Orange County Transportation Authority
Orange County, California

OCTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30,

2010

Submitted by:

FINANCE AND ADMINISTRATION DIVISION

Kenneth G. Phipps, Executive Director

For the fiscal year ended June 30,

2010

Orange County Transportation Authority
Orange County, California

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STATISTICAL SECTION

FREEWAY IMPROVEMENTS

STREETS & ROADS IMPROVEMENTS

OCTA

December 15, 2010

The Board of Directors
Orange County Transportation Authority
550 South Main Street
Orange, CA 92863

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orange County Transportation Authority (OCTA) for the fiscal year ended June 30, 2010, in accordance with California state law. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Responsibility for complete and fair presentation of financial information, including all disclosures, rests with OCTA's management. A comprehensive framework of internal control has been designed and implemented to ensure that the assets of OCTA are protected from loss, theft, or misuse, and to ensure that accurate and complete financial information is compiled to allow for the presentation of financial statements in conformity with GAAP. Because the cost of internal control should not outweigh the benefits, OCTA's system of internal control has been designed to provide, reasonable rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Mayer Hoffman McCann, P.C. has audited OCTA's financial statements and issued an unqualified ("clean") opinion thereon for the fiscal year ended June 30, 2010. The independent auditors' report is located at the front of the financial section of this report.

The independent audit of the financial statements of OCTA was also designed to meet the broader, federally mandated Single Audit of federal grantee agencies. A separately issued Single Audit Report of OCTA provides the results of compliance with these federal requirements.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

Profile of OCTA

OCTA was established by state law and began serving the public on June 20, 1991. An 18-member Board of Directors (Board) governs OCTA and consists of five members of the Orange County Board of Supervisors, ten city representatives selected by all of the cities within the County, two public members selected by these 15 Board Members, and a representative appointed by the Governor of California serving in a non-voting capacity. A Chief Executive Officer manages OCTA and acts in accordance with the directions, goals and policies approved by the Board.

The eleven agencies and funds consolidated to form OCTA include:

- Orange County Transportation Commission
- Orange County Transit District (OCTD)
- Consolidated Transportation Services Agency
- Orange County Local Transportation Authority
- Orange County Service Authority for Freeway Emergencies
- Orange County Congestion Management Agency
- Service Authority for Abandoned Vehicles
- State Transit Assistance Fund
- Orange County Local Transportation Fund
- Orange County Unified Transportation Trust
- Transit Development Reserve

In January 1998, OCTA began regulating taxi operations on behalf of participating Orange County cities through the Orange County Taxi Administration Program (OCTAP). OCTAP simplified Orange County taxicab regulations with centralized permitting of cab companies, drivers and vehicles.

On January 3, 2003, OCTA acquired the 91 Express Lanes, a ten-mile toll road stretching along the Riverside Freeway (SR-91) between the Riverside/Orange County Line and the Costa Mesa Freeway (SR-55). The toll road was built by a public-private partnership. The partnership agreement included a non-compete clause that limited public transportation agencies from increasing highway capacity on other roads within one and one-half miles of the SR-91. OCTA’s purchase of the 91 Express Lanes eliminated the non-compete clause, creating possibilities for increasing highway capacity through the Santa Ana Canyon.

Annually, OCTA develops a balanced budget for the upcoming fiscal year. The budget details the expected sources and uses of funds. The Board adopts the budget before the beginning of each fiscal year. During the fiscal year, all major budget revisions are presented to the Board for consideration and adoption. On a quarterly basis, financial results are presented to the Board, including all significant variances between actual performance and budget in the areas of revenue, staffing, operating expenditures, and capital expenditures.

Orange County Economy

While the State of California continues to experience high rates of unemployment, Orange County is performing better than other regions of the State. Orange County's unemployment rate of 9.6 percent in August 2010 is significantly lower than the state's 12.4 percent rate and the year-over-year percentage change in Orange County's employment is improving.

Orange County's real estate sector is also showing signs of improvement in 2010. Housing affordability, new housing permits, and inventory of resale homes are projected to have a positive impact on the market. Resale home prices are projected to increase by five percent in 2010 compared to a 12.2 percent decrease in 2009. The inventory of unsold homes is also decreasing compared to 2009.

For the fiscal year ended June 30, 2010, taxable sales decreased 3.6 percent. OCTA, however, forecasts an increase of 1.1 percent growth for the year ending June 30, 2011. This is a conservative forecast when compared to a 6.1 percent blended rate of increase provided by three local universities that include California State University, Fullerton; Chapman University; and the University of California, Los Angeles.

OCTA is also seeing additional indicators that suggest its funding is stabilizing. A few examples include the reinstatement of California's State Transit Assistance Fund, increased usage of the 91 Express Lanes, and the allocation of Proposition 1B and 116 funds by the California Transportation Commission.

Long-term Financial Planning

In an effort to ensure long-term sustainability of transportation programs and services, OCTA developed a Comprehensive Business Plan (CBP), which is a financially constrained 20-year blueprint utilizing conservative economic assumptions. Using financial modeling and divisional input, a comprehensive study of economic influences and programmatic needs and objectives are incorporated into this planning document. The CBP validates the feasibility of proposed program and service levels, anticipates a variable economic environment, and identifies and proposes policy direction. The CBP is an evolving document that is updated periodically in response to the ever-changing social, political, and economic environment.

Relevant Financial Policies

OCTA utilizes several financial policies in guiding day-to-day operations and ensuring long-term financial sustainability. While there are overriding agency-wide financial policies, some financial policies are program-specific. A brief description of the major financial policies follows.

Budget Policy
OCTA's Budget Policy articulates that an annual budget will be prepared in accordance with the Comprehensive Business Plan, will be subject to a Public Hearing, and expenses will be controlled at the "Major Object" level. The three Major Objects for expenses at OCTA are: 1) salaries and benefits; 2) services and supplies; and 3) capital/fixed assets.

Position Control Policy
Position Control includes the control, maintenance and reporting of OCTA's annual allocation of full-time equivalent (FTE) positions as approved by the Board. The Position Control Policy ensures that OCTA does not employ more FTE's than approved by the Board and ensures that positions are filled at or below the salary grades approved in the annual budget.

OCTD 45-Day Working Capital Policy
The Comprehensive Business Plan requires a 45-day working capital reserve fund for transit operations. This reserve fund is in place to accommodate normal fluctuations in revenues and expenditures and protects against significant changes in funding or major expense items.

OCTD Fixed Asset Reserve Policy
Each year, OCTA sets aside operating funds derived from the Local Transportation Fund (LTF) ¼-cent sales tax for the local match for capital expenditures to support the transit system. The process of establishing the set-aside involves analyzing available grant revenues and capital requirements for the proceeding 20 years to determine the amount that needs to be set-aside in the upcoming budget year.

91 Express Lanes Financial Policies
In managing the 91 Express Lanes, the Board has adopted a policy on the use of "excess revenues" and the establishment of a capital replacement fund in excess of what is required under the bond indenture. "Excess revenues" are defined as total revenues less operating, capital, senior and subordinated debt service payments, and reserve fund payments. After meeting all debt service requirements, if additional revenues remain, these excess revenues may be used to retire debt early.

Major Initiatives

In 1990, Orange County voters approved Measure M (M1), a 20-year, local ½-cent sales tax that funded a package of transportation improvements. M1 allocated 43 percent of funds to freeway improvements, 32 percent to street and road improvements, and 25 percent to transit programs. OCTA has been successful in delivering on the promises of M1. As the program winds down and expires in April 2011, the accomplishments of M1 are significant. Over $4 billion will have been strategically invested in Orange County's transportation infrastructure. In fall of 2010, the I-5 Gateway project in North Orange County will be completed, representing the culmination of a complete overhaul of the Orange County freeway network over the past 20 years. In that period, every freeway in Orange County was widened and several chokepoints were alleviated. The street and road network in Orange County has also been maintained and improved, as over $1 billion has been allocated to local jurisdictions. Another significant accomplishment of M1 has been the establishment and continued funding of Metrolink operations, a countywide commuter rail program.

On November 7, 2006, Orange County voters renewed the Measure M (M2) ½-cent sales tax for an additional 30 years. The allocation of M2 funds remains the same as the original M1 with 43 percent of the funds slated for freeway improvements, 32 percent for streets and roads, and 25 percent for transit projects and programs. Although the collection of M2 revenues will not begin until April 2011, OCTA has already begun to deliver on the promises of M2. In August 2007, the Board approved the M2 Early Action Plan. Under this five-year plan, five M2 freeway projects will be under construction, with one project entirely complete, before any revenue is collected. These projects have been advanced using a tax-exempt commercial paper program. By borrowing funds at attractive rates and leveraging state and federal funds, OCTA has been able to start projects early. Early action on M2 projects serves the dual purpose of providing immediate transportation solutions to Orange County commuters while also creating or saving thousands of jobs during difficult economic times. Additionally, OCTA has been able to take advantage of a very competitive market where construction contracts have been executed at costs significantly below engineering estimates.

M2 also provides significant funding to expand Metrolink service within Orange County. Metrolink currently operates 44 trains each weekday. With a sustained, 30-year funding commitment from M2, higher frequency, intra-county Metrolink service is planned. In order to accommodate higher levels of service, significant capital investment will be required. Utilizing a combination of local, state, and federal revenue sources, a $420 million Metrolink Service Expansion Program was approved by the Board in October 2005. As part of this program, new rail cars will be purchased, stations upgraded, parking capacity added, track capacity increased, and grade crossings enhanced. Construction for the expanded service is expected to be complete in fiscal year 2010-11 with additional service phased in shortly thereafter.

During the fiscal year ended June 30, 2010, OCTA completed a bus service reduction program designed to match service levels with long-term revenue projections. This reduction program was necessitated by declining sales tax revenue, declining state funding, and reduced ridership. In total, 383,000 fixed route revenue hours were eliminated, representing a 20 percent reduction in fixed route service from peak levels. The reduction was 150,000 revenue hours less than that approved in the fiscal year 2009-10 budget due to the mid-year restoration of transit funding through the State Transit Assistance program. As part of the State of California's fiscal year 2009-10 budget, this program was restored and is anticipated to resume in fiscal year 2011-12; however, OCTA will spend reserves in fiscal year 2010-11 to sustain service levels until State Transit Assistance resumes.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OCTA for its CAFR for the fiscal year ended June 30, 2009. This was the 27th consecutive year OCTA or its predecessor agency received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe the CAFR for fiscal year ended June 30, 2010 continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA, expecting it to be eligible for another certificate.

The preparation of the CAFR required the dedication of staff in many OCTA departments. We wish to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Special appreciation is extended to the Board for its support for maintaining the highest standards of professionalism in the management of OCTA's finances.

Respectfully submitted,

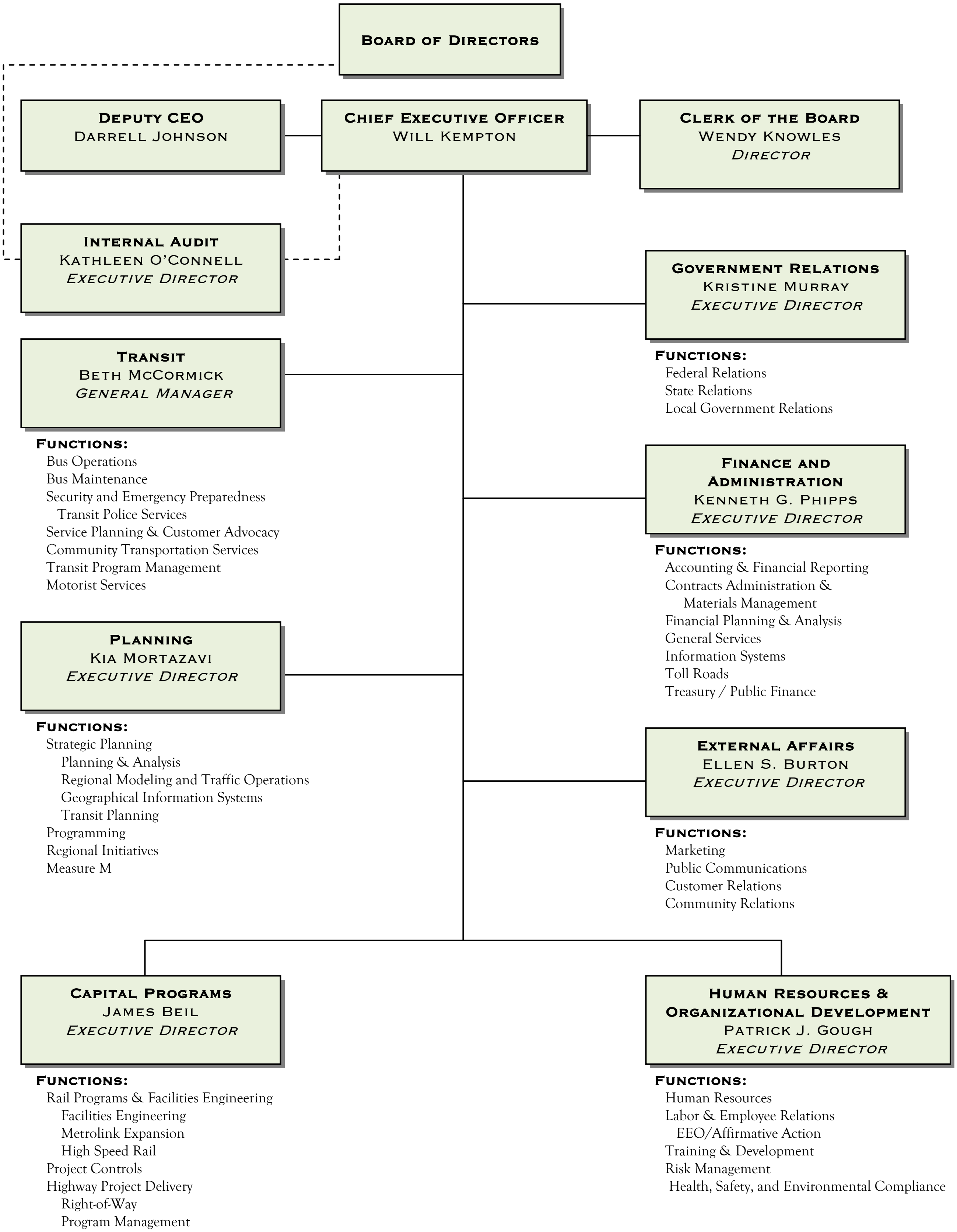
Will Kempton

Will Kempton
Chief Executive Officer

Kenneth Phipps

Kenneth G. Phipps
Executive Director, Finance and Administration

2010 ORGANIZATION CHART



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DARRELL JOHNSON

CHIEF EXECUTIVE OFFICER
WILL KEMPTON

CLERK OF THE BOARD
WENDY KNOWLES
DIRECTOR

INTERNAL AUDIT
KATHLEEN O'CONNELL
EXECUTIVE DIRECTOR

GOVERNMENT RELATIONS
KRISTINE MURRAY
EXECUTIVE DIRECTOR

FUNCTIONS:
- Federal Relations
- State Relations
- Local Government Relations

TRANSIT
BETH MCCORMICK
GENERAL MANAGER

FUNCTIONS:
- Bus Operations
- Bus Maintenance
- Security and Emergency Preparedness
  - Transit Police Services
- Service Planning & Customer Advocacy
- Community Transportation Services
- Transit Program Management
- Motorist Services

FINANCE AND ADMINISTRATION
KENNETH G. PHIPPS
EXECUTIVE DIRECTOR

FUNCTIONS:
- Accounting & Financial Reporting
- Contracts Administration & Materials Management
- Financial Planning & Analysis
- General Services
- Information Systems
- Toll Roads
- Treasury / Public Finance

PLANNING
KIA MORTAZAVI
EXECUTIVE DIRECTOR

FUNCTIONS:
- Strategic Planning
  - Planning & Analysis
  - Regional Modeling and Traffic Operations
  - Geographical Information Systems
  - Transit Planning
- Programming
- Regional Initiatives
- Measure M

EXTERNAL AFFAIRS
ELLEN S. BURTON
EXECUTIVE DIRECTOR

FUNCTIONS:
- Marketing
- Public Communications
- Customer Relations
- Community Relations

CAPITAL PROGRAMS
JAMES BEIL
EXECUTIVE DIRECTOR

FUNCTIONS:
- Rail Programs & Facilities Engineering
  - Facilities Engineering
  - Metrolink Expansion
  - High Speed Rail
- Project Controls
- Highway Project Delivery
  - Right-of-Way
  - Program Management

HUMAN RESOURCES & ORGANIZATIONAL DEVELOPMENT
PATRICK J. GOUGH
EXECUTIVE DIRECTOR

FUNCTIONS:
- Human Resources
- Labor & Employee Relations
  - EEO/Affirmative Action
- Training & Development
- Risk Management
- Health, Safety, and Environmental Compliance

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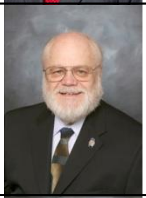
Mayor Pro Tem,
City of Tustin

Patricia Bates
Vice-Chair
Supervisor, District 5
County of Orange

Arthur C. Brown
Director
Councilman,
City of Buena Park



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Director
Supervisor, District 3
County of Orange

Carolyn Cavecche
Director
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City of Orange

William J. Dalton
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Mayor,
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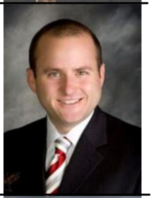
Richard Dixon
Director
Mayor,
City of Lake Forest

Paul Glaab
Director
Mayor Pro Tem,
City of Laguna Niguel

Don Hansen
Director
Councilmember,
City of Huntington Beach



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Mayor,
City of Costa Mesa

John Moorlach
Director
Supervisor, District 2
County of Orange

Shawn Nelson
Director
Supervisor, District 4
County of Orange

Janet Nguyen
Director
Supervisor, District 1
County of Orange

Curt Pringle
Director
Mayor,
City of Anaheim

Miguel Pulido
Director
Mayor,
City of Santa Ana

Gregory T. Winterbottom
Director
Public Member

Cindy Quon
Governor's Ex-officio Member
Director, Caltrans District 12

Will Kempton	Chief Executive Officer
Darrell Johnson	Deputy Chief Executive Officer
Wendy Knowles	Clerk of the Board
Kathleen O'Connell	Executive Director, Internal Audit
Kennard R. Smart, Jr.	General Counsel

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Patrick J. Gough	Executive Director, Human Resources & Organizational Development
James Beil	Executive Director, Capital Programs
Beth McCormick	General Manager, Transit
Kia Mortazavi	Executive Director, Planning
Kristine Murray	Executive Director, Government Relations
Kenneth G. Phipps	Executive Director, Finance and Administration

Andrew Oftelie	Director, Finance and Administration
Virginia Abadessa	Director, Contracts Administration and Materials Management
Kirk Avila	Treasurer / General Manager, Tollroads
Carolina Coppolo	Manager, Contracts and Procurement
Meena Katakia	Manager, Capital Projects
William Mao	Chief Information Officer, Information Systems
Andrew Oftelie	Acting, Manager, Financial Planning and Analysis
Lori Parsel	Section Manager, General Services
Tom Wulf	Manager, Accounting and Financial Reporting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Transportation Authority, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Jeffrey R. Esser
Executive Director

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2010, 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 opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, of OCTA for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2010, OCTA changed the manner in which it accounts for derivative instruments as a result of the implementation of GASB Statement No. 53, as described further in note 11 to the financial statements.

The information identified in the accompanying table of contents as *Management's Discussion and Analysis* and *Required Supplementary Information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OCTA's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2010 on our consideration of OCTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
October 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Orange County Transportation Authority (OCTA), we offer readers of OCTA's financial statements this narrative overview and analysis of OCTA's financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages v-x and OCTA's financial statements that begin on page 16. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total net assets of OCTA were $1,139,387 and consisted of net assets invested in capital assets, net of related debt, of $511,591; restricted net assets of $323,824; and unrestricted net assets of $303,972.

- Beginning net assets were restated $22,496 due to the implementation of GASB 53 and the recording of the accumulated negative changes in fair value of the swap, sales tax revenue not accrued for in the prior fiscal year and revenues recorded in the prior fiscal year that were not available to finance current year expenditures (see note 18). Net assets decreased $114,415 during fiscal year 2009-10. The decrease in net assets from governmental activities of $74,651 was attributable to governmental program costs in excess of tax revenues. The decrease in net assets from business-type activities of $39,764 was related to an increase in contracted services and expenses related to the Bristol Street widening project offset by a decrease in investment earnings.

- Total capital assets, net of accumulated depreciation, were $655,589 at June 30, 2010, representing a decrease of $38,439, or 6%, over June 30, 2009. This decrease in capital assets was primarily due to the retirement of diesel powered revenue vehicles and an increase in deprecation due to the purchase of CNG vehicles in the previous fiscal year.

- OCTA's governmental funds were restated $35,523 due to sales tax revenue not accrued for in the prior fiscal year and revenues recorded in the prior fiscal year that were either not available to finance current year expenditures or were not available for reimbursement (see note 18). OCTA's governmental funds reported combined ending fund balances of $508,693, a decrease of $158,983 compared to fiscal year 2008-09. Approximately 73% of the governmental fund balances represent Local Transportation Authority amounts available for the Measure M program, including debt service.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to OCTA's basic financial statements. The basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of OCTA's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of OCTA's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of OCTA is improving or deteriorating.

The statement of activities presents information showing how OCTA's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of OCTA that are principally supported by taxes and intergovernmental revenues, or governmental activities, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, or business-type activities. The governmental activities of OCTA include general government, the Measure M program, motorist services and commuter rail. The business-type activities of OCTA include fixed route transit services, paratransit services, tollroad operations and the taxicab administration program.

The government-wide financial statements include only OCTA and its blended component units. The government-wide financial statements can be found on pages 16-17 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of OCTA's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and related statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

OCTA maintains 14 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the related statement of revenues, expenditures and changes in fund balances for OCTA's major governmental funds comprised of the General fund; Local Transportation Authority (LTA), Local Transportation Fund (LTF), and Commuter Urban Rail Endowment (CURE) special revenue funds; and LTA Debt Service fund, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

OCTA adopts an annual budget for all funds. Budgetary comparison schedules have been provided for the General fund and the LTA, Local Transportation Fund and CURE special revenue funds as required supplementary information to demonstrate compliance with the annual appropriated budgets.

The governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds consist of enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. OCTA uses enterprise funds to account for its transit, tollroad and taxicab administration operations. Internal service funds are an accounting device used to accumulate and allocate costs internally to the departments benefiting from OCTA's risk management activities, which include general liability and workers' compensation. Since these risk management activities predominantly benefit business-type rather than governmental functions, they have been included within business-type activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Orange County Transit District (OCTD) and 91 Express Lanes, which are considered to be major enterprise funds of OCTA. Data from the Bus Operations Fund and the Orange County Taxicab Administration Program Fund are combined into a single aggregated presentation. Additionally, data from the General Liability and Workers' Compensation internal service funds are also combined into a single, aggregated presentation.

The proprietary fund financial statements can be found on pages 22-28 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside OCTA. Fiduciary funds are not reflected in the government-wide financial statements, as the resources of those funds are not available to support OCTA's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-72 of this report.

Other information is in addition to the basic financial statements and accompanying notes. This report also presents certain required supplementary information concerning OCTA's budgetary results for the General fund and major special revenue funds with appropriated budgets. Required supplementary information can be found on pages 73-77 of this report.

The combining statements referred to earlier relating to nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information. In addition, budgetary results for all other nonmajor governmental funds are located in this section. This other supplementary information can be found on pages 79-102 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2010, OCTA's assets exceeded liabilities by $1,139,387, a $114,415 decrease from June 30, 2009. Our analysis below focuses on net assets (Table 1) and changes in net assets (Table 2) of OCTA's governmental and business-type activities.

Approximately 45%, compared to 44% in 2009, of OCTA's net assets reflect its investment in capital assets (i.e., toll facility franchise; land; buildings and improvements; machinery, equipment and furniture; transit vehicles; and transponders), less any related outstanding debt used to acquire these assets. OCTA uses these capital assets to provide transportation and transit services to the residents and business community of Orange County. The increase of $4,362 in net assets invested in capital assets, net of related debt, from governmental activities was primarily due to the purchase of land for the Metrolink Service Expansion Program (MSEP). The decrease of $35,684 in net assets invested in capital assets, net of related debt, from business-type activities was primarily related to the retirement of diesel powered revenue vehicles.

