

Capital Area Regional Tolling Authority

Sacramento, California

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2026

Prepared by the Sacramento Area Council of Governments
as Administering Agency for the Capital Area Regional Tolling Authority

Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Capital Area Regional Tolling Authority, 1415 L Street, Suite 300, Sacramento, California 95814.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capital Area Regional Tolling Authority
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Capital Area Regional Tolling Authority (the Authority), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Capital Area Regional Tolling Authority as of June 30, 2026, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2026 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Sacramento, California

October 12, 2026

(Required Supplementary Information — Unaudited)

As management of the Capital Area Regional Tolling Authority (the Authority or CARTA), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the fiscal year ended June 30, 2026. The Authority is a joint powers authority formed by the Sacramento Area Council of Governments (SACOG), the Yolo Transportation District (YoloTD) and the California Department of Transportation (Caltrans) to lead the planning, development, financing, construction, operation and maintenance of toll facilities in the Sacramento region, beginning with the Yolo 80 Express Lanes on Interstate 80 in Yolo County. The Authority had no employees during the year ended June 30, 2026; SACOG served as its administering agency and, from January 2026, the Authority's toll program management consultant provided interim executive director services. The Authority's first executive director began in August 2026, and SACOG continues to provide finance, accounting and administrative services under an administrative services agreement. Note 1A describes the reporting entity. This discussion and analysis should be read in conjunction with the basic financial statements and the accompanying notes.

Fiscal year 2026 is the Authority's second fiscal year of operations. As required by GASB Statement No. 103, this discussion and analysis compares fiscal year 2026 balances and results of operations with those of fiscal year 2025, the Authority's first year of operations, and explains why they changed.

Overview of the Financial Statements

The Authority is a special-purpose government engaged only in business-type activities. Its basic financial statements therefore consist of the three statements required for enterprise funds, together with the notes. Government-wide statements and governmental and fiduciary fund statements are not presented because the Authority has no governmental or fiduciary activities. All of the Authority's activity is accounted for in a single enterprise fund. The three statements report on the same activity but answer different questions:

- The Statement of Net Position answers what the Authority owns and owes at a point in time. It presents all of the Authority's assets and liabilities measured on the accrual basis, with the difference reported as net position, and so captures long-term obligations such as the notes payable to SACOG and the City of West Sacramento that no cash-basis measure would show.
- The Statement of Revenues, Expenses and Changes in Net Position answers how the Authority's net position changed over the year and why. Revenues are recognized when earned and expenses when the related liability is incurred, regardless of when cash moves, and the statement separates the cost of the Authority's own operations from the financing and investing amounts that are not part of those operations.
- The Statement of Cash Flows answers where the Authority's cash came from and where it went, classified as operating, noncapital financing, capital and related financing, and investing activities. Because it is measured on a cash basis it will differ from the operating statement whenever a transaction is recognized in one period and settled in another. The largest differences in fiscal year 2026 are the \$406,461 increase in accounts payable for goods and services received but not paid for at year end and the \$99,671 of interest accrued on the notes payable, none of which is payable before fiscal year 2029.
- The Notes to the Basic Financial Statements provide information that is essential to understanding the three statements, including the terms of the notes payable, the composition of cash and cash equivalents, and the concentrations to which the Authority is exposed.

The Authority implemented GASB Statement No. 103, *Financial Reporting Model Improvements*, in fiscal year 2025, one year before its required effective date, so both years discussed here are presented on the same basis. Note 1N describes the pronouncements that became effective in fiscal year 2026.

Financial Summary

The condensed information below is derived from the Authority's basic financial statements and presents, for fiscal years 2026 and 2025, the elements listed in GASB Statement No. 103 that apply to the Authority. It supports the analysis that follows.

	June 30, 2026	June 30, 2025	Increase (Decrease)
Capital assets	\$ -	\$ -	\$ -
Other assets	5,876,075	774,319	5,101,756
Total assets	<u>5,876,075</u>	<u>774,319</u>	<u>5,101,756</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Long-term liabilities	7,756,163	1,356,492	6,399,671
Other liabilities	492,663	86,202	406,461
Total liabilities	<u>8,248,826</u>	<u>1,442,694</u>	<u>6,806,132</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted (deficit)	<u>(2,372,751)</u>	<u>(668,375)</u>	<u>(1,704,376)</u>
Total net position (deficit)	<u><u>\$ (2,372,751)</u></u>	<u><u>\$ (668,375)</u></u>	<u><u>\$ (1,704,376)</u></u>
	Year Ended June 30, 2026	Year Ended June 30, 2025	Increase (Decrease)
Operating revenues - sponsorships	\$ 7,000	\$ -	\$ 7,000
Other nonoperating revenues - investment income	74,285	52,019	22,266
Total revenues	<u>81,285</u>	<u>52,019</u>	<u>29,266</u>
Operating expenses - toll program development and administration	1,685,990	663,902	1,022,088
Other nonoperating expenses - interest on long-term debt	99,671	56,492	43,179
Total expenses	<u>1,785,661</u>	<u>720,394</u>	<u>1,065,267</u>
Change in net position	(1,704,376)	(668,375)	(1,036,001)
Net position (deficit), beginning of year	(668,375)	-	(668,375)
Net position (deficit), end of year	<u><u>\$ (2,372,751)</u></u>	<u><u>\$ (668,375)</u></u>	<u><u>\$ (1,704,376)</u></u>

The Authority holds no capital assets, has no deferred outflows or deferred inflows of resources, reports no restricted net position, received no subsidies or capital contributions, made no transfers, and had no unusual or infrequent items in either year. Those elements are therefore reported as zero or are omitted from the tables above.

Detailed Analyses

The Authority reports a single enterprise fund, which is the reporting entity itself. The analysis of the Authority's financial position and results of operations below is therefore also the analysis of its only fund, and no separate major fund analysis is presented.

Financial Position

All of the Authority's assets at June 30, 2026 were current assets. Cash and cash equivalents of \$5,792,125 were 99% of total assets of \$5,876,075; the remainder is \$44,243 of insurance premiums prepaid for the policy year beginning July 1, 2026, \$33,182 of interest apportioned by the Sacramento County Treasurer after year end, and \$6,525 of accounts receivable. Total assets increased by \$5,101,756 from \$774,319 at June 30, 2025 because the Authority borrowed \$6,300,000 during the year — \$1,300,000 under its second promissory note to SACOG and \$5,000,000 under the loan agreement with the City of West Sacramento — while using \$1,276,837 of cash in its operations; most of the West Sacramento proceeds, drawn in April and June 2026, were on hand at year end to fund fiscal year 2026-27 activities. The Authority holds no capital assets because the toll policy, toll system planning and program management work it performed during the year did not meet the criteria for capitalization. The Authority expects to begin holding capital assets when the toll system integrator begins installing the Yolo 80 Express Lanes toll system, expected in fiscal year 2027. The specific capital assets anticipated include equipment above or adjacent to the roadway, as well as assets at the traffic operations center. Because these items have not been procured, the amounts are not yet known.

Total liabilities of \$8,248,826 consist of \$492,663 of accounts payable and \$7,756,163 of noncurrent obligations — the two \$1,300,000 notes payable to SACOG, the \$5,000,000 drawn under the note payable to the City of West Sacramento, and \$156,163 of interest accrued on those notes. Total liabilities increased by \$6,806,132 from \$1,442,694 at June 30, 2025, of which \$6,300,000 is the new borrowing, \$406,461 is the increase in accounts payable and \$99,671 is interest accrued during the year. Accounts payable increased because the Authority's toll program management consultant, which assumed the work in January 2026, bills monthly in arrears; \$377,703 of the year-end balance is owed to that consultant for April through June 2026. No principal or interest payment on any of the notes falls due within one year of June 30, 2026; under the loan agreements, repayment of the SACOG notes will begin within twenty-four months after the Authority first receives toll revenue or June 30, 2030, whichever occurs sooner, and repayment of each West Sacramento draw begins three years after the draw.

