

**Philadelphia
Parking Authority
(Taxi and Limousine Division)**

Financial Statements and
Supplemental Schedule

June 30, 2014

Philadelphia Parking Authority (Taxi and Limousine Division)

Table of Contents
June 30, 2014

	<u>Page</u>
Management's Discussion and Analysis (Unaudited)	1
Independent Auditors' Report	5
Financial Statements	
Statement of Net Position	7
Statement of Revenues and Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10
Supplemental Schedule	
Supplemental Schedule of Revenues and Expenses	14

Philadelphia Parking Authority (Taxi and Limousine Division)

Management's Discussion and Analysis (Unaudited)

June 30, 2014

Introduction

The following discussion and analysis of the financial performance and activities of the Taxi and Limousine Division (the "Division") is presented to provide an introduction and understanding of the financial statements for the year ended June 30, 2014 with selected comparative information for the year ended June 30, 2013 (unaudited). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Background Information on the Taxi Limousine Division

The Authority has regulated all taxicab and limousine related services in Philadelphia since April 10, 2005. On that date regulatory oversight of those service providers was transferred to the Authority from the Pennsylvania Public Utility Commission. The Authority's Taxicab and Limousine Regulations are part of the Pennsylvania Code and may be found in Title 52, Part II.

In 2012, the General Assembly amended the Authority's regulatory enabling statute and authorized the Authority to increase the ceiling on the number of medallion taxicabs permitted to operate in Philadelphia from 1,600 to 1,615. On June 1, 2013 and each June 1 thereafter, that ceiling will be increased by 15 until the aggregate number on authorized medallion taxicabs reached 1,750. In 2013, the General Assembly restructured the procedures through which the Authority's taxicab and limousine budget is approved by the General Assembly each year.

In Philadelphia, the Authority regulates, 1600 Medallion Taxicabs, 9 Dispatch Companies, 6 Partial Rights Taxicab companies (with just under 200 taxicabs), 100 limousine and Airport Transfer companies (over 900 vehicles), 3,500 taxicab drivers and 1,800 limousine drivers.

Overview of the Financial Statements

The financial statements are reported on the accrual basis of accounting. Income is recorded as earned and expenses are recorded as incurred. These financial statements comply with accounting principles generally accepted in the United States of America. The financial report includes three financial statements and notes thereto.

The *Statement of Net Position* presents information on the Authority's assets, liabilities, and deferred inflows. Assets are classified as either current assets (cash, investments, and amounts expected to be received within one year) or non-current assets (restricted cash and investments, property & equipment); liabilities are classified as either current (expected to be paid within one year) or non-current (expected to be paid after June 30, 2015). The difference between the total assets and the total liabilities and deferred inflows is reported as net position.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents revenue and expense activity. The difference between revenues and expenses results in an addition to or subtraction from total net position. The ending balance of net position resulting from this increase or decrease is reflected on the Statement of Net Position.

The *Statement of Cash Flows* is presented under the direct method, which presents the actual inflow and outflow of cash by category during the fiscal year. The resulting ending cash balance is reflected on the Statement of Net Position.

Philadelphia Parking Authority (Taxi and Limousine Division)

Management's Discussion and Analysis (Unaudited)

June 30, 2014

The *Notes to the Financial Statements* provide additional information which is essential to a complete understanding of the Division's financial statements.

Financial Analysis

The following table compares the Statement of Net Position for fiscal years ending June 30, 2014 and 2013:

	<u>FY 2014</u>	<u>FY 2013 (unaudited)</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Assets	\$ 4,418,764	\$ 6,103,810	\$ (1,685,046)	(27.6)%
Property, Plant & Equipment	<u>485,572</u>	<u>560,403</u>	<u>(74,831)</u>	<u>(13.4)%</u>
Total assets	<u>4,904,336</u>	<u>6,664,213</u>	<u>(1,759,877)</u>	<u>(26.4)%</u>
Total liabilities	<u>1,919,041</u>	<u>2,164,378</u>	<u>(245,337)</u>	<u>(11.3)%</u>
Deferred revenue	<u>641,320</u>	<u>988,555</u>	<u>(347,235)</u>	<u>(35.1)%</u>
Net Position	<u>\$ 2,343,975</u>	<u>\$ 3,511,280</u>	<u>\$ (1,167,305)</u>	<u>(33.2)%</u>

- Current assets decreased due to delays in the timing of processing medallion income transfers (as noted in review of the changes in operating revenues) with \$1.7 million being processed and increasing cash balances the next fiscal year.
- Property and Equipment decreased a net amount of approximately \$.07 million due to depreciation expense in fiscal 2014 offset by capital assets additions.
- Total liabilities decreased \$.2 million over fiscal year 2013 due to the timing of payments of balances due to the operating fund.
- Deferred revenues decreased approximately \$.3 million due to the taxi division's 2013 fiscal year \$.3 million operating loss being applied to the deferred revenue balance in fiscal year 2014.
- Net position decreased by \$1.2 million due to the limited number of medallion transfers being made for the fiscal year ending June 30, 2014.

