91 EXPRESS LANES FUND
(An Enterprise Fund of the Orange County Transportation Authority)

FINANCIAL STATEMENTS

Year Ended June 30, 2009

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)

Audited Financial Statements

For the Fiscal Year Ended June 30, 2009

Contents

Mayer Hoffman McCann P.C.
An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the 91 Express Lanes Fund, an enterprise fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2009, which collectively comprise OCTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OCTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the 91 Express Lanes Fund of OCTA and do not purport to, and do not, present fairly the financial position of OCTA, as of June 30, 2009, and the changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 91 Express Lanes Fund of OCTA as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Irvine, California
October 19, 2009

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Fund Net Assets
June 30, 2009

Assets		
Current Assets:		
Cash and investments	$	43,342,351
Receivables:		
Interest		1,032,779
Violations, net		6,621,464
Other		746,916
Other assets		369,147
Total current assets		52,112,657
Noncurrent Assets:		
Restricted cash and investments:		
Cash equivalents		37,990,105
Unamortized debt issuance costs		3,048,333
Capital assets, net:		
Depreciable and amortizable		163,223,816
Total noncurrent assets		204,262,254
Total Assets		256,374,911
Liabilities		
Current Liabilities:		
Accounts payable		6,192,094
Accrued interest payable		4,461,509
Unearned revenue		4,145,554
Other liabilities		347,061
Bonds payable - due within one year		4,515,000
Total current liabilities		19,661,218
Noncurrent Liabilities:		
Advances from other OCTA funds - due in more than one year		25,315,367
Bonds payable - due in more than one year		155,456,297
Total noncurrent liabilities		180,771,664
Total Liabilities		200,432,882
Net Assets		
Invested in capital assets, net of related debt		21,887,311
Restricted for:		
Debt service		6,027,539
Capital		10,105,067
Other purposes		3,222,707
Unrestricted		14,699,405
Total Net Assets	$	55,942,029

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2009

Operating revenues:	
User fees and charges	$ 43,704,888
Operating expenses:	
Contracted services	6,207,624
Administrative services	1,762,732
Other	792,251
Insurance claims	383,545
Professional services	6,190,424
General and administrative	470,641
Depreciation and amortization	9,151,211
Total operating expenses	24,958,428
Operating income	18,746,460
Nonoperating revenues (expenses):	
Investment earnings	3,151,605
Interest expense	(15,028,418)
Other	32,861
Total nonoperating revenues (expenses)	(11,843,952)
Income before transfers	6,902,508
Transfers out	(3,024,000)
Change in net assets	3,878,508
Total net assets - beginning	52,063,521
Total net assets - ending	$ 55,942,029

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows
For the Year Ended June 30, 2009

Cash flows from operating activities:		
Receipts from customers and users	$	43,281,049
Payments to suppliers		(11,767,130)
Payments for interfund services used		(1,762,732)
Miscellaneous		32,861
Net cash provided by operating activities		29,784,048
Cash flows from noncapital financing activities:		
Federal operating assistance grants received		9,780
Transfers to other funds		(3,024,000)
Repayment of advances from other funds		(20,000,000)
Net cash used for noncapital financing activities		(23,014,220)
Cash flows from capital and related financing activities:		
Principal payment on long term debt		(4,345,000)
Interest paid on long-term debt		(10,197,126)
Acquisition and construction of capital assets		(572,611)
Net cash used for capital and related financing activities		(15,114,737)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments		18,634,792
Interest received		2,860,364
Net cash provided by investing activities		21,495,156
Net increase in cash and cash equivalents		13,150,247
Cash and cash equivalents at beginning of year		68,182,209
Cash and cash equivalents at end of year	$	81,332,456
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	18,746,460
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		1,820,365
Amortization of franchise agreement		7,330,846
Amortization of cost of issuance		142,335
Miscellaneous		32,861
Change in assets and liabilities:		
Other receivables		(272,554)
Other assets		(49,976)
Accounts payable		2,184,996
Due to other governments		(282)
Unearned revenue		(133,710)
Other liabilities		(17,293)
Total adjustments		11,037,588
Net cash provided by operating activities	$	29,784,048
Reconciliation of cash and cash equivalents to statement of net assets:		
Cash and investments		43,342,351
Restricted cash and cash equivalents		37,990,105
Total cash and cash equivalents	$	81,332,456
Noncash capital, financing and investing activities:		
Increase in interest expense incurred on advances from other OCTA funds	$	2,543,125

See accompanying notes to the financial statements.

