ANNUAL FINANCIAL REPORT

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)

For the Year Ended June 30, 2004
with Independent Auditor's Report

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

Audited Financial Statements

For the Year Ended June 30, 2004

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying financial statements of the 91 Express Lanes enterprise fund (91 Express Lanes Fund) of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of Authority 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. 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 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 and do not purport to, and do not, present fairly the financial position of the Authority, as of June 30, 2004, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity 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 the Authority, as of June 30, 2004, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Macias, Gini & Company LLP

Los Angeles, California
October 15, 2004

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)

Statement of Fund Net Assets

June 30, 2004

ASSETS		
Current Assets:		
Cash and investments	$	13,897,304
Receivables:		
Interest		419,657
Other		1,640,837
Other assets		1,159,653
Total current assets		17,117,451
Noncurrent Assets:		
Restricted investments		19,992,568
Cost of issuance		3,760,006
Capital assets, net:		
Depreciable and amortizable		201,119,390
Total noncurrent assets		224,871,964
TOTAL ASSETS		241,989,415
LIABILITIES		
Current Liabilities:		
Accounts payable		1,018,415
Accrued interest payable		3,130,960
Deferred revenue		3,221,064
Other liabilities		514,951
Bonds payable - due within one year		3,635,000
Total current liabilities		11,520,390
Noncurrent liabilities:		
Advances from other OCTA funds - due in more than one year		60,176,809
Bonds payable - due in more than one year		172,584,974
Total noncurrent liabilities		232,761,783
TOTAL LIABILITIES		244,282,173
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt		24,899,416
Restricted		19,992,568
Unrestricted		(47,184,742)
TOTAL NET ASSETS (DEFICIT)	$	(2,292,758)

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 (Deficit)

For the Year Ended June 30, 2004

Operating revenues:	
User fees and charges	$ 32,375,471
Operating expenses:	
Contracted services	5,146,526
Administrative services	1,526,590
Insurance claims	420,438
Professional services	3,857,290
General and administrative	1,555,554
Other	196,291
Depreciation and amortization	8,327,084
Total operating expenses	21,029,773
Operating income	11,345,698
Nonoperating revenues (expenses):	
Investment earnings	646,433
Interest expense	(12,478,504)
Other	60,761
Total nonoperating revenues (expenses)	(11,771,310)
Change in net assets	(425,612)
Total net assets (deficit) - beginning	(1,867,146)
Total net assets (deficit) - ending	$ (2,292,758)

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, 2004

Cash flows from operating activities:	
Receipts from customers and users	$ 31,875,405
Payments to suppliers	(12,130,298)
Payments for interfund services used	(1,526,590)
Miscellaneous	(236,110)
Net cash provided by operating activities	17,982,407
Cash flows from capital and related financing activities:	
Net proceeds from issuance of debt	37,405,575
Cost of issuance on long term debt	(584,007)
Payment on advances from other funds	(28,528,188)
Interest paid	(9,800,670)
Acquisition and construction of capital assets	(2,545,708)
Net cash used for capital and related financing activities	(4,052,998)
Cash flows from investing activities:	
Interest received	296,083
Net cash provided by investing activities	296,083
Net increase in cash and cash equivalents	14,225,492
Cash and cash equivalents at beginning of year	19,664,380
Cash and cash equivalents at end of year	$ 33,889,872
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 11,345,698
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	989,628
Amortization of franchise agreement	7,337,456
Amortization of cost of issuance	94,890
Miscellaneous	(236,110)
Change in assets and liabilities:	
Receivables	(1,093,733)
Other assets	56,875
Accounts payable	(1,105,964)
Deferred revenue	618,863
Other liabilities	(25,196)
Total adjustments	6,636,709
Net cash provided by operating activities	$ 17,982,407
Schedule of Noncash activities:	
Cash paid directly to trustee from bond proceeds:	
Redemption of taxable bonds	135,000,000
Payment of Yield Maintenance Premium	26,428,197
Payment of Bond Insurance	2,409,601
Payment of Underwriter's Discount	861,288

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 a toll facility on a 10 mile segment of the Riverside Freeway/State Route (SR) 91 between Interstate 15 and the Costa Mesa Freeway/SR 55. 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. OCTA purchased the assets and liabilities of the franchise interest for $207,500,000, consisting of cash of $72,500,000 and certain assets and the assumption of certain liabilities.

