



Theaters
Financial Report
September 2013

City of Tacoma
Public Assembly Facilities
Performing Arts Center
Prepared by: Michele Tuong

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Notification

These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles. Immaterial differences may occur due to rounding.

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Management's Discussion and Analysis

City of Tacoma
Public Assembly Facilities
Performing Arts Center
September 30, 2013

Management's Discussion and Analysis

The Performing Arts theater group is composed of two funds: 1) an operating fund, Fund 4190-Oper, which includes the Performing Arts Center Operating Fund, the Rialto Theater Fund, the Broadway Theater District Fund, and the Pantages Theater Remodel Fund; and 2) a restricted fund, Fund 4190-Panta, which includes the Pantages Investment Fund.

Financial Highlights

- Net operating expense for the first nine months ended September 30, 2013 is \$952,000 compared to \$655,000 for the same period in 2012.
- The current operating fund cash balance is \$399,000 compared to \$389,000 a year ago. The increase of \$10,000 is mostly due to an increase of contributions from the General Fund as planned.
- Assets totaled \$21.0 million at September 30, 2013 and \$19.9 million at September 30, 2012.

Financial Analysis – Condensed Consolidated Comparative Statements of Net Position

	September 30,		
	2013	2012	Increase (Decrease)
Current and other noncurrent assets	\$ 429,126	\$ 693,745	\$ (264,619)
Restricted assets	4,497,242	4,508,145	(10,903)
Capital assets	16,083,476	14,705,203	1,378,273
Total assets	<u>\$21,009,844</u>	<u>\$19,907,093</u>	<u>\$ 1,102,751</u>
Current liabilities	\$ 115,531	\$ 709,500	\$ (593,969)
Non-current liabilities	306,000	382,500	(76,500)
Total liabilities	<u>421,531</u>	<u>1,092,000</u>	<u>(670,469)</u>
Invested in capital assets net of related debt	16,083,476	14,426,703	1,656,773
Restricted assets	4,497,242	4,508,145	(10,903)
Unrestricted	7,595	(119,755)	127,350
Total net position	<u>20,588,313</u>	<u>18,815,093</u>	<u>1,773,220</u>
	<u>\$21,009,844</u>	<u>\$19,907,093</u>	<u>\$ 1,102,751</u>

Current and other noncurrent assets

Resolution 38284 authorized additional payments from the City to BCPA in the amount not to exceed \$560,000, payable in two equal installments on June 1, 2012 and June 1, 2013, in exchange for annual social events to be provided by the BCPA. Those payments will be applied to the BCPA's outstanding loan obligation to the City. On June 1, 2012, the first payment of \$278,500 was completed and on June 1, 2013 the loan balance of \$278,500 was paid.

Restricted assets

The cash and equity in pooled investments is \$3.4 million at September 30, 2013 and at September 30, 2012. Long-term investments consist of U.S. Treasury Strips purchased in 2000 for \$387,000 and will have a value at maturity, in 2018, of \$1.1 million. These investments are restricted to exercise the Pantages Theater purchase option in 2018 or 2028. The current balance of unamortized discount on long-term investments is \$227,000.

Capital assets

Capital assets, net of accumulated depreciation are \$1.4 million more than in 2012. Buildings increased \$1.9 million and accumulated depreciation increased \$537,000. The projects which constitute the building improvements are:

- Pantages orchestra pit improvements for \$442,000
- TOTS HVAC/energy upgrade for \$570,000
- Pantages catwalk replacement for \$541,000
- Pantages box office remodel for \$89,000
- TOTS pit cover and platform system for \$91,000
- Pantages fire system and safety upgrade for \$85,000
- Pantages elevator rebuild for \$57,000
- Pantages basement reconfiguration for \$25,000
- Pantages roof repairs for \$15,000

Total liabilities

Total liabilities decreased \$670,000 from September 30, 2012 to September 30, 2013. This is mostly due to the payment of the loan balance of \$278,500 and to the reduction of the deferred account for the same amount in June 2013.

