

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

**SPECIAL PURPOSE  
FINANCIAL STATEMENTS**

**JUNE 30, 2020**

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## **INDEPENDENT AUDITOR'S 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, 2020, 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, 2020, 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, 2020, 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.

## **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 & Ritten". The signature is written in black ink and is positioned centrally on the page.

Camp Hill, Pennsylvania  
February 16, 2021

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

**SPECIAL PURPOSE STATEMENT OF NET POSITION  
June 30, 2020**

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<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,056,855
Restricted cash - medallion fund	376,385
<b>Total current assets</b>	<u>3,433,240</u>
Property and Equipment	
Improvements, equipment and furniture	1,319,750
Less accumulated depreciation	(1,318,470)
Total property and equipment	<u>1,280</u>
<b>Total assets</b>	<u>3,434,520</u>
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued expenses	260,978
Due to operating fund	579,130
<b>Total current liabilities</b>	<u>840,108</u>
<b>NET POSITION</b>	
Investment in capital assets	1,280
Unrestricted	2,593,132
<b>Total net position</b>	<u>\$ 2,594,412</u>

See Notes to Special Purpose Financial Statements.

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

**SPECIAL PURPOSE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
Year Ended June 30, 2020**

Operating Revenues	<u>\$ 2,210,376</u>
Operating Expenses	
Direct operating expenses	2,290,043
Administrative expenses	571,627
Depreciation expense	5,271
<b>Total operating expenses</b>	<u>2,866,941</u>
<b>Operating loss</b>	(656,565)
Nonoperating Revenues	
Investment income	<u>20,647</u>
<b>Changes in net position</b>	(635,918)
Net Position - July 1, 2019	3,230,330
Net Position - June 30, 2020	<u><u>\$ 2,594,412</u></u>

See Notes to Special Purpose Financial Statements.

# THE PHILADELPHIA PARKING AUTHORITY

## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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### 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 taxicab and limousine 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. 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. These additional medallions are issued only upon a successful bid through sales held by the Authority.

In 2016, the General Assembly passed Act 164, which permanently amended the basis of billing taxicab assessments. Additionally, Act 164 provided for temporary standards for the regulation of taxicabs and limousines pending the future promulgation of permanent regulations.

In Philadelphia as of June 30, 2020, the Authority regulated 1661 Medallion Taxicabs, 5 Dispatch Companies, 3 Partial Rights Taxicab companies (with just under 200 taxicabs), 90 limousine and airport transfer companies (approximately 700 vehicles), approximately 2,000 taxicab drivers and 800 limousine drivers.

### 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 or other post-employment benefit liabilities, as these accrued expenses are not included in the contracted expenses.

The financial statements include only the assets, liabilities, net position, 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

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#### **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, 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.

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 February 16, 2021, the date the financial statements were available to be issued. See Note 6.

#### **Note 3. Cash and Cash Equivalents and Restricted Cash**

At June 30, 2020, the carrying amount of cash and restricted cash was \$3,433,240 compared to bank balances of \$3,438,105. 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, 2020, \$250,000 of the Division's bank balances was insured by the FDIC. The remaining balance of \$3,188,105 as of June 30, 2020, is fully collateralized by securities pledged and held by the financial institution in accordance with Act 72, as indicated above.



# THE PHILADELPHIA PARKING AUTHORITY

## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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### Note 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:

Year	Amount
2021	\$ 267,821
2022	133,911
	<u>\$ 401,732</u>

Related rent expense totaled \$133,914 during the year.

### Note 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 2.33% to 5.25% for 2020. The Authority's required contribution to the Plan is actuarially determined based on the benefits to which employees are entitled. The Authority contributed \$201,718 to the Plan on behalf of the Division during 2020.

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, 2020, the contribution rates for the Authority's qualified employee groups are 574.667% of salaries for employees hired prior to March 21, 1996 (the "J" plan), and 12.511% 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. The Division has two additional plans for employees, PC10 and PC10 Non-Represented, which are at a rate of 2.453% and were in effect from March 5, 2014, until December 31, 2018. Employees could make an election to convert to the Y plan up until that time. PO10 and PO5M are at the rate of 12.511% and are covered under the previous dates. All new hires after December 31, 2018, are given the plan PS16 which is at the employer rate of 3.439%, vests after 7 years and are capped at an annual pension of \$65,000.

# THE PHILADELPHIA PARKING AUTHORITY

## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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### **Note 6. Subsequent Events**

The Authority purchased land at 6 Oregon Avenue that will house future On Street, Support and Taxi & Limo Division activities. The long-range plan is to construct a facility that will house Taxi & Limo Division, On Street and Support personnel. Up to 50 percent of the building could be utilized for Taxi & Limo supporting activities involving vehicle inspections, office space and storage space. This will allow the Authority to maintain control of their properties as opposed to renting space and being subject to landlord/tenant disputes or challenges. The total paid on October 30, 2020, was \$4,623,468 for the property at 6 Oregon Avenue.

Recent developments arising from the coronavirus pandemic and efforts to mitigate the disease's domestic and global impacts have impacted the operations and finances of the Authority along with the taxicab and limousine services provided in Philadelphia. Changes in service approach, labor and personnel changes, facility closings, contracted service disruptions, personal protective equipment purchases, and technological equipment acquisitions have affected the Authority. Unstable conditions enhance the Authority's risk factors as they have significant reliance on revenues generated from taxicab and limousine service providers to fund their operations for regulatory enforcement. These factors impact revenue recognition, cash flows and liquidity, and contingencies. Presently, the ultimate effects of this crisis on financial position, results of operations, and cash flows are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.