MID-BAY BRIDGE AUTHORITY

REVENUE RECOGNITION POLICY

Purpose/Intent

The purpose of this memorandum is the document the Mid-Bay Bridge Authority (MBBA) revenue recognition methodology for toll revenues.

Guidance/Authority

Florida Statutes, Chapter 120
Florida Administrative Code, Chapter 14-100
Governmental Accounting Standards Codification (Section 1600)

Description of Toll Revenues

The MBBA's primary source of revenue is from the collection of tolls. For additional information on tolls, refer to Laws of Florida, Chapter 2000-411, House Bill No, 1093.

The Florida Turnpike Enterprise (FTE) collects, records, and processes customer payments (tolls) on behalf of the MBBA. The FTE transfers toll revenues to Regions Bank, trustee for the MBBA, on a weekly basis.

Methods of Payment:

Cash - The most basic method of payment for toll transactions is in-lane cash collection, i.e., when a customer stops at a toll plaza and remits payment to a toll collector. Monies collected during a collector's shift are deposited to the FTE bank. In the event that the customer cannot pay the toll, an "I Owe You" (or IOU) containing the date and amount owed will be provided to the customer. This will be recorded by the toll collector. Payments on IOUs are made by mail to the address listed on the IOU.

Transponder-based electronic toll collection – On behalf of the MBBA, the FTE collects the majority of toll revenue through a transponder-based electronic toll collection system known as *SunPass*. Customers purchase a transponder and establish a prepaid account. Customers may replenish their prepaid balance via cash, check, or credit card in person, through the mail, by phone, or via a website. As a customer passes through the toll facilities (without stopping), the lane equipment reads the transponder and records the transaction. The corresponding customer accounts are decremented for the toll.

Image-based video tolling - This method of payment is currently offered to customers traveling on the Spence Parkway section of SR 293. This toll road utilizes All-Electronic Open-Road Tolling, which allows customers to pay tolls without slowing down or stopping. Tolls are collected with *SunPass* transponders or by using the FTE Toll-By-Plate program.

If a *SunPass* transponder is detected, the process outlined in the "transponder-based electronic toll collection" paragraph above is followed.

If a *SunPass* transponder is not detected, the customer will be entered into the Toll-By-Plate program whereby the equipment will capture an image of the customer's license plate. The registered owner of the vehicle is derived from the license plate data and a customer account is created. The customer is billed 14 days after the initial transaction occurs. Each monthly billing includes an administrative fee ($2.50 as of 7/20/2015). After the first billing, customers are on a 30-day billing cycle. As an alternative, a customer can establish a prepaid account (Toll-By-Plate account) and have the balance decremented based on the video transactions.

In addition to the authorized methods of payment, there is one additional process that results in the recognition of toll revenue.

Violations and Citations - If a customer at the Mid Bay Bridge Toll Plaza does not pay cash or does not have a prepaid account established, then the transaction is considered a violation. The registered owner of the vehicle will receive an IOU violation notice in the mail and will be required to remit payment within a specified period of time. A second notice is sent if the first notice goes unpaid. If the violation notice is still not paid after the second notice, the transaction amount and any associated fees will be referred to a collection agency. For accounts referred to collections, when the collection agency recovers the balance due from the customers, the collection agency will withhold a portion as their fee and the residual is remitted to the MBBA.

Authoritative Literature:

Governmental accounting standards (GASB Cod. Sec. 1600) require the economic resources measurement focus and accrual basis of accounting for proprietary funds. Under the accrual basis of accounting, most transactions are recognized when they occur, regardless of when cash is received or disbursed.

Revenue Recognition

Based on the authoritative accounting literature (GASB Cod. Sec. 1600.103 and .104), revenues should be recognized when the exchange takes place. For toll transactions, the exchange takes place when the customer travels through a toll plaza. Accordingly, revenues from exchange transactions should generally be accounted for at the time a transaction is completed, with appropriate provision for uncollectible accounts.

Revenue is recognized in the following manner based on method of payment:

Cash toll collection - The customer remits payment when the exchange occurs based on the posted toll rates. Revenue recognition occurs at the point of the transaction. For customers who got an IOU, toll fees are still recognized as revenues, but a provision for uncollectible accounts is considered.

Transponder-based electronic toll collection- Revenue is recognized when the transaction occurs. Based on transaction activity, the customer's account is decremented, and cash is transferred from the customer account to a revenue account. A provision for uncollectible accounts must be considered for transponder-based electronic toll collections

for *SunPass* users with balances near, at, or below zero. A "subsequent collections" analysis, as described in the "Year-End Accrual" section of this document, is performed to determine the extent of the necessary provision.

Image-based video billing- In a video-billing transaction where a prepaid account has not been established, an invoice is generated after the transaction occurs and is mailed to the registered owner of the vehicle. Under full accrual accounting, a receivable is appropriate because the service has been provided (the exchange is complete). Similar to the transponder-based electronic toll collections, a provision for uncollectible accounts must be considered.

Violations and Citations - For violations and citations, revenue is recognized when violation or citation is levied. A provision for uncollectible accounts is then considered for customers who refuse to pay the violation or citation.

Year End Accrual

In order to ensure proper valuation for the year-end financial statements, the MBBA will perform a "subsequent collections" analysis between October 1 and October 31 of the following fiscal year. Estimated collection rates are compared to customer payments received during that subsequent period for transactions that occurred in the previous fiscal year in order to determine if the estimate was reasonable.

Renewal Effective: October 16, 2025

THIS POLICY IS TO BE REVIEWED AND RENEWED ANNUALLY BY THE MID-BAY BRIDGE AUTHORITY