

**The Philadelphia Parking Authority  
(Red Light Camera Enforcement Program)**

Special-Purpose Financial Statements and  
Supplemental Schedule

March 31, 2016 and 2015



**BAKER TILLY**

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# The Philadelphia Parking Authority (Red Light Camera Enforcement Program)

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March 31, 2016 and 2015

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## Independent Auditors' Report

Board of Directors  
The Philadelphia Parking Authority

### 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 statement of net position as of March 31, 2016 and 2015, and the related 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 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 that 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, 2016 and 2015, 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 Matter

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, 2016 and 2015 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.

## Basis of Accounting

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.

## Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements. The supplemental Schedule 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 boards 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.

*Baker Tilly Viechow Krause, LLP*

Philadelphia, Pennsylvania  
October 31, 2016

## The Philadelphia Parking Authority (Red Light Camera Enforcement Program)

### Special-Purpose Statement of Net Position

March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash	\$ 2,328,040	\$ 2,028,435
Due from Philadelphia Parking Authority, net	<u>409,048</u>	<u>818,799</u>
Total current assets	2,737,088	2,847,234
Property and equipment	<u>215,717</u>	<u>539,294</u>
Total assets	<u>2,952,805</u>	<u>3,386,528</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	1,255,721	1,082,695
Due to the Pennsylvania Department of Transportation	<u>1,697,084</u>	<u>2,303,833</u>
Total liabilities	<u>2,952,805</u>	<u>3,386,528</u>
<b>Net Position</b>	<u>\$ -</u>	<u>\$ -</u>

See notes to special-purpose financial statements

## **The Philadelphia Parking Authority (Red Light Camera Enforcement Program)**

### Special-Purpose Statement of Revenues, Expenses and Changes in Net Position

Years Ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues</b>	<u>\$ 15,004,357</u>	<u>\$ 12,925,385</u>
<b>Operating Expenses</b>		
Direct operating expenses	8,131,190	7,188,755
Administrative expenses	1,660,269	1,420,314
Expense to the Pennsylvania Department of Transportation	<u>5,209,217</u>	<u>4,314,765</u>
Total operating expenses	<u>15,000,676</u>	<u>12,923,834</u>
<b>Operating Income</b>	<u>3,681</u>	<u>1,551</u>
<b>Nonoperating Income (Expenses)</b>		
Interest income	512	-
Interest expense	<u>(4,193)</u>	<u>(1,551)</u>
Total nonoperating expenses	<u>(3,681)</u>	<u>(1,551)</u>
Change in net position	-	-
<b>Net Position, Beginning of the Year</b>	<u>-</u>	<u>-</u>
<b>Net Position, End of the Year</b>	<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  
March 31, 2016 and 2015

## **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, 2017. The State Legislature also permitted a switch from wet film to digital images; all cameras were changed by the end of March 2008.

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

## **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 and 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.

### **Management's 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.

### **Operating Revenues**

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

## **The Philadelphia Parking Authority (Red Light Camera Enforcement Program)**

Notes to Special-Purpose Financial Statements  
March 31, 2016 and 2015

### **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 October 31, 2016, the date the special-purpose financial statements were available to be issued.

### **3. Cash**

At March 31, 2016 and 2015, the carrying amount of cash was \$2,328,040 and \$2,028,435, respectively, compared to bank balances of \$2,343,113 and \$2,408,474, 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, 2016 and 2015, \$297,507 and \$500,000, respectively, of the Program's bank balances were insured by the FDIC. The remaining balances of \$2,045,606 and \$1,908,474 as of March 31, 2016 and 2015, respectively, are fully collateralized by securities pledged and held by the financial institution in accordance with Act 72, as indicated above.

### **4. Commitments**

Beginning in March 2014, Xerox State & Local Solutions, Inc. ("Xerox") has had the contract for operating and servicing the red light cameras. The contract was effective January 1, 2014 and runs through September 1, 2017. American Traffic Solutions ("ATS") had the contract for a period of two months of the 2015 fiscal year during the transition to Xerox. Monthly fees under these contracts are based on the number of cameras operating.

Total expense under the Xerox contract for the fiscal year ended March 31, 2016 was \$5,717,378. Total expense under the service contracts for the fiscal year ended March 31, 2015 was \$3,961,122 for Xerox and \$960,120 for ATS.



**The Philadelphia Parking Authority (Red Light Camera Enforcement Program)**

Notes to Special-Purpose Financial Statements  
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**5. Service Agreements**

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

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

**6. Subsequent Events**

On June 27, 2016 the life of the Red Light Camera Program was extended to July 15, 2027 by the Pennsylvania House legislature by S.B. 1267.

## The Philadelphia Parking Authority (Red Light Camera Enforcement Program)

Supplemental Schedule of Revenues and Expenses  
Years Ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Violation revenue	\$ 15,004,357	\$ 12,925,385
Interest and other income	<u>512</u>	<u>-</u>
Total program revenue	<u>15,004,869</u>	<u>12,925,385</u>
<b>Expenses</b>		
Equipment	5,717,378	4,920,838
Ticket processing fees	361,665	247,495
Philadelphia police department	78,611	72,570
Philadelphia department of finance	76,817	74,272
Personnel	889,605	770,625
Philadelphia Parking Authority support	1,619,571	1,358,278
Other	<u>1,052,005</u>	<u>1,166,542</u>
Total program expenses	<u>9,795,652</u>	<u>8,610,620</u>
Expense to the Pennsylvania Department of Transportation	<u>\$ 5,209,217</u>	<u>\$ 4,314,765</u>