

Coordinated Parking Fund
(A Component Unit of the City of Harrisburg)

Financial Statements

For the Period January 1, 2013 through
Termination (December 23, 2013) and
Year Ended December 31, 2012 with
Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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COORDINATED PARKING FUND

FOR THE PERIOD JANUARY 1, 2013 THROUGH TERMINATION
(DECEMBER 23, 2013) AND YEAR ENDED DECEMBER 31, 2012

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Independent Auditor's Report

Board of Directors
Harrisburg Parking Authority

We have audited the accompanying financial statements of the Coordinated Parking Fund (Fund), a component unit of the City of Harrisburg, as of December 23, 2013 (date of termination) and December 31, 2012 and for the period January 1, 2013 through December 23, 2013 and the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 23, 2013 and December 31, 2012, and the changes in its financial position and its cash flows for the period and year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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
July 17, 2014

COORDINATED PARKING FUND

BALANCE SHEETS

DECEMBER 23, 2013 AND DECEMBER 31, 2012

<u>Assets</u>	<u>December 23, 2013</u>	<u>December 31, 2012</u>
Current assets:		
Cash and cash equivalents	\$ -	\$ 533,040
Due from the City of Harrisburg	-	353,779
Due from Harrisburg Parking Authority	-	973,705
Total Assets	<u><u>\$ -</u></u>	<u><u>\$ 1,860,524</u></u>
 Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ -	\$ 6,064
Net position:		
Unrestricted net position	-	1,854,460
Total Liabilities and Net Position	<u><u>\$ -</u></u>	<u><u>\$ 1,860,524</u></u>

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

COORDINATED PARKING FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE PERIOD JANUARY 1, 2013 THROUGH TERMINATION (DECEMBER 23, 2013) AND
YEAR ENDED DECEMBER 31, 2012

	December 23, 2013	December 31, 2012
Operating Revenues:		
Contributions:		
Harrisburg Parking Authority	\$ 5,278,067	\$ 4,037,755
City of Harrisburg	1,510,422	1,532,313
Total operating revenues	<u>6,788,489</u>	<u>5,570,068</u>
Operating Expenses:		
Payments to the Harrisburg Parking Authority	5,567,201	6,145,815
Distribution to the City of Harrisburg	-	250,000
Professional fees	5,410	16,735
Total operating expenses	<u>5,572,611</u>	<u>6,412,550</u>
Change in Net Position before Special Item	1,215,878	(842,482)
Special Item:		
Transfer to Harrisburg Parking Authority due to termination of Cooperation Agreement	<u>(3,070,338)</u>	<u>-</u>
Change in Net Position	(1,854,460)	-
Net Position:		
Beginning of year	<u>1,854,460</u>	<u>2,696,942</u>
End of year	<u>\$ -</u>	<u>\$ 1,854,460</u>

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

COORDINATED PARKING FUND

STATEMENTS OF CASH FLOWS

FOR THE PERIOD JANUARY 1, 2013 THROUGH TERMINATION (DECEMBER 23, 2013) AND
YEAR ENDED DECEMBER 31, 2012

	December 23, 2013	December 31, 2012
Cash Flows From Operating Activities:		
Received from user charges	\$ 8,115,973	\$ 6,180,274
Payments to suppliers for goods and services	<u>(5,578,675)</u>	<u>(6,412,375)</u>
Net cash provided by (used in) operating activities	<u>2,537,298</u>	<u>(232,101)</u>
Cash Flow From Noncapital Financing Activities:		
Payments to Harrisburg Parking Authority	<u>(3,070,338)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(533,040)	(232,101)
Cash and Cash Equivalents:		
Beginning	<u>533,040</u>	<u>765,141</u>
Ending	<u><u>\$ -</u></u>	<u><u>\$ 533,040</u></u>
Reconciliation of Change in Net Position before Special Item to Net Cash Provided by (Used in) Operating Activities:		
Change in net position before special item	\$ 1,215,878	\$ (842,482)
Adjustments to reconcile change in net position before special item to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Due from the City of Harrisburg	353,779	416,846
Accounts payable	(6,064)	175
Due from Harrisburg Parking Authority	<u>973,705</u>	<u>193,360</u>
Net cash provided by (used in) operating activities	<u><u>\$ 2,537,298</u></u>	<u><u>\$ (232,101)</u></u>

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

COORDINATED PARKING FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2013 THROUGH TERMINATION (DECEMBER 23, 2013) AND YEAR ENDED DECEMBER 31, 2012