All of the Authority's net position is reported as unrestricted. There is no net investment in capital assets because the Authority holds no capital assets at this time, and no restricted net position because the assets subject to the use restrictions in the loan agreements do not exceed the related liabilities. The unrestricted deficit of \$2,372,751 does not indicate a liquidity problem: current assets of \$5,876,075 cover current liabilities of \$492,663 almost twelve times over. The deficit exists because the Authority is required under the accrual basis to recognize its pre-revenue development costs as they are incurred, while the borrowings that fund them remain liabilities until they are repaid from toll revenues. The deficit increased by \$1,704,376 during the year, which is the change in net position discussed below.

Results of Operations

The Authority's only operating revenue in fiscal year 2026 was \$7,000 of sponsorships of the reception it hosted for the California Transportation Commission in June 2026; it will earn no toll revenue until the Yolo 80 Express Lanes open for toll revenue service, currently expected in mid-2028. Investment income of \$74,285 (fiscal year 2025: \$52,019) comprised \$54,651 of interest earned on the Authority's position in the Sacramento County Pooled Investment Fund and a \$19,634 net increase in the fair value of that position. Investment income rose with the Authority's cash balances, which were higher throughout the year because the second SACOG note was drawn in November 2025 and the West Sacramento draws were received in April and June 2026. Interest expense of \$99,671 (fiscal year 2025: \$56,492) comprises \$86,338 accrued on the SACOG notes, which bear interest at the same rate the County pool earns, and \$13,333 accrued at 8% on the first West Sacramento draw. Because the SACOG notes earn and bear the same rate, the Authority's investment income and interest expense largely offset; the net cost of carrying its borrowings for the year was \$25,386.

The Authority received \$6,300,000 in loan proceeds during the year — \$1,300,000 from SACOG on November 5, 2025 and \$5,000,000 from the City of West Sacramento on April 30 and June 23, 2026 — compared with \$1,300,000 from SACOG in fiscal year 2025. Loan proceeds are not revenue; they are reported as noncapital financing activities in the statement of cash flows and as liabilities in the statement of net position.

Operating expenses of \$1,685,990 (fiscal year 2025: \$663,902) by natural classification were as follows.

	Year Ended June 30, 2026	Percent of Total	Year Ended June 30, 2025	Increase (Decrease)
Consultant services	\$ 1,130,186	67.0%	\$ 355,500	\$ 774,686
Program management and administrative services - SACOG	331,572	19.7%	232,848	98,724
Legal services	156,153	9.3%	26,782	129,371
Insurance	39,112	2.3%	38,896	216
Publications, data, subscriptions and memberships	8,758	0.5%	3,966	4,792
Travel and meetings	12,794	0.8%	2,527	10,267
Directors' fees	4,200	0.2%	3,000	1,200
Supplies, equipment and other services	3,215	0.2%	383	2,832
Total operating expenses	\$ 1,685,990	100.0%	\$ 663,902	\$ 1,022,088

Operating expenses increased by \$1,022,088, or 154%, because fiscal year 2026 was the Authority's first full year of toll program delivery under a multi-year program management contract, compared with the start-up and policy development activity of fiscal year 2025. Consultant services of \$1,130,186 and program management and administrative services billed by SACOG of \$331,572 together account for 86.7% of operating expenses, which is what would be expected of an authority that has no employees and delivers its entire program through contracts. Consultant services increased by \$774,686 and represent the Authority's toll program development work: the toll program management consultant (Kimley-Horn received its notice to proceed in November 2025 and assumed program management, including interim executive director services, in January 2026; HNTB continued to serve through December 2025, so both consultants were engaged during the transition), the executive director recruitment, and traffic and revenue, financial and other on-call services. Program management and administrative services are amounts billed by SACOG for staff time under its role as administering agency, charged at hourly rates that recover salary, a blended fringe benefit rate and a blended indirect cost rate; they increased by \$98,724 with the volume of procurement, contracting, financing and Board support work. Legal services of \$156,153 increased by \$129,371, driven by contract and procurement work, including the toll system integrator request for proposals, the loan agreements and the executive director employment agreement. Insurance of \$39,112 is the cost of coverage for the policy year ended June 30, 2026;

directors' fees of \$4,200 are stipends paid to Board members; and the remaining \$24,767 comprises travel and meetings, publications, data, subscriptions and memberships, and supplies, equipment and other services.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

The Authority had no capital assets at June 30, 2026 and recorded no capital outlay, depreciation or amortization during the year. It made no commitments for the acquisition of capital assets during the year, and it adopted no capitalization policy change because it has not yet placed any capital asset in service. The Authority expects to begin capitalizing toll system assets — roadside equipment, the toll system integrator's installed infrastructure and related systems — as that work is contracted and performed in advance of revenue service; the toll system integrator contract was scheduled for Board consideration in September 2026. Toll system components are the responsibility of CARTA, which includes roadside toll equipment that will be above or adjacent to the roadway, as well as equipment at the traffic operations center. These costs are expected to be funded by Trade Corridor Enhancement Program funds awarded to Caltrans for the Yolo 80 project, which Caltrans has agreed to transfer to the Authority for the components the Authority will deliver.

Long-Term Financing

The Authority's long-term financing activity during the year consisted of the \$1,300,000 second promissory note to SACOG, drawn in full on November 5, 2025, and the first two draws, totaling \$5,000,000, under the \$14,000,000 loan agreement with the City of West Sacramento entered into on April 29, 2026. The SACOG notes bear interest at a variable rate equal to the rate earned by the Sacramento County Pooled Investment Fund. Principal on the first note is repayable in four annual installments of \$325,000 beginning within 24 months of the Authority's initial receipt of toll revenue or June 30, 2030, whichever occurs sooner, with all accrued interest payable with the final installment due June 30, 2033; installments on the second note begin after the first note is repaid or June 30, 2034, whichever is sooner, with accrued interest payable with the final installment due June 30, 2037. The West Sacramento loan bears interest at a fixed rate of 8%; repayment of each draw is deferred for three years and is then made in quarterly installments over ten years, so that the first draw is repayable from June 2029 through March 2039. The Authority has no other debt, no credit rating, no debt limitation and no unused lines of credit other than the \$9,000,000 undrawn balance of the West Sacramento loan described in Note 5, and there were no changes in any of those during the year other than the new loan agreement. Note 5 presents the changes in long-term liabilities and the debt service requirements to maturity.

The Authority entered into no lease, no public-private or public-public partnership and no subscription-based information technology arrangement during the year ended June 30, 2026, and was not a party to any such arrangement at year end. The agreements the Authority is putting in place for toll operations — the toll system integrator contract and the back-office and customer service center arrangement with the Transportation Corridor Agencies — are being evaluated against GASB Statements No. 94 and No. 96 as they are executed.

Currently Known Facts, Decisions, or Conditions

The following matters were known to management at the date of this report and are expected to have a significant effect on the Authority's financial position or to produce significant differences from fiscal year 2026 results of operations.