Restricted net assets, representing resources subjected to external restrictions on how they may be used, were 28% and 31% of the total net assets at June 30, 2010 and 2009, respectively. Restricted net assets from governmental activities decreased $62,244 as a result of program costs for the Measure M program exceeding sales taxes and unrestricted investment earnings received. The increase in restricted net assets from business-type activities of $864 is related to investment activity in bond reserve accounts.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets from governmental activities changed from $149,839 at June 30, 2009 to $133,070 at June 30, 2010. This decrease was primarily due to the continued effort in the MSEP. The decrease of $4,944 in unrestricted net assets from business-type activities was primarily attributable to the implementation of GASB 53 and the recording of a negative fair value of a derivative instrument and the transfer of funds from the Bus Operations Fund to OCTD for operations.

Table 1
Orange County Transportation Authority
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets, as restated	$646,064	$725,594	$255,625	$245,861	$901,689	$971,455
Restricted assets	73,069	72,602	38,854	37,990	111,923	110,592
Prepaid retirement	4,024	4,061	14,436	19,232	18,460	23,293
Land held for resale	6,623	5,667	-	-	6,623	5,667
Capital assets	180,131	175,769	475,458	518,259	655,589	694,028
Total assets, as restated	909,911	983,693	784,373	821,342	1,694,284	1,805,035
Current liabilities, as restated	207,821	128,510	76,843	62,239	284,664	190,749
Long-term liabilities	85,284	163,726	184,949	196,758	270,233	360,484
Total liabilities, as restated	293,105	292,236	261,792	258,997	554,897	551,233
Net assets:						
Invested in capital assets, net of related debt	180,131	175,769	331,460	367,144	511,591	542,913
Restricted, as restated	303,605	365,849	20,219	19,355	323,824	385,204
Unrestricted, as restated	133,070	149,839	170,902	175,846	303,972	325,685
Total net assets	$616,806	$691,457	$522,581	$562,345	$1,139,387	$1,253,802

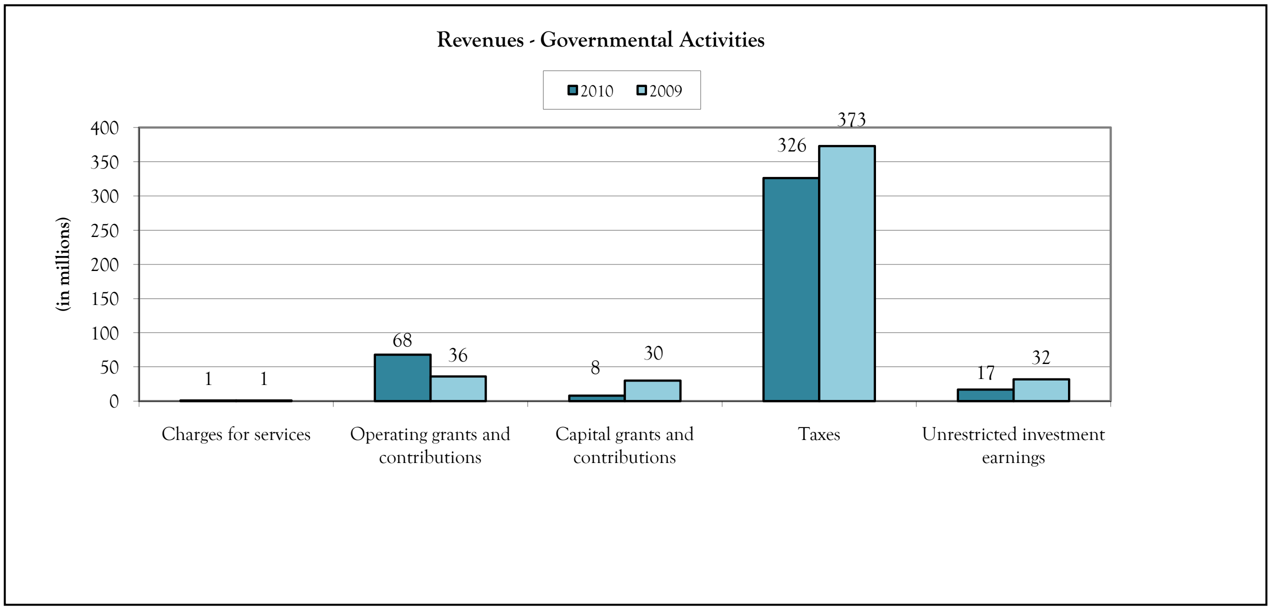
OCTA's total revenues decreased by 13%, while the total cost of all programs increased by 11%. The increase in program costs is primarily due to the Interstate 5 (I-5) gateway project, the continuing effort to complete the Combined Transportation Funding Programs (CTFP) with cities due to the upcoming conclusion of the Measure M1 program and the MSEP. Approximately 43% of the costs of OCTA's programs were paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants and contributions. Taxes and investment earnings financed a significant portion of the programs' net costs. The analysis in Table 2 separately considers the operations of governmental and business-type activities.

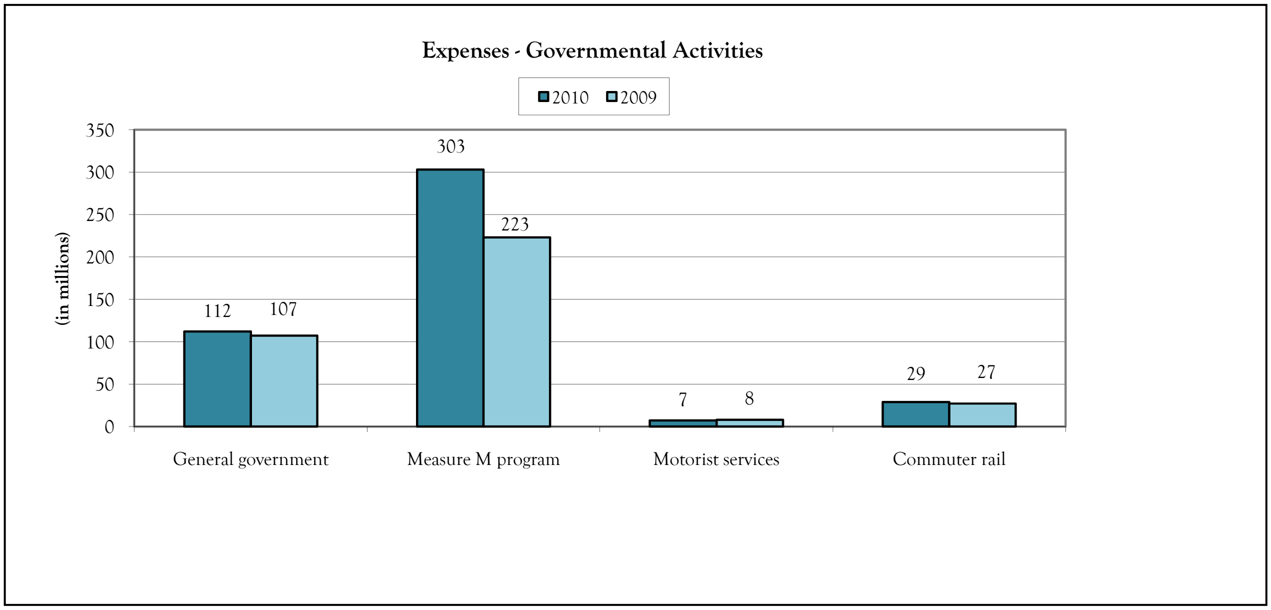
Table 2
Orange County Transportation Authority
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$1,129	$1,100	$ 98,918	$ 103,216	$ 100,047	$ 104,316
Operating grants and contributions	68,015	36,092	88,597	80,242	156,612	116,334
Capital grants and Contributions, as restated	8,279	30,048	1,841	56,588	10,120	86,636
General revenues:						
Taxes, as restated	326,005	373,550	10,220	11,295	336,225	384,845
Unrestricted investment earnings, as restated	17,325	31,501	4,184	(2,704)	21,509	28,797
Other miscellaneous revenue	328	412	207	340	535	752
Total revenues, as restated	421,081	472,703	203,967	248,977	625,048	721,680
Expenses:						
General government	112,138	106,676	-	-	112,138	106,676
Measure M program	302,851	222,731	-	-	302,851	222,731
Motorist services	7,497	7,814	-	-	7,497	7,814
Commuter rail	29,395	27,009	-	-	29,395	27,009
Fixed route	-	-	210,526	224,538	210,526	224,538
Paratransit	-	-	42,999	37,980	42,999	37,980
Tollroad	-	-	33,713	38,224	33,713	38,224
Taxicab administration	-	-	344	299	344	299
Total expenses	451,881	364,230	287,582	301,041	739,463	665,271
Indirect expense allocation	(31,187)	(36,091)	31,187	36,091	-	-
Increase (decrease) in net assets before transfers, as restated	387	144,564	(114,802)	(88,155)	(114,415)	56,409
Transfers	(75,038)	(76,493)	75,038	76,493	-	-
Changes in net Assets, as restated	(74,651)	68,071	(39,764)	(11,662)	(114,415)	56,409
Net assets—beginning of year, as restated	691,457	623,386	562,345	574,007	1,253,802	1,197,393
Net assets—end of year, as restated	$616,806	$691,457	$ 522,581	$ 562,345	$1,139,387	$1,253,802

GOVERNMENTAL ACTIVITIES

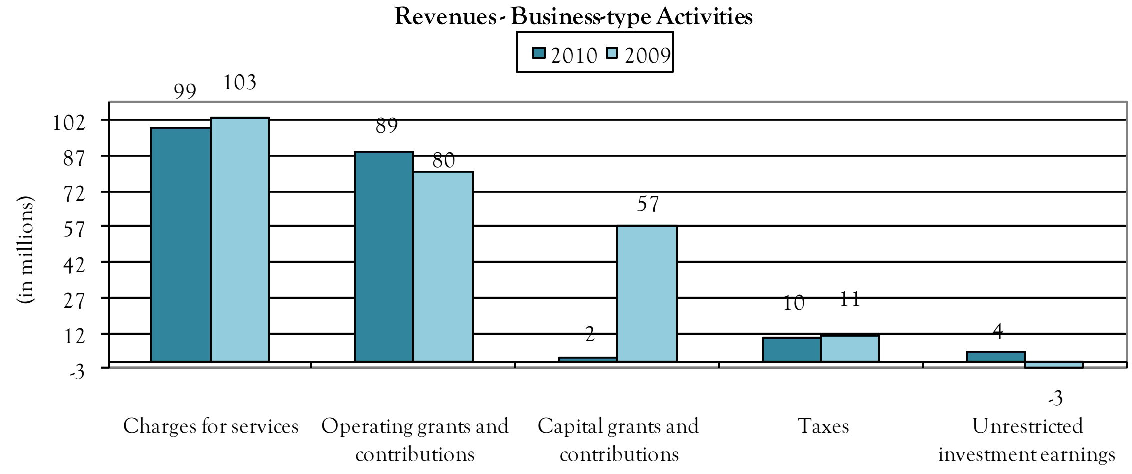
Total revenues for OCTA's governmental activities decreased $51,622 primarily due to a decrease in sales taxes and unrestricted investment earnings due to the economic downturn, offset by an increase in capital grants and contributions received to reimburse expenditures related to the MSEP and grade crossing projects. Total expenses increased $87,651 primarily due to the I-5 gateway project, the MSEP, and the CTFP.

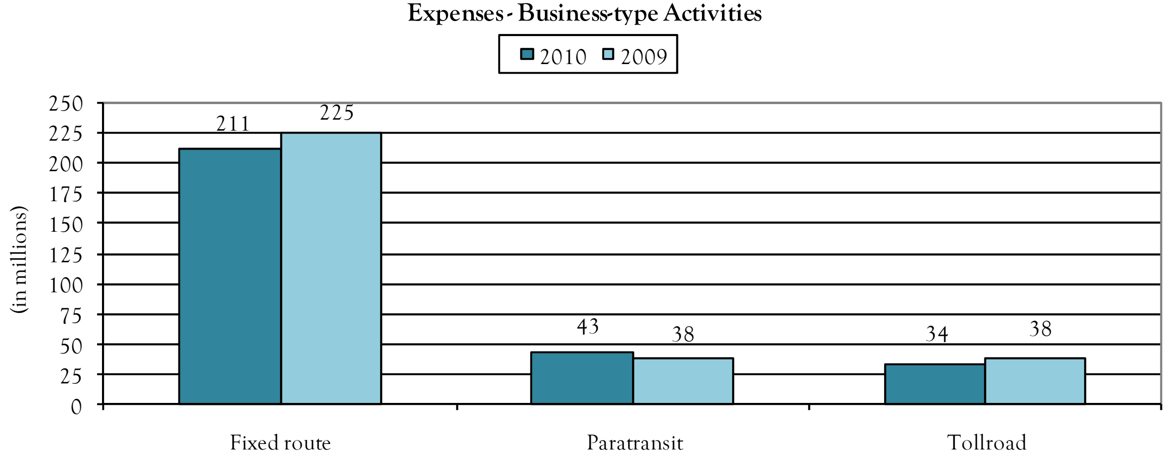




BUSINESS-TYPE ACTIVITIES

Revenues of OCTA's business-type activities decreased $45,010 primarily due to the decrease in capital grants and contributions due to the purchase of CNG and paratransit buses in the previous fiscal year. Total expenses decreased $13,459 primarily due to the decrease in fixed route bus service due to the declining sales tax revenue and reduced ridership, offset by higher contract costs for paratransit service.





FINANCIAL ANALYSIS OF OCTA'S FUNDS

As noted earlier, OCTA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of OCTA's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing OCTA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2010, OCTA's governmental funds reported combined ending fund balances of $508,693, a decrease of $158,983 compared to 2009. Approximately 13%, or $64,424, of this total amount constitutes unreserved fund balance the majority of which is related to commuter rail. The remainder of fund balance is reserved to indicate that it is not available for new spending because of the following commitments:

- $1,682 deposited with the State for condemnation deposits;
- $4,024 prepaid retirement;
- $5,759 other assets;
- $89,180 to liquidate contracts and purchase orders of the current and prior periods;
- $9,542 advance to the 91 Express Lanes to purchase the Toll Road;
- $7,519 advance to Renewed Measure M to pay for expenditures and administrative costs;
- $109,655 to pay debt service on Measure M sales tax revenue bonds issued in prior years to accelerate funding for Measure M projects;
- $207,897 for transportation programs primarily related to Measure M projects;
- $9,011 for motorist services.

The significant changes in the fund balances of OCTA's major governmental funds are as follows:

The General fund balance decreased by $2,257, primarily due to the receipt of State Transportation Improvement Program funding transferred to OCUTT, the fund that advanced the State Route 91 (SR-91) Major Investment study.

The Local Transportation Authority fund decreased by $128,137, primarily due to the I-5 gateway project, the continuing effort to complete CTFP projects and the MSEP, offset by the restatement of beginning fund balance due to recording the previous year's sales tax accrual (see note 18).

The Commuter and Urban Rail Endowment (CURE) fund balance decreased by $27,826. This decrease was primarily due to an increase in contributions to Southern California Regional Rail Authority (SCRRA) for operations and capital due to the MSEP.

PROPRIETARY FUNDS

OCTA's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds were $147,921 at June 30, 2010 compared to $167,227 at June 30, 2009. The following are the significant changes in net assets of OCTA's major proprietary funds:

The Orange County Transit District fund net assets decreased $28,819, primarily due to an increase in contracted services and expenses related to the Bristol Street widening project.

The Bus Operations fund decreased $13,415 due to the transfer of funds to the OCTD for transit operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

REVENUES

There were no changes in budgeted revenue for the fiscal year ended June 30, 2010. The primary sources of revenues for the general fund are made up of federal, state, and local sources.

Actual revenues were less than the final budget by $12 million. The primary underrun in both capital assistance grants and contributions from other agencies were strictly related to timing. Funds in these categories are received on a reimbursement basis. Reimbursements are sought as expenses are incurred throughout the life of a project. The projects contributing to the underruns are the Jeffrey Road Grade Separation project, the Video Surveillance System for Metrolink stations, the Jobs Access and Reverse Commute program (JARC) and the New Freedom Program. All of these projects are underway and reimbursement will be sought as expenses are incurred. These projects were all re-budgeted in fiscal year 2010-11.

EXPENDITURES

During the fiscal year, the original budget increased by $3 million primarily due to amendments and transfers. The amendments that impacted on the original budget were both related to the Costa Mesa Freeway Continuous High Occupancy Vehicle Lane Access project. The transfer that contributed to the increase of the original budget was a transfer of budget authority from the OCTD fund. This transfer was utilized to cover expenses associated with the Public Agency Retirement Services supplementary retirement plan.

Actual expenditures were less than the final budget by $29.9 million. This was primarily due to project delays arising from changes in scope and changes to plans involving multiple agencies for the following projects: Bristol Street Widening, $5.5 million; JARC and New Freedoms programs, $4.8 million; Video Surveillance System, $2.3 million; and the Jeffrey Road Grade Separation project, $2 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2010, OCTA had $655,589, net of accumulated depreciation, invested in a broad range of capital assets including: the 91 Express Lanes toll facility franchise, transit vehicles, land, buildings and machinery, equipment and furniture (Table 3). The total decrease in OCTA's capital assets for fiscal year 2009-10 was 6%, which was comprised of a 2% increase in capital assets related to governmental activities and a 8% decrease in capital assets related to business-type activities.

Table 3
Orange County Transportation Authority
Capital Assets, net of depreciation and amortization

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 173,337	$ 169,629	$ 55,129	$ 55,445	$ 228,466	$ 225,074
Buildings and improvements	2,551	3,368	92,914	96,166	95,465	99,534
Transit vehicles	-	-	165,232	195,800	165,232	195,800
Machinery, equipment and furniture	1,509	982	11,901	13,235	13,410	14,217
Toll facility franchise	-	-	150,282	157,613	150,282	157,613
Construction in progress	2,734	1,790	-	-	2,734	1,790
Totals	$ 180,131	$ 175,769	$ 475,458	$ 518,259	$ 655,589	$ 694,028

Major capital asset additions during 2010 included:

- $4,082 for land purchased for the Metrolink Service Expansion Program
- $2,080 for building improvements at various bus bases
- $1,645 for communication equipment and information systems

Major capital asset deletions during 2010 included:

- $14,644 for disposal of revenue vehicles
- $1,014 for the retirement of various building improvements

More detailed information about OCTA's capital assets is presented in note 8 to the financial statements.

OCTA has outstanding capital expenditure commitments, the most significant of which are: $40,560 for the Bristol Street Widening project, $30,449 for the MSEP, $96,949 for grade crossing enhancements and safety improvements and $20,124 for bus radio system replacement.

DEBT ADMINISTRATION

As of June 30, 2010, OCTA had $353,220 in bonds and commercial paper notes outstanding compared to $386,140 at June 30, 2009, as presented in Table 4.

Table 4
Orange County Transportation Authority
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Sales tax revenue bonds	$ 82,795	$ 161,200	$ -	$ -	$ 82,795	$ 161,200
Commercial paper notes	100,000	50,000	-	-	100,000	50,000
Revenue refunding bonds	-	-	170,425	174,940	170,425	174,940
Totals	$ 182,795	$ 211,200	$170,425	$174,940	$ 353,220	$ 386,140

OCTA issued $50,000 in Renewed Measure M commercial paper notes; and retired $78,405 of sales tax revenue bonds and $4,515 of revenue refunding bonds during fiscal year 2010.

OCTA maintains a "AAA" rating from Standard & Poor's, a "AA" rating from Fitch and a "Aa2" rating from Moody's for its Measure M 1st Senior Sales Tax Revenue Bonds and a "AA" rating from Standard & Poor's, an "AA-" rating from Fitch and a "Aa3" rating from Moody's for its Measure M 2nd Senior Sales Tax Revenue Bonds. The Toll Road Revenue Refunding Bonds (91 Express Lanes) have ratings of "A1" by Moody's, "A" from Fitch, and "A" by Standard and Poor's.

Additional information on OCTA's short-term debt, interest rate swaps and long-term debt can be found in notes 10, 11 and 12 to the financial statements, respectively.

ECONOMIC AND OTHER FACTORS

On June 14, 2010, OCTA's Board of Directors (Board) adopted the fiscal year 2011 budget, a $1.2 billion budget developed as OCTA emerges from the most severe economic decline in the agency's history. Over the last few years, OCTA has experienced unprecedented reductions in sales tax revenue, loss of state support for transit operations and plummeting ridership. The Board took difficult measures to ensure OCTA remained a responsible steward of limited taxpayer dollars while delivering long-term, sustainable transportation solutions for the residents of Orange County. OCTA's balanced budget reflects a successful navigation of troubling financial times and represents a clear path to a sustainable future.

The fiscal year 2011 budget anticipates no further cuts in bus service following two straight years of reductions. Stabilizing bus service was a direct result of the Board's management of the fiscal crisis – including service reductions, hiring and compensation freezes, benefit reductions, and the elimination of a number of administrative positions. In addition, initial signs of financial recovery are beginning to emerge with a projected growth in sales tax, infusion of state funding for transit and increases in 91 Express Lanes ridership.

A significant milestone will be realized in fiscal year 2010-11 with the sunset of the original Measure M (M1). OCTA will conclude a successful program of delivering more than $4 billion in transportation improvements to Orange County residents. The final major M1 freeway project – the I-5 Gateway project – was completed in September 2010 and will bring relief to thousands of daily commuters. As Measure M has delivered on its promises, the collection of sales tax under the renewed Measure M (M2) will get under way during the latter part of the budget year.

Significant freeway projects will also begin construction in fiscal year 2010-11 as work kicks off on adding a lane to two stretches of the Orange Freeway (SR-57) and the West County Connectors project, which will provide a direct link between carpool lanes on the Garden Grove Freeway (SR-22) and the San Diego Freeway (I-405). In addition, the M2 environmental mitigation program will begin and Metrolink users will see the long-awaited rail service expansion get rolling between Laguna Niguel/Mission Viejo and Fullerton.

Moving forward, OCTA's Board, management, and employees will work diligently to develop solutions to sustain and enhance our transportation network for the residents of Orange County.

Contacting OCTA's Management

This financial report is designed to provide a general overview of OCTA's finances for all those with an interest in the government's finances and to show OCTA's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance and Administration Division at the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange, California 92863-1584.

STATEMENT OF NET ASSETS

(thousands)

June 30, 2010	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 534,677	$ 218,478	$ 753,155
Receivables:			
Interest	1,920	2,252	4,172
Operating grants	3,233	8,794	12,027
Capital grants	2,647	162	2,809
Other	111	10,284	10,395
Internal balances	9,197	(9,197)	-
Due from other governments	84,524	9,485	94,009
Condemnation deposits	1,682	-	1,682
Inventory	-	6,560	6,560
Restricted cash and investments:			
Cash equivalents	44,453	38,854	83,307
Investments	28,616	-	28,616
Prepaid retirement	4,024	14,436	18,460
Other assets	8,073	8,807	16,880
Assets held for resale	6,623	-	6,623
Capital assets, net:			
Nondepreciable	176,071	55,129	231,200
Depreciable and amortizable	4,060	420,329	424,389
TOTAL ASSETS	909,911	784,373	1,694,284
LIABILITIES			
Accounts payable	27,196	20,294	47,490
Accrued payroll and related items	1,829	5,211	7,040
Accrued interest payable	1,755	8,910	10,665
Due to other governments	61,723	656	62,379
Unearned revenue	15,259	21,662	36,921
Other liabilities	59	438	497
Commercial paper notes	100,000	-	100,000
Derivative instrument liability	-	19,672	19,672
Noncurrent liabilities:			
Due within one year	85,171	17,798	102,969
Due in more than one year	113	167,151	167,264
TOTAL LIABILITIES	293,105	261,792	554,897
NET ASSETS			
Invested in capital assets, net of related debt	180,131	331,460	511,591
Restricted for:			
Measure M program	184,772	-	184,772
Debt Service	109,655	6,877	116,532
Motorist services	9,178	-	9,178
Capital	-	10,116	10,116
Other purposes	-	3,226	3,226
Unrestricted	133,070	170,902	303,972
TOTAL NET ASSETS	$ 616,806	$ 522,581	$ 1,139,387

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES

(thousands)

			Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
for the year ended June 30, 2010	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS								
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES:								
General government	$ 112,138	$ (46,687)	$ 121	$ 27,196	$ 5,559	$ (32,575)	$ -	$ (32,575)
Measure M program	302,851	14,281	434	32,777	-	(283,921)	-	(283,921)
Motorist services	7,497	599	-	8,042	-	(54)	-	(54)
Commuter rail	29,395	620	574	-	2,720	(26,721)	-	(26,721)
TOTAL GOVERNMENTAL ACTIVITIES	451,881	(31,187)	1,129	68,015	8,279	(343,271)	-	(343,271)
BUSINESS-TYPE ACTIVITIES:								
Fixed route	210,526	29,052	48,776	82,705	1,641	-	(106,456)	(106,456)
Paratransit	42,999	-	6,568	5,853	200	-	(30,378)	(30,378)
Tollroad	33,713	1,965	43,009	39	-	-	7,370	7,370
Taxicab administration	344	170	565	-	-	-	51	51
TOTAL BUSINESS-TYPE ACTIVITIES	287,582	31,187	98,918	88,597	1,841	-	(129,413)	(129,413)
TOTAL PRIMARY GOVERNMENT	$ 739,463	$ -	$ 100,047	$ 156,612	$ 10,120	(343,271)	(129,413)	(472,684)
GENERAL REVENUES:								
Property taxes						-	10,220	10,220
Sales taxes						326,005	-	326,005
Unrestricted investment earnings						17,325	4,184	21,509
Other miscellaneous revenue						328	207	535
TRANSFERS						(75,038)	75,038	-
TOTAL GENERAL REVENUES AND TRANSFERS						268,620	89,649	358,269
Change in net assets						(74,651)	(39,764)	(114,415)
Net assets - beginning, as restated						691,457	562,345	1,253,802
NET ASSETS - ENDING						$ 616,806	$ 522,581	$ 1,139,387

See accompanying notes to the financial statements.

