



*Theaters*  
*Financial Report*  
*December 2013*

**City of Tacoma**  
**Public Assembly Facilities**  
**Performing Arts Center**  
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## *Notification*

These financial statements are unaudited reports prepared primarily for the use of management. 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  
December 31, 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 year ended December 31, 2013 is \$1.6 million compared to \$1.0 million for the same period in 2012.
- The current operating fund cash balance is \$420,000 compared to (\$179,000) a year ago. The increase of \$598,000 is mostly due to the timing of the additional contributions from the Limited Tax General Obligation (LTGO) Fund.
- Assets totaled \$20.9 million at December 31, 2013 and \$21.0 million at December 31, 2012.

**Financial Analysis – Condensed Consolidated Comparative Statements of Net Position**

|  | December 31,        |                     |                        |
|--|---------------------|---------------------|------------------------|
|  | 2013                | 2012                | Increase<br>(Decrease) |
|  | <u>2013</u>         | <u>2012</u>         | <u>(Decrease)</u>      |
| Current and other noncurrent assets            | \$ 509,582          | \$ 696,145          | \$ (186,563)           |
| Restricted assets                              | 4,422,437           | 4,517,326           | (94,889)               |
| Capital assets                                 | 16,011,466          | 15,785,850          | 225,616                |
| Total assets                                   | <u>\$20,943,485</u> | <u>\$20,999,321</u> | <u>\$ (55,836)</u>     |
| <br>   |                     |                     |                        |
| Current liabilities                            | \$ 233,608          | \$ 797,700          | \$ (564,092)           |
| Non-current liabilities                        | 229,500             | 382,500             | (153,000)              |
| Total liabilities                              | <u>463,108</u>      | <u>1,180,200</u>    | <u>(717,092)</u>       |
| <br>   |                     |                     |                        |
| Invested in capital assets net of related debt | 16,011,466          | 15,507,350          | 504,116                |
| Restricted assets                              | 4,422,437           | 4,517,326           | (94,889)               |
| Unrestricted                                   | 46,474              | (205,555)           | 252,029                |
| Total net position                             | <u>20,480,377</u>   | <u>19,819,121</u>   | <u>661,256</u>         |
|  | <u>\$20,943,485</u> | <u>\$20,999,321</u> | <u>\$ (55,836)</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 December 31, 2013 and \$3.5 million at December 31, 2012 for a decrease of \$72,000.

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 \$214,000.

### Capital assets

Capital assets, net of accumulated depreciation are \$226,000 more than in 2012. Buildings increased \$795,000 and accumulated depreciation increased \$569,000. The projects which constitute the building improvements are:

- Pantages orchestra pit improvements for \$17,000
- TOTS HVAC/energy upgrade for \$192,000
- Pantages catwalk replacement for \$423,000
- TOTS pit cover and platform system for \$50,000
- Pantages fire system and safety upgrade for \$32,000
- Pantages elevator rebuild for \$80,000
- Pantages basement reconfiguration for \$1,000

### Total liabilities

Total liabilities decreased \$717,000 from December 31, 2012 to December 31, 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 December 31, 2013, the repayment totaled \$153,000 which reduced the balance of long-term liabilities to \$230,000.

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

|   | Year-to-Date December |                | Increase<br>(Decrease) |
|---|-----------------------|----------------|------------------------|
|   | 2013                  | 2012           |                        |
| Net operating expense                               | \$ (1,643,351)        | \$ (1,000,019) | \$ (643,332)           |
| Nonoperating revenues (expenses)                    | (90,415)              | 19,156         | (109,571)              |
| Change in net position:                             |                       |                |                        |
| Income (loss) before contributions<br>and transfers | (1,733,766)           | (980,863)      | (752,903)              |
| Contributions of capital assets                     | 1,266,522             | 1,407,249      | (140,727)              |
| Contributions from other funds                      | -                     | 3,907          | (3,907)                |
| Contributions from the General Fund                 | 1,128,500             | 978,500        | 150,000                |
| Change in net position:                             | 661,256               | 1,408,793      | (747,537)              |
| Total net position - beginning                      | 19,819,121            | 18,410,328     | 1,408,793              |
| Total net position - ending                         | \$ 20,480,377         | \$ 19,819,121  | \$ 661,256             |

### Operating expenses

For the year ended December 31, 2013, net operating expenses increased \$643,000 compared to the same period in 2012. Supplies, services and charges increased \$320,000 due to an increase in costs to study the Theaters Centennial Improvement Project.

Depreciation expenses increased \$324,000. The lower depreciation total in 2012 resulted from the July 2012 transfer of \$587,000 of buildings to land for the Rialto and reversal of depreciation costs.

### Non-operating revenues (expenses)

Non-operating expenses were \$90,000 in 2013 compared to non-operating revenues of \$19,000 in 2012. This is due to a decrease of \$110,000 in investment earnings, principally the decrease of \$79,000 for the mark to market adjustment.

### Contributions from other funds

For the year ended December 31, 2013, the Theaters Fund received \$1.1 million in General Fund contributions, of which \$697,000 is for management fees and expenses, \$153,000 is for the repayment of the General Fund advance to BCPA and \$278,500 is for the BCPA loan repayment.