- Toll facility agreement. The California Transportation Commission approved the Authority's AB 194 toll facility application for the Yolo 80 Express Lanes in February 2025, which authorizes the Authority to impose tolls on the facility. A toll facility agreement with Caltrans, the standard agreement under which a toll authority operates on the state highway system, was under negotiation at the date of this report and was expected to be presented to the Board in December 2026.
- Fiscal year 2026-27 budget and funding. On June 17, 2026 the Board adopted a fiscal year 2026-27 budget of approximately \$26.2 million, of which \$23.4 million is Yolo 80 project delivery, construction and testing — principally the \$21.0 million roadside toll system integrator contract and \$1.5 million for the start-up of the back-office system and customer service center — to be funded by \$22.5 million of Trade Corridor Enhancement Program funds that Caltrans has agreed to transfer to the Authority. The remaining \$2.8 million of budgeted expenditures — administration, program management and policy, and early development of Interstate 5 managed lanes in Sacramento County — is funded by the \$4,000,000 second draw on the West Sacramento loan, which was received on June 23, 2026 and is included in cash at year end, a \$300,000 Caltrans planning grant passed through SACOG, interest earnings and fiscal year 2026 carryover; the budget also establishes a \$350,000 operating reserve and a \$750,000 reserve committed to the toll system procurement. Interest will continue to accrue on the Authority's borrowings; interest on the SACOG notes is added to the amount payable at each note's maturity and interest on the West Sacramento loan is added to the balance of the loan during the repayment deferral period.
- Borrowing facility with the City of West Sacramento. Of the \$14,000,000 available under the loan agreement with the City of West Sacramento, \$5,000,000 had been drawn at June 30, 2026 and \$9,000,000 remains available in two further draws: up to \$5,000,000 no later than July 1, 2027 and up to \$4,000,000 no later than July 1, 2029. Each draw bears interest at a fixed 8% and is repayable in quarterly installments over ten years beginning three years after the draw (extended to twelve months after the Authority's initial receipt of toll revenue if later, but not beyond five years from the draw). Interest accrued during the deferral period is added to the balance of the loan. As amounts are drawn they will increase the Authority's long-term obligations and the debt service to be funded from future toll revenue; debt service on the first draw begins in fiscal year 2029. No further draws had been made through October 12, 2026. See Note 5.
- Toll system integrator. The Authority released a request for proposals for the toll system integrator contract on April 30, 2026 and received proposals in June 2026. The contract, which will provide for the design, installation and testing of the roadside toll system, one year of warranty and four years of operation and maintenance, was scheduled for Board consideration on September 30, 2026, with a notice to proceed anticipated in October 2026.
- Staffing. The Authority's first employee, its executive director, began on August 3, 2026 under an employment agreement effective August 1, 2026 approved by the Board on May 20, 2026. The Authority had no employees during the year ended June 30, 2026 and therefore no salaries, pension, other postemployment benefit or compensated absence obligations; beginning in fiscal year 2026-27 it will report salaries and benefits, and it has adopted 401(a) and 457 deferred compensation plans and authorized an application to self-insure its workers' compensation liabilities. On August 19, 2026 the Board requested that the Authority's member agencies amend the joint powers agreement so that the Authority may apply to contract with the California Public Employees' Retirement System (CalPERS). SACOG will continue to provide finance, accounting, payroll, benefits administration and human resources support through June 30, 2030 under the amended administrative services agreement.

- Back-office and customer service operations. In October 2025 the Board selected the Transportation Corridor Agencies (TCA) to provide back-office system and customer service center services for toll operations and authorized the development of an interagency agreement, which was under negotiation at the date of this report, with execution of the agreement and a notice to proceed expected in December 2026; the fiscal year 2026-27 budget includes \$1.5 million for the start-up of those services. TCA will maintain the customer accounts of the Authority's facility users under the FasTrak account management policy adopted by the Board in May 2025.
- Construction and revenue service. The Yolo 80 Express Lanes project is under construction by Caltrans, with roadway construction completion anticipated in November 2026, followed by toll system installation and testing. An interim period of approximately eighteen months, during which the new lane is open to traffic without tolls, is expected to precede toll revenue service, which is currently expected to begin in mid-2028. Toll transactions and toll revenue are expected to begin appearing in the Authority's financial statements in fiscal year 2028-29.
- Grant and state funding. The Authority was awarded a \$500,000 Caltrans Sustainable Transportation Planning Grant, passed through SACOG, for its Regional Toll Equity Study; the study consultant was placed under contract in August 2026 and no grant revenue was recognized in fiscal year 2026. Caltrans has agreed to transfer to the Authority \$22.5 million of state Trade Corridor Enhancement Program funds awarded to the Yolo 80 project, restricted to capital costs of the toll system components the Authority will deliver. The Authority and Caltrans have since renegotiated the agreement to provide \$40,047,429 of these funds; the amended agreement is scheduled for Board consideration on September 30, 2026. Federal funding for the Yolo 80 project is held and administered by Caltrans and does not flow through the Authority; the Authority does not expect to become subject to the single audit requirements of 2 CFR 200 Subpart F as a result.
- Additional toll facilities. On June 17, 2026 the Board approved a memorandum of understanding with the Sacramento Transportation Authority for the preliminary development of high-occupancy toll lanes on Interstate 5 in Sacramento County and awarded a traffic and revenue study task order of up to \$400,000 for that corridor. The fiscal year 2026-27 budget establishes separate funds for the Yolo 80, Sacramento 5 and Placer 65 corridors so that corridors do not cross-subsidize one another.

Capital Area Regional Tolling Authority
Statement of Net Position
June 30, 2026

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 5,792,125
Accounts receivable	6,525
Interest receivable	33,182
Prepaid expenses	44,243
Total current assets	<u>5,876,075</u>

TOTAL ASSETS

5,876,075

LIABILITIES

Current liabilities:

Accounts payable	<u>492,663</u>
Total current liabilities	492,663

Noncurrent liabilities:

Accrued interest payable (Note 5)	156,163
Notes payable to SACOG (Note 5)	2,600,000
Note payable to City of West Sacramento (Note 5)	<u>5,000,000</u>
Total noncurrent liabilities	<u>7,756,163</u>

TOTAL LIABILITIES

8,248,826

NET POSITION

Unrestricted (deficit)	<u>(2,372,751)</u>
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TOTAL NET POSITION (DEFICIT)

\$ (2,372,751)

The accompanying notes are an integral part of these financial statements.

Capital Area Regional Tolling Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2026

OPERATING REVENUES

Sponsorships	\$ 7,000
Total operating revenues	<u>7,000</u>

OPERATING EXPENSES

Consultant services	1,130,186
Program management and administrative services - SACOG	331,572
Legal services	156,153
Insurance	39,112
Publications, data, subscriptions and memberships	8,758
Travel and meetings	12,794
Directors' fees	4,200
Supplies, equipment and other services	3,215
Total operating expenses	<u>1,685,990</u>

OPERATING INCOME (LOSS)	<u>(1,678,990)</u>
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OTHER NONOPERATING REVENUES (EXPENSES)

Investment income	74,285
Interest expense	(99,671)
Total other nonoperating revenues (expenses)	<u>(25,386)</u>

CHANGE IN NET POSITION	<u>(1,704,376)</u>
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(668,375)</u>
NET POSITION (DEFICIT), END OF YEAR	<u><u>\$ (2,372,751)</u></u>

The accompanying notes are an integral part of these financial statements.