BALANCE SHEET - GOVERNMENTAL FUNDS

(thousands)

June 30, 2010	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 4,517	$ 395,203	$ 3,088	$ 68,293	$ 36,430	$ 27,146	$ 534,677
Receivables:							
Interest	10	1,229	7	320	156	198	1,920
Operating grants	1,026	2,207	-	-	-	-	3,233
Capital grants	624	-	-	2,023	-	-	2,647
Other	77	13	-	12	-	9	111
Due from other funds	215	-	-	5,029	-	-	5,244
Due from other governments	4,978	60,926	16,336	2	-	2,282	84,524
Condemnation deposits	-	1,682	-	-	-	-	1,682
Advances to other funds	-	-	-	9,542	-	7,519	17,061
Restricted cash and investments:							
Cash equivalents	-	-	-	-	44,453	-	44,453
Investments	-	-	-	-	28,616	-	28,616
Prepaid retirement	4,024	-	-	-	-	-	4,024
Other assets	436	1,174	-	-	-	4,149	5,759
TOTAL ASSETS	$ 15,907	$ 462,434	$ 19,431	$ 85,221	$ 109,655	$ 41,303	$ 733,951
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 3,408	$ 22,465	$ -	$ 706	$ -	$ 617	$ 27,196
Accrued payroll and related items	1,829	-	-	-	-	-	1,829
Compensated absences	2,376	-	-	-	-	-	2,376
Due to other funds	5,029	184	-	-	-	31	5,244
Due to other governments	457	55,530	-	1,148	-	4,588	61,723
Deferred revenue	392	17,431	-	1,117	-	346	19,286
Other liabilities	38	21	-	-	-	-	59
Advances from other funds	-	7,519	-	-	-	-	7,519
Commercial paper notes	-	100,000	-	-	-	-	100,000
Interest payable	-	26	-	-	-	-	26
TOTAL LIABILITIES	13,529	203,176	-	2,971	-	5,582	225,258
FUND BALANCES							
Reserved for:							
Condemnation deposits	-	1,682	-	-	-	-	1,682
Prepaid retirement	4,024	-	-	-	-	-	4,024
Other assets	436	1,174	-	-	-	4,149	5,759
Encumbrances	6,296	68,481	-	314	-	14,089	89,180
Advances	-	-	-	9,542	-	7,519	17,061
Debt service	-	-	-	-	109,655	-	109,655
Transportation programs	-	187,921	19,431	-	-	545	207,897
Motorist services	-	-	-	-	-	9,011	9,011
Unreserved, reported in:							
General fund	(8,378)	-	-	-	-	-	(8,378)
Special revenue funds	-	-	-	72,394	-	4,259	76,653
Capital projects funds	-	-	-	-	-	(3,851)	(3,851)
TOTAL FUND BALANCES	2,378	259,258	19,431	82,250	109,655	35,721	508,693
TOTAL LIABILITIES AND FUND BALANCES	$ 15,907	$ 462,434	$ 19,431	$ 85,221	$ 109,655	$ 41,303	$ 733,951

See accompanying notes to the financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

(thousands)

June 30, 2010

Amounts reported for governmental activities in the statement of net assets (page 16) are different because:

TOTAL FUND BALANCES (PAGE 18)	$	508,693
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		180,131
Assets held for resale is not a financial resource and therefore is not reported in the funds.		6,623
Revenue that was earned but not collected within the availability period has not been recognized in the governmental funds.		4,027
Other long-term assets related to costs of issuance and prepaid expenses are not available to pay for current-period expenditures and therefore are deferred.		2,313
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers' Compensation Internal Service Fund.		(345)
Interest payable on bonds outstanding is not due and payable in the current period and therefore is not reported in the funds.		(1,729)
Other liabilities, including other postemployment benefits, are not due and payable in the current period and are, therefore, not reported in the funds.		(52)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(82,855)
NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 16)	$	616,806

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

(thousands)

for the year ended June 30, 2010	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Sales taxes	$ -	$ 221,855	$ 80,177	$ -	$ -	$ 23,973	$ 326,005
Gasoline taxes	-	-	-	-	-	23,000	23,000
Vehicle registration fees	-	-	-	-	-	4,993	4,993
Fines	119	-	-	25	-	-	144
Contributions from other agencies	4,196	31,269	-	-	-	3,480	38,945
Interest and investment income/(loss)	(112)	12,219	42	3,405	783	830	17,167
Capital assistance grants	4,453	-	-	2,720	-	482	7,655
Miscellaneous	171	3,117	-	549	-	112	3,949
TOTAL REVENUES	8,827	268,460	80,219	6,699	783	56,870	421,858
EXPENDITURES							
Current:							
General government	9,883	65,459	1,399	18,964	151	6,041	101,897
Transportation:							
Contributions to other local agencies	26,604	193,355	3,518	10,825	-	25,321	259,623
Capital outlay	855	54,302	-	226	-	1,079	56,462
Debt service:							
Principal payments on long-term debt	-	-	-	-	78,405	-	78,405
Interest on long-term debt and commercial paper	-	403	-	-	9,018	-	9,421
TOTAL EXPENDITURES	37,342	313,519	4,917	30,015	87,574	32,441	505,808
Excess (deficiency) of revenues over (under) expenditures	(28,515)	(45,059)	75,302	(23,316)	(86,791)	24,429	(83,950)
OTHER FINANCING SOURCES (USES)							
Transfers in	29,339	6,524	-	1,126	87,428	3,949	128,366
Transfers out	(3,086)	(89,602)	(73,572)	(5,636)	(5,241)	(26,267)	(203,404)
Proceeds from sale of capital assets	5	-	-	-	-	-	5
TOTAL OTHER FINANCING SOURCES (USES)	26,258	(83,078)	(73,572)	(4,510)	82,187	(22,318)	(75,033)
Net change in fund balances	(2,257)	(128,137)	1,730	(27,826)	(4,604)	2,111	(158,983)
Fund balances-beginning - as restated	4,635	387,395	17,701	110,076	114,259	33,610	667,676
FUND BALANCES-ENDING	$ 2,378	$ 259,258	$ 19,431	$ 82,250	$ 109,655	$ 35,721	$ 508,693

See accompanying notes to the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

(thousands)

for the year ended June 30, 2010

Amounts reported for governmental activities in the statement of activities (page 17) are different because:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (PAGE 20)	$	(158,983)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.		5,367
Transfer of the completion of the SR22 HOV project to Caltrans.		(50)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(2,635)
Prepaid expenses are recorded in the fund statements as expenditures. However, in the Statement of Activities the cost of the asset is amortized over the life of the asset. This amount is the net between the prepaid amount and the amortization.		(180)
Prior year deferred revenues received in the current year are reported as revenues in the funds and are not reported in the statement of activities.		1,858
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		79,996
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		1
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers' Compensation Internal Service Fund.		(25)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 17)	$	(74,651)

See accompanying notes to the financial statements.

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS

(thousands)

	Enterprise Funds				
June 30, 2010	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	$ 125,952	$ 41,241	$ 14,027	$ 181,220	$ 37,258
Receivables:					
Interest	484	1,180	366	2,030	222
Operating grants	8,794	-	-	8,794	-
Capital grants	162	-	-	162	-
Violations, net	-	6,694	-	6,694	-
Farebox	1,011	-	-	1,011	-
Other	1,312	722	-	2,034	545
Due from other governments	9,472	-	12	9,484	1
Inventory	6,560	-	-	6,560	-
Prepaid retirement	14,399	-	37	14,436	-
Other assets	-	339	-	339	1,265
Total current assets	168,146	50,176	14,442	232,764	39,291
Noncurrent assets:					
Restricted cash and investments:					
Cash equivalents	-	38,854	-	38,854	-
Unamortized debt issuance costs	-	2,906	-	2,906	-
Net pension asset	4,297	-	-	4,297	-
Capital assets, net:					
Nondepreciable	55,129	-	-	55,129	-
Depreciable and amortizable	264,927	155,402	-	420,329	-
Total noncurrent assets	324,353	197,162	-	521,515	-
TOTAL ASSETS	492,499	247,338	14,442	754,279	39,291

See accompanying notes to the financial statements.

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS, *CONTINUED*

(thousands)

	Enterprise Funds				
June 30, 2010	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	$ 15,274	$ 4,506	$ 11	$ 19,791	$ 503
Accrued payroll and related items	5,200	-	11	5,211	-
Accrued interest	45	8,865	-	8,910	-
Claims payable	-	-	-	-	3,341
Due to other governments	614	42	-	656	-
Unearned revenue	17,538	4,122	2	21,662	-
Other liabilities	3	332	-	335	103
Current portion of long-term liabilities	9,702	4,740	15	14,457	-
Total current liabilities	48,376	22,607	39	71,022	3,947
Noncurrent liabilities:					
Advances from other funds	-	9,542	-	9,542	-
Claims payable	-	-	-	-	12,677
Derivative instrument liability	-	19,672	-	19,672	-
Long-term liabilities	2,942	151,532	-	154,474	-
Total noncurrent liabilities	2,942	180,746	-	183,688	12,677
TOTAL LIABILITIES	51,318	203,353	39	254,710	16,624
NET ASSETS					
Invested in capital assets, net of related debt	313,664	17,765	-	331,429	-
Restricted for:					
Debt service	-	6,877	-	6,877	-
Capital	-	10,116	-	10,116	-
Other purposes	-	3,226	-	3,226	-
Unrestricted	127,517	6,001	14,403	147,921	22,667
TOTAL NET ASSETS	$ 441,181	$ 43,985	$ 14,403	$ 499,569	$ 22,667

See accompanying notes to the financial statements.

RECONCILIATION OF THE STATEMENT OF FUND NET ASSETS OF PROPRIETARY FUNDS TO THE STATEMENT OF NET ASSETS

(thousands)

June 30, 2010

Amounts reported for business-type activities in the statement of net assets (page 16) are different because:

TOTAL NET ASSETS (PAGE 23)	$	499,569
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the general liability and workers' compensation internal service funds are included in business-type activities. Additionally, the effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers' Compensation Internal Service Fund.		23,012
NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 16)	$	522,581

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

(thousands)

	Enterprise Funds				
for the year ended June 30, 2010	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:					
User fees and charges	$ 51,680	$ 43,009	$ -	$ 94,689	$ -
Permit fees	-	-	565	565	-
Charges for services	-	-	-	-	6,139
TOTAL OPERATING REVENUES	51,680	43,009	565	95,254	6,139
OPERATING EXPENSES:					
Wages, salaries and benefits	124,023	-	232	124,255	-
Maintenance, parts and fuel	20,336	-	-	20,336	-
Purchased services	47,598	6,350	-	53,948	-
Administrative services	28,862	1,965	170	30,997	190
Other	1,936	423	2	2,361	130
Insurance claims and premiums	3	381	-	384	5,557
Professional services	15,481	3,672	131	19,284	1,742
General and administrative	5,022	540	5	5,567	-
Depreciation and amortization	37,375	9,072	-	46,447	-
TOTAL OPERATING EXPENSES	280,636	22,403	540	303,579	7,619
Operating income (loss)	(228,956)	20,606	25	(208,325)	(1,480)
NONOPERATING REVENUES (EXPENSES):					
Gas tax exchange	23,000	-	-	23,000	-
Federal operating assistance grants	65,182	39	-	65,221	-
Property taxes allocated by the County of Orange	10,220	-	-	10,220	-
Investment earnings	5,494	1,542	628	7,664	1,302
Investment loss on derivative instrument	-	(4,781)	-	(4,781)	-
Interest expense	(371)	(13,275)	-	(13,646)	-
Other	3,080	85	1	3,166	616
TOTAL NONOPERATING REVENUES (EXPENSES)	106,605	(16,390)	629	90,844	1,918
Income (loss) before contributions and transfers	(122,351)	4,216	654	(117,481)	438
Capital contributions	2,216	-	-	2,216	-
Transfers in	116,752	-	1	116,753	-
Transfers out	(25,436)	(1,283)	(14,000)	(40,719)	(996)
Change in net assets	(28,819)	2,933	(13,345)	(39,231)	(558)
Total net assets - beginning, as restated	470,000	41,052	27,748	538,800	23,225
TOTAL NET ASSETS - ENDING	$ 441,181	$ 43,985	$ 14,403	$ 499,569	$ 22,667

See accompanying notes to the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS OF PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES

(thousands)

for the year ended June 30, 2010

Amounts reported for business-type activities in the statement of activities (page 17) are different because:

NET CHANGE IN FUND NET ASSETS - TOTAL ENTERPRISE FUNDS (PAGE 25)	$	(39,231)
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue of the general liability and workers' compensation internal service funds are included in business-type activities in the statement of net assets. Additionally, the effect of allocating the workers' compensation Internal Service Fund loss to the Governmental activities.		(533)
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 17)	$	(39,764)

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

(thousands)

	Enterprise Funds				
for the year ended June 30, 2010	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	$ 50,542	$ 42,922	$ 570	$ 94,034	$ -
Receipts from interfund services provided	-	-	-	-	6,122
Payments to suppliers	(88,092)	(11,403)	(139)	(99,634)	(1,991)
Payments to claimants	(3)	-	-	(3)	(10,059)
Payments to employees	(123,608)	-	(237)	(123,845)	-
Payments for interfund services used	(28,862)	(1,965)	(170)	(30,997)	(190)
Advertising revenue received	2,966	-	-	2,966	-
Miscellaneous revenue received	810	85	1	896	616
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(186,247)	29,639	25	(156,583)	(5,502)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Gas tax exchange received	22,186	-	-	22,186	-
Federal operating assistance grants received	86,964	39	-	87,003	-
Property taxes received	10,220	-	-	10,220	-
Transfers from other funds	119,551	-	1	119,552	-
Transfers to other funds	(28,603)	(1,283)	(14,000)	(43,886)	(996)
Repayment of advances from other funds	-	(17,000)	-	(17,000)	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	210,318	(18,244)	(13,999)	178,075	(996)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Federal capital grants for acquisition and construction of capital assets	10,150	-	-	10,150	-
Proceeds from sale of capital assets	504	-	-	504	-
Principal payment on long-term debt	(3,417)	(4,514)	-	(7,931)	-
Interest paid on long-term debt	(395)	(8,264)	-	(8,659)	-
Acquisition and construction of capital assets	(3,605)	(1,250)	-	(4,855)	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	3,237	(14,028)	-	(10,791)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings	5,441	1,395	695	7,531	1,342
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,441	1,395	695	7,531	1,342
Net increase (decrease) in cash and cash equivalents	32,749	(1,238)	(13,279)	18,232	(5,156)
Cash and cash equivalents at beginning of year	93,203	81,333	27,306	201,842	42,414
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 125,952	$ 80,095	$ 14,027	$ 220,074	$ 37,258
NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES:					
Increase in interest expense incurred on advances from other funds	-	1,226	-	1,226	-
Increase in investment loss on derivative instrument	-	4,781	-	4,781	-
Amortization of bond premium	-	252	-	252	-
Amortization of bond deferred charges	-	1,068	-	1,068	-

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, *CONTINUED*

(thousands)

	Enterprise Funds				
for the year ended June 30, 2010	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Totals	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	$ (228,956)	$ 20,606	$ 25	$ (208,325)	$ (1,480)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation expense	37,375	1,741	-	39,116	-
Amortization of franchise agreement	-	7,331	-	7,331	-
Amortization of cost of issuance	-	142	-	142	-
Amortization of prepaid retirement	13,624	-	34	13,658	-
Advertising revenue	2,976	-	-	2,976	-
Miscellaneous	809	85	1	895	-
Insurance recoveries	-	-	-	-	616
Change in assets and liabilities:					
Other receivables	(543)	(48)	17	(574)	(161)
Due from other governments	-	-	(12)	(12)	-
Inventory	895	-	-	895	-
Prepaid retirement	(13,125)	-	(34)	(13,159)	-
Other assets	-	30	-	30	55
Accounts payable	643	(251)	1	393	(163)
Accrued payroll and related items	234	-	-	234	-
Compensated absences	(319)	-	(5)	(324)	-
Claims payable	-	-	-	-	(4,369)
Due to other governments	138	42	(2)	178	-
Unearned revenue	1	(24)	-	(23)	-
Other liabilities	1	(15)	-	(14)	-
Total adjustments	42,709	9,033	-	51,742	(4,022)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (186,247)	$ 29,639	$ 25	$ (156,583)	$ (5,502)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS					
Cash and investments	$ 125,952	$ 41,241	$ 14,027	$ 181,220	$ 37,258
Restricted cash and cash equivalents	-	38,854	-	38,854	-
Total cash and cash equivalents	$ 125,952	$ 80,095	$ 14,027	$ 220,074	$ 37,258

See accompanying notes to the financial statements.

STATEMENT OF FIDUCIARY NET ASSETS

(thousands)

June 30, 2010	Scholarship Trust Fund	ARBA Trust Fund
ASSETS		
Cash and cash equivalents held in OCTA pool	$ 6	$ -
Cash and cash equivalents held in OCERS pool	-	167
Investments at fair value:		
Mututal Funds	-	7,190
Accounts receivable	1	-
TOTAL ASSETS	7	7,357
NET ASSETS		
Held in trust for future scholarships	7	-
Held in trust for pension benefits	-	7,357
TOTAL NET ASSETS	$ 7	$ 7,357

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

(thousands)

for the year ended June 30, 2010	Scholarship Trust Fund	ARBA Trust Fund
ADDITIONS		
Contributions:		
Employer contributions	$ -	$ 916
Private donations	20	-
Total contributions	20	916
Investment income:		
Investment income	1	375
Less investment expense	-	18
Net investment income	1	357
TOTAL ADDITIONS	21	1,273
DEDUCTIONS		
Benefits	-	638
Scholarships	17	-
TOTAL DEDUCTIONS	17	638
Change in net assets	4	635
Net assets - beginning	3	6,722
NET ASSETS - ENDING	$ 7	$ 7,357

See accompanying notes to the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

On June 20, 1991, under the authority of Senate Bill 838, the Orange County Transportation Authority (OCTA) was formed as a special district by merging the following agencies and funds:

Orange County Transportation Commission (OCTC)
Orange County Transit District (OCTD)
Orange County Local Transportation Fund (LTF)
Orange County Unified Transportation Trust (OCUTT)
Transit Development Reserve
Orange County Local Transportation Authority (LTA)
State Transit Assistance Fund (STAF)
Orange County Service Authority for Freeway Emergencies (SAFE)
Orange County Service Authority for Abandoned Vehicles (SAAV)
Orange County Consolidated Transportation Services Agency (CTSA)
Orange County Congestion Management Agency

On January 3, 2003, 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 the Orange/Riverside County line and the Costa Mesa Freeway/SR 55. The purchase was enabled by State Assembly Bill 1010 (Correa), 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 until 2030, and eliminated noncompete provisions in the franchise agreement for needed improvements on SR 91. 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.

The OCTA governing board (Board) consists of 17 voting members. Five members are the Orange County Board of Supervisors, ten members are city representatives (one per supervisorial district selected by population-weighted voting, and one per supervisorial district selected on a one-city, one-vote method), two public members (neither of whom can be an elected official or have been an elected official during the previous four years), and one is a non-voting ex-officio member appointed by the governor (Caltrans District Director).

The Orange County Local Transportation Authority (LTA), a blended component unit of OCTA, was created pursuant to the provisions of the Local Transportation Authority and Improvement Act commencing with Section 180000 of the California Public Utilities Code and pursuant to Ordinance No. 2, adopted by the Board of Directors of the LTA on August 2, 1989. The Board also serves as the Board of Directors for the LTA. Separate financial statements are prepared and available from the OCTA Finance and Administration Division.

The Orange County Service Authority for Freeway Emergencies (SAFE), a blended component unit of OCTA, was created by Senate Bill 1199 which authorized the County Board of Supervisors, upon approval from a majority of the cities with a majority of the population, to establish SAFE. In 1986, SAFE began the implementation and operation of a freeway system of call boxes to help with motorist emergencies. SAFE is funded by a $1.00 fee paid at the time of vehicle registration. The OCTA Board also serves as the Board of Directors for SAFE. Separate financial statements are not issued for SAFE.

The Orange County Service Authority for Abandoned Vehicles (SAAV), a blended component unit of OCTA, was created by Senate Bill 4114 which authorized the County Board of Supervisors, upon approval from a majority of the cities with a majority of the population, to establish SAAV. In 1992, SAAV began funding cities' effort to remove unsightly and potentially dangerous abandoned vehicles. SAAV is funded by a $1.00 fee paid at the time of vehicle registration. The OCTA Board also serves as the Board of Directors for SAAV. Separate financial statements are not issued for SAAV.

The Orange County Transit District (OCTD), a blended component unit of OCTA, was created by an act of the California State Legislature in 1965 and approved by the voters of Orange County in November 1970. OCTD commenced operating a public transportation system in Orange County in August 1972. OCTD is primarily funded by a one quarter of one percent sales tax. The OCTA Board also serves as the Board of Directors for OCTD. Separate financial statements are not issued for OCTD.

The Orange County Transit District Financing Corporation (Corporation), a blended component unit of OCTA, was formed as a nonprofit corporation to provide financial assistance to OCTD by acquiring, constructing, financing and refinancing various facilities, land and equipment. The OCTA Board also serves as the Board of Directors for the Corporation. Separate financial statements are not issued for the Corporation.

The accompanying financial statements present the government and its component units, entities for which OCTA is considered accountable. A blended component unit, although a legally separate entity, is, in substance, part of the government's operations.

There are many other governmental agencies, including the County of Orange (County), providing service within the area served by OCTA. These other governmental agencies have independently elected governing boards and are, therefore, not under the direction of OCTA. Financial information for these agencies is not included in the accompanying financial statements.

OCTA is funded primarily by sales taxes, farebox collections, tolls, property taxes, gasoline sales tax and various federal and state grant programs. OCTA oversees most Orange County bus and rail transit and the 91 Express Lanes tollroad operations, administers the Measure M program (one-half percent sales tax revenues), coordinates freeway and regional road projects, and serves as the local advocate and facilitator of state and federal transportation funding programs.

BASIS OF PRESENTATION

OCTA's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements that provide a more detailed level of financial information.

GOVERNMENT-WIDE STATEMENTS: The statement of net assets and the statement of activities report information for all of the nonfiduciary activities of OCTA. The effect of interfund activity has been removed from these statements. Indirect costs have been allocated to the functions/programs on the statement of activities in a separate column entitled "Indirect Expense Allocation." Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges and fees for support.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Interest expense related to the sales tax revenue bonds and commercial paper, the capital lease, and the taxable bonds and advances from OCTA funds is reported as a direct expense of the Measure M program, fixed route, and tollroad functions, respectively, as it would be misleading to exclude the interest from direct expenses and the borrowings are considered essential to the creation or continuing existence of these programs. For the year ended June 30, 2010, interest expense of $7,771, $371 and $13,275, was included as Measure M, fixed route, and tollroad program costs, respectively. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Sales taxes and other revenues are not reported as program revenues and instead, are reported as general revenues.