1. Reporting Entity

On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in a Franchise Agreement for the 91 Express Lanes. The 91 Express Lanes is a toll facility located on a 10-mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR 55. The Franchise Agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Pursuant to the Franchise Agreement, Caltrans retains legal title to the real property components of the toll facility.

OCTA purchased the franchise interest for $207,500,000, consisting of cash of $72,500,000 and certain assets and the assumption of certain liabilities. The purchase was enabled by State Assembly Bill 1010 (Correa), which was passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs no later than 2030 and eliminated noncompete provisions in the Franchise Agreement for needed improvements on SR 91. The passage of Senate Bill 1316 (Correa) in August 2008 approved extending the 91 Express Lanes toll facility along the SR 91 into Riverside County. The bill also allows the extension of the Franchise Agreement to a date no later than December 31, 2065.

These financial statements include only the activities of the 91 Express Lanes Fund, an enterprise fund of OCTA. These financial statements are not intended to present the activities of OCTA.

2. Summary of Significant Accounting Policies

The accounting policies of the 91 Express Lanes Fund are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Basis of Accounting

The financial statements of the 91 Express Lanes Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, consisting substantially of tolls and fees, are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Toll amounts are collected from customers on a prepaid basis, and unearned tolls are reported as unearned revenue.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the 91 Express Lanes Fund are charges to customers for use of the toll facility. Operating expenses for the 91 Express Lanes Fund include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. The 91 Express Lanes Fund has elected not to follow subsequent private-sector guidance.

Cash and Investments

OCTA maintains cash and investments in accordance with an Annual Investment Policy (AIP) adopted initially by the Board on May 8, 1995, and most recently amended March 23, 2009. The AIP complies with, or is more restrictive than, applicable state statutes. The majority of OCTA's investments are managed by four private sector investment managers. At June 30, 2009, the investment portfolios were maintained at The Bank of New York Trust Company, N.A. as custodial bank. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily dollar account balances.

Investments in U.S. government and U.S. agency securities, repurchase agreements, variable and floating rate securities, mortgage and asset backed securities and corporate notes are carried at fair value based on quoted market prices, except for securities with a remaining maturity of one year or less at purchase date, which are carried at cost. Certain investment agreements are carried at cost while others are carried at fair value. Treasury mutual funds are carried at fair value based on each fund's share price. The OCIP is carried at fair value based on the value of each participating dollar as provided by the OCIP. LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. Commercial paper is carried at amortized cost (which approximates fair value).

The AIP requires the assets in the portfolio to consist of the following investments and maximum permissible concentrations based on book value and are more restrictive than applicable state statutes for the following:

OCTA Notes and Bonds (25%)

Commercial Paper (25%)

- Must be rated by two of the three nationally recognized rating agencies at the following level or better: P-1 by Moody's Investor Service (Moody's), A-1 by Standard & Poor's Corporation (S & P), or F-1 by Fitch Ratings (Fitch).
- Must be issued by corporations rated A- or better by S & P, A3 or better by Moody's, or A- by Fitch, with further restrictions to issuer size.
- Maximum Term: 180 days.

Negotiable Certificates of Deposit (30%)

- Must be issued by a nationally or state-chartered bank or state or federal association, or be a state licensed branch of a foreign bank, which have been rated by at least two of the Nationally Recognized Statistical Rating Organizations.
- The issuer must have the following minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch.
- Maximum Term: 270 days.

Bankers Acceptances (30%)

- Must be rated by at least two of the Nationally Recognized Statistical Rating Organizations with minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch and may not exceed the 5% limit by any one commercial bank.
- Maximum Term: 180 days.

Mortgage or Asset-Backed Securities (20%)

- Must be rated AAA by S & P, Aaa by Moody's, or AAA by Fitch.
- The issuer must have an A or better rating by S & P, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organization recognized for rating service for its long-term debt.
- Maximum Term: Five year stated final maturity.

