

# Whatcom County Ferry Fund

Accounting Issues

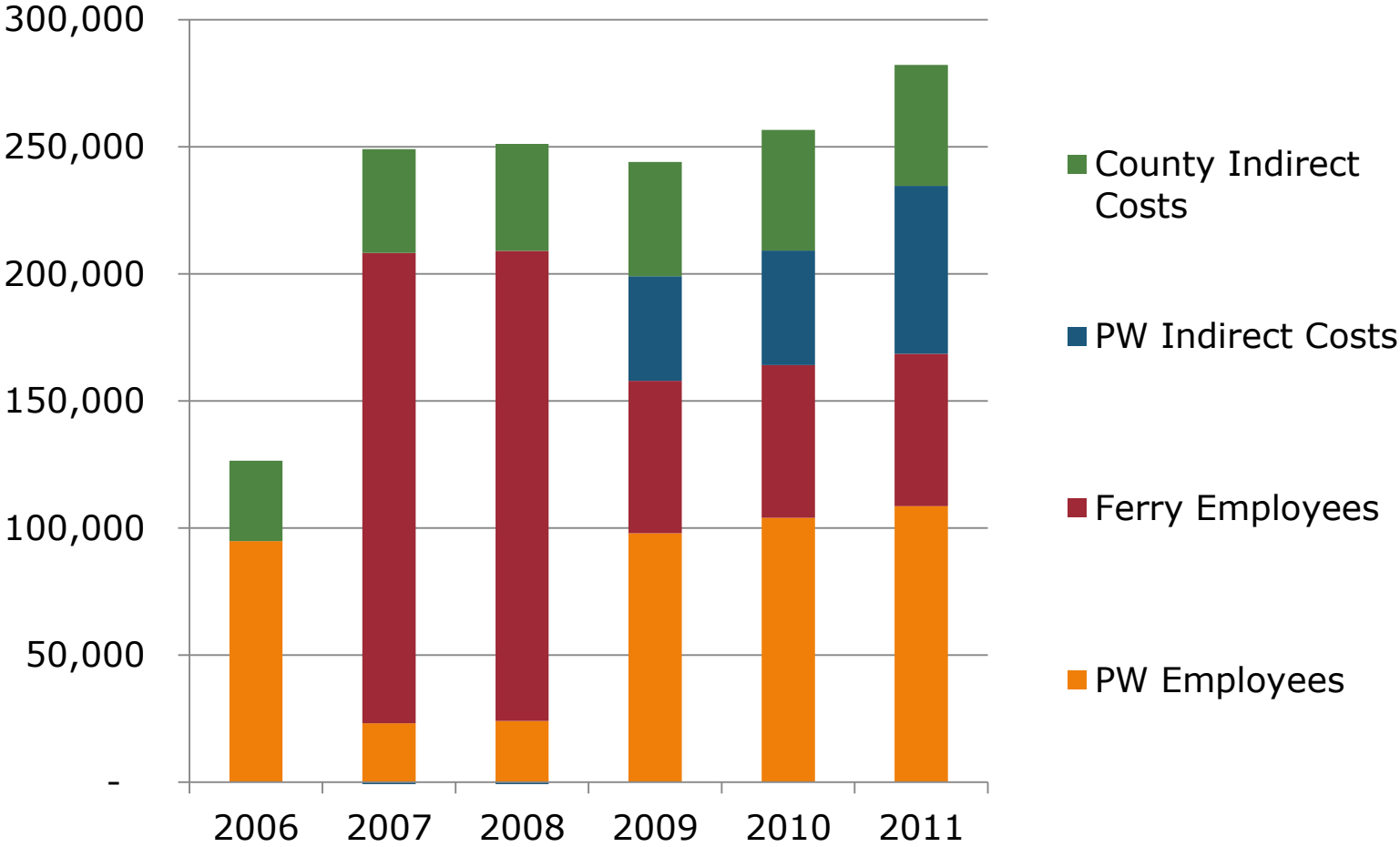
- Cost Allocations
- Expense vs Capital
- MVFT Accounting
- Revenue Accounting
- Interest Income
- Cash Reserves
- Conclusions

