



*Fleet Services Division  
Financial Report  
September 2013*

**City of Tacoma  
Fleet Services  
Administrative Division  
Public Works Department  
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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 Works Department**  
**Fleet Services Division**  
**Management's Discussion and Analysis**  
**September 30, 2013**

**Financial Highlights**

Fleet Services' assets exceeded liabilities by \$23.9 million at September 30, 2013, and \$24.4 million at September 30, 2012.

The Fund incurred a loss before contributions and transfers of \$1.0 million in 2013, compared to a loss of \$1.4 million in 2012.

As of January 1<sup>st</sup>, 2013, the Division has added a new Capital Outlay General Fund for the general fund departments, such as Fire, Police and Streets and Grounds. This is separate from the other Capital Outlay Non-General Fund created for the Environmental Services Utilities.

Since vehicle replacement or lease revenue has been partially suspended by the general fund departments, the majority of their vehicle purchases are being funded by the Limited Tax General Obligation (LTGO) Fund.

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

	2013	September 30, 2012	Increase (Decrease)
Current assets	\$ 5,870,049	\$ 5,354,040	\$ 516,009
Operating Fund capital assets	2,538,914	2,676,001	(137,087)
Capital assets leased to others	15,869,771	16,903,505	(1,033,734)
Total assets	<u>\$ 24,278,734</u>	<u>\$ 24,933,546</u>	<u>\$ (654,812)</u>
Current liabilities	\$ 209,850	\$ 345,048	\$ (135,198)
Noncurrent liabilities	203,366	235,298	(31,932)
Total liabilities	<u>413,216</u>	<u>580,346</u>	<u>(167,130)</u>
Invested in capital assets	18,408,685	19,579,506	(1,170,821)
Unrestricted assets	5,456,833	4,773,694	683,139
Total net position	<u>23,865,518</u>	<u>24,353,200</u>	<u>(487,682)</u>
Total liabilities and net position	<u>\$ 24,278,734</u>	<u>\$ 24,933,546</u>	<u>\$ (654,812)</u>

The current ratio for the Operating Fund is 8.7 in 2013 and 6.8 in 2012. A current ratio is a measure of liquidity; a ratio of 2.0 or higher is considered financially strong.

### Current assets

Current assets increased \$516,000 (9.6%) from September 30, 2012 to September 30, 2013. Operating cash increased \$344,000 to a balance of \$1.3 million.

Cash in the Capital Outlay Non-General Fund increased \$50,000 to a balance of \$3.9 million. Cash in the Capital Outlay General Fund increased to a balance of \$118,000 due mostly to receipts from the sale of vehicles.

### Liabilities

Current liabilities decreased \$135,000 mostly due to a decrease of \$153,000 in accounts payable. Noncurrent liabilities decreased \$32,000 due to the decrease of long-term compensated absences.

### Capital assets leased to others

Capital assets leased to others decreased \$1.0 million to \$15.9 million. Equipment increased \$721,000 due to purchases of vehicles for \$2.5 million net of sales and transfers to other departments of \$1.8 million.

The purchases are listed below:

- 1 Rosenbauer pumper for \$697,000
- 1 road street sweeper for \$299,000
- Two Ford trucks for \$151,000
- 1 Freightliner Versalift for \$221,000
- 1 Leeboy track paver for \$119,000
- 2 crack sealant melter for \$113,000
- Other vehicle purchases for \$900,000

Purchased equipment not yet in service decreased \$628,000 compared to last year. It is not unusual for purchased equipment not yet in service to fluctuate due to the difference in timing of the purchases and when the vehicles go into service.

Accumulated depreciation on capital assets leased to others increased from \$28.7 million to \$29.8 million, a net change of \$1.1 million.

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

	Year-to-Date September		
	2013	2012	Increase (Decrease)
Operating revenue	\$ 6,499,313	\$ 6,800,913	\$ (301,600)
Operating expense	7,754,113	8,192,888	(438,775)
Operating income (loss)	(1,254,800)	(1,391,975)	137,175
Nonoperating revenues (expenses)	235,130	92,267	142,863
Income (loss) before contributions and transfers	(1,019,670)	(1,299,708)	280,038
Contribution for purchase of capital assets	772,772	1,745,020	(972,248)
Contribution from other funds	(7,708)	60,810	(68,518)
Transfers from (to) other funds - cash	10,681	-	10,681
Change in net position	(243,925)	506,122	(750,047)
Total net position - beginning	24,109,443	23,847,078	262,365
Total net position - ending	\$ 23,865,518	\$ 24,353,200	\$ (487,682)

