

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
THE 520 BRIDGE ACCOUNT
STATE FISCAL YEAR 2014, QUARTER ENDED MARCH 31, 2014**

	NOTES	JULY THROUGH DECEMBER	JANUARY THROUGH MARCH	YEAR-TO-DATE
REVENUES				
Tolling revenue	1	\$ 30,422,032	\$ 14,586,589	\$ 45,008,621
Debt service reimbursement (FHWA)	2	12,418,000	18,399,141	30,817,141
Transponder sales	3	253,817	114,030	367,847
Toll vendor contractual damages	4	13,067	35,721	48,788
Toll bill reprocessing fee	5	1,165,196	(23,983)	1,141,213
Interest income		132,804	103,233	236,037
Miscellaneous	6	35,444	15,762	51,206
TOTAL REVENUES		<u>44,440,360</u>	<u>33,230,493</u>	<u>77,670,853</u>
EXPENDITURES				
Goods and Services				
Toll CSC operations vendor contract		2,357,911	1,143,287	3,501,198
Toll lane vendor contract		156,416	81,970	238,386
Insurance		2,507,613	-	2,507,613
Credit card and bank fees		517,400	239,766	757,166
Transponder cost of goods sold	7	187,461	77,554	265,015
Other	8	182,784	82,178	264,962
Total Goods and Services		<u>5,909,585</u>	<u>1,624,755</u>	<u>7,534,340</u>
Personal service contracts	9	316,273	285,840	602,113
Salaries and benefits		453,248	230,089	683,337
Capital outlay - replacement bridge construction	10	<u>151,753,096</u>	<u>54,019,587</u>	<u>205,772,683</u>
TOTAL EXPENDITURES		<u>158,432,202</u>	<u>56,160,271</u>	<u>214,592,473</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES		<u>(113,991,842)</u>	<u>(22,929,778)</u>	<u>(136,921,620)</u>
OTHER FINANCING USES				
Bonds issued	11	323,883,633	-	323,883,633
Cost of investment activity	12	(883,493)	-	(883,493)
Operating transfers out - debt service	13	(13,012,488)	(6,506,244)	(19,518,732)
Operating transfers out - FHWA debt service	13	<u>(12,418,000)</u>	<u>(18,399,141)</u>	<u>(30,817,141)</u>
TOTAL OTHER FINANCING USES		<u>297,569,652</u>	<u>(24,905,385)</u>	<u>272,664,267</u>
NET CHANGE IN FUND BALANCE		183,577,810	(47,835,163)	135,742,647
FUND BALANCE - BEGINNING		<u>183,292,821</u>	<u>366,870,631</u>	<u>183,292,821</u>
FUND BALANCE - ENDING		<u><u>\$366,870,631</u></u>	<u><u>\$319,035,468</u></u>	<u><u>\$319,035,468</u></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
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
THE 520 BRIDGE ACCOUNT
STATE FISCAL YEAR 2014, QUARTER ENDED MARCH 31, 2014

Backlogged Financial Reconciliations – In December 2011 WSDOT began tolling operations on the 520 Bridge with Electronic Transaction Consultants Corporation (ETCC) as the toll vendor. The ETCC system encountered problems in the accuracy and timeliness of recording revenue and other accounting transactions. WSDOT and ETCC have investigated and corrected accounting records for known discrepancies. At this time, ETCC has not completed key reconciliations which ensure timely and accurate processing of financial transactions and accurate system reporting. Upon completion of these reconciliations, any discrepancies identified will be addressed and necessary correcting adjustments will be made.

Reports in the Subsidiary Accounting System for Tolling - WSDOT determined, through independent audits, that the tolling subsidiary accounting system for WSDOT, which is managed by a contracted service organization, contained weaknesses in internal control requiring revision to existing procedures and protocols. The results of the audit findings provide concern to WSDOT, and we will take appropriate actions to remediate the issues. WSDOT will aggressively pursue actions by our contracted service provider to remediate deficiencies identified through these independent audits, as we are committed to the highest standard of transactional and financial accountability for the citizens of Washington State.

Detailed Notes

1. **Tolling Revenue** – Revenue earned, net of any adjustments, from tolls on vehicles traveling over the 520 Bridge, which are collected by either *Good To Go!* electronic toll accounts or pay-by-mail.
2. **Debt Service Reimbursement (FHWA)** – Federal Highway Administration Revenue provided for debt service on GARVEE bonds (Series 2012F & Series 2014C). These revenues are received every six months and the associated operating transfers out (Note 13) occur at the same time.
3. **Transponder Sales** – Sales of transponder devices to new and existing *Good To Go!* electronic toll account customers.
4. **Toll Vendor Contractual Damages** – Charges to ETCC for not meeting Key Performance Indicators (KPIs), totaling \$27,854, and the short-term portion of future amounts due from ETCC, totaling \$20,934.
5. **Toll Bill Reprocessing Fee Revenue** – The allocated portion of fees associated with the issuance of second toll billings.
6. **Miscellaneous Revenue** – Revenue for administrative and statement fees, NSF check fees, cash over, payments related to sale of surplus property, and prior period recoveries.
7. **Transponder Cost of Goods Sold** – Cost of purchasing, packaging, and shipping transponders.
8. **Other Goods and Services** – Expenditures for supplies, communications, rents, repairs, services provided by outside vendors, and etc.
9. **Personal Service Contracts** – Expenditures incurred for traffic and revenue forecast consulting and CSC operations consulting.
10. **Capital Outlay** – Costs associated with construction of the new replacement 520 Floating Bridge.
11. **Bonds Issued** – The second series of GARVEE bonds (Series 2014C) were issued in September 2013.
12. **Cost of Investment Activity** – Office of State Treasurer costs associated with the bond issuance planning and management.
13. **Operating Transfers Out** – Transfers of cash to the Toll Facility Bond Retirement Account to facilitate the payment of debt service on the Series 2012C, 2012F, and 2014C bonds. The FHWA transfer out for the Series 2012F & 2014C bonds is paid by a reimbursement from FHWA (Note 2).