Harrisburg Parking Authority
(A Component Unit of the City of Harrisburg)

Financial Statements and
Required Supplementary Information

Years Ended December 31, 2013 and 2012 with
Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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HARRISBURG PARKING AUTHORITY

YEARS ENDED DECEMBER 31, 2013 AND 2012

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Independent Auditor's Report

Board of Directors
Harrisburg Parking Authority

We have audited the accompanying financial statements of the Harrisburg Parking Authority (Authority), a component unit of the City of Harrisburg, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years 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.

Accounting principles generally accepted in the United States of America require that the historical other post-employment benefits information on page 35 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Calculation of Payments to Coordinated Parking Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Maher Duessel

Harrisburg, Pennsylvania
July 17, 2014

HARRISBURG PARKING AUTHORITY

BALANCE SHEETS

DECEMBER 31, 2013 AND 2012

	2013	2012
Assets and Deferred Outflows of Resources		
Assets:		
Current assets:		
Cash and cash equivalents	$ 3,371,924	$ 3,685,680
Investments	58,937	-
Receivables - trade	767,860	1,004,950
Prepaid expenses	5,714	141,612
Total current assets	4,204,435	4,832,242
Restricted assets:		
Cash and cash equivalents	-	12
Investments	-	12,662,743
Total restricted assets	-	12,662,755
Noncurrent assets:		
Capital assets not being depreciated	-	9,682,936
Capital assets (net of accumulated depreciation of $3,083,335 and $43,914,404)	4,916,662	45,739,990
Prepaid lease payment to City of Harrisburg	-	7,400,000
Equitable ownership interest (net of amortization of zero and $1,120,040)	-	12,880,460
Management and operating rights (net of amortization of zero and $1,454,688)	-	1,395,312
Title insurance deposit	100,000	-
Total noncurrent assets	5,016,662	77,098,698
Total Assets	9,221,097	94,593,695
Deferred Outflows of Resources:		
Deferred charge on refunding	-	2,648,509
Total Deferred Outflows of Resources	-	2,648,509
Total Assets and Deferred Outflows of Resources	$ 9,221,097	$ 97,242,204

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

Liabilities and Net Position	2013	2012
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,438,411	$ 2,082,278
Due to Coordinated Parking Fund	-	973,705
Unearned parking revenue	-	359,958
Accrued termination benefits	1,466,240	-
Current portion of bonds and notes payable	-	3,805,000
Total current liabilities	2,904,651	7,220,941
Current liabilities payable from restricted assets:		
Accrued interest payable on bonds	-	1,418,400
Total current liabilities payable from restricted assets	-	1,418,400
Long-term liabilities:		
Bonds and notes payable, net of current portion	-	103,900,040
Unearned revenue	-	129,082
Net other post-employment liability	-	717,752
Total long-term liabilities	-	104,746,874
Total Liabilities	2,904,651	113,386,215
Net Position:		
Net investment in capital assets	4,916,662	(17,624,557)
Unrestricted	1,399,784	1,480,546
Total Net Position	6,316,446	(16,144,011)
Total Liabilities and Net Position	$ 9,221,097	$ 97,242,204

HARRISBURG PARKING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Operating Revenues:		
Public parking	$ 13,083,585	$ 11,976,968
State parking	1,479,973	1,442,684
Office rent	60,464	73,951
Other	229,254	152,125
Total operating revenues	14,853,276	13,645,728
Operating Expenses:		
Salaries and fringe benefits	3,211,940	3,241,054
Repairs, maintenance, and supplies	464,573	688,920
Professional services	837,454	832,536
Depreciation and amortization	4,024,265	3,967,859
Insurance	233,380	202,120
Utilities	485,165	504,753
Real estate taxes	75,774	57,000
Rental	20,800	20,800
Other	246,036	213,026
Total operating expenses	9,599,387	9,728,068
Operating Income	5,253,889	3,917,660
Nonoperating Revenue (Expenses):		
Investment income	200,463	376,639
Settlement award	-	252,239
Interest expense	(5,166,113)	(5,426,408)
Transfer from the Coordinated Parking Fund	5,567,201	6,145,815
Transfer to the Coordinated Parking Fund	-	(113,822)
Required payments under cooperation agreement for downtown parking system to the Coordinated Parking Fund	(5,278,067)	(3,923,933)
Total nonoperating expenses, net	(4,676,516)	(2,689,470)
Change in Net Position before Special Items	577,373	1,228,190
Special Items (Note 14):		
Gain on lease	215,177,096	-
Loss on extinguishment of debt	(7,960,299)	-
Contribution to City of Harrisburg	(183,527,489)	-
Loss on termination of management and operating rights	(1,276,562)	-
Termination of Coordinated Parking Fund Agreement	3,070,338	-
Contribution to Harrisburg University	(3,600,000)	-
Change in Net Position	22,460,457	1,228,190
Net Position:		
Beginning, restated	(16,144,011)	(17,372,201)
Ending	$ 6,316,446	$(16,144,011)

