

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

Financial Statements

Year Ended December 31, 2020
with Independent Auditor's Report

MaherDuessel

The logo for MaherDuessel features the company name in a serif font. The word "Maher" is in black, and "Duessel" is in blue. Below the text is a horizontal bar that is black on the left and blue on the right, matching the color scheme of the text.

HARRISBURG PARKING AUTHORITY

YEAR ENDED DECEMBER 31, 2020

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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 (HPA), a component unit of the City of Harrisburg, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise HPA'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 HPA as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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 23, 2021

HARRISBURG PARKING AUTHORITY

BALANCE SHEET

DECEMBER 31, 2020

Assets	
Current assets:	
Cash and cash equivalents	\$ 1,341,225
Receivables - trade	26,660
Prepaid expenses	5,876
Total current assets	<u>1,373,761</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation of \$4,542,213)	<u>3,457,784</u>
Total noncurrent assets	<u>3,457,784</u>
Total Assets	<u><u>\$ 4,831,545</u></u>
Liabilities and Net Position	
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 132,689</u>
Total Liabilities	<u>132,689</u>
Net Position:	
Net investment in capital assets	3,457,784
Restricted:	
Insurer agreement	303,204
Unrestricted	937,868
Total Net Position	<u>4,698,856</u>
Total Liabilities and Net Position	<u><u>\$ 4,831,545</u></u>

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

HARRISBURG PARKING AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2020

Operating Revenues:

Parking revenue	\$ 13,470
Management fees	115,292
Other	27,599
Total operating revenues	<u>156,361</u>

Operating Expenses:

Repairs, maintenance, and supplies	24,368
Professional services	32,927
Depreciation	208,411
Insurance	25,598
Utilities	12,684
Other	75,899
Total operating expenses	<u>379,887</u>

Operating Loss

(223,526)

Nonoperating Revenue (Expenses):

Rent	289,388
Transfer to the City of Harrisburg	(289,388)
Total nonoperating revenue (expenses)	<u>-</u>

Change in Net Position

(223,526)

Net Position:

Beginning	<u>4,922,382</u>
Ending	<u>\$ 4,698,856</u>

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

HARRISBURG PARKING AUTHORITY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities:

Received from operations	\$ 148,944
Payments to suppliers for goods and services	(120,169)
Net cash provided by operating activities	<u>28,775</u>

Cash Flows From Noncapital Financing Activities:

Rent payments received	289,388
Transfer to the City of Harrisburg	(289,388)
Net cash provided by noncapital financing activities	<u>-</u>

Net Increase in Cash and Cash Equivalents 28,775

Cash and Cash Equivalents:

Beginning	<u>1,312,450</u>
Ending	<u><u>\$ 1,341,225</u></u>

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:

Operating loss	\$ (223,526)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	208,411
Changes in assets and liabilities:	
Receivables - trade	(7,417)
Prepaid expenses	2,798
Accounts payable and accrued expenses	48,509
Net cash provided by operating activities	<u><u>\$ 28,775</u></u>

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

HARRISBURG PARKING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 statements.

The five-member Board of Directors (Board) of HPA is appointed by the Mayor and members of the Board can be removed from the Board at will.

On December 23, 2013, HPA entered into an Asset Transfer Agreement for the City of Harrisburg Parking System (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, Dauphin County (County), and bond insurer. Any surplus revenues (as defined in the Agreement), are to be paid on the notes receivable, with 75% going directly to the bond insurer and the County and 25% going directly 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 qualified as a capital lease, all associated capital assets were removed from HPA's financial statements as of the closing date. At the end of forty years, all associated 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. In accordance with an agreement with the bond insurer, any amounts received after the transfer of the assets by HPA in respect of its ownership of the parking assets transferred, in excess of reserves agreed upon by HPA and the bond insurer, are to be promptly paid to the bond insurer. Within 30 days following June 30, 2015, any surplus amount held and received by HPA after closing of the transfer of assets was to be promptly paid to the bond insurer. As of December 31, 2020, such transfer has not taken place, as HPA and the bond insurer are currently in the settlement process.

Subsequent to the asset transfer date of December 23, 2013, HPA maintained an ownership interest in the City Island Garage and certain parking lots. Although HPA maintains an ownership interest in the City Island Garage as of December 31, 2020, the Agreement

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YEAR ENDED DECEMBER 31, 2020

stipulates that the City Island Garage could also be transferred to PEDFA if PEDFA chooses to exercise the option in the agreement. PEDFA had until December 31, 2020 to exercise this option. PEDFA did not exercised this option.

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.

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 and management fees. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Basis of Accounting

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

The accounting and financial reporting treatment applied to HPA is determined by its measurement focus. The transactions of HPA are accounted for on a flow of economic resources measurement focus; all assets and liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets, net of total liabilities) is segregated into "Net investment in capital assets," "Restricted," and "Unrestricted" components.

