

Capital Area Regional Tolling Authority

Sacramento, California

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025

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.

FINANCIAL SECTION

Independent Auditor’s Report 1

Management’s Discussion and Analysis (Required Supplementary Information) 4

Basic Financial Statements:

 Statement of Net Position 10

 Statement of Revenues, Expenses and Changes in Net Position 11

 Statement of Cash Flows 12

 Notes to the Basic Financial Statements 13

OTHER REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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 27



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, 2025, 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, 2025, 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, 2025. 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, 2025; SACOG served as its administering agency during that year. CARTA hired an executive director in August 2026 who will be responsible for the management of CARTA, but SACOG will continue to provide day-to-day financial services for CARTA 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 2025 is the Authority's first fiscal year of operations and this is the Authority's first annual financial report. GASB Statement No. 103 requires this discussion and analysis to compare current-year balances and results of operations with the prior year and to explain why they changed. Because there is no preceding fiscal year, no such comparison is possible; all beginning balances were zero, and comparative analysis will be presented beginning with the fiscal year 2026 report.

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 note payable to SACOG 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 2025 are the \$86,202 of goods and services received but not paid for at year end and the \$56,492 of interest accrued on the SACOG note but not payable until 2030.
- The Notes to the Basic Financial Statements provide information that is essential to understanding the three statements, including the terms of the note payable, the composition of cash and cash equivalents, and the concentrations to which the Authority is exposed.

The Authority has elected to implement GASB Statement No. 103, *Financial Reporting Model Improvements*, for the year ended June 30, 2025, one year before that Statement's required effective date, because the Authority's fiscal year 2025 report will be issued at approximately the same time as its fiscal year 2026 report, for which the Statement is required. Early implementation changed the content and organization of this discussion and analysis and the captions and subtotals presented in the statement of revenues, expenses and changes in net position. It did not change any reported amount. Note 1N describes the change.

Financial Summary

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

	June 30, 2025
Capital assets	\$ -
Other assets	774,319
Total assets	<u>774,319</u>
Total deferred outflows of resources	<u>-</u>
 Long-term liabilities	 1,356,492
Other liabilities	86,202
Total liabilities	<u>1,442,694</u>
Total deferred inflows of resources	<u>-</u>
 Net investment in capital assets	 -
Restricted	-
Unrestricted (deficit)	(668,375)
Total net position (deficit)	<u><u>\$ (668,375)</u></u>
	 Year Ended June 30, 2025
Operating revenues - charges for services	\$ -
Other nonoperating revenues - investment income	52,019
Total revenues	<u>52,019</u>
 Operating expenses - toll program development and administration	 663,902
Other nonoperating expenses - interest on long-term debt	56,492
Total expenses	<u>720,394</u>
 Change in net position	 (668,375)
Net position, beginning of year	-
Net position (deficit), end of year	<u><u>\$ (668,375)</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. 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, 2025 were current assets. Cash and cash equivalents of \$705,871 were 91% of total assets of \$774,319; the remainder is \$42,138 of insurance premiums prepaid for the policy year beginning July 1, 2025, \$21,988 of interest apportioned by the Sacramento County Treasurer after year end, and \$4,322 of accounts receivable. The Authority holds no capital assets because the toll policy, toll system planning and program management work the Authority performed during the year did not meet the criteria for capitalization. The Authority will hold capital assets when it begins construction of the Yolo 80 Express Lanes toll system in 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 \$1,442,694 consist of \$86,202 of accounts payable and \$1,356,492 of noncurrent obligations — the \$1,300,000 note payable to SACOG and \$56,492 of interest accrued on that note. No principal or interest payment on the note falls due within one year of June 30, 2025; under the loan agreement repayment will begin within twenty-four months after the Authority first receives toll revenue or June 30, 2030, whichever occurs sooner.

