Harrisburg Parking Authority

Financial Statements and
Required Supplementary Information

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

HARRISBURG PARKING AUTHORITY

YEARS ENDED DECEMBER 31, 2010 AND 2009

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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, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the 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, 2010 and 2009, 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 has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the historical other post-employment benefits information on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements 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 the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Maher Duessel

Harrisburg, Pennsylvania
April 20, 2011

HARRISBURG PARKING AUTHORITY

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

Assets	2010	2009
Current assets:		
Cash and cash equivalents	$ 2,516,513	$ -
Receivables - trade	957,442	423,412
Due from Coordinated Parking Fund	-	3,737,474
Due from City of Harrisburg	10,000	10,000
Prepaid expenses	112,059	9,096
Total current assets	3,596,014	4,179,982
Restricted assets:		
Cash and cash equivalents	13	111
Investments	10,943,654	11,850,636
Total restricted assets	10,943,667	11,850,747
Noncurrent assets:		
Capital assets not being depreciated	7,870,771	8,226,047
Capital assets (net of accumulated depreciation of $37,088,539 and $33,741,934)	51,331,674	53,535,151
Equitable ownership interest	14,000,500	14,000,500
Deferred bond issuance costs (net of amortization of $1,937,056 and $1,621,984)	3,514,048	3,829,120
Management and operating rights (net of amortization of $1,217,188 and $1,098,438)	1,632,812	1,751,562
Total noncurrent assets	78,349,805	81,342,380
Total Assets	$ 92,889,486	$ 97,373,109

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

Liabilities and Net Assets	2010	2009
Liabilities:		
Current liabilities:		
Cash overdraft	$ -	$ 660,123
Accounts payable and accrued expenses	1,550,139	1,095,230
Due to Coordinated Parking Fund	27,046	-
Deferred parking revenue	601,893	584,434
Current portion of bonds and notes payable	3,525,000	3,710,000
Total current liabilities	5,704,078	6,049,787
Current liabilities payable from restricted assets:		
Accrued interest payable on bonds	1,137,883	1,176,222
Total current liabilities payable from restricted assets	1,137,883	1,176,222
Long-term liabilities:		
Bonds and notes payable, net of current portion	97,640,149	100,828,271
Deferred revenue	205,444	250,033
Net other post-employment liability	363,328	183,164
Total long-term liabilities	98,208,921	101,261,468
Total Liabilities	105,050,882	108,487,477
Net Assets:		
Invested in capital assets, net of related debt	(14,858,897)	(14,273,029)
Unrestricted	2,697,501	3,158,661
Total Net Assets	(12,161,396)	(11,114,368)
Total Liabilities and Net Assets	$ 92,889,486	$ 97,373,109

HARRISBURG PARKING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Operating Revenues:		
Public parking	$ 12,360,910	$ 12,584,192
State parking	1,360,328	1,247,889
Office rent	65,456	67,718
Other	73,539	64,406
Total operating revenues	13,860,233	13,964,205
Operating Expenses:		
Salaries and fringe benefits	2,986,925	2,761,957
Repairs, maintenance, and supplies	631,611	563,765
Professional services	594,769	368,080
Depreciation	3,346,605	3,190,765
Insurance	196,019	253,670
Utilities	657,809	564,258
Real estate taxes	52,900	52,908
Rental	8,667	24,972
Other	188,649	206,568
Total operating expenses	8,663,954	7,986,943
Operating Income	5,196,279	5,977,262
Nonoperating Revenue (Expenses):		
Grant income	187,500	-
Investment income	71,505	329,953
Interest expense	(5,094,593)	(5,308,270)
Transfer from the Coordinated Parking Fund	3,638,006	3,294,258
Transfer to the Coordinated Parking Fund	(470,528)	(101,056)
Required payments under cooperation agreement for downtown parking system to the Coordinated Parking Fund	(4,575,197)	(5,420,799)
Total nonoperating expenses, net	(6,243,307)	(7,205,914)
Change in Net Assets	(1,047,028)	(1,228,652)
Net Assets:		
Beginning	(11,114,368)	(9,885,716)
Ending	$(12,161,396)	$(11,114,368)