### Operating activities

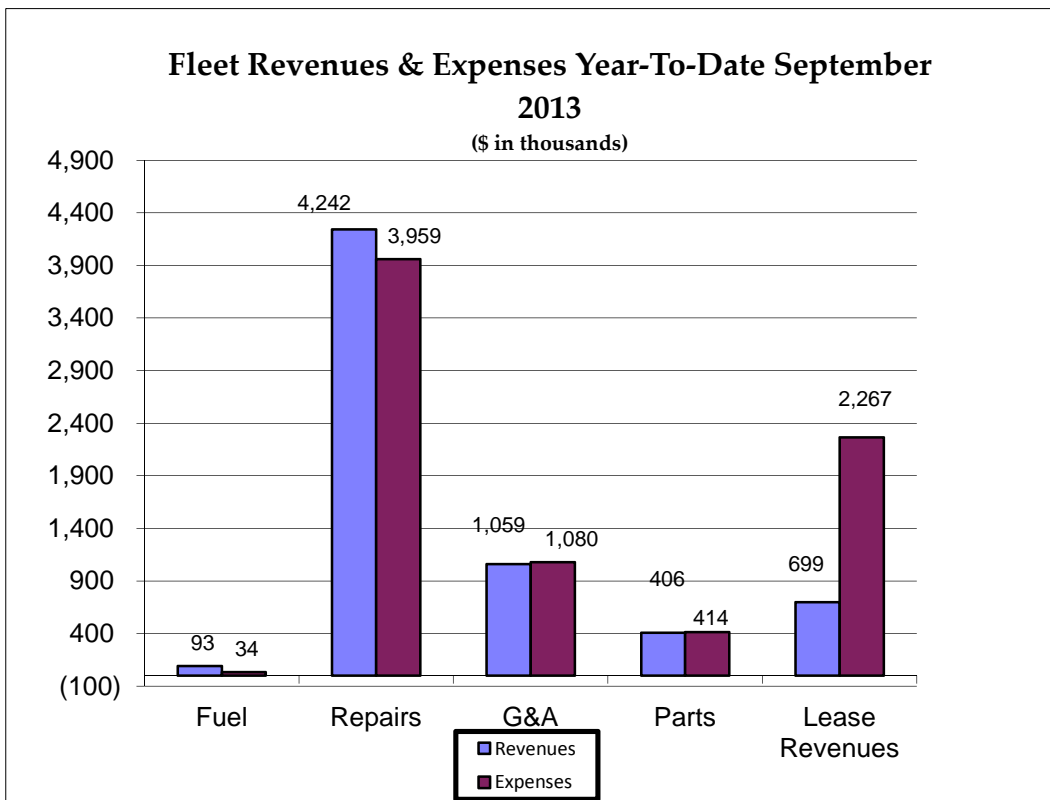
For the first nine months ended September 30, 2013, operating revenues decreased \$302,000 and operating expenses decreased \$439,000.

Services and repairs revenue and full service maintenance revenue decreased a combined \$591,000 (12%) due to a reduction of several automotive technicians. This decrease was offset by an increase in administrative revenue of \$258,000 (32%) and lease revenue of \$30,000.

Shop operation expenses decreased \$724,000 (15%) but general and administrative expenses increased \$294,000 (37%).

The following graph shows a sizeable disparity between lease revenues of \$699,000 and vehicle depreciation expenses of \$2.3 million. This is due to the elimination of Fire, Police and Streets and Grounds vehicle replacement fees which contribute a large part of the lease revenues.





Non-operating revenues (expenses)

Non-operating revenues increased \$143,000 (155%) for the first nine months of 2013 compared to 2012. This is mostly due to the increase of \$167,000 in proceeds from sales of vehicles and the decrease of \$23,000 in interest earned from pooled investments.

Contributions and transfers

Contributions from the LTGO Fund for the purchase of vehicles and equipment decreased \$972,000 to \$773,000.

In March 2013, Public Works made a cash transfer of \$9,000 and in April 2013 Wastewater made a transfer of \$2,000 to reimburse Fleet for the purchase of its vehicles.

In September 2013, Fleet contributed \$8,000 to the Information Technology Fund for purchase of new radio communications equipment.

