Financial Report
of the
Operations of the System
Fiscal Year 2026

November 20, 2026

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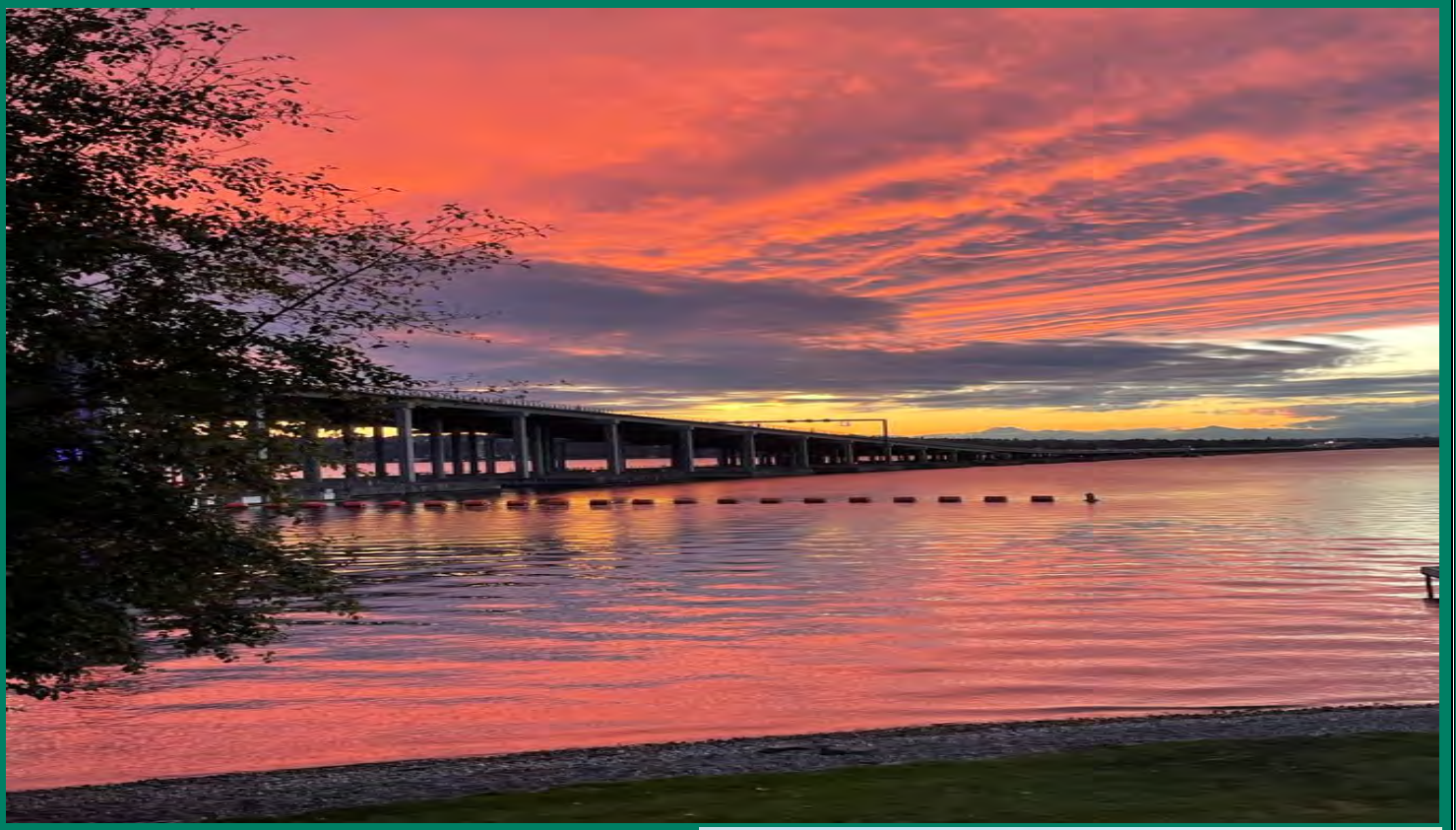
Exhibit II	Projected Net Toll Revenues and Debt Service Coverage

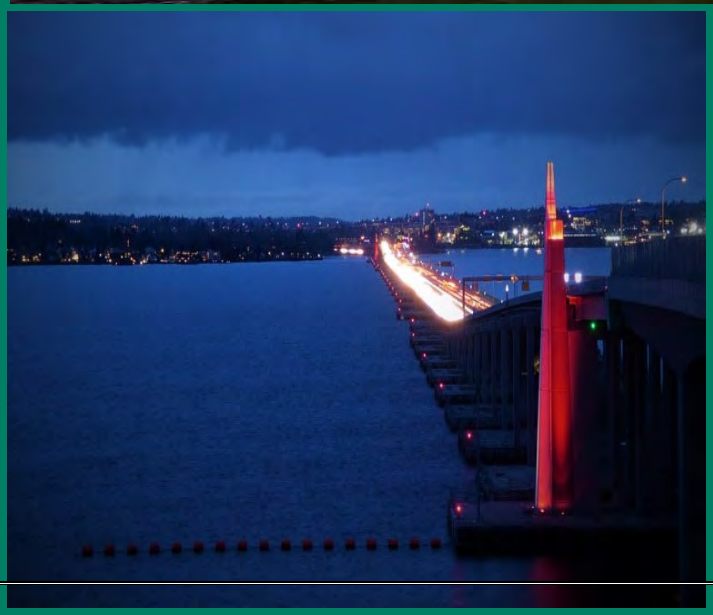
Exhibit I

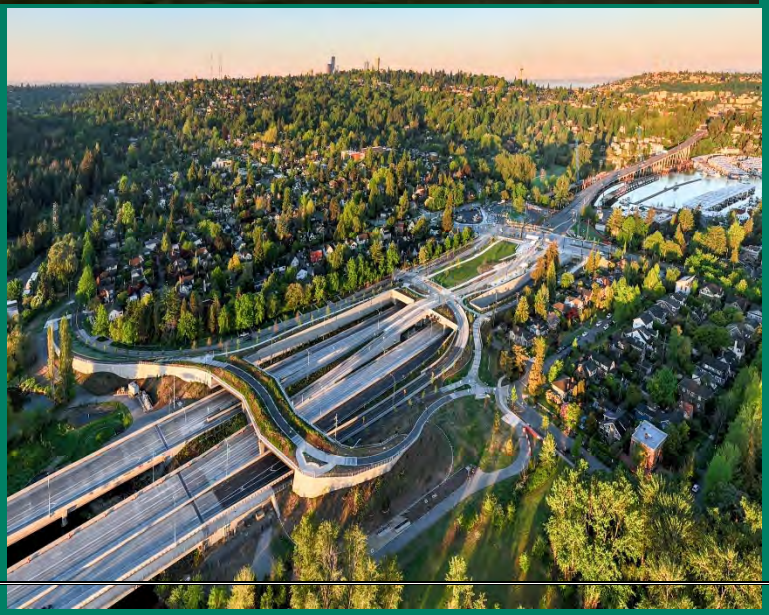
Audited Financial Statements

WASHINGTON STATE
SYSTEM OF ELIGIBLE TOLL FACILITIES

ANNUAL FINANCIAL REPORT
JUNE 30, 2026







Washington State Department of Transportation

Presented By

Washington State Department of Transportation

Accounting & Financial Services Division





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Washington State Department of Transportation

INTRODUCTORY SECTION

October 22, 2026

Julie Meredith, Secretary
Washington State Department of Transportation
Olympia, WA 98504

Dear Secretary Meredith:

The Accounting & Financial Services (AFS) Division is pleased to present to you and the citizens of Washington State the Annual Financial Report for the Washington State System of Eligible Toll Facilities (the SR 520 Tolling System Financial Statements, also referred to as the "System"), for fiscal year ended June 30, 2026. Responsibility for the accuracy, completeness and reliability of the information contained in this report, including all disclosures, rests with the management of the Washington State Department of Transportation (WSDOT). To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to provide a fair representation of the financial position of the System. This report has been prepared in accordance with standards established by the Government Accounting Standards Board (GASB). We believe the report contains all disclosures necessary for the reader to understand the System's financial position.

The overall net position of the System increased 4.1% to $1,541 million during fiscal year 2026. Toll revenue increased 8.1% to $92.8 million over the prior year. Total expenditures decreased by -14.2% primarily due to a decrease in Other Expenditures.

The financial statements and narratives included in this report represent that portion of the System financed by bonds issued under State Finance Committee Master Resolution Numbers 1117 and 1125, as represented in the State Route 520 Corridor Account and the Toll Facility Bond Retirement Account. Pursuant to RCW 47.56.060, this report is intended to provide complete and reliable information that can be used to make management decisions and demonstrate the financial condition of the System.

WSDOT's management is responsible for establishing and maintaining an effective internal control structure designed to ensure the assets of the System are protected from loss, theft or misuse. WSDOT's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the expected benefits and (2) the valuation of costs and benefits requires estimates and judgments by management.

This Annual Financial Report is divided into an Introductory Section and Financial Section to facilitate a thorough understanding of the financial position of the System. Management's Discussion and Analysis (MD&A) can be found in the Financial Section and provides a narrative overview and analysis of the financial statements.

The preparation of the System's Annual Financial Report was accomplished through a partnership between the employees of the Toll Division and the Accounting & Financial Services Division. We appreciate the assistance of all employees involved.