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 restriction in the SACOG loan agreement do not exceed the related liability. The unrestricted deficit of \$668,375 does not indicate a liquidity problem: current assets of \$774,319 cover current liabilities of \$86,202 almost nine 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 borrowing that funds them remains a liability until it is repaid from toll revenues. Repayment will not begin until twenty-four months after the Authority first receives toll revenue, or June 30, 2030, whichever occurs sooner.

Results of Operations

The Authority earned no operating revenues in fiscal year 2025 and will earn none until the Yolo 80 Express Lanes open for toll revenue service, currently expected in the summer of 2028. Its only revenue was \$52,019 of investment income, comprising \$48,075 of interest earned on its position in the Sacramento County Pooled Investment Fund, and a \$3,944 net increase in the fair value of that position. Because the note payable to SACOG bears interest at the same rate the County pool earns, that investment income was very nearly offset by the \$56,492 of interest accrued on the note; the net cost of carrying the loan for the year was \$4,473. This is a deliberate feature of the loan agreement rather than a result of market conditions.

The Authority received \$1,300,000 in loan proceeds from SACOG during the year, which was its only source of external funding for its operations. Loan proceeds are not revenue; they are reported as a noncapital financing activity in the statement of cash flows and as a liability in the statement of net position.

Operating expenses of \$663,902 by natural classification were as follows.

	Amount	Percent of Total
Consultant services	\$ 355,500	53.5%
Program management and administrative services - SACOG	232,848	35.1%
Legal services	26,782	4.0%
Insurance	38,896	5.9%
Publications, data and subscriptions	3,966	0.6%
Travel and meetings	2,527	0.4%
Directors' fees	3,000	0.5%
Other services	383	0.1%
Total operating expenses	\$ 663,902	100.0%

Interest expense on the note payable to SACOG is a nonoperating expense excluded from the table.

Percentages may not sum to 100% because of rounding.

Consultant services of \$355,500 and program management and administrative services billed by SACOG of \$232,848 together account for 88.6% 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 represent the Authority's toll lane program development work, principally the work of its toll program management consultant. 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. Legal services of \$26,782 comprise general counsel and contracts counsel work; insurance of \$38,896 is the cost of coverage for the policy year ended June 30, 2025; and directors' fees of \$3,000 are stipends paid to Board members.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

The Authority had no capital assets at June 30, 2025 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. 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 only long-term financing activity during the year was the \$1,300,000 note payable to SACOG, which it drew in full. The note bears interest at a variable rate equal to the rate earned by the Sacramento County Pooled Investment Fund. Principal 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, and all accrued interest is payable with the final installment due June 30, 2033. The Authority has no other debt, no credit rating, no debt limitation and no unused lines of credit other than the undrawn second promissory note described in Note 5, and there were no changes in any of those during the year. 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, 2025, and was not a party to any such arrangement at year end. The agreements the Authority is putting in place for toll operations — the back-office and customer service center arrangement with the Transportation Corridor Agencies and the Toll System Integrator procurement — 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 2025 results of operations.

- Toll facility approval. 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.
- Fiscal year 2025-26 budget and funding. The Board adopted a fiscal year 2025-26 budget of \$1,868,000, comprising \$696,000 of administrative costs and \$1,172,000 of toll program costs. That is 2.8 times fiscal year 2025 operating expenses and reflects a full year of toll program management at a higher level of activity rather than any change in the scope of the Authority's program. The budget is funded by an additional loan from SACOG; loans from SACOG through fiscal year 2026 total \$2.6 million. Interest will continue to accrue on that borrowing and to be added to the amount payable at maturity. SACOG is not the Authority's only lender after year end; the Authority has also entered into the loan agreement with the City of West Sacramento described in the following bullet.
- Borrowing facility with the City of West Sacramento. On April 29, 2026 the Authority entered into a loan agreement with the City of West Sacramento providing for borrowings of principal not to exceed \$14,000,000 to finance pre-revenue service operations and a portion of operations during the initial year of toll revenue service. The loan bears interest at a fixed rate of 8% and is drawn in four periods: up to \$1 million no later than May 1, 2026, up to \$4 million no later than July 1, 2026, and up to \$5 million and \$4 million no later than July 1, 2027 and July 1, 2029. Repayment of each draw is deferred for three years from the draw date, extended until twelve months after the Authority's initial receipt of toll revenue if that is later, and in no case more than five years from the initial draw. At \$14,000,000 the facility is more than ten times the \$1,300,000 outstanding under the SACOG note at June 30, 2025, and as amounts are drawn it will increase the Authority's long-term obligations and the debt service to be funded from future toll revenue. See Note 10.