Repurchase Agreements (75%)

- Must be collateralized at 102%.
- Reverse repurchase agreements or securities lending are not permitted.
- Maximum Term: 30 days.

Medium-term notes (30%):

- Corporate securities which are rated A- or better by S & P, A3 or better by Moody's or A- by Fitch or an equivalent rating by two of the three Nationally Recognized Statistical Rating Organizations.
- Medium term notes must not represent more than ten percent (10%) of the issue in the case of a specific public offering. Under no circumstance can any one corporate issuer represent more than 5% of the portfolio.
- Maximum Term: 5 years.

Other allowable investment categories include money market funds, mutual funds, and the state-managed Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code (Code) Section 16429 under the oversight of the Treasurer of the State of California. Investment is also allowed in the Orange County Investment Pool (OCIP), but is limited to those funds legally required to be deposited in the County Treasury. Oversight of the OCIP is conducted by the County Treasury Oversight Committee.

All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the Code.

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of the AIP.

Outside portfolio managers must review the portfolios they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines on an ongoing basis.

- Issuer/Counter-Party Diversification Guidelines for all securities except Federal Agencies, Government Sponsored Enterprises, Investment Agreements, Repurchase Agreements, and 91 Express Lanes Debt - any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities (5%).

- Issuer/Counter-Party Diversification Guidelines for Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements - any one Federal Agency or Government Sponsored Enterprise (35%); any one repurchase agreement counter-party name if maturity/term is ≤ 7 days (50%), if maturity/term is > 7 days (35%).

- Issuer/Counter-Party Diversification Guidelines for OCTA's 91 Express Lanes Debt – OCTA can purchase all or a portion of OCTA's Toll Road Revenue Refunding Bonds (91 Express Lanes) Series B Bonds maturing December 15, 2030 providing the purchase does not exceed 25% of the Maximum Portfolio.

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits and certificates of deposit represent cash and cash equivalents for cash flow purposes.

Restricted Investments

Investments set aside in the Reserve Fund, Supplemental Reserve Fund, Major Maintenance Reserve Fund, and Operating Reserve Fund are pursuant to terms of the 2003 Indenture for the $195,265,000 Toll Road Revenue Refunding Bonds and their use is limited by applicable debt covenants.

Permitted investments per the debt covenants include: Government Obligations, State of California and Local Agency Obligations, Bankers Acceptances, Commercial Paper, Negotiable Certificates of Deposit, Repurchase Agreements, Money Market Funds, Other Mutual Funds, Investment Agreements, Orange County Investment Pool and Variable and Floating Rate Securities.

Receivables

Violations receivable represent an estimate of the total outstanding unpaid violations that the 91 Express Lanes anticipate to collect. This estimate is based upon twelve-month average collections on outstanding unpaid violations for violations with a due date of 90 days or less. For violations over 90 days, this estimate is based upon a 3-year average collections on outstanding unpaid violations. The 91 Express Lanes utilizes an outside collection agency to assist in the recovery of unpaid violations over 90 days.

Other receivables include amounts due from other California toll road agencies related to their customers who use the 91 Express Lanes as well as customer fees, interest, and other.

Other Assets

Other assets include prepaid expenses and refundable deposits.

Costs of Issuance

Costs of issuance represent issuance costs associated with the 2003 Toll Road Revenue Refunding Bonds issued to refund the $135,000,000 taxable debt and are deferred and amortized over the life of the debt.

Capital Assets

Capital assets include the toll facility franchise, improvements, equipment, furniture and fixtures, and transponders. Capital assets are defined by the 91 Express Lanes Fund as assets with an initial, individual cost of more than $5,000 and a useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Type	Useful Life
Improvements	10-30 years
Equipment, furniture, and fixtures	3-10 years
Transponders	5 years

The toll facility franchise is amortized over the remaining life of the franchise agreement through December 2030.

RISK MANAGEMENT

The 91 Express Lanes Fund purchases commercial property insurance including business interruption, earthquake and flood coverage related to the toll facility. Additionally, the 91 Express Lanes Fund participates in OCTA's self-insurance general liability program. The liability claims are resolved by OCTA and are expensed against the 91 Express Lanes Fund.