Capital Area Regional Tolling Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2026

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from sponsorships	\$ 7,000
Payments to consultants, contractors and suppliers	(1,279,637)
Payments to Directors	(4,200)
Net cash used by operating activities	<u>(1,276,837)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from notes payable to SACOG	1,300,000
Proceeds from note payable to City of West Sacramento	5,000,000
Net cash provided by noncapital financing activities	<u>6,300,000</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on deposits and investments	43,457
Net increase in the fair value of investments held as cash equivalents	19,634
Net cash provided by investing activities	<u>63,091</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

5,086,254

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

705,871

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 5,792,125

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (1,678,990)
<i>Adjustments to reconcile operating loss to net cash used by operating activities:</i>	
<i>Changes in operating assets and liabilities:</i>	
Accounts receivable	(2,203)
Prepaid expenses	(2,105)
Accounts payable	406,461
Net cash used by operating activities	<u><u>\$ (1,276,837)</u></u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

Interest accrued on the notes payable and added to long-term liabilities	\$ 99,671
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The accompanying notes are an integral part of these financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Capital Area Regional Tolling Authority (the Authority or CARTA) is a joint powers authority organized under a joint exercise of powers agreement entered into pursuant to Section 6500 et seq. of the California Government Code. The joint powers agreement was fully executed on January 24, 2024 and the Authority's bylaws were adopted in February 2024. The members of the Authority are the Sacramento Area Council of Governments (SACOG), the Yolo Transportation District (YoloTD) and the California Department of Transportation (Caltrans). The Authority was formed to lead the planning, development, financing, construction, operation and maintenance of toll facilities in the Sacramento region, beginning with the Yolo 80 Express Lanes on Interstate 80 in Yolo County. The Authority had no assets, liabilities or transactions from its formation on January 24, 2024 through June 30, 2024; fiscal year 2025 was therefore its first fiscal year of financial activity and fiscal year 2026 its second.

The Authority is governed by a five-member Board of Directors, of which two directors are appointed by YoloTD, two are appointed by SACOG and one is appointed by Caltrans District 3. The Board also includes non-voting directors appointed by the Sacramento Transportation Authority, the Placer County Transportation Planning Agency and the El Dorado County Transportation Commission. The Board adopts the Authority's budget, sets toll policy, approves the Authority's contracts and directs the work performed on the Authority's behalf.

The Authority is a separate legal entity from each of its members and is fiscally independent of them. No member appoints a voting majority of the Board, and no member is entitled to the Authority's resources or is obligated for the Authority's debt. In evaluating the Authority as a financial reporting entity, management considered whether there are any organizations for which the Authority is financially accountable, and whether there are any organizations whose exclusion would cause the Authority's financial statements to be misleading, as described in GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statements No. 39, No. 61 and No. 80. Management concluded that the Authority has no component units and that the Authority is not a component unit of any other government. SACOG, as the Authority's administering agency, holds the Authority's cash and reports the resources it holds on the Authority's behalf in a custodial fund within its own financial statements.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

The Authority is a special-purpose government engaged only in business-type activities. Accordingly, and as permitted by GASB Statement No. 34, Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments, as amended, the Authority presents only the financial statements required for enterprise funds: a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. All of the Authority's activities are accounted for within a single enterprise fund. Government-wide financial statements and fund financial statements for governmental and fiduciary funds are not presented because the Authority has no governmental or fiduciary activities.

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

As required by GASB Statement No. 103, *Financial Reporting Model Improvements*, which the Authority implemented in fiscal year 2025, nonoperating revenues and expenses are subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses. Operating revenues and expenses are all revenues and expenses other than nonoperating revenues and expenses. Applying those definitions, the Authority reports investment income and interest expense on its notes payable as nonoperating and all other revenues and expenses as operating. Sponsorships of the reception the Authority hosted for the California Transportation Commission in June 2026, for which the sponsors received recognition, are exchange-like transactions reported as operating revenue. The Authority received no subsidies during the year ended June 30, 2026.

The Authority had no transactions or other events during the year ended June 30, 2026 that were unusual in nature or infrequent in occurrence, and accordingly no unusual or infrequent items are reported in the statement of revenues, expenses and changes in net position.

When both restricted and unrestricted resources are available for the same purpose, it is the Authority's policy to apply restricted resources first and unrestricted resources as they are needed.

C. Cash and Cash Equivalents and Investments

The Authority maintains a demand deposit account at a financial institution for imprest disbursements and participates in the Sacramento County Pooled Investment Fund (the County Pool), an external investment pool administered by the Sacramento County Treasurer. Under the joint powers agreement, the Sacramento County Treasurer is the designated depository of the Authority's funds. The Authority's funds are held in the Sacramento County Treasury in a fund that SACOG administers on the Authority's behalf in its role as the Authority's administering agency, and in the demand deposit account described above.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. The Authority's position in the County Pool is reported at the fair value of its proportionate share of the pool as determined by the County Treasurer. Changes in fair value are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

For purposes of the statement of cash flows, the Authority considers its demand deposit and its position in the County Pool, which is available for withdrawal on demand, to be cash equivalents. Because the entire balance meets that definition, the amount is captioned "cash and cash equivalents" both on the statement of net position and on the statement of cash flows. Because the position in the County Pool is a cash equivalent, the net change in its fair value is a change in the reported balance of cash and cash equivalents; that change is therefore reported as a cash flow from investing activities in the statement of cash flows rather than as a noncash item.

D. Receivables

Receivables consist of amounts due to the Authority in the ordinary course of its operations and interest earned but not yet received on deposits and pooled investments. Receivables are recorded when the Authority has an enforceable legal claim to the resources. All receivables at June 30, 2026 are considered fully collectible and no allowance for uncollectible amounts has been recorded.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2026 are recorded as prepaid items and are charged to expense over the periods benefited. Prepaid items at June 30, 2026 consist of insurance premiums paid in advance for the policy year beginning July 1, 2026.

F. Capital Assets

Capital assets are recorded at historical cost and are depreciated or amortized over their estimated useful lives using the straight-line method. The Authority had not adopted a formal capitalization policy at June 30, 2026. The Board will adopt a capitalization threshold and estimated useful lives before the Authority places its first capital asset in service. Costs of normal maintenance and repairs that do not add to the value of an asset or materially extend its life are not capitalized.

The Authority had no capital assets at June 30, 2026 and recorded no capital outlay, depreciation or amortization during the year ended June 30, 2026. Costs incurred by the Authority during the year for toll program planning, toll policy development and program management did not meet the criteria for capitalization and were charged to expense as incurred. The Yolo 80 Express Lanes are being designed and constructed by Caltrans as the project sponsor; the related construction costs and the federal and state funding for that construction are not reported in the Authority's financial statements. The toll system components the Authority will deliver for the Yolo 80 Express Lanes, including roadside toll equipment and equipment at the traffic operations center, will be capitalized by the Authority as that work is performed and are to be funded with state Trade Corridor Enhancement Program funds that Caltrans has agreed to transfer to the Authority (Note 9).

G. Employees, Compensated Absences, Pensions and Other Postemployment Benefits

The Authority had no employees during the year ended June 30, 2026. Administrative, finance and clerk services are provided by SACOG under an administrative services agreement and toll program services, including interim executive director services from January 2026, are provided by consultants under professional services contracts. Because the Authority had no employees during the year ended June 30, 2026, it has no liability for compensated absences under GASB Statement No. 101, *Compensated Absences*, it did not participate in any pension plan during the year and it provides no other postemployment benefits. Accordingly, no amounts are reported under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, or GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. On June 17, 2026 the Board adopted resolutions establishing a 401(a) money purchase plan and a 457 deferred compensation plan with MissionSquare Retirement for the Authority's employees. Neither plan had a participant and no contributions were made before June 30, 2026 because the Authority's first employee began in August 2026 (Note 10).