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. Caltrans retains legal title to the real property components of the toll facility.

These financial statements include only the activities of the 91 Express Lanes Fund, an enterprise fund of the 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 deferred 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 investment policy adopted by the OCTA Board of Directors on May 8, 1995, and most recently amended February 24, 2004. The investment policy 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, 2004, the investment portfolios were maintained at Bank of New York Western Trust as custodial bank. Cash from all OCTA revenue sources, excluding proceeds of bond issues and related earnings, is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily dollar account balances.

OCTA's investment policy authorizes it to invest in obligations of the U. S. Treasury, U. S. agencies, commercial paper rated A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc., bankers' acceptances, certificates of deposit, variable and floating rate securities, mortgage and asset backed securities, corporate notes, repurchase agreements, and guaranteed investment contracts. Derivative products of any otherwise eligible investment are permitted but only with prior Board of Directors' authorization. Investments in reverse repurchase agreements are prohibited. 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. 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.

Investments in U.S. government and U.S. agency securities, repurchase agreements, variable and floating rate securities in permitted 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. Guaranteed investment contracts are carried at cost. 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).

Bank balances are secured by the pledging of a pool of eligible securities to collateralize OCTA deposits with the bank in accordance with California Government Code.

For the purpose of the statement of cash flows, the 91 Express Lanes Fund considers all short-term investments with an initial maturity of three months or less to be cash equivalents.

RESTRICTED INVESTMENTS

Certain resources set aside for capital maintenance and debt service coverage are classified as restricted investments, because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

RECEIVABLES

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 deposits

COSTS OF ISSUANCE

Costs of issuance represent issuance costs associated with refinancing 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, building 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
Building 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.

Construction in process represents costs related to the replacement of the Electronic Toll and Traffic Management System, the development of the second phase of the toll accounting system, and the relocation of the customer service facility.

RISK MANAGEMENT

The 91 Express Lanes Fund has obtained commercial property insurance including earthquake, flood, and terrorism coverage related to the toll facility. Additionally, the 91 Express Lanes Fund is part of OCTA's self-insurance general liability program. The liability for such claims, including claims incurred but not reported, is transferred to OCTA in consideration of self-insurance premiums to be paid by the 91 Express Lanes Fund.

NET ASSETS

Net assets represents the difference between assets and liabilities and is classified into three categories:

- *INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT (DEFICIT)* - 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.

- *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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As such, actual results could differ from those estimates.

3. CASH AND INVESTMENTS

Cash and investments, excluding the change fund cash of $150, is comprised of the following at June 30, 2004:

Equity in pooled cash	$ 15,166,097
Guaranteed Investment Contracts	12,723,625
Treasury mutual funds held by trustee	6,000,000
	$ 33,889,722

These amounts and the change fund cash are reflected in the accompanying financial statements as:

Cash and investments	$ 13,897,304
Restricted investments	19,992,568
	$ 33,889,872

Cash in commercial bank accounts of $553,613 with a corresponding bank balance of $417,464 is held in deposits, which are collateralized with securities held by the pledging financial institution's trust department in OCTA's name (Category 1), except for $100,000 which is insured by the Federal Deposit Insurance Corporation (Category 1). Equity in pooled cash of $15,166,247, Guaranteed Investment Contracts of $12,723,625 and treasury mutual funds held by the trustee of $6,000,000 are not considered investments in securities and are not categorized as to level of custodial credit risk.