## Accounting Overview

- Late adoption of proper cost allocations means under allocation of costs in earlier years:
  - WCPW began to fully allocate costs to ferry in 2007
  - County began to fully allocate costs to WCPW in 2008
  - In 2011, County allocated additional costs to WCPW and WCPW allocated increased allocations across its cost centers
- Allocations are now consistent with best practices and are reasonable and consistent within Whatcom County Public Works.
- Comparative estimate of a “stand alone” operation:
  - 3 administrative personnel (Mgr, Accountant/HR/Benefits, Clerical) for about \$300,000.
  - Other overhead costs would cost \$150,000 for a total of \$450,000 overhead.
  - Total WCPW 2010 Ferry Administrative cost is almost \$300,000.

## Cost Allocation Practices

# Ferry Administrative Costs



- Director and Accounting Supervisor costs are high:
  - Driven by lease negotiations and ferry fare projections
  - Stability and technology could reduce these allocations
- Safety Tech is high
  - Standards indicate Ferry should have .1 Safety FTE, not the .25 allocated.
  - Shared Services or outsourcing may reduce costs
  - This position also investigates accidents (17 in 2010)
- Clerical costs could be mitigated by expanded use of technology and alternate business practices:
  - Outsource ticket sales
  - Sell tickets on the Web
  - Web FAQs may reduce phone inquiries

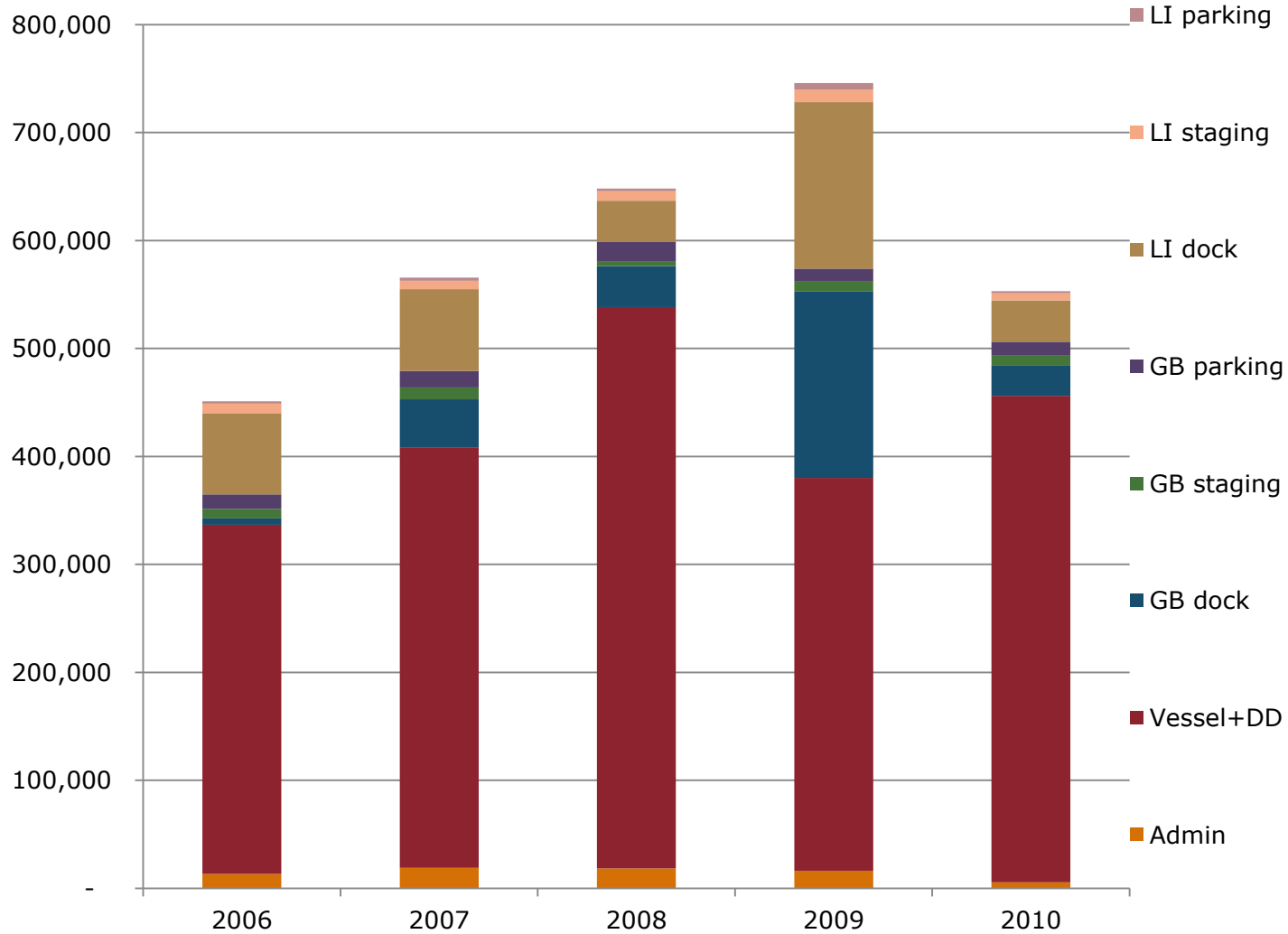
## **Administrative Cost Opportunities**