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

HARRISBURG PARKING AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Received from user charges	$ 16,413,499	$ 13,046,379
Payments to employees for services	(3,034,729)	(3,063,843)
Payments to suppliers for goods and services	(2,511,479)	(2,631,814)
Net cash provided by operating activities	10,867,291	7,350,722
Cash Flows From Noncapital Financing Activities:		
Interest paid on parking revenue bonds	(966,925)	(1,014,308)
Cash paid to PEDFA	(950,000)	-
Cash paid for title insurance	(100,000)	-
Cash paid for Harrisburg University settlement	(5,043,763)	-
Cash paid to City of Harrisburg	(164,043,571)	-
Cash payments to Coordinated Parking Fund	(5,278,067)	(4,037,755)
Cash payments from Coordinated Parking Fund	5,988,982	6,145,815
Cash paid for termination benefits	(558,497)	-
Net cash provided by (used in) noncapital financing activities	(170,951,841)	1,093,752
Cash Flows From Capital and Related Financing Activities:		
Interest paid on parking revenue bonds	(3,849,551)	(4,196,348)
Principal paid on parking revenue bonds	(3,805,000)	(3,665,000)
Proceeds from the lease of capital assets	267,479,162	-
Cash paid for issuance of capital lease	(467,127)	-
Cap termination fee	40,943	-
Cash paid to bond escrow agent	(110,867,153)	-
Acquisition and construction of capital assets	(1,634,021)	(2,373,211)
Net cash provided by (used in) capital and related financing activities	146,897,253	(10,234,559)
Cash Flows From Investing Activities:		
Investment income	269,723	158,237
Settlement award	-	252,239
Purchases of investment securities	(8,979,004)	(8,948,000)
Proceeds from sale and maturities of investment securities	21,582,810	10,495,316
Net cash provided by investing activities	12,873,529	1,957,792
Net Increase (Decrease) in Cash and Cash Equivalents	(313,768)	167,707
Cash and Cash Equivalents:		
Beginning	3,685,692	3,517,985
Ending	$ 3,371,924	$ 3,685,692

HARRISBURG PARKING AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ 5,253,889	$ 3,917,660
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	4,024,265	3,967,859
Amortization	118,750	118,750
Changes in operating assets and liabilities:		
Receivables:		
Trade	612,090	(110,251)
Coordinated Parking Fund	1,308,091	(183,360)
Prepaid expenses	135,898	(3,745)
Accounts payable and accrued expenses	(402,945)	(227,664)
Unearned parking revenue	(359,958)	(305,738)
Net other post-employment liability	177,211	177,211
Net cash provided by operating activities	$ 10,867,291	$ 7,350,722

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 of the Commonwealth of Pennsylvania, which owns and operates parking facilities in the City of Harrisburg (City). For financial statement purposes, HPA is a component unit (single enterprise fund) of the City and is thus included in the City's annual financial statement.

The five-member board of HPA is appointed by the Mayor and members of the Board can be removed from the Board at will. Prior to December 23, 2013, the City would receive the benefit of excess parking revenues through a Cooperation Agreement with HPA and the City had guaranteed a majority of HPA's outstanding debt.

As further discussed in Note 14, on December 23, 2013, HPA entered into an Asset Transfer Agreement for the City of Harrisburg Parking System (Agreement) for a majority of its parking facilities, meters, and lots. Subsequent to the asset transfer date of December 23, 2013, HPA maintained an operating interest in the City Island Garage and certain parking lots. Although HPA maintains an operating interest in the City Island Garage as of December 31, 2013, the Asset Transfer Agreement (as discussed in Note 14) stipulates that the City Island Garage could also be transferred once negotiations with certain interested parties are complete.

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 managed and operated a coordinated parking system and was 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.

As further discussed in Note 14, HPA entered into an Agreement dated December 1, 2013, whereby the original Cooperation Agreement was terminated and the Fund was closed effective December 23, 2013.

C. Basis of Presentation

HPA's operations are funded through user charges. Therefore, HPA is presented 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, deferred outflows of resources, and all liabilities associated with the operations are included on the balance sheets. Net position (i.e., total assets, net of total liabilities) is segregated into "Net investment in capital assets" 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, 2012 represent monies required to be restricted under the terms of bond indentures related to the Series J, K, N, O, P, R, T, and U Series Parking Revenue Bonds.

G. Investments

Investments are reported at fair 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. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods. These payments are classified as prepaid expenses when made and expensed in future periods.

I. 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.

J. Pooled Cash and Investments

HPA maintained 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 were combined into one account for investment by HPA, as mentioned in Note 3. Interest earned from the investment account was allocated to the operating accounts based on the monthly investment balance.

K. Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following components: net investment in capital assets and unrestricted net position. Net investment in capital assets, 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 position 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. 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 2013 or 2012. Settlement amounts have not exceeded insurance coverages for the current year or three prior years.

N. 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, deferred outflows of resources, 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.