4. CAPITAL ASSETS

Capital asset activity for the 91 Express Lanes for the year ended June 30, 2004 is as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets, not being depreciated:				
Construction in process	$ 1,858,976	$ 1,770,730	$ 3,629,706	$ -
Capital assets, being depreciated and amortized:				
Toll facility franchise	$ 204,966,797	$ 296,871	$ -	$ 205,263,668
Building improvements	34,559	83,971	-	118,530
Communications equipment	264,948	3,774,306	-	4,039,254
Computer hardware and software	557,367	160,678	-	718,045
Transponders	2,896,626	345,469	-	3,242,095
Equipment, furniture and fixtures	9,269	49,375	-	58,644
Total capital assets, being depreciated and amortized	208,729,566	4,710,670	-	213,440,236

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Less accumulated depreciation and amortization for:				
Toll facility franchise	(3,658,812)	(7,337,456)	-	(10,996,268)
Building improvements	(850)	(8,469)	-	(9,319)
Communications equipment	(26,495)	(113,590)	-	(140,085)
Computer hardware and software	(44,873)	(220,271)	-	(265,144)
Transponders	(253,067)	(652,250)	-	(905,317)
Equipment, furniture and fixtures	(550)	(4,163)	-	(4,713)
Total accumulated depreciation and amortization	(3,984,647)	(8,336,199)	-	(12,320,846)
Total capital assets, being depreciated and amortized, net	$ 204,744,919	$ (3,625,529)	$ -	$ 201,119,390

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. The taxable bonds mature on August 15, 2028. Semi-annual interest payments are due on the taxable bonds on February 15 and August 15 of each year, and semi-annual principal payments are due beginning February 15, 2004. On November 12, 2003, the taxable bonds were refunded as noted below. As required by the indenture, OCTA paid $26,428,197 Yield Maintenance Premium which is deferred and amortized over the life of the bonds.

TOLL ROAD REVENUE REFUNDING BONDS

On November 12, 2003, the 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 refinance the $135,000,000 taxable 7.63% Senior Secured Bonds and to reimburse the 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 B-2 Bonds were issued as adjustable rate bonds.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $26,428,197. OCTA refunded the taxable Senior Secured Bonds to reduce its total debt service payments over the next 27 years by almost $10,673,384 and to obtain an economic gain (difference between the present values of the debt service payment of the old and new debt) of $12,369,060.

INTEREST RATE SWAPS

As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in September 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-B-2 swap was for $25,000,000 and the counterparty is Bear Stearns Capital Markets Incorporated (Bear Stearns) The effective rate on the parity swaps was to effectively change OCTA's variable rate bonds to a synthetic fixed rate of 4.06227%.

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 sold (September 2003). Starting in fiscal year 2022, the notional amount of the parity swaps declines and the principal amount of the associated variable rate 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 BMA Municipal Swap Index if LIBOR is less than 4.0%.

FAIR VALUE

As of June 30, 2004 the fair value for the $75,000,000 swap with Lehman Brothers was estimated by Lehman Brothers to be $3,102,514. As of June 30, 2004 the fair value for the $25,000,000 swap with Bear Stearns was estimated by Bear Stearns to be $453,705. Therefore, if the swaps were terminated on June 30, 2004, the OCTA would have made a termination payment of $3,102,514 and $453,705 to Lehman Brothers and Bear Stearns, respectively. The termination payments that would have been owed by the OCTA if the swaps were terminated on June 30, 2004 is a direct result of the decline in interest rates. The rate used to calculate the fixed swap payment owed by the OCTA to the swap providers is 4.06227%. As of June 30, 2004, this fixed rate was higher than the current rate for a swap of identical terms and conditions. The value of this above market rate as of June 30, 2004 is reflected in the calculation of the fair value of the interest rate swaps between the OCTA and the swap providers. Although the interest rates on the variable rate bonds have also declined since the execution of swaps, the variable swap payments paid to the OCTA by the swap providers have declined as well

CREDIT RISK

To mitigate the potential for credit risk, the $75,000,000 swap with Lehman Brothers and the $25,000,000 swap with Bear Stearns is collateralized with U.S. government securities at all times.