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

HARRISBURG PARKING AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash Flows From Operating Activities:		
Received from user charges	$ 17,108,182	$ 11,032,939
Payments to employees for services	(2,806,761)	(2,578,793)
Payments to suppliers for goods and services	(2,074,217)	(1,677,505)
Net cash provided by operating activities	12,227,204	6,776,641
Cash Flows From Capital and Related Financing Activities:		
Grant income	187,500	-
Interest paid on parking revenue bonds	(4,480,982)	(4,691,743)
Principal paid on parking revenue bonds	(3,710,000)	(2,865,000)
Cash payments to Coordinated Parking Fund	(5,045,725)	(5,521,855)
Cash payments from Coordinated Parking Fund	3,638,006	3,294,258
Acquisition and construction of capital assets	(787,852)	(360,719)
Net cash used in capital and related financing activities	(10,199,053)	(10,145,059)
Cash Flows From Investing Activities:		
Investment income	158,097	198,413
Purchases of investment securities	(8,862,660)	(8,782,600)
Proceeds from sale and maturities of investment securities	9,852,950	8,910,151
Net cash provided by investing activities	1,148,387	325,964
Net Increase (Decrease) in Cash and Cash Equivalents	3,176,538	(3,042,454)
Cash and Cash Equivalents:		
Beginning	(660,012)	2,382,442
Ending	$ 2,516,526	$ (660,012)

HARRISBURG PARKING AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ 5,196,279	$ 5,977,262
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,346,605	3,190,765
Amortization	118,750	118,750
Changes in operating assets and liabilities:		
Receivables:		
Trade	(534,030)	(284,885)
Coordinated Parking Fund	3,764,520	(2,587,719)
Prepaid expenses	(102,963)	157,142
Accounts payable and accrued expenses	240,420	80,824
Deferred parking revenue	17,459	(58,662)
Net other post-employment liability	180,164	183,164
Net cash provided by operating activities	$ 12,227,204	$ 6,776,641

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

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 financial statements 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.

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, 2010 and 2009 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.

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.

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 2010 or 2009. 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, 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 pledged as security for Series R 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, 2010 and 2009, a total of $782,997 and $756,981, respectively, was transferred to HPA from the Fund for payment of Series N Debt Service.

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, 2010 and 2009, a total of $1,787,259 and $1,526,743, respectively, was transferred to HPA from the Fund for payment of Series J debt service. A total of $131,341 and $147,690 was transferred to HPA from the Fund for payment of Series K debt service during the years ended December 31, 2010 and 2009, 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, 2010 and 2009, a total of $936,409 and $862,844, respectively, was transferred to HPA from the Fund for payment of Series P debt service.

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

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. HPA pools certain of its deposits with the Fund. At December 31, 2010, the pooled account had a book and bank balance of $2,783,347 and $2,488,825, respectively. Of the pooled bank balance, $250,000 was covered by federal depository insurance at December 31, 2010, and $393,114 was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits. The remaining $1,845,711 was invested in the Pennsylvania Treasurer's INVEST Program for Local Governments and Nonprofits (INVEST). INVEST issues audited financial statements that are available to the public. The fair value of HPA's and the Fund's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pool. At December 31, 2010, INVEST carried a AAA rating and had an average weighted maturity of less than one year. At December 31, 2010, HPA's position in the pool was $2,516,526, and the Fund's position in the pool was $266,821.

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

At December 31, 2009, the non-pooled book and bank balance of HPA was $1,329,786 and $1,190,386, respectively. Of the non-pooled bank balance, $250,000 was covered by federal depository insurance. The remainder of the non-pooled bank balance at December 31, 2009 was collateralized under the Act.

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, 2010 and 2009, 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.