Additionally, in July 2011 the City's General Fund completed an advance of \$535,000 to BCPA. Resolution 38289 directed the Theaters Fund to start reducing, in January 2013, the monthly management fee paid to the BCPA until the repayment of the advance is complete at the end of June 2016. The reductions will be mostly offset by an increase in the management fee paid to the BCPA. As of September 30, 2013, the repayment totaled \$114,000 and an advance amount of \$115,000 was reclassified to current liabilities which reduced the balance of long-term liabilities to \$306,000.

Financial Analysis – Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year-to-Date September		Increase (Decrease)
	2013	2012	
Net operating expense	\$ (952,160)	\$ (655,381)	\$ (296,779)
Nonoperating revenues (expenses)	(17,197)	10,852	(28,049)
Change in net position:			
Income (loss) before contributions and transfers	(969,357)	(644,529)	(324,828)
Contributions of capital assets	822,549	243,455	579,094
Contributions from other funds	-	2,339	(2,339)
Contributions from the General Fund	916,000	803,500	112,500
Change in net position:	769,192	404,765	364,427
Total net position - beginning	19,819,121	18,410,328	1,408,793
Total net position - ending	\$ 20,588,313	\$ 18,815,093	\$ 1,773,220

Operating expenses

For the first nine months ended September 30, 2013, net operating expenses increased \$297,000 compared to the same period in 2012. Supplies, services and charges increased \$5,000 while depreciation expenses increased \$292,000.

In July 2012, \$587,000 of buildings were transferred to land for the Rialto and depreciation costs were reversed, which resulted in the lower depreciation total in 2012.

Non-operating revenues (expenses)

Non-operating expenses were \$17,000 in 2013 compared to non-operating revenues of \$11,000 in 2012. This is due to a decrease of \$28,000 in investment earnings.

Contributions from other funds

For the first nine months ended September 30, 2013, the Theaters Fund received \$916,000 in General Fund contributions, of which \$523,500 is for management fees and expenses, \$114,000 is for the repayments of the General Fund advance to BCPA and \$278,500 is for the BCPA loan repayment.

Finally, the Theaters Fund received transfers to pay for the Theaters' major improvement and replacement costs of structures and systems. As of September 30, 2013, the LTGO Fund contributed \$823,000 which is an increase of \$579,000 from last year.

Footnotes

1) Investment Fund (Fund 4190–Panta) - Restricted Cash Balances On November 1, 1983, the City and Pantages Associates, a limited partnership, entered into a Lease and Leaseback transaction for the Pantages Theater. In this transaction, Pantages Associates was able to remit to its investor's substantial tax advantages and the City received payment for tax credits and deductions that are redundant to a tax-exempt entity. The term of the Lease and Leaseback is 35 years with the provision for six five-year extensions. The City has the right to repurchase the Pantages in year 35 or in year 45. The City and Pantages Associates exchange payments each June. The early payments were front loaded in favor of the City so that a repurchase option could be established and an escrow (fund balance) established to fund future City payments. Two funds were established to record the purchase lease transactions; Fund 4190 and Fund 4190-Panta to account for the exchange of payments and to segregate the funds for the repurchase of the Pantages Theater.

2) BCPA loan for the Pantages Theater remodel In 2005, the City of Tacoma (City) and the Broadway Center for Performing Arts (BCPA) entered into an agreement for the Pantages Theater remodel. The total cost was estimated to be approximately \$5.0 million. The City invested \$1.3 million in December 2005. The BCPA was to invest the remaining \$3.7 million by borrowing \$2.5 million from the City and contributing cash of \$1.2 million from its capital campaign. The actual cost of the remodel came in under the original amount of \$5.0 million and the unspent funds of \$334,000 were used to pay down the loan. In addition, interest on the loan ceased July 1, 2011. In exchange for services to be provided by BCPA, Resolution 38284 authorized additional payments from the City to BCPA in the amount of \$560,000, payable in two equal installments of \$280,000 on June 1, 2012 and June 1, 2013. On June 1, 2012, the first payment of \$278,500 was applied to the BCPA's outstanding loan obligation to the City and on June 1, 2013 the remaining loan balance of \$278,500 was paid.