NET ASSETS

Net assets represent the difference between assets and liabilities and are classified into three categories:

- *INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT* - This reflects the net assets of the 91 Express Lanes Fund that are invested in capital assets, net of related debt. Usually this indicates that these net assets are not accessible for other purposes; however, a deficit indicates that the related debt exceeds the capital assets.

- *RESTRICTED NET ASSETS* - This represents the net assets that are not accessible for general use, because their use is subject to restrictions enforceable by third parties. The statement of net assets reports restricted net assets which are restricted by enabling legislation.

- *UNRESTRICTED NET ASSETS* - This represents those net assets that are available for general use.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures during the reporting period. As such, actual results could differ from those estimates.

3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2009:

Deposits:	
Petty cash	$ 150
Deposits	186,227
Total deposits	186,377

Investments:	
With OCTA Commingled Investment Pool	43,004,703
With trustee	38,141,376
Total investments	81,146,079
Total cash and investments	$ 81,332,456

Total deposits and investments are reported in the financial statements as:

Unrestricted cash and investments	$ 43,342,351
Restricted cash and investments:	
Cash equivalents	37,990,105
Total cash and investments	$ 81,332,456

As of June 30, 2009, the 91 Express Lanes Fund had the following investments:

INVESTMENT	FAIR VALUE	PRINCIPAL	INTEREST RATE RANGE	MATURITY RANGE	WEIGHTED AVERAGE MATURITY (YEARS)
OCTA Commingled Investment Pool	$ 43,004,703	$ 42,401,808	Discount, 0.08%-7.76%	7/1/09-6/15/14	2.08
Held by Trustee:					
Money Market Mutual Funds	24,813,603	24,813,603	0.00%	7/1/09	1 Day
Negotiable Certificates of Deposit	13,327,773	13,327,773	0.10%	7/1/09	1 Day
Total Investments	$ 81,146,079	$ 80,543,184			

INTEREST RATE RISK

OCTA manages exposure to declines in fair value from increasing interest rates by having an investment policy that limits maturities to five years while also staggering maturities, with the exception of investment agreements which are not subject to term restrictions due to the bond indenture. OCTA maintains a low duration strategy, targeting an estimated average portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile, therefore less sensitive to interest rate changes.

As of June 30, 2009, the 91 Express Lanes Fund was a participant in OCTA's Commingled Investment Pool which had asset-backed securities totaling $59,023,254. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA by at least two of the three nationally recognized rating services.

As of June 30, 2009, the 91 Express Lanes Fund was a participant in OCTA's Commingled Investment Pool which had the following variable rate notes:

INVESTMENT	FAIR VALUE	COUPON MULTIPLIER	COUPON RESET DATE
Allstate Life Global	999,000	LIBOR + 60 basis points	Quarterly
American Express Credit Corp	837,837	LIBOR + 170 basis points	Monthly
American Honda Financial Corp	1,227,921	LIBOR + 40 basis points	Quarterly
Bank America Corp	1,009,460	LIBOR + 20 basis points	Quarterly
Bank New York Inc	500,770	LIBOR + 40 basis points	Quarterly
Caterpillar Financial Services	999,520	LIBOR + 45 basis points	Quarterly
Citigroup Inc	425,200	LIBOR + 33 basis points	Quarterly
Federal Farm Credit Banks	2,004,420	LIBOR + 20 basis points	Quarterly
Goldman Sachs	1,010,230	LIBOR + 25 basis points	Quarterly
Hewlett Packard Co	1,325,875	LIBOR + 40 basis points	Quarterly
John Deere Capital Corp	1,202,813	LIBOR + 45 basis points	Quarterly
JP Morgan Chase & Co	1,743,928	LIBOR + 3 basis points	Quarterly
Morgan Stanley	501,172	LIBOR + 210 basis points	Quarterly
PNC Bank NA	1,499,415	LIBOR + 40 basis points	Quarterly
UBS AG	1,998,600	LIBOR - 1 basis point	Quarterly
Wachovia Bank NA	1,479,690	LIBOR + 7 basis points	Quarterly
TOTAL INVESTMENTS	18,765,851		