H. Leases, Public-Private and Public-Public Partnerships, and Subscription-Based Information Technology Arrangements

The Authority was not a party to any lease within the scope of GASB Statement No. 87, *Leases*, as lessee or as lessor at June 30, 2026, was not a party to any arrangement within the scope of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and had no subscription-based information technology arrangement within the scope of GASB Statement No. 96 at that date. The office space, equipment and information technology used in performing services for the Authority are provided by SACOG and are recovered through the indirect cost rate SACOG charges the Authority, rather than under a lease with the Authority.

I. Deferred Outflows and Deferred Inflows of Resources

A deferred outflow of resources is a consumption of net position that applies to a future period and therefore is not recognized as an expense until then. A deferred inflow of resources is an acquisition of net position that applies to a future period and therefore is not recognized as revenue until then. The Authority had no deferred outflows of resources and no deferred inflows of resources at June 30, 2026.

J. Long-Term Obligations

Long-term obligations are reported as liabilities in the statement of net position. The portion of long-term obligations due within one year of the statement of net position date is reported as a current liability and the remainder is reported as a noncurrent liability.

K. Net Position

Net position is classified into three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of borrowings attributable to the acquisition, construction or improvement of those assets. Restricted net position results from constraints placed on the use of net position that are either externally imposed by creditors, grantors, contributors or the laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the remaining component of net position.

At June 30, 2026 the Authority reported no net investment in capital assets because it holds no capital assets, and no restricted net position because the assets subject to the use restrictions contained in the loan agreements do not exceed the related liabilities. All of the Authority's net position is therefore reported as unrestricted.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Budgetary Information

The Board of Directors adopts an annual budget for the Authority prior to the beginning of each fiscal year. The budget is prepared on a basis that presents loan proceeds as a source of funding and that does not include accrued interest on the Authority's notes payable. The budget serves as a management control device and does not constitute a legally adopted appropriation for a general fund or a major special revenue fund. GASB Statement No. 103 requires budgetary comparison information to be presented as required supplementary information for the general fund and for each major special revenue fund that has a legally adopted annual budget. The Authority has no governmental funds and no legally adopted annual budget of that kind, and accordingly no budgetary comparison information is presented as a basic financial statement, as required supplementary information or as supplementary information.

N. Accounting Pronouncements

Pronouncements implemented in the current year. The Authority implemented GASB Statement No. 104, *Disclosure of Certain Capital Assets*, for the year ended June 30, 2026. That Statement requires lease assets, intangible right-to-use assets, subscription assets and capital assets held for sale to be disclosed separately in the capital assets note. Because the Authority holds no capital assets, the Statement had no effect on the financial statements. GASB Statement No. 103, *Financial Reporting Model Improvements*, became effective for the Authority in fiscal year 2026; the Authority implemented it early in fiscal year 2025, as described in its fiscal year 2025 financial statements, and both years are presented on the same basis. No other Statement became effective in fiscal year 2026.

Issued but not yet effective. GASB Statement No. 105, *Subsequent Events*, effective for fiscal years beginning after June 15, 2026 (the Authority's fiscal year 2027), defines subsequent events and the period over which they are evaluated, revises the definitions of recognized and nonrecognized subsequent events and the related disclosure requirements, and requires disclosure of the date through which subsequent events were evaluated. Management has not yet determined the effect of this Statement on the Authority's financial statements.

NOTE 2 — CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2026 consisted of the following.

	June 30, 2026
Deposit with a financial institution	\$ 17,800
Position in the Sacramento County Pooled Investment Fund	5,774,325
Total cash and cash equivalents	<u>\$ 5,792,125</u>
Investment income for the year ended June 30, 2026 comprised:	
Interest earned on deposits and pooled investments	\$ 54,651
Net increase in the fair value of investments	19,634
Total investment income	<u>\$ 74,285</u>

Deposits

At June 30, 2026 the carrying amount of the Authority's deposit with a financial institution was \$17,800 and the corresponding bank balance was \$18,300. The difference represents outstanding checks. The bank balance was fully insured by federal depository insurance and was therefore not exposed to custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority would not be able to recover its deposits. The California Government Code requires California banks and savings and loan associations to secure a public agency's deposits in excess of federal depository insurance limits by pledging government securities with a market value of at least 110% of the agency's deposits, or first trust deed mortgage notes with a market value of at least 150% of the agency's deposits. The Authority has not adopted a separate deposit policy for custodial credit risk beyond the requirements of the California Government Code described above.

Investment in the Sacramento County Pooled Investment Fund

The Authority's remaining cash is held in the Sacramento County Pooled Investment Fund, an external investment pool administered by the Sacramento County Treasurer under the oversight of the County Treasury Oversight Committee. Funds in the County Pool are invested by the County Treasurer in accordance with California Government Code Sections 53600 et seq. and the County's adopted investment policy, which govern the types, maturities and concentrations of permitted investments. The Authority does not own identifiable securities within the pool; its position is a proportionate interest in the pool as a whole. The County Pool is not registered with the Securities and Exchange Commission and is not rated. Amounts held in the County Pool are available for withdrawal on demand and are therefore reported as a cash equivalent.

The fair value of the Authority's position in the County Pool is not the same as the value of its pool shares. The Authority's balance in the pool at June 30, 2026 was \$5,750,747 and the County Treasurer reported a fair value factor of 100.41% at that date, so the fair value of the Authority's position was \$5,774,325 — \$23,578 more than the value of its pool shares. The Authority reports its position at that fair value and reports the \$19,634 increase in that difference during the year (from \$3,944 at June 30, 2025) as a component of investment income. Because the Authority's position is measured using the pool's reported value rather than the fair value of individual securities, it is not classified within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

Investment Risk Disclosures

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment; in general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The weighted average maturity of the County Pool at June 30, 2026 was 321 days. Credit risk is the risk that an issuer of a debt security will not fulfill its obligations; as stated above, the County Pool is not rated. Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer; the Authority's only investment is its position in the County Pool, and it does not own identifiable securities within the pool.

The Sacramento County Treasurer is designated as the depository of the Authority's funds. Accordingly, the Authority's funds are maintained and invested by the Sacramento County Treasurer in accordance with the County's adopted investment policy, which the Board accepted for calendar year 2026 in March 2026, and the Authority has not adopted an investment policy of its own relating to credit risk, custodial credit risk, concentration of credit risk or interest rate risk.

The Authority has not entered into any securities lending transactions, holds no derivative instruments and does not sponsor an external investment pool.

NOTE 3 — RECEIVABLES AND PREPAID ITEMS

Receivables at June 30, 2026 consisted of \$6,525 of accounts receivable and \$33,182 of interest receivable. Accounts receivable represents amounts due to the Authority in the ordinary course of its operations. Interest receivable represents interest earned on the Authority's position in the Sacramento County Pooled Investment Fund for the quarter ended June 30, 2026 that was apportioned to the Authority after year end. All receivables are expected to be collected within one year and no allowance for uncollectible amounts has been recorded.

Prepaid items of \$44,243 at June 30, 2026 consist of insurance premiums paid in June 2026 for the policy year beginning July 1, 2026.

NOTE 4 — RELATED PARTY TRANSACTIONS AND ADMINISTRATIVE SERVICES AGREEMENT

SACOG is a member of the Authority, is the Authority's designated administering agency and is the lender under the Authority's notes payable to SACOG described in Note 5. The Authority therefore transacts with SACOG on a continuing basis.

SACOG provides the Authority with finance, accounting, procurement, human resources, board clerk and general administrative support, and manages consultants working for the Authority. SACOG bills the Authority for actual staff hours worked using the hourly rates SACOG has developed for its own programs, which include actual salary, a blended fringe benefit rate and a blended indirect cost rate. Amounts charged by SACOG for these services totaled \$331,572 for the year ended June 30, 2026 (fiscal year 2025: \$232,848) and are reported as program management and administrative services in the statement of revenues, expenses and changes in net position. SACOG also pays certain costs, principally legal services, on the Authority's behalf and bills them to the Authority at cost; those costs are reported by their nature in the statement of revenues, expenses and changes in net position and are not included in the amount above. The Authority's accounting records are maintained within SACOG's financial systems, and the Authority's cash is held and disbursed by SACOG on the Authority's behalf.

