



***Central Puget Sound
Regional Transit Authority***

***Financial Statements and Independent
Auditor's Report for the Years Ended
December 31, 2025 and 2024***

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The financial statements of the Central Puget Sound Regional Transit Authority (Sound Transit or the agency) have been prepared from its accounting system in accordance with generally accepted accounting principles. The integrity and objectivity of information in Sound Transit's financial statements, including estimates and judgments, are the responsibility of management.

Sound Transit maintains a system of internal accounting controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting, the safeguarding of assets and the prevention and detection of material errors or fraudulent financial reporting. Monitoring of such systems includes management's responsibility to objectively assess the effectiveness of internal accounting controls and recommend improvements therein.

Limitations exist in any system of internal accounting controls in which the cost of the system being implemented should not exceed the benefits derived. Sound Transit believes that the agency's system does provide reasonable assurance that transactions are executed in accordance with management's general or specific authorizations and is adequate to accomplish the stated objectives.

The independent auditors, whose report is included herein, were engaged to express an opinion on our 2025 financial statements. Their opinion is based on procedures performed in accordance with generally accepted auditing standards, including examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

In an attempt to assure objectivity, the financial information contained in this report is subject to review by the Board of Directors.



Dow Constantine
Chief Executive Officer



Hughey Newsome
Chief Financial Officer



Jeff Clark
Executive Director-Controller

INDEPENDENT AUDITOR'S REPORT

Finance and Audit Committee
Board of Directors
Central Puget Sound Regional Transit Authority

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the Central Puget Sound Regional Transit Authority ("Authority"), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2025 and 2024 and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2026 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Crowe LLP

Indianapolis, Indiana
April 9, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2025 and 2024

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of Sound Transit for the years ended December 31, 2025 and 2024. The MD&A focuses on significant financial activities and identifies any significant changes in the periods reported. As this information is presented in summary form, it should be read in conjunction with the financial statements and notes to the financial statements as a whole.

Sound Transit is a regional transit authority implementing and operating a high-capacity transportation system throughout parts of King, Pierce and Snohomish counties. Modes of operation include commuter rail (Sounder), light rail (Link and T Line), a regional express bus system (ST Express) and a bus rapid transit system (Stride). Sound Transit was established by the legislature in 1993, and authorized to collect taxes to fund, build and operate a comprehensive transit system by voter approved plans in 1996 (Sound Move), 2008 (ST2) and 2016 (ST3).

- *Sound Move* – a 10-year regional transit system plan, which authorized tax collections to fund operations and the first set of regional transit projects; completed in 2016.
- *ST2* – a 15-year program authorizing additional tax collections to fund additional bus and commuter rail service, as well as 36 miles of new Link light rail service; in progress.
- *ST3* – a 25-year program authorizing additional tax collections and a new property tax to fund 62 new miles of light rail, bus rapid transit, expanded capacity and service on Sounder south line, ST Express bus service and improved access to stations; in progress.

Sound Transit extended the Link 2 Line to Marymoor Village and Downtown Redmond Stations in May 2025 and the Link 1 Line to Federal Way in December 2025, adding three new stations, and two new parking structures.

In 2025, Sound Transit appointed a new Chief Financial Officer, who assumed the role in February 2025. In addition, Sound Transit appointed a new Chief Executive Officer, who assumed the role in April 2025. Sound Transit continues to have knowledgeable leadership and staff capable of executing on the capital expansion (project delivery) program and agency operations (service delivery).

Financial Highlights

- Sound Transit's financial statements show an increase in net position of \$1.8 billion and \$1.4 billion in 2025 and 2024, respectively. The increase primarily reflects continued progress on the voter approved capital expansion programs and the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan draw downs.
- System expansion continued in all corridors (North, Central, South and East) and across all modes, most significantly light rail in 2025 and 2024. Capital assets increased 3.2% in 2025 as a result of \$1.3 billion of capital project spending related primarily to the Federal Way, East Link, West Seattle, Ballard, Pinehurst and Redmond extension projects, as well as Bus Rapid Transit and Sounder station improvements.
- Non-operating revenues, net of expenses, were \$2.4 billion, an 18.1% increase from 2024, primarily due to higher tax revenues, investment income, other revenues and lower capital contributions to

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other governments related to extension projects for light rail and Bus Rapid Transit. These items are offset by higher interest expenses, contributions to affordable housing and other expenses.

- Capital contributions from federal, state and local funding arrangements were \$445.6 million, a net increase of \$151.8 million or 51.7% from 2024, primarily due to the recognition of Washington State Department of Transportation (WSDOT) landbank contributions offset slightly by decreases in federal contributions.
- Total operating subsidy (loss from operations) increased by \$179.8 million or 19.0% to \$1,128.2 million primarily due to higher operations and maintenance expenses with expanded service and growing depreciation.

Overview of the Financial Statements

Sound Transit's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The 2025 and 2024 financial statements are presented using the economic resource measurement focus and accrual basis of accounting. As Sound Transit comprises a single proprietary fund, no fund level financial statements are shown.

In accordance with GAAP, all revenues are recognized in the period they are earned, and expenses are recognized in the period they are incurred. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations of Sound Transit are included in the Statements of Net Position. Depreciation and amortization of capital and other assets is recognized in the Statements of Revenues, Expenses and Changes in Net Position.

The financial statements provide both long-term and short-term information about Sound Transit's overall financial status as well as Sound Transit's net position, segregated by net investment in capital assets, restricted and unrestricted. Net position is the difference between Sound Transit's assets, deferred outflows of resources, liabilities and deferred inflows of resources and over time, may serve as a useful indicator of Sound Transit's financial position. The financial statements also include notes that provide additional information that is essential to a full understanding of the information provided.

Financial Analysis

Net Position

Sound Transit's net position represents the cumulative effect of the excess of revenues over expenses together with the impact of Sound Transit's financing decisions.

Sound Transit's total net position as of December 31, 2025 was \$23.8 billion, an increase of \$1.8 billion or 7.9% from 2024. Total assets increased \$3.8 billion or 14.3% and total liabilities increased \$2.0 billion or 46.0%. The increase in total assets reflects continued capital program spending primarily funded by tax revenues and TIFIA drawdowns. The increase in total liabilities is primarily due to greater outstanding TIFIA balances.

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The table below summarizes Sound Transit's net position:

Statements of Net Position					
<i>(in millions)</i>	December 31			% Change	
	2025	2024	2023	2025-2024	2024-2023
Assets					
Current assets, excluding restricted assets	\$ 4,730.8	\$ 4,124.7	\$ 3,142.9	14.7%	31.2%
Restricted assets	130.1	125.2	118.5	3.9	5.7
Capital assets, net	20,867.4	20,217.2	19,269.2	3.2	4.9
Other non-current assets	4,563.6	2,043.7	2,613.1	123.3	(21.8)
Total assets	30,291.9	26,510.8	25,143.7	14.3	5.4
Deferred outflows of resources	3.0	3.8	5.0	(21.0)	(24.3)
Liabilities					
Current liabilities, excluding interest payable from restricted assets	578.8	552.5	622.0	4.8	(11.2)
Interest payable from restricted assets	28.4	21.7	25.9	30.9	(16.5)
Long-term debt	5,631.8	3,646.4	3,631.6	54.4	0.4
Other long-term liabilities	196.6	186.1	170.5	5.6	9.1
Total liabilities	6,435.6	4,406.7	4,450.0	46.0	(1.0)
Deferred inflows of resources	21.2	23.9	23.3	(11.3)	2.9
Net Position					
Net investment in capital assets	15,000.6	16,322.2	15,398.4	(8.1)	6.0
Restricted net position	115.9	114.8	107.6	1.0	6.6
Unrestricted net position	8,721.6	5,647.0	5,169.4	54.5	9.2
Total net position	\$ 23,838.1	\$ 22,084.0	\$ 20,675.4	7.9%	6.8%

* See accompanying footnotes.

Current assets, excluding restricted assets, increased 14.7% and 31.2% in 2025 and 2024, respectively. Increases in 2025 and 2024 were related to higher cash and investments resulting from TIFIA drawdowns and tax revenues that exceeded capital spending.

Capital assets, net increased 3.2% from 2024 and 4.9% between 2024 and 2023. Total capital project spending for 2025 was \$1,294.6 million, versus \$1,586.9 million in 2024, reflecting construction activities primarily on various Link extensions, Bus Rapid Transit and Sounder station improvement projects.

Total capital spending for light rail in 2025 was \$911.9 million or 70.4% of total capital spending (\$1,297.3 million or 81.8% in 2024). Capital spending on Sounder, BRT and Regional Express projects, as a percentage of total capital spending in 2025, was 7.1% and 20.5%, respectively (4.6% and 13.3% in 2024).

Other non-current assets increased 123.3% or \$2,519.9 million in 2025 and decreased 21.8% or \$569.4 million in 2024. The increase in 2025 was primarily due to higher balances in long term investments sourced from TIFIA drawdowns. The decrease in 2024 was primarily due to investments being moved from non-current assets to current assets due to the weighted average maturity dropping under one year.

Deferred outflows of resources include the excess of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new

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debt, whichever is shorter, and the unamortized deferred outflow of costs related to asset retirement obligations.

Current liabilities, excluding interest payable from restricted assets, increased \$26.3 million or 4.8% and decreased \$69.5 million or 11.2% in 2025 and 2024, respectively. The increase in 2025 was primarily due to timing of spending on construction and operating costs. The decrease in 2024 was primarily due to lower construction spending and the related liabilities.

Long-term debt increased \$2.0 billion or 54.4% from 2024 mainly due to increased obligation in the form of \$2.1 billion of TIFIA loans. The increase of \$14.8 million or 0.4% between 2024 and 2023 was mainly due to increased obligation in the form of a \$93.3 million TIFIA loan. The changes in 2025 and 2024 were both offset by regularly scheduled long-term debt payments.

Deferred inflows of resources include the deficit of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new debt, whichever is shorter, and the unrecognized lease revenues related to leases in which the agency is the lessor.

Net investment in capital assets reflects investment in construction in progress, non-depreciable assets and depreciable assets, net of related debt used to support the capital program. Balances include capital asset related payables, bonds and debt under the TIFIA program, as well as lease and subscription-based information technology (SBITA) related assets and liabilities. Net investment in capital assets decreased 8.1% from 2024 mainly due to decrease in capital program spending and greater capital project related borrowings, while increased by 6.0% between 2024 and 2023 as capital program spending continued to increase.

Restricted net position is comprised of assets net of liabilities externally restricted by legal or contractual obligations for a specific purpose related to a third party.

Unrestricted net position is the remainder of assets and deferred outflows of resources, net of liabilities and deferred inflows of resources, not invested in capital assets nor contractually restricted for a specific purpose. Unrestricted net position increased 54.5% and 9.2% in 2025 and 2024, respectively, as increases in cash and investments exceeded capital spending.

Changes in Net Position

Changes in net position reflect the excess or deficit of revenues over expenses for a given year.

In 2025, revenues exceeded expenses by \$1,754.1 million, a 24.5% increase from 2024. In 2024, revenues exceeded expenses by \$1,408.6 million, a 49.1% decrease from 2023. The 2025 increase was mainly driven by higher tax revenues, investment income, other non-operating revenue, local capital contributions, operating revenues and lower capital contributions to other governments. This was offset by higher operating expenses, interest expenses, contributions to affordable housing and other non-operating expenses. The 2024 decrease was mainly driven by lower local capital contributions, federal capital contributions, tax revenues, and higher operating expenses. This was offset by higher operating revenues and investment income.

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Sound Transit’s Statements of Revenue, Expenses and Changes in Net Position are summarized in the table below:

Changes in Net Position					
<i>(in millions)</i>	For the Year Ended December 31			% Change	
	2025	2024	2023	2025-2024	2024-2023
Operating revenues					
Passenger fares	\$ 73.8	\$ 61.8	\$ 51.9	19.4%	19.2%
Other	15.9	14.0	11.0	13.5	27.3
Total operating revenues	89.7	75.8	62.9	18.3	20.5
Operating expenses					
Total operating expenses, before depreciation	761.5	649.1	510.3	17.3	27.2
Depreciation and amortization	456.4	375.1	365.9	21.7	2.5
Total operating expenses	1,217.9	1,024.2	876.2	18.9	16.9
Loss from operations	(1,128.2)	(948.4)	(813.3)	19.0	16.6
Non-operating revenues, net of expenses	2,436.7	2,063.2	2,118.9	18.1	(2.6)
Income before capital contributions	1,308.5	1,114.8	1,305.6	17.4	(14.6)
Capital contributions	445.6	293.8	1,464.0	51.7	(79.9)
Change in net position	1,754.1	1,408.6	2,769.6	24.5	(49.1)
Total net position, beginning	22,084.0	20,675.4	17,905.8	6.8	15.5
Total net position, ending	\$ 23,838.1	\$ 22,084.0	\$ 20,675.4	7.9%	6.8%

Operating Revenues

Operating revenues are comprised of passenger fares and other revenues related to operations, such as advertising, rental of facilities, and other miscellaneous revenues.

Passenger Fare Revenue

Passenger fares are derived from the sale of Sounder commuter rail, Link light rail and T Line tickets at ticket vending machines (TVMs), fare box receipts on ST Express and use of One Regional Card for All (ORCA) products on all modes. Fares are charged for each service. Passenger fare revenue increased 19.4% and 19.2% in 2025 and 2024, respectively. The increase in 2025 was mainly driven by a full year of operating the Link 2 Line and the Link 1 Line extension to Lynnwood, as well as partial year operating the Link 2 Line extension to Downtown Redmond. The increase in 2024 was mainly driven by opening the Link 2 Line and the Link 1 Line extension to Lynnwood.

