

**THE PHILADELPHIA PARKING AUTHORITY
(RED LIGHT CAMERA ENFORCEMENT PROGRAM)
SPECIAL-PURPOSE FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE**

MARCH 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Philadelphia Parking Authority
Philadelphia, Pennsylvania

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of the Philadelphia Parking Authority Red Light Camera Enforcement Program (the "Program"), which comprise the special-purpose statements of net position as of March 31, 2019 and 2018, and the related special-purpose statements of revenues, expenses and changes in net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the financial reporting provisions of the Commonwealth of Pennsylvania Red Light Camera Enforcement regulations. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose 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 special-purpose 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 special-purpose financial statements.

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

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the net position of the Philadelphia Parking Authority Red Light Camera Enforcement Program as of March 31, 2019 and 2018, and the changes in its net position for the years then ended in accordance with the financial reporting provisions of the Commonwealth of Pennsylvania Red Light Camera Enforcement Regulations.

Emphasis of Matters

As discussed in Note 2, the special-purpose financial statements of the Program are intended to present the net position and the revenues, expenses and change in net position of only that portion of the activities of the Philadelphia Parking Authority (the "Authority") that is attributable to the transactions of the Program. They do not purport to, and do not present fairly, the net position of the Authority as of March 31, 2019 and 2018, and the changes in its net position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We draw attention to Note 2 to the special-purpose financial statements, which describes the basis of accounting. The special-purpose financial statements are prepared by the Program in accordance with the financial reporting provisions of the Commonwealth of Pennsylvania Red Light Camera Enforcement Regulations. Our opinion is not modified with respect to this matter.

As disclosed in Note 2, to the financial statements, the Authority's management determined it was necessary to implement GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements as of and for the years ended March 31, 2019 and 2018, as a whole. The supplementary Schedules of Revenues and Expenses on page 8 is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. The schedule is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose financial statements, or to the special-purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the special-purpose financial statements as a whole.

Intended Use

Our report is intended solely for the information and use of the Board of Directors and management of the Philadelphia Parking Authority and the Commonwealth of Pennsylvania. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is positioned centrally on the page.

Camp Hill, Pennsylvania
December 17, 2019

**THE PHILADELPHIA PARKING AUTHORITY
RED LIGHT CAMERA ENFORCEMENT PROGRAM**

**SPECIAL-PURPOSE STATEMENTS OF NET POSITION
March 31, 2019 and 2018**

	2019	2018
Assets		
Cash	\$ 2,599,439	\$ 2,335,198
Due from Philadelphia Parking Authority, net	1,501,055	1,549,757
Total assets	4,100,494	3,884,955
Liabilities		
Accounts payable and accrued expenses	1,037,232	971,542
Due to the Pennsylvania Department of Transportation	2,694,671	2,913,413
Net other postemployment benefits (OPEB) liability	352,311	-
Total liabilities	4,084,214	3,884,955
Deferred Inflows of Resources		
Deferred inflows for OPEB	16,280	-
Net Position	\$ -	\$ -

See Notes to Special-Purpose Financial Statements.

**THE PHILADELPHIA PARKING AUTHORITY
RED LIGHT CAMERA ENFORCEMENT PROGRAM**

**SPECIAL-PURPOSE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

Years Ended March 31, 2019 and 2018

	2019	2018
Operating Revenues	<u>\$ 22,313,719</u>	<u>\$ 20,103,124</u>
Operating Expenses		
Direct operating expenses	6,639,860	7,175,522
Administrative expenses	1,320,579	1,613,633
Expense to the Pennsylvania Department of Transportation	14,353,280	11,315,041
Total operating expenses	<u>22,313,719</u>	<u>20,104,196</u>
Operating loss	-	(1,072)
Nonoperating Income (Expenses)		
Interest income	-	1,072
Total nonoperating income	<u>-</u>	<u>1,072</u>
Changes in net position	-	-
Net Position:		
Beginning	-	-
Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to Special-Purpose Financial Statements.

**THE PHILADELPHIA PARKING AUTHORITY
RED LIGHT CAMERA ENFORCEMENT PROGRAM**

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

Note 1. Organization and History

General

The Philadelphia Parking Authority (the “Authority”) was given permission by the Pennsylvania General Assembly in 2002 to establish the Red Light Camera Enforcement Program (the “Program”). In June 2003, the City of Philadelphia passed an Ordinance, Bill Number 000682, to allow the use of automated red light enforcement systems to prevent red light violations.

The State Legislature granted an extension to the Red Light Camera Enforcement Program to July 15, 2027.

The Pennsylvania Department of Transportation receives all fines collected less expenses on a quarterly basis.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting: The Program prepares special-purpose financial statements in accordance with financial reporting provisions of the Commonwealth of Pennsylvania Red Light Camera Enforcement Regulations. The special-purpose financial statements do not include the following items:

- Tickets receivable as the cash has not been collected and is not available for submission to the Commonwealth.
- Net pension liability as these accrued expenses are not included in the contracted expenses.

The special-purpose financial statements include only the assets, liabilities, revenues and expenses pertaining to the Program, and are not intended to be a complete presentation of financial position or results of operations of the Authority as contemplated by accounting principles generally accepted in the United States of America.