Of the \$492,663 of accounts payable at June 30, 2026, \$85,080 was payable to SACOG. Amounts billed by SACOG are payable on presentation of the invoice and the amount outstanding at June 30, 2026 was paid in August 2026. Interest accrued on the SACOG notes and unpaid at June 30, 2026 was \$142,830 (Note 5). The Authority had no transactions during the year ended June 30, 2026 with YoloTD or with Caltrans that require disclosure. The City of West Sacramento, the Authority's other lender, is not a member of the Authority.

In May 2025, the Board approved an administrative services agreement with SACOG, effective July 1, 2025 through June 30, 2027, that formalizes this arrangement and distinguishes the specialized tolling program work performed for the Authority from the general finance and administrative support SACOG provides. On March 18, 2026 the Board approved a first amendment to the agreement, effective July 1, 2026, that extends its term through June 30, 2030, removes planning and project management from the services SACOG provides, adds payroll, benefits administration and human resources support for the Authority's employees, and provides for SACOG to bill the Authority for direct costs, including office and meeting space, incurred on the Authority's behalf. Under the agreement the Authority develops an annual estimate of its staffing needs from SACOG, and SACOG bills the Authority for the cost of the services provided. Either party may terminate the agreement on ninety days' written notice.

NOTE 5 — LONG-TERM LIABILITIES

Notes Payable to SACOG

On May 23, 2024 the Authority entered into a loan agreement and executed a promissory note in favor of SACOG in the principal amount of \$1,300,000 to provide initial funding for the Authority's administrative operations. On May 28, 2025 the Authority entered into an amended and restated loan agreement that extended the repayment terms of the first note and added a second promissory note of \$1,300,000 to fund the Authority's fiscal year 2025-26 budget. The Authority drew the first note in full on July 2, 2024 and the second note in full on November 5, 2025.

Each note bears interest at a variable rate equal to the rate earned by the Sacramento County Pooled Investment Fund for the same period; interest is computed separately for each note from its draw date. Principal on the first note is repayable in annual installments of \$325,000 beginning within twenty-four (24) months of the Authority's initial receipt of toll revenue or June 30, 2030, whichever occurs sooner, and all accrued interest on that note is payable together with the final installment, which is due June 30, 2033. Principal on the second note is repayable in annual installments of \$325,000 beginning after the first note has been paid in full or June 30, 2034, whichever is sooner, with all accrued interest on that note payable together with the final installment, which is due June 30, 2037. Either note may be prepaid in whole or in part at any time without penalty. Interest of \$86,338 was accrued and charged to expense on the two notes for the year ended June 30, 2026 (fiscal year 2025: \$56,492 on the first note); no principal or interest has been paid, accrued interest on the notes at June 30, 2026 totaled \$142,830, and no principal or interest payment falls due within one year of June 30, 2026.

Note Payable to City of West Sacramento

On April 29, 2026 the Authority entered into a loan agreement with the City of West Sacramento, and executed a promissory note in the City's favor, providing for loans of principal not to exceed \$14,000,000 to finance the Authority's pre-revenue service operations and a portion of its operations during the initial year of toll revenue service. The loan may be drawn in four periods: up to \$1,000,000 no later than May 1, 2026; up to \$4,000,000 no later than July 1, 2026; up to \$5,000,000 no later than July 1, 2027; and up to \$4,000,000 no later than July 1,

2029. The Authority is under no obligation to draw. The Authority drew \$1,000,000 on April 30, 2026 and \$4,000,000 on June 23, 2026, so that \$5,000,000 was outstanding and \$9,000,000 remained available at June 30, 2026.

The loan bears interest at a fixed annual rate of 8% from the date of each draw. Repayment of each draw is deferred for three years from the draw date; the deferral is extended until twelve months after the Authority's initial receipt of toll revenue if that is later, but may not exceed five years from the draw. Interest accruing during the deferral period is added to the balance of the loan. Each draw is then repaid in quarterly installments of principal and interest over ten years under an amortization schedule provided by the City at the time of the draw; the first draw is repayable in forty quarterly installments of \$46,059 beginning June 30, 2029. The Authority may prepay the loan in whole or in part at any time without penalty. The loan is unsecured. Interest of \$13,333 was accrued and charged to expense for the year ended June 30, 2026; no principal or interest has been paid and no payment falls due within one year of June 30, 2026.

Under the loan agreement, repayment of the SACOG notes has priority over the West Sacramento loan, and loans that the County of Yolo and other cities within Yolo County may make to the Authority on the same terms will rank equally with it, with repayments made proportionally to each lender. No such other loans had been made at June 30, 2026 or through the date of these financial statements.

Changes in the Authority's long-term liabilities for the year ended June 30, 2026 were as follows.

	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026	Due Within One Year
Notes payable to SACOG	\$ 1,300,000	\$ 1,300,000	\$ -	\$ 2,600,000	\$ -
Note payable to City of West Sacramento	-	5,000,000	-	5,000,000	-
Accrued interest payable	56,492	99,671	-	156,163	-
Total long-term liabilities	<u>\$ 1,356,492</u>	<u>\$ 6,399,671</u>	<u>\$ -</u>	<u>\$ 7,756,163</u>	<u>\$ -</u>

Debt service requirements to maturity at June 30, 2026 are as follows. Interest on the SACOG notes is reported in the year in which it is required to be paid, which is the year of each note's final installment. Interest on the West Sacramento loan that accrues during the repayment deferral period is added to the balance of the loan and is repaid, together with interest accruing during the repayment period, through the quarterly installments; that interest is reported in the years in which the installments are due, and principal is the amount drawn.

Year Ending June 30,	Notes Payable to SACOG		West Sacramento Loan		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2028	-	-	-	-	-	-	-
2029	-	-	16,556	29,503	16,556	29,503	46,059
2030	325,000	-	342,546	583,472	667,546	583,472	1,251,018
2031	325,000	-	370,783	555,235	695,783	555,235	1,251,018
2032-2036	1,625,000	377,614	2,365,991	2,264,101	3,990,991	2,641,715	6,632,706
2037-2041	325,000	499,002	1,904,124	827,873	2,229,124	1,326,875	3,555,999
Total	\$ 2,600,000	\$ 876,616	\$ 5,000,000	\$ 4,260,184	\$ 7,600,000	\$ 5,136,800	\$ 12,736,800

The principal outstanding on the SACOG notes at June 30, 2026 was \$2,600,000 and the annual installment required by the loan agreement on each note is \$325,000. Interest on the notes accrues at a variable rate equal to the rate earned by the Sacramento County Pooled Investment Fund, and the rate changes as the pool's earned rate changes. That rate is not determinable for future periods, so the interest requirements above are estimated using the rate earned by the Sacramento County Pooled Investment Fund for the quarter ended June 30, 2026, which was 3.763%. Actual interest requirements will differ. The SACOG interest requirement comprises the \$142,830 accrued through June 30, 2026 and reported as a liability in the statement of net position and \$733,786 of interest estimated to accrue from July 1, 2026 through maturity; principal installments are assumed to be paid on June 30 of each year beginning June 30, 2030 for the first note and June 30, 2034 for the second. The loan agreement requires repayment of the first note to begin within 24 months of the Authority's initial receipt of toll revenue if that occurs before June 30, 2030, which would accelerate the installments and the maturity dates of both notes. The West Sacramento requirements are based on the City's amortization schedule for the first draw and the schedule in the loan agreement for the second draw; they comprise the \$5,000,000 drawn and \$4,260,184 of interest, of which \$13,333 had accrued at June 30, 2026 and \$1,332,920 in total will be added to the loan balance during the deferral periods.

