

**THE PHILADELPHIA
PARKING AUTHORITY
(TAXI AND LIMOUSINE DIVISION)**

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Philadelphia Parking Authority
Philadelphia, Pennsylvania

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, 2018, 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 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, 2018, 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 changes 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, 2018, 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.

As discussed in Note 3, to the financial statements, the Authority's management determined it was necessary to restate its beginning net position amounts as a result of changes to its fixed assets balances. 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.

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.

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
March 4, 2019

THE PHILADELPHIA PARKING AUTHORITY

SPECIAL PURPOSE STATEMENT OF NET POSITION

June 30, 2018

ASSETS	
Cash and cash equivalents	\$ 1,956,190
Restricted cash - medallion fund	510,761
Assessments receivable	563,736
Total current assets	<u>3,030,687</u>
Property and Equipment	
Improvements, equipment and furniture	1,319,750
Less accumulated depreciation	<u>(1,252,774)</u>
Total property and equipment	<u>66,976</u>
Total assets	<u>3,097,663</u>
CURRENT LIABILITIES	
Accounts payable and accrued expenses	164,411
Assessment deposits	-
Due to operating fund	266,470
Total current liabilities	<u>430,881</u>
NET POSITION	
Investment in capital assets	66,976
Unrestricted	2,599,806
Total net position	<u>\$ 2,666,782</u>

See Notes to Special Purpose Financial Statements.

THE PHILADELPHIA PARKING AUTHORITY

**SPECIAL PURPOSE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

June 30, 2018

Operating Revenues	<u>\$ 3,220,499</u>
Operating Expenses	
Direct operating expenses	2,575,364
Administrative expenses	642,395
Depreciation expense	140,124
Total operating expenses	<u>3,357,883</u>
Operating loss	(137,384)
Nonoperating Revenues	
Medallion fund transfers from the state	339,503
Investment income	12,582
Total nonoperating revenues	<u>352,085</u>
Change in net position	214,701
Net Position - July 1, 2017 (as previously reported)	2,265,659
Prior period adjustment (see Note 3)	186,422
Net Position - July 1, 2017 (restated)	<u>2,452,081</u>
Net Position, June 30, 2018	<u>\$ 2,666,782</u>

See Notes to Special-Purpose Financial Statements.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

Note 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 the 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.

In 2016, the General Assembly passed Act 164, which amended the basis of billing of taxicab and limousine assessments and various regulations of the Division for a temporary period. The temporary regulations under Act 164 of 2016 will expire upon amendment of the regulations to a final form or November 4, 2018, whichever is later.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting: The Division prepares the 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.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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 Inflow 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 has 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. There was no balance of this unearned revenue as of June 30, 2018.

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 semiannually, 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 March 4, 2019, the date the financial statements were available to be issued.

THE PHILADELPHIA PARKING AUTHORITY

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

Note 3. Prior Period Adjustment

During the year, management determined it was necessary to restate its beginning net position amounts as a result of fixed asset balance adjustments. Management determined that there were certain assets on the records that had been disposed of previously, but not removed from the financial records and other assets whose balances were incorrectly calculated.

The financial impact of the prior period adjustment can be viewed on the following schedule.

	Amount
Net Position, as previously reported, at June 30, 2017	\$ 2,265,659
Prior Period Adjustments	
Adjustment to property and equipment	186,422
Total prior period adjustment	<u>186,422</u>
Net Position, as restated, at June 30, 2017	<u>\$ 2,452,081</u>

Note 4. Cash and Cash Equivalents and Restricted Cash

At June 30, 2018, the carrying amount of cash and restricted cash was \$2,466,950 compared to bank balances of \$2,468,472. 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, 2018, \$250,000 of the Division's bank balances was insured by the FDIC. The remaining balance of \$2,218,472 as of June 30, 2018, is fully collateralized by securities pledged and held by the financial institution in accordance with Act 72, as indicated above.

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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

Note 5. 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:

Year	Amount
2019	\$ 267,821
2020	267,821
2021	267,821
2022	133,911
	<u>\$ 937,374</u>

Related rent expense totaled \$169,621 during the year.

Note 6. 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 3.1% to 5.6% for 2018. The Authority's required contribution to the Plan is actuarially determined based on the benefits to which employees are entitled. The Authority contributed \$178,247 to the Plan on behalf of the Division during 2018.

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, 2018, the contribution rates for the Authority's qualified employee groups are 423.677% of salaries for employees hired prior to March 21, 1996 (the "J" plan), and 11.176% 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.