

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

Special-Purpose Financial Statements

June 30, 2016



**BAKER TILLY**

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# Philadelphia Parking Authority (Taxi and Limousine Division)

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Table of Contents

June 30, 2016

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Special-Purpose Statement of Net Position	3
Special-Purpose Statement of Revenues, Expenses and Changes in Net Position	4
Notes to Special-Purpose Financial Statements	5
<b>Supplemental Information</b>	
Schedule of Revenues and Expenses and Changes in Net Position - Budget-to-Actual	9

## **Independent Auditors' Report**

Board of Directors  
Philadelphia Parking Authority

### **Report on the Financial Statements**

We have audited the accompanying special-purpose financial statements of the Philadelphia Parking Authority Taxi and Limo Division (the "Division"), which comprise the statement of net position as of June 30, 2016, and the 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 Taxi and Limousine Regulations. Management is also responsible for 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 special-purpose 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 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 financial position of the Division as of June 30, 2016, and the changes in its financial position for the year then ended in accordance with the financial reporting provisions of the Commonwealth of Pennsylvania Taxicab and Limousine Regulations.

## **Emphasis of Matter**

As discussed in Note 2, the financial statements of the Taxi and Limo Division are intended to present the financial 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 Division. They do not purport to, and do not, present fairly the financial position of the Authority as of June 30, 2016 and the changes in its financial position 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.

## **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 Philadelphia Parking Authority Taxi and Limo Division in accordance with the financial reporting provisions of the Commonwealth of Pennsylvania Taxicab and Limousine Regulations, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Commonwealth. 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 Schedule of Revenues, Expenses and Changes in Net Position - Budget-to-Actual 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.

## **Restriction on 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.

*Baker Tilly Virchow Krause, LLP*

Philadelphia, Pennsylvania  
February 27, 2017

## Philadelphia Parking Authority (Taxi and Limousine Division)

### Special-Purpose Statement of Net Position

June 30, 2016

#### Assets

Cash and cash equivalents	\$ 2,426,100
Restricted cash - medallion fund	933,421
Assessments receivable	73,672
Due from operating fund	<u>374,852</u>

Total current assets 3,808,045

#### Property and equipment:

Improvements, equipment and furniture	1,325,750
Less accumulated depreciation	<u>(1,121,522)</u>

Total property and equipment 204,228

Total assets 4,012,273

#### Current Liabilities,

Accounts payable and accrued expenses	<u>539,205</u>
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#### Deferred Inflows of Resources

Unearned revenue	<u>933,421</u>
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Total liabilities and deferred inflows of resources 1,472,626

#### Net Position

Investment in capital assets	204,228
Unrestricted	<u>2,335,419</u>

Net position \$ 2,539,647

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

Special-Purpose Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2016

<b>Operating Revenues</b>	<u>\$ 6,268,865</u>
<b>Operating Expenses</b>	
Direct operating expenses	4,768,628
Administrative expenses	1,304,078
Depreciation expense	<u>140,124</u>
Total operating expenses	<u>6,212,830</u>
Operating gain	<u>56,035</u>
<b>Nonoperating Revenues</b>	
Medallion fund transfers from the state	2,000,000
Investment income	<u>13,431</u>
Total nonoperating revenues	<u>2,013,431</u>
Change in net position	2,069,466
<b>Net Position, Beginning of the Year</b>	<u>470,181</u>
<b>Net Position, End of the Year</b>	<u><u>\$ 2,539,647</u></u>

*See notes to special-purpose financial statements*

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

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Notes to Special-Purpose Financial Statements

June 30 2016

## **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 Pennsylvania General Assembly 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 requires that the Authority's taxicab and limousine budget be authorized 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 reaches 1,750.

## **2. Summary of Significant Accounting Policies**

### **Basis of Presentation and Accounting**

The Division prepares special-purpose financial statements in accordance with financial reporting provisions of the Commonwealth of Pennsylvania Taxicab and Limousine 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 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.

### **Use of Estimates**

The preparation of financial statements in accordance with the basis of accounting described in Note 1 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.

### **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.

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

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Notes to Special-Purpose Financial Statements  
June 30 2016

### **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.

### **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. Additionally, the proceeds of the sale of new medallions, starting in 2015, are to be used to fund expected operating deficits in later years. The Division recognizes the inflow of these resources when a deficit is incurred. The balance of this unearned revenue was \$933,421 as of June 30, 2016.

