

Coordinated Parking Fund

Financial Statements

Years Ended December 31, 2011 and 2010 with
Independent Auditor's Report

COORDINATED PARKING FUND
YEARS ENDED DECEMBER 31, 2011 AND 2010
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Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
Harrisburg Parking Authority

We have audited the accompanying balance sheets of the Coordinated Parking Fund (Fund), a component unit of the City of Harrisburg, as of December 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2011 and 2010, 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.

Maher Duessel

Harrisburg, Pennsylvania
April 20, 2012

COORDINATED PARKING FUND

BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 765,141	\$ 266,821
Due from the City of Harrisburg	770,625	345,825
Due from Harrisburg Parking Authority	1,167,065	27,046
Total Assets	<u><u>\$ 2,702,831</u></u>	<u><u>\$ 639,692</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 5,889	\$ 6,155
Total Current Liabilities	5,889	6,155
Net assets:		
Unrestricted net assets	2,696,942	633,537
Total Liabilities and Net Assets	<u><u>\$ 2,702,831</u></u>	<u><u>\$ 639,692</u></u>

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

COORDINATED PARKING FUND
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Operating Revenues:		
Contributions:		
Harrisburg Parking Authority	\$ 5,434,621	\$ 5,045,725
City of Harrisburg	1,547,411	1,454,716
Total operating revenues	6,982,032	6,500,441
Operating Expenses:		
Payments to the Harrisburg Parking Authority	3,664,867	3,638,006
Distribution to the City of Harrisburg	1,250,000	2,664,000
Professional fees	3,760	6,400
Total operating expenses	4,918,627	6,308,406
Operating Income	2,063,405	192,035
Nonoperating Revenue:		
Investment income	-	2,452
Change in Net Assets	2,063,405	194,487
Net Assets:		
Beginning of year	633,537	439,050
End of year	\$ 2,696,942	\$ 633,537

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

COORDINATED PARKING FUND

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Received from user charges	\$ 5,417,213	\$ 2,737,808
Payments to suppliers for goods and services	<u>(4,918,893)</u>	<u>(6,305,206)</u>
Net cash provided by (used in) operating activities	<u>498,320</u>	<u>(3,567,398)</u>
Cash Flows From Investing Activities:		
Interest on investments	<u>-</u>	<u>2,452</u>
Net cash provided by investing activities	<u>-</u>	<u>2,452</u>
Net Increase (Decrease) in Cash and Cash Equivalents	498,320	(3,564,946)
Cash and Cash Equivalents:		
Beginning	<u>266,821</u>	<u>3,831,767</u>
Ending	<u>\$ 765,141</u>	<u>\$ 266,821</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	\$ 2,063,405	\$ 192,035
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Due from the City of Harrisburg	(424,800)	1,887
Accounts payable	(266)	3,200
Due from Harrisburg Parking Authority	<u>(1,140,019)</u>	<u>(3,764,520)</u>
Net cash provided by (used in) operating activities	<u>\$ 498,320</u>	<u>\$ (3,567,398)</u>

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

COORDINATED PARKING FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

1. COOPERATION AGREEMENT

On June 27, 1984, the City of Harrisburg (City), the Redevelopment Authority of the City of Harrisburg (HRA), Harristown Development Corporation (HDC), Harrisburg Parking Authority (HPA), the Mayor of Harrisburg, and Harrisburg City Council entered into the Cooperation Agreement for a Downtown Coordinated Parking System (Cooperation Agreement). The Cooperation Agreement has been amended ten times, with the most recent amendment (confusingly titled the Eleventh Amendment) dated September 14, 2011. All of the amendments coincide with a HPA financing transaction.

The Cooperation Agreement established a coordinated parking system that is managed and operated by HPA. The components of the coordinated parking system include ten parking garages owned and operated by HPA (four of the garages are located on land leased by HPA from the City, and one of the garages is equitably owned by HPA), two City-owned lots, the parking meters within the City, and a portion of the parking tax collected by the City. The revenues from each component are placed into separate operational accounts established by the Cooperation Agreement, and the operational costs of each component are paid out of the respective account. Additionally, the Reserve Fund is funded from the operational accounts. The Reserve Fund may be used for replacements or other improvements in any of the HPA garages in accordance with and as identified in HPA's annual budget.