FUND FINANCIAL STATEMENTS: The fund financial statements provide information about OCTA's funds, including its fiduciary funds, though the latter are excluded from the government-wide financial statements. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

OCTA reports the following major governmental funds:

- *GENERAL FUND* – The General Fund is the general operating fund of OCTA. It is used to account for the financial resources of the general government, except those required to be accounted for in another fund.

- *LOCAL TRANSPORTATION AUTHORITY (LTA) FUND* – This fund accounts for revenues received and expenditures made for the implementation of the Orange County Traffic Improvement and Growth Management Plan (Measure M). Financing is provided by a one-half percent sales and use tax assessed for twenty years pursuant to Measure M, which became effective April 1, 1991, and more recently was renewed for an additional 30 years from April 1, 2011 to March 31, 2041. The Measure M ordinance, as approved in an election by the voters of Orange County, requires that sales tax revenues only be expended on projects included in the ordinance.

- *LOCAL TRANSPORTATION FUND (LTF)* – This fund accounts for revenues received and expenditures made for use on certain transit projects within Orange County. Financing is generated from a one-quarter percent state sales and use tax pursuant to the California

Transportation Development Act (TDA). Expenditures of these monies must be made in accordance with TDA provisions.

- *COMMUTER AND URBAN RAIL ENDOWMENT (CURE) FUND* – This fund accounts for OCTA's share of the Metrolink commuter rail operations in Orange County. Funding for CURE was provided through actions of the Board.

- *LTA DEBT SERVICE FUND* – This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the LTA.

OCTA reports the following major enterprise funds:

- *ORANGE COUNTY TRANSIT DISTRICT (OCTD) FUND* – This fund accounts for the transit operations of OCTA. The primary sources of funding for transit operations are the TDA one-quarter percent sales tax, farebox collections, gas tax exchange and federal grants.

- *91 EXPRESS LANES FUND* – This fund accounts for the operations of the 91 Express Lanes. The primary source of funding for the operations is toll revenues and related fees.

Additionally, OCTA reports the following fund types:

- *INTERNAL SERVICE FUNDS* – These funds account for the risk management activities of OCTA, which are managed through a combination of purchased insurance and self-insurance. The internal service funds are:

  General Liability
  Workers' Compensation

- *ADDITIONAL RETIREE BENEFIT ACCOUNT (ARBA) TRUST FUND* – This fund accounts for the resources legally held in trust for additional retiree benefits. Employees who retiree from OCTA with 10 years or more of service receive an additional $10 per month for each year of service up to $150 per month.

- *PRIVATE-PURPOSE TRUST FUND* – This fund accounts for the resources legally held in trust for providing scholarships and supporting activities for other organizations' special programs.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tolls are collected from customers on a prepaid basis, and unearned tolls are reported as unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, OCTA considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt and compensated absences of governmental funds are recorded only when payment is due.

Revenues susceptible to accrual are sales and gas taxes collected and held by the state at year-end on behalf of OCTA, intergovernmental revenues, interest revenue, charges for services and fines and fees. In applying the susceptible to accrual concept to intergovernmental revenues, there are two types of revenues. For one, monies must be expended for the specific purpose or project before any amounts will be paid to OCTA; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). OCTA has elected not to follow subsequent private sector guidance for its business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of OCTA's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is OCTA's policy to use restricted resources first and then unrestricted resources as they are needed.

CASH AND INVESTMENTS

OCTA maintains cash and investments in accordance with the Annual Investment Policy (AIP) adopted by the Board on May 8, 1995, and most recently amended April 26, 2010. 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, 2010, the investment portfolios were held by Union Bank 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 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 Orange County Investment Pool (OCIP) is carried at fair value based on the value of each participating dollar as provided by the OCIP. The state managed Local Agency Investment Fund (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 that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and is more restrictive than applicable state statutes for the following investment types:

OCTA Notes and Bonds (25%)

Commercial Paper (25%)

- Must be rated by two of the three 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- or better 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 has been rated by at least two of the Nationally Recognized Statistical Rating Organizations.
- The issuer must have minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch.
- Maximum Term: 270 days.

Bankers Acceptance (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 one hundred and two percent (102%).

- Reverse repurchase agreements and 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 may 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 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 OCIP, but is limited to those funds legally required to be deposited in the County Treasury. Oversight of the OCIP is performed 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 and 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, on an ongoing basis, the portfolios they manage (including bond proceeds portfolios) to ensure compliance with OCTA's diversification guidelines.

- Issuer/Counter-Party Diversification Guidelines apply to 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%), with a maturity/term of > 7 days (35%).

- Issuer/Counter-Party Diversification Guidelines for OCTA's 91 Express Lanes Debt - OCTA may purchase all or a portion of the Orange County Transportation Authority'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 negotiable certificates of deposit represent cash and cash equivalents for cash flow purposes.

INTERFUND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds involving goods provided or services rendered. There are also numerous transfers of revenues from funds authorized to receive the revenue to funds authorized to expend it. Outstanding interfund balances, including internal financing balances, are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

As a centralized transportation planning and administration agency, OCTA allocates costs related to administrative services from certain funds to benefiting funds. For the 2009-10 fiscal year, $46,846 of administrative services were charged to other OCTA funds from the general fund. These charges for services are reported as general government expenditures in governmental fund types and as administrative services expenses in the proprietary fund types.

Internal service funds are utilized by OCTA to account for risk management activities in the areas of general liability and workers' compensation. Charges for risk management services are reported as general government expenditures in the governmental funds receiving the services and as wages, salaries and benefits or other operating expenses in the proprietary funds. The risk management internal service funds charged $6,139 to OCTA's operating funds.

INVENTORY

All inventory is valued at cost using the average cost method.

PREPAID RETIREMENT

Orange County Employee Retirement System (OCERS) provides a 7.75 percent discount to employers for early payment of employer contributions. OCTA elected to prepay employer contributions for fiscal year 2010-11 in order to benefit from this discount.

RESTRICTED CASH AND INVESTMENTS

Certain proceeds of OCTA's long-term debt, as well as certain resources set aside for their repayment and capital maintenance, are classified as restricted investments, because they are maintained in separate investment accounts and their use is limited by applicable debt covenants.

CAPITAL ASSETS

Capital assets include the toll facility franchise, land, buildings, machinery, equipment, and furniture, vehicles, and transponders and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by OCTA as assets with an initial, individual cost of more than $5 and a useful life exceeding of one year. OCTA also capitalizes transponder purchases, as they are considered a significant class of assets even though individually their cost is less than $5. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Freeway construction and certain purchases of right-of-way property, for which title vests with Caltrans, are included in capital outlay. Infrastructure consisting primarily of freeway construction and right-of-way acquisition is not recorded as a capital asset in those instances where OCTA does not intend to maintain or operate the property when complete.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Buildings, machinery, equipment and furniture, vehicles, and transponders are depreciated using the straight line method over the following estimated useful lives:

ASSET TYPE	USEFUL LIFE
Buildings and improvements	10-30 years
Machinery, equipment and furniture	3-10 years
Transit vehicles	3-12 years
Transponders	5 years

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

ASSETS HELD FOR RESALE

OCTA holds title to property in connection with the purchase of rights-of-way for infrastructure not held by OCTA (see above). These assets are reported as assets held for resale in the governmental activities column in the government-wide financial statements. These assets will be sold and proceeds will be reimbursed to the fund in which the initial expenditure was recorded.

COMPENSATED ABSENCES

Vacation hours accumulated and not taken are accrued at fiscal year-end, and a liability is reported in the government-wide and proprietary fund financial statements. Vacation leave in governmental funds that is due and payable at year-end is reported as an expenditure and a fund liability of the governmental fund that will pay it.

Sick leave is recorded as an expenditure or expense when taken by the employee. Employees may elect to be paid for sick leave accumulated in excess of 120 hours, and this cost is recorded when paid during December. Sick leave in excess of 120 hours is accrued at fiscal year-end, and a liability is reported in the government-wide and proprietary fund financial statements. Sick leave in governmental funds that is due and payable at year-end is reported as an expenditure and a fund liability of the governmental fund that will pay it. Upon termination, an employee with over 10 years of service is paid any earned but unused sick leave up to a ceiling determined by the employee's applicable union agreement or the personnel and salary resolution.

LONG-TERM DEBT

In the government-wide financial statements and proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts and bond refunding costs, as well as issuance costs and deferred amounts on refundings, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred bond refunding charges. Bond issuance costs are reported as other assets and amortized over the life of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, in the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

INTEREST RATE SWAPS

As a means of lowering borrowing costs on variable rate debt, compared to fixed rate bonds at the time of issuance in November 2003, OCTA entered into two parity interest rate swaps totaling $100,000. The parity swaps effectively changed OCTA's variable rate bonds to a synthetically fixed rate of 4.06227%. These agreements are recorded at fair value. Changes in fair value of these derivative instruments affect investment earnings or losses. As of June 30, 2010, these hedging derivatives of OCTA are considered ineffective.

RISK MANAGEMENT

OCTA accounts for its risk management activities in internal service funds. Separate internal service funds are used for general liability and workers' compensation. Charges by internal service funds to the general fund, certain special revenue funds, OCTD and OCTAP enterprise funds are based on historical cost information and are adjusted over time, so that internal service fund revenues and expenses are approximately equal. Expenses for the actual or estimated loss from claims are recorded when it is probable that a loss will be incurred and the amount can reasonably be determined. OCTA's risk management activities are a combination of purchased insurance coverage and self-insured risk retention. OCTA's real and personal property, including revenue and non-revenue vehicles, are covered under a commercial property insurance policy. The 91 Express Lanes enterprise fund has purchased commercial property insurance, including business interruption, earthquake and flood coverage related to the toll facility.

PROPERTY TAXES

Property taxes are allocated to OCTA from the County based upon a percentage of real property taxes levied by the County. Following is the property tax calendar:

Lien Date	January 1
Levy Date	4th Monday in September
Due Dates	November 1 and February 1
Collection Dates	December 10 and April 10

CONTRIBUTIONS TO OTHER AGENCIES

Contributions to other agencies primarily represent sales tax revenues received by LTA disbursed to cities for competitive projects, the turnback program and to other outside agencies for projects which are in accordance with the Measure M ordinance. Additionally, gas tax monies are transferred to local governmental agencies in exchange for nonrestricted funds.

NET ASSETS

In the government-wide financial statements, net assets represent the difference between assets and liabilities and are classified into three categories.

- *INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT* – This balance reflects the net assets of OCTA that are invested in capital assets, net of related debt. These net assets are generally not accessible for other purposes.

- *RESTRICTED NET ASSETS* – This balance represents net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net assets reports $323,824 of net assets restricted by enabling legislation.

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

FUND EQUITY

In the fund financial statements, governmental and enterprise funds report reservations of fund balance or net assets for amounts not available for appropriation or legally restricted by outside parties for a specific purpose.

USE OF ESTIMATES

The preparation of 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.

(2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental funds balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this $180,131 difference are as follows:

Capital assets	$ 188,896
Less accumulated depreciation	(8,765)
NET ADJUSTMENT TO INCREASE FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS – GOVERNMENTAL ACTIVITIES	**$180,131**

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this ($82,855) difference are as follows:

Bonds payable	$ (82,795)
Less deferred charge on refunding (to be amortized as interest expense)	337
Plus unamortized bond issuance premium (to be amortized to interest expense)	(351)
Compensated absences	(46)
NET ADJUSTMENT TO DECREASE FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS – GOVERNMENTAL ACTIVITIES	**$(82,855)**

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets - governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense."

The details of this $5,367 difference are as follows:

Capital outlay	$ 5,961
Depreciation expense	(594)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	**$5,367**

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $79,996 difference are as follows:

Principal repayments - sales tax revenue bonds	$ 78,405
Change in accrued interest	1,635
Amortization of deferred charge on refunding	(336)
Amortization of premium	351
Amortization of issuance costs	(59)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	**$ 79,996**

(3) DIVERSION OF TDA FUNDING

In September 1995, as a result of and to assist the County of Orange in recovering from its December 1994 bankruptcy, the California State Legislature adopted legislation diverting $38,000 annually to the County from OCTA's TDA sales tax revenue. In return, $23,000 in annual County gasoline tax revenue is being diverted to OCTA. Diversion from OCTA of the TDA revenue began on July 1, 1996, for a 15 year period. Diversion to OCTA of the gasoline tax revenue began on July 1, 1997, for a 16 year period. The net result of this diversion is a loss of revenue to OCTA of $202,000. As all anticipated bankruptcy litigation settlements have occurred and been distributed to Orange County Investment Pool participants, OCTA does not anticipate recovery of this loss.

OCTA entered into agreements with nine Orange County cities and the Southern California Regional Rail Authority (SCRRA) effective July 1, 1997 to exchange the gasoline tax funds for flexible funding from each agency. OCTA has successfully exchanged funds for 13 years as of June 30, 2010.

(4) CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2010:

DEPOSITS:	
Deposits	$ 25,798
Petty Cash	6
TOTAL CASH	**25,804**
INVESTMENTS:	
With Orange County Treasurer	3,088
With LAIF	54
With Trustee	176,424
With Custodian	667,071
TOTAL INVESTMENTS	**846,637**
TOTAL CASH AND INVESTMENTS	**$872,441**

Total deposits and investments are reported in the following funds:

UNRESTRICTED CASH AND INVESTMENTS:	
Governmental Funds	$ 534,677
Proprietary Funds:	
Enterprise	181,220
Internal Service	37,258
Fiduciary Funds	7,363
RESTRICTED CASH AND INVESTMENTS:	
Governmental Funds	73,069
Proprietary Funds:	
Enterprise	38,854
TOTAL CASH AND INVESTMENTS	**$872,441**

Restricted investments at June 30, 2010, represent reserves for debt service, capital and other purposes.

As of June 30, 2010, OCTA had the following investments:

INVESTMENT	FAIR VALUE	PRINCIPAL	INTEREST RATE RANGE	MATURITY RANGE	WEIGHTED AVERAGE MATURITY (YEARS)
Orange County Investment Pool	$ 3,088	$ 3,091	.24%-.51%	52-58 days	58 days or .15
Local Agency Investment Fund	54	54	5.28% - 1.377%	202-235 days	203 days or .55
U. S. Treasuries	260,936	257,766	Discount, .75%-5.125%	8/05/10-5/31/15	1.94
U. S. Agency Notes	169,490	168,420	Discount, .875% - .6%	8/12/10-7/28/14	1.93
Medium Term Notes	144,743	143,511	1.375%-8.875%	8/16/09-6/17/15	2.27
Mortgage and Asset Backed Securities	66,859	66,338	Discount, .37%-6.07%	9/17/10-4/20/15	2.56
Money Market & Mutual Funds	105,695	105,695	Variable	7/1/10	1 Day
Variable Rate Notes	6,100	6,061	0%	12/2/10-6/19/13	1.68
Investment Agreements	29,227	15,955	Discount, 3.877%	8/15/10-2/15/11	1.62
Repurchase Agreements	22,105	22,105	.05%	7/1/10	1 day
Commercial Paper	14,999	14,999	.30%	7/8/10	.02
Negotiable Certificates of Deposit	23,341	23,342	.010%-.15%	7/1/10-7/15/09	.02
TOTAL INVESTMENTS	**$846,637**	**$827,337**			

PORTFOLIO WEIGHTED AVERAGE MATURITY 1.61

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. 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. In accordance with the OCTA investment policy, amounts restricted for debt service reserves are invested in accordance with the maturity provision of their specific indenture, which may extend beyond five years.

As of June 30, 2010, mortgage and asset-backed securities totaled $66,860. 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 Organizations.

As of June 30, 2010, OCTA had the following variable rate notes:

INVESTMENT	FAIR VALUE	COUPON MULTIPLIER	COUPON RESET DATE
American Express Credit Corp	$ 936	LIBOR + 170 basis	Monthly
Bank America Corp	1,007	LIBOR + 20 basis points	Quarterly
Berkshire Hathaway	600	LIBOR + 12.5 basis	Quarterly
Citigroup Inc	423	LIBOR + 33 basis points	Quarterly
Goldman Sachs	1,005	LIBOR + 25 basis points	Quarterly
Paccar Financial Corp	629	LIBOR + 45 basis point	Monthly
Wachovia Bank NA	1,500	LIBOR + 7 basis points	Quarterly
TOTAL VARIABLE RATE NOTES	**$ 6,100**		

OCTA is invested in two pay-fixed, receive-variable interest rate swaps with a notional amount totaling $100,000. OCTA makes semiannual fixed payments to the counterparty of 4.06227% and receives monthly variable payments based on 67 percent of LIBOR if LIBOR is equal to or greater than 4.0% or the SIFMA Index if LIBOR is less than 4.0%. These interest rate swaps were executed in November 2003 and mature in December 2030. At June 30, 2010, these interest rate swaps had a negative fair value of $19,672.

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 safekeeping agent. At June 30, 2010, 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 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, 2010. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

INVESTMENTS	S & P	MOODY'S	FITCH	% OF
Orange County Investment Pool	AAAm	NR	NR	.36%
Local Agency Investment Fund	NR	NR	NR	0.01%
U. S. Treasuries	US	US	US	30.82%
U. S. Agency Notes	AAA	Aaa	AAA	20.02%
Medium Term Notes	A	A	A	17.10%
Mortgage and Asset Backed	AAA	Aaa	AAA	7.90%
Money Market and Mutual Funds	AAA	Aaa	NR	12.48%
Variable Rate Notes	A	A	A	.72%
Investment Agreements	NR	NR	NR	3.45%
Repurchase Agreements	aaa	aaa	aaa	2.61%
Commercial Paper	A-1	P-1	F1+	1.77%
Negotiable Certificates of Deposit	AA	Aa2	AA	2.76%
TOTAL				100%

Lehman Brothers Commercial Bank, the counterparty for the pay-fixed interest rate swap Series 2003-B-1 was rated NR by S & P, withdrawn (WR) by Moody's, and NR by Fitch. JP Morgan Chase Bank, N.A., the counterparty for the pay-fixed interest rate swap Series 2003-B-2 was rated AA- by S & P, Aa1 by Moody's, and AA- by Fitch.

As of June 30, 2010, OCTA held one investment in Lehman Brothers Holding Inc. Medium Term Notes. The investment had a $1,000 par maturing on January 24, 2013. On September 15, 2008, Lehman Brothers Holding Inc. filed for bankruptcy. As of June 30, 2010, the market value of the security was 20.25% of par.

CONCENTRATION OF CREDIT RISK

At June 30, 2010, 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 federal agencies, government sponsored enterprises, investment agreements, repurchase agreements and 91 Express Lanes debt.

- 20% may be invested in any money market mutual fund.

The AIP limitation excludes investment agreements pursuant to the bond indenture. OCTA had the following investment agreements outstanding at June 30, 2010:

INVESTMENT AGREEMENTS	AMOUNT
FSA Capital Management Services LLC	$ 10,248
U.S. Treasury Notes Coupon Components	18,979
TOTAL INVESTMENT AGREEMENTS	**$ 29,227**

INVESTMENT IN STATE INVESTMENT POOL

The OCTA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the OCTA's investment in this pool is reported in the accompanying financial statements at amounts based upon OCTA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

(5) GRANTS AND STATE ASSISTANCE

OPERATING ASSISTANCE GRANTS

Under provisions of the Federal Transit Administration (FTA) and the TDA, funds are available to OCTD for Americans with Disabilities Act (ADA) paratransit operating assistance, demonstration projects, transportation planning, and acquisition and construction of facilities, transit vehicles and related support equipment. For fiscal year 2009-10, OCTA was awarded $8,709 in operating assistance and had a receivable of $12,027 outstanding as of June 30, 2010.

CAPITAL GRANTS

Under the provisions of a 1979 amendment to the TDA and the provisions of FTA, appropriations are available for the development and operation of a public transportation system. For fiscal year 2009-10, OCTA was awarded $61,045 in capital grants and had a receivable of $2,809 outstanding as of June 30, 2010.

ARRA GRANTS

For fiscal year 2009-10, OCTA received $76,802 in American Recovery and Reinvestment Act (ARRA) grants. There are no ARRA grants outstanding.

LOCAL TRANSPORTATION FUND

In fiscal year 2009-10, LTF received revenues from a one-quarter percent state sales and use tax through provisions of the TDA, as amended. Under TDA, monies are to be made available to OCTD for acquisitions of property, plant and equipment and for operating expenses. In fiscal year 2009-10, OCTA and OCTD became entitled to $2,966 and $69,943 in LTF monies, respectively. This revenue was recorded as a transfer from LTF to OCTD. The remaining revenues received by LTF were contributed to other agencies for use in transit projects and OCTA planning. An additional $38,000 in TDA revenue was diverted to the County under provisions of bankruptcy recovery legislation passed by the California State legislature in September 1995 (see Note 3), and, accordingly, is not recorded in the financial statements.

STATE TRANSIT ASSISTANCE PROGRAM

Gasoline tax is allocated to each county based on demographic factors. In fiscal year 2009-10, the State allocated $23,489 to OCTA which is recorded in STAF. STAF transferred $24,426 to OCTD during fiscal year 2009-10. This was recorded as a transfer from STAF to OCTD.

PROPOSITION 1B

As part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by California voters as Proposition 1B (Prop 1B) on November 7, 2006, OCTA was been awarded funding from the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and the Transit System Safety, Security and Disaster Response Account (TSSSDRA). During fiscal year 2009-10, OCTA received $26,309 in PTMISEA funding. As of June 30, 2010, OCTA has unspent Prop 1B proceeds and interest of $25,973 and $3,133 in PTMISEA and TSSSDRA funds, respectively.

(6) DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2010 are as follows:

	GOVERNMENTAL FUNDS					ENTERPRISE FUNDS		INTERNAL SERVICE FUNDS	
RECEIVABLES:	**GENERAL**	**LTA**	**LTF**	**CURE**	**NONMAJOR FUNDS**	**OCTD**	**NONMAJOR FUNDS**	**GENERAL LIABILITY**	**TOTAL**
Sales taxes	$ -	$ 42,071	$ 16,336	$ -	$ -	$ -	$ -	$ -	$58,407
Project reimbursements	4,967	18,279	-	-	1,259	1,231	-	-	25,736
Gas tax exchange	-	-	-	-	-	6,713	-	-	6,713
Other	11	576	-	2	1,023	1,528	12	1	3,153
TOTAL	**$ 4,978**	**$ 60,926**	**$ 16,336**	**$ 2**	**$ 2,282**	**$ 9,472**	**$ 12**	**$ 1**	**$94,009**

(7) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances at June 30, 2010 is as follows:

Due to/from other funds:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT	EXPLANATION
General Fund	LTA	$ 184	Project study report for the I-405 widening project
General Fund	Nonmajor Governmental	31	Management fee
CURE Fund	General Fund	5,029	Fund negative balance
TOTAL		**$5,244**	

Advances to/from other funds:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT	EXPLANATION
CURE Fund	91 Express Lanes Fund	$ 9,542	91 Express Lanes purchase
Nonmajor Governmental Funds	LTA	7,519	Measure M2 expenses
TOTAL		**$17,061**	

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 $83,641 from other OCTA funds at an interest rate, adjusted each January, representing OCTA's rate of return on short-term investments (4.66% at June 30, 2010). Interest accrues monthly, and the advance from other OCTA funds plus accrued interest will be repaid by the 91 Express Lanes Fund on an on-going basis from net revenues. On June 30, 2010, the 91 Express Lanes repaid $17,000 of the advance from net revenues. At June 30, 2010, these advances were $9,542 and are reported as interfund balances.