Respectfully submitted,

Todd Lamphere, Director
Accounting & Financial Services Division

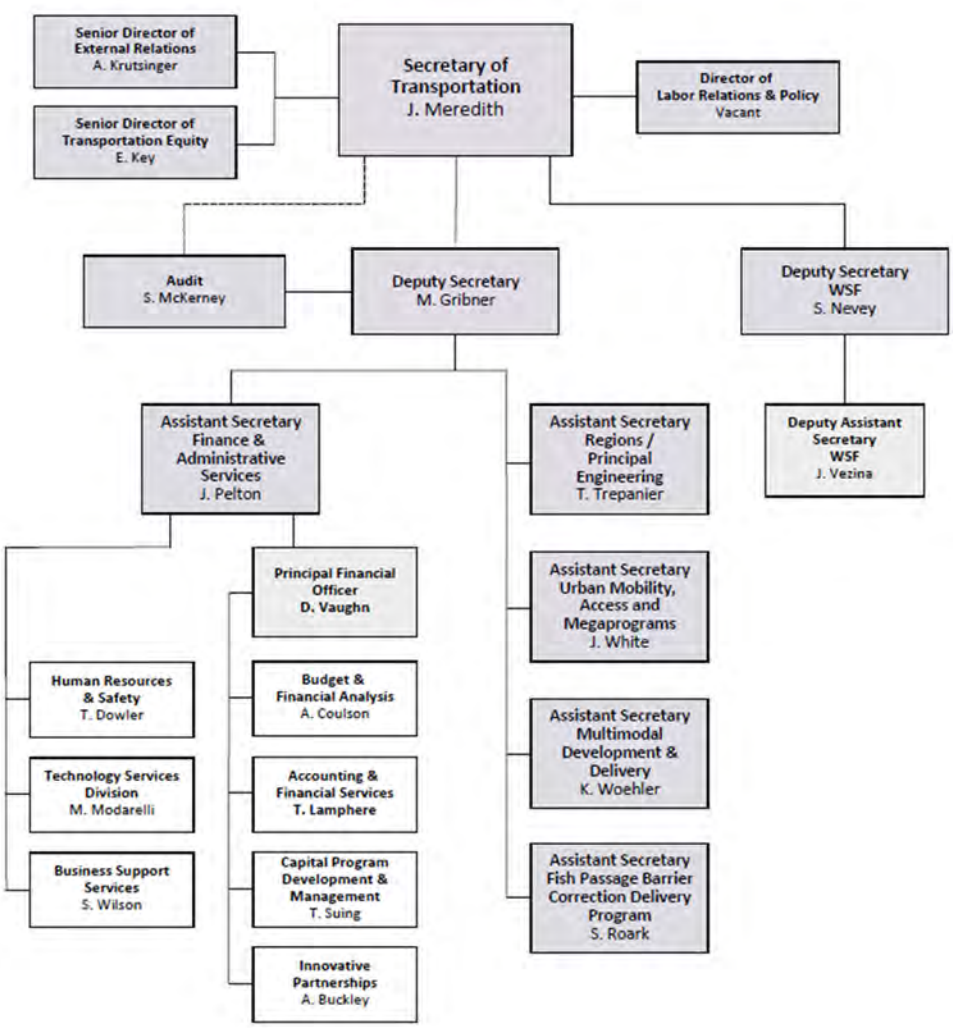
Introduction

An Overview of the Washington State Department of Transportation

The Washington State Department of Transportation (WSDOT) was established in 1905. The agency, led by the Secretary and overseen by the Governor, is a Washington governmental agency that constructs, maintains, and regulates the use of the state's transportation infrastructure. This infrastructure includes rail lines, state highways, state ferries (considered part of the highway system) and state airports. WSDOT is responsible for more than 20,900 lane-miles of roadway, and over 4,000 vehicular bridges and tunnels.

Washington State Department of Transportation's Organization as of June 30, 2026

Citizens of the State of Washington
Governor Bob Ferguson



Introduction

Washington State System of Eligible Toll Facilities Organization

Under the Toll Facilities Act of the state of Washington (Chapter 122, Laws of 2008; Chapter 472, Laws of 2009; Chapter 498, Laws of 2009, Section 15; Chapter 248, Laws of 2010; and Chapter 377, Laws of 2011), the Legislature may specifically identify and designate portions of the state highway system as an eligible toll facility, including, but not limited to, transportation corridors, bridges, crossings, interchanges, on-ramps, off-ramps, approaches, bi-state facilities, and interconnections between highways ("Eligible Toll Facilities"). In the Toll Facilities Act, the Legislature designated the SR 520 Corridor as an eligible toll facility and has authorized the imposition of tolls for travel on the floating bridge portion only of the SR 520 Corridor.

The Legislature designated the Washington State Transportation Commission (WSTC) as the tolling authority for the state (the "Tolling Authority"). As the Tolling Authority, they have legal power to review and set toll rates on eligible toll facilities upon which the Legislature has authorized the imposition of tolls. The WSTC is a seven-member body of citizens appointed by the Governor for six-year terms. The Secretary of Transportation and a representative from the Governor's office serve as ex officio members.

The Toll Facilities Act directs that, in setting and adjusting toll rates, the Tolling Authority must ensure that tolls will generate revenue sufficient to:

1. meet operating costs of the Eligible Toll Facilities, including necessary maintenance, preservation, renewal, replacement, administration, and toll enforcement;

2. meet obligations for the timely payment of debt service on bonds issued for Eligible Toll Facilities, and any other associated financing costs including, but not limited to, required reserves, minimum debt service coverage and other appropriate contingency funding, insurance, and compliance with all other financial and other covenants made by the state in the bond proceedings;

3. meet obligations to reimburse the Motor Vehicle Fund for Motor Vehicle Fuel Taxes applied to the payment of bonds issued for Eligible Toll Facilities; and

4. meet any other obligations of the Tolling Authority to provide its proportionate share of funding contributions for any projects or operations of the Eligible Toll Facilities.

WSDOT is committed to financial transparency and accountability in fulfilling its tolling fiduciary responsibilities. Organizations listed below contribute to the operations and oversight of the System.

Organization	Roles
Washington State Legislature Olympia, WA 98504	Provides legal framework for tolling; determines eligible tolling corridors and facilities; authorizes tolling budget and finance plans.
Washington State Transportation Commission Olympia, WA 98502	Sets tolls for state highways and bridges; reviews and oversees toll collection processes and costs, operations policies, and traffic and toll revenue.
Office of the State Treasurer Olympia, WA 98501	Provides cash management and administration of debt service.

Introduction

Organization	Roles
State Auditor's Office Olympia WA 98501	Conducts the Annual Comprehensive Financial Report (ACFR) Audit, Accountability Audits and the Statewide Single Audit (SWSA) for the State of Washington.
Washington State Department of Licensing Olympia, WA 98501	Look up the license plate number provided by WSDOT and return the name and address of the registered owner of the vehicle and will also place a hold on a vehicle registration as requested by WSDOT.
WSDOT's Toll Division Seattle, WA 98121	Designs, develops, deploys, operates, and reports on the toll program as defined by legislature. WSDOT Toll Division partners with Accounting & Financial Services, Budgeting and Forecasting, Communications, Washington State Transportation Commission, and Legislature.
WSDOT's Accounting & Financial Services Lacey, WA 98516	Prepares quarterly and annual audited financial statements and provides financial services to the statewide toll collection system.
WSDOT's Budget & Financial Analysis Olympia, WA 98504	Provides financial planning and debt management services.
WSDOT's Internal Audit Office Olympia, WA 98504	Provides audit and consulting services to the statewide toll collection system.
WSDOT's Traffic Management Center Shoreline, WA 98133	Monitors traffic conditions, identifies problems, oversees operations, coordinates incident response teams which includes Washington State Patrol and other law enforcement or emergency response crews, and provides up-to-the-minute information about what is happening on the bridge.
Kapsch TrafficCom North America Inc. McLean, VA 22102	Operates the Roadway Toll System, collecting electronic and photo toll transactions for processing.
ETAN Tolling Technology Dallas, Texas 75240	Operates and maintains the statewide *Good To Go!* Back Office System (BOS) that provides customer service account management, payment processing, and customer service tools.
Neology – Transportation Operations & Management Solutions, LLC (TOMS) Irvine, CA 92618	Operates statewide *Good To Go!* Customer Service Center (CSC).
CliftonLarsonAllen LLP (CLA) Bellevue, WA 98004	Conducts independent audit of the System's annual financial statements.
Jacobs Engineering Group Inc. Dallas, TX 75201	Provides tolling industry expertise, analysis and consulting services across all transaction processing cycles.
Stantec Inc. Edmonton, AB T5J 0K4	Provides independent analysis of traffic, revenues and leakage. Produces and supports budget and planning projections and forecasts.

Introduction

Tolling Back Office System and Customer Service Center

Good To Go! is WSDOT's trademark name for the toll program, and tolls have been collected since 2007. The tolling system has three main components:

1. Roadside Toll System – WSDOT contracted with Kapsch TrafficCom USA in 2012 to provide Statewide Roadway Toll System supply, installation and maintenance. The Roadside Toll System collects all the traveler information necessary to process tolls.
2. Back Office System – contract to perform this work was awarded in July 2017 to ETAN Tolling Technology, which became the third contracted vendor in Washington to provide this functionality. The Back Office System (BOS) supports customer accounts, toll transaction processing, payment posting, inventory management, accounting, and reporting.
3. Customer Service - WSDOT contracted with Neology – Transportation Operations & Management Solutions (TOMS) (previously Neology) to provide personnel to staff call centers, walk-in customer service centers, mail processing, payment processing, inventory management, and accounting.

They are each subject to a Service Organization Control SOC 1 audit which is reviewed by WSDOT on an annual basis.

This modern Back Office System takes advantage of current technologies to process customer and toll transactions utilizing full accounting functionality. This is a highly adaptable and flexible system which will allow for the addition of new facilities.

Customers have account-type options to choose from. These account types allow the customer to prepay their tolls or be invoiced monthly. The customer may pay a higher or lower toll based on the account type.

***Good To Go!* Pass** – This account requires a *Good To Go!* pass and registered license plate number. Prepaid accounts can be set up to auto-replenish when the account balance drops below a predefined level. These accounts are charged the lowest toll rate.

Pay By Plate – This account does not require a pass but does require a license plate number registered with a *Good to Go!* account. Prepaid accounts can be set up to be replenished automatically. Customers are charged the *Good to Go!* toll rate plus a $0.25 fee per toll transaction.

Pay By Mail – This account is meant for infrequent users who do not have a *Good to Go!* prepaid account. Toll bills are mailed to the registered vehicle owner's address on file with the Department of Licensing. Toll bills are generally mailed within 14 days of crossing SR 520 Bridge. Customers are charged the pay by mail toll rate, which is $2.00 more per transaction for a 2-axle vehicle compared to the *Good to Go!* pass rate and increases incrementally by $1.00 for each additional axle.

Pay As You Go – This account type allows customers to pay the tolls after the toll was incurred, but the lower Pay By Pass or Pay By Plate toll rate is applied. A prepaid account balance is not required, but this account type does require a valid credit card on file. The customer's credit card is charged twice per month.

Introduction

About the State Route (SR) 520 Bridge

The State Route (SR) 520 Floating Bridge replacement construction began in 2011, opening in April 2016 with an estimated expected life of 75 years and capable of carrying more traffic and surviving stronger storms. At the grand opening ceremony, Michael Empric, a representative of Guinness World Records, presented WSDOT 's previous Secretary Roger Millar with a certificate designating the replacement floating bridge – at 7,708 feet, end to end – as the world's longest.



The bridge is the centerpiece of the SR 520 Bridge Replacement and High Occupancy Vehicle (HOV) Program, a project addressing safety vulnerabilities and capacity restrictions along the 12.8-mile SR 520 Corridor which stretches from I-5 in Seattle to SR 202 in Redmond.

In April 2017, one year after opening to traffic, the SR 520 Bridge received the 2017 Grand Conceptor Award from the American Council of Engineering Companies (ACEC). As one of the country's highest engineering awards, the Grand Conceptor Award honors the nation's best overall engineering achievement. The floating bridge was one of 162 projects throughout the world vying for ACEC's top engineering award.

