

Washington State Auditor's Office
Financial Statements Audit Report

King County Ferry District

Audit Period
January 1, 2008 through December 31, 2008

Report No. 1002566

Issue Date
December 7, 2009



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

December 7, 2009

Board of Supervisors
King County Ferry District
Seattle, Washington

Report on Financial Statements

Please find attached our report on the King County Ferry District's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Table of Contents

**King County Ferry District
January 1, 2008 through December 31, 2008**

Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters in Accordance with *Government Auditing
Standards*.....1

Independent Auditor’s Report on Financial Statements.....3

Financial Section.....5

**Independent Auditor's Report on Internal
Control over Financial Reporting and on
Compliance and Other Matters in Accordance
with *Government Auditing Standards***

**King County Ferry District
January 1, 2008 through December 31, 2008**

Board of Supervisors
King County Ferry District
Seattle, Washington

We have audited the basic financial statements of the King County Ferry District, King County, Washington, as of and for the year ended December 31, 2008, and have issued our report thereon dated October 15, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management and the Board of Supervisors. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

October 15, 2009

Independent Auditor's Report on Financial Statements

**King County Ferry District
January 1, 2008 through December 31, 2008**

Board of Supervisors
King County Ferry District
Seattle, Washington

We have audited the accompanying basic financial statements of the King County Ferry District, King County, Washington, as of and for the year ended December 31, 2008, as listed on page 5. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the King County Ferry District, as of December 31, 2008, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and the last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

October 15, 2009

Financial Section

**King County Ferry District
January 1, 2008 through December 31, 2008**

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2008

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2008

Statement of Revenues, Expenses and Changes in Net Assets – 2008

Statement of Cash Flows – 2008

Notes to Financial Statements – 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the King County Ferry District (the District) for the fiscal year ended December 31, 2008. As this information is presented in summary form, it should be read in conjunction with the financial statements and footnotes as a whole.

The District was established in April 2007 to provide passenger-only ferry services to King County residents. The District currently consists solely of its governing body, King County Council. The District contracts with a management consultant to oversee the District's operations and represent the District on behalf of the governing body. To provide ferry services, the District contracts with King County Marine Division, utilizing King County's technical expertise and personnel, to manage the existing routes and develop future routes in the Puget Sound area.

Financial Highlights

The District started levying property taxes and operating ferry services in January 2008. The District's financial statements have reflected its first year operating revenues and expenses as well as non-operating revenues and expenses.

- Total fare box revenues from two existing ferry routes was \$419,108 for 2008.
- Total operating expenses was \$2,805,712 for 2008.
- Non-operating revenues consist of property taxes, investment interests and state forest timber sales. Property taxes are the District's major revenue source. Total property tax revenues levied was \$18,626,299 for 2008.
- Total net assets at December 31, 2008 was \$16,590,594.

Overview of the Financial Statements

The District's financial statements are prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The 2008 financial statements are presented using the economic resource measurement focus and accrual basis of accounting. As the District comprises a single proprietary fund, no fund level financial statements are shown.

In accordance with GAAP, all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of the District are included in the Balance Sheet. The financial statements provide both long-term and short-term information about the District's overall financial status as well as the District's net assets. The amount of net assets is the difference between assets and liabilities, and over time may serve as a useful indicator of the District's financial position. The financial statements also include footnotes that provide additional information that is essential to a full understanding of the information provided.

Balance Sheet	
Cash and Investments	\$ 17,687,049
Taxes Receivables	343,882
Construction in Progress	114,828
Total Assets	\$ 18,145,759
Accounts Payable	\$ 1,555,165
Total Liabilities	1,555,165
Invested in Capital Assets, Net of Related Debt	114,828
Net assets, Unrestricted	16,475,766
Total Net Assets	16,590,594
Total Liabilities and Net Assets	\$ 18,145,759

The Balance Sheet represents assets, liabilities and net assets. The total assets of the District were \$18,145,759 at December 31, 2008, including cash and investments \$17,687,049, taxes receivables of \$343,882, and construction in progress of \$114,828. The total liabilities of \$1,555,165 were current payables to vendors and contractors. The total net assets was \$16,590,594, including invested in capital assets, net of related debt of \$114,828 and unrestricted net assets of \$16,475,766 for the District's operations.