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. OCTA's investment policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's custodial agent. At June 30, 2009, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

Credit risk

The AIP sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services S & P, Moody's, and Fitch. For an issuer of short-term debt, the rating must be no less than A-1 (S & P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by two of the three rating services. LAIF and OCIP is not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2009. (NR means Not Rated):

Investments	S & P	Moody's	Fitch	% of Portfolio
OCTA Commingled Investment Pool	NR	NR	NR	53.00%
Held by Trustee:				
Money Market Mutual Funds	AAA	Aaa	NR	30.58%
Negotiable Certificates of Deposit	AA	Aa2	AA	16.42%
Total				100.00%

As of June 30, 2009, the 91 Express Lanes Fund was a participant in OCTA's Commingled Investment Pool which held one investment in Lehman Brothers Holding Inc. Medium Term Notes. The investment had a $1,000,000 par maturing on January 24, 2013. On September 15, 2008, Lehman Brothers Holding Inc. filed for bankruptcy. As of June 30, 2009, the market value of the security was 15.125% of par.

Concentration of credit risk

At June 30, 2009, OCTA did not exceed the AIP limitation that states that no more than:

- 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government sponsored enterprises, investment agreements, repurchase agreements, and 91 Express Lanes debt.

- 20% may be invested in money market mutual funds.

4. CAPITAL ASSETS

Capital asset activity for the 91 Express Lanes Fund for the year ended June 30, 2009 is as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets, being depreciated and amortized:				
Toll facility franchise	$ 205,263,668	$ -	$ -	$ 205,263,668
Improvements	2,753,978	12,460	-	2,766,438
Communications equipment	5,522,934	79,268	-	5,602,202
Computer hardware and software	1,125,984	54,218	-	1,180,202
Transponders	4,628,803	426,665	622,429	4,433,039
Equipment, furniture and fixtures	107,891	-	-	107,891
Total capital assets, being depreciated and amortized	219,403,258	572,611	622,429	219,353,440
Less accumulated depreciation and amortization for:				
Toll facility franchise	(40,319,648)	(7,330,846)	-	(47,650,494)
Improvements	(547,192)	(155,133)	-	(702,325)
Communications equipment	(2,844,172)	(863,801)	-	(3,707,973)
Computer hardware and software	(917,507)	(99,911)	-	(1,017,418)
Transponders	(2,931,003)	(687,732)	(622,429)	(2,996,306)
Equipment, furniture and fixtures	(41,320)	(13,788)	-	(55,108)
Total accumulated depreciation and amortization	(47,600,842)	(9,151,211)	(622,429)	(56,129,624)
Total capital assets, being depreciated and amortized, net	$ 171,802,416	$ (8,578,600)	$ -	$ 163,223,816

5. BONDS PAYABLE

TAXABLE SENIOR SECURED BONDS

On January 3, 2003, as part of the purchase agreement, the 91 Express Lanes Fund assumed $135,000,000 of taxable 7.63% Senior Secured Bonds. On November 12, 2003, the taxable bonds were refunded as noted below. As required by the tax-exempt indenture, OCTA paid $26,428,197 Yield Maintenance Premium which is deferred and amortized over the life of the tax-exempt bonds.

TOLL ROAD REVENUE REFUNDING BONDS

On November 12, 2003, OCTA issued $195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2 to refund the $135,000,000 taxable 7.63% Senior Secured Bonds and to reimburse OCTA for a portion of its prior payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The Series 2003-A Bonds were issued as fixed rate bonds, the Series 2003-B-1 Bonds and the Series 2003-B-2 Bonds were issued as adjustable rate bonds.

On November 24, 2008, OCTA remarketed $100,000,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-B-1 and Series 2003-B-2 (collectively the "Series 2003-B Bonds") that were issued on November 12, 2003. The Series 2003-B Bonds were originally issued as adjustable rate bonds. In connection with the mandatory tender of the Series 2003-B Bonds required by the Indenture, the interest rate was converted to a Long Term Interest Rate equal to the Orange County Investment Pool (OCIP) Rate, or 3.85%. The Series 2003-B Bonds are subject to mandatory tender for repurchase by or for the benefit of OCTA on December 19, 2010.