Financing the Replacement SR 520 Bridge

The state issued $518.7 million in triple pledge bonds in October 2011, $500.4 million in GARVEE bonds in June 2012, $300.0 million TIFIA bonds in October 2012, $285.9 million in GARVEE bonds in September 2013, and $90.3 million in triple pledge bonds in September 2016. The state issued refunding bonds in March 2021 to refund the October 2011 series and in June 2022 to refund the June 2012 series.

Financing the Replacement SR 520 Bridge (Continued)

The remaining costs were funded with additional bond proceeds, federal funds, toll revenues, and excise taxes on motor vehicles and special fuels.

The total investment for the SR 520 Bridge Replacement and HOV Program through Fiscal Year 2026 is $5.69 billion, as shown in Table 1 below. Of this funding, $1.64 billion was part of the 2015 Connecting Washington package, a balanced and multimodal transportation investment package that fixes hundreds of bridges, funds thousands of miles of roadway, and authorizes Sound Transit to expand light rail north to Everett, south to Tacoma, east to Redmond, and within Seattle between Ballard and West Seattle. The Connecting Washington package, known as the "Rest of the West," provides funding for the remaining SR 520 planned improvements. Furthermore, the 2025-27 enacted budget also assumed $404.5 million of additional future bond issuance to continue construction of the Westside Project.

Table 1
Funding through Fiscal Year 2026

Funding Received to Date	Amount (in billions)
Local Funding	$ 0.02
State Funding (Primarily Gas Tax)	0.58
State Funding (Connecting Washington)	2.06
SR 520 Account (Tolling/ Future Federal Funding)	2.15
Federal TIFIA Loan	0.30
Other Federal Funding	0.20
Deferred Sales Tax	0.30
State Move Ahead Washington (MAW)	0.08
Total	**$5.69**

Benefits from this funding include:

- A floating bridge, plus the east approach and a portion of the west approach that provides six lanes from Medina to Montlake.
- Widening the corridor to six lanes (two general-purpose and one HOV lane in each direction) between the west landing of the floating bridge and I-405 in the east.
- Adding a pedestrian/bike lane in the widened corridor.
- Making a series of other investments for safety, reliability, transit and HOV operations.
- A seismically stronger Portage Bay Bridge to replace the existing bridge, which is vulnerable to earthquakes.

Benefits from this funding include (Continued):

- Community-connecting highway lids at Montlake Boulevard and 10th Avenue East / Delmar Drive East.
- A seismically stronger West Approach Bridge South to carry three lanes of eastbound traffic past Montlake Boulevard to the floating bridge.
- A landscaped, 30-foot-wide bicycle and pedestrian shared-use path over I-5.
- Related mitigation and trail-improvement projects in Seattle parks, natural areas, and communities.

For more information about the SR 520 Bridge Replacement and HOV Program, including the program's purpose, costs and benefits, and a series of maps and photos visit the SR 520 Bridge Replacement and HOV Program website at: https://wsdot.wa.gov/construction-planning/major-projects/sr-520-bridge-replacement-and-hov-program.

Sustainability and Environmental Stewardship

WSDOT is committed to promoting sustainability and environmental stewardship. The SR 520 floating bridge:

- can be retrofitted for future light rail and have been designed to minimize concrete requirements by reducing the number of in-water columns and the amount of concrete needed to build them. Storm water management systems along the corridor collect and filter highway runoff to improve water quality in local streams and Lake Washington.
- includes a wide range of projects to protect and enhance parks, fish, and wildlife habitat as well as cultural and historical areas across the region. One of these projects includes improvements to the Washington Park Arboretum which involves restoration work to Arboretum Creek and the Waterfront Trail, a multiuse trail, a north entry into the Arboretum and an enhanced SR 520 pedestrian undercrossing on Foster Island.

About SR 520 Bridge Tolling

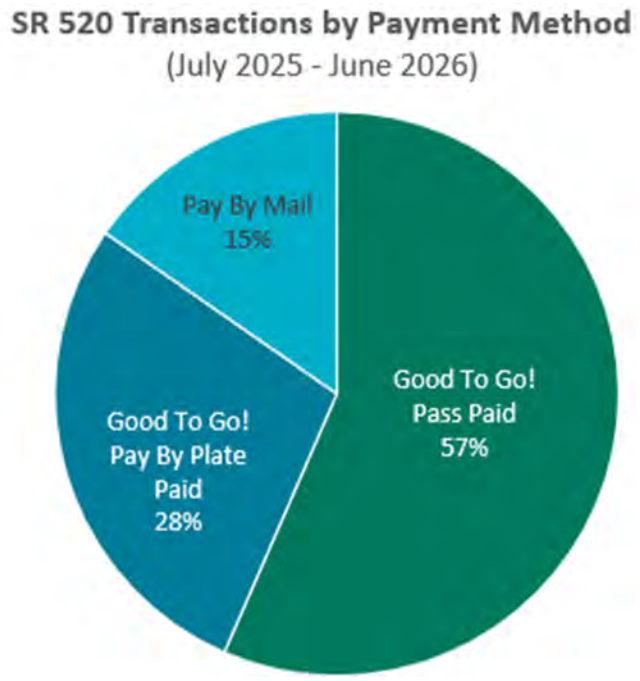
The SR 520 Bridge employs electronic tolling that uses transponders and cameras to capture transactions. The authorized toll is charged only for travel on the floating bridge portion of the SR 520 Corridor, and the revenue is used to meet obligations for repayment of debt and operating cost of the facility. WSDOT began tolling the SR 520 Bridge in December 2011 and will continue to collect tolls until bond obligations are satisfied.

All vehicles must pay a toll except for emergency vehicles, maintenance vehicles, tow trucks, and school buses. Carpools and motorcycles pay tolls just like all other personal vehicles. Tolls are charged in both directions of the bridge and vary in price by the time of day and for weekend and holidays. Motorcycles pay the same toll as larger two axle vehicles and vehicles with more than two axles pay a higher prorated toll. The estimated average weekday toll paid in fiscal year 2026 was $4.51 and the average weekend toll rate was $2.91.

Introduction



Monthly Trip Reports provide a breakdown of toll transactions by account type. For fiscal year 2026, the proportion of *Good to Go!* (i.e. account-based) transactions were 85%, with 57% of the transactions using a pass and 28% using the pay by plate payment option. For more information, readers can review the Investment Grade Traffic and Revenue Study Updates found at http://www.wsdot.wa.gov/Tolling/520/Finance.htm.



Toll rates are established by WSTC. SR 520 Bridge tolls vary by time of day, weekends and holidays. WSTC works with WSDOT and the public to establish toll rates. WSTC reviews traffic and revenue each year to determine if toll rate adjustments are needed to cover operational costs and debt payments.

Contacting Washington State Department of Transportation

This financial report is designed to provide a general overview of the System's finances for bond holders, customers and other interested parties. Questions concerning any of the information provided in this report should be addressed to Todd Lamphere, Director of Accounting & Financial Services, Washington State Department of Transportation, PO Box 47420, Olympia, Washington, 98504-7420.

Financial Section

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Washington State System of Eligible Toll Facilities
Olympia, Washington

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Washington State System of Eligible Toll Facilities, a project of the Department of Transportation of the state of Washington, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Washington State System of Eligible Toll Facilities as of June 30, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Washington State System of Eligible Toll Facilities and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

Reporting Entity

As discussed in Note 1, the financial statements of the Washington State System of Eligible Toll Facilities are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the state of Washington that is attributable to the transactions of the Washington State System of Eligible Toll Facilities. They do not purport to, and do not, present fairly the financial position of the state of Washington, as of June 30, 2026, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See CLAglobal.com/disclaimer.

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.

Auditors' 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 auditors' 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 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, 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 Washington State System of Eligible Toll Facilities' 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.

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 auditing standards generally accepted in the United States of America, 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.

Management has omitted the Infrastructure Condition and Maintenance data that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, 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. Our opinion on these basic financial statements is not affected by this missing information.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the transmittal letter and introductory section listed in the table of contents but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Bellevue, Washington
October 22, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis provide an overview of financial activities of the System for the fiscal years ended June 30, 2026, and June 30, 2025. Please read the financial statements in conjunction with the notes to the financial statements, which begin on page 23.

The financial statements are intended to present information for only that portion of the government-type activities of the state of Washington attributable to the transactions of the System. For financial reporting purposes, the System is a part of the primary government of the state of Washington and is included in the state's Annual Comprehensive Financial Report (ACFR).

Overview of the Financial Statements

This discussion and analysis serve as an introduction to the System's financial statements, which include the basic financial statements and the notes to those statements. The System is a governmental program, consisting of two accounts: the SR 520 Corridor Account and the Toll Facility Bond Retirement Account. Both accounts are categorized as Special Revenue Accounts and use the modified accrual basis of accounting.

Basic Financial Statements

Financial statements for the System are presented in a combined format that represents individual accounts, SR 520 Corridor Account and the Toll Facility Bond Retirement Account, and the System as a whole (government-wide).

- *Balance Sheet / Statement of Net Position*

  The first three columns of the combining statement present the Balance Sheet. The fourth column provides information which reconciles the Balance Sheet to the Statement of Net Position. The fifth column presents the Statement of Net Position. This combined statement can be found on page 21 of this report.

- *Statement of Revenues, Expenditures, and Changes in Fund Balances / Statement of Activities*

  The first three columns of the combining statement present the Revenues, Expenditures, and Changes in Fund Balance. The fourth column provides information which reconciles the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities. The fifth column presents the Statement of Activities. This combined statement can be found on page 22 of this report.

Government-Fund Financial Statements

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance provides readers with information on the System's near-term inflows and outflows of spendable resources, as well as fund balances at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Overview of the Financial Statements (Continued)

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities provide readers with a broad overview of the System's finances, using full accrual accounting in a manner like a private sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

Notes to the Financial Statements

The notes to the financial statements, presented on pages 24-39 of this report, are an integral part of the financial statements. They provide additional information that is essential to a full understanding of the data provided in the individual special revenue accounts and government-wide financial statements.

Financial Analysis

The data presented in the tables below is a comparison of the fiscal year ending June 30, 2026, and June 30, 2025.

CONDENSED STATEMENT OF NET POSITION			
	2026	2025	% Change
Assets			
Current and Other Assets	$ 186,733,583	$ 161,894,364	15.3%
Capital Assets, Net	2,235,777,799	2,236,958,725	-0.1%
Total Assets	2,422,511,382	2,398,853,089	1.0%
Liabilities			
Current and Other Liabilities	29,747,856	29,169,654	2.0%
Noncurrent Liabilities	842,111,305	878,313,658	-4.1%
Total Liabilities	871,859,161	907,483,312	-3.9%
Deferred Inflows of Resources	9,991,878	11,258,178	
Net Investment in Capital Assets	1,361,053,616	1,325,927,510	2.6%
Restricted Net Position	179,606,727	154,184,089	16.5%
Net Position, end of the year	$ 1,540,660,343	$ 1,480,111,599	4.1%

During fiscal year 2026, noncurrent liabilities decreased and net investment in capital assets increased primarily due to repayment of debt.

