,650
Interest expense	-	-	-	-	-
Transfer to the City of Harrisburg	-	-	-	-	-
Required payments from the coordinated parking fund	-	-	-	-	-
Total nonoperating revenues (expenses)	3,380	-	270	-	3,650
Income before contributions to capital replacement reserve accounts	3,380	76,566	7,728,545	982,218	8,790,709
Capital replacement reserve accounts	-	-	(1,935,011)	(73,511)	(2,008,522)
Transfer debt service	-	-	(1,361,388)	-	(1,361,388)
Operating account balances	3,380	76,566	4,432,146	908,707	5,420,799
Required Payments to Coordinated Parking Fund	\$ (3,380)	\$ (76,566)	\$ (4,432,146)	\$ (908,707)	\$ (5,420,799)