Disclosures Related to Debt — Direct Borrowing

The notes payable to SACOG and the note payable to the City of West Sacramento are direct borrowings and were the Authority's only debt outstanding at June 30, 2026. The Authority has pledged no assets as collateral for the notes and had no unused lines of credit at June 30, 2026 other than the \$9,000,000 undrawn balance of the West Sacramento loan described above. Events of default under the loan agreements include the Authority's failure to make any payment when due, the Authority's failure to comply with or perform any other term, obligation, covenant or condition of the loan documents, and the dissolution or termination of the Authority's existence, the Authority's insolvency, the appointment of a receiver for any part of the Authority's property, any assignment for the benefit of the Authority's creditors, or the commencement of any bankruptcy or insolvency proceeding by or against the Authority. Upon an event of default, the lender may declare the entire unpaid balance of its loan immediately due and payable, and the City of West Sacramento's obligation to make further disbursements terminates.

Other Debt Matters

The Authority had no short-term debt activity during the year ended June 30, 2026, has issued no bonds, notes or certificates of participation other than the notes described above, has no conduit debt obligations, no demand bonds, no derivative instruments and no defeased debt. There were no violations of finance-related legal or contractual provisions during the year ended June 30, 2026.

Pledged Revenue

In accordance with California Streets and Highways Code Section 149.7(e)(4) and the loan agreements, revenue generated from the Authority's operation of a toll facility is available for repayment of the SACOG notes and the West Sacramento loan. Under the SACOG loan agreement the SACOG notes take priority over all other debt issued by the Authority, and the West Sacramento loan agreement acknowledges that priority. The pledge secures the Authority's only debt, which was incurred to fund the Authority's start-up and pre-revenue toll program development costs.

The commitment extends from the dates of the loan agreements through the earlier of the due date of each lender's final installment — June 30, 2037 for the SACOG notes and June 30, 2039 for the West Sacramento draws made to date — or the date the loans are repaid or prepaid in full. Total principal and interest remaining on the notes at June 30, 2026 was \$12,736,800, consisting of \$7,600,000 of principal, \$156,163 of interest accrued through June 30, 2026 and \$4,980,637 of interest estimated to accrue thereafter.

All toll revenue the Authority generates from the operation of a toll facility is available for repayment of the loans; the proportion of that revenue which will be required for debt service is not determinable at June 30, 2026 because the Authority has not begun toll revenue service and the traffic and revenue study on which projections depend is still being refined; the Board adopted the toll policy for the Yolo 80 Express Lanes in December 2025. The Authority recognized no toll revenue during the year ended June 30, 2026 and does not expect toll revenue service on the Yolo 80 Express Lanes to begin before 2028. Accordingly, the ratio of pledged revenue recognized during the year to the debt service requirement for the year was zero. No debt service was required during the year.

NOTE 6 — NET POSITION (DEFICIT) AND FUTURE OPERATIONS

At June 30, 2026 the Authority reported an unrestricted net position deficit of \$2,372,751, an increase of \$1,704,376 from the deficit of \$668,375 at June 30, 2025. The deficit arises because the Authority finances its start-up and pre-revenue toll program development costs with borrowed funds that are repayable from future toll revenues, and because the Authority will not generate operating revenue until the Yolo 80 Express Lanes open for toll revenue service, currently expected in 2028.

The Authority's current assets of \$5,876,075 at June 30, 2026 exceeded its current liabilities of \$492,663. No principal or interest payment on the notes payable falls due within one year of June 30, 2026. The Authority's fiscal year 2026-27 budget is funded by cash on hand at June 30, 2026, including the proceeds of the West Sacramento draws, a Caltrans planning grant passed through SACOG and Trade Corridor Enhancement Program funds that Caltrans has agreed to transfer to the Authority for the toll system components it will deliver; \$9,000,000 remains available under the West Sacramento loan agreement (Note 5).

Management has evaluated whether conditions or events, considered in the aggregate, raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the date of these financial statements, including any currently known information that may raise substantial doubt shortly thereafter. Based on the resources on hand at June 30, 2026, the deferral of all debt service until fiscal year 2029 at the earliest, the undrawn balance of the West Sacramento loan and the state funding committed for the Yolo 80 toll system, management concluded that no such substantial doubt exists.

NOTE 7 — RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Authority is a member of the Golden State Risk Management Authority (GSRMA), a public entity risk pool organized as a joint powers authority under the laws of the State of California, through which the Authority obtains its insurance coverage. Coverage obtained through GSRMA for the year ended June 30, 2026 consisted of general liability, including personal injury, contractual liability, public officials' errors and omissions liability and employment practices liability; automobile liability; and crime coverage, in each case subject to the member deductible or self-insured retention established by the pool. Excess liability and cyber liability coverage are arranged through GSRMA's participation in Public Risk Innovation, Solutions, and Management (PRISM), a California joint powers authority. The Authority carried no workers' compensation coverage because it had no employees, and no property coverage because it held no capital assets. The Authority had no claims during the year ended June 30, 2026, no settlement has exceeded the Authority's insurance coverage in either of the two years since it first obtained coverage, and there was no significant reduction in coverage from the prior year in any category of risk. In June 2026 the Board authorized an application to the State of California to self-insure the Authority's workers' compensation liabilities in connection with the employment of its first employee in August 2026. The Authority's participation in GSRMA is a risk-sharing arrangement rather than the purchase of insurance from the pool. The Authority pays an annual contribution determined by GSRMA that funds the pool's expected losses, its excess coverage and its operating costs, and the Authority is responsible for losses within the member deductible or self-insured retention applicable to each coverage. Risk of loss above the member deductible or self-insured retention is transferred to GSRMA and, for excess liability and cyber liability, to PRISM. GSRMA is governed by a board of directors composed of representatives of its member agencies. Under the pool's governing documents, members may be required to pay supplemental assessments if the pool's resources are not sufficient to meet its obligations and may receive distributions if the pool's governing board determines that its resources exceed its obligations. The Authority does not control GSRMA, and GSRMA's assets and liabilities are not reported in the Authority's financial statements. Additional information about GSRMA, including its financial statements, may be obtained from Golden State Risk Management Authority, P.O. Box 706, Willows, California 95988.

NOTE 8 — CERTAIN RISK DISCLOSURES

GASB Statement No. 102, *Certain Risk Disclosures*, requires a government to disclose a concentration or a constraint if the concentration or constraint is known to the government before the financial statements are issued, it makes the government vulnerable to the risk of a substantial impact, and an event or events associated with it that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within twelve months of the date the financial statements are issued. The disclosure includes the actions the Authority has taken before the issuance of these financial statements to mitigate the risk. The Authority has identified the following concentrations.