The Theaters Fund received transfers totaling \$1.3 million to pay for the Theaters' major improvement and replacement costs of structures and systems. As of December 31, 2013, the LTGO Fund contributed \$998,000 and the REET Fund contributed \$269,000.



## 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)**

|   | December 31,         |                      | Increase           |
|---|----------------------|----------------------|--------------------|
|   | 2013                 | 2012                 | (Decrease)         |
| <b>ASSETS</b>   |                      |                      |                    |
| Current assets:                                       |                      |                      |                    |
| Cash and equity in pooled investments                 | \$ 419,629           | \$ (178,529)         | \$ 598,158         |
| Due from other government units                       | -                    | 278,500              | (278,500)          |
| Due from other funds                                  | 69,862               | 578,144              | (508,282)          |
| Prepaid Insurance                                     | 20,091               | 18,030               | 2,061              |
| Total current assets                                  | <u>509,582</u>       | <u>696,145</u>       | <u>(186,563)</u>   |
| Restricted assets:                                    |                      |                      |                    |
| Cash and equity in pooled investments                 | 3,385,932            | 3,458,175            | (72,243)           |
| Investments long-term                                 | 1,109,000            | 1,109,000            | -                  |
| Unamortized discount on investment long-term          | (214,415)            | (263,456)            | 49,041             |
| Market rate adjustment (GASB 31)                      | 141,920              | 213,607              | (71,687)           |
| Total restricted assets                               | <u>4,422,437</u>     | <u>4,517,326</u>     | <u>(94,889)</u>    |
| Capital assets:                                       |                      |                      |                    |
| Land  | 2,086,757            | 2,086,757            | -                  |
| Buildings   | 18,740,777           | 17,945,982           | 794,795            |
| Machinery and equipment                               | 1,382,443            | 1,382,443            | -                  |
| Other improvements                                    | 122,398              | 122,398              | -                  |
| Less accumulated depreciation                         | <u>(6,320,909)</u>   | <u>(5,751,730)</u>   | <u>(569,179)</u>   |
| Total capital assets, net of accumulated depreciation | <u>16,011,466</u>    | <u>15,785,850</u>    | <u>225,616</u>     |
| Total assets  | <u>\$ 20,943,485</u> | <u>\$ 20,999,321</u> | <u>\$ (55,836)</u> |
| <b>LIABILITIES</b>                                    |                      |                      |                    |
| Current liabilities:                                  |                      |                      |                    |
| Accounts payable                                      | \$ 76,205            | \$ 81,946            | \$ (5,741)         |
| Internal notes payable                                | -                    | 278,500              | (278,500)          |
| Unearned revenue                                      | -                    | 278,500              | (278,500)          |
| Advances from other funds                             | 153,000              | 152,500              | 500                |
| Due to other funds                                    | 4,403                | 6,254                | (1,851)            |
| Total current liabilities                             | <u>233,608</u>       | <u>797,700</u>       | <u>(564,092)</u>   |
| Non-current liabilities:                              |                      |                      |                    |
| Advances from other funds                             | 229,500              | 382,500              | (153,000)          |
| Total noncurrent liabilities                          | <u>229,500</u>       | <u>382,500</u>       | <u>(153,000)</u>   |
| Total liabilities                                     | <u>463,108</u>       | <u>1,180,200</u>     | <u>(717,092)</u>   |
| <b>NET POSITION</b>                                   |                      |                      |                    |
| Invested in capital assets net of related debt        | 16,011,466           | 15,507,350           | 504,116            |
| Restricted assets                                     | 4,422,437            | 4,517,326            | (94,889)           |
| Unrestricted  | 46,474               | (205,555)            | 252,029            |
| Total net position                                    | <u>20,480,377</u>    | <u>19,819,121</u>    | <u>661,256</u>     |
| <b>TOTAL LIABILITIES AND NET POSITION</b>             | <u>\$ 20,943,485</u> | <u>\$ 20,999,321</u> | <u>\$ (55,836)</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 December   |                   | Year-to-Date December |                      | Increase          |
|---|---------------------|-------------------|-----------------------|----------------------|-------------------|
|   | 2013                | 2012              | 2013                  | 2012                 | (Decrease)        |
| <b>OPERATING EXPENSES</b>                             |                     |                   |                       |                      |                   |
| Supplies, services and charges                        | \$ 346,184          | \$ 97,792         | \$ 1,074,173          | \$ 754,587           | \$ 319,586        |
| Depreciation expense                                  | 47,431              | 42,283            | 569,178               | 245,432              | 323,746           |
| Total operating expenses                              | <u>393,615</u>      | <u>140,075</u>    | <u>1,643,351</u>      | <u>1,000,019</u>     | <u>643,332</u>    |
| Net operating expenses                                | <u>(393,615)</u>    | <u>(140,075)</u>  | <u>(1,643,351)</u>    | <u>(1,000,019)</u>   | <u>(643,332)</u>  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>               |                     |                   |                       |                      |                   |
| Investment earnings on cash and pooled investments:   |                     |                   |                       |                      |                   |
| Operating Fund  | 1,010               | (1,419)           | 3,772                 | 4,078                | (306)             |