The composition of restricted assets at December 31, 2010 and 2009, by fund and account, is as follows:

December 31, 2010			Debt Service Reserve	Total Fair Value
Series K Proceeds:				
Money market funds			$ 1,180,000	$ 1,180,000
	Clearing Fund	Debt Service	Debt Service Reserve Fund	Total Fair Value
Series J Proceeds:				
Commercial Paper	$ -	$ -	$ 2,633,707	$ 2,633,707
Money market funds	32	5	602,291	602,328
	$ 32	$ 5	$ 3,235,998	$ 3,236,035
	Clearing Fund	Interest and Principal Fund	Debt Service Reserve Fund	
Series N Proceeds:				
Money market funds	$ 12	$ 36	$ 791,054	
			Rebate Fund	Total Fair Value
Series N Proceeds (continued):				
Money market funds			$ 36,237	$ 827,339

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

December 31, 2010	Clearing Fund	Debt Service Reserve Fund	Rebate Fund	Total Fair Value
Series O Proceeds:				
Commercial paper	$ -	$ 1,806,255	$ -	$ 1,806,255
Money market funds	34	68,774	9,654	78,462
	$ 34	$ 1,875,029	$ 9,654	$ 1,884,717

	Debt Service Fund	Debt Service Reserve Fund	Construction Funds	Total Fair Value
Series P Proceeds:				
Money market funds	$ 3	$ 1,664,111	$ 33	$ 1,664,147

	Debt Service Reserve Fund	Construction Fund	Total Fair Value
Series R Proceeds:			
Money market funds	$ 401,366	$ 19	$ 401,385

	Clearing Fund	Debt Service Fund	Debt Service Reserve Fund	Total Fair Value
Series T Proceeds:				
Money market funds	$ 331,046	$ 9	$ 1,418,976	$ 1,750,031

December 31, 2009	Construction Fund	Total Fair Value
Series I Proceeds:		
Money market funds	$ 5,633	$ 5,633

	Debt Service	Debt Service Reserve	Total Fair Value
Series K Proceeds:			
Money market funds	$ 5,297	$ 1,180,000	$ 1,185,297

	Clearing Fund	Debt Service	Debt Service Reserve Fund	Total Fair Value
Series J Proceeds:				
Commercial Paper	$ -	$ -	$ 2,633,707	$ 2,633,707
Money market funds	32	5	683,924	683,961
	$ 32	$ 5	$ 3,317,631	$ 3,317,668

December 31, 2009	Clearing Fund	Interest and Principal Fund	Debt Service Reserve Fund
Series N Proceeds:			
Money market funds	$ 12	$ 1,873	$ 790,557

	Rebate Fund	Total Fair Value
Series N Proceeds (continued):		
Money market funds	$ 36,214	$ 828,656

	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

	Construction Funds	Total Fair Value
Series P Proceeds (continued):		
Money market funds	$ 33	$ 1,663,651

	Debt Service Fund	Debt Service Reserve Fund	Construction Fund	Total Fair Value
Series R Proceeds:				
Money market funds	$ 170,014	$ 1,091,988	$ 19	$ 1,262,021

December 31, 2009	Clearing Fund	Debt Service Fund	Debt Service Reserve Fund	Total Fair Value
Series T Proceeds:				
Money market funds	$ 3	$ 317,544	$ 1,418,976	$ 1,736,523

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:

December 31, 2010	Fair Value	Percent of Investments
Restricted		
Commercial paper:		
Natexis Banques Populaires	$ 1,806,255	16.51%
Intesa Funding LLC	2,633,707	24.07%
December 31, 2009		
Restricted		
Commercial paper:		
HSBC Finance Corporation	$ 4,439,994	37.47%

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, 2010 and 2009:

December 31, 2010	Fair Value	Rating
Restricted		
Money market funds	$ 6,503,692	AAA
Commercial paper	4,439,962	A1
December 31, 2009		
Restricted		
Money market funds	$ 7,410,642	AAA
Commercial paper	4,439,994	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, 2010 and 2009, HPA's money market and fixed income investments have an average maturity of less than one year.

4. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning of Year	Additions/ Transfers In	Dispositions/ Transfers Out	End of Year
Capital assets, not being depreciated:				
Land	$ 6,939,212	$ -	$ -	$ 6,939,212
Construction-in-progress	1,286,835	632,087	(987,363)	931,559
Total capital assets, not being depreciated	8,226,047	632,087	(987,363)	7,870,771
Capital assets, being depreciated:				
Land improvements	127,922	-	-	127,922
Buildings and improvements	84,496,275	1,118,802	-	85,615,077
Furniture and fixtures	327,566	2,316	-	329,882
Machinery and equipment	2,325,322	22,010	-	2,347,332
Total capital assets, being depreciated	87,277,085	1,143,128	-	88,420,213
Less accumulated depreciation	(33,741,934)	(3,346,605)	-	(37,088,539)
Total capital assets, being depreciated, net	53,535,151	(2,203,477)	-	51,331,674
Capital assets, net	$ 61,761,198	$ (1,571,390)	$ (987,363)	$ 59,202,445

