

July 22-24, 2012
Loews Hotel
Atlanta, Georgia

IBTTA Summit on All-Electronic Toll Collection

Impact of Toll Bills on the General Ledger

Toll Consultant and State Agency Perspectives

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Progression of Toll Collection

- Cash
- Electronic Toll Collection
- Photo Billing

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Things to Consider

- **Impact on Net Revenue**
 - Cash Collection Expenses
 - AVI Expenses
 - Photo Billing Expenses
 - Leakage
 - Collection Rate
- **Impact on Long Term Capital Cost**
- **Safety**
 - Environmental Impact
- **Customer Preference**

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Accounting Impacts of All-Electronic Toll Collection

- Progression of Tolling from prepaid and/or cash collections to All-Electronic Toll Collection has significant operational and **accounting** impacts.
 - Change in Basis of Accounting – Move from cash basis (Cigar Box Accounting) to the modified accrual or full accrual basis of accounting.
 - New Systems are Required – “Traditional” toll systems have not kept pace and do not support operational and accounting requirements
 - Transactional and Financial Accountability is More Complex
 - Financial Reporting is More Complex and Demands for Data Increase
- Many Other Considerations
 - Cost Allocation - Toll organizations responsible for facilities with dedicated funds/accounts, must use cost allocation methods to equitably allocate common toll revenues (and expenditures)
 - Internal Controls – Broad evaluation required to support transactional and financial accountability
 - Staffing – Toll entities and toll vendors must be properly staffed. Accounting and Information Technology Experts are critical to project and operational success.

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Change in Basis of Accounting

- Traditional Tolling (Toll Booths & Prepaid Accounts) supported cash basis accounting. Movement to use of Toll Bills requires a change to full accrual or modified accrual basis of accounting.
- Washington State law requires state government accounting processes/systems to conform to Generally Accepted Accounting Principles (GAAP).
- WSDOT toll facilities are accounted for in dedicated Special Revenue Funds. In accordance with GAAP, these funds recognize revenue using the modified accrual basis of accounting.
 - Under accrual accounting, revenue is recognized when a claim to revenue has been established (e.g., revenue is recognized when it is earned such as the transfer/delivery of goods or services).
 - Modified accrual is different in that the *timing* of revenue-related inflows of financial resources is also considered. Under modified accrual accounting, revenue is recognized when it becomes both *measurable* **and** *available to finance expenditures of the period*. This modification of the accrual basis of accounting supplements rather than replaces the criteria that governs revenue recognition under accrual accounting.

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Change in Basis of Accounting

- The Washington State toll program consists of two different categories of revenue under GAAP: exchange revenue and non-exchange revenue which are promulgated under Governmental Accounting Standards Board (GASB) Statements 33 and 34.
 - Exchange Revenues are characterized by a transfer of goods or services between parties that are of equal value. Under AETC, this concept still applies since those who use the toll facility do so being reasonably informed of the charge to use the facility. Exchange revenue is recognized when claim is established and the amounts are measurable and available.
 - Non-Exchange Revenues are characterized by a transfer of goods or services between parties that are not equal between parties. These include taxes levied, penalties and fines. Notice of Civil Penalty (NOCP) revenue resulting from toll violations is non-exchange revenue in the Washington State toll program. Non-exchange revenue is recognized when a legally enforceable claim has been made, as determined at the point of adjudication or when the account holder is non-responsive and the account ages beyond the established policy date.
- WSDOT confirmed revenue recognition principles with the GASB through technical consultation. Please refer to IBTTA Conference Site for [WSDOT Tolling Accounting Treatment](#) document used in GASB technical inquiry.

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New Systems are Required

- “Traditional” toll systems have not kept pace and do not support operational and accounting requirements in an AETC environment
 - Fail to support self- balancing accounts with double entry debit/credit subsidiary accounting.
 - Fail to support real-time accounting.
 - Fail to support transactional and financial accountability.
 - Fail to support data and management reporting
- Organizations responsible for operation and management of toll facilities and customer deposits should require and demand systems of the vendor community.
 - Many say that requiring tolling to support accounting needs is “bleeding edge”... While traditional toll vendors had yet to incorporate accounting systems/functionality into their products, accounting systems exist and are a very basic expectation of a vendor that is managing your and your customers financial activities.
- WSDOT has been successful in implementing a system that meets these needs, with full debit/credit functionality for toll facility transactions (in final stages with delivery of financial reports and reconciliations).

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Transactional and Financial Accountability is More Complex

- The lifecycle of a toll transaction in an All-Electronic Toll Collection environment is much more complex than the days of toll booths and pre-paid accounts, making a robust reconciliation of transactions and associated revenue critical to your bottom line.
- WSDOT has developed in collaboration with our back office vendor, robust reconciliations which provide full accountability for toll transactions through the complete lifecycle of the transaction.
 - From lane, to each status change of the transaction, until final payment, dismissal, or write-off.
 - Appropriate debit/credit accounting when applicable for status changes.
- This robust activity identifies “stuck transactions” or other problems, which if not detected timely can present major operational and accounting problems, and ultimately, loss of revenue.
- Reconciliations should be performed daily to be effective.

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Financial Reporting is More Complex and Demands for Data Increase

- With the greater complexity of AETC, comes greater complexity in financial reporting and data requirements.
 - Lifecycle and stages of a toll transaction can be long and complex, which creates a more difficult reporting environment.
 - Fund accounting can result in greater complexity of what would otherwise be a straight forward transaction.
 - Subject matter experts in various functions (operations, accounting, budget/forecast, finance) need to learn the “languages” and terms of their peers (e.g., accrual accounting).
 - Data must be able to be “locked down” at some point to provide consistent and reliable information to stakeholders (e.g., fiscal month revenue vs. traffic).

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