

**THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
TACOMA NARROWS BRIDGE ACCOUNT
STATE FISCAL YEAR 2016, QUARTER ENDED MARCH 31, 2016**

	NOTES	JULY THROUGH SEPT	OCT THROUGH DEC	JAN THROUGH MAR	YEAR-TO-DATE
REVENUES					
Tolling revenue	1	\$ 20,422,802	\$ 18,587,622	\$ 18,705,601	\$ 57,716,025
Civil penalty	2	535,339	310,682	219,821	1,065,842
Transponder sales	3	87,267	84,807	180,375	352,449
Toll vendor contractual damages	4	33,310	35,806	35,347	104,463
Toll bill reprocessing fee	5	98,413	98,647	53,886	250,946
Interest income		24,343	17,469	25,674	67,486
Miscellaneous	6	12,697	12,161	9,405	34,263
TOTAL REVENUES		<u>21,214,171</u>	<u>19,147,194</u>	<u>19,230,109</u>	<u>59,591,474</u>
EXPENDITURES					
Goods and Services					
Toll CSC operations vendor contract	7	545,865	442,975	649,905	1,638,745
Toll booth and lane vendor contract		787,717	785,484	808,414	2,381,615
Insurance	8	1,157,475	7,927	18,722	1,184,124
Credit card and bank fees		383,373	377,197	289,328	1,049,898
Transponder cost of goods sold	9	63,700	78,675	108,669	251,044
Pay-by-mail		86,150	70,900	68,076	225,126
Other	10	109,404	125,653	108,206	343,263
Total Goods and Services		<u>3,133,684</u>	<u>1,888,811</u>	<u>2,051,320</u>	<u>7,073,815</u>
Personal service contracts	11	184,495	148,510	154,512	487,517
Salaries and benefits		200,062	177,368	178,226	555,656
Civil penalty adjudication costs	12	241,243	198,012	186,538	625,793
Infrastructure maintenance and preservation	13	969	201,132	104,040	306,141
TOTAL EXPENDITURES		<u>3,760,453</u>	<u>2,613,833</u>	<u>2,674,636</u>	<u>9,048,922</u>
EXCESS OF REVENUES OVER EXPENDITURES		<u>17,453,718</u>	<u>16,533,361</u>	<u>16,555,473</u>	<u>50,542,552</u>
OTHER FINANCING USES					
Operating transfers out	14	(15,927,230)	(11,048,345)	(20,424,230)	(47,399,805)
TOTAL OTHER FINANCING USES		<u>(15,927,230)</u>	<u>(11,048,345)</u>	<u>(20,424,230)</u>	<u>(47,399,805)</u>
NET CHANGE IN FUND BALANCE		1,526,488	5,485,016	(3,868,757)	3,142,747
FUND BALANCE - BEGINNING		<u>14,083,465</u>	<u>15,609,953</u>	<u>21,094,969</u>	<u>14,083,465</u>
FUND BALANCE - ENDING		<u>\$ 15,609,953</u>	<u>\$ 21,094,969</u>	<u>\$ 17,226,212</u>	<u>\$ 17,226,212</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
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Tolling Subsidiary Accounting System – Repeat independent audits have determined that the tolling subsidiary accounting system for WSDOT, which is managed by a contracted service organization, contains weaknesses in internal controls. The most recent audit showed that some of the deficiencies identified in previous audits have been remediated, resulting in improved internal controls. The Toll Division continues to work with our service organization to remediate the remaining deficiencies. WSDOT is committed to the highest standard of transactional and financial accountability for the citizens of Washington State.

Motor Vehicle Account (MVA) Obligation – In 2005-07, as tolling began on the Tacoma Narrows Bridge (TNB), an operating loan of \$5,288,000 was made from the Motor Vehicle Account to capitalize the Tacoma Narrows Bridge Account (Chapter 518, Laws of 2007, Section 1005(15)). RCW 46.63.160 requires that net civil penalties deposited in the Tacoma Narrows Bridge Account must first be allocated toward repayment of the operating loan. In order to transfer the funds the State Treasurer's Office must be provided administrative transfer authority. For the 2015-17 biennium, the Legislature provided authority in Chapter 10, Laws of 2015 PV (2ESHB 1299, Section 403(6)) to transfer \$950,000.