Financial Analysis (Continued)

CONDENSED STATEMENT OF ACTIVITIES			
	2026	2025	% Change
Revenue			
Tolling Revenue	$ 92,777,058	$ 85,817,584	8.1%
Other Revenue	9,191,179	66,749,997	-86.2%
Total Revenue	101,968,237	152,567,581	-33.2%
Expenses			
Personnel Service Contracts	1,524,609	1,757,419	-13.2%
Goods and Services	12,939,666	11,904,506	8.7%
Other Expenditures	27,605,218	35,350,779	-21.9%
Total Expenses	42,069,493	49,012,704	-14.2%
Other Financing Sources/Uses	650,000	28,000	2221.4%
Change in Net Position	60,548,744	103,582,877	-41.5%
Net Position, Beginning of the year	1,480,111,599	1,376,528,722	7.5%
Net Position, end of the year	$ 1,540,660,343	$ 1,480,111,599	4.1%

Toll revenue increased 8.1% in fiscal year 2026 due to a 7.7% increase in toll traffic.

Other revenue decreased $57,558,818 primarily due to decreased debt service reimbursement from the federal highway administration related to retirement of the 2014C Grant Anticipation Revenue (GARVEE) Bonds.

In fiscal year 2026, Other Financing Sources is high due to $650,000 transfers from other funds.

Government-wide expenses decreased by $6,943,211. Fiscal year 2025 expenditures included $6.9 million for bridge deck and expansion joint sealing project.

The fund balances are restricted to any proper purpose of the System's operations, in accordance with State Legislation and Master Resolution 1117 (referred to as "sub-accounts" within the Bond Covenant). The restricted fund balances are established because of the issuance of bonds for the System. Master Bond Resolution 1117 Sections 6.12 f(ii) and h(ii) require the department to deposit monthly, one sixth of the interest payment of the bonds coming due in the next succeeding sixth months for both the third tier and fourth-tier debt service. Master Bond Resolution 1117 Sections f(iii) and h(iii) require the department deposit monthly, one twelfth of the principal payment of the bonds coming due in the next twelve months for both the third tier and fourth-tier debt service. The department began paying debt service on third-tier debt in June 2012 and transferring funds into the third-tier debt service subaccount. Based on the debt service schedule from the 2012 TIFIA Loan Agreement, as amended, the department began paying debt service in December 2017 and transferring funds to the fourth-tier debt service account. These monthly deposit requirements can cause transfer amounts to exceed debt service payments.

Financial Analysis (Continued)

Restrictions for fiscal years ending June 30, 2026, and 2025 are as follows:

RESTRICTED NET POSITION	2026	2025
Restricted for Operating/Maintenance Reserve	$ 11,855,555	$ 11,855,555
Restricted for Repair/Replacement Reserve	57,211,804	54,211,804
Restricted for Transportation	32,046,814	19,641,636
Restricted Revenue Stabilization	34,267,008	34,267,008
Restricted for Deferred Sales Tax	9,000,000	9,000,000
Restricted for Self Insurance	30,000,000	20,000,000
Restricted for Third Tier Debt Service	3,181,980	3,182,546
Restricted for Fourth Tier Debt Service	2,043,566	2,025,540
	$ 179,606,727	$ 154,184,089

The increase in the Restricted for Repair/Replacement Reserve is primarily due to monthly transfers made in accordance with Section 6.05 of the State Finance Committee Resolution No. 1117. The Restricted for Self-Insurance Reserve was increased by $10,000,000. These amounts are transferred from Restricted for Transportation.

Capital Assets

The System's capital assets are comprised of land, infrastructure, equipment, and intangibles. The total infrastructure balance of $2,184,685,969 is related to activities of the SR 520 Corridor Program. WSDOT fully capitalizes infrastructure and reports the full cost of the asset but does not depreciate it since the system is being preserved approximately at or above a condition level established by WSDOT. WSDOT's policy is to maintain 90% of bridges at a condition of fair or better, based on an average condition level of the last four assessments. The bridge was assessed as fair, which has remained unchanged since the initial assessment performed in 2019.

As of fiscal year 2022, ETAN has deployed the electronic tolling system which also includes an IT software intangible asset that is owned by WSDOT. The capitalized portion of ETAN's electronic tolling system that was purchased by the SR 520 Corridor Account is included, net of amortization, in the asset balance on the Statement of Net Position.

The value of infrastructure is $2,184,685,969 for both fiscal year 2026 and fiscal year 2025. There was no change.

The value of land is $45,275,093 for fiscal year 2026 and fiscal year 2025. The net value of equipment was $16,699 for fiscal year 2026, which was comparable to fiscal year 2025.

The amortized value of System assets for fiscal year 2026 was $5,800,038, representing a decrease of $1,182,201 due to amortization.

Capital Assets (Continued)

The System uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the System meets certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated, and certain maintenance and preservation costs associated with those assets are expensed. Infrastructure asset categories are predominantly assessed on a two-year cycle, either on a calendar year or fiscal year basis.

Long-Term Debt – Bond Information

Long-term debt decreased in 2026 due to principal payments made. No new bonds were issued in 2026.

Under Chapter 122, Laws of 2008; Chapter 472, Laws of 2009; Chapter 498, Laws of 2009, Section 15; Chapter 248, Laws of 2010; and Chapter 377, Laws of 2011 (codified in RCW 47.56.805-.876) (the "Toll Facilities Act"), the Legislature has designated the SR 520 Corridor as an "Eligible Toll Facility" and has authorized the imposition of tolls on the floating bridge portion of the SR 520 Corridor. The Toll Facilities Act provides that "toll revenue" includes all toll receipts, interest income derived from the investment of toll receipts, and any gifts, grants, and other funds received for the benefit of transportation facilities in the state, including eligible toll facilities. The Bond Act provides, for the purposes of any pledge of toll revenue to the payment of bonds issued under the Bond Act that "toll revenue" means and includes only such toll revenue or portion thereof that is pledged to the payment of those bonds in the resolution authorizing the issuance of those bonds.

The Bond Act authorized the State Finance Committee to issue, at the request of WSDOT, $1.95 billion of general obligation bonds of the state, to which the state's full faith and credit are pledged and are first payable from toll revenue and motor vehicle fuel taxes ("Triple Pledge Bonds"), to provide funds necessary for the location, design, right-of-way, and construction of the SR 520 Corridor Program. The $1.95 billion originally authorized was increased by $500 million to $2.45 billion in Legislative Session 2025-2026 (SSB6225). The Bond Act also authorized the Committee to issue the authorized bonds as toll revenue bonds, which are payable solely from and secured solely by toll revenue rather than as general obligation bonds to which the state's full faith and credit are pledged.

In October 2012, the state of Washington issued a Transportation Infrastructure and Innovation Bond, which represented a draw-down loan from the United States Department of Transportation's Transportation Infrastructure Finance and Innovation Act (TIFIA) program in the amount of $300 million to be reimbursed from toll revenue. All $300 million has been drawn on the TIFIA Bond. The Bonds were issued as Fourth-Tier Bonds under the Toll Revenue Master Bond Resolution No. 1117 and are payable solely from toll receipts.

The State began making TIFIA prepayments as required by the TIFIA Loan Agreement in fiscal year 2024. The prepayment amount was based on a calculation of final net revenues after deposit in the prior fiscal year.

Long-Term Debt – Bond Information (Continued)

In September 2016, the state of Washington issued $90.3 million in Motor Vehicle Fuel Tax General Obligation Bonds (SR 520 Corridor Program – Toll Revenue), Series 2017C, for the purpose of providing funds for a portion of the SR 520 Floating Bridge and Eastside plus West.

Approach Bridge North. The Series 2017C Bonds were the second series of Third-Tier Bonds issued under the Toll Revenue Master Bond Resolution No. 1117 and are first payable from Toll Revenue and Motor Vehicle Fuel Taxes. Interest on the Series 2017C Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2016. The principal of the Series 2017C Bonds is payable each June 1, starting in June 2017, and continuing to June 2041.

In March 2021, the state of Washington issued $396.3 million in Motor Vehicle Fuel Tax General Obligation Refunding Bonds (Triple Pledge Bonds – SR 520 Toll Revenue), Series R-2021A (Forward Delivery), for the purpose of refunding on a forward basis all the outstanding callable Series 2012C bonds. Interest on the Series R-2021A Bonds is payable semiannually on each June 1 and December 1, beginning June 1, 2021. The principal of the Series R-2021A Bonds is payable each June 1, starting in June 2022, and continuing to June 2041.

In June 2022, the state of Washington issued $118.2 million in Federal Highway Grant Anticipation Revenue (GARVEE) Bonds, referred to as Series R-2022E for the purpose of refunding a portion of the outstanding callable Series 2012F bonds. Interest on the Series R-2022E Bonds is payable semiannually on each March 1 and September 1, beginning September 1, 2022. The principal of the Series R-2022E Bonds is payable on each September 1, starting in September 2022, and continuing to September 2024. As of June 30, 2025, no outstanding debt remains.

Currently Known Facts, Decisions, or Conditions

WSDOT became self-insured in fiscal year 2025, and $10,000,000 was set aside in restricted fund balance in fiscal year 2024 for the implementation of self-insurance. An additional $10,000,000 was set aside in the restricted fund balance in fiscal years 2025 and 2026. The Restricted for Self-Insurance Reserve of $30,000,000 meets the actuarial requirements.

Other than the transition to becoming self-insured in fiscal year 2025, WSDOT does not have knowledge of any other known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations for WSDOT SR520.

