

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
THE STATE ROUTE NUMBER 520 CORRIDOR ACCOUNT
STATE FISCAL YEAR 2016, QUARTER ENDED MARCH 31, 2016**

	NOTE	JULY THROUGH SEPT	OCT THROUGH DEC	JAN THROUGH MAR	YEAR-TO-DATE
REVENUES					
Tolling revenue	1	\$ 17,079,599	\$ 16,743,965	\$ 17,673,154	\$ 51,496,718
Debt service reimbursement (FHWA)	2	82,147,838	-	17,996,338	100,144,176
Transponder sales	3	143,150	139,099	324,739	606,988
Toll vendor contractual damages	4	64,501	72,036	68,006	204,543
Toll bill reprocessing fee	5	306,362	317,591	470,281	1,094,234
Interest income		66,016	50,324	70,340	186,680
Miscellaneous	6	14,340	17,997	12,692	45,029
TOTAL REVENUES		<u>99,821,806</u>	<u>17,341,012</u>	<u>36,615,550</u>	<u>153,778,368</u>
EXPENDITURES					
Goods and Services					
Toll CSC operations vendor contract	7	1,212,979	944,561	1,428,710	3,586,250
Toll lane vendor contract		82,036	91,651	84,051	257,738
Insurance	8	2,219,557	13,303	31,418	2,264,278
Credit card and bank fees		337,007	275,853	337,199	950,059
Transponder cost of goods sold	9	104,620	130,412	199,814	434,846
Pay-by-mail		268,038	228,534	199,816	696,388
Other	10	189,076	242,201	181,437	612,714
Total Goods and Services		<u>4,413,313</u>	<u>1,926,515</u>	<u>2,462,445</u>	<u>8,802,273</u>
Personal service contracts	11	360,441	407,226	343,469	1,111,136
Salaries and benefits		341,713	288,456	302,582	932,751
Maintenance and Operations	12	32,503	76,384	286,780	395,667
Capital outlay - replacement bridge construction	13	-	-	309,528	309,528
TOTAL EXPENDITURES		<u>5,147,970</u>	<u>2,698,581</u>	<u>3,704,804</u>	<u>11,551,355</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES		<u>94,673,836</u>	<u>14,642,431</u>	<u>32,910,746</u>	<u>142,227,013</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued					
Operating Transfer In					
Operating transfers out - debt service	14	(6,506,243)	(7,030,975)	(6,401,490)	(19,938,708)
Operating transfers out - GARVEE debt service		<u>(82,147,838)</u>	<u>-</u>	<u>(17,996,337)</u>	<u>(100,144,175)</u>
TOTAL OTHER FINANCING USES		<u>(88,654,081)</u>	<u>(7,030,975)</u>	<u>(24,397,827)</u>	<u>(120,082,882)</u>
NET CHANGE IN FUND BALANCE		<u>6,019,754</u>	<u>7,611,456</u>	<u>8,512,920</u>	<u>22,144,130</u>
FUND BALANCE - BEGINNING		<u>47,968,808</u>	<u>53,988,562</u>	<u>61,600,018</u>	<u>47,968,808</u>
FUND BALANCE - ENDING		<u>\$ 53,988,562</u>	<u>\$ 61,600,018</u>	<u>\$ 70,112,938</u>	<u>\$ 70,112,938</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 STATE ROUTE NUMBER 520 CORRIDOR ACCOUNT
STATE FISCAL YEAR 2016, QUARTER ENDED MARCH 31, 2016**

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.

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 occur at the same time.
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. In addition, 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 \$4,307 and the short-term portion of future amounts due from ETCC, totaling \$254,796.
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 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). A correction will be recorded in the 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, service provided by outside vendors, printing, and registered owner look up costs.
11. **Personal Service Contracts** – Expenditures for consulting services related to tolling operations and forecasting.
12. **Maintenance and Operations** – Cost of maintenance activities on the SR520 Corridor.
13. **Capital Outlay** – Costs associated with construction of the new replacement 520 Floating Bridge.
14. **Operating Transfers Out – debt service** – 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 GARVEE transfer out for the Series 2012F & 2014C bonds is paid by a reimbursement from FHWA (Note 2).