- Change in toll program consultant. Subsequent to June 30, 2025 the Authority entered into a multi-year toll program management contract with Kimley-Horn with a value of up to \$5 million and transitioned toll program management, and interim executive director duties, from its incumbent consultant to that firm in November 2025. The Authority's first executive director began August 1, 2026.
- Staffing. The Authority hired its first employee, a full-time executive director, who started August 1, 2026. SACOG will continue to provide finance and administrative support through June 30, 2030. The Authority had no employees during the year ended June 30, 2025 and therefore no pension, other postemployment benefit or compensated absence obligations; that will change in fiscal year 2026-27.
- Back-office and customer service operations. The Authority is working to negotiate an agreement to have the Transportation Corridor Agencies (TCA) provide back-office system and customer service center services for toll operations. The Authority is also procuring a Toll System Integrator to design, install, maintain and operate the toll collection system. These arrangements, and the Authority's relationship with Caltrans as project sponsor, are being scoped against GASB Statements No. 94 and No. 96 before the contracts are executed so that the resulting accounting is understood in advance.
- Construction and revenue service. The Yolo 80 Express Lanes project is under construction, with civil construction completion expected in 2026 or early 2027, followed by the toll system installation and testing in 2027 and 2028, and toll revenue service expected to begin in the summer of 2028. Toll transactions and toll revenue are expected to begin appearing in the Authority's financial statements in fiscal year 2029.
- Grant funding. The Authority was awarded a \$500,000 Caltrans Sustainable Transportation Planning Grant in fiscal year 2025-26, which is passed through SACOG. Federal funding for the Yolo 80 project, including INFRA grant funding, 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.

Capital Area Regional Tolling Authority
Statement of Net Position
June 30, 2025

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 705,871
Accounts receivable	4,322
Interest receivable	21,988
Prepaid expenses	42,138
Total current assets	<u>774,319</u>

TOTAL ASSETS	<u>\$ 774,319</u>
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LIABILITIES

Current liabilities:

Accounts payable	86,202
Total current liabilities	<u>86,202</u>

Noncurrent liabilities:

Accrued interest payable (Note 5)	56,492
Note payable to SACOG (Note 5)	1,300,000
Total noncurrent liabilities	<u>1,356,492</u>

TOTAL LIABILITIES	<u>\$ 1,442,694</u>
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NET POSITION

Unrestricted (deficit)	<u>(668,375)</u>
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TOTAL NET POSITION	<u>\$ (668,375)</u>
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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, 2025

OPERATING REVENUES	
Charges for services	\$ -
Total operating revenues	<u>-</u>
OPERATING EXPENSES	
Consultant services	355,500
Program management and administrative services - SACOG	232,848
Legal services	26,782
Insurance	38,896
Publications, data and subscriptions	3,966
Travel and meetings	2,527
Directors' fees	3,000
Other services	383
Total operating expenses	<u>663,902</u>
OPERATING INCOME (LOSS)	<u>(663,902)</u>
OTHER NONOPERATING REVENUES (EXPENSES)	
Investment income	52,019
Interest expense	(56,492)
Total other nonoperating revenues (expenses)	<u>(4,473)</u>
CHANGE IN NET POSITION	<u>(668,375)</u>
NET POSITION, BEGINNING OF YEAR	-
NET POSITION, END OF YEAR	<u><u>\$ (668,375)</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, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Payments to consultants, contractors and suppliers	\$ (621,160)
Payments to Directors	(3,000)
Net cash used by operating activities	<u>(624,160)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from note payable to SACOG	1,300,000
Net cash provided by noncapital financing activities	<u>1,300,000</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on deposits and investments	26,087
Net increase in the fair value of investments held as cash equivalents	3,944
Net cash provided by investing activities	<u>30,031</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