Concentration — Source of Funding

Substantially all of the Authority's funding through June 30, 2026 has been provided by loans from two public agencies: \$2,600,000 from SACOG, one of the Authority's three member agencies, and \$5,000,000 from the City of West Sacramento under a loan agreement that provides for up to \$14,000,000. The Authority's only revenues in the year ended June 30, 2026 were \$7,000 of sponsorships and \$74,285 of investment income earned on the loan proceeds it holds. The Authority has no toll revenue or other recurring operating revenue, no taxing authority, and no other committed source of funds beyond the \$9,000,000 undrawn balance of the West Sacramento loan and the state funds described in Note 9, and it does not expect to receive toll revenue before

2028. The Authority is therefore dependent on those borrowings and on state funding to fund its operations, its toll program development costs and its debt service until toll revenue service begins. If the West Sacramento draws or the state funds were not available when needed, the Authority would need to obtain funding from another source, reduce the scope or pace of its toll program development, or both. Mitigating actions: the Board approved standard loan terms in December 2025 under which other public agencies in Yolo County may lend to the Authority on the same terms as the City of West Sacramento; the fiscal year 2026-27 budget provides for an operating reserve and a reserve committed to the toll system procurement; and Caltrans has agreed to transfer Trade Corridor Enhancement Program funds to the Authority for the Yolo 80 toll system components.

Concentration — Single Project and Single Corridor

The Authority's entire program, and the toll revenue from which the SACOG notes and the West Sacramento loan are to be repaid, depend on a single facility: the Yolo 80 Express Lanes on Interstate 80 in Yolo County. Caltrans, and not the Authority, is the sponsor of the underlying highway construction project and administers the federal and state funding for it. A delay in, a change in the scope of, or the cancellation of the Yolo 80 Express Lanes project would directly delay or reduce the Authority's future toll revenue and its ability to service its debt. Construction of the project is under way; roadway construction is expected to be complete in November 2026, followed by toll system installation and testing. Mitigating actions: in June 2026 the Board approved a memorandum of understanding with the Sacramento Transportation Authority for the preliminary development of toll lanes on Interstate 5 in Sacramento County, and additional toll facilities are contemplated on Interstate 5, State Route 99 and Highway 50 over the next 20 years. If those toll facilities were developed, the Authority would operate them and collect any toll revenue.

Concentration — Reliance on a Single Administering Agency

The Authority had no employees during the year. All of its finance, accounting, procurement, human resources and administrative functions, and its accounting system and records, are provided by SACOG under an administrative services agreement that, as amended, runs through June 30, 2030 and may be terminated by either party on ninety days' notice. A disruption of, or a decision by SACOG to discontinue, those services would require the Authority to obtain equivalent services elsewhere or to establish them internally, which would increase the Authority's costs and could interrupt its operations. Mitigating actions: the Board approved the first amendment to the administrative services agreement in March 2026, extending it through June 30, 2030 and adding payroll, benefits administration and human resources support; the Authority appointed a full-time executive director, who began in August 2026; and the agreement requires SACOG and the Authority to evaluate jointly, in October 2026, the staffing support the Authority needs through the term of the agreement.

Concentration — Vendor Concentration

The Authority conducts substantially all of its toll program development work through a single toll program management consultant, Kimley-Horn, under a multi-year contract with a value of up to \$5 million executed in November 2025, under which Kimley-Horn assumed toll program management in January 2026, and it has selected a single partner, the Transportation Corridor Agencies, to provide back-office system and customer service center services when toll operations begin. The loss of, or a material disruption at, either of these providers could delay the Authority's toll program. Mitigating actions: the Authority retained its incumbent consultant through the transition to Kimley-Horn, which was completed in January 2026; the Board's selection of the Transportation Corridor Agencies provides for the selection to be revisited if cost negotiations render the agreement untenable; and the Authority's first executive director began in August 2026, reducing its dependence on consultants for management of the program.

NOTE 9 — COMMITMENTS AND CONTINGENCIES

Contracts. The Authority carries out its program through professional services contracts. At June 30, 2026 the Authority had in place a multi-year toll program management contract with Kimley-Horn with a value of up to \$5,000,000; a contract for the recruitment of its executive director with a value of up to \$100,000; and a series of on-call professional services contracts under which task orders are issued as needed. The remaining commitments under these contracts at June 30, 2026 totaled approximately \$4,214,869. The Authority, through its program management consultant Kimley-Horn, was also procuring a toll system integrator that will design, install, test and maintain the toll infrastructure and operate the toll collection system on the Authority's behalf, and was negotiating an interagency agreement with the Transportation Corridor Agencies for back-office system and customer service center services; neither arrangement had been executed at June 30, 2026 (Note 10).

Toll facility authorization. The California Transportation Commission approved the Authority's toll facility application for the Yolo 80 Express Lanes under Assembly Bill 194 in February 2025. In December 2025 the Board adopted the toll policy resolution for the facility, which establishes the toll discount, pricing, account management, violation and privacy policies under which the facility will operate.

Grants and state funding. The Authority received no federal awards directly during the year ended June 30, 2026 and expended no federal awards, and accordingly is not subject to the single audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Subpart F. Federal funding for the Yolo 80 project is held and administered by Caltrans as the project sponsor. The Authority has been awarded a \$500,000 Caltrans Sustainable Transportation Planning Grant, passed through SACOG, for its Regional Toll Equity Study; \$2,511 of staff cost was applied as match under the grant during the year ended June 30, 2026. Caltrans has agreed to transfer to the Authority \$22.5 million of Trade Corridor Enhancement Program funds awarded to the Yolo 80 project, restricted to capital costs of the toll system components the Authority will deliver; the funds are available as eligible costs are incurred, and no amount was received or receivable at June 30, 2026. The Authority and Caltrans have since renegotiated the agreement to provide \$40,047,429 of these funds; the amended agreement is scheduled for Board consideration on September 30, 2026.

Litigation. There were no claims, assessments or legal actions pending or threatened against the Authority at June 30, 2026 or through the date these financial statements were available to be issued.

NOTE 10 — SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 12, 2026, the date the financial statements were available to be issued. The following matters occurred after June 30, 2026 and are disclosed as nonrecognized subsequent events.

- Executive director and employee benefits. The Authority's first employee, its executive director, began on August 3, 2026 under a three-year employment agreement effective August 1, 2026 that the Board approved on May 20, 2026, with a base salary of \$225,000. Beginning in fiscal year 2026-27 the Authority reports salaries and benefits, including contributions to the 401(a) money purchase plan and the 457 deferred compensation plan the Board established in June 2026 (Note 1G). On August 19, 2026 the Board adopted a resolution requesting that the member agencies amend the joint powers agreement to apportion the Authority's retirement liabilities equally among them, which would allow the Authority to apply to contract with the California Public Employees' Retirement System (CalPERS). This requires action by the members of the Authority prior to the Authority applying for CalPERS membership.
- Administrative services agreement. The first amendment to the administrative services agreement with SACOG, approved by the Board on March 18, 2026, took effect July 1, 2026 (Note 4).
- Toll system integrator. Finalists for the toll system integrator contract were interviewed in July 2026, following the receipt of proposals in June 2026. The award of the contract and the related funding plan were scheduled for Board consideration on September 30, 2026.
- Regional Toll Equity Study. In August 2026 the Authority placed the consultant for its Regional Toll Equity Study under contract; the study is funded by the \$500,000 Caltrans planning grant described in Note 9.
- Back-office and customer service center services. The Authority continued to negotiate an interagency agreement with the Transportation Corridor Agencies for back-office system and customer service center services to support future toll operations; the fiscal year 2026-27 budget includes \$1.5 million for the start-up of those services; execution of the agreement and a notice to proceed are expected in December 2026.
- West Sacramento loan and toll facility agreement. No draws were made under the loan agreement with the City of West Sacramento after June 30, 2026 through October 12, 2026. A toll facility agreement with Caltrans governing the Authority's operation of toll facilities on the state highway system was under negotiation and was expected to be presented to the Board in December 2026.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Capital Area Regional Tolling Authority
Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Capital Area Regional Tolling Authority (the Authority), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 12, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Sacramento, California
October 12, 2026