

COMBINING BALANCE SHEET
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
WASHINGTON TOLLING SYSTEM
STATE FISCAL YEAR 2015, QUARTER ENDED SEPTEMBER 30, 2014

| | NOTES | TNB ACCOUNT | HOT LANES ACCOUNT | 520 BRIDGE ACCOUNT | 520 CIVIL PENALTY ACCOUNT | CENTRAL TOLL ACCOUNT | TOTAL |
|--|-------|----------------------|-------------------------|--------------------------|------------------------------------|----------------------------|----------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | | \$ 10,188,714 | \$ 2,243,462 | \$151,106,476 | \$ 11,552,888 | \$ 12,835,472 | \$187,927,012 |
| Cash held with escrow agents | | - | - | 14,506,869 | - | - | 14,506,869 |
| Accounts receivable, net | 1 | 2,957,406 | 1,102 | 5,599,163 | - | - | 8,557,671 |
| Notice of civil penalties, net | 2 | 9,048,734 | - | - | 14,163,778 | - | 23,212,512 |
| Due from toll vendor | 3 | 656,344 | 39,986 | 849,039 | - | 12,403 | 1,557,772 |
| Consumable inventories | 4 | - | - | - | - | 631,952 | 631,952 |
| TOTAL ASSETS | | \$ 22,851,198 | \$ 2,284,550 | \$172,061,547 | \$ 25,716,666 | \$ 13,479,827 | \$236,393,788 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | | \$ 1,098,185 | \$ 108,302 | \$ 1,671,955 | \$ 186,945 | \$ 2,488 | 3,067,875 |
| Retained percentages payable | | - | - | 14,833,169 | - | - | 14,833,169 |
| Due to other governments | | - | - | 1,082 | - | - | 1,082 |
| Due to other funds/agencies | | 6,773 | 3,463 | 99,751 | - | 828 | 110,815 |
| Due to department of revenue - taxes | | - | - | - | - | 6,209 | 6,209 |
| Unearned revenue | 5 | 3,300,355 | - | 3,544,152 | 1,678,099 | 13,432,458 | 21,955,064 |
| Unclaimed property refund liability | 6 | - | - | - | - | 500 | 500 |
| Liability for cancelled warrants | 7 | 2,720 | - | 827 | - | 37,344 | 40,891 |
| Total Liabilities | | 4,408,033 | 111,765 | 20,150,936 | 1,865,044 | 13,479,827 | 40,015,605 |
| Deferred Inflows of Resources | | | | | | | |
| Unavailable revenue-\$5 fee, NOCPs, Real Estate | 8 | 7,076,326 | - | 1,529,805 | 10,006,373 | - | 18,612,504 |
| Unavailable revenue-toll vendor | 8 | 366,300 | 33,000 | 700,707 | - | - | 1,100,007 |
| Total Deferred Inflows of Resources | | 7,442,626 | 33,000 | 2,230,512 | 10,006,373 | - | 19,712,511 |
| Fund Balances | | | | | | | |
| Nonspendable consumable inventories | 4 | - | - | - | - | 631,952 | 631,952 |
| Restricted for unspent GARVEE bond proceeds | 9 | - | - | 105,846,739 | - | - | 105,846,739 |
| Restricted for operations and maintenance | 9 | - | - | 8,157,488 | - | - | 8,157,488 |
| Restricted for repair and replacement | 9 | - | - | 3,750,000 | - | - | 3,750,000 |
| Restricted for transportation | 9 | 11,000,539 | - | 31,925,872 | - | - | 42,926,411 |
| Committed for transportation | 9 | - | 2,139,785 | - | 13,845,249 | - | 15,985,034 |
| Unassigned | | - | - | - | - | (631,952) | (631,952) |
| Total Fund Balances | | 11,000,539 | 2,139,785 | 149,680,099 | 13,845,249 | - | 176,665,672 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | \$ 22,851,198 | \$ 2,284,550 | \$172,061,547 | \$ 25,716,666 | \$ 13,479,827 | \$236,393,788 |

NOTES TO THE COMBINING BALANCE SHEET
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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 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 September 30, (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 520 Civil Penalty balance consists of all outstanding amounts due related to 520 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) 520 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) 520 Civil Penalty Account – Notice 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) 520 Bridge Account - amounts associated with 520s 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) 520 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 – 520 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.