705,871

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

-

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 705,871

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (663,902)
<i>Adjustments to reconcile operating loss to net cash used by operating activities:</i>	
<i>Changes in operating assets and liabilities:</i>	
Accounts receivable	(4,322)
Prepaid expenses	(42,138)
Accounts payable	86,202
Net cash used by operating activities	<u><u>\$ (624,160)</u></u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

Interest accrued on the note payable to SACOG and added to long-term liabilities	\$ 56,492
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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 is therefore its first fiscal year of financial activity.

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 has implemented for the year ended June 30, 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 the note payable to SACOG as nonoperating and all other expenses as operating. The Authority had no operating revenues and received no subsidies during the year ended June 30, 2025.

The Authority had no transactions or other events during the year ended June 30, 2025 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, 2025 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, 2025 are recorded as prepaid items and are charged to expense over the periods benefited. Prepaid items at June 30, 2025 consist of insurance premiums paid in advance for the policy year beginning July 1, 2025.

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, 2025. 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, 2025 and recorded no capital outlay, depreciation or amortization during the year ended June 30, 2025. 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 that are the responsibility of the Authority consist of roadside toll equipment that will be located above or adjacent to the roadway and equipment at the traffic operations center. The Authority expects to begin capitalizing those components as that work is contracted and performed in advance of toll revenue service.

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

The Authority had no employees during the year ended June 30, 2025. Administrative, finance and clerk services are provided by SACOG under an administrative services agreement and toll program services are provided by consultants under professional services contracts. Because the Authority had no employees during the year ended June 30, 2025, it has no liability for compensated absences under GASB Statement No. 101, *Compensated Absences*, it did not sponsor or participate in any defined benefit or defined contribution pension plan, 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.

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, 2025, 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, 2025.

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, 2025 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 restriction contained in the SACOG loan agreement do not exceed the related liability. 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 note 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. Change in Accounting Principle — Early Implementation of GASB Statement No. 103

Early implementation. The Authority elected to implement GASB Statement No. 103, *Financial Reporting Model Improvements*, for the year ended June 30, 2025. That Statement is effective for fiscal years beginning after June 15, 2025 — the Authority's fiscal year 2026 — and earlier application is encouraged. The Authority elected early implementation because its fiscal year 2025 financial statements are being issued at approximately the same time as its fiscal year 2026 financial statements, for which the Statement is required, so that both years are presented on the same basis.

The Statement changed the Authority's financial report as follows. The information presented in management's discussion and analysis is now confined to the five topics the Statement permits and the analysis explains why balances and results of operations are what they are rather than only reporting amounts. The statement of revenues, expenses and changes in net position is presented in the order the Statement prescribes, the nonoperating section is captioned "other nonoperating revenues (expenses)", and the definitions of operating and nonoperating revenues and expenses are those prescribed by the Statement rather than an accounting policy established by the Authority. Inflows and outflows related to unusual or infrequent items would be displayed separately immediately before the change in net position; the Authority had none. Budgetary comparison information, where required, is required to be presented as required supplementary information, and budgetary variance analysis belongs in the notes to that schedule rather than in management's discussion and analysis; as described in Note 1M none is required of the Authority, and neither a budgetary comparison nor a budgetary variance analysis is presented.

The Statement also revised the requirements for presenting information about major component units in the basic financial statements and for presenting financial trends information in the statistical section of a separately issued report. Neither applies to the Authority, which has no component units and presents no statistical section.

