

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

**MARCH 31, 2018 AND 2017**

# CONTENTS

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INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT	1 - 3
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## FINANCIAL STATEMENT

Special-Purpose Statements of Net Position	4
Special-Purpose Statements of Revenues, Expenses and Changes in Net Position	5
Notes to Special-Purpose Financial Statements	6 - 8

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## SUPPLEMENTARY INFORMATION

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Schedules of Revenues and Expenses	9
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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 statement of net position as of March 31, 2018, and the related special-purpose statement of revenues, expenses, and changes in net position for the year 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 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 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, 2018, and the changes in its net position for the year 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, 2018 and 2017, 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.

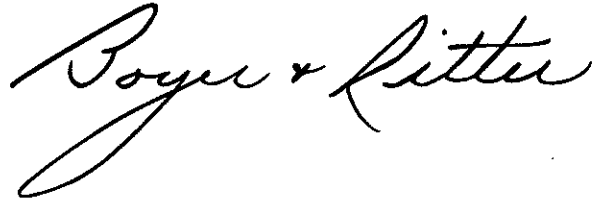
## **Other Matter**

The financial statements of the Philadelphia Parking Authority, as of and for the year ended March 31, 2017, were audited by other auditors, whose report, dated October 23, 2017, expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements as of and for the year ended March 31, 2018, as a whole. The supplementary Schedules of Revenues and Expenses on page 9 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. The supplementary information as of and for the year ended March 31, 2017, was audited by other auditors, whose report, dated October 23, 2017, expressed an unmodified opinion on such information in relation to the 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 & Litter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
November 27, 2018

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

**SPECIAL-PURPOSE STATEMENTS OF NET POSITION  
March 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash	\$ 2,335,198	\$ 4,072,634
Due from Philadelphia Parking Authority, net	<u>1,549,757</u>	<u>1,127,899</u>
<b>Total current assets</b>	<u><b>3,884,955</b></u>	<u><b>5,200,533</b></u>
Property and Equipment	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><b>3,884,955</b></u>	<u><b>5,200,533</b></u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	<b>971,542</b>	1,826,206
Due to the Pennsylvania Department of Transportation	<u><b>2,913,413</b></u>	<u>3,374,327</u>
<b>Total liabilities</b>	<u><b>3,884,955</b></u>	<u><b>5,200,533</b></u>
<b>Net Position</b>	<u><u><b>\$ -</b></u></u>	<u><u><b>\$ -</b></u></u>

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, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Operating Revenues	<u>\$ 20,103,124</u>	<u>\$ 21,213,679</u>
Operating Expenses		
Direct operating expenses	7,175,522	8,894,636
Administrative expenses	1,613,633	1,778,697
Expense to the Pennsylvania Department of Transportation	<u>11,315,041</u>	<u>10,541,496</u>
<b>Total operating expenses</b>	<u><b>20,104,196</b></u>	<u><b>21,214,829</b></u>
<b>Operating loss</b>	<u><b>(1,072)</b></u>	<u><b>(1,150)</b></u>
Nonoperating Income (Expenses)		
Interest income	1,072	2,259
Interest expense	-	(1,109)
<b>Total nonoperating expenses</b>	<u><b>1,072</b></u>	<u><b>1,150</b></u>
<b>Changes in net position</b>	<u><b>-</b></u>	<u><b>-</b></u>
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

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### 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 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.

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.



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

**NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

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**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.

Subsequent Events: Subsequent events were evaluated through November 27, 2018, the date the special-purpose financial statements were available to be issued.

**Note 3. Cash**

At March 31, 2018 and 2017, the carrying amount of cash was \$2,335,198 and \$4,072,634, respectively, compared to bank balances of \$2,342,082 and \$3,693,008, 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, 2018 and 2017, \$250,000 and \$289,474, respectively, of the Program's bank balances were insured by the FDIC. The remaining balances of \$2,092,082 and \$3,403,534 as of March 31, 2018 and 2017, 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**

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**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, 2018 and 2017, were \$4,680,248 and \$5,944,967, 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.

## SUPPLEMENTARY INFORMATION

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

**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES  
Years Ended March 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
Violation revenue	\$ 20,103,124	\$ 21,213,679
Interest and other income	1,072	2,259
<b>Total program revenue</b>	<b>20,104,196</b>	<b>21,215,938</b>
<b>Expenses</b>		
Equipment	4,680,248	5,944,967
Ticket processing fees	397,135	419,835
Philadelphia police department	94,922	112,341
Philadelphia department of finance	60,061	85,381
Personnel	1,050,938	1,060,810
Philadelphia Parking Authority support	1,572,283	1,744,071
Other	933,568	1,307,037
<b>Total program expenses</b>	<b>8,789,155</b>	<b>10,674,442</b>
<b>Expense to the Pennsylvania Department of Transportation</b>	<b>\$ 11,315,041</b>	<b>\$ 10,541,496</b>