Interfund Transfers:

TRANSFERS OUT	TRANSFERS IN	AMOUNT	EXPLANATION
General Fund	Nonmajor Governmental	$ 3,086	Transportation projects
LTA Fund	General Fund	184	Transportation projects
LTA Fund	LTA Debt Service Fund	87,428	Debt service
LTA Fund	OCTD Enterprise Fund	1,990	Fare stabilization
Local Transportation Fund	General Fund	2,966	OCTA planning
Local Transportation Fund	OCTD Enterprise Fund	69,943	OCTD and CTSA operations
Local Transportation Fund	Nonmajor Governmental	663	ADA bus stops
CURE Fund	General Fund	155	Transportation projects
CURE Fund	OCTD Enterprise Fund	5,481	Stationlink and Rail feeder service and reimbursement of grant funds
LTA Debt Service Fund	LTA Fund	5,241	Excess debt service available for Measure M program

(THOUSANDS)
JUNE 30, 2010

TRANSFERS OUT	TRANSFERS IN	AMOUNT	EXPLANATION
Nonmajor Governmental Funds	General Fund	515	Transportation projects and Management fees
Nonmajor Governmental Funds	OCTD Enterprise Fund	24,426	OCTD operations and capital purchases
Nonmajor Governmental Funds	Nonmajor Governmental Funds	200	Automated Vehicle Locator and Mobile Data Terminal system
Nonmajor Governmental Funds	CURE	1,126	Close the Urban Rail Fund to the Commuter Rail Fund
OCTD Enterprise Fund	General Fund	25,436	Bristol Street Widening and Discovery Science Center Project
91 Express Lanes Fund	LTA Fund	1,283	Transportation projects
Nonmajor Enterprise funds	OCTD Enterprise Fund	14,000	OCTD Operations
Internal Service Funds	General Fund	83	Excess Workers' Compensation
Internal Service Funds	OCTD Enterprise Fund	912	Excess Workers' Compensation
Internal Service Funds	Nonmajor Enterprise Fund	1	Excess Workers' Compensation
		$245,119	

(8) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land	$ 169,629	$ 4,082	$ 374	$ 173,337
Construction in progress	1,740	994	-	2,734
Construction in progress held for Department of Transportation	50	-	50	-
Total capital assets, not being depreciated	171,419	5,076	424	176,071
Capital assets, being depreciated:				
Buildings and improvements	5,049	-	698	4,351
Machinery, equipment and furniture	8,585	885	996	8,474
Total capital assets, being depreciated	13,634	885	1,694	12,825
Less accumulated depreciation for:				
Buildings and improvements	(1,681)	(235)	(116)	(1,800)
Machinery, equipment and furniture	(7,603)	(359)	(997)	(6,965)
Total accumulated depreciation	(9,284)	(594)	(1,113)	(8,765)
Total capital assets, being depreciated, net	4,350	291	581	4,060
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	**$175,769**	**$ 5,367**	**$ 1,005**	**$180,131**

(THOUSANDS)
JUNE 30, 2010

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
BUSINESS-TYPE ACTIVITIES:				
Capital assets, not being depreciated:				
Land	$ 55,445	-	$ 316	$ 55,129
Total capital assets, not being depreciated	55,445	-	316	55,129
Capital assets, being depreciated and amortized:				
Buildings and improvements	146,104	2,140	698	147,546
Transit vehicles	328,578	293	14,644	314,227
Machinery, equipment and furniture	65,328	2,421	1,333	66,416
Toll facility franchise	205,264	-	-	205,264
Total capital assets, being depreciated and amortized	745,274	4,854	16,675	733,453
Less accumulated depreciation and amortization for:				
Buildings and improvements	(49,938)	(5,192)	(498)	(54,632)
Transit vehicles	(132,778)	(30,171)	(13,954)	(148,995)
Machinery, equipment and furniture	(52,093)	(3,753)	(1,331)	(54,515)
Toll facility franchise	(47,651)	(7,331)	-	(54,982)
Total accumulated depreciation and amortization	(282,460)	(46,447)	(15,783)	(313,124)
Total capital assets, being depreciated and amortized, net	462,814	(41,593)	892	420,329
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	**$518,259**	**$ (41,593)**	**$1,208**	**$475,458**

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 525
Measure M program	66
Motorist services	3
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	**$594**
Business-type activities:	
Fixed route	$ 32,626
Paratransit	4,749
Tollroad	9,072
TOTAL DEPRECIATION AND AMORTIZATION EXPENSE – BUSINESS-TYPE ACTIVITIES	**$46,447**

(9) RISK MANAGEMENT - CLAIMS LIABILITY

OCTA is self-insured for workers' compensation and general liability claims, and also purchases excess workers’ compensation and general liability insurance. Workers’ compensation claims are insured up to a maximum amount of $500 per claim. General liability claims in excess of a $4,000 self-insured retention are insured up to an additional $35,000 per occurrence. Settled claims have not exceeded insurance coverage in any prior fiscal years. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. General liability and workers’ compensation reserves are actuarially determined. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Management is of the opinion that the recorded liabilities for OCTA’s self-insured claims are adequate.

OCTA’s liability for claims where it has retained the risk of loss, as recorded in the appropriate internal service funds, is as follows:

	2010	2009
GENERAL LIABILITY		
UNPAID CLAIMS AS OF JULY 1	$ 9,689	$ 5,337
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	434	456
Increase/(Decrease) in provision for prior years’ events	(705)	4,936
Total incurred claims	(271)	5,392
PAYMENTS:		
Claims attributable to current year events	107	242
Claims attributable to prior years’ events	3,792	798
Total payments	(3,899)	(1,040)
Unpaid claims at June 30,	5,519	9,689
WORKERS’ COMPENSATION		
UNPAID CLAIMS AS OF JULY 1	10,698	9,994
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	2,001	1,554
Increase/(Decrease) in provision for prior years’ events	2,449	2,991
Total incurred claims	4,450	4,545

(THOUSANDS)
JUNE 30, 2010

	2010	2009
PAYMENTS:		
Claims attributable to current year events	972	589
Claims attributable to prior years' events	3,677	3,252
Total payments	(4,649)	(3,841)
Unpaid claims at June 30	10,499	10,698
Total unpaid claims at June 30	16,018	20,387
Less current portion of unpaid claims	3,341	4,792
TOTAL LONG-TERM PORTION OF UNPAID CLAIMS	**$12,677**	**$15,595**

(10) SHORT-TERM DEBT

On January 28, 2008, LTA was authorized to issue up to $400,000 in Renewed Measure M Subordinate Tax-Exempt Commercial Paper Notes Series A and Series B (M2 Notes). As a requirement for the issuance of the M2 Notes, OCTA entered into an irrevocable direct-pay Letter of Credit and Reimbursement Agreement, issued on a several and not joint basis, with Dexia Credit Local, Bank of America, N.A., BNP Paribas, and JP Morgan Chase Bank, National Association as liquidity support for the M2 Notes.

As of June 30, 2010, LTA had outstanding M2 Notes in the amount of $100,000. Interest is payable on the respective maturity dates of the M2 Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the M2 Notes is 12.0%. The average issuance rate during fiscal year 2009-10 was 0.36%.

CHANGES IN SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2010, was as follows:

	BEGINNING BALANCE	ISSUED	REDEEMED	ENDING BALANCE
Tax exempt commercial paper –M2	$ 50,000	$ 50,000	$ -	$ 100,000
TOTAL SHORT-TERM DEBT	**$ 50,000**	**$ 50,000**	**$ -**	**$ 100,000**

(11) INTEREST RATE SWAPS

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 in connection with its $195,265 Toll Road Revenue Refunding Bonds. The effective rate on the parity swaps was to effectively change OCTA's variable rate bonds to a synthetic fixed rate of 4.06227%. $95,265 was issued on a fixed rate basis and $100,000 was issued on a variable rate basis. The Series 2003-B-1 swap was for $75,000 and the counterparty is Lehman Brothers Special Funding Incorporated (Lehman Brothers). The Series 2003-B-2 swap was for $25,000 and the counterparty was Bear Stearns Capital Markets Incorporated (Bear Stearns). 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 interest rate swap between OCTA and Bear Stearns Capital Markets Incorporated.

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. filed for 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. Since Lehman Brother's Event of Default, OCTA has not remitted payment to Lehman Brothers as part of the swap agreement. OCTA continues to work with general counsel and bond counsel to determine the impact of the bankruptcy on OCTA's interest rate swap.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, and the changes in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Investment derivatives -					
Pay-fixed interest rate swaps					
Series 2003-	Investment Loss	$ (3,586)	Investment	$(14,754)	$75,000
Series 2003-	Investment Loss	(1,195)	Investment	(4,918)	25,000
Total		**$(4,781)**		**$(19,672)**	**$100,000**

As of the beginning of the fiscal year, OCTA determined that the pay-fixed interest rate swaps classified as investment derivative instruments did not meet the criteria for effectiveness. Accordingly, a prior period adjustment has been made to record the accumulated negative changes in fair value of the swap of $14,890 at June 30, 2009. The decrease in the fair value of the swaps in fiscal year 2010 of $4,781 reported as investment loss on derivative instruments for the year ended June 30, 2010.

The fair values of the interest rate swaps were estimated using proprietary methodologies developed by DerivActiv, LLC. The methods and significant assumptions used by DerivActiv to estimate the fair values have not been made available to OCTA.

Terms

The bonds and the related parity swap agreements mature on December 15, 2030. The parity swaps notional amount of $100,000 matches the $100,000 variable rate bonds. The parity swaps were entered into at the same time the bonds were sold (November 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 London Interbank Offered Rate (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, 2010, the negative fair value for the $75,000 swap with Lehman Brothers was estimated by DerivActiv, LLC to be $14,754. As of June 30, 2010, the negative fair value for the $25,000 swap with JP Morgan was estimated by DerivActiv, LLC to be $4,918. Therefore, if the swaps were terminated on June 30, 2010, OCTA would have made a termination payment of $14,754 and $4,918 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, 2010 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, 2010, this fixed rate was higher than the current rate for a swap of identical terms and conditions. The fair values were estimated using proprietary methodologies. OCTA's swaps do not qualify for hedge accounting treatment under the criteria established by GASB 53. Accordingly, the change in the fair value of the swaps is reported as an element of investment income in the accompanying financial statements.

CREDIT RISK

To mitigate the potential for credit risk, the $75,000 swap with Lehman Brothers and the $25,000 swap with JP Morgan require collateralization with U.S. government securities at all times if a termination payment is required. Due to declining interest rates declined since the swaps were executed, the counterparties did not owe OCTA a termination payment as of June 30, 2010.

The aggregate fair value of derivative instruments at June 30, 2010 was $(19,672). This represents the maximum loss as of that date that would be recognized at the reporting date if the swaps were terminated.

Lehman Brothers Commercial Bank, the counterparty for the pay-fixed interest rate swap Series 2003-B-1 was NR by S & P, withdrawn (WR) by Moody's and NR by Fitch. JP Morgan Chase Bank, N.A., the counterparty for the pay-fixed interest rate swap Series 2003-B-2 was rated AA- by S & P, Aa1 by Moody's and AA- by Fitch.

INTEREST RATE RISK

OCTA is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, OCTA's net payment on the termination of the swap increases.

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, 2010, OCTA experienced $12,013 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 the OCTA would incur replacement costs. As of the June 30, 2010 valuation, there had not been a termination event.

Swap Payments and Associated Debt

As of June 30, 2010, debt service requirements of OCTA's outstanding variable-rate debt and net swap payments, assuming current interest rates remain unchanged throughout the term, are as follows:

	$75,000 Series 2003-B-1 (1)			$25,000 Series-B-2 (1)			
Year ending June 30	Principal	Interest	Interest Rate Swap Net	Principal	Interest	Interest Rate Swap Net	Total
2011	$ -	$ 2,888	$ 2,814	$ -	$ 962	$ 938	$ 7,602
2012	-	2,888	2,814	-	962	938	7,602
2013	-	2,888	2,814	-	962	938	7,602
2014	-	2,887	2,814	-	963	938	7,602
2015	-	2,887	2,814	-	963	938	7,602
2016-2020	-	14,437	14,071	-	4,813	4,690	38,011
2021-2025	25,005	12,302	11,990	8,335	4,101	3,997	65,730
2026-2030	40,715	5,257	5,124	13,575	1,752	1,707	68,130
2031	9,280	54	53	3,090	18	18	12,513
	$ 75,000	$ 46,488	$ 45,308	$ 25,000	$ 15,496	$ 15,102	$ 222,394

(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, 2010. As part of the swap agreements, OCTA receives the SIFMA Index which amounted to 0.31% on June 30, 2010.

(12) LONG-TERM DEBT

SALES TAX REVENUE BONDS

During fiscal years 1993, 1994 and 1998, LTA issued sales tax revenue bonds to assist in the financing of various highway, local street and road and transit projects in Orange County. The Measure M sales tax is the source of revenue for repaying this debt.

In August 1997, LTA issued $57,730 in Measure M Sales Tax Revenue Refunding Bonds to advance refund $57,600 of outstanding 1992 Second Senior Bonds (1992 Second Senior Series). The net proceeds plus additional 1992 Second Senior Series sinking fund monies and release of funds from the Bond Reserve Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Second Senior Series. In February 2002, the refunded bonds, which have been eliminated in the financial statements, were paid.

In March 1998, LTA issued $20,270 in Measure M Sales Tax Revenue Refunding Bonds to advance refund $19,885 of outstanding 1992 First Senior Bonds (1992 First Senior Series). In addition to the refunding, LTA also issued $213,985 (1998 Second Senior Series) in revenue bonds to continue with the financing of Measure M related projects. The net proceeds plus additional 1992 First Senior Series sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 First Senior Series. In February 2002, the refunded bonds, which have been eliminated in the financial statements, were paid.

In October 2001, LTA issued $67,335 in Measure M Sales Tax Revenue Refunding Bonds to advance refund $18,805 of the 1992 First Senior Bonds and $48,430 of the 1994 Second Senior Bonds. The proceeds plus additional sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1994 bonds. The amount of the refunded bonds, which have been eliminated in the financial statements, were paid February 17, 2004.

A summary of the bonds outstanding is as follows:

	1992 1st Senior Bond	1992 2nd Senior Bond	1994 2nd Senior Bond	1997 2nd Senior Bond	1998 2nd Senior Bond	2001 2nd Senior Bond
Issuance Date	08/27/92	09/18/92	02/24/94	08/15/97	03/15/98	10/15/01
Original issue amount	$ 350,000	$ 190,000	$ 200,000	$ 57,730	$ 213,985	$ 48,430
Original issue (discount)/ premium	(2,612)	(727)	(165)	3,800	11,687	3,510
NET BOND PROCEEDS	**$ 347,388**	**$189,273**	**$ 199,835**	**$ 61,530**	**$ 225,672**	**$ 51,940**
Issuance costs	$ 3,508	$ 2,323	$ 2,535	$ 780	$ 2,194	$ 590
Reserve requirements	$ -	$ 14,416	$ 11,406	$ 2,002	$ 24,581	$ 6,263
Cash reserve balance	$ -	$14,772	$12,090	$ 2,051	$24,613	$ 6,271
Interest Rate	2.8%-12.23%	2.9%-12.03%	2.8%-12.55%	3.8%-5.7%	3.9%-5.5%	4.0-5.0%
Effective blended rate	6.0%	5.96%	4.94%	5.06%	4.45%	3.70%
Annual principal payment	$27,200	$ -	$ -	$15,445	$23,300	$16,850
Maturity	2011	2011	2011	2011	2011	2011
Bonds outstanding	$27,200	$ -	$ -	$15,445	$23,300	$16,850
Less deferred loss on refunding	-	-	-	-	-	(337)
Plus unamortized premium	-	-	-	-	-	351
TOTAL	**$27,200**	**$ -**	**$ -**	**$15,445**	**$23,300**	**$16,864**

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2010, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST
2011	$ 82,795	$ 4,627
TOTAL	**$82,795**	**$4,627**

TAXABLE SENIOR SECURED BONDS

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

TOLL ROAD REVENUE REFUNDING BONDS

On November 12, 2003, OCTA issued $195,265 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 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 2003-B-2 Bonds were issued as adjustable rate bonds.

On November 24, 2008, OCTA remarketed $100,000 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 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.

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
Cash reserve requirements	$ 38,020
Cash reserve balance	$ 38,854
Interest rate	2.0% to 5.375% *
Maturity	December 2030
Principal payment date	August 15
Current balance	$170,425
Unamortized premium	$5,156
Deferred amount on refunding	($19,310)

* 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. See note 11 for interest rate swap description. Both the $75,000 Series B-1 bonds and the $25,000 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, 2010, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2011	$ 4,740	$ 7,517	$ 12,257
2012	4,980	7,274	12,254
2013	5,245	7,009	12,254
2014	5,525	6,730	12,255
2015	5,815	6,439	12,254
2016-2020	34,055	27,222	61,277
2021-2025	43,405	18,154	61,559
2026-2030	54,290	8,222	62,512
2031	12,370	265	12,635
TOTAL	**$170,425**	**$88,832**	**$259,257**

The interest rate used to determine the future annual debt service requirements for the variable rate bonds was 4.06227% at June 30, 2010.

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2010, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental activities:					
Sales tax revenue bonds	$ 161,200	$ -	$ 78,405	$ 82,795	$ 82,795
Unamortized deferred loss on refunding	(673)	-	(336)	(337)	-
Unamortized premium	702	-	351	351	-
Compensated absences	2,497	3,264	3,340	2,421	2,376
Other post employment benefits	9	45	-	54	-
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	**$163,735**	**$ 3,309**	**$ 81,760**	**$85,284**	**$85,171**
Business-type activities:					
Tax-exempt bonds	174,940	-	4,515	170,425	4,740
Capital lease	9,779	-	3,417	6,362	3,560
Unamortized premium	5,408	-	252	5,156	-
Unamortized deferred amount on refunding	(20,377)	-	(1,067)	(19,310)	-
Claims payable	20,387	4,179	8,548	16,018	3,341
Compensated absences	6,585	11,011	11,329	6,267	6,157
Other post employment benefits	36	-	5	31	-
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	**$196,758**	**$ 15,190**	**$ 26,999**	**$184,949**	**$17,798**

Compensated absences will be paid from the general fund for governmental activities and from the OCTD and OCTAP enterprise funds for business-type activities.

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, no excess earnings were calculated, therefore no payments were made.

PLEDGED REVENUE

OCTA has a number of debt issuances outstanding that are repaid and secured by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the summary of bonds outstanding tables. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions. For the year ended June 30, 2010, the 91 Express Lanes paid an additional $3,780 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, less certain expenses as required by the debt agreement, for the year ended June 30, 2010, are indicated in the table below:

DESCRIPTION OF PLEDGED REVENUE	ANNUAL AMOUNT OF PLEDGED REVENUE	ANNUAL DEBT SERVICE PAYMENTS	DEBT SERVICE AS A PERCENTAGE OF PLEDGED REVENUE
Measure M Sales Tax	$ 182,471	$ 87,422	47.9%
91 Express Lanes Toll Road Revenue	$ 44,665	$ 16,038	35.9%

(13) PENSION PLANS

Plan Description - OCTA contributes to two retirement plans, the Public Employees' Retirement System (PERS) of the State of California and the Orange County Employees Retirement System (OCERS). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

PERS is a cost-sharing multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of

California. Benefit provisions and all other requirements are established by state statute and agency ordinance. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans administered by PERS. A copy of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, CA 95814.

Full time employees of the OCTA, except for those former employees of the OCTC who elected to participate in PERS, participate in OCERS, a cost-sharing multiple-employer defined benefit plan. OCERS provides for retirement, death, disability and cost-of-living benefits and is subject to provisions of the County Employees Retirement Law of 1937 and other applicable statutes. OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans administered by OCERS. Copies of OCERS' annual financial report may be obtained from its executive office: 2223 Wellington Avenue, Santa Ana, CA 92701.

Funding Policy (PERS) - Beginning in 1991, OCTA elected to contribute 7% of gross salary to PERS for all participating employees employed as of June 30, 1991. The election is subject to renewal every year. OCTA is required to contribute at an actuarially determined rate. OCTA's actuarially determined contribution requirement was 0.0% of annual covered payroll. The contribution requirements are established and may be amended by PERS.

Funding Policy (OCERS) - Plan members contribute between 4.23% to 11.85% to the plan. OCTA's actuarially determined contribution requirement was 15.82% of total covered payroll.

Annual Pension Cost (PERS) – Annual required contributions for fiscal year 2009-10 were based on the June 30, 2007 actuarial valuation, the latest available from PERS. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% per annum compounded annually and an inflation factor of 3.0%; and (b) projected annual salary increases that vary by duration of service and include a factor of 3.0% for inflation, .25% for annual production growth and various amounts for merit according to longevity.

OCTA's contributions to PERS were $0 for the years ended June 30, 2010, 2009, and 2008, and were equal to the required contribution calculated by the PERS actuary for each year.

Annual Pension Cost (OCERS) – Annual required contributions for fiscal year 2010 were based on the OCERS actuarial valuation as of December 31, 2007, in which the investment return assumption was 7.75%, and the inflation factor was 3.50%. The salary increase rate assumption varies by duration of service between 4.50% and 11.50% for General members, which includes the inflation factor of 3.50%. There are assumed to be no across the board salary increases.

OCTA's contributions to OCERS for the years ended June 30, 2010, 2009, and 2008 were $15,877, $17,473 and $15,236, respectively, and were equal to the required contribution calculated by the OCERS actuary for each year.

SUPPLEMENTAL PENSION PLAN

Plan Description - On January 1, 1995, OCTA established the Additional Retiree Benefit Account (Plan). The Plan is a single-employer defined benefit retirement plan. The Plan is administered for OCTA through OCERS. The Plan provides a supplemental retirement benefit to individuals age 50 and over with at least 10 years OCTA. Employees deferring retirement more than 30 days from date of separation from OCTA are not eligible.

The Plan provides a lifetime monthly annuity equal to $10 times the number of years of OCTA continuous service prior to retirement with a maximum of $150 per month. The Plan requires no employee contributions and has no termination, disability, or survivor benefits.

Funding Policy - OCTA's funding policy is to fund annual required contribution as determined by the Plan's actuary.

Annual Pension Cost - The Plan's Annual Pension Cost for the fiscal year ending June 30, 2010 is $883 which is equal to OCTA's required and actual contributions.

THREE-YEAR TREND INFORMATION

Fiscal Year Ending June 30	Annual Pension Cost	Actual Contribution	Percentage Contribution	Net Pension Obligation
2010	$ 883	$ 883	100%	$0
2009	$ 786	$ 786	100%	$0
2008	$ 786	$ 786	100%	$0

The following information describes the calculation methodology:

- The actuarial liabilities and assets are valued as of January 1, 2010.
- The actuarial funding method used is the entry age normal cost method. Under this method, the plan's normal cost is developed as a level percent of payroll throughout the participants' working lifetime.

The unfunded actuarial liability is the difference between the actuarial accrued liability and Plan assets. This difference is amortized as a level percent of payroll over an initial 20-year closed period. The remaining amortization period at January 1, 2010, is 18 years.

The following is a summary of January 1, 2010 actuarial assumptions:

- Interest rate: 7.75%
- Mortality: OCERS assumptions

- Termination: Sample rates in the first five years of service are:

Years of Service	Rate
0	17.0%
1	9.0%
2	8.0%
3	7.0%
4	6.0%

Sample rates with 5+ years of service are:

Age	Rate	Age	Rate
25	4.0%	45	3.4%
30	4.0%	50	2.7%
35	4.0%	55	1.9%
40	4.0%	60	0.6%

- Aggregate Payroll Increases: 3.5%
- Retirement Rates: Same as OCERS assumption. Sample rates are:

Age	Rate
50	3%
55	4%
60	11%
65	25%
70	100%

The actuarial asset value is the same as market asset value.

Funding Status and Funding Progress - As of January 1, 2010, the most recent actuarial valuation date, the Plan was 65% funded. The actuarial accrued liability for benefits was $13,746 and the actuarial value of assets was $8,947 resulting in an unfunded actuarial accrued liability (UAAL) of $4,799. The covered payroll (annual payroll of active employees covered by the Plan) was $101,596 and the ratio of the UAAL to the covered payroll was 4.7% percent.

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2010	$8,947	$13,746	$4,799	65%	$101,596	4.7%
2009	$8,013	$11,545	$3,532	69%	$ 98,063	3.6%
2008	$8,013	$11,545	$3,532	69%	$ 98,063	3.6%

(14) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - OCTA sponsors and administers a single-employer defined-benefit postemployment healthcare plan (Plan) to provide medical insurance benefits to eligible retired employees. Benefit provisions are established and may be amended by the Board of Directors of OCTA. OCTA reports the financial activity of the Plan in its basic financial statements. No separate benefit plan report is issued.

OCTA allows Unrepresented Administrative Employees and Transportation Communications International Union Employees to continue participating in the group healthcare insurance program after retirement until age 65 for retirees who retire directly from OCTA at a minimum of age 50 with at least 10 years of OCTA service. The retiree pays the full premium for retiree, spouse and dependents. OCTA does not provide any cash subsidy towards retiree medical benefits.

Funding Policy - Because of the nature of the implied subsidy, OCTA funds the benefits on a pay-as-you-go basis.

OCTA allows retirees to participate in the same medical plan as active employees at the same premium rates. Because the rate is a "blended rate", payments for the active employees include an implied subsidy of what would normally be a higher rate for retirees if the retirees were in a stand-alone health plan. GASB 45 requires that this implied subsidy be reclassified when reporting the contributions for retiree medical costs.