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A summary of passenger fare revenue by year and by mode of transportation are as follows:

Passenger Fare Revenue					
<i>(in millions)</i>	% Change				
	2025	2024	2023	2025-2024	2024-2023
Link	\$ 50.9	\$ 38.9	\$ 32.4	30.8%	20.1%
ST Express	15.7	16.2	14.4	(3.1)	12.5
Souder	6.8	6.4	5.0	6.3	28.0
T Line	0.4	0.3	0.1	33.3	200.0
Total	\$ 73.8	\$ 61.8	\$ 51.9	19.4%	19.2%

Ridership

Sound Transit provided 52.3 million rides in 2025, an increase of 24.8%, compared to 41.9 million rides in 2024. Changes in ridership by mode were as follows:

- Link ridership increased 26.2% and 10.8% in 2025 and 2024, respectively. The increase in ridership in 2025 is primarily attributable to a full year of operating the Link 2 Line extension and the Link 1 Line extension to Lynnwood, as well as partial year operating the Link 2 Line extension to Downtown Redmond.
- ST Express ridership increased 27.2% and 8.2% in 2025 and 2024, respectively. The increase in ridership in 2025 is primarily attributable to higher usage of employer provided transit passes and return to office policies. A decrease in fare structure, from \$3.25 to \$3.00 in May 2025, and unfavorable fare collections, resulted in decreased passenger fare revenue despite an increase in ridership.
- Souder ridership increased 5.3% and 5.6% in 2025 and 2024, respectively. The increase in ridership in 2025 is attributable to higher usage of employer provided transit passes and return to office policies.
- T Line ridership was comparable in 2025 and 2024.

A summary of the ridership by year and mode of transportation are as follows:

Ridership					
<i>(in millions)</i>	% Change				
	2025	2024	2023	2025-2024	2024-2023
Link	37.6	29.8	26.9	26.2%	10.8%
ST Express	11.7	9.2	8.5	27.2	8.2
Souder	2.0	1.9	1.8	5.3	5.6
T Line	1.0	1.0	0.4	0.0	125.0
Total	52.3	41.9	37.6	24.8%	11.4%

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Average Fare per Boarding (AFB)

The combined AFB decreased by 4.1% in 2025 across Link, ST Express, Sounder and T Line due to higher boardings with fare media.

Average Fare per Boarding					
	2025	2024	2023	% Change	
				2025-2024	2024-2023
Link	\$ 1.35	\$ 1.30	\$ 1.20	3.8%	8.3%
ST Express	1.34	1.76	1.68	(23.9)	4.8
Sounder	3.44	3.41	2.83	0.9	20.5
T Line	0.36	0.32	0.34	12.5	(5.9)
Combined average fare per boarding	\$ 1.41	\$ 1.47	\$ 1.38	(4.1)%	6.4%

Other operating revenues

Other operating revenues consist of vehicle advertising, rental of facilities, and other miscellaneous revenues.

Operating expenses

Operating Expenses					
<i>(in millions)</i>					
	2025	2024	2023	% Change	
				2025-2024	2024-2023
Operations and maintenance	\$ 706.9	\$ 601.5	\$ 463.5	17.5%	29.8%
Agency administration	30.0	23.5	21.7	27.7	8.3
Fare and regional planning	24.6	24.1	25.1	2.1	(4.0)
Depreciation, amortization	456.4	375.1	365.9	21.7	2.5
Total	\$ 1,217.9	\$ 1,024.2	\$ 876.2	18.9%	16.9%

Operating expenses are comprised of operations and maintenance costs, agency administration, fare and regional planning, and depreciation and amortization. Major operations and maintenance expense categories consist of services, materials, utilities, insurance, taxes, purchased transportation, allocated overhead from support divisions, short-term leases and rental expense. Purchased transportation includes amounts paid for the operation of Link light rail and associated paratransit services to King County Metro, for the operation of Sound Transit's express bus service to Community Transit, King County Metro and Pierce Transit, and for the operation of Sounder commuter rail services to BNSF Railway Company (BNSF). Purchased transportation services accounts for 55.5% of operating expenses in 2025 (47.8% in 2024). Services are the next largest expense category and include Sounder vehicle maintenance, contracted to the National Railroad Passenger Corporation (Amtrak), as well as various contracts for facility maintenance, policing services and security at Sound Transit's owned and shared facilities. Services were 22.4% in 2025 (23.4% in 2024) of total operating and maintenance expenses.

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Operations and Maintenance Expenses by Mode

The following table presents operating and maintenance expenses by mode:

Operations and Maintenance Expenses by Mode					
<i>(in millions)</i>				% Change	
	2025	2024	2023	2025-2024	2024-2023
Link	\$ 408.1	\$ 327.7	\$ 230.7	24.5%	42.0%
ST Express	186.4	164.1	147.9	13.6	11.0
Sounder	91.0	91.3	72.3	(0.3)	26.3
T Line	21.4	18.4	12.6	16.3	46.0
Total	\$ 706.9	\$ 601.5	\$ 463.5	17.5%	29.8%

Link operations and maintenance expenses increased \$80.4 million or 24.5% in 2025 and \$97.0 million or 42.0% in 2024. The primary cause of the increases in 2025 are higher operating expenses associated with a full year of service for Lynnwood Link and Link 2 Line, opening of two Downtown Redmond stations in May 2025 and the Federal Way extension in December 2025. In addition, 2025 reflects a continuation of implementing heightened security services around Link stations and trains to respond to public safety concerns. The main contributor to cost increases in 2024 was higher operating costs associated with the Lynnwood Link and Link 2 Line service expansion and added security service to address public safety concerns.

ST Express operations and maintenance expenses increased \$22.3 million or 13.6% and \$16.2 million or 11.0% in 2025 and 2024, respectively. Cost increases in 2025 were driven primarily by higher platform hours and higher transit partner rates. 2024 operating costs increased mainly due to added security service to address public safety concerns and higher negotiated partner operator rates.

Sounder operations and maintenance expenses decreased \$0.3 million or 0.3% in 2025 and increased \$19.0 million or 26.3% in 2024, respectively. Operating costs remained flat in 2025, as increased spending from higher transit partner rates were offset by lower spending from services and operating projects. 2024 operating costs increased mainly due to higher Amtrak vehicle maintenance rates in accordance with the Association of American Railroads (AAR) index and non-contractual BNSF overhead rates.

T Line operations and maintenance expenses increased \$3.0 million or 16.3% and \$5.8 million or 46.0% in 2025 and 2024, respectively. 2025 operating costs increased mainly due to higher operator rates and heightened security services. 2024 operating costs increased mainly due to a full year of Hilltop Link Extension services which opened September 2023.

Agency Administration

Agency administration expenses are comprised of costs not allocated to capital projects, operations and maintenance, or fare and regional planning efforts and include costs attributable to the general cost of government, such as the costs of the Chief Executive Office, Government Relations and Marketing.

In 2025, Sound Transit implemented an agencywide reorganization to enhance financial governance, operational efficiency and strategic alignment with the agency's long-range capital and system expansion programs. The new organizational structure resulted in additional agency administrative costs. Agency

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administration expenses increased \$6.5 million or 27.7% and \$1.8 million or 8.3% in 2025 and 2024, respectively.

Fare and Regional Planning

Fare and regional planning expenses increased \$0.5 million or 2.1% in 2025 and decreased \$1.0 million or 4.0% in 2024. Expenses were comparable in 2025, 2024 and 2023.

Depreciation and Amortization

Depreciation and amortization are comprised of non-cash expenses that reflect the reduction in the value of capital and intangible assets over time. Depreciation and amortization increased \$81.3 million or 21.7% in 2025 (\$9.2 million or 2.5% in 2024) reflecting increased expense related to capital assets placed in service during the year as well as amortization of subscription assets.

Non-Operating Revenues and Expenses

Net non-operating revenues increased \$373.5 million or 18.1% in 2025 and decreased \$55.7 million or 2.6% in 2024. The increase in 2025 was mainly due to higher tax revenues, investment income, other revenues, and lower capital contributions to other governments. This was partially offset by higher interest expenses, contributions to affordable housing and other expenses. The decrease in 2024 was mainly due to lower tax revenues, other revenues, higher capital contributions to other governments and interest expense. This was partially offset by higher investment income and lower other expenses.

Non-Operating Revenue / Expenses

<i>(in millions)</i>				% Change	
	2025	2024	2023	2025-2024	2024-2023
Non-operating revenues					
Sales and use tax	\$ 1,790.7	\$ 1,716.4	\$ 1,741.3	4.3%	(1.4)%
Motor vehicle excise tax	398.0	382.8	380.7	4.0	0.6
Property tax	175.5	168.4	167.3	4.2	0.7
Rental car tax	4.5	5.0	4.9	(10.0)	2.0
Investment income (loss)	361.0	244.4	211.0	47.7	15.8
Other revenues	98.7	6.5	48.3	1,418.5	(86.5)
Total	2,828.4	2,523.5	2,553.5	12.1	(1.2)
Non-operating expenses					
Contributions to other governments	172.9	321.8	276.0	(46.3)	16.6
Interest expense	127.8	99.3	91.7	28.7	8.3
Other expenses	64.7	38.0	60.0	70.3	(36.7)
Contributions to affordable housing	20.1	-	3.7	100.0	(100.0)
Loss (gain) on disposal of assets	4.8	0.2	2.5	2,300.0	(92.0)
Impairment	1.4	1.0	0.7	40.0	42.9
Total	391.7	460.3	434.6	(14.9)	5.9
Non-operating revenues, net	\$ 2,436.7	\$ 2,063.2	\$ 2,118.9	18.1%	(2.6)%

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Total tax revenues increased by \$96.1 million or 4.2% in 2025 and decreased by 21.6 million or 0.9% in 2024. The increase in 2025 was mainly due to regional economic conditions while the decrease in 2024 was mainly due to lower-than-expected growth in regional employment.

Investment income increased \$116.6 million or 47.7% and \$33.4 million or 15.8% in 2025 and 2024, respectively. The increase in 2025 and 2024 was mainly due to higher investment balances and favorable interest rates.

Other revenues are comprised primarily of funds received from federal agencies to support light rail and bus operations and the Build America Bond program. Other revenues increased in 2025 by \$92.2 million or 1418.5%, mainly due to federal preventative maintenance grants and decreased in 2024 by \$41.8 million or 86.5%, mainly due to reduction in operating grants from federal sources.

Contributions to other governments decreased \$148.9 million or 46.3% in 2025 and increased \$45.8 million or 16.6% in 2024. The decrease in 2025 was mainly due to contributions donated to cities, counties and the Washington State Department of Transportation (WSDOT) for Federal Way Link and Downtown Redmond Link extension projects. The increase in 2024 was mainly due to contributions donated to cities, counties and the WSDOT for Bus Rapid Transit, Lynnwood and Federal Way Link extension projects.

Interest expense is recognized in the period in which the cost is incurred. Interest expense includes interest from borrowing, leasing and subscription-based information technology (SBITA) transactions. Total interest expense was \$127.8 million and \$99.3 million in 2025 and 2024, respectively. The increase of \$28.5 million or 28.7% was mainly due to overall higher TIFIA loan balances, partially offset by bond retirements in 2025. The increase of \$7.6 million or 8.3% was mainly due to overall higher TIFIA loan balances in 2024.

Capital Contributions

Capital contributions include federal grant funding and state and local contributions to Sound Transit. Overall capital contributions increased in 2025 by \$151.8 million or 51.7% and decreased by \$1,170.2 million or 79.9% in 2024. The following table summarizes capital contributions by major category:

Capital Contributions					
<i>(in millions)</i>				% Change	
	2025	2024	2023	2025-2024	2024-2023
Federal	\$ 223.8	\$ 264.0	\$ 500.5	(15.2)%	(47.3)%
State and local governments	221.8	29.8	963.5	644.3	(96.9)
Total	\$ 445.6	\$ 293.8	\$ 1,464.0	51.7%	(79.9)%

Federal capital contributions decreased in 2025 by \$40.2 million or 15.2%. This decrease was mainly due to lower full funding grant agreement (FFGA) draws of \$22.3 million related to Lynnwood Link and \$34.5 million related to Federal Way Link. This decrease was offset by an increase of \$19.6 million for Downtown Redmond Link and other projects. Federal capital contributions decreased in 2024 by \$236.5 million or 47.3%. This decrease was mainly due to lower FFGA draws of \$157.6 million related to Lynnwood Link and \$87.4 million related to Federal Way Link. This decrease was offset by an increase of \$87.9 million for Tacoma Link, \$11.0 million for Downtown Redmond and other projects.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Projects receiving federal funding in excess of \$5.0 million in 2025 included Lynnwood, Federal Way, Downtown Redmond and East Link Extensions. In 2024 projects included Lynnwood, Federal Way, Tacoma and Downtown Redmond Link Extensions.

State and local government contributions increased by \$192.0 million or 644.3% in 2025 and decreased by \$933.7 million or 96.9% in 2024. The increase in 2025 was primarily due to recognition of land bank credits from WSDOT. The decrease in 2024 was primarily due to the ownership transfer of the Downtown Seattle Transit Tunnel (DSTT) from King County in 2023, the majority of which was classified, for accounting purposes, as a contribution.

The agency receives credit from WSDOT under a land bank agreement for funding improvement projects owned by WSDOT. Sound Transit recognizes land bank credits when they are earned and the credits are used to fund the purchase or lease of WSDOT property necessary for transit projects. In 2025, the land bank credit balance was recognized as long-term asset to improve visibility on Sound Transit's financial statements. Sound Transit is reasonably certain it will continue to earn credits and use them throughout the term of the agreement.

\$33.1 million and \$35.4 million of WSDOT Land Bank credits were utilized to fund temporary construction easements and access rights related to various light rail extension projects in 2025 and 2024, respectively (see also note 14).