Philadelphia Parking Authority (Taxi and Limousine Division)

Management's Discussion and Analysis (Unaudited)

June 30, 2014

The following table compares the changes in revenues, expenses, and changes in net position between fiscal years ending June 30, 2014 and 2013:

	FY 2014	FY 2013 (unaudited)	Increase (Decrease)	% Increase (Decrease)
Operating revenues	\$ 5,936,149	\$ 7,150,303	\$ (1,214,154)	(17.0)%
Operating expenses:				
Direct operating expenses	5,848,088	5,596,458	251,630	4.5%
Administrative expenses	1,136,863	987,782	149,081	15.1%
Depreciation expense	129,136	114,031	15,105	13.2%
Total operating expenses	7,114,087	6,698,271	415,816	6.2%
Nonoperating revenue (expenses):	10,633	3,388	7,245	213.8%
Change in net position	(1,167,305)	455,420	(1,622,725)	(356.3)%
Net position, beginning of the year	3,511,280	3,550,860	(39,580)	(1.1)%
Net position, end of the year	<u>\$ 2,343,975</u>	<u>\$ 3,511,280</u>	<u>\$ (1,167,305)</u>	<u>(33.2)%</u>

- Operating revenues decreased approximately \$1.2 million from the prior fiscal year due to half a year's worth of income related to medallion transfers being made during the fiscal year due to delays in the process. These delays were resolved and the transfers processed in FY2015.
- Direct operating expenses increased approximately \$.4 million due to increases in payroll and pension rates, partially offset by a decrease in insurance expense based on new actuary estimates performed in fiscal year 2014.

Philadelphia Parking Authority (Taxi and Limousine Division)

Management's Discussion and Analysis (Unaudited)

June 30, 2014

Economic Factors and Next Year's Budget

Auction of the 45 medallions available, based on the accumulation of the 15 available each year for the last 3 years, was scheduled to begin in October of 2014. The proceeds are to be restricted and used for future deficits related to the operation of the Taxi program.

The 2014 Taxi and Limousine budget was approved by the governor on July 9, 2013.

Subsequent Events

The 2015 Taxi and Limousine budget was submitted to the governor on November 1, 2014.

In November 2014, the Parking Authority reduced the minimum auction price of the medallions from \$425,000 to \$350,000.

As of December 22, 2014, no Medallions have been sold which may impact the budget for the next fiscal year.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, Philadelphia Parking Authority, 701 Market Street, Suite 5400, Philadelphia, Pennsylvania 19106.



BAKER TILLY

formerly
PARENTEBEARD

Baker Tilly Virchow Krause, LLP
1650 Market St, Ste 4500
Philadelphia, PA 19103-7341
tel 215 972 0701
tel 800 267 9405
fax 888 264 9617
bakertilly.com

Independent Auditors' Report

Board of Directors
Philadelphia Parking Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Philadelphia Parking Authority Taxi and Limo Division (the "Division"), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' 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 the Division as of June 30, 2014, 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.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Taxi and Limo Division are intended to present the financial position, the changes in financial position and cash flows of only that portion of the activities of the Philadelphia Parking Authority (the "Authority") that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the Authority as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 1 through 4 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The other financial information on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. The other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Baker Tilly Viechow Krause, LLP

Philadelphia, Pennsylvania
December 22, 2014

Philadelphia Parking Authority (Taxi and Limousine Division)

Statement of Net Position

June 30, 2014

	<u>2014</u>
Assets	
Cash and cash equivalents	\$ 2,245,035
Restricted cash	641,320
Assessments receivable	<u>1,532,409</u>
Total current assets	<u>4,418,764</u>
Property and equipment:	
Improvements, equipment and furniture	1,322,750
Less accumulated depreciation	<u>(837,178)</u>
Total property and equipment	<u>485,572</u>
Total assets	<u>4,904,336</u>
Liabilities	
Accounts payable and accrued expenses	696,143
Due to operating fund	<u>1,222,898</u>
Total liabilities	<u>1,919,041</u>
Deferred Inflows of Resources	
Deferred revenue	<u>641,320</u>
Net Position	
Investment in capital assets	485,572
Unrestricted	<u>1,858,403</u>
Net position	<u><u>\$ 2,343,975</u></u>