GASB Statement No. 103 requires changes adopted at transition to be reported as a change in accounting principle in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. Because fiscal year 2025 is the Authority's first fiscal year, there is no prior period to restate and no cumulative effect to report. The change affected the presentation of the financial statements and the content of the notes and management's discussion and analysis only; it had no effect on total assets, total liabilities, net position, the change in net position or cash flows for the year ended June 30, 2025.

Other pronouncements implemented in the current year. The Authority also implemented the following pronouncements in the year ended June 30, 2025:

- GASB Statement No. 100, *Accounting Changes and Error Corrections* — an amendment of GASB Statement No. 62. Because fiscal year 2025 is the Authority's first fiscal year, the only accounting change is the early implementation of GASB Statement No. 103 described above and there were no error corrections.
- GASB Statement No. 101, *Compensated Absences*. Because the Authority has no employees, this Statement had no effect on the Authority's financial statements.
- GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires disclosure of concentrations and constraints that make a government vulnerable to a substantial impact. The disclosures required by this Statement are presented in Note 8.

Issued but not yet effective. The GASB has issued the following pronouncements that are effective in future periods. Management has not yet determined the full effect of these pronouncements on the Authority's financial statements.

- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for fiscal years beginning after June 15, 2025 (the Authority's fiscal year 2026). This Statement requires certain types of capital assets to be disclosed separately in the capital assets note and requires additional disclosure for capital assets held for sale. The Authority expects this Statement to become relevant as it places toll system assets in service.
- GASB Statement No. 105, *Subsequent Events*, effective for fiscal years beginning after June 15, 2026 (the Authority's fiscal year 2027). This Statement revises the definitions of recognized and nonrecognized subsequent events and the related disclosure requirements.

NOTE 2 — CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2025 consisted of the following.

	June 30, 2025
Deposit with a financial institution	\$ 22,000
Position in the Sacramento County Pooled Investment Fund	683,871
Total cash and cash equivalents	<u>\$ 705,871</u>
Investment income for the year ended June 30, 2025 comprised:	
Interest earned on deposits and pooled investments	\$ 48,075
Net increase in the fair value of investments	3,944
Total investment income	<u>\$ 52,019</u>

Deposits

At June 30, 2025 the carrying amount of the Authority's deposit with a financial institution was \$22,000 and the corresponding bank balance was \$22,400. 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, 2025 was \$679,927 and the County Treasurer reported a fair value factor of 100.58% at that date, so the fair value of the Authority's position was \$683,871 — \$3,944 more than the value of its pool shares. The Authority reports its position at that fair value and reports the \$3,944 difference 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, 2025 was 329 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, 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, 2025 consisted of \$4,322 of accounts receivable and \$21,988 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 through June 30, 2025 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 \$42,138 at June 30, 2025 consist of insurance premiums paid in June 2025 for the policy year beginning July 1, 2025.

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 note payable 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 \$232,848 for the year ended June 30, 2025 and are reported as program management and administrative services in the statement of revenues, expenses and changes in net position. 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 \$86,202 of accounts payable at June 30, 2025, \$23,604 was payable to SACOG. Amounts billed by SACOG are payable on presentation of the invoice and the amount outstanding at June 30, 2025 was paid in August 2025. The Authority had no transactions during the year ended June 30, 2025 with YoloTD or with Caltrans that require disclosure.

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. Under that 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.

NOTE 5 — LONG-TERM LIABILITIES

Note 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 consistent with the Authority's fiscal year 2024-25 budget. On May 28, 2025, the Authority entered into an amended and restated loan agreement that extended the repayment terms for the first note and added a second promissory note of \$1,300,000. The Authority drew the first principal amount of \$1,300,000 during the year ended June 30, 2025.