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Capital Assets

A summary of Sound Transit’s capital assets is presented in the following table:

Capital Assets, net <i>(in millions)</i>	December 31			% Change	
	2025	2024	2023	2025-2024	2024-2023
Land	\$ 1,401.4	\$ 1,281.8	\$ 1,167.9	9.3%	9.8%
Permanent easements	572.3	589.4	583.6	(2.9)	1.0
Capital projects in progress	4,336.3	6,698.8	8,844.5	(35.3)	(24.3)
Total non-depreciable assets	6,310.0	8,570.0	10,596.0	(26.4)	(19.1)
Transit facilities, rail and heavy equipment	13,166.4	10,289.9	7,552.2	28.0	36.3
Access rights	247.4	260.2	273.1	(4.9)	(4.7)
Revenue vehicles	935.4	918.5	732.3	1.8	25.4
Other depreciable assets	14.5	19.1	18.8	(24.1)	1.6
Right-to-use lease assets	175.3	143.9	79.9	21.8	80.1
Right-to-use SBITA assets	18.4	15.6	16.9	17.9	(7.7)
Total depreciable assets	14,557.4	11,647.2	8,673.2	25.0	34.3
Total capital assets, net	\$20,867.4	\$20,217.2	\$19,269.2	3.2%	4.9%

In 2025, spending on capital projects in progress was \$1,294.6 million, while in 2024 it was \$1,586.9 million. The decrease in 2025 was mainly due to lower construction activities as Federal Way Link, Redmond Link and East Link extension projects were completed or neared completion. This is offset by increase in construction activities on Bus Rapid Transit and spending for planning activities for on-going Link projects, including West Seattle, Ballard and Tacoma Dome Link extension projects. The decrease in 2024 was mainly due to lower construction activities on Federal Way Link, Lynnwood Link, Redmond Link and East Link extensions as projects were completed or neared completion. This is offset by increase in construction activities on Bus Rapid Transit and West Seattle-Ballard Link extension projects.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Capital projects with major spending activity in excess of \$5 million in 2025 and 2024 are summarized in the following table:

Year	Link	Sounder	Regional Express/Stride
2025	Ballard Link Extension Downtown Redmond Link Extension East Link I-90 Corridor Everett Link Extension Federal Way Link Extension LRV Fleet Expansion LRV Upgrade Lynnwood Link Extension Operations & Maintenance Facility East Operations & Maintenance Facility South Pinehurst Station Tacoma Dome Link Extension Vertical Conveyance Program West Seattle Link Extension	Passenger Info Mgmt System Sumner Station	Bothell Transit Related Improvement Bus Base North Station I-405 Bus Rapid Transit
2024	Ballard Link Extension Downtown Redmond Link Extension East Link Extension Everett Link Extension Federal Way Link Extension LRV Fleet Expansion Lynnwood Link Extension NE 130th ST Infill Station North Corridor NOW Operations & Maintenance Facility East Operations & Maintenance Facility South Series 3 LRV ST Artwork Tacoma Dome Link Extension Transit System Access Program Vertical Conveyance Program West Seattle Link Extension	Fleet Expansion Passenger Info Mgmt System Sumner Station	Bus Rapid Transit Stations Bus Rapid Transit Maintenance Base I-405 Bus Rapid Transit Rapid Ride C and D

See note 5 to the Financial Statements for additional information about Sound Transit's capital assets.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Long-Term Debt

A summary of Sound Transit’s long-term debt is presented in the following table:

Long-Term Debt					
<i>(in millions)</i>					
	2025	December 31		% Change	
		2024	2023	2025-2024	2024-2023
Long-term debt					
Bonds payable	\$ 1,736.4	\$ 1,913.1	\$ 2,011.9	(9.5)%	(4.9)%
TIFIA Loans	3,984.7	1,815.2	1,697.6	119.5	6.9
Total long-term debt	<u>\$ 5,721.1</u>	<u>\$ 3,728.3</u>	<u>\$ 3,709.5</u>	<u>53.5%</u>	<u>0.5%</u>

Reductions in bonds payable in 2025 and 2024 are due to regularly scheduled principal payments.

Under state law, issuance of bonds payable from any type of tax is subject to statutory debt limitations. Sound Transit is currently authorized to incur debt in an amount equal to 1.5% of the value of taxable property within the service area, without securing additional voter approval. With the approval of 60.0% of the region’s voters, Sound Transit may incur aggregate indebtedness of up to 5.0% of the value of taxable property within the service area. Based on 2024 assessed valuations for collection of 2025 taxes, Sound Transit’s current approved remaining debt capacity is \$11.4 billion and its additional remaining debt capacity subject to voter approval is \$50.9 billion.

In 2025, Sound Transit borrowed an additional \$335.4 million under the East Link, \$657.9 million under Lynnwood Link, \$629.5 million under Federal Way Link and \$521.0 million under Downtown Redmond Link agreements under the TIFIA loan program. As of December 31, 2025, the agency had outstanding loans of \$1,330.0 million borrowed under the TIFIA East Link agreement, \$657.9 million borrowed under the TIFIA Lynnwood Link agreement, \$629.5 million borrowed under the TIFIA Federal Way Link agreement, \$615.3 million borrowed under the TIFIA Northgate Link agreement, \$521.0 million borrowed under the Downtown Redmond Link agreement, \$93.3 million borrowed under the TIFIA Hilltop Tacoma Link agreement and \$87.2 million borrowed under the TIFIA OMFE agreement. See note 9 for details.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

<i>(in thousands)</i>	December 31	
	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	\$ 1,357,288	\$ 1,130,547
Restricted assets (note 3)	111,374	104,313
Investments (note 3)	2,744,356	2,372,538
Taxes and other receivables (note 4)	522,855	552,182
Inventory and prepaids	106,358	69,470
Total current assets	4,842,231	4,229,050
Non-current assets		
Restricted assets (note 3)	18,688	20,895
Investments (note 3)	4,190,508	1,817,555
Capital assets, nondepreciable/amortizable (note 5)	6,310,023	8,570,099
Capital assets, depreciable/amortizable, net (note 5)	14,557,361	11,647,153
Other lease related assets (note 6)	208,897	226,041
Land bank assets (note 14)	164,155	-
Total non-current assets	25,449,632	22,281,743
Total assets	30,291,863	26,510,793
DEFERRED OUTFLOWS OF RESOURCES		
Asset retirement obligations	2,190	2,145
Deferred loss on bond refunding	844	1,630
Total deferred outflows of resources	3,034	3,775
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	360,709	296,531
Unearned revenue	20,481	23,614
Interest payable	28,471	21,651
Current portion, lease related obligations (note 6)	8,510	7,691
Current portion, SBITA related obligations (note 7)	2,536	1,729
Current portion, long-term debt (note 9)	89,275	82,375
Other claims and short-term obligations	97,265	141,021
Total current liabilities	607,247	574,612
Non-current liabilities		
Long-term debt (note 9)	5,631,811	3,645,898
Lease related obligations (note 6)	170,707	160,419
SBITA related obligations (note 7)	12,844	12,640
Other long-term obligations (note 10)	13,004	13,009
Total non-current liabilities	5,828,366	3,831,966
Total liabilities	6,435,613	4,406,578
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	1,061	1,794
Unrecognized lease revenue	20,086	22,137
Total deferred inflows of resources	21,147	23,931
NET POSITION		
Net investment in capital assets	15,000,509	16,322,194
Restricted (note 11)	115,903	114,855
Unrestricted	8,721,725	5,647,010
Total net position	\$ 23,838,137	\$ 22,084,059

See accompanying notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(in thousands)

Year ended, December 31

	2025	2024
Operating revenues		
Passenger fares	\$ 73,847	\$ 61,823
Other operating revenue	15,868	14,027
Total operating revenues	89,715	75,850
Operating expenses		
Operations and maintenance	706,904	601,479
Agency administration	30,033	23,525
Fare and regional planning	24,581	24,122
Depreciation, amortization and accretion	456,433	375,070
Total operating expenses	1,217,951	1,024,196
Loss from operations	(1,128,236)	(948,346)
Non-operating revenues (expenses)		
Sales tax	1,790,649	1,716,398
Motor vehicle excise tax	398,024	382,804
Property tax	175,490	168,341
Rental car tax	4,521	4,958
Investment income	361,040	244,414
Other revenues	98,725	6,539
Contributions to other governments	(172,919)	(321,837)
Interest expense	(127,779)	(99,261)
Other expenses	(70,952)	(39,200)
Contributions to affordable housing	(20,059)	-
Total non-operating revenues, net	2,436,740	2,063,156
Income before capital contributions	1,308,504	1,114,810
Federal capital contributions	223,788	263,962
State and local capital contributions	221,786	29,851
Total capital contributions	445,574	293,813
Change in net position	1,754,078	1,408,623
Total net position, beginning of year	22,084,059	20,675,436
Total net position, end of year	\$ 23,838,137	\$ 22,084,059

See accompanying notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

(in thousands)

	Year ended, December 31	
	2025	2024
Cash flows from operating activities		
Cash receipts from fares	\$ 71,598	\$ 65,151
Cash receipts from other operating revenue	21,379	6,812
Payments to employees for wages and benefits	(115,000)	(100,862)
Payments to suppliers	(275,526)	(281,987)
Payments to transportation service providers	(295,750)	(288,560)
Net cash used by operating activities	(593,299)	(599,446)
Cash flows from non-capital financing activities		
Preventative maintenance grants received	92,415	761
Taxes received	2,341,552	2,288,616
Tax collection fees paid	(9,081)	(5,394)
Net cash provided by non-capital financing activities	2,424,886	2,283,983
Cash flows from capital and related financing activities		
Capital contributions from grants	349,698	325,909
(Payments) proceeds for betterments and recoverable costs	(2,998)	(10,944)
Proceeds from insurance recoveries and sale of assets	175	2,561
Proceeds from TIFIA loans	2,143,670	93,306
Payments for bond principal	(156,875)	(77,870)
Payments for interest and bond related costs	(107,644)	(93,409)
Payments to employees capitalized to projects	(171,071)	(162,423)
Payments for SBITA activities	(5,891)	(5,572)
Payments for TIFIA loans	(500)	-
Payments to suppliers for capital activities	(1,088,767)	(1,351,955)
Purchase of property	(118,948)	(119,831)
Payments for lease activities	(43,231)	(53,402)
Receipts from lessees	2,081	7,548
Net cash provided (used) by capital and related financing activities	799,699	(1,446,082)
Cash flows from investing activities		
Investment income	237,379	171,488
Proceeds from sales or maturities of investments	2,707,183	2,248,950
Purchases of investments	(5,341,858)	(2,490,942)
Net cash provided (used) by investing activities	(2,397,296)	(70,504)
Net increase (decrease) in cash and cash equivalents	233,990	167,951
Cash and cash equivalents		
Beginning of year	1,247,621	1,079,670
End of year	\$ 1,481,611	\$ 1,247,621
Cash and cash equivalents (note 3)		
Unrestricted	\$ 1,357,288	\$ 1,130,547
Current restricted	110,767	103,735
Non-current restricted	13,556	13,339
	\$ 1,481,611	\$ 1,247,621

See accompanying notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS, continued

(in thousands)

	Year ended, December 31	
	2025	2024
Loss from operations	\$ (1,128,236)	\$ (948,346)
Adjustments to reconcile loss from operations to net cash used by operating activities		
Decrease in bad debt expense	(15)	-
Depreciation, amortization and accretion	456,433	375,070
Increase in inventory allowance	3,045	353
Increase in other expenses	(667)	(527)
Changes in operating assets and liabilities		
Decrease (increase) in other receivables	5,845	(8,851)
Increase in inventory, prepaid and deposits	(20,080)	(3,456)
Increase (decrease) in accounts payable and accrued liabilities	93,516	(16,902)
(Decrease) increase in unearned revenue	(3,134)	5,204
Decrease in other current liabilities	(6)	(1,991)
Net cash used by operating activities	<u>\$ (593,299)</u>	<u>\$ (599,446)</u>

(in thousands)

	Year ended, December 31	
	2025	2024
Supplemental disclosures of non-cash investing and financing activities		
Capital contribution from Land Bank	\$ 197,255	\$ 35,390
Contributions to other governments	(172,919)	(321,837)
Construction in progress in current liabilities	261,080	336,881
Increase in fair value of investments	50,628	2,490
Additions to lease related assets, net	54,285	80,287
Additions to lease obligations, net	(58,391)	(71,302)
Additions to SBITA related assets, net	2,128	1,988
(Addition) reduction reduction to SBITA obligations, net	(807)	1,992
Spare parts previously capitalized	(19,851)	(3,868)
Start-up costs previously capitalized	(40,208)	(28,411)

See accompanying notes to financial statements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

1. ORGANIZATION AND REPORTING ENTITY

As provided under the Revised Code of Washington (RCW) Chapter 81.112 applicable to a regional transit authority, the Central Puget Sound Regional Transit Authority, a public corporation acting under the service name of Sound Transit, also referred to herein as “the agency”, was established in 1993. Sound Transit is implementing a high-capacity transportation system throughout parts of King, Pierce and Snohomish counties in the State of Washington through the design, construction and operation of a commuter rail (Sounder), light rail (Link and Tacoma Link), regional express bus system (ST Express) and bus rapid transit system (Stride).

Reporting Entity—Sound Transit is a special purpose government supported primarily through sales and use, motor vehicle excise, property and rental car taxes assessed in Sound Transit’s operating jurisdiction (the District). In addition, Sound Transit receives capital and operating funding from federal, state and local agencies.

Sound Transit is governed by an eighteen-member board, seventeen of whom are appointed by the respective member county executives and confirmed by the council of each member county. Membership is based on the population of the portion of each county that lies within Sound Transit’s service area. Representation on the board includes an elected official representing the largest city in each county and ensures proportional representation from other cities and from unincorporated areas of each county. The final board position is held by the Secretary of Transportation, Washington State Department of Transportation (WSDOT).

Accounting principles generally accepted in the United States of America (GAAP) require the financial statements of the reporting entity to include the primary government, all organizations for which the primary government is financially accountable and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Based on these criteria, Sound Transit is considered a primary government and does not have any component unit relationships. Conversely, Sound Transit is not considered a component unit of any primary government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and should be considered an integral part of the financial statements.

Basis of Accounting— The accounts are maintained, and financial statements are prepared, using the economic resources measurement focus and accrual basis of accounting in accordance with GAAP. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As Sound Transit comprises a single proprietary fund, no fund level financial statements are shown.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

In accordance with GAAP, all revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of Sound Transit are included in the Statements of Net Position. Depreciation and amortization of capital assets are recognized in the Statements of Revenues, Expenses and Changes in Net Position.

Operating revenues are recognized in the period earned and consist primarily of passenger fares. Operating expenses are recognized in the period in which they are incurred and consist primarily of purchased transportation services.

Non-operating revenues, primarily tax revenues, are recorded in the period when the underlying transaction occurs on which the tax is imposed and include sales and use tax on goods and services, motor vehicle excise tax, property tax and rental car tax. Non-operating expenses are recognized in the period in which they are incurred and consist primarily of interest expense and contributions to other governments.