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Financial Statements

**City of Tacoma, Washington
Public Assembly Facility
Performing Arts Center
Statements of Net Position (Unaudited)**

	September 30,		Increase
	2013	2012	(Decrease)
ASSETS			
Current assets:			
Cash and equity in pooled investments	\$ 398,989	\$ 388,992	\$ 9,997
Due from other government units	-	278,500	(278,500)
Prepaid Insurance	30,137	25,315	4,822
Market rate adjustment (GASB 31)	-	938	(938)
Total current assets	<u>429,126</u>	<u>693,745</u>	<u>(264,619)</u>
Restricted assets:			
Cash and equity in pooled investments	3,378,523	3,425,388	(46,865)
Investments long-term	1,109,000	1,109,000	-
Unamortized discount on investment long-term	(226,811)	(275,852)	49,041
Market rate adjustment (GASB 31)	236,530	249,609	(13,079)
Total restricted assets	<u>4,497,242</u>	<u>4,508,145</u>	<u>(10,903)</u>
Capital assets:			
Land	2,086,757	2,086,757	-
Buildings	18,653,757	16,738,486	1,915,271
Machinery and equipment	1,382,443	1,382,443	-
Other improvements	122,398	122,398	-
Less accumulated depreciation	(6,161,879)	(5,624,881)	(536,998)
Total capital assets, net of accumulated depreciation	<u>16,083,476</u>	<u>14,705,203</u>	<u>1,378,273</u>
Total assets	<u>\$ 21,009,844</u>	<u>\$ 19,907,093</u>	<u>\$ 1,102,751</u>
LIABILITIES			
Current liabilities:			
Advances from other funds	\$ -	\$ 278,500	\$ (278,500)
Deferred revenue	-	278,500	(278,500)
Due to other fund	114,750	152,500	(37,750)
Deferred credit - GASB 31	781	-	781
Total current liabilities	<u>115,531</u>	<u>709,500</u>	<u>(593,969)</u>
Non-current liabilities:			
Advances from other funds	306,000	382,500	(76,500)
Total noncurrent liabilities	<u>306,000</u>	<u>382,500</u>	<u>(76,500)</u>
Total liabilities	<u>421,531</u>	<u>1,092,000</u>	<u>(670,469)</u>
NET POSITION			
Invested in capital assets net of related debt	16,083,476	14,426,703	1,656,773
Restricted assets	4,497,242	4,508,145	(10,903)
Unrestricted	7,595	(119,755)	127,350
Total net position	<u>20,588,313</u>	<u>18,815,093</u>	<u>1,773,220</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 21,009,844</u>	<u>\$ 19,907,093</u>	<u>\$ 1,102,751</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the City of Tacoma's appropriate Comprehensive Annual Financial Report (CAFR).

City of Tacoma, Washington
Public Assembly Facilities
Performing Arts Center
Statements of Revenues, Expenses and Changes in Net Position (Unaudited)

	Month of September		Year-to-Date September		Increase
	2013	2012	2013	2012	(Decrease)
OPERATING EXPENSES					
Supplies, services and charges	\$ 54,680	\$ 63,348	\$ 542,011	\$ 536,798	\$ 5,213
Depreciation expense	45,572	42,283	410,149	118,583	291,566
Total operating expenses	<u>100,252</u>	<u>105,631</u>	<u>952,160</u>	<u>655,381</u>	<u>296,779</u>
Net operating expenses	<u>(100,252)</u>	<u>(105,631)</u>	<u>(952,160)</u>	<u>(655,381)</u>	<u>(296,779)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings on cash and pooled investments:					
Operating Fund	310	562	2,187	4,921	(2,734)
Restricted Fund	10,508	8,685	63,616	89,134	(25,518)
Pantages lease/leaseback	-	-	(83,000)	(83,000)	-
Miscellaneous expense	-	-	-	(203)	203
Total nonoperating revenues (expenses)	<u>10,818</u>	<u>9,247</u>	<u>(17,197)</u>	<u>10,852</u>	<u>(28,049)</u>
CHANGE IN NET POSITION					
Net revenue (loss) before contributions and transfers	(89,434)	(96,384)	(969,357)	(644,529)	(324,828)
Contributions of capital assets	-	104,042	822,549	243,455	579,094
Contributions from other funds	-	2,339	-	2,339	(2,339)
Contributions from the General Fund	70,833	-	916,000	803,500	112,500
Change in net position	<u>\$ (18,601)</u>	<u>\$ 9,997</u>	<u>769,192</u>	<u>404,765</u>	<u>364,427</u>
Total net position - beginning			<u>19,819,121</u>	<u>18,410,328</u>	<u>1,408,793</u>
Total net position - ending			<u>\$ 20,588,313</u>	<u>\$ 18,815,093</u>	<u>\$ 1,773,220</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the City of Tacoma's appropriate Comprehensive Annual Financial Report (CAFR).