The original promissory note bears interest at a variable rate equal to the rate earned by the Sacramento County Pooled Investment Fund for the same period. Principal 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 is payable together with the final installment, which is due June 30, 2033. The note may be prepaid in whole or in part at any time without penalty. Interest of \$56,492 was accrued and charged to expense for the year ended June 30, 2025; no principal or interest was paid during the year, and no principal or interest payment falls due within one year of June 30, 2025.

The amended and restated loan agreement also provides for a second promissory note in the principal amount of \$1,300,000. No amount had been drawn under the second note at June 30, 2025, and no liability for it is reported in the statement of net position. The terms of the second note are the same as those of the original note, except that principal payments begin after the original note has been paid in full, or June 30, 2034, whichever is sooner, unless SACOG agrees otherwise in writing. The Authority drew \$1,300,000 under the second note on November 5, 2025 (Note 10).

Changes in the Authority's long-term liabilities for the year ended June 30, 2025 were as follows.

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Note payable to SACOG	\$ -	\$ 1,300,000	\$ -	\$ 1,300,000	\$ -
Accrued interest payable	-	56,492	-	56,492	-
Total long-term liabilities	<u>\$ -</u>	<u>\$ 1,356,492</u>	<u>\$ -</u>	<u>\$ 1,356,492</u>	<u>\$ -</u>

Debt service requirements to maturity at June 30, 2025 are as follows. Because the loan agreement requires all accrued interest to be paid with the final installment, the schedule reports interest in the year in which it is required to be paid rather than in the years in which it accrues.

Year Ending June 30,	Principal	Interest	Total
2026	\$ -	\$ -	\$ -
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	325,000	-	325,000
2031	325,000	-	325,000
2032	325,000	-	325,000
2033	325,000	397,619	722,619
Total	<u>\$ 1,300,000</u>	<u>\$ 397,619</u>	<u>\$ 1,697,619</u>
Interest accrued through June 30, 2025	\$ 56,492		
Estimated interest accruing after June 30, 2025	341,127		
Total interest payable at maturity, June 30, 2033	<u>\$ 397,619</u>		

The principal outstanding at June 30, 2025 was \$1,300,000 and the annual installment required by the loan agreement is \$325,000. Interest on the note 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 requirement above is estimated using the rate earned by the Sacramento County Pooled Investment Fund for the quarter ended June 30, 2025, which was 4.037%. Actual interest requirements will differ. The interest requirement shown in 2033 comprises the \$56,492 accrued through June 30, 2025 and reported as a liability in the statement of net position, and \$341,127 of interest estimated to accrue from July 1, 2025 through maturity. Principal installments are assumed to be paid on June 30 of each year beginning June 30, 2030; the loan agreement requires repayment to begin within 24 months of the Authority's initial receipt of toll revenue if that occurs before June 30, 2030, which would accelerate both the principal installments and the maturity date.

Disclosures Related to Debt — Direct Borrowing

The note payable to SACOG is a direct borrowing and was the Authority's only debt outstanding at June 30, 2025. The Authority has pledged no assets as collateral for the note and had no unused lines of credit at June 30, 2025 other than the undrawn \$1,300,000 second promissory note described above. See Note 10 for borrowings entered into after June 30, 2025. Events of default under the loan agreement 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, SACOG may declare the entire unpaid balance of the loan immediately due and payable.

Other Debt Matters

The Authority had no short-term debt activity during the year ended June 30, 2025, has issued no bonds, notes or certificates of participation other than the note 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, 2025.