Sales, use and rental car taxes are collected on Sound Transit's behalf by the Washington State Department of Revenue and the motor vehicle excise tax by the Washington State Department of Licensing. Sound Transit records these taxes as reported by the above agencies based on tax filings and collections. Property tax is levied on a calendar year basis and is administered and collected by King, Pierce and Snohomish counties. Taxes are levied within the district at a rate of 1.4% for sales and use, 1.1% for motor vehicle excise and 0.8% for rental cars. In November 2016, voters approved an increase in the sales and use tax of 0.5%, an additional motor vehicle excise tax of 0.8%, both of which are included in the rates stated above, and a property tax levy rate up to \$0.25 per \$1,000 of assessed property value. The additional motor vehicle tax came into effect March 1, 2017, and the additional sales and use tax came into effect April 1, 2017. The first property tax levy was authorized for calendar year 2017. King, Snohomish and Pierce Counties collect property taxes on Sound Transit's behalf and provide collectable tax estimates. Sound Transit records net collectible property taxes as reported by these counties.

Bond Discounts and Premiums— Bond discounts and premiums are recorded net to long-term debt and amortized using the effective interest rate method over the life of the related debt issuance. Deferred outflows of resources include the excess of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new debt, whichever is shorter. Deferred inflows of resources include the deficit of the price paid on debt refunding and the net carrying amount of the old debt, which is amortized over the remaining life of the old debt or the new debt, whichever is shorter.

Capital Assets— Capital assets are stated at cost, except for capital assets contributed to Sound Transit, which are stated at the acquisition value on the date of contribution. Expenses and contributions for additions and improvements with a value in excess of \$5,000 and a useful life of more than one year are capitalized. Maintenance, repairs and minor improvement costs are charged to operations as incurred. Depreciation and amortization of capital, intangible and right-to-use assets are recorded using the straight-line method applied to each asset over its estimated useful life, except for the amortization associated with leasehold improvements which is recognized over the shorter of the life of the asset and the remaining length of the related lease agreement.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Estimated useful lives are shown in the following table:

	Estimated useful life
Access rights	5 – 100 years
Buildings and leasehold improvements	5 – 30 years
Furniture, equipment and vehicles	3 – 8 years
Revenue vehicles	12 – 40 years
Right-to-use lease assets	2 – 40 years
Right-to-use subscription-based information technology arrangement	2 – 15 years
Software	3 – 5 years
Transit facilities, rail and heavy equipment	6 – 150 years

On an annual basis, Sound Transit evaluates whether events or circumstances have occurred affecting capital assets that are other than temporary in nature and which could result in an impairment of those assets. Impairment is considered to have occurred if there is a large permanent decline in the asset's service utility and the event or circumstance is outside the normal life cycle of the asset. Impairment losses on assets that will no longer be used are measured based on the lower of carrying value and fair value of the affected asset. Impairment losses on assets that will continue to be used are measured using the method that best reflects the diminished service utility.

All qualifying costs, directly and indirectly, attributable to capital projects are capitalized. Capital projects in progress (CIP) balances include costs incurred for projects not yet in service and are segregated between assets in which Sound Transit maintains a continuing ownership interest and capital assets that will be transferred to other governments upon completion.

Access rights include costs incurred for, or rights acquired that allow Sound Transit to operate its services in public and private right of way. Access rights are amortized over the life of the underlying asset constructed or the term of the contractual agreement granting the related right.

Interest costs on funds borrowed through tax-exempt and taxable debt to finance the construction or acquisition of certain capital assets are expensed in the period in which they are incurred. Prior to 2019, interest costs were capitalized during the period of construction or acquisition and depreciated over the life of the related assets once placed into service.

Capital Contributions to Other Governments— Pursuant to capital improvement agreements, Sound Transit has provided funding to, or constructed assets for, various governments for transit-related capital improvements. Costs incurred to construct assets for other governments are capitalized and included in CIP until the asset is substantially completed and accepted, at which time the costs are transferred out of CIP and recorded as contributions to other governments.

Cash and Cash Equivalents— Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less at the time of purchase. Restricted cash and cash equivalents contain externally imposed legal and contractual obligations and are classified as current or non-current in accordance with their requirements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Compensated Absences— The agency provides a PTO program to eligible employees. Under the program, PTO is earned based on tenure and job level. PTO is payable at 100% upon employee termination. Certain accrued balances relating to other compensated absences are recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through non-cash means. A liability is recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave has accumulated, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means. Legacy programs are presented as liabilities until utilized or forfeited.

Environmental Remediation Obligations— Environmental remediation activities are reviewed annually to determine whether an obligating event has occurred, as defined by GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, when the liability should be accrued and whether the cost should be expensed or capitalized. Generally, such costs are incurred in relation to properties that Sound Transit is preparing for use in operations, or in relation to properties acquired to support the construction of a project and which are subsequently resold. As such, these costs are recorded as incurred and capitalized to the project. Costs that are in excess of the property's fair market value, or that do not meet capitalization criteria under GAAP, are expensed as soon as a reasonable estimate can be obtained. As of December 31, 2025 and 2024, Sound Transit has determined that there are no known environmental remediation obligations.

Indirect Cost Allocation— Indirect costs relate to the overall costs of running the agency and include employee costs, services, and information technology costs. These indirect costs are allocated to capital projects, operating activities, agency administration and fare and regional planning using overhead rates that are based on drivers such as ridership, budgeted expenses and capital type activities. Overhead rates are designed to allocate all agency overhead costs except for certain executive divisions and marketing costs.

Inventory— Inventory includes spare parts and is recorded at the lower of average purchase cost and net realizable value. Allowances for excess and obsolete parts are provided for spare parts currently identified as excess and obsolete. Allowances are reflected as a charge to operations and are based on management's estimate, which is subject to change. As of December 31, 2025 and 2024, inventory reflects an allowance of \$5.3 million and \$2.3 million, respectively.

Investment Valuation— Investments are stated at fair value.

New Accounting Pronouncements

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, for the reporting periods beginning after June 15, 2024. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. Sound Transit adopted the pronouncement in 2024 and determined there were no events associated with concentrations or constraints that could cause a substantial impact within 12 months of financial statement issuance.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, for the reporting periods beginning after June 15, 2025. This statement requires governments to improve key

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

components of the financial reporting model related to MD&A, unusual or infrequent items, presentation of the proprietary fund statement of revenue, expenses and changes in fund net position, information about major component units in the basic financial statements, budgetary comparison information, and financial trends information in the statistical section. Sound Transit is reviewing and considering the applicability as well as evaluating the potential impact of the standard.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, for the reporting periods beginning after June 15, 2025. This statement requires a government to disclose intangible assets, such as leases, public-private or public-public partnership, subscription assets and other intangible assets by its major class of underlying capital assets separately in the Capital Assets note. Additionally, this statement requires a government to disclose capital assets held for sale within one year of the financial statement date by major class of assets, including the ending balance of assets held for sale, historical costs, accumulated depreciation and carrying amount of debt, if any. Sound Transit is reviewing and considering the applicability as well as evaluating the potential impact of the standard.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*, for the reporting periods beginning after June 15, 2026. This statement requires governments to disclose transactions or other events that occur between the date of the financial statements and the date the financial statements are available to be issued. Additionally, this statement requires governments to disclose the date through which subsequent events have been evaluated, regardless of whether there is a recognized event or non-recognized event. Sound Transit is reviewing and considering the applicability as well as evaluating the potential impact of the standard.

Reclassifications — There were no reclassifications made to the 2024 financial statements to conform to the current year's presentation.

Reserves— Sound Transit's financial policies require the agency to maintain certain internal reserves as follows: an operating expense reserve in the amount of two months average annual spending expenses; a capital replacement reserve supported by a specific investment fund; and an emergency loss fund to cover retention, deductible or excess loss due to an uninsured loss or portion of loss. As these cash and investment reserves are derived from internal restrictions, they are included in unrestricted net position.

Restricted Net Position— Restricted net position consists of cash, cash equivalents and investments that contain externally imposed legal and contractual obligations. Assets comprising restricted net position are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, restricted resources are used first and then unrestricted resources as they are needed.

Revenue and Expense Classification— Sound Transit distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing passenger services in connection with Sound Transit's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Tax Abatements—As of December 31, 2025 and 2024, Sound Transit has no direct tax abatement agreements wherein taxes are decreased for a particular payer which contributed to economic development or otherwise benefits the government or its citizens. In 2025 and 2024, Sound Transit collected property tax revenue through Snohomish, King and Pierce counties which have direct tax abatement agreements. However, the tax abatements do not result in reduction or loss of revenue to Sound Transit, pursuant to Washington State law, as these taxes are reallocated to other property taxpayers.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Undivided Interests— Sound Transit participates in a joint operation (or undivided interest), jointly governed with six other agencies for the provision of a regional fare coordination system (One Regional Card for All, ORCA). Sound Transit reports its undivided interest in assets, liabilities, expenses and revenues of ORCA within its financial statements, as they are specifically identifiable to Sound Transit. ORCA does not meet the definition of a component unit as defined in GASB No. 61 – *The Financial Reporting Entity: Omnibus*.

Land Bank Asset— Sound Transit earns land bank credits for constructing improvements on property owned by WSDOT. WSDOT related expenses are recognized as contributions to other governments on the Statement of Revenues, Expenses and Changes in Net Position. Upon WSDOT confirmation of credits, revenue is recognized as a contribution from other governments on the Statement of Revenue, Expenses and Changes in Net Position and the corresponding land bank credits are reported as a long-term asset on the Statement of Net Position. The running balance of land bank credits will remain active for a maximum period of 80 years, unless Sound Transit and WSDOT agree to an extension. The credits can be used to pay for the lease or purchase of WSDOT property. When Sound Transit uses land bank credits, the long-term asset balance is reduced to offset a corresponding asset or expense. As of December 31, 2025, there were no conditions to suggest an impairment of the long term asset exists. Sound Transit will evaluate for potential impairment on an annual basis. See also note 14.

Use of Estimates— The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. CASH, CASH EQUIVALENTS, INVESTMENTS AND RESTRICTED ASSETS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less at the time of purchase. Cash in the Local Government Investment Pool (LGIP) is managed by the Washington State Treasurer’s Office. Investments in the King County Investment Pool (KCIP) are managed by the King County Finance Division. The LGIP and the KCIP represent an interest in a group of securities and have no specific security subject to custodial risk.

Sound Transit’s bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All deposits not covered by the FDIC are covered by the PDPC.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Cash, cash equivalents, investments and restricted assets consist of the following:

<i>(in thousands)</i>	December 31	
	2025	2024
Cash and cash equivalents - current		
LGIP *	\$ 1,323,217	\$ 986,239
FDIC or PDPC Insured Bank Deposits	34,071	144,308
	1,357,288	1,130,547
Restricted assets - current		
Cash and cash equivalents - LGIP	107,401	103,043
FDIC or PDPC Insured Bank Deposits	852	692
PDSR current	2,514	-
Investments - KCIP	607	578
	111,374	104,313
Investments - current	2,744,356	2,372,538
Restricted assets - non-current		
Cash and cash equivalents		
LGIP	1,266	883
FDIC or PDPC Insured Bank Deposits	4,278	4,454
Escrow funds	8,012	8,001
	13,556	13,338
Investments - Debt service and OCIP reserve	5,068	7,493
Other	64	64
	18,688	20,895
Investments - non-current	4,190,508	1,817,555
Total cash, cash equivalents, investments and restricted assets	\$ 8,422,214	\$ 5,445,848

* The balance includes amounts set aside in satisfaction of Sound Transit's financial policies for an operating expense reserve and an emergency loss fund.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

All surplus cash is invested in accordance with Washington State statute and an Asset and Liability Management policy approved by Sound Transit’s Board. Qualifying investments under this policy include obligations of the United States government, Treasury and Agency securities, bankers’ acceptances, certificates of deposit, corporate bonds & commercial paper, general obligation municipal bonds and repurchase agreements. Sound Transit’s policy and monitoring program addresses common deposit and investment risks as described below, with detailed information by investment type presented in the tables that follow. Duration is presented in years.

Sound Transit holds a significant amount of investments that are measured at fair value on a recurring basis, within the following hierarchy:

- Level 1 – inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly
- Level 3 – inputs are unobservable inputs for an asset or liability

Unrestricted investments consist of the following:

<i>(in thousands)</i>	2025			2024		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Investments – current						
Commercial Paper	\$ 60,378	\$ -	\$ 60,378	\$ -	\$ -	\$ -
KCIP *	18,044	-	-	17,186	-	-
U.S. Agency Securities	84,397	-	84,397	-	-	-
U.S. Treasury Securities	2,475,825	2,475,825	-	2,355,352	2,355,352	-
Corporate Bonds	35,205	-	35,205	-	-	-
Investments – capital replacement -current						
U.S. Agency Securities	24,038	-	24,038	-	-	-
U.S. Treasury Securities	20,220	20,220	-	-	-	-
Municipal Bonds	17,765	-	17,765	-	-	-
Corporate Bonds	8,484	-	8,484	-	-	-
Total investments – current	2,744,356	2,496,045	230,267	2,372,538	2,355,352	-
Investments – non-current						
Investments – undesignated						
Commercial Paper	63	-	63	-	-	-
U.S. Agency Securities	207,988	-	207,988	436,427	-	436,427
U.S. Treasury Securities	3,439,419	3,439,419	-	810,970	810,970	-
Supranationals	79,294	-	79,294	-	-	-
Municipal Bonds	18,838	-	18,838	18,413	-	18,413
Corporate Bonds	123,333	-	123,333	183,555	-	183,555
Total investments - undesignated	<u>3,868,935</u>	<u>3,439,419</u>	<u>429,516</u>	<u>1,449,365</u>	<u>810,970</u>	<u>638,395</u>
Investments – capital replacement						
U.S. Agency Securities	105,732	-	105,732	178,055	-	178,055
U.S. Treasury Securities	151,699	151,699	-	122,507	122,507	-
Supranationals	30,472	-	30,472	-	-	-
Municipal Bonds	6,801	-	6,801	24,011	-	24,011
Corporate Bonds	26,869	-	26,869	43,617	-	43,617
Total investments – capital replacement	<u>321,573</u>	<u>151,699</u>	<u>169,874</u>	<u>368,190</u>	<u>122,507</u>	<u>245,683</u>
Total investments – non-current	\$ 4,190,508	\$ 3,591,118	\$ 599,390	\$ 1,817,555	\$ 933,477	\$ 884,078

* The KCIP is valued using amortized cost basis and is not included in the fair value hierarchy.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Restricted investments consist of the following:

<i>(in thousands)</i>	2025			2024		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Restricted assets - current						
KCIP *	\$ 607	\$ -	\$ -	\$ 578	\$ -	\$ -
U.S. Agency Securities	2,514	-	2,514	-	-	-
Total restricted assets - current	3,121	-	2,514	578	-	-
Restricted assets - non-current						
Municipal Bonds	2,536	-	2,536	2,506	-	2,506
U.S. Agency Securities	2,532	-	2,532	4,987	-	4,987
Total restricted assets - non-current	\$ 5,068	\$ -	\$ 5,068	\$ 7,493	\$ -	\$ 7,493

* The KCIP is valued using amortized cost basis and is not included in the fair value hierarchy.