Property, Equipment and Depreciation: Property and equipment are stated at cost, which includes interest and other expenses capitalized during the period of construction. Depreciation is computed using the straight line method over the estimated useful lives of the assets.

Deferred Inflows of Resources: A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities; however, the actual inflow of resources (net increase in assets or net decrease in liabilities) was incurred in a prior period and the inflow of resources is applicable to a later period. In the periods following the initial inflow of resources, the inflow of resources will now be reported as a decrease in the previously reported deferred inflow of resources without a further change in net position.

**THE PHILADELPHIA PARKING AUTHORITY
RED LIGHT CAMERA ENFORCEMENT PROGRAM**

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Operating Revenues: Operating revenues of the Program consist of revenue generated from enforcement of red light violations.

Administrative Expenses: Pursuant to an agreement between the Authority and the City of Philadelphia, administrative expenses are allocated among the various facilities and programs based primarily upon the direct operating expenses of the Program. Management believes this is a reasonable measure of the administrative effort required.

Implementation of New Accounting Pronouncements: During the year, management determined it was necessary to implement GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Please see The Philadelphia Parking Authority's entity wide statements for additional information.

Use of Estimates: The preparation of special-purpose financial statements in conformity with the financial reporting provisions of the Commonwealth of Pennsylvania Red Light Camera Enforcement Regulations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the special-purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: Subsequent events were evaluated through December 17, 2019, the date the special-purpose financial statements were available to be issued.

Note 3. Cash

At March 31, 2019 and 2018, the carrying amount of cash was \$2,599,439 and \$2,335,198, respectively, compared to bank balances of \$2,612,134 and \$2,342,082, respectively. The differences were caused primarily by items in transit.

Custodial credit risk is the risk that in the event of a bank failure, the Program's deposits may not be returned to it. The Program's policy is to place deposits only in Federal Deposit Insurance Corporation ("FDIC") insured institutions. Deposits are comprised of demand deposits with a financial institution. Deposits in excess of the FDIC limit are collateralized pursuant to the Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72"), as amended, which allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments.

At March 31, 2019 and 2018, \$500,000 of the Program's bank balances were insured by the FDIC. The remaining balances of \$2,362,134 and \$2,092,082 as of March 31, 2019 and 2018, respectively, are fully collateralized by securities pledged and held by the financial institution in accordance with Act 72, as indicated above.

**THE PHILADELPHIA PARKING AUTHORITY
RED LIGHT CAMERA ENFORCEMENT PROGRAM**

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

Note 4. Commitments

The Authority has a contract with Conduent (formerly Xerox State and Local Solutions) through September 2022, for the rental and servicing of the equipment utilized for the Program and for collection activity related to that program. Monthly fees under these contracts are based on the number of cameras operating.

Total expense under the Conduent contract for the fiscal years ended March 31, 2019 and 2018, were \$3,966,288 and \$4,680,248, respectively.

Note 5. Service Agreements

The Authority has a contract with Conduent for maintenance of the cameras that are utilized in the Red Light Camera Enforcement Program.

The Authority also has an agreement with Debt Litigation Specialists for collection services of aged accounts.

Note 6. Other Post-Employment Benefits (Other than Pensions)

Plan Description

The Authority self-administers its single-employer, other post-employment benefit program (“OPEB plan”). After ten years of service with the Authority, eligible employees become entitled to five years of Authority-provided, post-employment health and welfare benefits. Eligible employees include those employees who are either (a) regular, full-time, non-represented employees, or (b) employees represented by District Council 21, District Council 33, or District Council 47. Further, at time of retirement, employees are permitted to purchase additional benefits with accumulated sick leave. The Authority does not issue stand-alone financial statements for the OPEB plan.

Effective January 1, 2014, The Philadelphia Parking Authority will reimburse eligible retirees for their portion of Medicare Part B Premiums on a quarterly basis. Eligible retirees include those who are covered by the extension of health care benefits.

The employees of The Philadelphia Parking Authority - Red Light Camera Enforcement Program are part of a larger group of employees included in this plan. Please see The Philadelphia Parking Authority’s entity wide financial statements for additional information related to the OPEB plan.

SUPPLEMENTARY INFORMATION

**THE PHILADELPHIA PARKING AUTHORITY
RED LIGHT CAMERA ENFORCEMENT PROGRAM**

**SUPPLEMENTAL SCHEDULES OF REVENUES AND EXPENSES
Years Ended March 31, 2019 and 2018**

	2019	2018
Revenues		
Violation revenue	\$ 22,313,719	\$ 20,103,124
Interest and other income	-	1,072
Total program revenue	22,313,719	20,104,196
Expenses		
Equipment	3,966,288	4,680,248
Ticket processing fees	471,748	397,135
Philadelphia police department	90,049	94,922
Philadelphia department of finance	81,378	60,061
Personnel	1,274,258	1,050,938
Philadelphia Parking Authority support	1,320,579	1,572,283
Other	756,139	933,568
Total program expenses	7,960,439	8,789,155
Expense to the Pennsylvania Department of Transportation	\$ 14,353,280	\$ 11,315,041