- Relevance: R&M is expensed & partially recovered through fares. Capital is borne 100% by the Road Fund.
- High R&M costs have invited the question: “Should these costs be capitalized?”
- Detailed analysis shows that the Ferry Fund accounting practices comply with GAAP, promulgating authorities, and other accounting guidance.

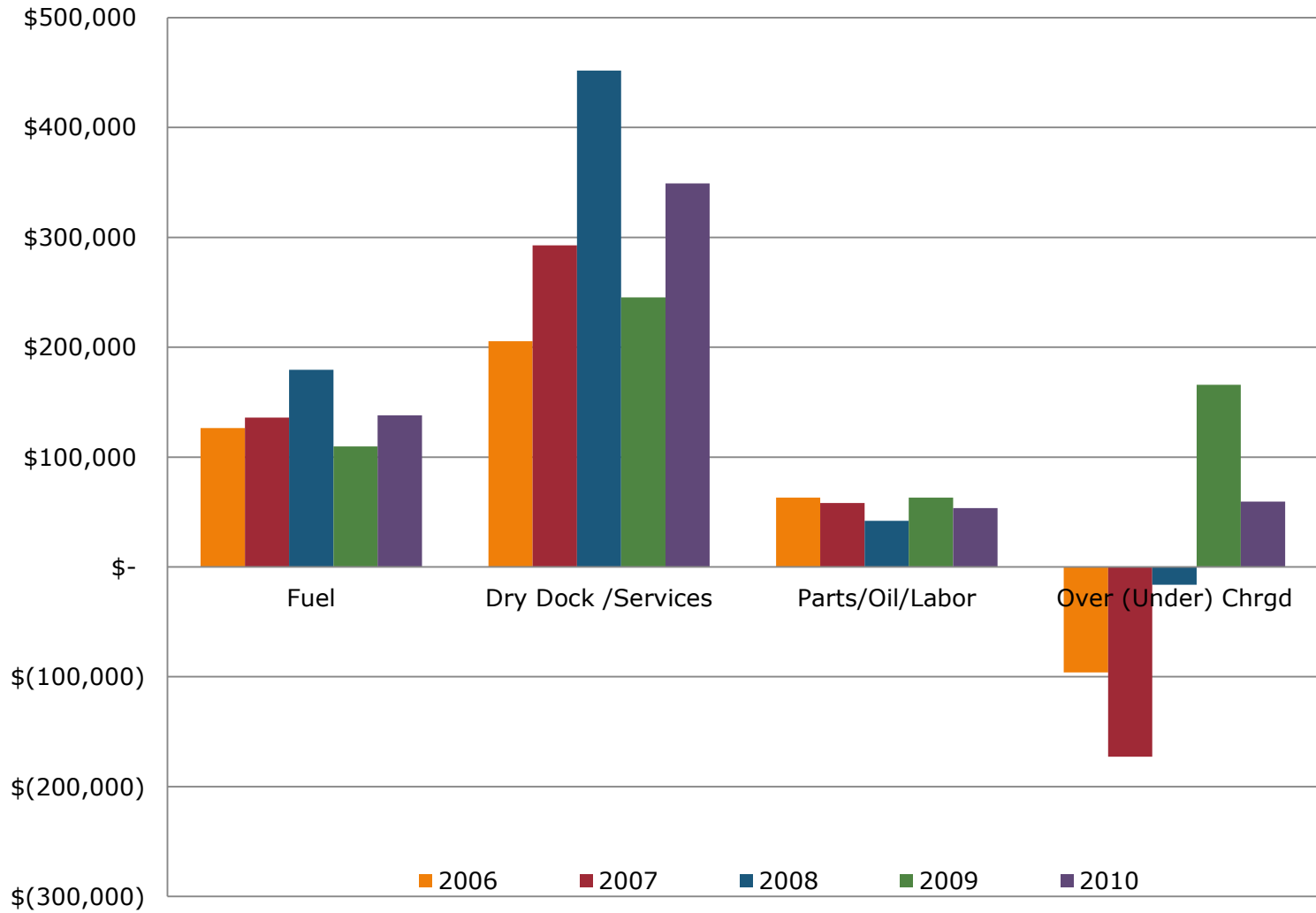
## **Repair & Maintenance (R&M) Expense or Capital?**