U.S Treasury securities are classified as Level 1 and are valued using prices in active markets for identical assets. Commercial paper, U.S. Agency securities, municipal bonds and corporate bonds are classified as Level 2 and are valued using inputs that are observable but not actively using the market approach.

The KCIP is valued using amortized cost basis. The objective of the KCIP investment policy is to invest public funds in a manner which will preserve the safety and liquidity of all investments while obtaining a reasonable rate of return. The redemption period for the KCIP is one to ten days, depending on the dollar amount redeemed.

Interest Rate Risk— Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The agency manages duration to mitigate its exposure to interest rate risk. The greater the duration of a bond, or portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice versa. Sound Transit policy limits its maximum weighted portfolio duration to three years.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Modified duration

(in thousands)

	2025			2024		
	Total	Duration	Percent of total	Total	Duration	Percent of total
Investments – current						
Commercial Paper	\$ 60,378	0.24	2.2%	\$ -	-	0.0%
KCIP	18,044	-	0.7%	17,186	1.21	0.7%
U.S. Agency Securities	84,397	0.24	3.1%	-	-	0.0%
U.S. Treasury Securities	2,475,825	0.51	90.2%	2,355,352	0.45	99.3%
Corporate Bonds	35,205	0.51	1.3%	-	-	0.0%
Investments – capital replacement - current						
U.S. Agency Securities	24,038	0.65	0.9%	-	-	0.0%
U.S. Treasury Securities	20,220	0.49	0.7%	-	-	0.0%
Municipal Bonds	17,765	0.40	0.6%	-	-	0.0%
Corporate Bonds	8,484	0.43	0.3%	-	-	0.0%
Total investments - current	2,744,356	0.49	100.0%	2,372,538	0.45	100.0%
Investments – non-current						
Investments – undesignated						
Commercial Paper	63	-	0.0%	-	-	-
U.S. Agency Securities	207,988	2.31	5.4%	436,427	2.01	30.1%
U.S. Treasury Securities	3,439,419	2.14	88.9%	810,970	2.20	56.0%
Supranationals	79,294	1.92	2.0%	-	-	0.0%
Municipal Bonds	18,838	3.02	0.5%	18,413	3.81	1.3%
Corporate Bonds	123,333	1.33	3.2%	183,555	1.58	12.7%
Total investments - undesignated	3,868,935	2.12	100.0%	1,449,365	2.09	100.0%
Investments – capital replacement						
U.S. Agency Securities	105,732	4.22	32.9%	178,055	3.37	48.4%
U.S. Treasury Securities	151,699	3.60	47.1%	-	-	0.0%
Supranationals	30,472	2.16	9.5%	122,507	2.94	33.3%
Municipal Bonds	6,801	2.44	2.1%	24,011	1.89	6.5%
Corporate Bonds	26,869	1.84	8.4%	43,617	2.00	11.8%
Total investments – capital replacement	\$ 321,573	3.50	100.0%	\$ 368,190	2.97	100.0%
Total investments – non-current	\$ 4,190,508			\$ 1,817,555		

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Specific identification

(in thousands)

	December 31		Maturity	Call date
	2025	2024		
Restricted assets - current				
U.S. Agency Securities:				
Federal Farm Credit Bank	\$ 2,514	\$ -	8/14/2026	
Restricted assets - non-current				
Debt service reserve				
Municipal Bonds:				
Georgia State GO Unlimited BAB	2,536	2,506	11/1/2027	11/24/2009*
U.S. Agency Securities:				
Federal Home Loan Bank	2,532	2,510	6/30/2028	
Federal Farm Credit Bank	-	2,477	8/14/2026	
	<u>5,068</u>	<u>7,493</u>		
	<u>\$ 7,582</u>	<u>\$ 7,493</u>		

* Continuously callable from this date forward

Concentration of Credit Risk— Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual-counterparties. The investment policy sets forth maximum concentration guidelines. At both December 31, 2025 and 2024, Sound Transit portfolios were within these guidelines.

Investment type per investment policy	Maximum
Treasury securities and investments in the LGIP	100%
Total U.S. Agency securities	75%
Single U.S. Agency and investments in the KCIP	50%
Repurchase agreements, general obligation Bonds, PDPC financial institution sponsored investment accounts	25%
Deposit bank notes	20%
Certificates of deposit, bankers' acceptances, reverse repurchase agreements and A1/P1 commercial paper	10%

Credit Risk— Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. As of December 31, 2025, and 2024, all Treasury, U.S. Agency, general obligation bonds and commercial paper securities are rated in one of the four highest credit rating categories of a nationally recognized statistical rating organization. After a bond has been purchased, if it is downgraded below one of the three highest ratings, a case-by-case review is conducted to determine the reason for the downgrade and to evaluate whether-or-not to continue to hold the bond. The LGIP and KCIP are unrated.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

As of December 31, 2025 all securities held by Sound Transit have a credit rating of A+ or better, as shown in the exhibit below:

<i>(in thousands)</i>	Credit Ratings					Total *
	A+	AA-	AA	AA+	AAA	
Investment type						
Commercial Paper (A-1+)	\$ -	\$ -	\$ -	\$ -	\$ 60,442	\$ 60,442
Corporate Bonds	36,869.00	113,623.00	23,499.00	-	19,900.00	193,891.00
Municipal Bonds	-	-	32,621	-	10,783	43,404
Agencies	-	-	-	439,766	-	439,766
Supranationals	-	-	-	-	109,765	109,765
US Treasuries	-	-	-	6,069,552	-	6,069,552
Total investments subject to credit risk	\$ 36,869	\$ 113,623	\$ 56,120	\$ 6,509,318	\$ 200,890	\$ 6,916,820

* Investments do not include KCIP, which is not rated. KCIP balance was \$18.0 million on 12/31/2025.

As of December 31, 2025, the agency had no investments that exceed 5% of total investments. As of December 31, 2024, the agency had investments in Federal Farm Bank and Federal Home Loan Bank of \$222.8 million and \$213.6 million, respectively, that exceed 5% of total investments.

Custodial Credit Risk— Custodial credit risk is the risk that, in the event of the failure of the counterparty, Sound Transit would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments purchased by Sound Transit are held and registered in Sound Transit’s name in the trust or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between Sound Transit and the financial institution.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

4. TAXES AND OTHER RECEIVABLES

Taxes and other receivables consist of the following:

<i>(in thousands)</i>	December 31	
	2025	2024
Taxes receivable	\$ 353,170	\$ 327,347
Grants receivable	72,140	140,419
Interest receivable	52,061	36,100
Due from other governments	43,240	38,400
Accounts receivable, net	2,244	9,916
	<u>\$ 522,855</u>	<u>\$ 552,182</u>

Amounts due from other governments include amounts due from ORCA for fare revenues and reimbursable administration expenses (see also note 13) and amounts reimbursable under other interlocal agreements for operating expenses or capital contributions for transit facilities and betterments. Payment terms are generally defined in the various agreements with other governments and range from 21 to 60 days. Where payment terms are not defined by agreement, they are due in accordance with the terms specified on the invoice, which is generally 30 days.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

5. CAPITAL ASSETS

Capital assets are summarized as follows:

<i>(in thousands)</i>	2025				2025
	Beginning	Additions	Disposals /	Transfers /	Ending
	balance		reductions	adjustments	balance
Non-depreciable assets					
Land	\$ 1,281,830	\$ 119,837	\$ -	\$ (231)	\$ 1,401,436
Permanent easements	589,449	-	(17,437)	230	572,242
Capital projects in progress:					
Sound Transit - tangible	6,653,119	1,162,816	(145,083)	(3,407,820)	4,263,032
Sound Transit - intangible	29,561	26,217	(11,909)	(15,835)	28,034
Other governments - tangible	16,140	105,534	(76,395)	-	45,279
Total non-depreciable assets	8,570,099	1,414,404	(250,824)	(3,423,656)	6,310,023
Depreciable and amortizable assets					
Access rights	560,514	-	-	-	560,514
Buildings and leasehold improvements	236,119	5,157	-	1	241,277
Furniture, equipment and vehicles	52,809	4,929	(297)	(147)	57,294
Revenue vehicles	1,425,226	76,622	(17,903)	55	1,484,000
Software	56,481	601	-	16	57,098
Transit facilities, rail and heavy equipment	11,900,423	3,234,574	(14,539)	75	15,120,533
Right-to-use lease assets	182,888	48,890	(4,393)	(54)	227,331
Right-to-use SBITA assets	27,484	2,128	-	5,032	34,644
Total depreciable and amortizable assets	14,441,944	3,372,901	(37,132)	4,978	17,782,691
Accumulated depreciation and amortization					
Access rights	(300,333)	(12,845)	-	-	(313,178)
Buildings and leasehold improvements	(59,293)	(5,902)	-	1	(65,194)
Furniture, equipment and vehicles	(37,933)	(5,964)	297	(1)	(43,601)
Revenue vehicles	(506,750)	(59,699)	17,870	1	(548,578)
Software	(52,275)	(3,990)	-	-	(56,265)
Transit facilities, rail and heavy equipment	(1,787,389)	(352,515)	9,647	-	(2,130,257)
Right-to-use lease assets	(38,942)	(11,055)	4,393	(6,421)	(52,025)
Right-to-use SBITA assets	(11,876)	(4,356)	-	-	(16,232)
Total accumulated depreciation and amortization	(2,794,791)	(456,326)	32,207	(6,420)	(3,225,330)
Total depreciable assets, net	11,647,153	2,916,575	(4,925)	(1,442)	14,557,361
Total capital assets, net	\$20,217,252	\$4,330,979	\$ (255,749)	\$ (3,425,098)	\$20,867,384

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

<i>(in thousands)</i>	2024				2024
	Beginning	Additions	Disposals /	Transfers	Ending
	balance		reductions		balance
Non-depreciable assets					
Land	\$ 1,167,937	\$ 119,831	\$ (1,182)	\$ (4,756)	\$ 1,281,830
Permanent easements	583,647	5,844	-	(42)	589,449
Capital projects in progress:					
Sound Transit - tangible	8,782,406	1,464,739	(242,506)	(3,351,520)	6,653,119
Sound Transit - intangible	33,000	24,754	(7)	(28,186)	29,561
Other governments - tangible	29,075	97,359	(110,294)	-	16,140
Total non-depreciable assets	10,596,065	1,712,527	(353,989)	(3,384,504)	8,570,099
Depreciable and amortizable assets					
Access rights	560,514	-	-	-	560,514
Buildings and leasehold improvements	240,756	1,332	(6,527)	558	236,119
Furniture, equipment and vehicles	41,196	13,338	(1,277)	(448)	52,809
Revenue vehicles	1,199,595	247,648	(22,017)	-	1,425,226
Software	54,300	1,733	-	448	56,481
Transit facilities, rail and heavy equipment	8,889,989	3,006,311	(116)	4,239	11,900,423
Right-to-use lease assets	143,228	72,310	(32,650)	-	182,888
Right-to-use SBITA assets	24,416	1,988	(168)	1,248	27,484
Total depreciable and amortizable assets	11,153,994	3,344,660	(62,755)	6,045	14,441,944
Accumulated depreciation and amortization					
Access rights	(287,437)	(12,896)	-	-	(300,333)
Buildings and leasehold improvements	(59,993)	(5,530)	6,230	-	(59,293)
Furniture, equipment and vehicles	(32,669)	(6,521)	1,255	2	(37,933)
Revenue vehicles	(467,295)	(60,916)	21,461	-	(506,750)
Software	(43,980)	(8,295)	-	-	(52,275)
Transit facilities, rail and heavy equipment	(1,518,576)	(268,811)	-	(2)	(1,787,389)
Right-to-use lease assets	(63,343)	(7,638)	33,481	(1,442)	(38,942)
Right-to-use SBITA assets	(7,535)	(4,463)	100	22	(11,876)
Total accumulated depreciation and amortization	(2,480,828)	(375,070)	62,527	(1,420)	(2,794,791)
Total depreciable assets, net	8,673,166	2,969,590	(228)	4,625	11,647,153
Total capital assets, net	\$19,269,231	\$4,682,117	\$ (354,217)	\$ (3,379,879)	\$20,217,252

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

6. LEASES

Sound Transit, as lessee, has entered into various leases for office space, parking, land, storage and equipment with lease terms expiring between 2026 and 2065, with some leases containing options to renew.

As lessor, Sound Transit has entered into leases for commercial space and land for use in transportation-oriented development. Sound Transit's activities as lessor are generally intended to be temporary and relate mainly to property held for a period of time between acquisition for right of way, and other system assets and facilities, through the completion of construction of the related assets and eventually disposition of surplus property.

In accordance with GASB Statement No. 87, *Leases*, Sound Transit, as a lessee, is required to recognize intangible right-of-use assets and corresponding lease liabilities, and as a lessor, lease receivables and deferred inflows of resources, for all leases that are not considered short-term. Sound Transit has adopted the following policies to assist in determining lease treatment according to the standard (unless otherwise specified, the following policies pertain to agreements in which Sound Transit acts as lessee, and agreements in which Sound Transit acts as lessor):

Basis of lease classification – Leases that meet the following requirements will not be considered short-term: (1) the maximum possible lease term(s) is non-cancelable by both lessee and lessor, and is more than 12 months, and (2) the monthly lease payment is greater than \$5 thousand.