See notes to financial statements

Philadelphia Parking Authority (Taxi and Limousine Division)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014

	<u>2014</u>
Operating Revenues	\$ 5,936,149
Operating Expenses	
Direct operating expenses	5,848,088
Administrative expenses	1,136,863
Depreciation expense	<u>129,136</u>
Total operating expenses	<u>7,114,087</u>
Operating loss	(1,177,938)
Nonoperating Revenues	
Investment income	<u>10,633</u>
Total nonoperating revenues	<u>10,633</u>
Change in net position	(1,167,305)
Net Position, Beginning of the Year	<u>3,511,280</u>
Net Position, End of the Year	<u><u>\$ 2,343,975</u></u>

See notes to financial statements

Philadelphia Parking Authority (Taxi and Limousine Division)

Statement of Cash Flows
Year Ended June 30, 2014

	<u>2014</u>
Cash Flows from Operating Activities	
Cash received from customers and others	\$ 4,056,505
Salaries and administrative costs paid to employees	(4,659,399)
Payments to suppliers for services	<u>(2,570,889)</u>
Net cash used in operating activities	<u>(3,173,783)</u>
Cash Flows Used in Capital and Related Financing Activities	
Purchases of property and equipment, net	<u>(54,305)</u>
Cash Flows Provided By Investing Activities	
Investment income	<u>10,633</u>
Net decrease in cash and cash equivalents	(3,217,455)
Cash and Restricted Cash, Beginning of the Year	<u>6,103,810</u>
Cash and Restricted Cash, End of the Year	<u>\$ 2,886,355</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (1,177,938)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	129,136
Change in assets and liabilities:	
Accounts receivable	(1,532,409)
Accounts payable and accrued expenses	505,480
Due to operating fund	(750,817)
Deferred revenue	<u>(347,235)</u>
Net cash used in operating activities	<u>\$ (3,173,783)</u>

See notes to financial statements

Philadelphia Parking Authority (Taxi and Limousine Division)

Notes to Financial Statements
June 30 2014

1. Organization and History

General

The Philadelphia Parking Authority (the "Authority") has regulated all of the services related to the Taxicab and Limousine Division (the "Division") in Philadelphia since April 10, 2005, pursuant to Act 94 of 2004. On that date regulatory oversight of those service providers was transferred to the Authority from the Pennsylvania Public Utility Commission. The Authority's Taxicab and Limousine Regulations are part of the Pennsylvania Code and may be found in Title 52, Part II.

In Philadelphia, the Authority regulates, 1600 Medallion Taxicabs, 9 Dispatch Companies, 6 Partial Rights Taxicab companies (with just under 200 taxicabs), 100 limousine and Airport Transfer companies (over 900 vehicles), 3,500 taxicab drivers and 1,800 limousine drivers. Act 64 of 2013 amended the manner in which the Authority's taxicab and limousine budget is authorized. The budget will now proceed in the manner of most other state agencies and be a part of the commonwealth's overall budget.

In 2012, the General Assembly amended the Authority's regulatory enabling statute and authorized the Authority to increase the ceiling on the number of medallion taxicabs permitted to operate in Philadelphia from 1,600 to 1,615. On June 1, 2013 and each June 1 thereafter, that ceiling will be increased by 15 until the aggregate number on authorized medallion taxicabs reached 1,750.

2. Summary of Significant Accounting Policies

Basis of Presentation and Basis of Accounting

The financial statements of the Taxi and Limousine Division (the "Division") are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB") for enterprise funds. The financial statements include only the assets, liabilities, deferred inflows, revenues and expenses pertaining to the Division, 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. Revenues are recognized when earned and expenses are recognized when incurred.

Management's Use of Estimates

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Philadelphia Parking Authority (Taxi and Limousine Division)

Notes to Financial Statements
June 30 2014

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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 Division had received money from the Public Utility Commission for the transfer of regulatory authority of the Division operating in Philadelphia with the balance to be used to fund operating deficits in later years. The Division recognizes the inflow of these resources when a deficit is incurred. The balance of this deferred revenue was \$641,320 as of June 30, 2014.

Net Position

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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 ranging from five to ten years.

Operating Revenues

Operating revenues of the Division consist of revenue generated from the transfer and sale of Medallions including assessments and from various vehicular charges that relate to the enforcement of the Taxicabs and Limousines.