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# *Financial Statements*

**City of Tacoma  
Public Works Department  
Fleet Services Division  
Statements of Net Position (Unaudited)**

	September 30,		Increase
	2013	2012	(Decrease)
<b>ASSETS</b>			
Current assets :			
Cash and equity in pooled investments:			
Operating Fund	\$ 1,332,618	\$ 988,828	\$ 343,790
Capital Outlay Non-General Fund	3,909,442	3,859,017	50,425
Capital Outlay General Fund	117,742	-	117,742
Total cash and equity in pooled investments	<u>5,359,802</u>	<u>4,847,845</u>	511,957
Accounts receivable	41,574	46,802	(5,228)
Inventories	398,058	399,816	(1,758)
Prepaid items	37,786	32,981	4,805
GASB 31 market rate adjustment	32,829	26,596	6,233
Total current assets	<u>5,870,049</u>	<u>5,354,040</u>	516,009
Noncurrent assets:			
Operating Fund capital assets:			
Buildings	3,471,693	3,471,693	-
Equipment	366,957	368,385	(1,428)
Less accumulated depreciation	<u>(1,299,736)</u>	<u>(1,164,077)</u>	<u>(135,659)</u>
Assets in service, net	<u>2,538,914</u>	<u>2,676,001</u>	<u>(137,087)</u>
Total Operating Fund capital assets	<u>2,538,914</u>	<u>2,676,001</u>	<u>(137,087)</u>
Capital assets leased to others:			
Equipment	43,972,880	43,252,068	720,812
EV charging stations	118,756	118,756	-
Purchased equipment not yet in service	1,578,778	2,207,140	(628,362)
Less accumulated depreciation	<u>(29,800,643)</u>	<u>(28,674,459)</u>	<u>(1,126,184)</u>
Total capital assets leased to others	<u>15,869,771</u>	<u>16,903,505</u>	<u>(1,033,734)</u>
Total noncurrent assets	<u>18,408,685</u>	<u>19,579,506</u>	<u>(1,170,821)</u>
Total assets	<u>\$ 24,278,734</u>	<u>\$ 24,933,546</u>	<u>\$ (654,812)</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 113,243	\$ 265,966	\$ (152,723)
Accrued wages and benefits payable	71,424	63,046	8,378
Compensated absences	22,596	12,384	10,212
Accrued taxes payable	2,587	3,652	(1,065)
Total current liabilities	<u>209,850</u>	<u>345,048</u>	<u>(135,198)</u>
Noncurrent liabilities:			
Compensated absences	<u>203,366</u>	<u>235,298</u>	<u>(31,932)</u>
Total noncurrent liabilities	<u>203,366</u>	<u>235,298</u>	<u>(31,932)</u>
Total liabilities	<u>413,216</u>	<u>580,346</u>	<u>(167,130)</u>
<b>NET POSITION</b>			
Invested in capital assets	18,408,685	19,579,506	(1,170,821)
Unrestricted	5,456,833	4,773,694	683,139
Total net position	<u>23,865,518</u>	<u>24,353,200</u>	<u>(487,682)</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 24,278,734</u>	<u>\$ 24,933,546</u>	<u>\$ (654,812)</u>

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

**City of Tacoma**  
**Public Works Department**  
**Fleet Services Division**  
**Statements of Revenues, Expenses, and Changes in Net Position (Unaudited)**

	Month of September		Year-to-Date September		Increase (Decrease)	% CHG
	2013	2012	2013	2012		
<b>OPERATING REVENUES</b>						
Administrative revenue	\$ 118,335	\$ 88,196	\$ 1,059,209	\$ 801,275	\$ 257,934	32%
Lease revenue	80,837	74,633	699,133	668,717	30,416	5%
Fuel revenue	9,991	10,934	93,180	101,130	(7,950)	(8%)
Vendor repair revenue	7,548	4,099	58,876	44,735	14,141	32%
Services and repairs revenue	294,581	341,510	2,735,513	3,271,250	(535,737)	(16%)
Parts revenue	41,988	39,405	405,769	410,483	(4,714)	(1%)
Full service maintenance revenue	160,269	166,448	1,447,633	1,503,323	(55,690)	(4%)
Total operating revenues	<u>713,549</u>	<u>725,225</u>	<u>6,499,313</u>	<u>6,800,913</u>	<u>(301,600)</u>	<u>(4%)</u>
<b>OPERATING EXPENSES</b>						
Depreciation	254,126	255,927	2,267,499	2,282,396	(14,897)	(1%)
Shop operation expenses	441,423	449,841	3,959,076	4,683,186	(724,110)	(15%)
Parts sales expenses	42,683	47,999	413,998	430,670	(16,672)	(4%)
Fuel sales expenses	4,521	3,113	33,554	11,118	22,436	202%
General and administration expenses	109,335	87,491	1,079,986	785,518	294,468	37%
Total operating expenses	<u>852,088</u>	<u>844,371</u>	<u>7,754,113</u>	<u>8,192,888</u>	<u>(438,775)</u>	<u>(5%)</u>
Operating income (loss)	<u>(138,539)</u>	<u>(119,146)</u>	<u>(1,254,800)</u>	<u>(1,391,975)</u>	<u>137,175</u>	<u>(10%)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest earned on pooled investments:						
- Operating Fund	835	1,208	8,227	10,281	(2,054)	(20%)
- Capital Outlay Funds	2,918	4,956	30,469	51,005	(20,536)	(40%)
Gain(loss) on disposal of capital assets	-	-	(6,826)	(1,196)	(5,630)	471%
Cash proceeds from sale of capital assets	-	-	200,625	33,550	167,075	498%
Miscellaneous nonoperating income (expense)	-	-	-	(1,373)	1,373	(100%)
Cash proceeds from miscellaneous sales	795	-	2,635	-	2,635	N/A
Total nonoperating revenues	<u>4,548</u>	<u>6,164</u>	<u>235,130</u>	<u>92,267</u>	<u>142,863</u>	<u>155%</u>
<b>CHANGE IN NET POSITION</b>						
Income (loss) before contributions/transfers	(133,991)	(112,982)	(1,019,670)	(1,299,708)	280,038	(22%)
Contribution for purchase of capital assets	-	15,290	772,772	1,745,020	(972,248)	(56%)
Contribution from (to) other funds	(7,708)	7,708	(7,708)	60,810	(68,518)	(113%)
Transfers from other funds - cash	-	-	10,681	-	10,681	N/A
Change in net position	<u>\$ (141,699)</u>	<u>\$ (89,984)</u>	<u>(243,925)</u>	<u>506,122</u>	<u>(750,047)</u>	<u>(148%)</u>
Total net position - beginning			<u>24,109,443</u>	<u>23,847,078</u>	<u>262,365</u>	<u>1%</u>
Total net position - ending			<u>\$ 23,865,518</u>	<u>\$ 24,353,200</u>	<u>\$ (487,682)</u>	<u>(2%)</u>