INTEREST RATE SWAPS

As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in November 2003, OCTA entered into two parity interest rate swaps totaling $100,000,000 in connection with its $195,265,000 Toll Road Revenue Refunding Bonds. $95,265,000 was issued on a fixed rate basis and $100,000,000 was issued on a variable rate basis. The Series 2003-B-1 swap was for $75,000,000 and the counterparty is Lehman Brothers Special Funding Incorporated (Lehman Brothers). The Series 2003-B-2 swap was for $25,000,000 and the counterparty was Bear Stearns Capital Markets Incorporated. On May 30, 2008, JP Morgan completed its acquisition of The Bear Stearns Companies Incorporated. As a result of the merger, JP Morgan assumed the $25,000,000 interest rate swap between OCTA and Bear Stearns Capital Markets Incorporated. The effective rate on the parity swaps was to effectively change OCTA's variable rate bonds to a synthetically fixed rate of 4.06227%.

On November 23, 2005, Lehman Brothers Holding Inc. named Lehman Brothers Commercial Bank as the counterparty for the interest rate swap replacing Lehman Brothers Special Financing Inc. On September 15, 2008, Lehman Brothers Holding Inc. declared bankruptcy. As of the date of this report, Lehman Brothers Commercial Bank had not declared bankruptcy.

On October 2, 2008, OCTA provided a Notice of Event of Default and Reservation of Rights letter to Lehman Brothers Special Financing and Lehman Brothers Commercial Bank regarding the rating downgrade and the missed counterparty payment of $228,340 on October 1, 2008. On February 15, 2009 and August 15, 2009, OCTA did not remit payment to Lehman Brothers as part of the swap agreement because of Lehman Brother's Event of Default. OCTA continues to work with general counsel and bond counsel to determine the impact of the bankruptcy on OCTA's interest rate swap.

Terms

The bonds and the related parity swap agreements mature on December 15, 2030. The parity swaps notional amount of $100,000,000 matches the $100,000,000 variable rate bonds. The parity swaps were entered into at the same time the bonds were issued (November 2003). Starting in fiscal year 2022, the notional amount of the parity swaps declines and the principal amount of the associated variable rate bonds declines an identical amount. Under the parity swaps, OCTA pays the counterparties a fixed payment of 4.06227% and the counterparties pay OCTA a floating rate equal to 67% of one month LIBOR index if one month LIBOR index is equal to or greater than 4.0% or the Securities Industry Financial Markets Association (SIFMA) Index if LIBOR is less than 4.0%.

Fair Value

As of June 30, 2009, the negative fair value for the $75,000,000 swap with Lehman Brothers was estimated by PFM Asset Management to be $11,167,780. As of June 30, 2009, the negative fair value for the $25,000,000 swap with JP Morgan was estimated by PFM Asset Management to be $3,722,584. Therefore, if the swaps were terminated on June 30, 2009, OCTA would have made a termination payment of $11,167,780 and $3,722,584 to Lehman Brothers and JP Morgan, respectively. The termination payments that would have been owed by OCTA if the swaps were terminated on June 30, 2009 are a result of the change in interest rate levels and certain interest rate relationships. The rate used to calculate the fixed swap payment owed by OCTA to the swap providers is 4.06227%. As of June 30, 2009, this fixed rate was higher than the current rate for a swap of identical terms and conditions. The fair values were estimated by the counterparties using proprietary methodologies.

Credit Risk

To mitigate the potential for credit risk, the $75,000,000 swap with Lehman Brothers and the $25,000,000 swap with JP Morgan require collateralization with U.S. government securities at all times if a termination payment is required. Due to the fact that interest rates declined since the swaps were executed, the counterparties did not owe OCTA a termination payment as of June 30, 2009.

Basis Risk

Basis risk is the risk that the variable rate paid to a borrower by a swap counterparty does not completely offset, or equal the borrower's variable rate payment to bondholders. This may result in positive or negative basis differential. In order to minimize basis risk, OCTA selected a swap structure that pays a variable receiver rate based on a percentage of LIBOR in high interest rate environments where rate compression should be less of an issue, but pays a SIFMA receiver rate in low interest rate environments, where rate compression has historically been at its highest.