O. Adoption of Governmental Accounting Standards Board (GASB) Statement

HPA has adopted GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities."* This Statement reclassifies certain items that were reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. As a result of this Statement, reclassifications have been made on the balance sheets. In addition, the beginning net position for 2012 was decreased by $3,641,303 to eliminate bond issuance costs from assets. The change in net position for the year ended December 31, 2012 has been increased for the effects of amortization of such bond issuance costs by $333,131. Bond issuance costs previously were expensed over the life of the debt. Under Statement No. 65, bond issuance costs, excluding debt insurance, are fully expensed in the year of issuance.

P. Pending Changes in Accounting Principles

GASB Statement No. 69, *"Government Combinations and Disposals of Government Operations."* The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The provisions of this Statement are effective for HPA's December 31, 2014 financial statements.

The effect of implementation of this Statement has not yet been determined. This Statement was not effective as to the transaction described in Note 14.

Q. 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.

2. COOPERATION AGREEMENT

The City, HRA, Harristown Development Corporation, HPA, the Mayor of Harrisburg, and Harrisburg City Council entered into a Cooperation Agreement. In connection with the Cooperation Agreement, HPA issued Parking Revenue Bonds, Series A of 1986 (the Series A Bonds). 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 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 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.

During the years ended December 31, 2013 and 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.

During the years ended December 31, 2013 and 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. A total of $261,843 and $202,653 was transferred to HPA from the Fund to cover deficiencies in the Series K and L Subaccount during the years ended December 31, 2013 and 2012, respectively. A total of $904,043 and $1,714,051 was transferred to HPA from the Fund to cover deficiencies in the Series T Subaccount during the years ended December 31, 2013 and 2012, respectively.

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

As further discussed in Note 14, 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, dated December 1, 2013, terminated the original Cooperation Agreement and closed the Fund. 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.

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, 2013, the pooled account had a book and bank balance of $3,371,924 and $3,186,100, respectively. Of the pooled bank balance, $277,145 was covered by federal depository insurance at December 31, 2013, and $1,200,791 was collateralized under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly (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 $1,708,164 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 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, 2013, INVEST carried a AAA rating and had an average weighted maturity of less than one year. At December 31, 2013, HPA's position in the pool was $3,371,924, and the Fund's position in the pool was zero.

At December 31, 2012, the pooled account had a book and bank balance of $4,218,732 and $3,640,878, respectively. Of the pooled bank balance, $250,000 was covered by federal depository insurance at December 31, 2012, and $502,629 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 $2,888,249 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, 2012, INVEST carried a AAA rating and had an average weighted maturity of less than one year. At December 31, 2012, HPA's position in the pool was $3,685,692, and the Fund's position in the pool was $533,040.

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, 2012, 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 investments at December 31, 2013 and 2012, by fund and account, is as follows:

December 31, 2013	Total Fair Value
Money market funds	$ 58,937

December 31, 2012			Debt Service Reserve Fund	Total Fair Value
Series K Proceeds:				
Money market funds			$ 1,180,147	$ 1,180,147

		Clearing Fund	Debt Service Reserve Fund	Total Fair Value
Series J Proceeds:				
Commercial Paper		$ -	$ 2,633,165	$ 2,633,165
Money market funds		1	959,539	959,540
		$ 1	$ 3,592,704	$ 3,592,705

	Clearing Fund	Interest and Principal Fund	Debt Service Reserve Fund
Series N Proceeds:			
Money market funds	$ 12	$ 13	$ 792,022

	Rebate Fund	Total Fair Value
Series N Proceeds (continued):		
Money market funds	$ 36,281	$ 828,328

	Clearing Fund	Debt Service Reserve Fund	Rebate Fund	Total Fair Value
Series O Proceeds:				
Commercial paper	$ -	$ 1,806,224	$ -	$ 1,806,224
Money market funds	13	34,671	9,665	44,349
	$ 13	$ 1,840,895	$ 9,665	$ 1,850,573

	Debt Service Fund	Debt Service Reserve Fund	Construction Funds	Total Fair Value
Series P Proceeds:				
Money market funds	$ 2	$ 1,663,317	$ 33	$ 1,663,352

	Debt Service Fund	Debt Service Reserve Fund	Construction Fund	Total Fair Value
Series R Proceeds:				
Money market funds	$ 190,000	$ 1,091,988	$ 19	$ 1,282,007

December 31, 2012	Clearing Fund	Debt Service Fund	Debt Service Reserve Fund	Total Fair Value
Series T Proceeds:				
Money market funds	$ 3	$ 352,514	$ 1,418,976	$ 1,771,493
	Clearing Fund	Construction Fund	Settlement Fund	Total Fair Value
Series U Proceeds:				
Money market funds	$ 483,487	$ 10,205	$ 446	$ 494,138

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. At December 31, 2013, more than 5% of HPA's investments were not held with any one issuer. At December 31, 2012, more than 5% of HPA's investments were held with the following issuer:

December 31, 2012	Fair Value	Percent of Investments
Restricted		
Commercial paper: Fortis Funding LLC	$ 4,439,389	35.06%

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:

December 31, 2013	Fair Value	Rating
Unrestricted		
Money market funds	$ 58,937	AAA

December 31, 2012	Fair Value	Rating
Restricted		
Money market funds	$ 8,223,354	AAA
Commercial paper	4,439,389	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, 2013 and 2012, 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, 2013 was as follows:

	Beginning of Year	Additions	Dispositions	End of Year
Capital assets, not being depreciated:				
Land	$ 6,939,212	$ -	$ (6,939,212)	$ -
Construction-in-progress	2,743,724	600,432	(3,344,156)	-
Total capital assets, not being depreciated	9,682,936	600,432	(10,283,368)	-
Capital assets, being depreciated:				
Land improvements	127,922	-	(127,922)	-
Buildings and improvements	86,746,402	1,025,140	(79,771,545)	7,999,997
Furniture and fixtures	331,475	-	(331,475)	-
Machinery and equipment	2,448,595	8,449	(2,457,044)	-
Total capital assets, being depreciated	89,654,394	1,033,589	(82,687,986)	7,999,997
Less accumulated depreciation	(43,914,404)	(3,475,951)	44,307,020	(3,083,335)
Total capital assets, being depreciated, net	45,739,990	(2,442,362)	(38,380,966)	4,916,662
Capital assets, net	$ 55,422,926	$ (1,841,930)	$ (48,664,334)	$ 4,916,662

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning of Year	Additions	Dispositions	End of Year
Capital assets, not being depreciated:				
Land	$ 6,939,212	$ -	$ -	$ 6,939,212
Construction-in-progress	486,490	2,257,234	-	2,743,724
Total capital assets, not being depreciated	7,425,702	2,257,234	-	9,682,936
Capital assets, being depreciated:				
Land improvements	127,922	-	-	127,922
Buildings and improvements	86,354,419	391,983	-	86,746,402
Furniture and fixtures	329,882	1,593	-	331,475
Machinery and equipment	2,410,493	38,102	-	2,448,595
Total capital assets, being depreciated	89,222,716	431,678	-	89,654,394
Less accumulated depreciation	(40,506,457)	(3,407,947)	-	(43,914,404)
Total capital assets, being depreciated, net	48,716,259	(2,976,269)	-	45,739,990
Capital assets, net	$ 56,141,961	$ (719,035)	$ -	$ 55,422,926

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 were being amortized over the life of the agreement. Amortization of the rights for the years ended December 31, 2013 and 2012 totaled $118,750 and $118,750, respectively. As further discussed in Note 14, on December 23, 2013, HPA entered into an Agreement whereby the management and operating rights were terminated.

6. Bonds and Notes Payable

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

	2013	2012
Series K Note dated June 1, 2000:		
Variable rate term notes due December 1, 2023 (approximately BMA)	$ -	$ 2,900,000
Variable rate term notes due December 1, 2024 (approximately BMA)	-	8,900,000
	-	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	-	25,930,000
Series N Bonds dated October 28, 2003:		
2.50% to 4.30% Bonds due serially from November 15, 2004 to November 15, 2016	-	2,825,000
Series O Bonds dated November 18, 2003:		
1.50% to 5.25% Bonds due serially from August 1, 2004 to August 1, 2016	-	6,680,000
Series P Bonds dated July 15, 2005:		
3.30% to 5.25% Bonds due serially from September 1, 2007 to September 1, 2027	-	12,340,000
5.70% Bonds due serially from September 1, 2023 to September 1, 2025	-	4,110,000
	-	16,450,000
Series R Bonds dated January 11, 2007:		
3.60% to 5.00% Bonds due serially from May 15, 2010 to May 15, 2036	-	15,905,000
Series T Bonds dated December 15, 2007:		
3.50% to 4.50% Bonds due serially from May 15, 2009 to May 15, 2030	-	17,300,000

	2013	2012
Continued:		
Series U Bonds dated September 14, 2011:		
8.50% Bonds due serially from March 1, 2016 to March 1, 2026	-	7,885,000
10.75% Bonds due serially from March 1, 2016 to March 1, 2026	-	2,135,000
10.75% Bonds due serially from March 1, 2016 to March 1, 2026	-	625,000
	-	10,645,000
Total Debt	-	107,535,000
Plus (less):		
Amortized debt premium (discount)	-	170,040
Current portion	-	(3,805,000)
	-	(3,634,960)
Long-term portion	$ -	$ 103,900,040

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 issuance 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, 2013, 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 entered into an interest rate cap agreement, the term of which was to run from June 1, 2000 through and including October 1, 2024. The maximum rate under this agreement was 8.0% annually. As a result of the Agreement, as disclosed in Note 14, securities were deposited into an irrevocable trust with an escrow agent to provide for all debt service payments on the Series K Notes. As a result, the Series K Notes are considered to be defeased and the liability for those Notes has been removed from HPA's balance sheet. As of December 31, 2013, $11,800,000 of Series K Notes remained outstanding. The outstanding Series K Notes were redeemed on January 2, 2014. The interest rate cap agreement was terminated at the time of defeasance.

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, 2013, 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.

As a result of the Agreement, as disclosed in Note 14, Series J Bonds were paid in full as of December 31, 2013.

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, 2013, no Series F Bonds remained outstanding.