Term – At the time of lease commencement or conversion, the term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information regarding the likelihood of renewal. For extension periods without explicit rent payment amounts in the lease agreement, the agency included an increase of 3% to prior rent payment amounts on an annual basis.

Discount rate – Unless explicitly stated in the lease agreement, known by the agency, or the agency is able to determine the rate implicit within the lease, the discount rate used to calculate lease right-of-use assets and liabilities in the case of agreements in which Sound Transit acts as lessee, or deferred inflow of resources and related lease receivable, in the case of agreements in which Sound Transit acts as lessor, will be the agency's tax exempt market borrowing rate for 30 year fixed terms at the end of each year, which will be the rate utilized for the next calendar year. The 30 year fixed tax exempt borrowing rate at December 31, 2024 was 4.41% and at December 31, 2023 was 3.99% and was used for applicable leases beginning in 2025 and 2024, respectively.

Prepaid lease payments – Prepaid lease payments related to leases wherein Sound Transit acts as lessee, are not included in right-of-use assets until such time as the lease term commences.

Variable payments – Variable payments based on the future performance of the lessee or lessor or usage of the underlying asset are not included in the measurement of lease assets or liabilities. For the years ended December 31, 2025 and 2024, all leases are based on fixed payments and do not have variable payment components.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Residual value guarantees – There were no residual guarantees included in the measurement of lease assets and liabilities, or deferred inflow of resources and lease receivables, for the years ended December 31, 2025 and 2024.

Lease related capital assets by major class of underlying assets consist of the following:

<i>(In thousands)</i>	2025			Transfers /	2025
	Beginning	Additions	Reductions	adjustments	Ending
	balance				balance
Right-of-use assets					
Office buildings	\$ 75,485	\$ 1,550	\$ (3,947)	\$ (6,138)	\$ 66,950
WSDOT land access rights (airspace leases)	97,722	47,340	-	(88)	144,974
Land	2,936	-	(446)	(1)	2,489
Warehouse space	6,745	-	-	6,173	12,918
Total right-of-use assets	182,888	48,890	(4,393)	(54)	227,331
Accumulated amortization					
Office buildings	(28,672)	(6,615)	3,947	(6,202)	(37,542)
WSDOT land access rights (airspace leases)	(5,477)	(3,236)	-	(48)	(8,761)
Land	(919)	(79)	446	-	(552)
Warehouse space	(3,874)	(1,125)	-	(171)	(5,170)
Total accumulated amortization	(38,942)	(11,055)	4,393	(6,421)	(52,025)
Total right-of-use assets, net	\$ 143,946	\$ 37,835	\$ -	\$ (6,475)	\$ 175,306

<i>(in thousands)</i>	2024			Transfers /	2024
	Beginning	Additions	Reductions	adjustments	Ending
	balance				balance
Right-of-use assets					
Office buildings	\$ 95,412	\$ 10,140	\$ (30,067)	\$ -	\$ 75,485
WSDOT land access rights (airspace leases)	35,552	62,170	-	-	97,722
Land	4,068	-	(1,132)	-	2,936
Warehouse space	6,745	-	-	-	6,745
Equipment	1,451	-	(1,451)	-	0
Total right-of-use assets	143,228	72,310	(32,650)	-	182,888
Accumulated amortization					
Office buildings	(53,033)	(5,095)	30,898	(1,442)	(28,672)
WSDOT land access rights (airspace leases)	(3,750)	(1,727)	-	-	(5,477)
Land	(1,965)	(86)	1,132	-	(919)
Warehouse space	(3,144)	(730)	-	-	(3,874)
Equipment	(1,451)	-	1,451	-	(0)
Total accumulated amortization	(63,343)	(7,638)	33,481	(1,442)	(38,942)
Total right-of-use assets, net	\$ 79,885	\$ 64,672	\$ 831	(1,442)	\$ 143,946

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Other lease related assets consist of the following:

<i>(in thousands)</i>	December 31	
	2025	2024
Long-term prepaid lease payments	\$ 105,599	\$ 124,080
Lease-leaseback investment account asset	73,339	71,483
Lease receivables	29,959	30,478
	\$ 208,897	\$ 226,041

As lessee, the agency recognized \$11.0 million and \$7.6 million of lease related amortization expense in the years ended December 31, 2025 and 2024, respectively. The agency also recognized \$3.9 million and \$1.6 million of lease related interest expense in the years ended December 31, 2025 and 2024, respectively.

As lessor, the agency recognized \$1.7 million and \$1.6 million in lease related interest revenue in the years ended December 31, 2025 and 2024, respectively. The agency also recognized revenues from lease related deferred inflows of resources of \$2.1 million and \$1.1 million in the years ended December 31, 2025 and 2024, respectively.

Lease related obligations consist of the following:

<i>(in thousands)</i>	December 31	
	2025	2024
Lease liabilities	\$ 101,753	\$ 92,690
Lease-leaseback obligations	73,339	71,483
Accrued lease interest	4,125	3,844
Deposits held as lessor	-	93
Amounts due within one year	(8,510)	(7,691)
Total lease related obligations	\$ 170,707	\$ 160,419

The following table sets forth lease liabilities by major class of underlying assets for the year ended December 31, 2025:

<i>(in thousands)</i>	2025			2025
	Beginning balance	Additions	Reductions	Ending balance
Lease liabilities				
Leased office buildings	\$ 48,999	\$ 1,550	\$ (10,656)	\$ 39,893
Leased WSDOT land access rights	37,808	48,466	(33,221)	53,053
Leased land	2,407	-	(55)	2,352
Leased warehouse space	3,476	3,998	(1,019)	6,455
Total lease liabilities	\$ 92,690	\$ 54,014	\$ (44,951)	\$ 101,753

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Minimum lease payments, excluding lease-leaseback obligations, through 2065 are as follows:

<i>(in thousands)</i>			
Year ending December 31	Principal	Interest	Total
2026	\$ 8,510	\$ 1,741	\$ 10,251
2027	9,177	1,399	10,576
2028	6,867	1,071	7,938
2029	6,608	1,954	8,562
2030	6,579	1,494	8,073
2031-2035	12,303	3,240	15,543
2036-2040	3,957	1,931	5,888
2041-2045	2,324	26,586	28,910
2046-2050	1,629	30,198	31,827
2051-2055	10,807	23,901	34,708
2056 and thereafter	32,992	7,243	40,235
	<u>\$ 101,753</u>	<u>\$ 100,758</u>	<u>\$ 202,511</u>

Lease-Leaseback— In May 2001, Sound Transit entered a transaction to lease 22 rail passenger cab and coach cars and 5 locomotives (the head lease) to an investor and simultaneously sublease the vehicles back from the investor (the sublease). Under these transactions, Sound Transit maintains the right to continued use and control of the assets through the end of the leases and is required to insure and maintain the assets. The current lease expires on September 17, 2040.

The vehicles had a fair market value of \$61.3 million with a book value of \$37.7 million at closing. Sound Transit received a prepayment equivalent to the net present value of the head lease obligations totaling \$61.3 million. From those proceeds, \$50.4 million was deposited with AIG-FP Special Finance Ltd. To partially meet Sound Transit's obligations under the sublease payments. In addition, \$5.7 million was deposited with AIG Matched Funding Corp. and invested in securities, issued or guaranteed by the United States government, to meet the remaining obligations under the sublease. The remaining \$4.9 million (net of closing costs of \$363 thousand) was retained by Sound Transit and recorded as non-operating revenues during the year ended December 31, 2001.

The net present value of the future sublease payments has been recorded as a long term lease obligation. The agreements have been structured to meet all future obligations under the sublease when due and, as such, the corresponding investment account has been recorded to equal the sublease obligations. As of December 31, 2025, and 2024, the fair value of the underlying securities was sufficient to satisfy the current required value as set forth in the related agreements.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Net changes in the lease-leaseback sublease are shown in the following table:

<i>(in thousands)</i>	December 31	
	2025	2024
Net sublease, January 1	\$ 71,483	\$ 69,965
Accrued interest	5,351	5,236
Less payment	<u>(3,495)</u>	<u>(3,718)</u>
Net sublease, December 31	<u>\$ 73,339</u>	<u>\$ 71,483</u>

In late 2022, Sound Transit was informed that a party to the agreement, AIG Financial Products Corp., had declared bankruptcy. The bankrupt entity was previously subject to a waiver agreement and temporary waiver of delivery of required items letter with the Owner Participant, Lessor, Lender, and Debt Payment Undertaker. The role of the bankrupt entity in the transaction was to provide a financial guaranty of Sound Transit's obligations under the sublease. In February 2024, all parties to the transaction consented to AIG Matched Funding Corp. as a substitute for AIG Financial Products Corporation. Future AIG credit ratings will no longer trigger technical defaults. No additional temporary standstill agreements will be required. Additionally, Sound Transit agreed to provide collateral in an amount equal to four million dollars as security for performance by the substituted party.

Sound Transit expects the lease to continue until expiration, or until such time that early termination is available and beneficial.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

7. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Sound Transit has entered into subscription-based information technology arrangements (SBITA) with providers for information technology services with terms expiring between 2026 and 2040. In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the adopted standard, the agency is required to recognize intangible subscription assets and corresponding subscription liabilities. Upfront implementation fees are included as subscription assets, which are amortized over the estimated useful life of the respective agreement, as determined by the contract terms. Sound Transit has adopted the following policies to assist in determining SBITA treatment according to the standard:

Basis of SBITA classification – SBITAs that meet the following requirements will not be considered short-term: (1) the maximum possible contract term(s) is non-cancelable by both the agency and provider, and (2) the contract term is more than 12 months.

Term – At the time of software commencement or conversion, the term of the subscription will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal. For extension periods without explicit payment amounts in the contract agreement, the agency included an increase of 3% to prior payment amounts on an annual basis.

Discount rate – Unless explicitly stated in the contract, known by the agency, or the agency is able to determine the rate implicit within the contract, the discount rate used to calculate subscription right-of-use assets and liabilities in the case of agreements in which Sound Transit acts as the subscriber, will be the agency's tax exempt market borrowing rate for 30-year fixed terms at the end of each year, which will be the rate utilized for the next calendar year. The 30-year fixed tax exempt borrowing rates as of December 31, 2023 and 2024 were 3.99% and 4.41%, respectively. These rates were used for applicable subscriptions beginning in 2024 and 2025, respectively.

Variable payments – Variable payments based on the future performance of the subscriber or provider, or usage of the underlying asset are not included in the measurement of SBITA assets or liabilities.

Other payments – Other payments, such as termination penalties, are not included in the measurement of subscription liability. For the years ended December 31, 2025 and 2024, there were no other payments included in SBITA agreements.

As a subscriber, the agency recognized \$4.4 million of subscription related amortization expense in both years ended December 31, 2025, and 2024, respectively. The agency also recognized \$0.7 million of subscription related interest expense in both years ended December 31, 2025, and 2024.

As a subscriber, the agency recognized \$0.5 million of variable subscription payments in both years ended December 31, 2025, and 2024, respectively.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Subscription related obligations consist of the following:

<i>(in thousands)</i>	December 31	
	2025	2024
Subscription liabilities	\$ 15,162	\$ 14,152
Subscription interest liabilities	218	217
Amounts due within one year	(2,536)	(1,729)
Total subscription related obligations	\$ 12,844	\$ 12,640

The following table sets forth subscription liability activity for the year ended December 31, 2025:

<i>(in thousands)</i>	2025			2025
	Beginning balance	Additions	Reductions	Ending balance
Subscription liabilities	\$ 14,152	\$ 6,516	\$ (5,506)	\$ 15,162
Total subscription liabilities	\$ 14,152	\$ 6,516	\$ (5,506)	\$ 15,162

Minimum subscription payments, through 2040 are as follows:

<i>(in thousands)</i>	Year ending December 31		
	Principal	Interest	Total
2026	\$ 2,536	\$ 650	\$ 3,186
2027	2,133	524	2,657
2028	1,825	455	2,280
2029	1,945	375	2,320
2030	1,878	291	2,169
2031-2035	4,672	404	5,076
2036-2040	173	8	181
	\$ 15,162	\$ 2,707	\$ 17,869

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

<i>(in thousands)</i>	December 31	
	2025	2024
Accrued liabilities	\$ 188,020	\$ 165,670
Due to other governments	96,966	56,680
Accrued salaries, wages and benefits	54,293	46,834
Accounts payable	19,196	25,929
Retainage payable	2,234	1,418
	\$ 360,709	\$ 296,531

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

9. LONG-TERM DEBT

Sound Transit's long-term debt is comprised of four categories: Prior Bonds, Parity Bonds, Second Tier Junior Obligations borrowed pursuant to TIFIA Loans and Railroad Rehabilitation and Improvement Financing (RRIF loans). All bond issuances and borrowings are considered public debt. Prior Bonds have first claim upon the local option taxes of sales and use, rental car, and MVET. Parity Bonds are subordinate to Prior Bonds and have claims upon the local option taxes of sales and use, rental car, and MVET. TIFIA loans and RRIF loans are subordinate to both Prior Bonds and Parity Bonds and have a claim on the local option taxes of sales and use, rental car, and MVET, as well. Proceeds from bond issues are used for funding Sound Transit's capital program or refunding prior bond issues. As of December 31, 2025 and 2024, Sound Transit had no direct borrowings.