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

	Beginning of Year	Additions/ Transfers In	Dispositions/ Transfers Out	End of Year
Capital assets, not being depreciated:				
Land	$ 6,939,212	$ -	$ -	$ 6,939,212
Construction-in-progress	1,050,293	236,542	-	1,286,835
Total capital assets, not being depreciated	7,989,505	236,542	-	8,226,047
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	2,221,980	103,342	-	2,325,322
Total capital assets, being depreciated	87,152,908	124,177	-	87,277,085
Less accumulated depreciation	(30,551,169)	(3,190,765)	-	(33,741,934)
Total capital assets, being depreciated, net	56,601,739	(3,066,588)	-	53,535,151
Capital assets, net	$ 64,591,244	$ (2,830,046)	$ -	$ 61,761,198

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, 2010 and 2009 totaled $118,750.

6. Bonds and Notes Payable

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

	2010	2009
Series K Note dated June 1, 2000:		
Variable rate term notes due December 1, 2023 (.38% at December 31, 2010) (approximately BMA)	$ 2,900,000	$ 2,900,000
Variable rate term notes due December 1, 2024 (.38% at December 31, 2010) (approximately BMA)	8,900,000	8,900,000
	11,800,000	11,800,000
Series J Bonds dated September 1, 2001: 2.80% to 5.125% Bonds due serially from September 1, 2003 to September 1, 2022 in annual installments ranging from $5,000 to $4,835,000	27,350,000	28,010,000
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	4,090,000	4,685,000
Series O Bonds dated November 18, 2003: 1.50% to 5.25% Bonds due serially from August 1, 2004 to August 1, 2016 in annual installments ranging from $735,000 to $2,770,000	9,010,000	10,435,000
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	12,455,000	12,510,000
5.70% Bonds due serially from September 1, 2023 to September 1, 2025 in annual installments ranging from $365,000 to $2,810,000	4,110,000	4,110,000
	16,565,000	16,620,000
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	16,625,000	16,965,000

	2010	2009
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	18,640,000	19,275,000
Total Debt	104,080,000	107,790,000
Plus (less):		
Amortized debt premium (discount)	504,790	585,217
Deferred loss on defeasance	(3,419,641)	(3,836,946)
Current portion	(3,525,000)	(3,710,000)
	(6,439,851)	(6,961,729)
Long-term portion	$ 97,640,149	$ 100,828,271

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, 2010, 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."

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 5.125% 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, 2010, no Series I Bonds remained outstanding.

In November 2010, HPA received notice that, based upon the City's statements in the Act 47 Petition, the bond insurer concluded that an Event of Default occurred under Section 10.01(c)(ii) of the Indenture as of October 1, 2010 (the date the Act 47 Petition was filed by the City) by declaring in writing its inability to pay when due its debts generally as they become due. The bond insurer informed the trustee that under Section 7.03 of the Indenture, such Event of Default allows the insurer to control all available remedies with respect to the Series J Bonds and directs the trustee to refrain from exercising any remedies or taking any other actions with respect to the Series J Bonds unless and until directed in writing by the insurer.

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, 2010, 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, 2010, 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 5.7% 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.

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, 2010 and 2009, respectively, $15,360,000 and $15,965,000 of Series 2001 Bonds remained outstanding.

In January 2011, HPA received notice that the rating of Series T Bonds has been downgraded to Ba3 from Baa2 by Moody's Investors Service. Per Moody's disclosure, such a rating downgrade was due to the City filing for Act 47, as mentioned previously.

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 the aforementioned Guaranty Agreements.