Washington State System of Eligible Toll Facilities
Balance Sheet / Statement of Net Position
June 30, 2026

	Toll Facility				
	SR 520 Corridor Account	Bond Retirement Account	Total	Adjustments (Note 2)	Statement of Net Position
Assets					
Cash and Cash Equivalents	172,932,766	5,824,766	178,757,532		178,757,532
Cash Held with Escrow Agents	119,469	-	119,469	-	119,469
Accounts Receivable (Net)	3,708,761	-	3,708,761	-	3,708,761
Due from Other Funds/Agencies	1,480,911	5,247	1,486,158	-	1,486,158
Due from Toll Vendor	2,661,663	-	2,661,663	-	2,661,663
Capital assets, not being depreciated (Note 6)	-	-	-	2,229,961,062	2,229,961,062
Capital assets, being depreciated (Note 6)	-	-	-	16,699	16,699
Intangible assets, being amortized (Note 6)	-	-	-	5,800,038	5,800,038
TOTAL ASSETS	**180,903,570**	**5,830,013**	**186,733,583**	**2,235,777,799**	**2,422,511,382**
Liabilities					
Accounts Payable	2,460,369	-	2,460,369	-	2,460,369
Other Liabilities	499,181	-	499,181	-	499,181
Due to Other Funds/Agencies	1,185,581	604,467	1,790,048	-	1,790,048
Debt Service Interest Payable	-	-	-	2,356,742	2,356,742
Current Portion of Long Term Debt	-	-	-	22,641,516	22,641,516
Long-term Liabilities (Note 7)					
Compensated Absences Payable	-	-	-	20,516	20,516
Sales Tax Payable	-	-	-	159,439,317	159,439,317
Premiums on Bonds Payable	-	-	-	49,279,765	49,279,765
Bond Principal Due After One Year	-	-	-	378,010,000	378,010,000
TIFIA Loan Principal Due After One Year	-	-	-	255,361,707	255,361,707
TOTAL LIABILITIES	**4,145,131**	**604,467**	**4,749,598**	**867,109,563**	**871,859,161**
Deferred Inflows of Resources					
Unavailable Revenue-Tolls	35,064	-	35,064	(35,064)	-
Unavailable Revenue-Reprocessing Fee	288,726	-	288,726	(288,726)	-
Unavailable Revenue- Liquidated Damages	2,371,546	-	2,371,546	(2,371,546)	-
Deferred Inflow on Bond Refunding Gain	-	-	-	9,991,878	9,991,878
TOTAL DEFERRED INFLOWS OF RESOURCES	**2,695,336**	**-**	**2,695,336**	**7,296,542**	**9,991,878**
FUND BALANCES/NET POSITION					
Fund Balances					
Restricted for Operating & Maintenance Reserve	11,855,555	-	11,855,555	(11,855,555)	-
Restricted for Repair & Replacement	57,211,804	-	57,211,804	(57,211,804)	-
Restricted for Transportation	31,728,736	-	31,728,736	(31,728,736)	-
Restricted for Revenue Stabilization	34,267,008	-	34,267,008	(34,267,008)	-
Restricted for Deferred Sales Tax	9,000,000	-	9,000,000	(9,000,000)	-
Restricted for Self Insurance	30,000,000	-	30,000,000	(30,000,000)	-
Restricted for Third Tier Debt Service	-	3,181,980	3,181,980	(3,181,980)	-
Restricted for Fourth Tier Debt Service	-	2,043,566	2,043,566	(2,043,566)	-
TOTAL FUND BALANCES	**174,063,103**	**5,225,546**	**179,288,649**	**(179,288,649)**	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	**180,903,570**	**5,830,013**	**186,733,583**		
Net Position:					
Net Investment in Capital Assets				1,361,053,616	1,361,053,616
Restricted for Operating & Maintenance Reserve				11,855,555	11,855,555
Restricted for Repair & Replacement				57,211,804	57,211,804
Restricted for Transportation				32,046,814	32,046,814
Restricted for Revenue Stabilization				34,267,008	34,267,008
Restricted for Deferred Sales Tax				9,000,000	9,000,000
Restricted for Self Insurance				30,000,000	30,000,000
Restricted for Third Tier Debt Service				3,181,980	3,181,980
Restricted for Fourth Tier Debt Service				2,043,566	2,043,566
TOTAL NET POSITION				**1,540,660,343**	**1,540,660,343**

See accompanying Notes to Financial Statements.

Washington State System of Eligible Toll Facilities
Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities
Year Ended June 30, 2026

	Toll Facility				
	SR 520 Corridor Account	Bond Retirement Account	Total	Adjustments (Note 4)	Statement of Activities
REVENUE					
Toll Revenue	92,745,258	-	92,745,258	31,800	92,777,058
Transponder Sales	888,760	-	888,760	-	888,760
Toll Vendor Contractual Damages	385,509	-	385,509	(290,116)	95,393
Toll Bill Reprocessing Fee Revenue	1,402,826	-	1,402,826	(63,699)	1,339,127
Interest Income	6,795,465	-	6,795,465	-	6,795,465
Miscellaneous Revenue	72,434	-	72,434	-	72,434
TOTAL REVENUES	**102,290,252**	**-**	**102,290,252**	**(322,015)**	**101,968,237**
EXPENDITURES					
Current:					
Personal Service Contracts	1,524,609	-	1,524,609	-	1,524,609
Goods and Services	12,939,666	-	12,939,666	-	12,939,666
Salaries and Benefits	1,504,012	-	1,504,012	1,573	1,505,585
Maintenance & Preservation	2,402,338	-	2,402,338	-	2,402,338
Depreciation and Amortization	-	-	-	1,180,926	1,180,926
Other Agency/Program Expenditures	788,768	-	788,768	-	788,768
Debt Service - Principal	-	28,833,472	28,833,472	(28,833,472)	-
Debt Service - Interest	-	29,298,529	29,298,529	(7,570,928)	21,727,601
TOTAL EXPENDITURES	**19,159,393**	**58,132,001**	**77,291,394**	**(35,221,901)**	**42,069,493**
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	**83,130,859**	**(58,132,001)**	**24,998,858**	**34,899,886**	**59,898,744**
Other Financing Sources/Uses/ Revenues:			-		-
Operating Transfers In	4,893,954	62,393,415	67,287,369	(66,637,369)	650,000
Operating Transfers Out	(62,393,415)	(4,243,954)	(66,637,369)	66,637,369	-
EXCESS (DEFICIENCY) REVENUES AND TRANSFER IN OVER EXPENDITURES AND TRANSFER OUT	**(57,499,461)**	**58,149,461**	**650,000**	**-**	**650,000**
Change in Fund Balances/Net Position	25,631,398	17,460	25,648,858	34,899,886	60,548,744
Fund Balances/Net Position:					
Beginning of Year	148,431,705	5,208,086	153,639,791	1,326,471,808	1,480,111,599
END OF YEAR	**174,063,103**	**5,225,546**	**179,288,649**	**1,361,371,694**	**1,540,660,343**

See accompanying Notes to Financial Statements.

Washington State System of Eligible Toll Facilities
Notes on Financial Statements
June 30, 2026

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The System means the SR 520 Corridor, which is defined in the master bond resolution as that portion of SR 520 from Interstate 5 to SR 202. WSDOT is a department established under and governed by the laws of the state of Washington. WSDOT has the primary responsibility for the System, and the Office of State Treasurer (OST) carries out the administration of debt service activities. For financial reporting purposes, the System is a part of the primary government of the state of Washington and is included in the state's Annual Comprehensive Financial Report (ACFR). These financial statements are intended to present financial information of only the portion of government-type activities that are attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial information of WSDOT or the state of Washington. The System is not a legally separate entity, and no component units were identified.

The System is made up of toll facilities that the Washington State Legislature has specifically identified and designated as eligible toll facilities and for which bonds are issued under State Finance Committee Master Resolution Number 1117 or Master Resolution Number 1125.

At this time, the System includes that portion of the SR 520 Corridor Program, which has been financed by bonds issued under Master Resolution Number 1117 or Master Resolution Number 1125, TIFIA as represented in the SR 520 Corridor Account and the Toll Facility Bond Retirement Account. The financial statements of the System are intended to present information on only that portion of the government-type activities of the state of Washington that are attributable to the transactions of the System.

It is important to note that the System represents only a portion of those accounts used to fund the SR 520 Corridor Program, which is defined in the Toll Facilities Act (RCW 47.56.870) and restated in Master Bond Resolution Number 1117 and Number 1125 as the portion of SR 520 between the junctions of Interstate 5 and SR 202. The entire SR 520 Program is financed through various accounts, including but not limited to the SR 520 Corridor Account, the Transportation 2003 Account (Nickel Account), Transportation Partnership Account, Connecting Washington Account, and Motor Vehicle Account.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statement information (provided on the financial statements in the Statement of Activities column and the Statement of Net Position column) is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. The activities of the System are reported on the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The governmental fund financial statement information provided in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The System's toll revenues are determined to be available if received within 12 months. Expenditures generally are recorded when liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. See page 26 for further discussion on the accounting for compensated absences.

Fund Structure

The System's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available. Under fund accounting, individual funds are established for the purpose of carrying out activities or attaining objectives in accordance with specific regulations, restrictions, or limitations. Each individual fund is a self-balancing set of accounts recording cash and other financial resources, together with liabilities and residual equities or balances, and changes therein. The System includes the following governmental funds, which are considered major funds:

a. *SR 520 Corridor Account*

   This account was established in August 2009, pursuant to RCW 47.56.875, for the purpose of assisting in financing the replacement and operations of the SR 520 Floating Bridge and necessary landings. This account is administered by WSDOT and is classified as a Special Revenue Fund. Pursuant to RCW 47.56.820, toll revenue is restricted to use.

b. *Toll Facility Bond Retirement Account*

   This account was established May 2009, pursuant to RCW 47.10.882, to facilitate the payment of the principal and interest on bonds issued for construction of the eligible toll facilities, including the SR 520 Floating Bridge and Eastside plus the West Approach Project. This account is administered by OST and is classified as a Debt Service Fund.

Cash and Cash Equivalents

All monies of the System are deposited in the state treasury and are considered cash and cash equivalents. According to the state of Washington law, the OST is responsible for maintaining the cash balances and investing excess cash in the accounts. Consequently, WSDOT does not have control over the investment of excess cash. The financial statements consider all funds deposited with the OST to be cash or cash equivalents, regardless of actual maturity of the underlying investments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts Receivable of the System consist primarily of tolling and fee receivables from the SR 520 toll facility, net of related allowance for doubtful accounts. As described in the Revenue Recognition, Unearned Revenue and Deferred Inflows of Resources section below, customers have a pay-by-mail option when crossing the toll facility. Toll receivable is recorded when the registered owner of the vehicle (ROV) is identified by the Department of Licensing. An invoice is mailed within 14 days, generally, after ROV is known. For toll bill balances left unpaid, the customer service center sends a second toll bill with a $5 toll bill reprocessing fee. For toll bills unpaid after 80 days, the amount due is no longer considered a toll bill, and becomes a Notice of Civil Penalty (NOCP). When this occurs, the toll bill receivable and toll revenue are transferred out of the SR 520 Corridor Account to a separate account established by RCW 47.56.876, specifically for adjudication and collection. Pursuant to this RCW with authority in an appropriation bill, the Legislature may authorize a transfer of excess fund balance from the SR 520 Civil Penalties Account to the SR 520 Corridor Account for capital expenditures on the SR 520 Corridor. To transfer the funds, the OST must be provided by an administrative transfer authority. In the 2025-27 biennium, the Legislature provided authority in Chapter 310, Laws of 2024, Partial Veto (ESHB 2134).

Both the Toll Bill Receivable and the $5 Toll Bill Reprocessing Fee Receivable are reported net of allowances for uncollectible amounts.

The allowance for doubtful accounts for Toll Bill Receivables is currently approximately 40% of the accounts receivable balance. The allowance for doubtful accounts for the $5 reprocessing fee was 55% of the accounts receivable balance based on collectability data to date.