As a result of the Agreement, as disclosed in Note 14, securities were deposited into an irrevocable trust with an escrow agent to provide for all debt service payments on the Series

N Bonds. As a result, the Series N Bonds are considered to be defeased and the liability for those Bonds has been removed from HPA's balance sheet. As of December 31, 2013, $2,150,000 of Series N Bonds remained outstanding. The outstanding Series N Bonds were redeemed on January 22, 2014.

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, 2013, no Series H Bonds remain outstanding.

As a result of the Agreement, as disclosed in Note 14, Series O Bonds were paid in full as of December 31, 2013.

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 5.70% 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. As a result of the Agreement, as disclosed in Note 14, securities were deposited into an irrevocable trust with an escrow agent to provide for all debt service payments on the Series P Bonds. As a result, the Series P Bonds are considered to be defeased and the liability for those Bonds has been removed from HPA's balance sheet. As of December 31, 2013, $4,110,000 of Series P Bonds remained outstanding.

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. As a result of the Agreement, as disclosed in Note 14, securities were deposited into an irrevocable trust with an escrow agent to provide for all debt service payments on the Series R Bonds. As a result, the Series R Bonds are considered to be defeased and the liability for those Bonds has been removed from HPA's balance sheet. As of December 31, 2013, $15,525,000 of Series R Bonds remained outstanding.

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, 2013, no Series 2001 Bonds remained outstanding.

As a result of the Agreement, as disclosed in Note 14, securities were deposited into an irrevocable trust with an escrow agent to provide for all debt service payments on the Series T Bonds. As a result, the Series T Bonds are considered to be defeased and the liability for those Bonds has been removed from HPA's balance sheet. As of December 31, 2013, $16,595,000 of Series T Bonds remained outstanding.

In September 2011, HPA issued the "Harrisburg Parking Authority Tax Convertible Parking Revenue Bonds, Series U of 2011" (Series U Bonds) principal amount of $10,645,000 (less an original issue discount of $212,900) with an interest rate of 10.75% during the Federally Taxable Period, to provide for the financing of certain improvements to the Walnut Street Garage, including reimbursement of certain costs paid by HPA; financing of certain change orders to the Harrisburg University Garage; prepaying of rent for an extension of the lease for the Walnut Street Garage, Chestnut Street Garage, and Fifth Street Garage; and paying the costs of issuing the bonds. Series U Bonds are collectively comprised of three subseries; "Series U-1 Bonds" principal amount of $7,885,000, "Series U-2 Bonds" principal amount of $2,135,000, and "Series U-3 Bonds" principal amount of $625,000. In February 2012, the Series U-1 Bonds converted from a 10.75% interest rate to a federally tax-exempt obligation rate of 8.50%. As a result of the Agreement, as disclosed in Note 14, Series U-2 and U-3 Bonds were paid in full as of December 31, 2013. In addition, securities were deposited into an irrevocable trust with an escrow agent to provide for all debt service payments on the Series U-1 Bonds. As a result, the Series U-1 Bonds are considered to be defeased and the liability for those Bonds has been removed from HPA's balance sheet. As of December 31, 2013, $7,885,000 of Series U-1 Bonds remained outstanding.

As noted, the City had 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 contained financial and reporting covenants. At times during the years ended December 31, 2010 through December 31, 2013, 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 required 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 July 10, 2012, The Bank of New York Mellon Trust Company, N.A. (Trustee), as successor trustee with respect to the Series J Bonds, the Series O Bonds, the Series P Bonds, and the Series R Bonds, provided notice to holders of the Series J Bonds, the Series O Bonds, the Series P Bonds, and the Series R Bonds, of the occurrence of an Event of Default. The Trustee found that an Event of Default has occurred by reason of the City's admitting in writing that it is unable to pay its debts as they generally become due as evidenced by, inter alia, the City's admission that it was unable to pay, on March 15, 2012, the debt service payment due on certain of its general obligation debt issues which became due and payable on that date. As noted previously, Series J Bonds, Series O Bonds, Series P Bonds, and Series R Bonds were either defeased or paid in full during the year ended December 31, 2013.

Long-term liability activity for the year ended December 31, 2013 was as follows:

	Beginning of Year	Additions	Amortization	Retirements	End of Year
Notes and bonds payable	$107,535,000	$ -	$ -	$(107,535,000)	$ -
Less: Unamortized premium (discount)	170,040	-	(63,623)	(106,417)	-
Long-term liabilities	$107,705,040	$ -	$ (63,623)	$(107,641,417)	$ -

Long-term liability activity for the year ended December 31, 2012 was as follows:

	Beginning of Year	Additions	Amortization	Retirements	End of Year	Current Portion
Notes and bonds payable	$111,200,000	$ -	$ -	$ (3,665,000)	$107,535,000	$ 3,805,000
Less: Unamortized premium (discount)	218,172	-	(48,132)	-	170,040	-
Long-term liabilities	$111,418,172	$ -	$ (48,132)	$ (3,665,000)	$107,705,040	$ 3,805,000

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 covered substantially all full-time employees who were 18 years of age or older and had 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 were made by HPA at its discretion, based on a percentage of the covered employee's compensation. Employees' vesting percentages in such contributions were based on total years of service. Contributions by HPA totaled $99,720 and $96,889 for the years ended December 31, 2013 and 2012, respectively, and were based on covered compensation of $1,347,794 and $1,308,649, compared to total compensation of $1,780,513 and $2,262,106. These contributions represented approximately 7.4% of covered payroll for the years ended December 31, 2013 and 2012. Employee contributions totaled $47,442 and $50,310 for the years ended December 31, 2013 and 2012, respectively. These contributions represented 3.5% and 3.8% 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 had two single-employer, defined benefit OPEB plans covering substantially all of its employees. The plans' benefit provisions and all other requirements were established by collective bargaining agreements and Board of Directors (Board) approval.