Pledged Revenue

In accordance with California Streets and Highways Code Section 149.7(e)(4) and Article 2.01(b) of the loan agreement, revenue generated from the Authority's operation of a toll facility is available for repayment of the SACOG loan and takes priority over all other debt issued by the Authority. 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 date of the loan agreement through the earlier of (1) June 30, 2033, the due date of the final installment, or (2) the date the note is repaid or prepaid in full. Total principal and interest remaining on the note at June 30, 2025 was \$1,697,619, consisting of \$1,300,000 of principal, \$56,492 of interest accrued through June 30, 2025 and \$341,127 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 loan; the proportion of that revenue which will be required for debt service is not determinable at June 30, 2025 because the Authority has not begun toll revenue service, no toll rate structure has been adopted, and the traffic and revenue study on which projections depend is still being refined. The Authority recognized no toll revenue during the year ended June 30, 2025 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, 2025 the Authority reported an unrestricted net position deficit of \$668,375, which equals the change in net position for the year because fiscal year 2025 is the Authority's first fiscal year and all beginning balances were zero. The deficit arises because the Authority financed 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 \$774,319 at June 30, 2025 exceeded its current liabilities of \$86,202. No principal or interest payment on the note payable to SACOG falls due within one year of June 30, 2025. The Authority's fiscal year 2025-26 budget of \$1,868,000 is funded by the original and second promissory notes described in Note 5. The Authority also entered into a loan agreement with the City of West Sacramento in April 2026 providing for borrowings of up to \$14,000,000, described in Note 10.

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, 2025, the deferral of all debt service until fiscal year 2030 at the earliest, the additional funding committed by SACOG for fiscal year 2026, and the borrowing facility subsequently obtained from the City of West Sacramento, 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, 2025 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, 2025 and no settlement exceeded the Authority's insurance coverage. Because fiscal year 2025 was the Authority's first year of coverage, there was no prior-year coverage against which to assess whether coverage was significantly reduced. 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

All of the Authority's external funding during the year ended June 30, 2025 was provided by a single \$1,300,000 loan from SACOG, one of the Authority's three member agencies. The Authority has no operating revenue, no taxing authority, and no other committed source of funds beyond the undrawn second \$1,300,000 promissory note from SACOG described in Note 5, and it does not expect to receive toll revenue before 2028. The Authority is therefore dependent on continued lending or other financial support from SACOG, or from another source, to fund its operations, its toll program development costs and its debt service until toll revenue service begins. If SACOG were to decline to provide further funding, the Authority would need to obtain funding from another source, reduce the scope or pace of its toll program development, or both. Mitigating actions: SACOG committed the funding for the Authority's fiscal year 2025-26 budget and advanced a second \$1,300,000 note in November 2025; in April 2026 the Authority entered into a loan agreement with the City of West Sacramento providing for borrowings of up to \$14,000,000 to fund pre-revenue operations and a portion of the initial year of revenue service; and the Board has considered options for funding the Authority's operations through fiscal year 2027-28.

Concentration — Single Project and Single Corridor

The Authority's entire program, and the toll revenue from which the SACOG loan is 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 the note payable to SACOG. Construction of the project is under way. Civil construction is currently expected to be complete in 2026 or early 2027, with toll system installation and testing in 2027 and 2028. Mitigating actions: 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 has no employees. 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 expires June 30, 2030. 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 a written administrative services agreement with SACOG in May 2026 that runs through June 30, 2030, and the Authority is developing its own organizational infrastructure, including the appointment of a full-time executive director effective August 2026. Further, the agreement requires CARTA and SACOG to give mutual notice in advance of changes under the agreement, which should avoid significant interruption risk.

Concentration — Vendor Concentration

The Authority conducted substantially all of its toll program development work during the year ended June 30, 2025 through a single toll program management consultant, and it has identified a single prospective partner, the Transportation Corridor Agencies, to provide back-office system and customer service center services when toll operations begin. Subsequent to June 30, 2025 the Authority entered into a multi-year toll program management contract with Kimley-Horn and began transitioning toll program management to that firm in November 2025. The loss of, or a material disruption at, either of these providers, or a delay in completing the transition, could delay the Authority's toll program. Mitigating actions: the Authority executed a multi-year contract with the successor toll program manager before the transition began, and retained the incumbent consultant through the transition period.