Detailed Notes

1. **Tolling Revenue** – Revenue earned, net of any adjustments, from tolls on vehicles traveling in the eastbound direction over the TNB, which are collected at toll booths, as electronic toll accounts, or pay-by-mail.
2. **Civil Penalty Revenue** – Revenue earned when any of the following conditions exist: (a) Payment of Notice of Civil Penalty is received, or (b) Notice of Civil Penalty payment due date passes without receiving a request for an administrative hearing, or (c) an Administrative Law Judge upholds the Notice of Civil Penalty. Civil Penalty Revenue dismissals increased from \$97,736 in the 2nd quarter to \$204,080 in the 3rd quarter resulting in a 29% decrease in revenue.
3. **Transponder Sales** – Sales of transponder devices to potential and existing *Good to Go!* electronic toll account customers. Transponder Sales have increased significantly due to an increase in Transponder Sales and the transition from implementation phase allocation methodology to normal operations. During implementation of 405 Express Toll lanes revenue from Transponder Sales was allocated based on historical transponder revenue in fiscal year 2015. After the implementation phase October 2015 to December 2015, the allocation of revenue from Transponder Sales is based on transaction counts. Overall Transponder Sales has increased from \$227, 867 in the quarter ended March 31, 2015 to \$676,863 in the quarter ended March 31, 2016.
4. **Toll Vendor Contractual Damages** – Charges to ETCC for not meeting Key Performance Indicators (KPIs), totaling \$2,047, and the short-term portion of future amounts due from ETCC, totaling \$133,200.
5. **Toll Bill Reprocessing Fee Revenue** – The allocated portion of fees associated with the issuance of second toll billings. An annual review of the Toll Bill Reprocessing Fee allowance process and collectability rate resulted in an allowance rate increase from 10% to 31%.
6. **Miscellaneous Revenue** – This can include revenue for administrative and statement fees, NSF check fees, cash over, payments related to sale of surplus property, and prior period recoveries.
7. **Toll CSC Operations Vendor Contract** – Payment for monthly Customer Service Center (CSC) operations costs. CSC Operations Vendor Contract was paid by the 405 Express Toll Lane account and the Capital Program account. Cost should not have been allocated to 405 Express Toll Lanes in the 2nd quarter, an adjustment was made in the 3rd quarter to reallocate 2nd quarter cost for CSC Operations.
8. **Insurance** – Annual premium for insuring the facility and monthly insurance brokerage fee paid to the Department of Enterprise Services (DES). Insurance is overstated by \$10,795 in 3rd quarter, correction recorded in 4th quarter.
9. **Transponder Cost of Goods Sold** – Cost of purchasing, packaging, and shipping transponders. Transponder Cost of Goods Sold is directly related to Transponder Sales, as sales increase so does Transponder Cost of Goods Sold.
10. **Other Goods and Services** – Expenditures for supplies, communications, rents, repairs, outside vendor services, printing, and registered owner look up costs.
11. **Personal Service Contracts** – Expenditures for consulting services related to tolling operations and forecasting.
12. **Civil Penalty Adjudication Costs** – TNB's share of the adjudication system vendor contract with ETCC for the adjudication system module, as well as its share of supplies, communications, credit card fees, Office of Administrative Hearings costs, and salaries and benefits of WSDOT staff.
13. **Infrastructure Maintenance and Preservation** – Cost of maintenance and bridge preservation activities on TNB. Variance is a result of maintenance and preservation salary adjustment made in 2nd quarter for 1st quarter.
14. **Operating Transfers Out**– Pursuant to RCW 47.46.140, \$20,424,230 was transferred to MVA for debt service paid.