Allowance percentages are based upon WSDOT’s actual collection rate.

Capital Assets

Capital Assets of the System consist of land, intangible assets, infrastructure, and construction-in-progress associated with the construction of the SR 520 Program. WSDOT fully capitalizes infrastructure and reports the full cost of the asset but does not depreciate it since the system is being preserved approximately at or above a condition level established by WSDOT.

The system is managed using an asset management system that includes:

- Maintenance of an up-to-date inventory of system assets.
- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale.
- Annual estimation of the amount to maintain and preserve the assets at the condition level established and disclosed.

All system expenditures that preserve the useful life of the system are expensed in the period incurred. Additions and improvements that increase the capacity or efficiency of the system are capitalized. This approach of reporting condition instead of depreciating the highway system is called the modified approach.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The capitalization threshold for intangible assets, including land use rights not acquired with the purchase of land, is $1 million, for both the state of Washington and WSDOT. Individual intangible assets under this threshold are expensed. Amortization of intangibles is calculated using the straight-line method over the estimated useful life of 10 years.

Pension and Other Post-Employment Benefits

Within the state of Washington, the pension and other post-employment benefits liability are determined at the state level and not allocated to the individual agencies. Therefore, no liability is recorded by the System.

Compensated Absences

Within the state of Washington, the compensated absences liability is determined at the agency level for leave estimated to be more likely than not to be used for time off or otherwise paid. The liability also includes amounts for leave that have been used for time off but have not yet been paid. A proportionate share of the liability has been recorded in the System's books based upon the System's toll operations employee costs in relation to total WSDOT employee costs.

WSDOT employees, including those positions that are funded from the System, accrue vested annual leave at a variable rate based on years of service. In general, the annual leave accrued cannot exceed 280 hours at the employee's anniversary date. Annual leave that is not used for paid time off results in full compensation at separation or retirement. It is the accounting policy of the state of Washington to liquidate unpaid annual leave with future resources rather than currently available expendable resources. Accordingly, governmental fund type accounts, as used by the System, recognize annual leave when it is paid.

With no limit on accumulation, sick leave is earned at 12 days per year. Sick leave is not vested. Sick leave that is not used for paid time off is only payable upon death or retirement of an employee, at which time the SR 520 Corridor Account would be liable for 25 percent of the employee's accumulated sick leave. Each January, employees who have accumulated sick leave of more than 480 hours have the option to redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for four days of sick leave. It is the accounting policy of the state of Washington to liquidate unpaid sick leave from future resources rather than currently available expendable resources. Accordingly, governmental fund type accounts, as used by the System, recognize sick leave when it is paid.

The System's portion of the total accumulated annual and sick leave balance is shown as a reconciling item between the balance sheet and the statement of net position.

Restricted Net Position

Restricted Net Position of the System represents bond proceeds and reserves set aside pursuant to requirements within the Bond Covenants. The Bond Covenants require funds to be set aside in the following accounts: Restricted for Operating and Maintenance Reserve, Restricted for Repair and Replacement Reserve, Restricted for Revenue Stabilization,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Position (Continued)

Restricted for Deferred Sales Tax, Restricted for Self-Insurance, Restricted for Third-Tier Debt Service, and Restricted for Fourth-Tier Debt Service. GASB 54 requires that the fund balance be restricted if the fund resources are subject to externally enforceable legal restrictions, such as bond covenants, or when the revenue of the fund is to be used for a particular purpose pursuant to enabling legislation.

Toll Revenue

Toll revenue on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities is comprised of revenue associated with tolls on the System, and includes toll revenue from electronic tolls, pay-by-plate toll transactions and pay-by-mail toll bills. Interest and revenue associated with reprocessing fees are displayed separately on the financial statement, with the remaining revenues included in miscellaneous revenue.

Revenue Recognition, Unearned Revenue and Deferred Inflows of Resources

The System uses an automated electronic toll collection system (*Good to Go!*) which uses transponders to identify vehicles passing under a toll gantry. Customers pre-fund their *Good to Go!* accounts and upon crossing the toll facility and verification of the crossing data, the system recognizes toll revenue. Users who cross the toll facility without a *Good to Go!* account receive a toll bill in the mail (pay-by-mail). The system uses cameras to record license plate images, and a toll bill is mailed to the registered owner of the vehicle. When this pay-by-mail option is used, revenue is recognized upon identification of the vehicle's registered owner. From the initial point of crossing the toll facility to the moment toll revenue is recorded, the toll transactions that are in-process are recorded as unbilled receivable offset to unearned revenue. At year-end, the balance in the unbilled receivable account and the associated unearned revenue are removed from the accounting records.

Additionally, unavailable revenue exists to properly adjust toll revenue to reflect the long-term portion of toll bill receivables. This long-term portion of the receivables is offset by unavailable revenue in accordance with governmental fund revenue recognition criteria as described in the first section above. This also applies to the long-term portion of the $5 late fee receivable and unavailable $5 late fee revenue.

Deferred Inflows of Resources exist to reflect the long-term portion of the liquidated damages receivable due from the toll vendor and the portion of toll bill reprocessing fee that are estimated to take over 12 months to collect. These items are offset by long-term receivables and are considered “deferred” for governmental fund reporting purposes but are considered earned revenue in the government wide financial statements.

Within the SR 520 Corridor Account there is no unearned revenue related to customer deposits. Customer account prepaid deposits for all WSDOT toll facilities are held in a separate account outside of the System.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Common Toll Revenue and Toll Expenditure Allocation Methodology

In fiscal year 2020 two facilities, Interstate 405 Express Toll Lanes and SR 167 High Occupancy Toll (HOT) Lanes, were combined and one new facility (SR99 Tunnel) was opened. A new tolled roadway, SR509, was opened in fiscal year 2026 as part of the Puget Sound Gateway Project. There are now five WSDOT Toll facilities – SR16 Tacoma Narrows Bridge, combined Interstate 405/SR 167 Corridor, SR 520 Floating Bridge, SR99 Tunnel, and SR509 Expressway. Various toll expenditures and revenues related to tolling don't benefit a single facility but provide benefit or are attributable to multiple facilities. These are referred to as "common" revenues and expenditures. These common revenues and expenditures are allocated to the applicable toll facilities using an approved allocation methodology that is consistent, reliable, and equitable.

Transfers Between System Accounts

For fiscal year 2026, operating transfers out of the SR 520 Corridor Account in the amount of $62,393,415 corresponding to Toll Facility Bond Retirement Account operating transfers in, are used for scheduled debt service payments made from the Toll Facility Bond Retirement Account for bonds issued to construct the SR 520 Corridor. The amount transferred from the Toll Facility Bond Retirement Account to the SR 520 Corridor Account is $4,243,954 during fiscal year 2026 for interest earned in fiscal year 2026.

Pursuant to RCW 47.56.876, the Legislature may transfer excess fund balance from the SR 520 Civil Penalties Account to the SR 520 Bridge Account for capital expenditures on the SR 520 Corridor. In order to transfer the funds, OST must be provided by an administrative transfer authority. In the 2023-25 biennium, the Legislature provided authority in Chapter 416, Laws of 2025, Partial Veto (ESSB 5161) to transfer $308,000 which represents toll revenue pledged to the bond holder. In the 2025-27 biennium, the Legislature provided authority in Chapter 257, Laws of 2026, Partial Veto, Section 407(24), to transfer $650,000. This represents half of the authorized $1.3 million transfer.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

The System adopted Statement of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements* in the year ended June 30, 2026. Accordingly, the adoption of this statement resulted in changes in the financial statement presentation, note disclosures, and required supplementary information.

NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS BALANCE SHEET AND THE STATEMENT OF NET POSITION

Total fund balances of the SR 520 Corridor Tolling Facility governmental funds, $179,288,649, differs from net position of governmental activities, $1,540,660,343 on the Governmental Funds Balance Sheet/Statement of Net Position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. The effect of each of the differences is described below:

a. When capital assets used in governmental activities are purchased or constructed, the cost of those assets is reported as expenditure on governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the System.

CAPITAL ASSETS		
Capital Assets	$	2,241,687,353
Accumulated Amortization and Depreciation	$	(5,909,554)
Capital Assets Net, as of June 30, 2026	$	2,235,777,799

b. Short-term liabilities applicable to the System are due and payable in the current period and accordingly not reported as fund liabilities. All liabilities – both current and long-term are reported in the Statement of Net Position.

SHORT-TERM LIABILITIES		
Interest Payable	$	(2,356,742)
Current Portion of Long-Term Debt	$	(22,641,516)
Total Short-Term Liabilities, as of June 30, 2026	$	(24,998,258)

c. Long-term liabilities applicable to the System are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term are reported in the Statement of Net Position.

LONG TERM LIABILITIES		
Compensated Absences Payable	$	(20,516)
Deferred Sales Tax Payable	$	(159,439,317)
Bond Premium Payable	$	(49,279,765)
Bond Principal Payable	$	(378,010,000)
TIFIA Loan Principal Payable	$	(255,361,707)
Total Long Term Liabilities, as of June 30, 2026	$	(842,111,305)

NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS BALANCE SHEET AND THE STATEMENT OF NET POSITION (CONTINUED)

d. Deferred inflows of resources are associated with the long-term receivable portion of the reprocessing fee and liquidated damages receivables estimated to be collected after 12 months. While this revenue is considered "unavailable" for governmental fund accounting, it is considered earned revenue in the entity-wide financial statements due to the differences in revenue recognition criteria that are described in the Revenue Recognition, Unearned Revenue and Deferred Inflows of Resources section of Note 1 above. Therefore, these amounts are removed from the Balance Sheet and appear as revenue in the Statement of Activities.

DEFERRED INFLOWS OF RESOURCES - UNAVAILABLE REVENUE		
Unavailable Revenue - Reprocessing Fee	$	288,726
Unavailable Revenue - Tolls	$	35,064
Unavailable Revenue - Liquidated Damages	$	2,371,546
Total Deferred Inflows/Outflows, as of June 30, 2026	$	2,695,336

e. Deferred inflows of resources associated with bond refunding gains are deferred and amortized over the life of the refunded bonds in the government wide financial statements. Payments to escrow agents to refund bonds are recognized as expenditures in the governmental fund.