Statement of Revenues, Expenses and Changes in Net Assets	
Operating Revenues	\$ 421,584
Operating Expenses	2,805,712
Net Loss from Operations	(2,384,128)
Non-operating Revenues	18,984,991
Non-operating Expenses	10,269
Net Income from Non-operating	18,974,722
Change in Net Assets	\$ 16,590,594

Operating revenues are farebox revenues earned from ferry services provided to passengers and other revenues from advertising and promotions. Operating expenses includes leased ferry services of \$1,189,226 from Argosy and Washington State Ferries, contracted labor of \$527,800 from King County Marine Division, professional fees \$693,314, fuel costs \$292,384 and other operating expenses \$102,988. The District had an operating loss of \$2,384,128 for 2008.

Non-operating revenues consist of property taxes, investment interest income, and state forest timber sales tax. The total non-operating revenues were \$18,984,991, including property taxes of \$18,626,299.

Economic Factors and Next Year's Budget

The District's property taxes assessed for 2009 amounted to \$19,330,214, a rate of \$0.05018 per thousand of assessed value. The economic recession may have adverse impacts on the District's tax collections. Economic forecasts predict that the King County economy will remain in recession throughout much of 2009. The District has estimated total property tax receipts of \$18,670,310 for 2009.

The District has projected significant capital acquisitions, improvements and constructions in 2009. Total costs for the capital projects of \$10,123,917 have been budgeted. The District has also budgeted \$5,667,653 for ferry operating costs and \$969,500 for other operating expenditures.

**KING COUNTY FERRY DISTRICT
BALANCE SHEET
DECEMBER 31, 2008**

King County Ferry District
Balance Sheet
31-Dec-08

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Notes 1 and 2)	\$	17,687,049
Taxes receivable (Notes 1 and 3)		343,882
Total current assets		18,030,931
NON-CURRENT ASSETS		
Construction in progress (Note 1)		114,828
Total non-current assets		114,828
TOTAL ASSETS	\$	18,145,759
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$	1,555,165
Total current liabilities		1,555,165
Total liabilities		1,555,165
NET ASSETS (Note 1)		
Invested in capital assets, net of related debt		114,828
Unrestricted net assets		16,475,766
Total net assets		16,590,594
TOTAL LIABILITIES & NET ASSETS	\$	18,145,759

See Notes to Financial Statements

**KING COUNTY FERRY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

King County Ferry District
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2008

OPERATING REVENUES		
Farebox revenue	\$	419,108
Advertising revenue		2,476
Total operating revenues		421,584
OPERATING EXPENSES		
Ferry operating services		1,189,226
Professional fees		693,314
Contract labor		527,800
Fuel costs		292,384
Other operating expenses		102,988
Total operating expenses		2,805,712
Net loss from operations		(2,384,128)
NON-OPERATING REVENUES (EXPENSES)		
Property taxes (Note 3)		18,626,299
Interest income		231,010
State forest timber sales		127,682
Investment expenses		(10,269)
Total non-operating revenues, net		18,974,722
CHANGES IN NET ASSETS		16,590,594
NET ASSETS, BEGINNING OF THE YEAR		-
NET ASSETS, END OF THE YEAR	\$	16,590,594

See Notes to Financial Statements

**KING COUNTY FERRY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

**King County Ferry District
Statement of Cash Flows
For the Year Ended December 31, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from fares	\$ 419,108
Cash receipts from advertising	2,479
Payments to suppliers	(1,250,548)
Net cash used by operating activities	(828,961)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Taxes received	18,282,417
Cash receipts from state forest timber sales	127,682
Net cash provided by non-capital financing activities	18,410,099
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital expenditures	(114,828)
Net cash provided by capital and related financing activities	(114,828)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	231,010
Investment expenses	(10,269)
Net cash provided by capital and related financing activities	220,741
NET INCREASE IN CASH AND INVESTMENTS	17,687,051
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	-
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 17,687,051
Reconciliation of Operating Loss to Net Cash Flows Used By Operating Activities	
Operating Loss	(2,384,128)
Changes in assets and liabilities	
Accounts payable	1,555,165
Net Cash Used by Operating Activities	(828,961)

See Notes to Financial Statements

**KING COUNTY FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

As authorized under the Revised Code of Washington (RCW) 36.54.110, King County Ferry District (the District) was established in April 2007 to expand transportation options for King County residents by providing passenger ferry and connecting shuttle service. As a municipal corporation and independent taxing authority, the King County Ferry District is eligible to receive federal, state, and local funds for carrying out its mission and providing transportation services.

The District currently consists of its governing body, King County Council acting ex officio and independently. The District contracts with a management consultant as Executive Director who oversees overall ferry operations and represents the Ferry District on behalf of the governing body.