As of December 31, 2025 and 2024, total outstanding long-term debt is as follows:

<i>(in thousands)</i>	2025	2024
Long-term debt		
Bonds payable		
Prior bonds	\$ 125,165	\$ 163,310
Parity bonds	1,454,295	1,573,025
Premium	157,091	177,100
Discount	<u>(170)</u>	<u>(334)</u>
Total bonds payable	1,736,381	1,913,101
TIFIA Loans	<u>3,984,705</u>	<u>1,815,172</u>
Total debt	5,721,086	3,728,273
Amounts due within one year	<u>(89,275)</u>	<u>(82,375)</u>
Total long-term debt	<u>\$ 5,631,811</u>	<u>\$ 3,645,898</u>

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

As of December 31, 2025 and 2024, additional information for Prior and Parity debt from the table above is as follows:

Bonds Payable (Prior and Parity)

<i>(in thousands)</i>	2025			2025	Amounts due
	Beginning	Additions	Reductions	Ending	within
	balance			balance	one year
Bonds payable					
Series 1999	\$ 126,055	\$ -	\$ (29,355)	\$ 96,700	\$ 30,750
Series 2009P-2T	37,255	-	(8,790)	28,465	9,130
Series 2009S-2T	300,000	-	-	300,000	-
Series 2015S-1	10,750	-	(10,750)	-	-
Series 2015S-2A	75,000	-	(75,000)	-	-
Series 2016S-1	366,270	-	(9,510)	356,760	9,990
Series 2021S-1	821,005	-	(23,470)	797,535	35,905
	1,736,335	-	(156,875)	1,579,460	85,775
Plus unamortized premium	177,100	-	(20,009)	157,091	-
Less unamortized discount	(334)	-	164	(170)	-
Total bonds payable	\$ 1,913,101	\$ -	\$ (176,720)	\$ 1,736,381	\$ 85,775

<i>(in thousands)</i>	2024			2024	Amounts due
	Beginning	Additions	Reductions	Ending	within
	balance			balance	one year
Bonds payable					
Series 1999	\$ 154,080	\$ -	\$ (28,025)	\$ 126,055	\$ 29,355
Series 2009P-2T	45,725	-	(8,470)	37,255	8,790
Series 2009S-2T	300,000	-	-	300,000	-
Series 2015S-1	22,185	-	(11,435)	10,750	10,750
Series 2015S-2A	75,000	-	-	75,000	-
Series 2016S-1	375,330	-	(9,060)	366,270	9,510
Series 2021S-1	841,885	-	(20,880)	821,005	23,470
	1,814,205	-	(77,870)	1,736,335	81,875
Plus unamortized premium	198,287	-	(21,187)	177,100	-
Less unamortized discount	(551)	-	217	(334)	-
Total bonds payable	\$ 2,011,941	\$ -	\$ (98,840)	\$ 1,913,101	\$ 81,875

The agency defeased \$75.0 million in par value of the 2015S-2A bond in September 2025 with cash on hand. In addition, the agency previously partially defeased \$767.8 million in par value of the 2015S-1 series bonds in 2023. The remaining \$10.8 million of outstanding debt associated with this issuance was paid off in November 2025.

Excluding unamortized premium and discount, Sound Transit had a total of \$1,579.5 million Prior and Parity Bonds outstanding at December 31, 2025, compared to \$1,736.3 million at December 31, 2024. A

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

total of \$156.9 million and \$77.9 million of principal payments were made in 2025 and 2024, respectively.

Sound Transit maintains certain minimum deposit accounts pursuant to Sound Transit Board resolutions, the Prior Master Bond Resolution and the Parity Master Bond Resolution, to meet debt service requirements. A Prior Bond Account and a Parity Bond Account are funded with monthly deposits so that the balance will be sufficient to pay the interest, or principal and interest, next coming due on the bonds (see also note 3).

The following tables set forth average coupon and effective rates, rating agency information, principal payment commencement dates, fair value and minimum deposits currently restricted for debt service related to bonds.

Prior Bonds— Debt service requirements for Prior Bonds are payable in February and August of each year and are secured by local option taxes.

<i>(in millions)</i>									
Issue date	Average rate	Ratings		Principal Payment begins	Fair value*		Principal and interest restricted		
	Coupon	Moody's	S&P		2025	2024	2025	2024	
Series 1999	Dec 1, 1998	4.75 - 5.25%	Aaa	AAA	Feb 1, 2006	\$ 96.8	\$ 126.1	\$ 32.8	\$ 32.0
Series 2009P-2T	Sep 29, 2009	4.85 - 5.15%	Aaa	AAA	Feb 1, 2020	28.7	37.8	9.7	9.6

* Estimated using quoted market prices

Sound Transit is also required, by covenant, to maintain a common debt service reserve account for all Prior Bonds. The common debt service reserve requirement for these bonds is met by a surety policy in the amount of \$31.7 million purchased in 1999, a \$7.9 million cash reserve, funded at the time the 2009P-2T bonds were issued (see also note 3). Sound Transit is required to value, at market, the investments held in debt service reserve accounts annually and to make up any deficiency within six months after the date of the valuation. As of December 31, 2025, and 2024, the market value of the Prior debt service reserve exceeded the required reserve amount. Reserve account proceeds are invested in municipal and US agency bonds.

Additionally, Sound Transit has created a Bond Account to pay and secure the payment of the bonds. The Bond Account is pledged to the payment of bonds and is a trust account for the owners of the bonds. For as long as any bonds remain outstanding, the agency has pledged to pay into the Bond Account from local option taxes: (i) approximately equal monthly deposits such that the amounts projected to be on deposit on the next interest payment date will be sufficient to pay the interest scheduled to become due and redemption premium, if any, on outstanding bonds; and (ii) approximately equal monthly deposits such that the amounts projected to be on deposit on the next principal payment date will be sufficient to pay maturing principal for bonds.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Parity Bonds— Debt service requirements for Parity Bonds are payable in May and November each year and are secured by local option taxes.

(in millions)

	Issue date	Average Rate	Ratings		Principal Payment begins	Fair value*		Principal and interest restricted	
		Coupon	Moody's	S&P		2025	2024	2025	2024
Series 2009S-2T	Sep 29, 2009	5.49%	Aa1	AAA	Nov 1, 2029	\$ 308.9	\$ 299.9	\$ 2.8	\$ 2.7
Series 2015S-1	Sep 10, 2015	4.00 - 5.00%	Aa1	AAA	Nov 1, 2018	-	10.9	-	10.8
Series 2015S-2A	Sep 10, 2015	Var	Aa1	AAA	Nov 1, 2041	-	74.3	-	0.3
Series 2016S-1	Dec 19, 2016	5.00%	Aa1	AAA	Nov 1, 2021	374.7	391.2	13.0	12.7
Series 2021S-1	Nov 04, 2021	2.60 - 5.00%	Aa1	AAA	Nov 1, 2022	797.8	827.5	41.7	29.5

* Estimated using quoted market prices

There are no externally imposed legal or contractual obligations requiring Sound Transit to establish a reserve account for Parity Bonds.

Sound Transit makes monthly deposits into a Parity Bond Account from pledged taxes so that the balance therein will be sufficient to pay: (i) the interest, or principal and interest, next coming due on the Parity Bonds and (ii) regularly scheduled payments under Parity Payment Agreements.

Long-term Bond Requirements

Long-term bond requirements are displayed in the table below:

(in thousands)

Year ending December 31	Principal	Interest *	Total
2026	\$ 85,775	\$ 73,813	\$ 159,588
2027	89,880	69,544	159,424
2028	85,915	65,070	150,985
2029	59,615	61,897	121,512
2030	52,620	58,893	111,513
2031-2035	311,670	245,336	557,006
2036-2040	494,570	153,181	647,751
2041-2045	210,445	63,173	273,618
2046-2050	188,970	13,605	202,575
	\$ 1,579,460	\$ 804,512	\$ 2,383,972

* Does not deduct 35% Build America Bonds subsidy on the interest payments.

The American Recovery and Reinvestment Act of 2009 created the Build America Bond (BAB) program, which authorized state and local governments to issue BABs as taxable bonds in 2009 and 2010 to finance any capital expenditures for which they otherwise could issue tax-exempt municipal bonds. Issuers receive a direct federal subsidy payment for a portion of their borrowing costs paid to investors of BABs. The direct federal subsidy, once earned, is considered a non-exchange transaction, separate from the interest payments made, and is recorded in other non-operating revenue when Sound Transit makes its interest payment. Sound Transit received subsidies of \$6.0 million and \$5.8 million, in 2025 and 2024, respectively. The 2009P-2T bonds and the 2009S-2T bonds are Build America Bonds.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Second Tier Junior Obligations (TIFIA Loans and RRIF Loan)

TIFIA and RRIF loans are second tier junior obligations and as such, are subordinate to both the Parity and Prior bonds. The TIFIA and RRIF loans are governed by individual credit agreements, the details of which are presented below.

<i>(in thousands)</i>	Year	Credit	Interest	Final	Drawn	Compound	Interest	2025
	executed or	line	rate	maturity	amount	interest		Ending
	refinanced							balance
TIFIA loans								
East Link Extension	2021	\$1,330,000	1.91%	2058	\$1,330,000	\$ 45,989	\$ 5,606	\$1,381,595
Lynnwood Link Extension	2021	657,900	1.91%	2059	657,863	-	2,100	659,963
Federal Way Link Extension	2021	629,500	1.91%	2059	629,473	-	2,009	631,482
Northgate Link Extension	2021	615,300	1.91%	2056	615,267	-	1,964	617,231
Downtown Redmond Link Extension	2021	521,000	1.91%	2059	520,981	-	1,663	522,644
Hilltop Tacoma Link Extension	2023	93,306	3.79%	2058	93,306	4,662	621	98,589
OMFE	2021	87,700	1.91%	2055	87,164	-	278	87,442
NE 130th Street Infill Station	2023	79,251	3.79%	2061	-	-	-	-
Total TIFIA loans		\$4,013,957			\$3,934,054	\$ 50,651	\$ 14,241	\$3,998,946

The following table sets forth TIFIA loan activity for the years ended December 31, 2025 and 2024:

<i>(in thousands)</i>	2025			2025	Amounts due
	Beginning	Additions	Reductions	Ending	within
	balance			balance	one year
TIFIA loans					
East Link Extension	\$ 994,647	\$ 335,353	\$ -	\$ 1,330,000	\$ -
Lynnwood Link Extension	-	657,863	-	657,863	-
Federal Way Link Extension	-	629,473	-	629,473	-
Northgate Link Extension	615,267	-	-	615,267	2,500
Downtown Redmond Link Extension	-	520,981	-	520,981	-
Hilltop Tacoma Link Extension	93,306	-	-	93,306	-
OMFE	87,664	-	(500)	87,164	1,000
Total TIFIA loans	\$ 1,790,884	\$ 2,143,670	\$ (500)	\$ 3,934,054	\$ 3,500

<i>(in thousands)</i>	2024			2024	Amounts due
	Beginning	Additions	Reductions	Ending	within
	balance			balance	one year
TIFIA loans					
East Link Extension	\$ 994,647	\$ -	\$ -	\$ 994,647	\$ -
Northgate Link Extension	615,267	-	-	615,267	-
OMFE	87,664	-	-	87,664	500
Hilltop Tacoma Link Extension	-	93,306	-	93,306	-
Total TIFIA loans	\$ 1,697,578	\$ 93,306	\$ -	\$ 1,790,884	\$ 500

In 2025, Sound Transit drew down an additional \$335.4 million under the East Link agreement. Interest on this loan will compound semi-annually until May 2028. Starting in November 2028, Sound Transit is obligated to make semi-annual interest payments until November 2029. Starting in May 2030, Sound Transit will make semi-annual principal and interest payments as outlined in the loan amortization schedule. This agreement has a fixed rate of 1.91% and final maturity in 2058.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

In 2025, Sound Transit drew down \$657.9 million under the Lynnwood Link agreement. Starting in May 2025, Sound Transit is obligated to make semi-annual interest payments until May 2029. Starting in November 2029, Sound Transit will make semi-annual principal and interest payments as outlined in the loan amortization schedule. This agreement has a fixed rate of 1.91% and final maturity in 2059.

In 2025, Sound Transit drew down \$629.5 million under the Federal Way Link agreement. Starting in November 2025, Sound Transit is obligated to make semi-annual interest payments until May 2029. Starting in May 2029, Sound Transit will make semi-annual principal and interest payments as outlined in the loan amortization schedule. This agreement has a fixed rate of 1.91% and final maturity in 2059.

In 2025, Sound Transit drew down \$521.0 million under the Downtown Redmond Link agreement. Starting in May 2025, Sound Transit is obligated to make semi-annual interest payments until May 2029. Starting in November 2029, Sound Transit will make semi-annual principal and interest payments as outlined in the loan amortization schedule. This agreement has a fixed rate of 1.91% and final maturity in 2059.

As of December 31, 2025, the agency had outstanding TIFIA loans with principal balances of \$3,934.1 million, compound interest of \$50.7 million and accrued interest of \$14.2 million. The principal of each TIFIA loan may be prepaid without penalty at any time.

TIFIA Requirements

Long-term TIFIA payment requirements are displayed in the table below:

(in thousands)

Year ending December 31	Principal *	Interest	Total
2026	\$ 3,500	\$ 47,950	\$ 51,450
2027	6,000	47,860	53,860
2028	6,000	65,632	71,632
2029	13,000	79,178	92,178
2030	30,000	78,852	108,852
2031-2035	153,000	385,525	538,525
2036-2040	284,718	369,740	654,458
2041-2045	860,187	313,022	1,173,209
2046-2050	957,500	224,498	1,181,998
2051-2055	1,055,891	126,107	1,181,998
2056-2060	690,718	27,051	717,769
	<u>\$ 4,060,514</u>	<u>\$ 1,765,415</u>	<u>\$ 5,825,929</u>

* Includes compound interest to East Link and Hilltop Tacoma Link of \$50,651 and interest scheduled to compound after 2025 of \$75,809

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Long-term TIFIA payment requirements reconciliation:

<i>(in thousands)</i>	Total
TIFIA loan	\$ 3,934,054
Compound interest through 2025	50,651
Compound interest after 2025	75,809
Total long-term TIFIA principal	\$ 4,060,514

In May 2023, Sound Transit executed a RRIF loan agreement related to South Sounder Station Parking. This agreement has a fixed rate of 3.79% and final maturity in 2061. As of December 31, 2025, there have been no borrowing on RRIF loan.