Under the parity swap agreements, OCTA pays the counterparties a fixed payment of 4.06227% and the counterparties pay OCTA a floating rate equal to 67% of LIBOR if LIBOR is equal to or greater than 4.0% or the SIFMA Index if LIBOR is less than 4.0%. As of June 30, 2009, OCTA experienced $5,403,623 in cumulative negative basis differential since inception of the swap program in November 2003. This negative amount has been funded with toll road revenues.

Termination Risk

Termination risk is the risk that an event occurs that causes a termination of the parity swaps and OCTA would incur replacement costs. As of the June 30, 2009 valuation, there had not been a termination event.

Swap Payments and Associated Debt

As of June 30, 2009, debt service requirements of outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

	$75,000,000 Series 2003-B-1 (1)			$25,000,000 Series-B-2 (1)			
Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ -	$2,887,500	$2,784,203	$ -	$962,500	$928,068	$7,562,271
2011	-	2,887,500	2,784,203	-	962,500	928,068	7,562,271
2012	-	2,887,500	2,784,203	-	962,500	928,068	7,562,271
2013	-	2,887,500	2,784,203	-	962,500	928,068	7,562,271
2014	-	2,887,500	2,784,203	-	962,500	928,068	7,562,271
2015-2019	-	14,437,500	13,921,015	-	4,812,500	4,640,340	37,811,355
2020-2024	17,900,000	13,144,093	12,673,877	5,960,000	4,381,878	4,225,121	58,284,969
2025-2029	38,935,000	6,628,546	6,391,415	12,990,000	2,208,939	2,129,914	69,283,814
2030-2031	18,165,000	357,280	344,499	6,050,000	118,965	114,709	25,150,453
	$75,000,000	$49,004,919	$47,251,821	$25,000,000	$16,334,782	$15,750,424	$228,341,946

(1) Assumes an interest rate swap rate of 4.06227% per annum for the Series 2003-B-1 Bonds and the Series-B-2 Bonds based on the Series 2003-B Parity Swap Agreements.

As rates vary, variable-rate bond interest payments and net swap payments will vary. The OCIP rate on the 2003 B-1 and B-2 debt was 3.85% on June 30, 2009. As part of the swap agreement, OCTA receives the SIFMA Index which was 0.35% on June 30, 2009.

A summary of the terms of the Toll Road Revenue Refunding Bonds is as follows:

Issuance date	11/12/03
Original issue amount	$195,265,000
Cash reserve requirements	$35,584,792
Cash reserve balance	$37,990,105
Interest rate	2.0% to 5.375% *
Maturity	December 2030
Principal payment date	August 15
Current balance	$174,940,000
Unamortized premium	$5,408,594
Deferred amount on refunding	($20,377,297)

* 2003 Series B-1 and B-2 were issued as variable rate bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. Both the $75,000,000 Series B-1 Bonds and the $25,000,000 Series B-2 Bonds were swapped to a fixed rate of 4.06227%.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total
2010	$4,515,000	$7,742,901	$12,257,901
2011	4,740,000	7,517,170	12,257,170
2012	4,980,000	7,274,170	12,254,170
2013	5,245,000	7,008,711	12,253,711
2014	5,525,000	6,729,626	12,254,626
2015-2019	32,355,000	28,920,700	61,275,700
2020-2024	41,440,000	19,994,066	61,434,066
2025-2029	51,925,000	10,379,405	62,304,405
2030-2031	24,215,000	1,007,883	25,222,883
Total	$174,940,000	$96,574,632	$271,514,632

The interest rate used to determine the future annual debt service requirements for the variable rate bonds was 4.06227% at June 30, 2009.

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2009, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Tax-exempt bonds	$179,285,000	$ -	$ 4,345,000	$174,940,000	$4,515,000
Unamortized premium	5,661,135	-	252,541	5,408,594	-
Unamortized deferred amount on refunding	(21,445,103)	-	(1,067,806)	(20,377,297)	-
TOTAL LONG-TERM LIABILITIES	$163,501,032	$ -	$ 3,529,735	$159,971,297	$4,515,000

ARBITRAGE REBATE

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. In general, arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Failure to follow the arbitrage regulations could result in all interest paid to bondholders retroactively rendered taxable.