### **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.

### **Operating Revenues**

Operating revenues of the Division consist of revenue generated from the transfer of Medallions, which are recognized at the time of the settlement of the transfer. Additional revenue sources include assessment fees, which are recognized when charged semi-annually, and various vehicular and driver charges and fees that relate to the regulation and enforcement of the taxicabs and limousines, which are recognized when the regulation and enforcement activity occurs.

### **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 February 27, 2017, the date the financial statements were available to be issued.

## Philadelphia Parking Authority (Taxi and Limousine Division)

Notes to Special-Purpose Financial Statements

June 30 2016

### 3. Cash and Cash Equivalents and Restricted Cash

At June 30, 2016, the carrying amount of cash and restricted cash was \$3,359,521 compared to bank balances of \$3,374,562. 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, 2016, \$668,350 of the Division's bank balances was insured by the FDIC. The remaining balance of \$2,706,212 as of June 30, 2016 is fully collateralized by securities pledged and held by the financial institution in accordance with Act 72, as indicated above.

### 4. Commitments

There is an operating 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 June 30:	
2017	\$ 267,821
2018	267,821
2019	267,821
2020	267,821
2021	267,821
Thereafter	<u>133,911</u>
Total	<u>\$ 1,473,016</u>

Related rent expense totaled \$265,099 during the year.

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

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Notes to Special-Purpose Financial Statements

June 30 2016

### **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.

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 1.95% to 6.00% for 2016. The Authority's required contribution to the Plan is actuarially determined based on the benefits to which employees are entitled. The Authority contributed \$203,400 to the Plan on behalf of the Division during 2016.

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, 2016, the contribution rates for the Authority's qualified employee groups are 367.796% of salaries for employees hired prior to March 21, 1996 (the "J" plan) and 10.621% 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)

Schedule of Revenues, Expenses and Changes in Net Position - Budget-to-Actual  
Year Ended June 30, 2016

	Budget (Unaudited)	Actual	(Under)/Over Budget
<b>Operating Revenues</b>			
Taxi and limo assessments	\$ 3,379,000	\$ 3,562,647	\$ 183,647
Petitions	39,450	20,675	(18,775)
Voluntary suspensions	3,675	9,803	6,128
State inspections	153,842	283,064	129,222
Vehicle changes re-inspections	138,000	117,760	(20,240)
Driver certification training	557,000	633,725	76,725
Applications	120,000	27,000	(93,000)
Fines and violations	406,050	116,975	(289,075)
Administrative surcharge	1,000,000	1,339,732	339,732
Medallion transfers	600,000	50,675	(549,325)
Dispatcher fees	-	30,666	30,666
Dispatch communication fees	-	8,925	8,925
Miscellaneous revenue	44,851	67,218	22,367
Total program revenue	<u>6,441,868</u>	<u>6,268,865</u>	<u>(173,003)</u>
<b>Operating Expenses</b>			
Payroll	2,699,164	1,990,693	(708,471)
Fringes	823,039	908,841	85,802
Pension	1,188,251	203,400	(984,851)
Post retirement benefits	5,890	109,191	103,301
Total payroll	<u>4,716,344</u>	<u>3,212,125</u>	<u>(1,504,219)</u>
Advertising	2,207	-	(2,207)
Auto expense	145,000	33,635	(111,365)
Credit card fees	45,000	49,679	4,679
Criminal record check	75,685	46,710	(28,975)
Equipment	485,652	12,520	(473,132)
Insurance	401,003	208,295	(192,708)
Printing	9,500	5,375	(4,125)
Depreciation	122,949	140,124	17,175
Office expense	190,000	194,479	4,479
Professional fees	400,000	599,684	199,684
Rent expense	263,936	265,099	1,163
Real estate taxes	27,746	5,531	(22,215)
Repairs and maintenance	325,000	38,589	(286,411)
Telephone	15,000	17,747	2,747
Uniforms	40,189	24,704	(15,485)
Utilities	75,000	46,168	(28,832)
Support indirect expense	1,004,000	1,246,982	242,982
Fleet indirect expense	70,000	57,096	(12,904)
Miscellaneous expense	27,657	8,288	(19,369)
Total other expenses	<u>3,725,524</u>	<u>3,000,705</u>	<u>(724,819)</u>
Total facility costs	<u>8,441,868</u>	<u>6,212,830</u>	<u>(2,229,038)</u>
Operating gain (loss)	<u>(2,000,000)</u>	<u>56,035</u>	<u>2,056,035</u>
<b>Nonoperating Revenues</b>			
Medallion fund transfer for deficit	2,000,000	2,000,000	-
Interest income	-	13,431	13,431
Net income	<u>\$ -</u>	<u>\$ 2,069,466</u>	<u>\$ 2,069,466</u>