HPA bond indentures contain financial and reporting covenants. During 2010, HPA was unable to meet Series R Bonds debt covenant requirement 6.05, which states that HPA shall maintain in the Series R Debt Service Reserve Fund moneys and investments with a value equal to the Debt Service Reserve Requirement with respect to the Series R Bonds. The covenant also requires any deficiency in the Series R Debt Service Reserve Fund to be replenished within 12 months of HPA's receipt of the notification of the deficiency. On May 17, 2010, $547,494 was withdrawn from the Debt Service Reserve Fund in order to meet the May 2010 debt service payment. Beginning in June 2010, HPA made monthly transfers of $45,625, in an effort to replenish the Debt Service Reserve Fund within the required 12 months. The replenishments for the months of November 2010 through March 2011 were made in March 2011. As of December 31, 2010, $319,369 of the May 2011 transfer remained due to the Debt Service Reserve Fund. On November 15, 2010, $371,388 was withdrawn from the Debt Service Reserve Fund in order to meet the November 2010 debt service payment. As of December 31, 2010, the full balance of $371,388 remained due to the Debt Service Reserve Fund. The replenishments for the months of December 2010 through March 2011 were made in March 2011.

At December 31, 2009, HPA was in compliance with such financial and reporting covenants.

Long-term liability activity for the year ended December 31, 2010 was as follows:

	Beginning of Year	Additions	Amortization	Retirements	End of Year	Current Portion
Bonds payable	$107,790,000	$ -	$ -	$ (3,710,000)	$104,080,000	$ 3,525,000
Less:						
Deferred loss on refunding	(3,836,946)	-	417,305	-	(3,419,641)	-
Unamortized premium (discount)	585,217	-	(80,427)	-	504,790	-
Long-term liabilities	$104,538,271	$ -	$ 336,878	$ (3,710,000)	$101,165,149	$ 3,525,000

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	$107,061,595	$ -	$ 341,676	$ (2,865,000)	$104,538,271	$ 3,710,000

Debt service requirements, including interest, subsequent to December 31, 2010 are as follows:

	Principal	Interest	Total
2011	$ 3,525,000	$ 4,351,772	$ 7,876,772
2012	3,665,000	4,215,679	7,880,679
2013	3,805,000	4,077,917	7,882,917
2014	3,975,000	3,910,114	7,885,114
2015	4,185,000	3,735,126	7,920,126
2016-2020	25,280,000	15,329,604	40,609,604
2021-2025	35,270,000	9,287,744	44,557,744
2026-2030	18,645,000	3,036,463	21,681,463
2031-2035	4,665,000	783,563	5,448,563
2036	1,065,000	23,963	1,088,963
	$ 104,080,000	$ 48,751,945	$ 152,831,945

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 $88,873 and $61,524 for the years ended December 31, 2010 and 2009, respectively, and were based on covered compensation of $1,313,749 and $1,110,837, compared to total compensation of $2,061,135 and $1,962,615. These contributions represented approximately 6.8% and 5.5% of covered payroll for the years ended December 31, 2010 and 2009, respectively. Employee contributions totaled $54,712 and $41,371 for the years ended December 31, 2010 and 2009, respectively. These contributions represented 4.2% and 3.7% of covered payroll, respectively. Pension costs are expensed as funded.

8. Other Postemployment Benefits

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.

Funding Policy and Annual OPEB Costs

HPA's contribution is based on projected pay-as-you-go financing requirements. For the years ended December 31, 2010 and 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. 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.

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	Entry age normal
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	30 years
Amortization method	Level dollar, open period	Level dollar, 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, 2010 were as follows:

	Management OPEB Plan	AFSCME OPEB Plan
Annual required contribution	$ 101,309	$ 81,857
Estimated interest on Net OPEB obligation	4,559	3,684
Estimated adjustment to ARC	(6,221)	(5,026)
Annual OPEB cost	99,647	80,515
Contribution made	-	-
Change in Net OPEB Obligation	99,647	80,515
Net OPEB Obligation, January 1, 2010	101,309	81,857
Net OPEB Obligation, December 31, 2010	$ 200,956	$ 162,372

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, January 1, 2009	-	-
Net OPEB Obligation, December 31, 2009	$ 101,309	$ 81,857

Three-Year Trend Information:

	Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
Management OPEB Plan:	2010	$ 99,647	0%	$ 200,956
	2009	101,309	0%	101,309
	2008	N/A	N/A	N/A
AFSCME OPEB Plan:	2010	$ 80,515	0%	$ 162,372
	2009	81,857	0%	81,857
	2008	N/A	N/A	N/A

N/A - Not Applicable, 2009 was implementation year.