<i>(in thousands)</i>	Year executed or refinanced	Credit line	Interest rate	Final maturity	Drawn amount	Interest	2024 Ending balance
RRIF loan							
South Sounder Station Parking	2023	\$ 154,153	3.79%	2061	-	-	-
Total RRIF loan		\$ 154,153			\$ -	\$ -	\$ -

10. OTHER LONG-TERM OBLIGATIONS

Other long-term obligations include provisions for asset retirement obligations, uninsured losses related to Sound Transit's risk management program, employee compensated absences and deferred compensation as follows:

<i>(in thousands)</i>	2025 Beginning balance	Additions, accretion and changes in estimates	Reductions	2025 Ending balance	Amounts due within one year *	Total other long-term obligations
Asset retirement obligations	\$ 4,473	\$ 323	\$ -	\$ 4,796	\$ -	\$ 4,796
Uninsured losses	2,739	-	-	2,739	760	1,979
Compensated absences	41,504	7,184	(4,960)	43,728	37,499	6,229
Total other long-term obligations	\$ 48,716	\$ 7,507	\$ (4,960)	\$ 51,263	\$ 38,259	\$ 13,004

<i>(in thousands)</i>	2024 Beginning balance	Additions, accretion and changes in estimates	Reductions	2024 Ending balance	Amounts due within one year *	Total other long-term obligations
Asset retirement obligations	\$ 4,639	\$ -	\$ (166)	\$ 4,473	\$ -	\$ 4,473
Uninsured losses	2,739	138	(138)	2,739	761	1,978
Compensated absences	37,408	8,096	(4,000)	41,504	34,946	6,558
Total other long-term obligations	\$ 44,786	\$ 8,234	\$ (4,304)	\$ 48,716	\$ 35,707	\$ 13,009

* Amounts due within one year are included in current liabilities under the line items Accounts payable and accrued liabilities, and Other claims and short-term obligations.

Asset Retirement Obligations (ARO) — In the course of entering into agreements with other governments and rail providers to construct Sound Transit's capital assets, certain agreements contain

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

clauses that impose a legal burden on Sound Transit to remove all or a portion of those constructed assets at the termination of those agreements. The ARO liability is measured based on estimated costs to fulfill Sound Transit's ARO developed by internal resources with in-depth knowledge of construction and demolition costs and adjusted annually for inflation. The corresponding deferred outflow of resources is amortized over the estimated remaining useful lives of the associated tangible capital assets and ranges from 38 to 48 years. There are no assets required to be restricted for the payment of these liabilities nor is there any legally required funding or assurance provisions associated with the AROs.

Risk Management — In the ordinary course of planning, building and operating its regional transit systems and services, Sound Transit is exposed to various types of risks and exposures of loss including: torts; theft of, damage to and destruction of assets; errors and omissions; job related injuries to persons; natural disasters; and environmental occurrences.

Sound Transit has established a comprehensive risk management and insurance program to mitigate the potential for loss and for the administration of claims through a combination of commercial insurance and coverage under partner agency operating agreements. Sound Transit's agency operations and rail operations insurance policies are written on an occurrence or claims made basis, with a specific deductible or self-insured retention, renewing annually. Agency operation policies renew on May 1st and rail operation policies renew on November 1st. Worker's compensation is insured through the state of Washington.

For certain larger capital projects, Sound Transit utilizes Owner Controlled Insurance Programs (OCIP's) to address general liability, builders' risk and contractors' pollution liability claims related to project construction carried out by Sound Transit's third-party contractors, as well as professional liability and completed operations coverage. While Sound Transit is directly responsible for payment of deductibles to the insurers, it has further transferred its risk of loss through its construction contracts, requiring contractors covered by these programs to be responsible for 100% of the deductible on general liability and pollution liability claims (\$100 thousand and \$250 thousand respectively) and the first \$250 thousand of any builders' risk loss.

Self-insured liabilities are recorded when probable that a loss has occurred and the amount can be reasonably estimated and includes estimates for claims that have been incurred but not yet reported. As actual liabilities depend on a number of complex factors the process used in estimating the claims liability does not necessarily result in an exact amount. Every five years, Sound Transit engages an actuary to prepare an independent actuarial analysis and to prepare an actuarial report in order to estimate its total insurance claim exposure under all of its insurance and risk management programs. The insurance claim amount estimated to be paid within the next year is included in other claims and short-term obligations.

Compensated Absences — Amounts estimated to be paid within the next year are included in accounts payable and accrued liabilities.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

11. RESTRICTED NET POSITION

Restricted net position consists of the following:

<i>(in thousands)</i>		
	2025	2024
Debt service	\$ 93,721	\$ 83,878
Contractual arrangements	22,182	30,977
	\$ 115,903	\$ 114,855

12. EMPLOYEE BENEFITS

Sound Transit provides a defined contribution money purchase plan and trust (401(a) Plan) to its employees. Empower Retirement is the plan’s administrator and trustee. This plan is a fixed employer system, and membership in the system includes all full time Sound Transit employees. The vesting schedule of the plan is 20% immediately upon employment, 40% after one year of service, 60% after two years, 80% after three years and 100% after four years. Employees are responsible for directing the investment of their contributions and Sound Transit’s contributions.

Eligible employees are required to participate in the plan on the first day of employment. The amount of covered payroll during 2025 and 2024 was \$211.2 million and \$193.3 million, respectively, and total payroll was \$213.3 million and \$193.9 million, respectively. The required contribution rates, expressed as a percentage of covered payroll, and required Sound Transit contributions during 2025 and 2024 were as follows:

	Contribution rate		Contributions	
			<i>(in thousands)</i>	
	2025	2024	2025	2024
Employer	12%	12%	\$ 25,342	\$ 23,200
Employee	10	10	21,118	19,334
Total	22%	22%	\$ 46,460	\$ 42,534

13. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

In the ordinary course of its operations, Sound Transit enters into a number of agreements with other governmental and quasi-governmental agencies, including: the operation and maintenance of buses and trains that it has purchased; right of way access and use; planning, building and operation of its facilities; and collection of its taxes. With the exception of Tacoma Link light rail, all services are operated by partner agencies. A summary of significant agreements follows:

ST Express— Agreements have been entered into with King County Metro, Community Transit and Pierce Transit for the operations and maintenance of bus service, covering vehicle maintenance, operations, coordination of service planning, revenue processing, customer service, personnel and performance standards, and information and compliance reporting. The agreements set forth the process

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

for annual financial authorization for service and the basis of compensation, substantially comprised of a baseline cost rate for purchased transportation, as well as fuel and other costs provided for, but not included, as part of the baseline. Baseline cost rates, including allocated costs, are established by no later than December 15th for the upcoming year and are reconciled to actual incurred costs by no later than March 31st of the year following. The current agreements with Community Transit and Pierce Transit are for 1 year, expiring December 31, 2026. The current agreement with King County is for 3 years, expiring December 31, 2027.

Link Light Rail— Sound Transit contracts with King County Metro for the operation and maintenance of its light rail service, operating 1 Line between the Federal Way Downtown and the Lynnwood City Center stations and operating 2 Line between the South Bellevue and the Downtown Redmond stations. The agreement sets forth the process for annual financial authorization for service and the basis of compensation, substantially comprised of a baseline cost rate for purchased transportation, as well as other costs provided for, but not included, as part of the baseline. Baseline cost rates, including allocated costs, are established by no later than December 15th for the upcoming year and are reconciled to actual incurred costs by no later than March 31st of the year following. The current agreement with King County is for 2 years, expiring December 31, 2027.

Sound Transit has also entered into the following agreement related to light rail or station operations:

Light Rail Agreements— Sound Transit has entered into a variety of agreements to secure the permanent right to operate light rail in the right of way (under, upon and over streets and property) owned by various municipalities and other entities throughout the region. The cost of public right of way improvements have been capitalized to rail access rights and include those costs necessary to operate light rail service, such as costs to acquire real property and relocate existing residents and businesses, as well as certain improvements to the right of way required under those agreements.

Sounder— Agreements have been entered into with BNSF for the operation of Sounder commuter rail service and with Amtrak for operation and maintenance of the locomotives, cab and coach cars (rolling stock). Service between Everett and Seattle and Seattle and Tacoma is on rail right of way owned and operated by BNSF.

South Line— Service between Seattle and Lakewood is provided by BNSF under a 40-year service agreement that expires in 2040. The agreement establishes the compensation paid to BNSF for train crews, maintenance of way and other expenses incurred in the operation of the Sounder Service and is based on actual cost of crew, dispatch and management, as well as cost for performance incentives. Upon expiration of the service agreement, Sound Transit's use of BNSF track will be bound by a dormant Joint Use Agreement for BNSF's Seattle-Tacoma corridor.

North Line— BNSF operates daily commuter rail between Seattle and Everett for Sound Transit under a service agreement. The service agreement expires in December 2030. Upon expiration of the service agreement, Sound Transit's use of BNSF track will be bound by a dormant Joint Use Agreement for BNSF's Seattle- Everett corridor.

Rolling Stock— In 2000, Sound Transit leased the initial portion of its rolling stock to Amtrak for \$1. Under the agreement, Amtrak is obligated to repair, maintain and service the rolling stock at Amtrak's maintenance facility in return for payment by Sound Transit. By separate agreement,

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Amtrak subleased this rolling stock to BNSF for operation of Sounder Service. Both lease agreements are for a 40-year term, expiring in 2040.

Maintenance Service Agreement— In 2016 Sound Transit entered into an amended agreement with Amtrak, under which Sound Transit pays a flat monthly fixed price dependent upon the number of one-way trips and train sets in operation for a baseline set of operating assumptions. A negotiated rate is also established for additional service above the baseline operating plan. This agreement is renewed from time to time.

14. LAND BANK

Sound Transit entered into an agreement called the Land Bank Agreement with WSDOT in July 2000 which was restated in December 2003. The purpose of the agreement is to establish a framework within which WSDOT can, from time to time, convey portions of WSDOT property through lease or sale to Sound Transit for non-highway use in consideration for Sound Transit's funding of highway purpose improvements. In August 2010, as part of the Umbrella Agreement with WSDOT to complete the R8A Project, the land bank agreement was extended to 2080. In April 2024, Sound Transit and WSDOT entered into a second restated Land Bank Agreement. As part of this agreement, WSDOT has agreed to adjust methodology for determining the fair rental value of future airspace leases to reflect only the portion of the property's cost that was paid by the motor vehicle fund and to amend certain airspace leases.

In December 2025, to improve visibility of land bank credit activity and to properly account for the transaction, Sound Transit recorded the value of the unused land bank credit as a long-term asset on the Statement of Net Position.

WSDOT related expenditures are recognized as contributions to other governments on the Statement of Revenues, Expenses and Changes in Net Position. Upon WSDOT confirmation of credits, revenue is recognized as a contribution from other governments on the Statement of Revenues, Expenses and Changes in Net Position and the corresponding land bank credits are reported as a long-term asset on the Statement of Net Position. When Sound Transit uses land bank credits, the long-term asset balance is reduced to offset a corresponding asset or expense. As of December 31, 2025, there were no conditions to suggest an impairment of the long-term asset exists. Sound Transit will evaluate for potential impairment on an annual basis.

Sound Transit has light rail guideways located on WSDOT property governed under multiple 20-year and 40-year airspace leases issued under the Land Bank Agreement. These airspace leases have options to renew for an additional 20 to 35 years. Should Sound Transit and WSDOT not enter into a new agreement at the end of the leases, property interests revert to WSDOT.

The value of the unused credit on December 31, 2025, was \$164.2 million

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

The following table provides information on additions to and uses of credits accruing to the benefit of Sound Transit in 2025 and 2024:

<i>(in millions)</i>	2025	2024
Balance in Land Bank, beginning of year	\$ 102.8	\$ 68.1
Additions:		
Bus Rapid Transit Improvements	-	20.5
East Link	-	8.8
I-405/85th Interchange	94.5	33.5
Northgate Link	-	7.3
Draws:		
City of Shoreline	(1.1)	-
East Link SR520	-	(16.4)
Temporary Construction Airspace Lease (TCAL):		
Downtown Redmond Link	(6.3)	-
Federal Way Link	-	(9.5)
I-90 Two-Way Transit & HOV	(9.5)	(9.3)
Lynnwood Link	(1.6)	-
Airspace Lease:		
Downtown Redmond Link	(14.6)	-
East Link	-	(0.2)
Balance in Land Bank, end of year	\$ 164.2	\$ 102.8

15. REGIONAL FARE COORDINATION SYSTEM

In April 2009, Sound Transit entered into an amended and restated Agreement for Regional Fare Coordination System to operate and maintain ORCA (One Regional Card for All), a system that establishes a common, non-cash fare system throughout seven participating transit agencies' service areas and commits the agencies to using ORCA for a minimum of ten years. In June 2019, Sound Transit entered into an agreement to plan and implement activities necessary to transition the legacy ORCA system, as established in 2009, to the next generation ORCA system, and agreed with the other parties, to keep the 2009 amended agreement in place until termination of the legacy ORCA vendor contract. In May 2022, the existing ORCA system was transitioned to the next generation system. Each agency shares in operating and maintaining ORCA in accordance with the agreement. Sound Transit's proportionate share of ORCA operating and maintenance costs were 30.5% and 29.5% in 2025 and 2024, respectively.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

Sound Transit’s proportionate share of ORCA’s assets, liabilities, revenues and expenses are presented in these financial statements based on preliminary information available at year end, as follows:

<i>(in thousands)</i>	December 31	
	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 28,827	\$ 28,831
Accounts receivable	8,062	8,096
Total assets	36,889	36,927
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	16,408	17,149
Unearned revenue	20,481	19,778
Total liabilities	36,889	36,927
Net position	\$ -	\$ -
Total operating revenues	\$ 75,675	\$ 61,458
Total expenses	\$ 4,448	\$ 4,053

Purchases— At December 31, 2025 and 2024, Sound Transit had outstanding construction commitments of approximately \$1.6 billion and \$1.5 billion, respectively.

Grants— Sound Transit participates in several federal, state and local grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that Sound Transit has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2025 and 2024 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to noncompliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Claims— In the ordinary course of business, Sound Transit has been named as a defendant in a number of lawsuits relating to contractual matters. Although the ultimate outcome, if any, of these matters is presently unknown, management has evaluated all claims and potential claims and, where that exposure is probable and estimable, has reflected in the accounts of Sound Transit its best estimate of the exposure.

CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements, continued

16. SUBSEQUENT EVENT

Management has evaluated events and transactions that occurred after December 31, 2025, through April 10, 2026, the date these statements were issued.

On March 28, 2026, Sound Transit opened the Crosslake Connection for passenger service. This is the final component of the Link 2 Line which crosses Lake Washington and connects with the 1 Line at International District/Chinatown Station.