In accordance with the arbitrage regulations, if excess earnings were calculated, 90% of the amount calculated would be due to the Internal Revenue Service (IRS) at the end of each five year period. The remaining 10% would be recorded as a liability and paid after all bonds had been redeemed. During the current year, the 91 Express Lanes Fund performed calculations of excess investment earnings on various bonds issues. $419,647 was paid in January 2009.

PLEDGED REVENUE

The 91 Express Lanes debt issuance outstanding is collateralized by the pledging of certain revenues, as defined in the debt agreement. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table. The purpose for which the proceeds of the debt issuance was utilized is disclosed in the debt description. For the year ended June 30, 2009, the 91 Express Lanes incurred an additional $3,249,469 in interest costs associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc. Debt service payments as a percentage of the pledged gross revenue for the year ended June 30, 2009, was as follows:

DESCRIPTION OF PLEDGED REVENUE	ANNUAL AMOUNT OF PLEDGED REVENUE	ANNUAL DEBT SERVICE PAYMENTS	DEBT SERVICE AS A PERCENTAGE OF PLEDGED REVENUE
91 Express Lanes Toll Road Revenue	$46,726,373	$ 15,504,345	33.2%

6. ADVANCES FROM OTHER OCTA FUNDS

In connection with the purchase of the toll facility franchise, to fund the debt service payment required on February 15, 2003, and to establish operations, the 91 Express Lanes Fund borrowed $83,640,595 from other OCTA funds at an interest rate, adjusted each January, representing OCTA's rate of return on short-term investments (4.82% at June 30, 2009). Interest accrues monthly, and the advances from other OCTA funds plus accrued interest will be repaid on an annual basis with net revenues or as a result of a refinancing. Total interest of $2,543,125 accrued on the advances for the year ended June 30, 2009. On June 30, 2009, the 91 Express Lanes Fund repaid $20,000,000 of the advance with net revenues. At June 30, 2009, these advances were $25,315,367 and are reported as advances from other OCTA funds.

7. COMMITMENTS AND CONTINGENCIES

OPERATOR AGREEMENT

In connection with the purchase of the toll facility interest, OCTA entered into an operating agreement with Cofiroute Global Mobility (Cofiroute), to provide operating services in the annual amount of $4,994,000 plus inflation for three initial years with two one-year extension options, subject to Board of Directors approval. The agreement was in effect from January 3, 2003 through January 2, 2006. Cofiroute is responsible for the day-to-day operations of the toll facility. On January 6, 2006, OCTA entered into a second operating agreement with Cofiroute, effective January 3, 2006 through January 2, 2011. The annual amount of the base contract is $5,448,768 plus inflation adjustments after the first year. The agreement carried two two-year extension options through January 2, 2015. On April 27, 2009, the Board of Directors approved a subsequent amendment, which authorizes the addition of two five-year extension options beginning January 3, 2011 through January 2, 2021.

LEASE COMMITMENTS

The 91 Express Lanes Fund is committed under two leases for office space. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2009 were $373,265.

Future minimum payments for these leases approximate the following:

For the year ending June 30		
2010	$	387,953
2011		117,756
2012		121,293
2013		124,929
2014		31,461
	$	783,392

8. SUBSEQUENT EVENTS

On October 5, 2009, the Orange County Superior Court gave preliminary approval to the settlement agreement between OCTA and the plaintiffs of the Avery et al. v. Orange County Transportation Authority, et al case. In January 2007, a lawsuit was filed by customers of the OCTA 91 Express Lanes challenging the penalties imposed by OCTA. The class members have until January 19, 2010 to object to or opt out of the settlement. A final fairness hearing is scheduled for February 16, 2010. A pool of $700,000 will be paid on a pro-rata share to all eligible class members and $750,000 will be paid to the plaintiffs' counsel. Both the $700,000 and $750,000 have been recorded in the financial statements.