HARRISBURG PARKING AUTHORITY

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YEAR ENDED DECEMBER 31, 2020

E. Cash Equivalents

For purposes of the statement 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. Accounts Receivable

Accounts receivable are stated at outstanding balances. If collection becomes doubtful, an allowance for doubtful accounts will be established, or accounts will be charged to income when that determination is made by management. As of December 31, 2020, the Authority believes all receivables are collectable.

G. 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.

H. Capital Assets

Capital assets in service and construction in progress are stated on the basis of cost. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that HPA would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. 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 life of thirty years.

I. 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 three components: net investment in capital assets, restricted, 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

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YEAR ENDED DECEMBER 31, 2020

restricted cash and investments is excluded from the determination. Restricted consists of net position for which constraints are placed thereon by external parties, such as the bond insurer. Unrestricted consists of all other net position not included in the above categories.

J. Risk Management

HPA is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverages in 2020. Settlement amounts have not exceeded insurance coverages for the current year or three prior years.

K. 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 and disclosures. Actual results could differ from those estimates.

L. Pending Changes in Accounting Principles

In June of 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases." This Statement improves the accounting and financial reporting for leases. The provisions of GASB Statement No. 87 are effective for HPA's December 31, 2022 financial statements.

The effect of implementation of this Statement has not yet been determined.

2. Deposits

The Parking Authority Law limits HPA to the type of deposits it may make. Authorized types of investments include U.S. Treasury bills, other short-term U.S. government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit.

HPA uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for HPA funds. These funds are invested in the Pennsylvania Treasurer's INVEST Program (INVEST), which separately 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

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the value of the pool shares. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pool. HPA is invested in Invest Daily Pool, which requires no minimum balance, no minimum initial investments, and has no required investment period.

Custodial credit risk. As of December 31, 2020, HPA's cash deposits were \$1,341,225 and the bank balance was \$1,343,967. Of the bank balance at December 31, 2020, \$24,495 was covered by federal depository insurance. The remaining \$1,319,472 was invested in INVEST. At December 31, 2020, INVEST carried an AAA rating and had an average weighted maturity of less than one year.

3. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning of Year	Additions	Disposals	End of Year
Buildings and improvements	\$ 7,999,997	\$ -	\$ -	\$ 7,999,997
Less accumulated depreciation	(4,333,802)	(208,411)	-	(4,542,213)
Total capital assets, net	<u>\$ 3,666,195</u>	<u>\$ (208,411)</u>	<u>\$ -</u>	<u>\$ 3,457,784</u>

4. Commitments and Related Party Transactions

In accordance with the Agreement, as disclosed in Note 1, HPA receives monthly rent payments from PEDFA based upon the flow of funds. During the year ended December 31, 2013, HPA entered into the 2013 Harrisburg Downtown Parking Cooperation Agreement with the City and Harristown Development Corporation, of which HPA directs these monthly rent payments received from PEDFA directly to the City. HPA reports the rent revenue in the year provided for under the Agreement. As a result of this, rent revenue and corresponding transfer to the City for the year ended December 31, 2020 amounted to \$289,388.

In November 2016, the Board approved to file suit against PEDFA for failure to pay rent and City payments and failure to deliver an annual budget. PEDFA asserted that were ambiguities in the Agreement as to whether accrued rent from prior years had to be paid,

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and as to the level of the waterfall at which accrued rent within the current year had to be paid. HPA disputed that there is any ambiguity in the Agreement. HPA contended that it was entitled to immediate release of the withheld rent and payment of accrued and unpaid rent for all years as funds become available in accordance with the waterfall, as defined in the Agreement.

During the year ended December 31, 2018, PEDFA, Dauphin County, Assured Guaranty Municipal Corporation, the City, and HPA signed the Settlement Agreement and Release, of which HPA received a payment of \$222,065 for 2014 through 2017 operating year rent receivables. In exchange for this payment, HPA agreed to release all claims on the remaining \$673,543 rent receivables for operating years 2014 through 2017 and withdraw the aforementioned suit filed against PEDFA.

In addition, the Settlement Agreement and Release states that any rent amounts unpaid at the end of an operating year are deemed cancellable and will not be payable on any future date.

Contingent upon available funds in accordance with the Agreement, as described in Note 1, the following amounts are to be received by HPA and then disbursed to the City in future years:

Period ending December 31,	Rent
2021	\$ 1,352,861
2022	1,393,447
2023	1,435,251
2024	1,478,308
2025	1,522,657
2026-2030	8,326,514
2031-2035	9,652,711
2036-2040	11,190,139
2041-2045	12,972,437
2046-2050	15,038,611
2051-2053	10,149,741
Total	<u>\$ 74,512,677</u>

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5. Litigation

During the normal course of business, HPA may be subject to potential lawsuits and complaints. Management believes there were no claims against HPA that will have a material adverse effect on the financial position of HPA at December 31, 2020.

6. Risk and Uncertainties

The Coronavirus pandemic remains a rapidly evolving situation. The extent of the impact of the coronavirus on our business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which we operate, the related impact on the federal budget, and the state of Pennsylvania's budget, all of which are highly uncertain.