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 was amended ten times, with the last 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 was managed and operated by HPA. The components of the coordinated parking system included ten parking garages owned and operated by HPA (four of the garages were located on land leased by HPA from the City, and one of the garages was 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 were placed into separate operational accounts established by the Cooperation Agreement, and the operational costs of each component were paid out of the respective account. Additionally, the Reserve Fund was funded from the operational accounts. The Reserve Fund was to 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 were 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 was funded to pay the debt service of the Series O Bonds; however, the Replacement Reserve Subaccount was only to 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 would meet at least 130% of the debt service requirements of the Series N Bonds. Out of the 2000 Garages/Series I Operating Account, which received the revenue from the River Street Garage and the City Island Garage, the Series I Subaccount was funded to pay the debt service for the Series J, P and R Bonds; however, the Series I Subaccount was only to 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 would 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 was funded to pay the debt service for the Series K Bonds; however, the Series K and L Subaccount was only to 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 would meet at least 130% of the debt service requirements of the Series N Bonds and the funding

COORDINATED PARKING FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2013 THROUGH TERMINATION (DECEMBER 23, 2013) AND YEAR ENDED DECEMBER 31, 2012

requirements of the Replacement Reserve Subaccount and the Series I Subaccount. Out of the Seventh Street Garage Operating Account, the Series T Subaccount was funded to pay the debt service for the Series T and Series U Bonds; however, the Series T Subaccount was only to 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 would 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 was deposited into the Coordinated Parking Fund (Fund). To the extent that any subaccount was deficient to pay its debt service obligations, such deficiency was 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 would meet at least 130% of the debt service requirements of the Series N Bonds, and the deficiencies were 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 was also paid out of the Fund. When the Fund's balance together with amounts expected to be deposited therein was equal to or greater than 130% of the next debt payment for the Series N Bonds, and all other payments were made pursuant to the Cooperation Agreement (including specifically the funding of the subaccounts), the remaining balance, no less than annually, was to be paid to the City.

On December 1, 2013, the City, Harristown Development Corporation, HPA, the Mayor of Harrisburg, and Harrisburg City Council entered into the 2013 Harrisburg Downtown Parking Cooperation Agreement. This agreement terminated the original Cooperation Agreement and closed the Fund effective December 23, 2013. The agreement also terminated the leases and conveyance of Walnut Street Garage, Chestnut Street Garage, and Fifth Street Garage. Additionally, the agreement indicated that the City shall pay to HPA the Parking Tax Revenue for the period beginning October 1, 2013, and ending December 23, 2013, upon receipt of all such amounts. The City shall have no obligation to pay to HPA any Parking Tax Revenues for periods from and after December 24, 2013.

During the period ended December 23, 2013 and the year ended December 31, 2012, a total of \$3,612,346 and \$3,442,943, respectively, was transferred to HPA from the Fund to cover deficiencies in the Series I Subaccount. During the period ended December 23, 2013 and the year ended December 31, 2012, a total of \$261,843 and \$202,653, respectively, was transferred to HPA from the Fund to cover deficiencies in the Series K and L Subaccount. During the period ended December 23, 2013 and the year ended December 31, 2012, a total of \$904,043 and \$1,714,051,

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NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2013 THROUGH TERMINATION (DECEMBER 23, 2013) AND
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respectively, was transferred to HPA from the Fund to cover deficiencies in the Series T Subaccount.

During the period ended December 23, 2013 and the year ended December 31, 2012, a total of \$788,969 and \$786,168, respectively, was transferred to HPA from the Fund to pay debt service for the Series N Bonds, as provided in the Cooperation Agreement.

Distributions paid to the City from the Fund during the period ended December 23, 2013 and the year ended December 31, 2012, totaled zero and \$250,000, 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 delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Fund are excess parking facility revenues charged by HPA. Operating expenses include administrative expenses, payments to HPA to fund debt service and replacement reserves, and distributions to the City. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of Accounting

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

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

COORDINATED PARKING FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2013 THROUGH TERMINATION (DECEMBER 23, 2013) AND
YEAR ENDED DECEMBER 31, 2012

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.

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.

Special Item

A special item is a transaction or other event, within the control of management, which is either unusual in nature or infrequent in occurrence.

3. DEPOSITS

HPA maintained a separate operating account for each component of the coordinated parking system and for the Fund. Amounts deposited into these accounts were combined into one account for investment by HPA. Interest earned from the investment account was 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.

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NOTES TO FINANCIAL STATEMENTS

**FOR THE PERIOD JANUARY 1, 2013 THROUGH TERMINATION (DECEMBER 23, 2013) AND
YEAR ENDED DECEMBER 31, 2012**

4. SPECIAL ITEM

During the year ended December 31, 2013, the City, HDC, HPA, the Mayor of Harrisburg, and Harrisburg City Council entered into the 2013 Harrisburg Downtown Parking Cooperation Agreement. This agreement terminated the original Cooperation Agreement and closed the Fund. The closing of the Fund resulted in the transfer of all assets and liabilities from the Fund to HPA effective December 23, 2013.