For fiscal year 2009-10, OCTA contributed $32 in implied subsidy through the active healthcare premiums:

	TOTAL
Total Active Health Premiums	$6,662
Reclassification for Implied Subsidy	(32)
NET ACTIVE HEALTH PREMIUMS	**$6,630**

Annual Other Postemployment Benefit Cost and Net Obligation - OCTA's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of OCTA's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the Plan, and changes in OCTA's net OPEB obligation.

	TOTAL
Annual required contribution	$71
Interest on net OPEB obligation	2
Adjustment to annual required contribution	(2)
Annual OPEB cost	71
Benefit payments made	32
Increase in net OPEB obligation	39
Net OPEB obligation – beginning of year	45
Net OPEB obligation – end of year	$84

OCTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net postemployment healthcare plan obligation for the year ended June 30, 2010 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$71	45.0%	$84
6/30/09	$60	65.0%	$45
6/30/08	$57	57.9%	$24

Funded Status - The June 30, 2010 funded status, based on the January 1, 2010 actuarial valuation was:

	Total
Actuarial Accrued Liability (AAL)	$659
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	$659
Funded Ratio (Actuarial value of plan assets/ AAL)	0%
Covered Payroll (active plan members)	$38,764
UAAL as a Percentage of Covered Payroll	1.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	$71	45.0%
2009	$60	65.0%
2008	$57	57.9%

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point.

In the January 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), and annual healthcare cost trend rates for medical of 9.6% (9.0% for Preferred Provider Organizations) decreasing to 5% over eight years. Salary scale and demographic assumptions for withdrawal, mortality, disability, and retirement rates were based on OCERS assumptions.

The UAAL is amortized over an initial 30-year closed period as a level percentage of payroll. The remaining amortization period at January 1, 2010 is 28 years.

(15) PURCHASE COMMITMENTS

OCTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2010 are as follows:

	TOTAL PURCHASE COMMITMENTS	RESERVE FOR ENCUMBRANCES	UNENCUMBERED PURCHASE COMMITMENTS
Governmental Funds:			
General	$ 149,638	$ 6,296	$ 143,342
LTA	649,611	68,481	581,130
LTF	689	-	689
CURE	23,043	314	22,729
Nonmajor governmental	39,459	14,089	25,370
Total Governmental Funds	862,440	89,180	773,260
Proprietary Funds:			
OCTD	184,726	30,130	154,596
91 Express Lanes	13,339	1,976	11,363
Nonmajor proprietary	2,782	-	2,782
Internal Service	4,529	125	4,404
Total Proprietary Funds	205,376	32,231	173,145
TOTAL	**$ 1,067,816**	**$ 121,411**	**$ 946,405**

The majority of the contracts relate to the expansion of Orange County's freeway and road systems, railroad grade crossing enhancements, expansion of commuter rail service and the purchase of transit vehicles.

(16) OTHER COMMITMENTS AND CONTINGENCIES

LITIGATION

OCTA is a defendant in various legal actions. Management believes that the ultimate resolution of these actions will not have a significant effect on OCTA's financial position or changes in financial position.

METROLINK EVENT

On September 12, 2008, a Metrolink commuter train collided with a freight train in Chatsworth. The National Transportation Safety Board determined that the probable cause of the collision was the failure of the Metrolink engineer to observe and appropriately respond to the red signal aspect at Control Point Topanga. Upon completion of the safety review process, the independent Rail Safety Peer Review Panel developed an Enhanced Safety Action Plan with recommendations on eight key issues identified by the Panel. Recently, an interpleader was approved capping the Metrolink/Connex liability at $200,000. However, a bill has been presented to the state legislature capping such events at $500,000. At this time, there is no financial impact to OCTA.

FEDERAL GRANTS

OCTA receives federal grants for capital projects and other reimbursable activities which are subject to audit by the grantor agency. Although the outcome of any such audits cannot be predicted, it is management's opinion that these audits would not have a material effect on OCTA's financial position or results of operations.

LEASE COMMITMENTS

OPERATING LEASES

OCTA is committed under various leases for building, office space, a Compressed Natural Gas (CNG) Fueling Facility, non-revenue vehicles and tires for revenue vehicles. These leases are considered for accounting purposes to be operating leases. The lease for OCTA's administrative headquarters in Orange was originally for fifteen years beginning in September 1993, but was amended extending the lease term to April 30, 2018. Lease expenditures for the year ended June 30, 2010 amounted to $8,616.

Future minimum payments for these leases are as follows:

Fiscal year ending	
2011	$ 6,472
2012	6,277
2013	6,061
2014	6,155
2015	5,931
2016-2018	12,031
TOTAL	**$ 42,927**

CAPITAL LEASES

OCTA is also committed under multiple leases for design and construction of CNG Fueling Facilities that are considered capital leases. As of June 30, 2010, three facilities have been completed at a cost of $18,173 and are included in building and improvements. The terms of the leases are for five years commencing July 21, 2006 for the first lease and October 30, 2007 for the other two leases.

The present value of net minimum payments for these leases is as follows:

Fiscal year ending	
2011	$ 3,766
2012	2,310
2013	577
Total minimum lease payments	6,653
Less: interest costs	(291)
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	**$ 6,362**

(17) JOINT VENTURE

OCTA is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority created in 1992. The SCRRA's board consists of one member from the Ventura County Transit Commission (VCTC); two each from OCTA, the San Bernardino Associated Governments (SANBAG) and the Riverside County Transportation Commission (RCTC); and four members from the Los Angeles County Metropolitan Transportation Authority (LACMTA). SCRRA is responsible for maintaining and operating a regional commuter rail system (Metrolink) in five southern California counties. As a member of the agency, OCTA makes annual capital and operating contributions for its prorata share of rail lines serving Orange County. OCTA expended $25,921 during fiscal year 2009-10 for its share of Metrolink capital and operating costs. Separate financial statements are prepared by, and available from, SCRRA, which is located at 700 N. Flower Street, 26th floor, Los Angeles, CA 90017.

(18) PRIOR PERIOD ADJUSTMENT

In the prior fiscal year, revenues of $1,863 for the construction of the SR-22 freeway project were recorded as revenue. However, the amount is considered retention and is not available for reimbursement until February 2011. Therefore this revenue should have been recorded as deferred revenue in the prior fiscal year as it is not available to finance current expenditures. This impacts the Government Fund statements only as the revenues were earned in the previous fiscal year. Additionally, in the prior fiscal year, $699 for the I-405 widening project was recorded as revenue. However, it was determined in the current fiscal year that OCTA had not received the program supplement from Caltrans granting OCTA the authority to seek reimbursement.

During fiscal year 2009-10, OCTA implemented GASB 53, Accounting and Financial Reporting for Derivative Instruments. It was determined that the pay-fixed interest rate swaps did not meet the criteria for hedge effectiveness. Therefore, a prior period adjustment of $14,890 has been made to record the accumulated negative changes in fair value of the swap.

During fiscal year 2009-10, it was determined when GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented the information received was not clear as to when the revenues were earned. In the prior fiscal year, $27,757 and $10,328 of sales tax revenue for LTA and LTF respectively, was not accrued for at the end of the year.

The following is a summary of the effect of these adjustments:

	Governmental	LTA	Local Transportation	Business-type	91 Express Lanes
Beginning balance, as previously reported	$654,071	$ 362,200	$ 7,373	$ 577,235	$ 55,942
Adjustment (SR-22 freeway project)	-	(1,863)	-	-	-
Adjustment (GASB 53)	-	-	-	(14,890)	(14,890)
Adjustment (Sales Tax Revenue)	38,085	27,757	10,328	-	-
Adjustment (I-405 widening project)	(699)	(699)	-	-	-
BEGINNING BALANCE, AS RESTATED	**$ 691,457**	**$ 387,395**	**$ 17,701**	**$ 562,345**	**$ 41,052**

(19) EFFECT OF NEW PRONOUNCEMENTS

GASB STATEMENT NO. 51

In June 2007, GASB issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. OCTA has properly recorded all intangible assets as a capital asset.

GASB STATEMENT NO. 53

In June 2008, GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. OCTA has properly recorded and disclosed derivative instruments. See note 11.

GASB Statement No. 54

In March 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definition. This statement is effective for OCTA's fiscal year ending June 30, 2011.

GASB Statement No. 58

In December 2009, GASB issued Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. For fiscal year 2010, OCTA did not file for Chapter 9 bankruptcy.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (BUDGETARY BASIS)

(thousands)

for the year ended June 30, 2010	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Fines	$ 160	$ 160	$ 119	$ (41)
Contributions from other agencies	9,925	9,925	4,196	(5,729)
Interest and investment income/(loss)	148	148	(112)	(260)
Capital assistance grants	10,697	10,697	4,453	(6,244)
Miscellaneous	165	165	171	6
TOTAL REVENUES	21,095	21,095	8,827	(12,268)
EXPENDITURES				
Current:				
General government:				
Salaries and benefits	36,555	36,699	35,649	1,050
Supplies and services	30,156	33,714	21,080	12,634
Interfund reimbursements	(46,077)	(46,077)	(46,846)	769
Transportation:				
Contributions to other local agencies	41,327	40,488	26,604	13,884
Capital outlay	2,332	2,426	855	1,571
TOTAL EXPENDITURES	64,293	67,250	37,342	29,908
Excess (deficiency) of revenues over (under) expenditures	(43,198)	(46,155)	(28,515)	17,640
OTHER FINANCING SOURCES (USES)				
Transfers in	34,800	34,800	29,339	(5,461)
Transfers out	-	-	(3,086)	(3,086)
Proceeds from sale of capital assets	-	-	5	5
TOTAL OTHER FINANCING SOURCES (USES)	34,800	34,800	26,258	(8,542)
Net change in fund balance	$ (8,398)	$ (11,355)	$ (2,257)	$ 9,098

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL TRANSPORTATION AUTHORITY SPECIAL REVENUE FUND (BUDGETARY BASIS)

(thousands)

for the year ended June 30, 2010	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Sales tax revenue	$ 234,745	$ 234,745	$ 221,855	$ (12,890)
Contributions from other agencies	8,250	8,250	31,269	23,019
Interest and investment income	10,012	10,012	12,219	2,207
Capital assistance grants	64,098	64,098	-	(64,098)
Miscellaneous	2,379	2,379	3,117	738
TOTAL REVENUES	319,484	319,484	268,460	(51,024)
EXPENDITURES				
Current:				
General government:				
Supplies and services	113,494	119,136	65,459	53,677
Transportation:				
Contributions to other local agencies	332,040	329,353	193,355	135,998
Capital outlay	271,025	270,962	54,302	216,660
Debt service:				
Interest on long-term debt and commercial paper	1,500	1,500	403	1,097
TOTAL EXPENDITURES	718,059	720,951	313,519	407,432
Excess (deficiency) of revenues over (under) expenditures	(398,575)	(401,467)	(45,059)	356,408
OTHER FINANCING SOURCES (USES)				
Transfers in	15,050	15,050	6,524	(8,526)
Transfers out	(103,016)	(103,016)	(89,602)	13,414
TOTAL OTHER FINANCING SOURCES (USES)	(87,966)	(87,966)	(83,078)	4,888
Net change in fund balance	$ (486,541)	$ (489,433)	$ (128,137)	$ 361,296

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL TRANSPORTATION SPECIAL REVENUE FUND (BUDGETARY BASIS)

(thousands)

	Budgeted Amounts			Variance with Final Budget
for the year ended June 30, 2010	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Sales tax revenue	$ 89,642	$ 89,642	$ 80,177	$ (9,465)
Interest and investment income	115	115	42	(73)
TOTAL REVENUES	89,757	89,757	80,219	(9,538)
EXPENDITURES				
Current:				
General government:				
Supplies and services	988	988	1,399	(411)
Transportation:				
Contributions to other local agencies	8,425	8,430	3,518	4,912
TOTAL EXPENDITURES	9,413	9,418	4,917	4,501
Excess of revenues over expenditures	80,344	80,339	75,302	(5,037)
OTHER FINANCING USES				
Transfers out	(85,558)	(85,558)	(73,572)	11,986
TOTAL OTHER FINANCING USES	(85,558)	(85,558)	(73,572)	11,986
Net change in fund balance	$ (5,214)	$ (5,219)	$ 1,730	$ 6,949

See accompanying notes to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
COMMUTER URBAN RAIL ENDOWMENT SPECIAL REVENUE FUND (BUDGETARY BASIS)

(thousands)

for the year ended June 30, 2010	Budgeted Amounts Original	 Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Fines	$ 14	$ 14	$ 25	$ 11
Interest and investment income	725	725	3,405	2,680
Federal capital assistance grants	2,720	2,720	2,720	-
Miscellaneous	919	919	549	(370)
TOTAL REVENUES	4,378	4,378	6,699	2,321
EXPENDITURES				
Current:				
General government:				
Supplies and services	25,617	25,595	18,964	6,631
Transportation:				
Contributions to other local agencies	14,596	17,899	10,825	7,074
Capital outlay	500	500	226	274
TOTAL EXPENDITURES	40,713	43,994	30,015	13,979
Excess (deficiency) of revenues over (under) expenditures	(36,335)	(39,616)	(23,316)	16,300
OTHER FINANCING SOURCES (USES)				
Transfers in	2,701	2,701	1,126	(1,575)
Transfers out	(2,197)	(2,197)	(5,636)	(3,439)
TOTAL OTHER FINANCING SOURCES (USES)	504	504	(4,510)	(5,014)
Net change in fund balance	$ (35,831)	$ (39,112)	$ (27,826)	$ 11,286

See accompanying notes to required supplementary information.

(THOUSANDS)

JUNE 30, 2010

(1) BUDGETARY DATA

OCTA establishes accounting control through formal adoption of an annual operating budget for all governmental funds. The operating budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2010 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

There were no excess of expenditures over appropriations for fiscal year 2009-10.

(THOUSANDS)

JUNE 30, 2010

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

ORANGE COUNTY UNIFIED TRANSPORTATION TRUST (OCUTT) – This fund is used to account for the revenues received and expenditures made for disbursements to OCTA, California Department of Transportation and cities within Orange County for various transportation projects. The source of revenue is the interest earned by the general capital projects fund. Expenditures of moneys in this fund must be made in accordance with provisions of the California Transportation Development Act (TDA).

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES (SAFE) – This fund is used to account for revenues received and expenditures made for the implementation and maintenance of the motorist emergency aid system. Funding is provided from a one dollar per vehicle registration fee on vehicles registered in Orange County. Expenditure of moneys in this fund must be made in accordance with the provisions of Chapter 14 of the California Streets and Highways Code.

SERVICE AUTHORITY FOR ABANDONED VEHICLES (SAAV) – This fund is used to account for revenues received and expenditures made for the removal of abandoned vehicles from streets and roads throughout Orange County. The source of revenue is provided by a one dollar per vehicle registration fee on vehicles registered in Orange County. Expenditure of moneys in this fund must be made in accordance with the provisions of Section 22710 of the California Vehicle Code.

STATE TRANSIT ASSISTANCE FUND (STAF) – This fund is used to account for revenues received and expenditures made for OCTD transit operations and fare assistance for seniors and disabled persons. Funding is provided by sales taxes on gasoline and use taxes on diesel fuel. Expenditure of these funds is governed by the provisions of the TDA.

GAS TAX FUND – Beginning July 1, 1997, OCTA began receiving $23,000 in gas tax revenue from the County of Orange. The revenues are restricted and must either be used for their designated purpose or swapped with other Orange County government agencies which can utilize the revenues for their intended purpose and in return provide OCTA with unrestricted revenues. OCTA carries the responsibility of annually pursuing and securing the swapping of restricted revenues with unrestricted revenues from Orange County government agencies.

MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE (MSRC) – This fund is used to account for AB2766 funds received from the South Coast Air Quality Management District (AQMD). These funds are used to reimburse for projects approved by the AQMD.

CAPITAL PROJECTS FUNDS

GENERAL CAPITAL PROJECTS FUND – This fund, formerly known as the Transit Development Reserve, is used to account for transportation capital projects.

OCTD CAPITAL PROJECTS FUND – This fund is used to account for transit capital projects.

RAIL CAPITAL PROJECT FUND – This fund is used to account for the development of a light-rail transit corridor within Orange County.

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

(thousands)

	Special Revenue						
June 30, 2010	OCUTT	SAFE	SAAV	STAF	Gas Tax	MSRC	Total
ASSETS							
Cash and investments	$ 4,475	$ 5,452	$ 2,939	$ -	$ 4,485	$ -	$ 17,351
Receivables:							
Interest	87	42	12	2	-	-	143
Other	-	9	-	-	-	-	9
Due from other governments	-	1,625	611	-	-	-	2,236
Advance to other funds	7,519	-	-	-	-	-	7,519
Other assets	4,100	49	-	-	-	-	4,149
TOTAL ASSETS	$ 16,181	$ 7,177	$ 3,562	$ 2	$ 4,485	$ -	$ 31,407
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	$ 5	$ 559	$ 1	$ -	$ -	$ -	$ 565
Due to other funds	-	-	31	-	-	-	31
Due to other governments	-	66	580	-	3,942	-	4,588
Deferred revenue	298	48	-	-	-	-	346
TOTAL LIABILITIES	303	673	612	-	3,942	-	5,530
FUND BALANCES:							
Reserved for:							
Other assets	4,100	49	-	-	-	-	4,149
Encumbrances	-	388	6	-	-	-	394
Advances	7,519	-	-	-	-	-	7,519
Transportation programs	-	-	-	2	543	-	545
Motorist services	-	6,067	2,944	-	-	-	9,011
Unreserved (deficit), reported in:							
Special revenue funds	4,259	-	-	-	-	-	4,259
Capital project funds	-	-	-	-	-	-	-
TOTAL FUND BALANCES	15,878	6,504	2,950	2	543	-	25,877
TOTAL LIABILITIES AND FUND BALANCES	$ 16,181	$ 7,177	$ 3,562	$ 2	$ 4,485	-	$ 31,407

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS, *CONTINUED*

(thousands)

	Capital Projects				
June 30, 2010	General	OCTD	Rail Capital Project	Total	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	$ 9,672	$ 15	$ 108	$ 9,795	$ 27,146
Receivables:					
Interest	-	-	55	55	198
Other	-	-	-	-	9
Due from other governments	46	-	-	46	2,282
Advance to other funds	-	-	-	-	7,519
Other assets	-	-	-	-	4,149
TOTAL ASSETS	$ 9,718	$ 15	$ 163	$ 9,896	$ 41,303
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 52	$ -	$ -	$ 52	$ 617
Due to other funds	-	-	-	-	31
Due to other governments	-	-	-	-	4,588
Deferred revenue	-	-	-	-	346
TOTAL LIABILITIES	52	-	-	52	5,582
FUND BALANCES:					
Reserved for:					
Other assets	-	-	-	-	4,149
Encumbrances	12,936	759	-	13,695	14,089
Advances	-	-	-	-	7,519
Transportation programs	-	-	-	-	545
Motorist services	-	-	-	-	9,011
Unreserved (deficit), reported in:					
Special revenue funds	-	-	-	-	4,259
Capital project funds	(3,270)	(744)	163	(3,851)	(3,851)
TOTAL FUND BALANCES	9,666	15	163	9,844	35,721
TOTAL LIABILITIES AND FUND BALANCES	$ 9,718	$ 15	$ 163	$ 9,896	$ 41,303

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

(thousands)

	Special Revenue						
for the year ended June 30, 2010	OCUTT	SAFE	SAAV	STAF	Gas Tax	MSRC	Total
REVENUES:							
Sales taxes	$ -	$ -	$ -	$ 23,973	$ -	$ -	$ 23,973
Gasoline taxes	-	-	-	-	23,000	-	23,000
Vehicle registration fees	-	2,496	2,497	-	-	-	4,993
Contributions from other agencies	-	3,048	-	-	-	-	3,048
Interest and investment income	521	189	97	6	-	-	813
Capital assistance grants	-	-	-	-	-	-	-
Miscellaneous	-	112	-	-	-	-	112
TOTAL REVENUES	521	5,845	2,594	23,979	23,000	-	55,939
EXPENDITURES:							
Current:							
General government	23	5,735	36	1	-	-	5,795
Transportation:							
Contributions to other local agencies	-	-	2,321	-	23,000	-	25,321
Capital outlay	-	31	-	-	-	-	31
TOTAL EXPENDITURES	23	5,766	2,357	1	23,000	-	31,147
Excess of revenues over expenditures	498	79	237	23,978	-	-	24,792
OTHER FINANCING SOURCES (USES):							
Transfers in	3,086	200	-	-	-	-	3,286
Transfers out	(390)	-	(125)	(24,426)	-	(200)	(25,141)
TOTAL OTHER FINANCING SOURCES (USES)	2,696	200	(125)	(24,426)	-	(200)	(21,855)
Net change in fund balances	3,194	279	112	(448)	-	(200)	2,937
Fund balances-beginning	12,684	6,225	2,838	450	543	200	22,940
FUND BALANCES-ENDING	$ 15,878	$ 6,504	$ 2,950	$ 2	$ 543	$ -	$ 25,877

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, *CONTINUED*

NONMAJOR GOVERNMENTAL FUNDS

(thousands)

for the year ended June 30, 2010	Capital Projects General	 OCTD	 Rail Capital Project	 Total	Total Nonmajor Governmental Funds
REVENUES:					
Sales taxes	$ -	$ -	$ -	$ -	$ 23,973
Gasoline taxes	-	-	-	-	23,000
Vehicle registration fees	-	-	-	-	4,993
Contributions from other agencies	432	-	-	432	3,480
Interest and investment income	-	-	17	17	830
Capital assistance grants	482	-	-	482	482
Miscellaneous	-	-	-	-	112
TOTAL REVENUES	914	-	17	931	56,870
EXPENDITURES:					
Current:					
General government	245	-	1	246	6,041
Transportation:					
Contributions to other local agencies	-	-	-	-	25,321
Capital outlay	1,048	-	-	1,048	1,079
TOTAL EXPENDITURES	1,293	-	1	1,294	32,441
Excess (deficiency) of revenues over (under) expenditures	(379)	-	16	(363)	24,429
OTHER FINANCING SOURCES (USES):					
Transfers in	663	-	-	663	3,949
Transfers out	-	-	(1,126)	(1,126)	(26,267)
TOTAL OTHER FINANCING SOURCES (USES)	663	-	(1,126)	(463)	(22,318)
Net change in fund balances	284	-	(1,110)	(826)	2,111
Fund balances-beginning	9,382	15	1,273	10,670	33,610
FUND BALANCES-ENDING	$ 9,666	$ 15	$ 163	$ 9,844	$ 35,721

BUDGETARY COMPARISON SCHEDULE

LOCAL TRANSPORTATION AUTHORITY DEBT SERVICE FUND (BUDGETARY BASIS)

(thousands)

for the year ended June 30, 2010	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Interest and investment income	$ 2,203	$ 2,203	$ 783	$ (1,420)
TOTAL REVENUES	2,203	2,203	783	(1,420)
EXPENDITURES				
Current:				
General government:				
Supplies and services	298	298	151	147
Debt service:				
Principal payments on long-term debt	78,405	78,405	78,405	-
Interest on long-term debt and commercial paper	9,000	9,000	9,018	(18)
TOTAL EXPENDITURES	87,703	87,703	87,574	129
Deficiency of revenues under expenditures	(85,500)	(85,500)	(86,791)	(1,291)
OTHER FINANCING SOURCES (USES)				
Transfers in	87,405	87,405	87,428	23
Transfers out	-	-	(5,241)	(5,241)
TOTAL OTHER FINANCING SOURCES (USES)	87,405	87,405	82,187	(5,218)
Net change in fund balance	$ 1,905	$ 1,905	$ (4,604)	$ (6,509)

BUDGETARY COMPARISON SCHEDULE

ORANGE COUNTY UNIFIED TRANSPORTATION TRUST SPECIAL REVENUE FUND (BUDGETARY BASIS)

(thousands)

	Budgeted Amounts			Variance with Final Budget
for the year ended June 30, 2010	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Interest and investment income	$ 205	$ 205	$ 521	$ 316
TOTAL REVENUES	205	205	521	316
EXPENDITURES				
Current:				
General government:				
Supplies and services	11	11	23	(12)
TOTAL EXPENDITURES	11	11	23	(12)
Excess of revenues over expenditures	194	194	498	304
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,086	3,086
Transfers out	-	-	(390)	(390)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,696	2,696
Net change in fund balance	$ 194	$ 194	$ 3,194	$ 3,000