Management OPEB Plan:

Benefits were 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 were able to elect medical, prescription drug, dental, and vision coverage. If the management employee had completed 25 years of service prior to retirement, HPA was to pay 100% of the medical and prescription drug premiums for the employee and spouse. All eligible management employees and spouses were able to continue coverage for life. Upon reaching Medicare age, the management employee and spouse were to move to the Medicare Supplement plan provided. Upon the death of a retired employee, the spouse was able to continue coverage. If a management employee had completed 25 years of service prior to retirement, HPA provided the retired management employee with a $5,000 paid-up life insurance policy.

As a result of the consummation of the transaction described in Note 14, there remains only one employee who is eligible for benefits under the aforementioned Management OPEB Plan. Management's estimate of the amount of other postemployment benefits accrued for the sole management employee as of December 31, 2013 is included as accrued termination benefits on the balance sheet.

AFSCME OPEB Plan:

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

As a result of the Agreement described in Note 14, there are no employees eligible for benefits under the AFSCME OPEB Plan.

<u>Funding Policy and Annual OPEB Costs</u>

HPA's contribution is based on projected pay-as-you-go financing requirements. For the years ended December 31, 2013 and 2012, HPA, through payment of termination benefits, reduced their OPEB by $495,002 and $399,961 to the Management and AFSCME OPEB plans, respectively.

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.

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, 2013 were as follows:

	Management OPEB Plan	AFSCME OPEB Plan
Annual required contribution	$ 101,309	$ 81,857
Estimated interest on Net OPEB obligation	9,043	7,307
Estimated adjustment to ARC	(12,337)	(9,968)
Annual OPEB cost	98,015	79,196
Termination adjustment	(495,002)	(399,961)
Change in Net OPEB obligation	(396,987)	(320,765)
Net OPEB obligation, January 1, 2013	396,987	320,765
Net OPEB obligation, December 31, 2013	$ -	$ -

The termination adjustment represents a gain to HPA from the termination of the OPEB plans as a result of HPA entering into the Asset Transfer Agreement, as disclosed in Note 14.

HPA's annual OPEB costs and net OPEB obligations to the plans for the year ended December 31, 2012 were as follows:

	Management OPEB Plan	AFSCME OPEB Plan
Annual required contribution	$ 101,309	$ 81,857
Estimated interest on Net OPEB obligation	9,043	7,307
Estimated adjustment to ARC	(12,337)	(9,968)
Annual OPEB cost	98,015	79,196
Contribution made	-	-
Change in Net OPEB obligation	98,015	79,196
Net OPEB obligation, January 1, 2012	298,972	241,569
Net OPEB obligation, December 31, 2012	$ 396,987	$ 320,765

Three-Year Trend Information:

	Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
Management OPEB Plan:	2013	$ 98,015	0%	$ -
	2012	98,015	0%	396,987
	2011	98,016	0%	298,972
AFSCME OPEB Plan:	2013	$ 79,196	0%	$ -
	2012	79,196	0%	320,765
	2011	79,197	0%	241,569

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. Both OPEB plans were effectively terminated as of December 31, 2013.

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 unearned revenue was being amortized over the respective life of the agreement under a method that approximates the interest method. Amortization for the years ended December 31, 2013 and 2012 totaled $30,877 and $36,033, respectively. As a result of all the Series J Bonds being paid in full and the Series N Bonds defeased, the remaining balance of unearned revenue associated with the forward purchase agreement approximating $98,000 was recognized as part of the loss on extinguishment of debt as of December 31, 2013.

10. Commitments and Related Party Transactions

On January 11, 2007, HPA entered into an agreement with Harrisburg University of Science and Technology (University), whereby HPA intended to purchase a condominium unit in a building constructed by the University. The condominium unit consisted of seven floors of parking facilities, which includes approximately 392 parking spaces. The total purchase price of this unit was $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. All required payments have been made as of December 31, 2013 and 2012. The equitable ownership interest was being amortized over the remaining life of the Series R of 2007 Bonds. As of December 31, 2012, $12,880,460 represented HPA's portion of equitable ownership interest in the property. The Series R of 2007 Bonds were defeased as of December 31, 2013. As a result of the Agreement, as disclosed in Note 14, HPA gained ownership of the condominium unit and transferred such ownership interest under this Agreement.

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, 2013.