Funded Status and Schedule of Funding Progress:

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year 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 Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
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%

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 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, 2010 and 2009 totaled $44,589 and $48,148, 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 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 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, 2010 and 2009, $14,000,500 represents HPA's portion of equitable ownership interest in the property. All required payments have been made as of December 31, 2010 and 2009.

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 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, 2010.

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. During 2010, the University failed to make any payments of the HU Subsidy, as required by the parking license. As mentioned in Note 6, HPA withdrew a total of $918,882 from the Debt Service Reserve Account during 2010 in order to make the debt service payments on May 15, 2010 and November 15, 2010. If the University fails to make future debt service payments on the Series R Bonds, the debt service payments will continue to be paid from the Debt Service Reserve Fund. As of December 31, 2010, settlement regarding the amount of the HU Subsidy is pending.

Required Supplementary Information

HARRISBURG PARKING AUTHORITY

HISTORICAL OTHER POST-EMPLOYMENT BENEFITS INFORMATION

(REQUIRED SUPPLEMENTARY INFORMATION)

(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date,	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
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 valuation of the plans.

SCHEDULE EMPLOYER CONTRIBUTIONS

	Annual Required Contribution	Percentage Contributed
Management OPEB Plan:		
2010	$ 101,309	0%
2009	101,309	0%
AFSCME OPEB Plan:		
2010	$ 81,857	0%
2009	81,857	0%

Note: 2009 was implementation year.

Supplementary Information

HARRISBURG PARKING AUTHORITY

CALCULATION OF PAYMENTS TO COORDINATED PARKING FUND

YEAR ENDED DECEMBER 31, 2010

	Administrative	City Lots	HPA Garages	Parking Meters	Total
Operating Revenues:					
Administration fees	$ 1,187,406	$ -	$ -	$ -	$ 1,187,406
Public parking revenue					
Monthly parking	-	195,229	7,738,917	-	7,934,146
Daily parking	-	88,003	2,736,809	-	2,824,812
Meter operations	-	-	-	1,121,085	1,121,085
Harrisburg University subsidy	-	-	389,678	-	389,678
State parking revenue	-	-	1,360,328	-	1,360,328
Other income	-	25,040	107,303	(902)	131,441
Total operating revenues	1,187,406	308,272	12,333,035	1,120,183	14,948,896
Operating Expenses:					
Salaries and fringe benefits	651,345	117,951	2,072,340	65,952	2,907,588
Repairs, maintenance, and supplies	90,427	11,621	350,559	12,461	465,068
Professional services	316,802	4,480	146,507	2,369	470,158
Insurance	14,937	9,655	161,423	5,040	191,055
Depreciation	40,721	-	-	-	40,721
Utilities	19,245	82,641	548,050	-	649,936
Real estate taxes	-	-	52,900	-	52,900
Rental	8,667	-	-	-	8,667
Other	45,262	7,378	22,876	-	75,516
Administrative fees	-	27,067	1,046,401	98,337	1,171,805
Total operating expenses	1,187,406	260,793	4,401,056	184,159	6,033,414
Operating Income	-	47,479	7,931,979	936,024	8,915,482
Nonoperating Revenues (Expenses):					
Interest income	4,885	6	(110)	9	4,790
Interest expense	-	-	-	-	-
Transfer to the City of Harrisburg	-	-	-	-	-
Required payments from the coordinated parking fund	-	-	-	-	-
Total nonoperating revenues (expenses)	4,885	6	(110)	9	4,790
Income before contributions to capital replacement reserve accounts	4,885	47,485	7,931,869	936,033	8,920,272
Net loss of Harrisburg University Garage	-	-	287,754 *	-	287,754
Capital replacement reserve accounts	-	-	(1,967,759)	(73,198)	(2,040,957)
Transfer debt service	-	-	(2,591,872)	-	(2,591,872)
Operating account balances	4,885	47,485	3,659,992	862,835	4,575,197
Required Payments to Coordinated Parking Fund	$ (4,885)	$ (47,485)	$ (3,659,992)	$ (862,835)	$ (4,575,197)

* Net loss of Harrisburg University Garage in the amount of $287,754 is not included in the required payments to Coordinated Parking Fund