BUDGETARY COMPARISON SCHEDULE

SERVICE AUTHORITY FOR FREEWAY EMERGENCIES SPECIAL REVENUE FUND (BUDGETARY BASIS)

(thousands)

for the year ended June 30, 2010	Budgeted Amounts Original	 Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Vehicle registration fees	$ 2,598	$ 2,598	$ 2,496	$ (102)
Contributions from other agencies	3,085	3,085	3,048	(37)
Interest and investment income	86	86	189	103
Miscellaneous	30	30	112	82
TOTAL REVENUES	5,799	5,799	5,845	46
EXPENDITURES				
Current:				
General government:				
Supplies and services	7,033	7,033	5,735	1,298
Capital outlay	-	63	31	32
TOTAL EXPENDITURES	7,033	7,096	5,766	1,330
Excess (deficiency) of revenues over (under) expenditures	(1,234)	(1,297)	79	1,376
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	200	200
TOTAL OTHER FINANCING SOURCES (USES)	-	-	200	200
Net change in fund balance	$ (1,234)	$ (1,297)	$ 279	$ 1,576

BUDGETARY COMPARISON SCHEDULE

SERVICE AUTHORITY FOR ABANDONED VEHICLES SPECIAL REVENUE FUND (BUDGETARY BASIS)

(thousands)

for the year ended June 30, 2010	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Vehicle registration fees	$ 2,588	$ 2,588	$ 2,497	$ (91)
Interest and investment income	50	50	97	47
TOTAL REVENUES	2,638	2,638	2,594	(44)
EXPENDITURES				
Current:				
General government:				
Supplies and services	50	58	36	22
Transportation:				
Contributions to other local agencies	1,840	1,832	2,321	(489)
TOTAL EXPENDITURES	1,890	1,890	2,357	(467)
Excess of revenues over expenditures	748	748	237	(511)
OTHER FINANCING USES				
Transfers out	(133)	(133)	(125)	8
TOTAL OTHER FINANCING USES	(133)	(133)	(125)	8
Net change in fund balance	$ 615	$ 615	$ 112	$ (503)

BUDGETARY COMPARISON SCHEDULE

STATE TRANSIT ASSISTANCE SPECIAL REVENUE FUND (BUDGETARY BASIS)

(thousands)

	Budgeted Amounts			
for the year ended June 30, 2010	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Sales tax revenue	$ 1	$ -	$ 23,973	$ 23,973
Interest and investment income	-	-	6	6
TOTAL REVENUES	1	-	23,979	23,979
EXPENDITURES				
Current:				
General government:				
Supplies and services	-	-	1	(1)
TOTAL EXPENDITURES	-	-	1	(1)
Excess of revenues over expenditures	1	-	23,978	23,978
OTHER FINANCING USES				
Transfers out	-	-	(24,426)	(24,426)
TOTAL OTHER FINANCING USES	-	-	(24,426)	(24,426)
Net change in fund balance	$ 1	$ -	$ (448)	$ (448)

BUDGETARY COMPARISON SCHEDULE
GAS TAX SPECIAL REVENUE FUND (BUDGETARY BASIS)

(thousands)

for the year ended June 30, 2010	Budgeted Amounts Original	 Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Gasoline tax revenue	$ 23,000	$ 23,000	$ 23,000	$ -
TOTAL REVENUES	23,000	23,000	23,000	-
EXPENDITURES				
Current:				
Transportation:				
Contributions to other local agencies	23,000	23,000	23,000	-
TOTAL EXPENDITURES	23,000	23,000	23,000	-
Net change in fund balance	$ -	$ -	$ -	$ -

BUDGETARY COMPARISON SCHEDULE

MSRC SPECIAL REVENUE FUND (BUDGETARY BASIS)

(thousands)

for the year ended June 30, 2010	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
OTHER FINANCING USES				
Transfers out	$ -	$ -	$ (200)	$ (200)
TOTAL OTHER FINANCING USES	-	-	(200)	(200)
Net change in fund balance	$ -	$ -	$ (200)	$ (200)

BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL PROJECTS FUND (BUDGETARY BASIS)

(thousands)

for the year ended June 30, 2010	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Contributions from other agencies	$ 489	$ 489	$ 432	$ (57)
Interest	197	197	-	(197)
Capital assistance grants	-	-	482	482
TOTAL REVENUES	686	686	914	228
EXPENDITURES				
Current:				
General government:				
Supplies and services	322	322	245	77
Capital outlay	12,332	12,332	1,048	11,284
TOTAL EXPENDITURES	12,654	12,654	1,293	11,361
Excess (deficiency) of revenues over (under) expenditures	(11,968)	(11,968)	(379)	11,589
OTHER FINANCING SOURCES				
Transfers in	-	-	663	663
TOTAL OTHER FINANCING SOURCES	-	-	663	663
Net change in fund balance	$ (11,968)	$ (11,968)	$ 284	$ 12,252

BUDGETARY COMPARISON SCHEDULE

ORANGE COUNTY TRANSIT DISTRICT CAPITAL PROJECTS FUND (BUDGETARY BASIS)

(thousands)

for the year ended June 30, 2010	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current:				
General government:				
Supplies and services	$ 3	$ 3	$ -	$ 3
Capital outlay	759	759	-	759
TOTAL EXPENDITURES	762	762	-	762
Excess (deficiency) of revenues over (under) expenditures	(762)	(762)	-	762
Net change in fund balance	$ (762)	$ (762)	$ -	$ 762

BUDGETARY COMPARISON SCHEDULE
RAIL CAPITAL PROJECT FUND (BUDGETARY BASIS)

(thousands)

for the year ended June 30, 2010	Budgeted Amounts Original	 Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Interest and investment income	$ 21	$ 21	$ 17	$ (4)
TOTAL REVENUES	21	21	17	(4)
EXPENDITURES				
Current:				
General government:				
Supplies and services	26	26	1	25
TOTAL EXPENDITURES	26	26	1	25
Excess of revenues over expenditures	(5)	(5)	16	21
OTHER FINANCING USES				
Transfers out	-	-	(1,126)	(1,126)
TOTAL OTHER FINANCING USES	-	-	(1,126)	(1,126)
Net change in fund balance	$ (5)	$ (5)	$ (1,110)	$ (1,105)

(THOUSANDS)

JUNE 30, 2010

NONMAJOR ENTERPRISE FUNDS

BUS OPERATIONS FUND (BOF) – This fund was established by the Board in 1996 with moneys from various OCTA accounts available for use in mass transit. The principal and interest earnings are intended to partially subsidize the bus operations of OCTD through the 2010-11 fiscal year.

ORANGE COUNTY TAXICAB ADMINISTRATION PROGRAM (OCTAP) – This fund accounts for the taxicab licensing and driver's permit program. The sources of funding for the operations are the permit fees.

COMBINING STATEMENT OF FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS

(thousands)

	Enterprise Funds		
June 30, 2010	Bus Operations	OCTAP	Total Nonmajor Enterprise Funds
ASSETS			
Current assets:			
Cash and investments	$ 13,584	$ 443	$ 14,027
Receivables:			
Interest	365	1	366
Due from other governments	-	12	12
Prepaid retirement	-	37	37
Total current assets	13,949	493	14,442
TOTAL ASSETS	13,949	493	14,442
LIABILITIES			
Current liabilities:			
Accounts payable	$ 5	$ 6	$ 11
Accrued payroll and related items	-	11	11
Unearned revenue	-	2	2
Current portion of long-term liabilities	-	15	15
Total current liabilities	5	34	39
TOTAL LIABILITIES	5	34	39
NET ASSETS			
Unrestricted	13,944	459	14,403
TOTAL NET ASSETS	$ 13,944	$ 459	$ 14,403

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

NONMAJOR ENTERPRISE FUNDS

(thousands)

	Enterprise Funds		
for the year ended June 30, 2010	Bus Operations	OCTAP	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Permit fees	$ -	$ 565	$ 565
TOTAL OPERATING REVENUES	-	565	565
OPERATING EXPENSES:			
Wages, salaries and benefits	-	232	232
Administrative services	-	170	170
Other	-	2	2
Professional services	26	105	131
General and administrative	-	5	5
TOTAL OPERATING EXPENSES	26	514	540
Operating income (loss)	(26)	51	25
NONOPERATING REVENUES:			
Investment earnings	611	17	628
Other	-	1	1
TOTAL NONOPERATING REVENUES	611	18	629
Income before contributions and transfers	585	69	654
Transfers in	-	1	1
Transfers out	(14,000)	-	(14,000)
Change in net assets	(13,415)	70	(13,345)
Total net assets - beginning	27,359	389	27,748
TOTAL NET ASSETS - ENDING	$ 13,944	$ 459	$ 14,403

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS

(thousands)

	Enterprise Funds		
for the year ended June 30, 2010	Bus Operations	OCTAP	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ -	$ 570	$ 570
Payments to suppliers	(30)	(109)	(139)
Payments to employees	-	(237)	(237)
Payments for interfund services used	-	(170)	(170)
Miscellaneous revenue received	-	1	1
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(30)	55	25
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	-	1	1
Transfers to other funds	(14,000)	-	(14,000)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(14,000)	1	(13,999)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	678	17	695
NET CASH PROVIDED BY INVESTING ACTIVITIES	678	17	695
Net increase (decrease) in cash and cash equivalents	(13,352)	73	(13,279)
Cash and cash equivalents at beginning of year	26,936	370	27,306
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 13,584	$ 443	$ 14,027
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ (26)	$ 51	$ 25
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Amortization of prepaid retirement	-	34	34
Miscellaneous	-	1	1
Change in assets and liabilities:			
Other receivables	-	17	17
Due from other governments	-	(12)	(12)
Prepaid retirement	-	(34)	(34)
Accounts payable	(4)	5	1
Compensated absences	-	(5)	(5)
Due to other governments	-	(2)	(2)
Total adjustments	(4)	4	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (30)	$ 55	$ 25

(THOUSANDS)

JUNE 30, 2010

INTERNAL SERVICE FUNDS

GENERAL LIABILITY - This fund is used to account for OCTA's risk management activities in the areas of public liability, property damage and automobile liability.

WORKERS' COMPENSATION - This fund is used to account for OCTA's risk management activities in the area of workers' compensation.

COMBINING STATEMENT OF FUND NET ASSETS - INTERNAL SERVICE FUNDS

(thousands)

June 30, 2010	General Liability	Workers' Compensation	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	$ 26,215	$ 11,043	$ 37,258
Receivables:			
Interest	149	73	222
Other	223	322	545
Due from other governments	1	-	1
Other assets	323	942	1,265
Total current assets	26,911	12,380	39,291
TOTAL ASSETS	26,911	12,380	39,291
LIABILITIES			
Current liabilities:			
Accounts payable	72	431	503
Claims payable	1,766	1,575	3,341
Other liabilities	-	103	103
Total current liabilities	1,838	2,109	3,947
Noncurrent liabilities:			
Claims payable	3,753	8,924	12,677
Total noncurrent liabilities	3,753	8,924	12,677
TOTAL LIABILITIES	5,591	11,033	16,624
NET ASSETS			
Unrestricted	21,320	1,347	22,667
TOTAL NET ASSETS	$ 21,320	$ 1,347	$ 22,667

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

(thousands)

for the year ended June 30, 2010	General Liability	Workers' Compensation	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	$ 1,040	$ 5,082	$ 6,122
Payments to suppliers	(1,533)	(458)	(1,991)
Payments to claimants	(4,856)	(5,203)	(10,059)
Payments for interfund services used	(112)	(78)	(190)
Miscellaneous revenue received	440	176	616
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(5,021)	(481)	(5,502)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	-	(996)	(996)
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	-	(996)	(996)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	950	392	1,342
NET CASH PROVIDED BY INVESTING ACTIVITIES	950	392	1,342
Net increase (decrease) in cash and cash equivalents	(4,071)	(1,085)	(5,156)
Cash and cash equivalents at beginning of year	30,286	12,128	42,414
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 26,215	$ 11,043	$ 37,258
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating loss	$ (1,009)	$ (471)	$ (1,480)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Insurance recoveries	440	176	616
Change in assets and liabilities:			
Other receivables	(53)	(108)	(161)
Other assets	(6)	61	55
Accounts payable	(223)	60	(163)
Claims payable	(4,170)	(199)	(4,369)
Total adjustments	(4,012)	(10)	(4,022)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (5,021)	$ (481)	$ (5,502)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

INTERNAL SERVICE FUNDS

(thousands)

for the year ended June 30, 2010	General Liability	Workers' Compensation	Total Internal Service Funds
OPERATING REVENUES:			
Charges for services	$ 1,040	$ 5,099	$ 6,139
TOTAL OPERATING REVENUES	1,040	5,099	6,139
OPERATING EXPENSES:			
Administrative services	112	78	190
Other	37	93	130
Insurance claims and premiums	596	4,961	5,557
Professional services	1,304	438	1,742
TOTAL OPERATING EXPENSES	2,049	5,570	7,619
Operating loss	(1,009)	(471)	(1,480)
NONOPERATING REVENUES:			
Investment earnings	917	385	1,302
Other	440	176	616
TOTAL NONOPERATING REVENUES	1,357	561	1,918
Income before contributions and transfers	348	90	438
Transfers out	-	(996)	(996)
Change in net assets	348	(906)	(558)
Total net assets - beginning	20,972	2,253	23,225
TOTAL NET ASSETS - ENDING	$ 21,320	$ 1,347	$ 22,667

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

(thousands)

for the year ended June 30, 2010	General Liability	Workers' Compensation	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	$ 1,040	$ 5,082	$ 6,122
Payments to suppliers	(1,533)	(458)	(1,991)
Payments to claimants	(4,856)	(5,203)	(10,059)
Payments for interfund services used	(112)	(78)	(190)
Miscellaneous revenue received	440	176	616
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(5,021)	(481)	(5,502)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	-	(996)	(996)
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	-	(996)	(996)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment earnings	950	392	1,342
NET CASH PROVIDED BY INVESTING ACTIVITIES	950	392	1,342
Net increase (decrease) in cash and cash equivalents	(4,071)	(1,085)	(5,156)
Cash and cash equivalents at beginning of year	30,286	12,128	42,414
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 26,215	$ 11,043	$ 37,258
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating loss	$ (1,009)	$ (471)	$ (1,480)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Insurance recoveries	440	176	616
Change in assets and liabilities:			
Other receivables	(53)	(108)	(161)
Other assets	(6)	61	55
Accounts payable	(223)	60	(163)
Claims payable	(4,170)	(199)	(4,369)
Total adjustments	(4,012)	(10)	(4,022)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (5,021)	$ (481)	$ (5,502)

91 EXPRESS LANES

VANPOOL

This part of OCTA's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about OCTA's overall financial health.

SCHEDULE 1

NET ASSETS BY COMPONENT, LAST NINE FISCAL YEARS

(accrual basis of accounting- thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:									
Invested in capital assets, net of related debt	$ 166,410	$ 160,756	$ 139,044	$ 278,006	$ 551,907	$ 652,407	$ 155,502	$ 175,769	$ 180,131
Restricted	396,455	455,630	566,921	637,820	568,581	524,399	531,318	328,463	303,605
Unrestricted	(392,245)	(327,947)	(305,530)	(231,120)	(204,361)	(124,558)	(63,434)	149,839	133,070
Total government activities net assets	$ 170,620	$ 288,439	$ 400,435	$ 684,706	$ 916,127	$ 1,052,248	$ 623,386	$ 654,071	$ 616,806
Business-type activities:									
Invested in capital assets, net of related debt	$ 227,694	$ 198,772	$ 241,883	$ 249,263	$ 230,878	$ 259,930	$ 335,732	$ 367,144	$ 331,460
Restricted	-	25,439	22,942	25,771	28,046	13,168	15,349	19,355	20,219
Unrestricted	324,717	328,129	273,330	249,883	260,158	248,194	222,926	190,736	170,902
Total business-type activities net assets	$ 552,411	$ 552,340	$ 538,155	$ 524,917	$ 519,082	$ 521,292	$ 574,007	$ 577,235	$ 522,581
Primary government:									
Invested in capital assets, net of related debt	$ 394,104	$ 359,528	$ 380,927	$ 527,269	$ 782,785	$ 912,337	$ 491,234	$ 542,913	$ 511,591
Restricted	396,455	481,069	589,863	663,591	596,627	537,567	546,667	347,818	323,824
Unrestricted	(67,528)	182	(32,200)	18,763	55,797	123,636	159,492	340,575	303,972
Total primary government net assets	$ 723,031	$ 840,779	$ 938,590	$ 1,209,623	$ 1,435,209	$ 1,573,540	$ 1,197,393	$ 1,231,306	$ 1,139,387

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

Fiscal year 2005 Governmental Activities Invested in Capital Assets, Net of Related Debt includes a prior period adjustment of $17,672 for construction management costs related to the SR-22 freeway project that should have been recorded as a capital asset.

SCHEDULE 2

CHANGES IN NET ASSETS, LAST NINE FISCAL YEARS

(accrual basis of accounting- thousands)

	Fiscal Year								
EXPENSES	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:									
General government	$ 84,319	$ 72,284	$ 76,583	$ 79,777	$ 80,961	$ 125,160	$ 105,009	$ 106,676	$ 112,138
Measure M program	156,775	134,900	147,135	108,370	133,524	174,314	748,962	222,731	$ 302,851
Motorist services	7,986	8,681	7,619	7,672	8,451	6,717	7,669	7,814	7,497
Commuter rail	11,029	10,294	10,463	20,505	18,442	49,791	21,585	27,009	29,395
Urban rail	1,312	37,992	15,755	10,115	128	-	-	-	-
Total governmental activities expenses	261,421	264,151	257,555	226,439	241,506	355,982	883,225	364,230	451,881
Business-type activities:									
Fixed route	175,460	184,495	199,375	220,037	223,160	233,827	243,151	224,538	210,526
Paratransit	19,497	23,567	28,935	32,558	28,285	28,002	35,631	37,980	42,999
Tollroad	-	16,575	33,508	33,886	33,693	34,430	35,375	38,224	33,713
Taxicab administration	262	311	243	245	271	366	431	299	344
Total business-type activities expenses	195,219	224,948	262,061	286,726	285,409	296,625	314,588	301,041	287,582
Total primary government expenses	$ 456,640	$ 489,099	$ 519,616	$ 513,165	$ 526,915	$ 652,607	$ 1,197,813	$ 665,271	$ 739,463
PROGRAM REVENUES									
Governmental activities:									
Charges for services:									
General government	$ 33,321	$ 33,977	$ 37,189	$ 39,429	$ 37,517	$ 43,840	$ 47,509	$ 133	$ 121
Other activities	795	664	797	735	713	880	1,172	967	1,008
Operating grants and contributions	5,280	4,483	4,325	35,263	29,632	31,963	35,125	36,092	68,015
Capital grants and contributions	27,420	45,548	38,787	154,565	107,349	59,344	34,142	30,747	8,279
Total governmental activities program revenues	66,816	84,672	81,098	229,992	175,211	136,027	117,948	67,939	77,423
Business-type activities:									
Charges for services:									
Fixed route	59,316	46,143	47,940	52,636	54,178	48,562	50,522	52,641	48,776
Tollroad	-	14,398	32,391	39,598	44,238	49,838	46,236	43,705	43,009
Other activities	3,052	3,608	3,770	4,660	5,016	6,063	6,593	6,870	7,133
Operating grants and contributions	33,564	55,962	55,094	42,681	44,555	46,493	53,561	80,242	88,597
Capital grants and contributions	64,818	14,351	22,910	25,218	8,750	15,948	69,693	56,588	1,841
Total business-type activities program revenues	160,750	134,462	162,105	164,793	156,737	166,904	226,605	240,046	189,356
Total primary government program revenues	$ 227,566	$ 219,134	$ 243,203	$ 394,785	$ 331,948	$ 302,931	$ 344,553	$ 307,985	$ 266,779

Source: Accounting and Financial Reporting Department

Notes:

(Continued)

GASB 34 was implemented July 1, 2001.

The 91 Express Lanes were purchased in January, 2003.

In fiscal year 2005, the OCTA Board directed staff to cease all efforts towards the CenterLine project and redirect resources to other rapid transit projects.

The fiscal year 2007 increase and 2008 decrease in Commuter rail expenses is primarily due to contributions to Metrolink for the purchase of new rail cars and locomotives in fiscal year 2007.

The fiscal year 2007 decrease in Capital grants and contributions revenue is primarily due to grant reimbursements related to the SR-22 construction project received in prior fiscal years.

Fiscal year 2005 Measure M Program expenditures includes a prior period adjustment of $17,672 related to SR22 expenditures erroneously coded to an operating expense, which should have been coded to a capital asset.

In 2008, the SR-22 freeway project was transferred to Caltrans and OCTD purchased additional CNG buses and paratransit vans.

In fiscal year 2009, the decreases in General Government Expenses and Program Revenues are due to the allocation of indirect costs shown as a reduction of expenditures as opposed to charges for services provided.

The fiscal year 2010 decrease in Capital grants and contributions revenue is primarily due to grant reimbursements related to CNG and LNG buses received in prior fiscal years.

SCHEDULE 2

CHANGES IN NET ASSETS, LAST NINE FISCAL YEARS, *CONTINUED*

(accrual basis of accounting- thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Indirect expenses allocation:									
Governmental activities	-	-	-	-	-	-	-	$ (36,091)	$ (31,187)
Business-type activities	-	-	-	-	-	-	-	36,091	31,187
Net (expense)/program revenue									
Governmental activities	$ (194,605)	$ (179,479)	$ (176,457)	$ 3,553	$ (66,295)	$ (219,955)	$ (765,277)	$ (260,200)	$ (343,271)
Business-type activities	(34,469)	(90,486)	(99,956)	(121,933)	(128,672)	(129,721)	(87,983)	(97,086)	(129,413)
Total primary government net expense	$ (229,074)	$ (269,965)	$ (276,413)	$ (118,380)	$ (194,967)	$ (349,676)	$ (853,260)	$ (357,286)	$ (472,684)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS									
Governmental activities:									
Taxes									
Sales taxes	$ 297,705	$ 301,011	$ 328,853	$ 351,185	$ 385,090	$ 421,067	$ 393,350	$ 335,465	$ 326,005
Vehicle registration	4,699	4,801	4,840	-	-	-	-	-	-
Motor fuel taxes	23,000	23,000	23,000	-	-	-	-	-	-
Unrestricted investment earnings	43,461	35,132	8,513	20,496	16,583	37,322	49,331	31,501	17,325
Loss on sale of capital assets	(15)	(3,180)	-	-	-	-	-	-	-
Other miscellaneous revenue	188	3,224	3,046	310	494	668	1,271	412	328
Transfers	(74,318)	(66,690)	(79,799)	(91,273)	(104,451)	(102,981)	(107,537)	(76,493)	(75,038)
Total governmental activities	294,720	297,298	288,453	280,718	297,716	356,076	336,415	290,885	268,620
Business-type activities:									
Taxes									
Property taxes	6,690	7,239	7,846	8,473	9,762	10,338	11,178	11,295	10,220
Unrestricted investment earnings	22,210	16,215	2,900	8,506	8,127	18,117	21,476	12,186	4,184
Gain (loss) on sale of capital assets	(1,799)	41	-	-	-	-	-	-	-
Other miscellaneous revenue	308	230	287	443	497	495	507	340	207
Transfers	74,318	66,690	79,799	91,273	104,451	102,981	107,537	76,493	75,038
Total business-type activities	101,727	90,415	90,832	108,695	122,837	131,931	140,698	100,314	89,649
Total primary government	$ 396,447	$ 387,713	$ 379,285	$ 389,413	$ 420,553	$ 488,007	$ 477,113	$ 391,199	$ 358,269
CHANGE IN NET ASSETS									
Governmental activities	$ 100,115	$ 117,819	$ 111,996	$ 284,271	$ 231,421	$ 136,121	$ (428,862)	$ 30,685	$ (74,651)
Business-type activities	67,258	(71)	(9,124)	(13,238)	(5,835)	2,210	52,715	3,228	(39,764)
Total primary government	$ 167,373	$ 117,748	$ 102,872	$ 271,033	$ 225,586	$ 138,331	$ (376,147)	$ 33,913	$ (114,415)

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

Vehicle registration, Motor fuel taxes and loss on sale of capital assets are now reported as charges for services, operating grants and contributions and expenses, respectively.

Fiscal year 2008 negative Change in Net Assets Governmental activities is due to the transfer of the SR-22 freeway project to Caltrans.

Beginning in fiscal year 2009, the indirect expense allocation is shown separately.