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

**City of Tacoma**  
**Public Works Department**  
**Fleet Services Division**  
**Statements of Cash Flows (Unaudited)**

	Year-to-Date 2013	September 2012	Increase (Decrease)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 6,553,697	\$ 7,648,832	\$ (1,095,135)
Payments to suppliers	(2,412,102)	(2,532,816)	120,714
Payments to employees	(3,176,667)	(3,609,049)	432,382
Net cash provided (used) by operating activities	<u>964,928</u>	<u>1,506,967</u>	<u>(542,039)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Contribution from (to) other funds	(7,708)	60,810	(68,518)
Net cash provided (used) by noncapital and related financing activities	<u>(7,708)</u>	<u>60,810</u>	<u>(68,518)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(1,425,211)	(2,319,780)	894,569
Cash proceeds from sale of capital assets	200,625	33,550	167,075
Cash transferred from (to) other funds	10,681	-	10,681
Contribution in aid of capital assets	772,772	1,745,020	(972,248)
Net cash provided (used) by capital and related financing activities	<u>(441,133)</u>	<u>(541,210)</u>	<u>100,077</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	38,696	61,286	(22,590)
GASB Market rate adjustment	(32,829)	(26,596)	(6,233)
Miscellaneous non-operating income	2,635	-	2,635
Net cash provided (used) by investing activities	<u>8,502</u>	<u>34,690</u>	<u>(26,188)</u>
Net increase (decrease) in cash and equity in pooled investments	524,589	1,061,257	(536,668)
Cash and equity in pooled investments - beginning	<u>4,835,213</u>	<u>3,786,588</u>	<u>1,048,625</u>
Cash and equity in pooled investments - ending	<u>\$ 5,359,802</u>	<u>\$ 4,847,845</u>	<u>\$ 511,957</u>

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

**City of Tacoma  
Public Works Department  
Fleet Services Division  
Statements of Cash Flows (Unaudited)**

	<u>Year-to-Date</u> <u>2013</u>	<u>September</u> <u>2012</u>	<u>Increase</u> <u>(Decrease)</u>
<b>Reconciliation of cash and equity in pooled investments to balance sheet:</b>			
Cash and equity in pooled investments:			
Operating Fund	\$ 1,332,618	\$ 988,828	\$ 343,790
Capital Outlay Non-General Fund	3,909,442	3,859,017	50,425
Capital Outlay General Fund	117,742	-	117,742
	<u>\$ 5,359,802</u>	<u>\$ 4,847,845</u>	<u>\$ 511,957</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (expense)	<u>\$ (1,254,800)</u>	<u>\$ (1,391,975)</u>	<u>\$ 137,175</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	2,267,499	2,282,396	(14,897)
Change in assets and liabilities:			
Accounts receivable	15,768	8,231	7,537
Prepaid expenses	(14,195)	(12,224)	(1,971)
Supplies inventory	1,686	39,554	(37,868)
Due from other funds	39,591	839,900	(800,309)
Due to other funds	(66,042)	(76,535)	10,493
Accounts payable	23,089	(102,865)	125,954
Accrued wages and compensated absences	(46,693)	(79,303)	32,610
Accrued taxes payable	(975)	(212)	(763)
Total adjustments	<u>2,219,728</u>	<u>2,898,942</u>	<u>(679,214)</u>
Net cash provided (used) by operating activities	<u>\$ 964,928</u>	<u>\$ 1,506,967</u>	<u>\$ (542,039)</u>

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

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