12. SETTLEMENT AWARDS

During the year ended December 31, 2012, HPA received a settlement award from BofA in the amount of $252,239 pursuant to an out-of-court settlement between BofA and 28 State Attorneys General, in which BofA agreed to pay certain of its derivatives counterparties an amount specified in the agreement.

13. CONTINGENCY

On January 27, 2010, HPA filed a material event notice. A portion of the funds derived from the Series R Bonds were being used by HPA to acquire a condominium unit in a building constructed by Harrisburg University (University). The condominium unit consisted of seven floors of parking facilities, which included approximately 392 parking spaces. Under the parking license, in any year in which revenues from operation of the parking facility failed to meet HPA's debt service requirements on the Series R Bonds and the operation and maintenance costs of the parking facility, the University was 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 other available funds into the debt service account. During the years ended December 31, 2011 and 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 $523,464 from the Debt Service Reserve Account during the year ended December 31, 2011 in order to make the debt service payment on May 15, 2011. HPA transferred $574,454 from other available funds in order to make the debt service payment on November 15, 2011. During the year ended December 31, 2012, the University failed to make the payment of the

HU Subsidy on or before May 10, 2012, as required by the parking license. As a result, there were insufficient funds in the debt service account to make the debt service payment due May 15, 2012. A total payment of $729,954 was due to the bondholders on May 15, 2012, and such amount was transferred by the Trustee to the debt service account from other available funds of HPA. The University failed to make the payment of the HU Subsidy on or before November 10, 2012, as required by the parking license. As a result, there were insufficient funds in the debt service account to make the debt service payment due November 15, 2012. A total payment of $358,293 was due to the bondholders on November 15, 2012, and such amount was transferred by the Trustee to the debt service account from other available funds of HPA. The University failed to make the payment of the HU Subsidy on or before May 10, 2013, as required by the parking license. As a result, there were insufficient funds in the debt service account to make the debt service payment due May 15, 2013.

On March 3, 2010, HPA commenced a civil action against the University in the Court of Common Pleas of Dauphin County, Pennsylvania. HPA sought specific performance of an agreement to purchase a parking garage from the University. HPA also sought reformation of a related contract with the University to which a mistaken exhibit had been attached. HPA also sued the University for nonpayment of a contractual subsidy obligation in the amount of $778,919, and a rent obligation in the amount of $39,000, both of which obligations continued to accrue. The University countersued HPA for nonpayment of change orders in the amount of $723,026 and for failing to use its best efforts to lease unused University parking spaces.

As a result of the Agreement described in Note 14, HPA and the University entered into a settlement agreement, dated December 17, 2013. The agreement required HPA to pay $3.6 million of the proceeds to the University for release of the trustee's lien on the parking facility, and settlement of all claims asserted against one another.

14. SPECIAL ITEMS

Gain on Lease

On December 23, 2013, HPA entered into an Agreement dated December 1, 2013 with Pennsylvania Economic Development Financing Authority (PEDFA). Under the Agreement, HPA agreed to lease, for a period of approximately forty years, certain parking facilities, meters, and lots for an upfront acquisition price of approximately $267 million, plus four notes receivable, with a present value of approximately $12 million. At closing on December 23, 2013, at the request of the City, HPA assigned the notes receivable to the City, County, and Bond Insurer. Any surplus revenues (as defined in the Agreement), are to be paid on the notes receivable, with 75% going to the Bond Insurer and the County and 25% going to the

City, until such time as the Bond Insurer and the County are made whole and then all amounts going to the City.

Because the lease qualifies as a capital lease, all capital assets have been removed from HPA's financial statements. At the end of forty years, all capital assets are to be returned to HPA (or the City if HPA is not in existence) along with any capital reserve monies (funded by PEDFA through an extensive formula in the PEDFA indenture) for deferred maintenance.

The gain on lease is offset by certain termination benefits, including but not limited to, accrued sick leave, vacation, severance, medical benefits, and supplemental unemployment benefits. Such benefits that remain unpaid as of December 31, 2013 are presented as accrued termination benefits on the balance sheet.

Loss on Extinguishment of Debt

HPA used proceeds from the capital lease to fund escrow accounts to defease all of its outstanding debt, as discussed in Note 6. In a defeasance, the trustee of the escrow account becomes the primary obligor on the refunded debt, meaning that the government is only contingently liable for the debt's repayment. Since governments do not report contingent obligations as liabilities, the defeased debt, as well as the related escrow assets held in trust for its repayment, are removed from the financial statements.

Contribution to the City

Certain proceeds of the capital lease were paid to the City. The City received approximately $164 million in cash. In addition, the City constructively received approximately $12 million (present value) of notes receivable. At the request of the City, HPA assigned approximately $6 million (present value) of notes receivable to the County and Bond Insurer, and assigned approximately $6 million (present value) of notes receivable to the City. In addition, HPA had prepaid $7.4 million in lease payments to the City. This prepayment was contributed to the City in conjunction with the Agreement.

Loss on Management and Operating Rights

As further discussed in Note 5, HPA had entered an agreement to assist in the development and operation of the parking facilities at the National Civil War Museum. In conjunction with entering into the Agreement, HPA forfeited those rights without additional compensation and rights were terminated.

