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

Special-Purpose Financial Statements

July 1, 2014 through June 30, 2015

Philadelphia Parking Authority (Taxi and Limousine Division)

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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, 2015, and the related statement of revenues, expenses and change 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; 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 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, 2015, 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, 2015 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 combined financial statements, which describes the basis of accounting. The special-purpose combined 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. 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 and 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 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.

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
December 11, 2015

Philadelphia Parking Authority (Taxi and Limousine Division)

Special-Purpose Statement of Net Position

June 30, 2015

Assets

Cash and cash equivalents	\$ 4,259,459
Restricted cash - Medallion fund	423,630
Assessments receivable	<u>46,624</u>
Total current assets	<u>4,729,713</u>
Property and equipment:	
Improvements, equipment and furniture	1,322,750
Less accumulated depreciation	<u>(978,397)</u>
Total property and equipment	<u>344,353</u>
Total assets	<u>\$ 5,074,066</u>

Liabilities

Accounts payable and accrued expenses	\$ 900,046
Due to operating fund	<u>3,280,209</u>
Total liabilities	<u>4,180,255</u>

Deferred Inflows of Resources

Deferred revenue	<u>423,630</u>
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Net Position

Investment in capital assets	344,353
Unrestricted	<u>125,828</u>
Net position	<u>\$ 470,181</u>

See notes to financial statements

Philadelphia Parking Authority (Taxi and Limousine Division)

Special-Purpose Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

Operating Revenues	\$ 5,236,263
Operating Expenses	
Direct operating expenses	5,720,318
Administrative expenses	1,261,591
Depreciation expense	<u>141,219</u>
Total operating expenses	<u>7,123,128</u>
Operating loss	(1,886,865)
Nonoperating Revenues	
Investment income	<u>13,071</u>
Total nonoperating revenues	<u>13,071</u>
Change in net position	(1,873,794)
Net Position, Beginning of the Year	<u>2,343,975</u>
Net Position, End of the Year	<u><u>\$ 470,181</u></u>

See notes to financial statements

Philadelphia Parking Authority (Taxi and Limousine Division)

Notes to Special-Purpose Financial Statements
June 30 2015

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 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 Taxi and Limousine Division (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)

Notes to Special-Purpose Financial Statements
June 30 2015

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 deferred revenue was \$423,630 as of June 30, 2015.

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 and sale of Medallions, which are recognized at the time of the settlement of the transfer or sale. 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. In June 2014, the Division recognized revenue of \$1,532,409 for part of the 2014-2015 semi-annual assessment and was included in net position as of July 1, 2014.

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 11, 2015, 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 2015

3. Cash and Cash Equivalents and Restricted Cash

At June 30, 2015, the carrying amount of cash and restricted cash was \$4,683,089 compared to bank balances of \$4,737,528. 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, 2015, \$671,681 of the Division's bank balances was insured by the FDIC. The remaining balance of \$4,065,847 as of June 30, 2015 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 June 30:		
2016	\$	264,555
2017		267,821
2018		267,821
2019		267,821
2020		267,821
Thereafter		<u>401,732</u>
Total	\$	<u>1,737,571</u>

Related rent expense totaled \$258,634 during the year.

Philadelphia Parking Authority (Taxi and Limousine Division)

Notes to Special-Purpose Financial Statements
June 30 2015

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 2% to 6% for 2015. The Authority's required contribution to the Plan is actuarially determined based on the benefits to which employees are entitled. The Authority contributed \$569,326 to the Plan on behalf of the Division during 2015.

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, 2015, the contribution rates for the Authority's qualified employee groups are 306.913% of salaries for employees hired prior to March 21, 1996 (the "J" plan) and 9.585% 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, 2015

	<u>Budget</u> <u>(Unaudited)</u>	<u>Actual</u>	<u>(Under)/Over</u> <u>Budget</u>
Revenue			
Taxi and limo assessments	\$ 2,768,069	\$ 1,497,744	\$ (1,270,325)
Petitions	39,500	33,731	(5,769)
Voluntary suspensions	2,850	875	(1,975)
State inspections	103,843	319,987	216,144
Vehicle changes re-inspections	138,000	116,200	(21,800)
Driver certification training	557,000	780,267	223,267
Applications	120,000	47,250	(72,750)
Fines and violations	406,100	250,993	(155,107)
Administrative surcharge	990,000	1,294,475	304,475
Medallion transfers	1,869,000	309,700	(1,559,300)
Revenue partial rights	-	650	650
Dispatcher fees	10,000	9,645	(355)
Dispatch communication fees	22,910	10,250	(12,660)
Medallion fund transfer for deficit	500,000	500,000	-
Miscellaneous revenue	44,851	64,496	19,645
Total program revenue	<u>7,572,123</u>	<u>5,236,263</u>	<u>(2,335,860)</u>
Expenses			
Payroll	2,496,114	2,472,502	(23,612)
Fringes	970,946	789,243	(181,703)
Pension	1,099,543	569,326	(530,217)
Post retirement benefits	20,728	346,872	326,144
Total payroll	<u>4,587,331</u>	<u>4,177,943</u>	<u>(409,388)</u>
Advertising	2,209	-	(2,209)
Auto expense	52,039	38,775	(13,264)
Credit card fees	37,615	43,586	5,971
Criminal record check	55,685	57,810	2,125
Equipment	11,539	25,053	13,514
Insurance	344,502	150,612	(193,890)
Printing	8,697	15,799	7,102
Depreciation	122,949	141,219	18,270
Office expense	91,702	229,592	137,890
Professional fees	439,678	591,495	151,817
Rent expense	383,413	258,634	(124,779)
Real estate taxes	40,211	11,669	(28,542)
Repairs and maintenance	23,639	21,361	(2,278)
Telephone	8,799	17,642	8,843
Uniforms	28,189	12,640	(15,549)
Utilities	71,213	62,007	(9,206)
Miscellaneous expense	27,655	5,700	(21,955)
Total other expenses	<u>1,749,734</u>	<u>1,683,594</u>	<u>(66,140)</u>
Total facility costs	<u>6,337,065</u>	<u>5,861,537</u>	<u>(475,528)</u>
Operating loss	<u>1,235,058</u>	<u>(625,274)</u>	<u>(1,860,332)</u>
Indirect Expenses and Interest Income			
Support	1,159,747	1,180,998	21,251
Fleet	75,311	80,593	5,282
Interest income	-	(13,071)	(13,071)
Net loss	<u>\$ -</u>	<u>\$ (1,873,794)</u>	<u>\$ (1,873,794)</u>