Deferred Inflow on Bond Refunding Gain	$(9,991,878)

NOTE 3 – NET INVESTMENT IN CAPITAL ASSETS

Net Investment in capital assets is comprised of the following amounts:

Capital Assets		
Net Capital Assets Balance, June 30, 2026	$	2,235,777,799
Less:		
Current Portion of Long Term Debt		(22,641,516)
Deferred Sales Tax Payable		(159,439,317)
Bonds Premium		(49,279,765)
Bond Principal Payable		(378,010,000)
TIFIA Loan Payable		(255,361,707)
Deferred Inflow on Bond Refunding Gain		(9,991,878)
Subtotal		(874,724,183)
Total Investment in Capital Assets (Net), as of June 30, 2026	$	1,361,053,616

NOTE 4 – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES

In the Statement of Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities, the difference between Change in Fund Balances for government funds of $25,648,858 and Change in Net Position for governmental activities of $60,548,744 is primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of each of the differences is described below:

a. Some expenses reported in the Statement of Activities column do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds:

Statement of Activities Reconciliation		
Compensated Absences Expense	$	(1,573)
Depreciation Expense		(1,180,926)
Net Change in Interest Payable		97,368
Net Change in Operating Expense Accruals, for year ended June 30, 2026	$	(1,085,131)

b. Bond issuance premiums and deferred outflows of resources related to bond refunding are amortized in the government wide financial statements.

Bond Premium Amortization	$	6,207,260
Refunding Gains Amortization	$	1,266,300
Additions to Refunding Gains	$	0

c. Payment of debt principal is an expenditure in the governmental funds but is a liability reduction in the Statement of Net Position. Bonds refunded and paid by a related escrow agent are another financing use in the governmental funds but is a liability reduction in the Statement of Net Position.

Payment of Bond Principal	$	28,833,472

NOTE 4 – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES (CONTINUED)

d. Deferred inflows of resources are associated with the long-term receivable portion of the reprocessing fee receivable, tolls receivable, and the estimated liquidated damages specified in a contract with ETAN to provide the next generation Tolling Back Office System (BOS). All these deferred inflows are estimated to be collected within the next 12 months. While this revenue is considered "unavailable" for governmental fund accounting, it is considered earned revenue in the entity-wide financial statements due to the differences in revenue recognition criteria that are described in Note 1 above. Therefore, these amounts are removed from the Balance Sheet and appear as revenue in the Statement of Activities. The changes in these balances from the prior year and related effects on the Statement of Activities are as follows:

Deferred Inflow of Resources		
Toll Reprocessing Fee Revenue	$	(63,699)
Toll Revenue		31,800
Total Vendor Liquidated Damages Revenue		(290,116)
Total Deferred Inflows of Resources, as of June 30, 2026	$	(322,015)

NOTE 5 – DETAILED NOTES ON ACCOUNT BALANCES

Cash and Investments Held by State Treasury

All monies of the System are deposited in the state treasury and are considered cash and cash equivalents. OST is responsible for maintaining and investing the pooled cash balances in accordance with state of Washington laws. OST is required to maintain a mix of investment portfolios to allow funds to be withdrawn at any time to meet normal operating needs without prior notice or penalty. Referring to the state of Washington's ACFR for the year ended June 30, 2026, for disclosures required by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements)*, and *Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3). The state of Washington ACFR may be obtained from the Internet at https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report.

Cash Balance		
SR 520 Corridor Account Cash and Cash Equivalents	$	172,932,766
Toll Facility Bond Retirement Account Cash and Cash Equivalents		5,824,766
Total System Account Cash and Cash Equivalents, as of June 30, 2026	$	178,757,532

NOTE 5 – DETAILED NOTES ON ACCOUNT BALANCES (CONTINUED)

Accounts Receivable

The following is a summary of the System's accounts receivable balances and related allowances as of June 30, 2026.

Accounts Receivable		
Toll Bill Accounts Receivable	$	4,074,574
Toll Bill Allowance for Doubtful Accounts		(1,247,356)
Net Toll Bill Accounts Receivable		2,827,218
Toll Bill Reprocessing Fee Receivable		1,892,896
Toll Bill Reprocessing Fee Allowance for Doubtful Accounts		(1,016,716)
Net Toll Bill Reprocessing Fee Receivable		876,180
Toll Receivable		-
NSF Fee Receivable		1,371
Transponder Fee Receivable		1,804
Other Receivables		2,188
Total Accounts Receivable (Net), as of June 30, 2026	$	3,708,761

NOTE 6 – CAPITAL ASSETS

Capital Assets of the System decreased by $1,180,926 in fiscal year 2026, including $1,180,926 in depreciation and amortization. Capital Assets consist of land and SR 520 Floating Bridge and Eastside plus West Approach Bridge infrastructure, as well as equipment and Information Technology intangible assets capitalized pursuant to GASB No. 51.

CAPITAL ASSETS JUNE 30, 2026				
Capital Assets, Not Being Depreciated	Beginning Balance	Increases	Decreases	Ending Balance
Land	45,275,093	-	-	45,275,093
Infrastructure	2,184,685,969	-	-	2,184,685,969
Total Capital Assets, Not Being Depreciated	2,229,961,062	-	-	2,229,961,062
				-
Capital Assets, Being Depreciated:				-
Equipment	63,184	-	-	63,184
Less: Depreciation	(47,760)	1,275	-	(46,485)
Total Capital Assets Being Depreciated	15,424	1,275	-	16,699
				-
Capital Assets, Being Amortized				-
ETAN Software Intagible Asset (B)	11,663,107	-	-	11,663,107
Amortization	(4,680,868)	(1,182,201)	-	(5,863,069)
Total ETAN asset	6,982,239	(1,182,201)	-	5,800,038
Total Capital Assets Being Amortized	6,982,239	(1,182,201)	-	5,800,038
				-
Total Capital Assets (Net)	2,236,958,725	(1,180,926)	-	2,235,777,799

NOTE 7 – LONG-TERM LIABILITIES

The System's long-term liabilities consist of the items discussed below. Total long-term liabilities decreased by a net of $35,039,158 in fiscal year 2026. The long-term liabilities due within one year are $22,641,516. Below is a table of the System's total long-term liabilities by category as of June 30, 2026.

LONG TERM LIABILITIES JUNE 30, 2026					
LIABILITY	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Compensated Absences	$ 18,943	$ 1,573	-	$ 20,516	$ -
Deferred Sales Tax Payable	159,439,317	-	-	159,439,317	-
Premiums on Bonds Payable	55,487,025	-	(6,207,260)	49,279,765	-
Bonds Payable	413,900,000	-	(17,525,000)	396,375,000	18,365,000
TIFIA Loan Payable	270,946,695	-	(11,308,472)	259,638,223	4,276,516
Total Long Term Liabilities	$ 899,791,980	$ 1,573	$ (35,040,731)	$ 864,752,821	$ 22,641,516

Changes in compensated absences are reported net.

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable

a. TIFIA Bonds

In October 2012, the state of Washington issued a Transportation Infrastructure and Innovation Bond, which represented a draw-down loan from the United States Department of Transportation's Transportation Infrastructure Finance and Innovation Act (TIFIA) program in the amount of $300 million to be reimbursed from toll revenue. All $300 million has been drawn on the TIFIA Bond. The Bonds were issued as Fourth-Tier Bonds under the Toll Revenue Master Bond Resolution No. 1117 and are payable solely from toll receipts. Principal and interest payments begin December 1, 2017, payable every six months through June 1, 2051. On December 1, 2025, the state made a TIFIA prepayment of $7,255,639.

b. Series 2017 Bonds

In September 2016, the state of Washington issued $90.3 million in Motor Vehicle Fuel Tax General Obligation Bonds (SR 520 Corridor Program – Toll Revenue), Series 2017C, for the purpose of providing funds for a portion of the SR 520 Floating Bridge and Eastside plus West Approach Bridge North. The Series 2017C Bonds were the second series of Third-Tier Bonds issued under the Toll Revenue Master Bond Resolution No. 1117 and are first payable from Toll Revenue and Motor Vehicle Fuel Taxes. Interest on the Series 2017C Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2016. The principal of the Series 2017C Bonds is payable each June 1, starting in June 2017, and continuing to June 2041.

c. Series 2021 Bonds

In March 2021, the state of Washington issued $396.3 million in Motor Vehicle Fuel Tax General Obligation Refunding Bonds (Triple Pledge Bonds – SR 520 Toll Revenue), Series R-2021A (Forward Delivery), for the purpose of refunding on a forward basis all the outstanding callable Series 2012C bonds. The Series R-2021A Bonds are general obligations of the state, and the full faith, credit and taxing power of the state are pledged irrevocably to the payment of general obligation bonds. The Series R-2021A Bonds were issued under the Toll Revenue Master Bond Resolution No. 1117 and are first payable from Toll Revenue and Motor Vehicle Fuel Taxes. Bonds issued under the Toll Revenue Master Bond Resolution have a right, pledge and preference to payment from Toll Revenue in the following order of priority: (1) First-Tier Bonds, (2) Second-Tier Bonds, (3) Third-Tier Bonds, and (4) Fourth-Tier Bonds. Interest on the Series R-2021A Bonds is payable semiannually on each June 1 and December 1, beginning June 1, 2021. The principal of the Series R-2021A Bonds is payable each June 1, starting in June 2022, and continuing to June 2041.

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Bonds Outstanding

The following is a summary of the bonds payable as of June 30, 2026 (dollars in thousands):

Bonds Outstanding	Principal Amount	Maturity dates	Annual Principal Amount Ranges
Series 2013C (TIFIA)	$259,638	6/1/2051	$4,277 to $20,501
Series 2017C	$66,285	6/1/2041	$3,070, to $6,080
Series R-2021A	$330,090	6/1/2041	$15,295 to $30,285

As of June 30, 2026, debt service requirements to maturity for the TIFIA loan Series 2017-C, Series R-2021A, and Series R-2022E bonds were as follows (dollars in thousands):

	TIFIA Loan		
Year Ending June 30, 2026	Principal	Interest	Total
2027	$ 4,276,516	$ 8,409,396	$ 12,685,912
2028	4,394,969	8,290,943	12,685,912
2029	4,548,164	8,137,748	12,685,912
2030	4,674,738	8,011,174	12,685,912
2031	4,815,557	7,870,355	12,685,912
2032-2036	26,334,086	37,095,473	63,429,560
2037-2041	30,565,353	32,864,207	63,429,560
2042-2046	83,347,878	27,377,212	110,725,090
2047-2051	96,680,962	14,044,128	110,725,090
	$ 259,638,223	$ 152,100,636	$ 411,738,860

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Bonds Outstanding (Continued)

Series 2017C

Year Ending June 30, 2026	Principal	Interest	Total
2027	$ 3,070,000	$ 3,314,250	$ 6,384,250
2028	3,225,000	3,160,750	6,385,750
2029	3,385,000	2,999,500	6,384,500
2030	3,555,000	2,830,250	6,385,250
2031	3,735,000	2,652,500	6,387,500
2032-2036	21,665,000	10,268,000	31,933,000
2037-2041	27,650,000	4,282,000	31,932,000
	$ 66,285,000	$ 29,507,250	$ 95,792,250