# Repair & Maintenance Expense

By Asset



# Charges from ERR Fund





Dock repair and maintenance costs are correctly included in the Ferry Fund, in accordance with RCWs, CRAB guidelines, and practices of other county ferries.

**Dock R&M**

- Two MVFT revenue sources:
  - MVFT Revenue attributable to ferry system (wrapped into Road Fund)
  - MVFT Deficit Funding (Dedicated revenue)
- Accounting impacts fare box calculation.
- No clear guidance has been provided at a county level regarding inclusion of MVFT attributable to ferry operations

## Motor Vehicle Fuel Tax Accounting

Current accounting records revenue at net:

$$\text{Gross} - \text{Discounts} = \text{Revenue}$$

Recording at gross and recording discounts would provide better information and compliance with best accounting practices and guidelines.

## Revenue Accounting

More cash soonest = More Interest Income

Cash should be transferred as often and as quickly as possible to the Ferry Fund (from receivables) in order to earn more interest income. Interest income is negligible today, however, this practice could contribute additional revenue when interest rates increase.

**Interest Income**

- Establish a Cash Reserve Policy in accordance with on 2011 GFOA Best Practice. Incorporate this into the budget/rate setting process.
- It is impossible for even a knowledgeable reader to understand and analyze the ferry financials as currently published:
  - Modify reporting to reflect type of expenditure instead of expenditure fund source.
  - Explore the ERR charge methodology. This is a material expense in the ferry fund (fuel and dry dock expense). Reporting and accounting transparency would be enhanced if these charges were disclosed in ferry fund financials.
  - Explore the transfer of ferry assets to the ferry fund, for accounting purposes. This will enable users to see all ferry related assets, liabilities, revenue, and expense clearly for the enterprise fund.

## Other Accounting Practices

- Accounting is generally in accordance with GAAP and best practices.
- Reporting transparency should be enhanced.
- Is the Ferry Fund truly an Enterprise Fund?
  - Accounting and business treatment
  - Proper accounting location of operating assets (ferry, docks, etc).
- Explore alternate fare box recovery formulas.

## Conclusions

The following papers, including promulgating authorities, best practices, and other accounting authority incorporate the data supporting this presentation :

- Cost Allocations
- Whatcom County Ferry Fund: Accounting for Expenses vs Capital
- Revenue Recognition Summary
- Motor Vehicle Fuel Tax and the Ferry Fund
- Docks

## Supporting Papers

(written by Patricia Dunn, CPA)