To fulfill the District's mission, the District and King County entered into an inter-local agreement that King County Marine Division which provides the necessary staffing to operate the two existing water taxi services – West Seattle/Downtown Seattle and Vashon Island/Downtown Seattle, and implement additional routes across Lake Washington and Puget Sound.

The District is a special purpose government. Property taxes and passenger fares are its major revenue sources. King County is reporting the District as a component unit in its financial statements. However, the District, as a separate legal entity, has legal and administrative authority over all its resources. The District has no component units that it is responsible to include in these financial statements.

Financial Presentation and Basis of Accounting

The District is a single enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and methods prescribed by the State Auditor under authority of RCW 43.09 for proprietary funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. All applicable GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) statements and interpretations have been applied, except for those FASB statements and interpretations that contradict GASB pronouncements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

**KING COUNTY FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The King County treasurer acts as custodian for the District's cash accounts, and all cash balances are invested in the King County Investment Pool (the Pool). The Pool functions as a demand deposit account where the District receives an allocation of its proportionate share of pooled earnings. Interest earnings distributed to the District are used for the District's operations.

Taxes Receivable and Deferred Revenue

Uncollected property taxes levied for the current year are recorded on the balance sheet as taxes receivable and revenue. Collectability of property taxes is reviewed and the provisions for uncollectible receivables are estimated based on an analysis of the year-end receivable balance and/or the historical rate of uncollectability.

Capital Assets

Capital assets are stated at cost or estimated historical cost where actual historical cost is not available. Donated capital assets are stated at the fair value on the date of donation. Expenditures for additions and improvements with a value in excess of \$5,000 and a useful life of more than one year are capitalized. Expenditures for maintenance, repairs and minor improvements are charged to operations as incurred. Depreciation of capital assets is recorded using the straight-line method over the estimated useful lives of the assets.

Construction in Progress

During 2008, the District began the development of terminal facilities and the Seacrest dock. The costs incurred and capitalized were \$38,633 for terminal facilities and \$76,195 for the Seacrest dock for the period ended December 31, 2008. The Seacrest dock is owned by the City of Seattle and the District is in process of finalizing an agreement with the City of Seattle for the long-term use of the Seacrest dock.

Net Assets

Net assets comprise the various net earnings from operating revenue, non-operating revenue, expenses and capital contributions. Net assets are classified in the following three components:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

**KING COUNTY FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted – This component of net assets consists of external constraints imposed by creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net assets. The District had no restricted net assets as of December 31, 2008.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Revenue and Expense Classification

The District distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing passenger services in connection with the District’s principal ongoing operations. The principal operating revenues are passenger fare. The operating expenses include contract labor costs, consulting fees, leases, supplies and other expenses related to delivery of ferry services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When an expenses is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District’s policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Income Tax

As a public governmental corporation, the District is exempt from federal income taxes.

Environmental Remediation Obligations

Environmental remediation activities are reviewed routinely to determine if an obligating event, as defined by GASB statement No. 49, *Accounting for and Financial Reporting for Pollution Remediation Obligations*, has occurred, when the liability should be accrued and whether the cost should be expensed or capitalized. The District had no environmental remediation obligations as of December 31, 2008.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**KING COUNTY FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 2 - CASH AND CASH EQUIVALENTS

The District's cash balances not required for immediate expenditures are invested in the King County Investment Pool (the Pool). The Pool functions as a demand deposit account. As of December 31, 2008, the District had total cash and cash equivalents of \$17,687,049.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2008, the Pool's average duration was 0.48 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains or losses are not distributed. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. As of December 31, 2008, the District's investments in the Pool were not rated by a nationally recognized statistical rating organization (NRSPO). In January 2008, the rating of the King County Investment pool was temporarily suspended by Standard & Poor's pending further information being available on the outcome of restructuring proposals associated with each impaired investment. Standard & Poor's took this action because they were not able to receive timely information about the impaired investments due to the confidential nature of the various enforcement events and related restructuring proceedings. In compliance with state statutes, the Pool is authorized to invest in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Impaired Investments – As of September 1, 2008, impaired commercial paper assets were removed from the main King County Investment Pool and placed into an impaired investment pool. As of December 31, 2008, the King County impaired investment pool held one commercial paper asset that is impaired and part of an enforcement event where a trustee or receiver is appointed to determine the best options for selling assets and/or restructuring the portfolios; and the residual investments in four commercial paper assets that were part of completed enforcement events. The District did not have any impaired investments at December 31, 2008.