| Restricted Fund                                       | (87,868)            | (6,048)           | (11,187)              | 98,315               | (109,502)         |
| Pantages lease/leaseback                              | -                   | -                 | (83,000)              | (83,000)             | -                 |
| Interest expense                                      | -                   | (20)              | -                     | (30)                 | 30                |
| Miscellaneous expense                                 | -                   | -                 | -                     | (207)                | 207               |
| Total nonoperating revenues (expenses)                | <u>(86,858)</u>     | <u>(7,487)</u>    | <u>(90,415)</u>       | <u>19,156</u>        | <u>(109,571)</u>  |
| <b>CHANGE IN NET POSITION</b>                         |                     |                   |                       |                      |                   |
| Net revenue (loss) before contributions and transfers | (480,473)           | (147,562)         | (1,733,766)           | (980,863)            | (752,903)         |
| Contributions of capital assets                       | 281,907             | 622,197           | 1,266,522             | 1,407,249            | (140,727)         |
| Contributions from other funds                        | -                   | -                 | -                     | 3,907                | (3,907)           |
| Contributions from the General Fund                   | 70,833              | 58,333            | 1,128,500             | 978,500              | 150,000           |
| Change in net position                                | <u>\$ (127,733)</u> | <u>\$ 532,968</u> | <u>661,256</u>        | <u>1,408,793</u>     | <u>(747,537)</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>\$ 20,480,377</u>  | <u>\$ 19,819,121</u> | <u>\$ 661,256</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 December<br>2013 | 2012                | Increase<br>(Decrease) |
|---|-------------------------------|---------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                               |                     |                        |
| Payments to suppliers   | \$ (575,544)                  | \$ (934,921)        | \$ 359,377             |
| Net cash provided (used) by operating activities                        | <u>(575,544)</u>              | <u>(934,921)</u>    | <u>359,377</u>         |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>              |                               |                     |                        |
| Contributions from General Fund   | 1,128,500                     | 978,500             | 150,000                |
| Contributions from other fund   | -                             | 3,907               | (3,907)                |
| Advance from General Fund   | (431,000)                     | (431,000)           | -                      |
| Net cash provided (used) by noncapital and related financing activities | <u>697,500</u>                | <u>551,407</u>      | <u>146,093</u>         |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>     |                               |                     |                        |
| Pantages lease/leaseback  | (83,000)                      | (83,000)            | -                      |
| Acquisition of capital assets   | (794,794)                     | (1,390,563)         | 595,769                |
| Contribution of capital assets  | 1,266,522                     | 1,407,249           | (140,727)              |
| Interest payable  | -                             | (30)                | 30                     |
| Net cash provided (used) by capital and related financing activities    | <u>388,728</u>                | <u>(66,344)</u>     | <u>455,072</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                               |                     |                        |
| Investment earnings on cash and pooled investments                      | (56,456)                      | 53,352              | (109,808)              |
| Investments long-term   | 71,687                        | 11,323              | 60,364                 |
| Net cash provided (used) by investing activities                        | <u>15,231</u>                 | <u>64,675</u>       | <u>(49,444)</u>        |
| Net change cash and cash equivalents                                    | 525,915                       | (385,183)           | 911,098                |
| 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>\$ 3,805,561</u>           | <u>\$ 3,279,646</u> | <u>\$ 525,915</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 December<br>2013 | December<br>2012      | Increase<br>(Decrease) |
|--|-------------------------------|-----------------------|------------------------|
| <b>Reconciliation of cash and equity in pooled investments to balance sheet:</b>               |                               |                       |                        |
| Cash and equity in pooled investments in Operating Fund  | \$ 419,629                    | \$ (178,529)          | \$ 598,158             |
| Restricted cash and equity in pooled investments in Investments Fund                           | 3,385,932                     | 3,458,175             | (72,243)               |
| Total cash and equity in pooled investments  | <u>\$ 3,805,561</u>           | <u>\$ 3,279,646</u>   | <u>\$ 525,915</u>      |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b> |                               |                       |                        |
| Operating income (expense)   | <u>\$ (1,643,351)</u>         | <u>\$ (1,000,019)</u> | <u>\$ (643,332)</u>    |
| Adjustments to reconcile operating income to net from operating activities:                    |                               |                       |                        |
| Depreciation expense   | 569,178                       | 245,432               | 323,746                |
| Due to / due from other funds  | 506,431                       | (201,149)             | 707,580                |
| Prepaid expenses   | (2,061)                       | (2,098)               | 37                     |
| Change in accounts payable   | (5,741)                       | 22,913                | (28,654)               |
| Total adjustments  | <u>1,067,807</u>              | <u>65,098</u>         | <u>1,002,709</u>       |
| Net cash provided (used) by operating activities   | <u>\$ (575,544)</u>           | <u>\$ (934,921)</u>   | <u>\$ 359,377</u>      |
| <b>Non-cash investing, capital, and financing activities:</b>                                  |                               |                       |                        |
| Investments long-term  | \$ 49,041                     | \$ 49,041             | \$ -                   |

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).

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