NOTE 9 — COMMITMENTS AND CONTINGENCIES

Contracts. The Authority carries out its program through professional services contracts. At June 30, 2025 the Authority had a toll lanes program development contract in place, and was procuring a series of on-call professional services contracts. The remaining commitment on the toll program development contract at June 30, 2025 was approximately \$344,000. Subsequent to year end the Authority entered into a multi-year toll program management contract with Kimley-Horn with a value of up to \$5 million, and began negotiations on an interagency agreement with the Transportation Corridor Agencies for back-office system and customer service center services. The Authority is also procuring a Toll System Integrator that will design, install and maintain the toll infrastructure and operate the toll collection system on the Authority's behalf. None of the arrangements entered into after June 30, 2025 described above was in place at that date.

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.

Grants. The Authority received no federal awards directly during the year ended June 30, 2025 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.

Litigation. There were no claims, assessments or legal actions pending or threatened against the Authority at June 30, 2025 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, 2025 and are disclosed as nonrecognized subsequent events.

- Administrative services agreement. The administrative services agreement between the Authority and SACOG approved by the Board in May 2025 took effect July 1, 2025 and runs through June 30, 2027. In May 2026 the Board approved an amendment that extended the agreement through June 30, 2030. The agreement narrowed the scope to focus on administrative and financial support for CARTA, including renting of office space and payroll, benefits administration and human resources services. CARTA will have direct employees, but SACOG will provide contracted services for payroll, benefits administration and human resources unless otherwise agreed between the two agencies.
- Additional borrowing from SACOG. On November 5, 2025 the Authority drew \$1,300,000 under the second promissory note provided for in the amended and restated loan agreement with SACOG dated May 28, 2025 (Note 5), to finance its fiscal year 2025-26 budget of \$1,868,000. The note bears interest at a variable rate equal to the rate earned by the Sacramento County Pooled Investment Fund. Loans from SACOG through fiscal year 2026 total \$2.6 million.
- Additional borrowing from West Sacramento. On April 29, 2026, the Authority entered into a loan agreement with the City of West Sacramento in a total amount of principal not to exceed \$14,000,000 to finance pre-revenue service operations, as well as a portion of operations during the initial year of revenue service. The loan is structured in four draw periods, with an initial draw of up to \$1 million no later than May 1, 2026, a second draw of up to \$4 million no later than July 1, 2026, and third and fourth draws of up to \$5 million and \$4 million respectively no later than July 1, 2027 and 2029. The loan bears interest at a fixed 8% and is repayable on a graduated repayment schedule with deferred repayment (moratorium) for the first three years after each draw date. The moratorium period shall be extended until twelve (12) months following the Authority's initial receipt of toll revenue, if greater than three years from the initial draw. The extension shall not exceed five years in total from the initial draw. The Authority may prepay the outstanding amount or any portion thereof, at any time prior to the repayment term without penalty. The loan is unsecured and the Authority has pledged no assets as collateral for it. The loan agreement provides that repayment of the note payable to SACOG described in Note 5 takes priority over the West Sacramento loan, and that loans the County of Yolo and the other cities within the County intend to make to the Authority are of equal priority with the West Sacramento loan, with repayments made proportionally to each lending agency. The Authority drew \$1,000,000 on April 30, 2026 and \$4,000,000 on June 23, 2026. Through October 12, 2026, draws under the agreement totaled \$5,000,000.
- Toll program management contract and change of consultant. On November 13, 2025 the Authority entered into a multi-year toll program management contract with Kimley-Horn with a value of up to \$5 million and began transitioning toll program management and interim executive director duties from its incumbent consultant to that firm. The transition was complete at the date of this report.
- Back-office and customer service center services. The Authority is negotiating an interagency agreement with the Transportation Corridor Agencies for back-office system and customer service center services to support future toll operations, with an estimated value of \$5.6 million installation cost and \$3.1 million annual operating cost. The interagency agreement is expected to be executed in December 2026.
- Grant award. The Authority was awarded a \$500,000 Caltrans Sustainable Transportation Planning Grant in fiscal year 2025-26, which is passed through SACOG.



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, 2025, 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