**KING COUNTY FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 - PROPERTY TAXATION

The District is authorized to levy property taxes beginning January 1, 2008 to fund ferry-related services and capital projects. The King County Assessor determines the tax levied against each property in each taxing district. In 2008, the District levied property tax by a rate 5.5 cent per thousand of assessed value.

The King County Treasury Operation Section Manager is responsible for billing and collecting taxes. All taxes are due and payable on April 30 of each year, but if the amount due from a taxpayer exceeds fifty dollars, one-half may be paid then and the balance no later than October 31 of that year. All taxes collected are distributed to the District and kept in the custody of the King County Treasury Division.

Property taxes are recognized as revenue in the year for which they are levied. Total property taxes levied in 2008 were \$18,626,299 and taxes receivable were \$343,882 as of December 31, 2008. The District determined no allowance for uncollectible was necessary at December 31, 2008

NOTE 4 - RISK MANAGEMENT

The District's is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, natural disasters, etc. The District manages the risks with assistance from King County Risk Management Office in order to reduce the exposure from liability and accidental loss of property and human resources. Insurance procured from insurance companies by the Risk Management Office are reimbursed by the District. Insurance handled through the King County self-insured fund are billed to the District as are payments to insurance carriers. Claim payments made up to the deductible limit are expensed by the District when paid by the Risk Management Office.

The District has public official liability, general liability, employment practices and auto liability insurance coverage for the Board of Supervisors, through Enduris with no aggregate limit per member. The District also participates in the King County insurance programs for liability insurance with a general aggregate limit of \$50,000,000, a hull and machinery insurance coverage up to \$2,150,000, a protection and indemnity coverage up to \$50,000,000, coverage for mortgagee's interest in the amount of \$2,150,000 for the vessel and up to \$5,000,000 for pollution liability insurance.

**KING COUNTY FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 5 - COMMITMENT AND CONTINGENCIES

Interlocal Government Agreements – In April 2008, the District entered into an agreement with King County for managing operations of the passenger-only ferry services, the Vashon Passenger Ferry and Elliott Bay Water Taxi services. The agreement remains in effect until December 31, 2010 with an option of 2 year extension. The District pays the County for all actual incurred costs for providing the services under this agreement such as direct labor, employment benefits, materials and supplies, subcontractors and capital acquisitions as well as administrative overhead costs for the services provided by County employees to the District.

Water Taxi Services Agreement – On behalf of the District, King County contracted with Argosy LP to provide 2008 water taxi services on Elliott Bay. Costs of water taxi services are funded by the District. Compensation to the Argosy for using the vessels to operate the water taxi at the daily rates established in the agreement. The share of the fare box revenues is deducted from the monthly amount owed Argosy for the operation of the water taxi services.

Seattle – Vashon Island Passenger-only Ferry Route Agreement – Effective July 1, 2008, the District becomes financially responsible for the existing Seattle – Vashon Island route. On behalf of the District, King County contracts with Washington State Department of Transportation, Ferries Division (WSF) for operating the vessels and terminals through June 30, 2009. The original agreement was amended on June 16, 2009 to extend the term through September 25, 2009. A provision of this agreement calls WSF to dedicate at least \$350,000 in appropriations to capital improvement projects for the Seattle – Vashon route terminals. The District is obligated to pay for actual costs incurred for management, operation and maintenance of the Seattle – Vashon route, including direct costs and indirect costs allocated in WSF's standard budget process. The maximum compensation amount is \$3,000,000 stated in this agreement.

Executive Director Services Agreement – In May 2008, the District contracted with Lund Consulting, Inc for executive director services, such as oversee work progress of Marine Division, conduct research and policy analysis, and coordinate with Puget Sound Regional Council, City, and State on passenger ferry policy. Subsequently in April 2009, the scope of executive director services was amended and the contract was extended to December 2009. The compensation is based on hourly rates set forth in the agreement in an amount not to exceed \$580,000 as amended. In addition, the District contracted with Lund Consulting for special project services.

**KING COUNTY FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 6 - SUBSEQUENT EVENT

The Washington State Legislator gave King County the authority to increase the property tax for Metro Transit. As a result, the County Council, the County Executive and the Ferry District Board of Supervisors are discussing the prospect of reducing the District's taxing capacity by the equivalent of 4.5 cents, so that Metro Transit may use its increased taxing authority with no increased burden to the public. This reduction in amount levied by the District would result in reduction in anticipated costs to match the reduced funding and current available fund balance.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

State Auditor
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Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
Local Government Liaison
Communications Director
Public Records Officer
Main number
Toll-free Citizen Hotline

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Ted Rutt
Doug Cochran
Jerry Pugnetti
Chuck Pfeil, CPA
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