Termination of Coordinated Parking Fund Agreement

As further discussed in Notes 1 and 2, in conjunction with entering into the Agreement, HPA entered into the 2013 Harrisburg Downtown Parking Cooperation Agreement dated December 1, 2013. As required by the 2013 Harrisburg Downtown Parking Cooperation Agreement, HPA withdrew all funds from and closed all account, subaccounts, and funds created pursuant to the original Cooperation Agreement effective December 23, 2013 and all funds were consolidated and deposited into a new account held and controlled by the HPA.

Contribution to Harrisburg University

As further discussed in Note 13, in conjunction with entering into the Agreement, HPA agreed to pay $3.6 million of the proceeds to the University for release of the trustee's lien on the parking facility, and settlement of all claims asserted against one another.

Agreement with Assured Guaranty

Pursuant to an Agreement dated as of December 20, 2013, between Assured Guaranty Municipal Corp. (Assured Guaranty) and HPA, with the joinder of the Receiver for the City (Receiver), any surplus funds or accounts receivable in the accounts of HPA relating to the assets transferred pursuant to the transaction described in Note 14 (not including rent payable under the lease with PEDFA as part of the transaction or the $500,000 subordinated promissory note from Harrisburg University) existing prior to the close of the transaction, if any, and any amounts recovered by the Receiver prior to the closing of the Parking Transaction relating to the assets transferred in the transaction shall be paid to Assured Guaranty. Except as agreed in writing by Assured Guaranty, any amounts received after closing of the transaction by HPA in respect of its ownership of the parking assets transferred in the transaction in excess of the reserves agreed upon by HPA and Assured Guaranty shall be promptly paid to Assured Guaranty.

The financial statements do not include any adjustments as a result of this contingency as the amounts are not reasonably estimable.

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. As a result of the consummation of the transaction described in the December 31, 2013 financial statements, there are no employees eligible for benefits under the AFSCME OPEB Plan at December 31, 2013 and there remains only one employee who is eligible for benefits under the Management OPEB Plan at December 31, 2013. Management's estimate of the amount of other postemployment benefits accrued for the sole management employee as of December 31, 2013 is included as accrued termination benefits on the balance sheet.

SCHEDULE EMPLOYER CONTRIBUTIONS

	Annual Required Contribution	Percentage Contributed
Management OPEB Plan:		
2013	$ 101,309	0%
2012	101,309	0%
2011	101,309	0%
2010	101,309	0%
2009	101,309	0%
AFSCME OPEB Plan:		
2013	$ 81,857	0%
2012	81,857	0%
2011	81,857	0%
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, 2013

	Admini-strative	City Lots	HPA Garages	Parking Meters	Total
Operating Revenues:					
Administration fees	$ 1,451,735	$ -	$ -	$ -	$ 1,451,735
Public parking revenue					
Monthly parking	-	127,615	7,661,310	-	7,788,925
Daily parking	-	56,260	2,600,375	-	2,656,635
Meter operations	-	-	-	1,073,752	1,073,752
State parking revenue	-	-	1,479,973	-	1,479,973
Other income	8,279	21,674	1,793,365	1,275	1,824,593
Total operating revenues	1,460,014	205,549	13,535,023	1,075,027	16,275,613
Operating Expenses:					
Salaries and fringe benefits	423,544	113,471	2,197,442	41,718	2,776,175
Repairs, maintenance, and supplies	90,300	9,536	263,832	18,562	382,230
Professional services	317,170	32,675	188,110	4,000	541,955
Insurance	24,558	9,731	191,381	5,063	230,733
Depreciation	60,249	-	-	-	60,249
Utilities	15,344	40,356	422,418	-	478,118
Real estate taxes	-	-	75,774	-	75,774
Rental	20,800	-	-	-	20,800
Other	499,770	1,361	48,715	-	549,846
Administrative fees	-	31,337	1,275,395	134,092	1,440,824
Total operating expenses	1,451,735	238,467	4,663,067	203,435	6,556,704
Operating Income (Loss)	8,279	(32,918)	8,871,956	871,592	9,718,909
Nonoperating Revenues (Expenses):					
Interest income	-	-	-	-	-
Interest expense	-	-	-	-	-
Transfer to the City of Harrisburg	-	-	-	-	-
Required payments from the coordinated parking fund	-	-	-	-	-
Total nonoperating revenues (expenses)	-	-	-	-	-
Income (loss) before contributions to capital replacement reserve accounts, net loss of City Lots, and transfer debt service	8,279	(32,918)	8,871,956	871,592	9,718,909
Net loss of City Lots	-	64,124 *	-	-	64,124
Capital replacement reserve accounts	-	(31,206)	(2,423,735)	(91,495)	(2,546,436)
Transfer debt service	-	-	(1,958,530)	-	(1,958,530)
Operating account balances	8,279	-	4,489,691	780,097	5,278,067
Required Payments to Coordinated Parking Fund	$ (8,279)	$ -	$ (4,489,691)	$ (780,097)	$ (5,278,067)

* Net loss of City Lots in the amount of $64,124 is not included in the required payments to Coordinated Parking Fund