City of Tacoma, Washington
Public Assembly Facilities
Performing Arts Center
Statements of Cash Flows (Unaudited)

	Year-to-Date 2013	September 2012	Increase (Decrease)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers	\$ (101,924)	\$ (234,473)	\$ 132,549
Net cash provided (used) by operating activities	<u>(101,924)</u>	<u>(234,473)</u>	<u>132,549</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Contributions from General Fund	916,000	803,500	112,500
Contributions from other fund	-	2,339	(2,339)
Advance from General Fund	(76,500)	(431,000)	354,500
Net cash provided (used) by noncapital and related financing activities	<u>839,500</u>	<u>374,839</u>	<u>464,661</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Pantages lease/leaseback	(83,000)	(83,000)	-
Acquisition of capital assets	(986,275)	(183,063)	(803,212)
Contribution of capital assets	822,549	243,455	579,094
Net cash provided (used) by capital and related financing activities	<u>(246,726)</u>	<u>(22,608)</u>	<u>(224,118)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments short term	-	-	-
Investment earnings on cash and pooled investments	66,584	93,117	(26,533)
Investments long-term	(59,568)	(61,324)	1,756
Net cash provided (used) by investing activities	<u>7,016</u>	<u>31,793</u>	<u>(24,777)</u>
Net change cash and cash equivalents	497,866	149,551	348,315
Cash and equity in pooled investments - beginning	<u>3,279,646</u>	<u>3,664,829</u>	<u>(385,183)</u>
Cash and equity in pooled investments - ending	<u>\$ 3,777,512</u>	<u>\$ 3,814,380</u>	<u>\$ (36,868)</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the City of Tacoma's appropriate Comprehensive Annual Financial Report (CAFR).

**City of Tacoma, Washington
Public Assembly Facilities
Performing Arts Center
Statements of Cash Flows (Unaudited)**

	Year-to-Date September 2013	2012	Increase (Decrease)
Reconciliation of cash and equity in pooled investments to balance sheet:			
Cash and equity in pooled investments in Operating Fund	\$ 398,989	\$ 388,992	\$ 9,997
Restricted cash and equity in pooled investments in Investments Fund	3,378,523	3,425,388	(46,865)
Total cash and equity in pooled investments	<u>\$ 3,777,512</u>	<u>\$ 3,814,380</u>	<u>\$ (36,868)</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (expense)	<u>\$ (952,160)</u>	<u>\$ (655,381)</u>	<u>\$ (296,779)</u>
Adjustments to reconcile operating income to net from operating activities:			
Depreciation expense	410,149	118,583	291,566
Due to / due from other funds	534,140	370,741	163,399
Prepaid expenses	(12,107)	(9,383)	(2,724)
Change in accounts payable	(81,946)	(59,033)	(22,913)
Total adjustments	<u>850,236</u>	<u>420,908</u>	<u>429,328</u>
Net cash provided (used) by operating activities	<u>\$ (101,924)</u>	<u>\$ (234,473)</u>	<u>\$ 132,549</u>
Non-cash investing, capital, and financing activities:			
Investments long-term	\$ (59,568)	\$ (61,324)	\$ 1,756

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