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 BMA 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 BMA Municipal Swap Index if LIBOR is less than 4.0%. As of June 30, 2004, OCTA experienced $24,148 in cumulative positive basis differential.

TERMINATION RISK

Termination risk is the risk that an event occurs that causes a termination of the parity swaps and the OCTA would incur replacement costs. The Lehman Brothers and Bear Stearns have posted collateral pursuant to the parity swap agreements to guarantee replacement at no cost to OCTA.

SWAP PAYMENTS AND ASSOCIATED DEBT

	$75,000,000 Series 2003-B-1 (1)		$25,000,000 Series-B-2 (1)		
Year Ending June 30	Principal	Interest	Principal	Interest	Total Debt Service
2005	$ -	$ 3,029,776	$ -	$ 1,009,925	$ 4,039,701
2006	-	3,046,703	-	1,015,568	4,062,271
2007	-	3,046,703	-	1,015,568	4,062,271
2008	-	3,046,703	-	1,015,568	4,062,271
2009	-	3,046,703	-	1,015,568	4,062,271
2010-2014	-	15,233,513	-	5,077,838	20,311,351
2015-2019	-	15,233,513	-	5,077,838	20,311,351
2020-2024	17,900,000	14,232,366	5,960,000	4,744,528	42,836,894
2025-2029	38,935,000	7,784,833	12,990,000	2,594,572	62,304,405
2030-2031	18,165,000	756,090	6,050,000	251,793	25,222,883
	$ 75,000,000	$ 68,456,903	$ 25,000,000	$ 22,818,766	$191,275,669

(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.

The OCTA retired the amount due to the Bus Operations Fund in the amount of $23,528,188.

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	$18,634,792
Interest rate	2.0% to 5.375% *
Maturity	December 2030
Principal payment date	August 15
Current balance	$195,265,000
Unamortized premium	$6,671,300
Deferred amount on refunding	$25,716,326
Deferred cost of issuance	$3,760,006

* 2003 Series B-1 and B-2 are issued as variable rate revenue 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 was swapped to a fixed rate of 4.06227%.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2004, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2005	$ 3,635,000	$ 8,312,877	$ 11,947,877
2006	4,005,000	8,249,032	12,254,032
2007	4,115,000	8,142,389	12,257,389
2008	4,225,000	8,027,714	12,252,714
2009	4,345,000	7,909,876	12,254,876
2010-2014	25,005,000	36,272,578	61,277,578
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
	$ 195,265,000	$ 137,216,520	$ 332,481,520

The Bonds contain certain financial covenants, and management believes the 91 Express Lanes Fund is in compliance with such covenants as of June 30, 2004.

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2004, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Taxable bonds	135,000,000	-	135,000,000	-	
Tax-exempt bonds	-	195,265,000	-	195,265,000	3,635,000
Unamortized premium	-	6,839,661	168,361	6,671,300	-
Unamortized deferred amount on refunding	-	(26,428,197)	(711,871)	(25,716,326)	-
TOTAL LONG-TERM LIABILITIES	$135,000,000	$175,676,464	$134,456,490	$176,219,974	$3,635,000

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 (2.48% at June 30, 2004). 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 $5,064,401 accrued on the advances as of June 30, 2004. On November 19, 2003, the 91 Express Lanes Fund repaid $23,528,188 in connection with the refinancing (see above). On May 31, 2004, the 91 Express Lanes repaid $5,000,000 of the advance with net revenues. At June 30, 2004, these advances were $60,176,809 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, the 91 Express Lanes Fund entered into an operating agreement with Cofiroute Global Mobility (Cofiroute), effective January 3, 2003, 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. Cofiroute is responsible for the day-to-day operations of the toll facility.

LEASE COMMITMENTS

The 91 Express Lanes Fund is committed under various leases for office space and equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2004 were $435,085.

Future minimum payments for these leases approximate the following:

2005	$	343,311
2006		101,352
2007		92,035
2008		94,796
2009		23,873
	$	655,367