Series R-2021A

Year Ending June 30, 2026	Principal	Interest	Total
2027	$ 15,295,000	$ 16,504,500	$ 31,799,500
2028	16,060,000	15,739,750	31,799,750
2029	16,865,000	14,936,750	31,801,750
2030	17,710,000	14,093,500	31,803,500
2031	18,595,000	13,208,000	31,803,000
2032-2036	107,875,000	51,129,750	159,004,750
2037-2041	137,690,000	21,324,000	159,014,000
	$ 330,090,000	$ 146,936,250	$ 477,026,250

Combined

Year Ending June 30, 2026	Principal	Interest	Total
2027	$ 22,641,516	$ 28,228,146	$ 50,869,662
2028	23,679,969	27,191,443	50,871,412
2029	24,798,164	26,073,998	50,872,162
2030	25,939,738	24,934,924	50,874,662
2031	27,145,557	23,730,855	50,876,412
2032-2036	155,874,086	98,493,223	254,367,310
2037-2041	195,905,353	58,470,207	254,375,560
2042-2046	83,347,878	27,377,212	110,725,090
2047-2051	96,680,962	14,044,128	110,725,090
	$ 656,013,223	$ 328,544,136	$ 984,557,360

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Sales Tax Payable

The 2008 Legislature passed Chapter 270, Section 7 of the Laws of 2008 (RCW 47.01.412) allowing a deferral of state and local sales and use taxes on the site preparation, project construction, and acquisition and rental of equipment for use in the SR 520 Bridge Replacement and HOV Program. Effective December 10, 2009, the Washington State Department of Revenue provided the associated certificate (3096-09-001) for deferral of sales and use tax on the SR 520 Bridge Replacement and HOV Program. The amount of sales tax payable as of June 30, 2026, was $159.4 million. Per RCW, repayment is to begin 24 years after the replacement bridge is operationally complete and opened to traffic and is to be repaid in equal payments over a ten-year period, starting in fiscal year 2042.

Washington State Department of Revenue issued a new Sales and Use Tax Deferral Certificate (6316-24-001) for expenditures pertaining to State Route 520 corridor west end project. This certificate is approved for project costs originally estimated at $1,360,000,000 and expires 10/08/2030.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Commitments

a. WSDOT has contracted with Kapsch for implementation and on-going maintenance of the SR 520 Floating Bridge toll lane hardware and software. WSDOT retains title to all related assets.

b. On July 17, 2017, WSDOT entered into a contract with ETAN to provide the next generation Tolling Back Office System (BOS). The key objectives of the new BOS are to efficiently and effectively process transactions generated on toll facilities; provide a full range of customer relationship management tools; and accurately account for all toll and tolling-related revenues in compliance with state and GAAP standards. SR 520 Bridge Toll Facility will share the benefits and a portion of the $45.1 million cost for startup, operations and maintenance of the BOS over a 14-year period.

c. As part of the new Tolling BOS, WSDOT has contracted with Neology Transportation Operations & Management Solutions, LLC (TOMS) to operate the *Good To Go!* Customer service program and retail locations.

d. WSDOT became self-insured in fiscal year 2025, and $30,000,000 has been set aside in restricted fund balance for the implementation of self-insurance.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies

a. The System Bond Covenants require that WSDOT keep the SR 520 Corridor System and its use, and operation thereof insured at all times in such amounts as are customary for similar facilities, including business interruption insurance. In addition, Washington State operates a risk management liability program pursuant to RCW 4.92.130. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risk internally (as a Self-Insurance Liability Program) and set aside assets for claims settlements in the Risk Management Fund, an Internal Service Fund. WSDOT participates in Risk Management's Self-Insurance Liability Program. In fiscal year 2025 WSDOT combined a self-insurance reserve and a parametric insurance policy to provide the same or better level of business interruption coverage compared to fiscal year 2024, an option that an accredited actuary considered actuarially sound. In fiscal year 2026, WSDOT increased the Restricted for Self-Insurance Reserve to $30,000,000. This meets the actuarial requirements for business interruption coverage and WSDOT discontinued the parametric coverage.

b. WSDOT transitioned to the new TRAINS 4.0 accounting system on April 15, 2026, replacing a 35-year-old mainframe COBOL accounting system. As is typical with a major system upgrade and modernization, WSDOT is working closely with our system developer, CGI, to resolve issues related to transaction processing, interfaces from outside systems to TRAINS 4.0, and interfaces from TRAINS 4.0 to the state-wide accounting system AFRS. TRAINS 4.0 is WSDOT's accounting system of record, and SR 520 financial statements do not rely solely on AFRS accounting system. However, there are discrepancies between the two systems that WSDOT is working to resolve.

In addition to the information above, various claims arising in the ordinary course of operations and construction of the System do occur. The ultimate effect of such litigation cannot be ascertained at this time.



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Exhibit II

Projected Net Toll Revenues and Debt Service Coverage

SR 520 Floating Bridge and Eastside plus West Approach Bridge North Project
Projected Net Toll Revenue and Debt Service Coverage (Actuals through Fiscal Year 2026)
($ in millions)

				Third Tier Bonds						Fourth Tier Bonds	
Fiscal Year	Net Toll Revenue	(Deposits)/ Withdrawals from to the Revenue Stabilization Subaccount	Net Toll Revenue for Coverage Purposes [1]	2012C Bonds Debt Service	2017C Bonds Debt Service	R-2021A Bonds Debt Service	Defeased Debt Service	Total Third Tier Debt Service	Third Tier Debt Coverage	Fourth Tier (TIFIA) Debt Service	Fourth Tier (TIFIA) Debt Coverage
2012 [2]	21.22	-	21.22	-	-	-	-	-	-	-	-
2013	47.02	-	47.02	26.02	-	-	-	26.02	1.81x	-	1.81x
2014	51.14	-	51.14	26.02	-	-	-	26.02	1.96x	-	1.96x
2015	54.91	-	54.91	26.02	-	-	-	26.02	2.11x	-	2.11x
2016	58.77	(22.07)	36.70	26.02	-	-	-	26.02	1.41x	-	1.41x
2017	63.87	(6.74)	57.13	36.86	4.96	-	-	41.82	1.37x	-	1.37x
2018	69.46	-	69.46	36.86	6.39	-	-	43.25	1.61x	12.69	1.24x
2019	70.49	-	70.49	36.86	6.39	-	-	43.25	1.63x	12.69	1.26x
2020	55.44	11.00	66.44	36.86	6.39	-	-	43.24	1.54x	12.69	1.19x
2021 [3]	46.04	-	46.04	31.10	6.38	4.84	(15.40)	26.92	1.71x	12.69	1.16x
2022 [3]	62.89	(3.70)	59.19	-	6.39	31.80	-	38.19	1.55x	12.69	1.16x
2023 [3]	71.16	(6.85)	64.31	-	6.39	31.80	-	38.19	1.68x	12.69	1.26x
2024 [3]	70.15	-	70.15	-	6.39	31.80	-	38.18	1.84x	12.69	1.38x
2025	75.95	(5.91)	70.03	-	6.39	31.80	-	38.19	1.83x	12.69	1.38x
2026	84.34	-	84.34	-	6.39	31.80	-	38.19	2.21x	12.69	1.66x
2027 [4]	76.48	-	76.48	-	6.38	31.80	-	38.18	2.00x	12.69	1.50x
2028	76.42	-	76.42	-	6.39	31.80	-	38.19	2.00x	12.69	1.50x
2029	83.11	-	83.11	-	6.38	31.80	-	38.19	2.18x	12.69	1.63x
2030	87.27	-	87.27	-	6.39	31.80	-	38.19	2.29x	12.69	1.72x
2031	88.66	-	88.66	-	6.39	31.80	-	38.19	2.32x	12.69	1.74x
2032	99.02	-	99.02	-	6.39	31.80	-	38.18	2.59x	12.69	1.95x
2033	100.79	-	100.79	-	6.38	31.80	-	38.19	2.64x	12.69	1.98x
2034	101.26	-	101.26	-	6.39	31.80	-	38.19	2.65x	12.69	1.99x
2035	102.37	-	102.37	-	6.39	31.80	-	38.19	2.68x	12.69	2.01x
2036	103.81	-	103.81	-	6.39	31.80	-	38.19	2.72x	12.69	2.04x
2037	104.97	-	104.97	-	6.39	31.80	-	38.19	2.75x	12.69	2.06x
2038	106.08	-	106.08	-	6.39	31.80	-	38.19	2.78x	12.69	2.08x
2039	107.14	-	107.14	-	6.38	31.81	-	38.19	2.81x	12.69	2.11x
2040	108.33	-	108.33	-	6.39	31.80	-	38.19	2.84x	12.69	2.13x
2041	109.21	-	109.21	-	6.38	31.80	-	38.18	2.86x	12.69	2.15x
2042 [5]	110.23	-	110.23	-	-	-	-	-	-	20.35	5.42x
2043	111.08	-	111.08	-	-	-	-	-	-	20.35	5.46x
2044	112.11	-	112.11	-	-	-	-	-	-	20.35	5.51x
2045	113.09	-	113.09	-	-	-	-	-	-	20.35	5.56x
2046	113.67	-	113.67	-	-	-	-	-	-	20.35	5.59x
2047	113.93	-	113.93	-	-	-	-	-	-	20.35	5.60x
2048	113.87	-	113.87	-	-	-	-	-	-	20.35	5.60x
2049	113.69	-	113.69	-	-	-	-	-	-	20.35	5.59x
2050	113.73	-	113.73	-	-	-	-	-	-	20.35	5.59x
2051	113.26	-	113.26	-	-	-	-	-	-	20.35	5.57x

(1) Net Toll Revenue for coverage purposes subtracts deposits to and adds withdrawals from the Revenue Stabilization Subaccount. Reflects actuals through June 30, 2026.

(2) Tolling began December 2011.

(3) Toll collections from the SR 520 Bridge were severely impacted by the Covid-19 pandemic. To ensure that the SR 520 Bridge would meet coverage requirements under the SR 520 Master Bond Resolution in the impacted years, the Legislature appropriated other (non-toll revenue) funds to be used for operations and maintenance costs that would otherwise have reduced the Net SR 520 Toll Revenues necessary to support the SR 520 Triple Pledge Bonds. In the 2021-23 Fiscal Biennium this assistance consisted of $18.2 million of State funds and $59.6 million of ARPA funds. In the 2023 25 Fiscal Biennium, this consisted of $16.5 million of ARPA funds. The Washington State Transportation Commission also increased toll rates on the SR 520 Bridge effective July 1, 2023.

(4) Projections for the fiscal years ending June 30, 2027 and thereafter are based on the November 3, 2026 Toll and Revenue Table projections, prepared by the engineering firm WSP USA in collaboration with WSDOT. Projected numbers remain subject to change. All other fiscal years reflect actual audited revenues.

(5) The Fourth Tier (TIFIA) Debt Service requirements in the fiscal year ending June 30, 2042 and thereafter do not include the impact of projected future mandatory prepayments as determined in the TIFIA Loan Agreement.