Following the payment of operational expenses and the funding of the Reserve Fund by HPA, several subaccounts are funded for the payment of the debt service for the outstanding bonds. Out of the Walnut, Fifth and Chestnut Street Garages Operating Account, the Replacement Reserve Subaccount is funded to pay the debt service of the Series O Bonds; however, the Replacement Reserve Subaccount may only be funded upon receipt of a certificate from an independent parking consultant confirming that the funds generated or anticipated to be generated by HPA's garages and other parking facilities will meet at least 130% of the debt service requirements of the Series N Bonds. Out of the 2000 Garages/Series I Operating Account, which receives the revenue from the River Street Garage and the City Island Garage, the Series I Subaccount is funded to pay the debt service for the Series J, P and R Bonds; however, the Series I Subaccount may only be funded upon receipt of a certificate from an independent parking consultant confirming that the funds generated or anticipated to be generated by HPA's garages and other parking facilities will meet at least 130% of the debt service requirements of the Series N Bonds and funding requirements of the Replacement Reserve Subaccount. Also, out of the 2000 Garages/Series I Operating Account, the Series K and L Subaccount is funded to pay the debt service for the Series K Bonds; however, the Series K and L Subaccount may only be funded upon receipt of a certificate from an independent parking consultant confirming that the funds generated or anticipated to be generated by HPA's garages and other parking facilities will meet at least 130% of the debt service requirements of the Series N Bonds and the funding requirements of the Replacement Reserve Subaccount and the Series I Subaccount. Out of the Seventh Street Garage

COORDINATED PARKING FUND

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Operating Account the Series T Subaccount is funded to pay the debt service for the Series T and Series U Bonds; however the Series T Subaccount may only be funded upon receipt of a certificate from an independent parking consultant confirming that the funds generated or anticipated to be generated by HPA's garages and other parking facilities will meet at least 130% of the debt service requirements of the Series N Bonds and the funding requirements of the Replacement Reserve Subaccount, the Series I Subaccount, and the Series K and L Subaccount.

Following the funding of the aforementioned subaccounts, to the extent possible from their respective operating accounts, all of the net revenue from the coordinated parking system is deposited into the Coordinated Parking Fund (Fund). To the extent that any subaccount is deficient to pay its debt service obligations, such deficiency is cured by funds from the Fund upon receipt of a certificate from an independent parking consultant confirming that the funds generated or anticipated to be generated by HPA's garages and other parking facilities will meet at least 130% of the debt service requirements of the Series N Bonds, and the deficiencies are covered in the following priority: (1) Replacement Reserve Subaccount, (2) Series I Subaccount, (3) Series K and L Subaccount, and (4) Series T Subaccount. The debt service for the Series N Bonds is also paid out of the Fund. When the Fund's balance together with amounts expected to be deposited therein is equal to or greater than 130% of the next debt payment for the Series N Bonds, and all other payments are made pursuant to the Cooperation Agreement (including specifically the funding of the subaccounts), the remaining balance, no less than annually, is to be paid to the City.

During the years ended December 31, 2011 and 2010, a total of \$2,805,680 and \$2,723,668, respectively, was transferred to HPA from the Fund to cover deficiencies in the Series I Subaccount. During the years ended December 31, 2011 and 2010, a total of \$73,059 and \$131,341, respectively, was transferred to HPA from the Fund to cover deficiencies in the Series K and L Subaccount.

Distributions paid to the City from the Fund during the years ended December 31, 2011 and 2010 totaled \$1,250,000 and \$2,664,000, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

COORDINATED PARKING FUND

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YEARS ENDED DECEMBER 31, 2011 AND 2010

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

Basis of Accounting

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

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

Cash Equivalents

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

Accounting Standards

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their financial statements, subject to this same limitation. The Fund has elected not to follow subsequent private-sector guidance.

Use of Estimates in the Preparation of Financial Statements

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

3. DEPOSITS

HPA maintains a separate operating account for each component of the coordinated parking system and for the Fund. Amounts deposited into these accounts are combined into one account

COORDINATED PARKING FUND

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for investment by HPA. Interest earned from the investment account is allocated to the operating accounts, including the Fund's operating account, based on the monthly investment balance.

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

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

Deposits

HPA pools certain of its deposits with the Fund. At December 31, 2011, the pooled account had a book and bank balance of \$4,283,126 and \$3,916,740, respectively. Of the pooled bank balance, \$250,000 was covered by federal depository insurance at December 31, 2011, and \$1,346,764 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 \$2,319,976 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, 2011, INVEST carried a AAA rating and had an average weighted maturity of less than one year. At December 31, 2011, HPA's position in the pool was \$3,517,985, and the Fund's position in the pool was \$765,141.

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 the Act, 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 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

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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.

4. COMMITMENTS

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

Debt service requirements, including interest, on Series N Bonds outstanding at December 31, 2011 are as follows:

	<u>Amount</u>
2012	\$ 786,395
2013	790,595
2014	789,270
2015	781,270
2016	<u>761,390</u>
	3,908,920
Less interest	<u>(438,920)</u>
	<u><u>\$ 3,470,000</u></u>

During the years ended December 31, 2011 and 2010, a total of \$786,128 and \$782,997 respectively, was transferred to HPA from the Fund to pay debt service for the Series N Bonds, as provided in the Cooperation Agreement.