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 Division. Management believes this is a reasonable measure of the administrative effort required.

Subsequent Events

Subsequent events were evaluated through December 22, 2014, the date the financial statements were available to be issued.

Philadelphia Parking Authority (Taxi and Limousine Division)

Notes to Financial Statements
June 30 2014

3. Cash and Cash Equivalents and Restricted Cash

At June 30, 2014, the carrying amount of cash and restricted cash was \$2,886,355 compared to bank balances of \$2,913,274. The differences were caused primarily by items in transit and cash on hand balances.

Custodial credit risk is the risk that in the event of a bank failure, the Division's deposits may not be returned to it. The Division'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 June 30, 2014 \$675,317 of the Division's bank balances was insured by the FDIC. The remaining balance of \$2,237,957 as of June 30, 2014 is fully collateralized by securities pledged and held by the financial institution in accordance with Act 72, as indicated above.

4. Commitments

There is a lease agreement with 2415 Swanson Associates, LLC for facilities used for the main operations of the Division which runs through December 2021. The amounts due under this lease commitment are as follows:

Years ending:	
2015	\$ 258,103
2016	264,555
2017	267,821
2018	267,821
2019	267,821
Thereafter	<u>669,553</u>
Total	<u>\$ 1,995,674</u>

Related rent expense totaled \$251,807 during the year.

5. Pension Plan

Employees that work for the Division are employees of the Authority. As such, they participate in the Authority's pension plans. The Authority contributes to the City of Philadelphia Public Employees Retirement System (the "Plan"). The City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound Public Employee Retirement System ("PERS") as a cost-sharing multiple employer plan, covering all officers and employees of the City, and the officers and employees of certain other governmental and quasi-governmental organizations, which includes the Authority.

Philadelphia Parking Authority (Taxi and Limousine Division)

Notes to Financial Statements

June 30 2014

The PERS issues a publicly available annual financial report, including financial statements, which may be obtained by writing to Board of Pensions and Retirement, Two Penn Center Plaza, 16th Floor, Philadelphia, Pennsylvania, 19102.

The contribution requirements of both the Authority and its employee plan members are established and amended by the PERS. Employees are required to contribute a percentage of their gross compensation, which is determined by hire date. The required employee percentages ranged from 2% to 6% for 2014. The Authority's required contribution to the Plan is actuarially determined based on the benefits to which employees are entitled. The Authority contributed \$1,089,436 to the Plan on behalf of the Division during 2014.

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase over time so that sufficient assets will be available to pay benefits when due. For the year ended June 30, 2014, the contribution rates for the Authority's qualified employee groups are 218.999% of salaries for employees hired prior to March 21, 1996 (the "J" plan) and 7.497% for employees hired on or after March 21, 1996 (the "Y" plan). Full-time employees commence participation on their date of employment; temporary employees commence participation after the completion of six months of employment.

Philadelphia Parking Authority (Taxi and Limousine Division)Supplemental Schedule of Revenues and Expenses
Year Ended June 30, 2014

	<u>2014</u>
Revenue	
Taxi and limo assessments	\$ 2,809,647
Administrative surcharge	1,267,805
Driver certification training	558,570
State inspections	306,262
Vehicle changes re-inspections	108,745
Medallion transfers	528,258
Fines and violations	216,444
Revenue partial rights	300
Voluntary suspensions	2,110
Dispatcher fees	3,250
Dispatch communication fees	13,825
Petitions	77,280
Applications	18,000
Miscellaneous revenue	25,653
	<u>5,936,149</u>
Total program revenue	
Expenses	
Payroll	2,477,433
Fringes	755,448
Pension	1,089,436
Post retirement benefits	4,811
	<u>4,327,128</u>
Total payroll	
Dispatch communication fees	333,555
Criminal record check	59,470
Credit card fees	21,518
Professional fees	412,021
Office expense	163,198
Printing	1,016
Rent expense	251,807
Real estate taxes	16,912
Repairs and maintenance	32,056
Auto expense	70,019
Equipment	17,607
Uniforms	17,591
Utilities	66,731
Telephone	14,458
Depreciation	129,136
Miscellaneous expense	49,371
	<u>1,656,486</u>
Total other expenses	
Total facility costs	<u>5,983,594</u>
Operating loss	<u>(47,445)</u>
Indirect Expenses and Interest Income	
Support	1,065,530
Fleet	64,963
Interest income	(10,633)
	<u>\$ (1,167,305)</u>
Net loss	