## The notes to the financial statements are an integral part of this statement.
NOTES TO THE COMBINING BALANCE SHEET  
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION  
WASHINGTON TOLLING SYSTEM  
STATE FISCAL YEAR 2015, QUARTER ENDED DECEMBER 31, 2014

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 results of the independent audits provide concern to WSDOT, and the toll division is working with our service organization to remediate the deficiencies. WSDOT is committed to the highest standard of transactional and financial accountability for the citizens of Washington State.

ETCC Critical Accounting Reports and Backlogged Reconciliations - During fiscal year 2014 and shortly thereafter, ETCC successfully remediated most of the critical accounting report defects and resubmitted all reconciliations since the inception of electronic tolling in December 2011 through the most recent fiscal year. WSDOT is reviewing the reconciliation support and is working collaboratively with ETCC to bring the reconciliations current, ensure all defects are remediated, and achieve system acceptance.

Detailed Notes
1. Accounts Receivable, net:
   (a) TNB and 520 Bridge Accounts consist primarily of: (1) Crossings where a Toll Bill has been sent to the customer via Pay-by-Mail, (2) Customer payments made by credit card which had yet to settle by December 31, (3) Crossings that are in the image review process and toll fees have yet to be transferred from customer accounts, (4) Crossings that are not viable and are awaiting dismissal, (5) and the Accounts allocated share of NSF fee, transponder sales and $5 reprocessing fee receivables
   (b) HOT Lanes Account consists of HOT Lanes allocated share of NSF fee and transponder sales receivables.
2. Notice of Civil Penalties, net - The TNB balance consists of all outstanding amounts due related to TNB notices of civil penalties and the S20 Civil Penalty balance consists of all outstanding amounts due related to S20 Bridge notices of civil penalties.
3. Due from Toll Vendor – For TNB, HOT Lanes and the 520 Bridge Account, the Due from Toll Vendor consists primarily of amounts due from the CSC operations vendor (ETCC) due to renegotiation of the CSC operations contract. For the Central Toll Account amount are due from the CSC operations vendor ETCC due to operational and system errors that have required manual corrections and have resulted in amounts due to WSDOT.
4. Consumable Inventory – Toll transponders valued at cost using the first in, first out (FIFO) method.
5. Unearned Revenue:
   (a) TNB Account - Notice of civil penalty amounts not yet recognized because the adjudication process has not been completed. Also included are amounts associated with deferrals for toll bill amounts not estimated to be collected until they become NOCP receivables, as well as amounts directly attributable to items (a) (3) and (4) described above in Note 1.
   (b) S20 Bridge Account - amounts associated with deferrals for toll bill amounts not estimated to be collected until they become NOCP receivables, as well as amounts directly attributable to items (a) (3) and (4) described above in Note 1.
   (c) S20 Civil Penalty Account – Note of civil penalty amounts not yet recognized because the adjudication process has not been completed.
   (d) Central Toll Account - amounts from customers on deposit for prepaid Good To Go! accounts. No revenue is recognized in the Central Toll Account. Funds from the prepaid accounts, held in the Central Toll Account, are transferred to the applicable toll facility when a transponder is “read” as the customers’ vehicle crosses one of the toll facilities. Until this event, the prepaid toll account balance represents a liability to the state and is owed to the customer.
6. Unclaimed Property Refund Liability – After twenty-four months of inactivity, prepaid toll accounts are closed and remaining balances, less any associated fees, are refunded to the customer. In cases where the Good To Go! vendor cannot locate the customer, WSDOT remits the prepaid toll account balance to the Department of Revenue’s Unclaimed Property Section.
7. Cancelled Warrants – When a vendor cannot be located, such as when the vendor changes addresses without notification, the original warrant (check) must be cancelled and reissued once the vendor is located.
8. Unavailable Revenue:
   (a) TNB Account - amounts associated with TNBs long-term portion of the toll vendor receivable and a real estate contract receivable. Also included are deferrals for NOCP and $5 fee receivable amounts estimated to take over 12 months to collect.
   (b) HOT Lanes Account - amounts associated with the accounts long-term portion of the toll vendor receivable.
   (c) S20 Bridge Account - amounts associated with S20s long-term portion of the toll vendor receivable. Also included are deferrals for $5 fee receivable amounts estimated to take over 12 months to collect.
   (d) S20 Civil Penalty Account – amounts associated with deferral for NOCP receivable amounts estimated to take over 12 months to collect.
9. The Unspent Bond Proceeds and Operations and Repair Restrictions – S20 Bridge Account Reserves required by the Master Bond Resolution. Additionally, fund balances are considered “restricted” if its usage is limited by creditors, other governments, or through constitutional provisions, and “committed” if usage is limited by the governing authority.