SCHEDULE 3

FUND BALANCES, GOVERNMENTAL FUNDS, LAST NINE FISCAL YEARS

(modified accrual basis of accounting-thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund									
Reserved	$ 4,006	$ 5,626	$ 8,183	$ 5,052	$ 4,708	$ 9,195	$ 10,842	$ 12,895	$ 10,756
Unreserved	2,992	2,427	(1,189)	759	(1,096)	(4,022)	(1,754)	(8,260)	(8,378)
Total general fund	$ 6,998	$ 8,053	$ 6,994	$ 5,811	$ 3,612	$ 5,173	$ 9,088	$ 4,635	$ 2,378
All Other Governmental Funds									
Reserved	$ 470,769	$ 533,315	$ 571,931	$ 649,596	$ 588,661	$ 576,815	$ 599,244	$ 537,118	$ 433,513
Unreserved, reported in:									
Special revenue funds	141,302	151,255	160,938	150,419	134,571	111,018	94,322	92,482	76,653
Capital projects funds	4,417	3,143	6,370	6,241	2,293	8,011	(4,976)	(2,082)	(3,851)
Total all other governmental funds	$ 616,488	$ 687,713	$ 739,239	$ 806,256	$ 725,525	$ 695,844	$ 688,590	$ 627,518	$ 506,315

Source: Accounting and Financial Reporting Department

Notes: GASB 34 was implemented July 1, 2001.

SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, LAST NINE FISCAL YEARS

(modified accrual basis of accounting-thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES									
Sales taxes	$ 297,705	$ 301,011	$ 328,853	$ 351,185	$ 385,090	$ 421,067	$ 393,350	$ 335,465	$ 326,005
Gasoline taxes	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000
Vehicle registration fees	4,699	4,801	4,840	4,816	5,096	5,114	5,137	5,193	4,993
Fines	185	185	160	172	170	191	197	157	144
Contributions from other agencies	17,023	23,516	12,639	117,572	45,595	22,101	20,894	10,818	38,945
Charges for services	29,805	33,804	37,087	39,242	37,354	43,663	47,326	-	-
Interest and investment income	43,390	35,074	5,472	19,262	17,072	42,431	49,282	31,418	17,167
Capital assistance grants	15,678	30,291	8,585	27,549	71,250	36,357	22,132	26,998	7,655
Miscellaneous	916	3,871	3,833	1,056	1,203	1,532	4,577	3,386	3,949
Total revenues	432,401	455,553	424,469	583,854	585,830	595,456	565,895	436,435	421,858
EXPENDITURES									
Current:									
General government	66,815	116,975	96,856	106,579	89,766	95,350	130,155	89,184	101,897
Transportation:									
Contributions to other local agencies	97,386	84,366	93,340	90,517	98,701	208,152	157,761	174,434	259,623
Capital outlay	72,881	28,590	20,745	141,805	301,496	132,514	84,201	72,666	56,462
Debt service:									
Principal payments on long-term debt	51,565	54,200	57,660	60,615	63,720	67,325	71,290	75,355	78,405
Advance refunding escrow	593	-	-	-					
Interest on long-term debt and commercial paper	37,267	34,337	30,963	28,325	25,306	22,303	18,648	13,829	9,421
Total expenditures	326,507	318,468	299,564	427,841	578,989	525,644	462,055	425,468	505,808
Excess of revenues over expenditures	105,894	137,085	124,905	156,013	6,841	69,812	103,840	10,967	(83,950)
OTHER FINANCING SOURCES (USES):									
Transfers in	106,357	121,818	120,095	138,679	103,709	175,338	111,507	113,508	128,366
Transfers out	(180,675)	(188,508)	(199,894)	(229,951)	(208,095)	(275,264)	(218,708)	(190,002)	(203,404)
Proceeds from sale of capital assets	-	1,885	5,361	1,093	7,269	1,994	22	2	5
Proceeds of refunding bonds	71,485	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(70,757)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(73,590)	(64,805)	(74,438)	(90,179)	(97,117)	(97,932)	(107,179)	(76,492)	(75,033)
Net changes in fund balances	$ 32,304	$ 72,280	$ 50,467	$ 65,834	$ (90,276)	$ (28,120)	$ (3,339)	$ (65,525)	$ (158,983)
Debt service as a percentage of noncapital expenditures	28.5%	27.9%	29.7%	29.1%	29.3%	21.1%	22.6%	22.1%	17.6%

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

In fiscal year 2004, there were no significant projects that received federal capital assistance grants.

In fiscal year 2005, $124 million in Traffic Congestion Relief Program funds were re-allocated to OCTA for the Garden Grove SR-22 project.

For both fiscal year 2005 and 2006 the increase in capital outlay was due to the SR-22 construction project which was substantially completed in November 2006.

The increase in contributions to other local agencies for fiscal year 2007 is primarily due to an increase in freeway construction projects, street and road projects, and contributions to Metrolink for the purchase of new rail cars and locomotives.

In fiscal year 2009, the decrease in Charges for services and General government Expenditures are due to the allocation of indirect costs shown as a reduction of expenditures as opposed to charges for services provided.

SCHEDULE 5

PROGRAM REVENUES BY FUNCTION/PROGRAM - LAST NINE FISCAL YEARS

(accrual basis of accounting- thousands)

PROGRAM REVENUES	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
FUNCTION/PROGRAM									
Governmental activities:									
General government	$ 35,046	$ 34,672	$ 39,919	$ 66,437	$ 62,570	$ 76,481	$ 82,704	$ 38,715	$ 32,876
Measure M program	28,638	18,335	30,354	148,759	106,740	27,950	23,267	18,034	33,211
Motorist services	2,614	2,199	2,140	9,096	5,387	8,186	8,576	8,170	8,042
Commuter rail	518	535	574	553	514	26,896	3,401	3,020	3,294
Urban rail	-	28,931	8,111	5,147	-	-	-	-	-
Total governmental activities	66,816	84,672	81,098	229,992	175,211	139,513	117,948	67,939	77,423
Business-type activities:									
Fixed route	154,304	112,884	122,914	115,180	102,824	106,127	166,327	182,941	133,122
Paratransit	6,217	6,954	6,575	9,740	9,345	10,505	13,524	12,851	12,621
Tollroad	-	14,398	32,391	39,598	44,238	49,838	46,246	43,705	43,048
Taxicab administration	229	226	225	225	330	434	508	549	565
Total business-type activities	160,750	134,462	162,105	164,743	156,737	166,904	226,605	240,046	189,356
Total primary government	$ 227,566	$ 219,134	$ 243,203	$ 394,735	$ 331,948	$ 306,417	$ 344,553	$ 307,985	$ 266,779

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

The 91 Express Lanes were purchased in January, 2003.

In fiscal year 2005, $124 million in Traffic Congestion Relief Program funds were re-allocated to OCTA for the Garden Grove SR-22 project.

In fiscal year 2006, OCTA received $70 million in Congestion Mitigation Air Quality for the SR-22 project.

Beginning in fiscal year 2005, OCTA reported Gas Tax revenue as a program revenue.

The fiscal year 2007 decrease in Measure M program revenues is primarily due to grant reimbursements related to the SR-22 construction project received in prior fiscal years.

In fiscal year 2009, the decrease in General Government is due to the allocation of indirect costs shown as a reduction of expenditures as opposed to charges for services provided.

In fiscal year 2010, the decrease in Fixed route revenues is primarily due to grant reimbursements related to CNG and LNG buses received in prior fiscal years.

SCHEDULE 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS

(accrual basis of accounting - thousands)

Fiscal Year	Sales & Use	Gasoline (a)	Total
2001	273,394	23,000	296,394
2002	303,817	23,000	326,817
2003	297,705	23,000	320,705
2004	301,012	23,000	324,012
2005	328,853	23,000	351,853
2006	385,090	23,000	408,090
2007	421,067	23,000	444,067
2008	393,350	23,000	416,350
2009	335,465	23,000	358,465
2010	326,005	23,000	349,005
Change			
2001 - 2010	19.2%	0.0%	17.8%

Source: Accounting and Financial Reporting Department

Notes:

(a) In 1995, as a result of the Orange County 1994 bankruptcy, the California State Legislature diverted $38 million to the County from OCTA's TDA sales tax revenue.
In return, $23 million in annual County gasoline tax revenue is being diverted to OCTA.

SCHEDULE 7

TAXABLE SALES BY CATEGORY, LAST TEN CALENDAR YEARS

(thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 (a)
1 Apparel stores	$ 1,364,366	$ 1,446,572	$ 1,508,011	$ 1,697,120	$ 1,881,882	$ 2,062,892	$ 2,152,410	$ 2,217,996	$ 2,340,116	$ 1,233,959
2 General merchandise	4,334,887	4,432,881	4,618,932	4,855,674	5,205,075	5,467,357	5,741,912	5,856,810	5,493,287	1,955,260
3 Specialty stores	5,119,964	4,999,099	4,837,212	5,085,612	5,700,317	6,028,089	6,514,211	4,447,931	3,665,066	787,762
4 Food stores	1,509,744	1,534,244	1,551,611	1,574,528	1,563,145	1,716,228	1,781,284	1,815,201	1,745,903	919,154
5 Eating and drinking establishments	3,535,316	3,749,604	3,884,388	4,149,117	4,475,791	4,798,676	5,051,841	5,296,863	5,245,480	2,508,023
6 Home furnishings and appliances	1,486,155	1,501,585	1,722,573	1,985,255	2,135,876	2,269,650	2,202,194	2,079,957	1,900,534	1,368,442
7 Building material	2,013,714	2,157,196	2,275,964	2,480,249	2,950,592	3,000,086	3,029,741	2,798,938	2,370,154	1,044,881
8 Automotive	7,378,529	7,957,760	8,482,604	9,651,049	10,585,091	11,283,156	11,490,939	11,469,589	10,431,086	3,875,903
9 Other	742,314	739,760	765,523	809,093	944,184	1,046,700	1,109,919	3,004,942	2,576,969	520,938
10 Business and personal services	2,625,459	2,673,666	2,615,150	2,699,250	2,819,934	2,938,129	2,987,539	2,968,831	2,828,005	622,549
11 All other outlets	14,352,012	13,402,947	12,607,188	12,530,119	13,420,172	14,452,283	15,140,757	15,336,413	15,010,229	7,179,944
Total	$ 44,462,460	$ 44,595,314	$ 44,869,156	$ 47,517,066	$ 51,682,059	$ 55,063,246	$ 57,202,747	$ 57,293,471	$ 53,606,829	$ 22,016,815
Measure M Ordinance direct sales tax rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Source: California State Board of Equalization

Notes:

(a) Represents the first and second quarter only.

Schedule 8

Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years

(thousands)

Calendar Year	Measure M Direct rate	County of Orange	
2001	0.50%	7.00%	a)
2002	0.50%	7.25%	
2003	0.50%	7.25%	
2004	0.50%	7.25%	
2005	0.50%	7.25%	
2006	0.50%	7.25%	
2007	0.50%	7.25%	
2008	0.50%	7.25%	
2009	0.50%	8.25%	b)
2010	0.50%	8.25%	

Sources: County of Orange information provided by the California State Board of Equalization,

Notes:

Measure M information provided by the Measure M Ordinance

a) General fund surplus at the state level forced a 0.25% reduction in state sales tax by law.

b) Effective April 1, 2009, the state sales and use tax rate increated by 1%.

SCHEDULE 9

PRINCIPAL TAXABLE SALES GENERATION BY CITY, CURRENT YEAR AND NINE YEARS AGO

(thousands)

	2008			1999		
City	Taxable Sales	Rank	Percentage of Total	Taxable Sales	Rank	Percentage of Total
Aliso Viejo	$ 367,065	29	0.77%	$ (a)		
Anaheim	5,334,216	1	11.20%	3,904,417	1	11.05%
Brea	1,560,580	12	3.28%	1,204,386	11	3.41%
Buena Park	2,096,149	8	4.40%	1,032,538	13	2.92%
Costa Mesa	3,747,661	3	7.87%	2,825,793	4	7.99%
Cypress	1,108,449	16	2.33%	738,189	16	2.09%
Dana Point	403,080	28	0.85%	285,984	25	0.81%
Fountain Valley	954,440	18	2.00%	801,623	15	2.27%
Fullerton	1,624,647	11	3.41%	1,323,412	10	3.74%
Garden Grove	1,642,666	10	3.45%	1,349,763	9	3.82%
Huntington Beach	2,563,546	6	5.38%	2,043,221	6	5.78%
Irvine	4,372,094	2	9.18%	3,617,140	2	10.23%
La Habra	866,504	19	1.82%	505,571	21	1.43%
La Palma	542,030	22	1.14%	229,072	28	0.65%
Laguna Beach	361,487	30	0.76%	271,143	27	0.77%
Laguna Hills	535,009	23	1.12%	639,519	18	1.81%
Laguna Niguel	971,206	17	2.04%	603,807	19	1.71%
Laguna Woods	77,480	33	0.16%	56,700	31	0.16%
Lake Forest	1,202,402	15	2.52%	649,840	17	1.84%
Los Alamitos	239,256	32	0.50%	213,172	29	0.60%
Mission Viejo	1,405,375	13	2.95%	1,012,282	14	2.86%
Newport Beach	2,404,864	7	5.05%	1,641,782	7	4.64%
Orange	3,057,454	5	6.42%	2,128,630	5	6.02%
Placentia	456,705	26	0.96%	400,418	23	1.13%
Rancho Santa Margarita	506,124	25	1.06%	(b)		
San Clemente	596,284	21	1.25%	355,020	24	1.00%
San Juan Capistrano	607,306	20	1.27%	506,742	20	1.43%
Santa Ana	3,670,635	4	7.71%	3,492,306	3	9.88%
Seal Beach	413,065	27	0.87%	150,609	30	0.43%
Stanton	316,826	31	0.67%	278,084	26	0.79%
Tustin	1,772,441	9	3.72%	1,479,567	8	4.19%
Villa Park	14,726	34	0.03%	14,392	32	0.04%
Westminster	1,318,703	14	2.77%	1,166,518	12	3.30%
Yorba Linda	525,014	24	1.10%	426,371	22	1.21%
Total	47,635,489		100%	35,348,011		100%
Unincorporated Cities	5,971,340			5,018,079		
Total Orange County	$ 53,606,829			40,366,090		

Source: California State Board of Equalization, www.boe.ca.gov

Notes:

(a) The City of Aliso Viejo was incorporated in July 2001 as Orange County's 34th city.

(b) The City of Rancho Santa Margarita was incorporated in January 2000 as Orange County's 33rd city.

Note: The most current data available is for 2008.

SCHEDULE 10

RATIOS OF OUTSTANDING DEBT BY TYPE, LAST TEN FISCAL YEARS

(thousands except per capita)

	Governmental Activities		Business-Type Activities					
Fiscal Year	Sales Tax Revenue Bonds	Commercial Paper Notes	Certificates of Participation	Toll Road Revenue Bonds	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
2001	662,800	67,200	15,920	-	-	$ 745,920	0.68%	255.71
2002	611,365	60,200	12,708	-	-	$ 684,273	0.61%	231.20
2003	557,165	53,200	9,805	135,000	-	$ 755,170	0.64%	251.72
2004	499,505	47,400	7,410	195,265	-	$ 749,580	0.60%	247.26
2005	438,890	40,900	4,965	191,630	-	$ 676,385	0.49%	221.37
2006	375,170	34,500	2,470	187,625	6,534	$ 606,299	0.40%	197.67
2007	307,845	29,100	1,235	183,510	15,741	$ 537,431	0.35%	173.94
2008	236,555	47,600	-	179,285	13,060	$ 476,500	0.31%	152.52
2009	161,200	50,000	-	174,940	9,779	$ 395,919	n/a	125.47
2010	82,795	100,000	-	170,425	6,362	$ 359,582	n/a	113.56

Source: Accounting and Financial Reporting Department

Notes:

See schedule 13 for personal income data

n/a - data not available

SCHEDULE 11

LEGAL DEBT MARGIN INFORMATION, LAST TEN FISCAL YEARS

(thousands)

Measure M Ordinance No. 2

Legal Debt Margin Calculation for Fiscal Year 2010	
Debt service	$ 87,422
Debt coverage (1.3 % of debt service)	113,649
Sales tax revenue	214,162
Less: local revenue	(31,689)
Net sales tax revenues	182,473
Legal debt margin	$ 68,824

Toll Road Revenue Bonds

Legal Debt Margin Calculation for Fiscal Year 2010	
Debt service	$ 16,038 (a)
Debt coverage (1.3 % of debt service)	20,849
Toll revenues	44,665
Less: operating expenses	(13,330)
Net toll revenues	31,335
Legal debt margin	$ 10,485

Fiscal Year	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit
2001	$ 155,635	88,684	66,951	57.0%	-	-	-	-
2002	$ 149,487	88,557	60,930	59.2%	-	-	-	-
2003	$ 154,584	88,557	66,027	57.3%	$ 5,712	12,323	(6,611)	215.7%
2004	$ 170,608	88,557	82,051	51.9%	$ 16,686	12,635	4,051	75.7%
2005	$ 182,621	88,557	94,064	48.5%	$ 22,793	12,635	10,158	55.4%
2006	$ 198,671	88,557	110,114	44.6%	$ 27,662	12,635	15,027	45.7%
2007	$ 204,594	88,557	116,037	43.3%	$ 34,760	12,635	22,125	36.3%
2008	$ 198,815	88,557	110,258	44.5%	$ 28,786	12,635	16,151	43.9%
2009	$ 173,540	87,422	86,118	50.4%	$ 26,503	15,504 (a)	10,999	58.5%
2010	$ 156,245	87,422	68,823	56.0%	$ 26,523	16,038 (a)	10,485	60.5%

Source: Treasury and Accounting and Financial Reporting Departments

Note:

The 91 Express Lanes were purchased in January, 2003.

(a) In fiscal year 2009 and 2010 additional interest costs were incurred associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc.; $3,249 and $3,780 respectively.

SCHEDULE 12

PLEDGED-REVENUE COVERAGE, LAST TEN FISCAL YEARS

(thousands)

	Sales Tax Revenue Bonds					Toll Road Revenue Bonds					Certificates of Participation			
			Debt Service					Debt Service				Debt Service		
Fiscal Year	Sales Tax Revenue	Less: Turnback	Principal	Interest	Coverage	Toll Road Revenue	Less: Operating Expenses (a)	Principal	Interest	Coverage	Grant Revenues	Principal	Interest	Coverage
2001	214,768	(32,528)	49,045	39,351	2.06	-	-	-	-	-	3,531	3,225	828	0.87
2002	209,105	(33,051)	51,565	36,076	2.01	-	-	-	-	-	-	3,265	679	-
2003	215,327	(34,176)	54,200	33,689	2.06	14,708	(5,299)	-	7,291	1.29	9,779	2,850	536	2.89
2004	231,763	(34,588)	57,660	30,335	2.24	33,083	(12,607)	912	10,283	1.83	914	2,395	414	0.33
2005	245,501	(36,313)	60,615	27,603	2.37	41,089	(14,506)	3,635	8,313	2.22	2,341	2,445	302	0.85
2006	263,378	(38,139)	63,720	24,466	2.55	45,960	(14,507)	4,005	8,249	2.57	2,146	2,495	187	0.80
2007	272,287	(41,126)	67,325	20,994	2.62	53,032	(14,482)	4,115	8,142	3.15	831	1,235	97	0.62
2008	266,443	(41,061)	71,290	17,168	2.55	50,649	(13,659)	4,225	8,028	3.02	831	1,235	32	0.66
2009	236,128	(36,361)	75,355	13,201	2.26	46,726	(15,572)	4,345	11,159(b)	2.01	-	-	-	-
2010	214,162	(31,689)	78,405	9,000	2.09	44,665	(13,330)	4,515	11,523(b)	1.95	-	-	-	-

Source: Accounting and Financial Reporting Department

Notes:

The 91 Express Lanes were purchased in January, 2003.

(a) Excludes depreciation and amortization expense.

The Certificates of Participation matured in July 2007.

(b) In fiscal year 2009 and 2010, additional interest costs were incurred associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc.; $3,249 and $3,780 respectively.

SCHEDULE 13

DEMOGRAPHIC AND ECONOMIC STATISTICS, LAST TEN CALENDAR YEARS

Calendar Year	Population (a)	Personal Income *(millions) (b)*	Per Capita Personal Income (c)	Median Age (d)	School Enrollment (e)	Unemployment Rate (f)
2001	2,917,008	109,010	37,674	33.0	494,178	4.0%
2002	2,959,691	111,750	38,247	33.7	503,351	5.0%
2003	3,000,092	117,722	39,944	34.5	512,105	4.8%
2004	3,031,583	125,798	42,420	34.7	515,464	4.3%
2005	3,055,514	139,408	47,141	35.1	513,744	3.8%
2006	3,067,286	150,598	50,997	35.4	510,114	3.7%
2007	3,089,756	153,839	52,009	35.9	503,955	3.9%
2008	3,124,206	155,118	51,894	36.1	503,492	5.3%
2009	3,155,393	n/a	n/a	35.8	504,136	9.5%
2010	3,166,461	n/a	n/a	n/a	n/a	9.5%

Notes:

n/a - data not available

Sources:

(a) July 1 estimates for 2001-2009 from California Department of Finance, http://www.dof.ca.gov/
January 1 estimates for 2010 from California Department of Finance, http://www.dof.ca.gov/
(b) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.beau.gov/
(c) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.beau.gov/
(d) U.S. Census Bureau
(e) California Department of Education, http://www.cde.ca.gov
(f) CA Employment Development Department, http://www.labormarketinfo.edd.ca.gov

SCHEDULE 14

PRINCIPAL EMPLOYERS, CURRENT YEAR AND NINE YEARS AGO

	2010			2001		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	19,800	1	1.36%	8,500	5	0.30%
University of California, Irvine	19,279	2	1.33%	10,000	3	0.35%
County of Orange	17,895	3	1.23%	16,408	1	0.58%
St. Joseph Health System	10,929	4	0.75%			
Boeing Co.	8,477	5	0.58%	10,300	2	0.36%
Yum! Brands Inc.	7,000	6	0.48%			
Target Corp.	6,226	7	0.43%			
Supervalu Inc.	5,923	8	0.41%			
Kaiser Permanente	5,598	9	0.38%			
Memorial Health Services Inc.	5,533	10	0.38%			
Verizon Wireless				9,000	4	0.32%
Pinkerton Security				3,800	6	0.13%
Knott's Berry Farm				3,500	7	0.12%
Pacificare of California				3,500	8	0.12%
Hoag Memorial Hospital				3,200	9	0.11%
Ingram Micro Inc.				3,000	10	0.11%

Source: Orange County Business Journal Book of Lists - County of Orange

SCHEDULE 15

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM FOR TEN YEARS

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	252	244	263	222	210	215	233	227	220	219
Measure M program	10	20	21	24	27	27	29	39	43	45
Motorist services	1	1	1	1	1	1	1	1	1	2
Commuter rail	1	1	1	1	1	2	2	2	15	12
Urban rail	-	-	1	1	1	4	-	-	-	-
Fixed route	1,313	1,462	1,555	1,581	1,619	1,587	1,611	1,633	1,540	1,319
Paratransit	9	9	11	13	13	14	13	12	11	11
Tollroad	-	-	4	4	4	4	4	4	3	3
Taxicab	3	3	3	3	3	3	3	3	3	3
Total	1,589	1,740	1,860	1,850	1,879	1,857	1,896	1,921	1,836	1,614

Source: Financial Planning & Analysis Department

Notes:

In fiscal year 2009, the Rail Division was created under Commuter Rail; the full-time equivalent positions were reduced from General Government and transferred to the Rail Division. In addition, in fiscal year 2009 and 2010, there were decreases in the full-time equivalent positions in Fixed Route due to service reductions.

SCHEDULE 16

OPERATING INDICATORS BY FUNCTION/PROGRAM

	Fiscal Year									
FUNCTION/PROGRAM	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Measure M1 program (thousands)										
Freeways	$ 63,048	$ 25,199	$ 19,812	$ 13,801	$ 141,969	$ 298,667	$ 112,732	$ 99,599	$ 53,283	$ 55,060
Regional streets and roads	24,422	23,680	14,062	15,752	10,493	17,198	65,247	40,556	24,169	42,591
Local streets and roads	42,104	41,142	41,186	49,375	43,996	41,057	32,481	52,681	53,534	61,863
Transit	19,375	48,386	29,166	35,829	23,195	8,169	55,916	18,309	63,822	83,677
Total program expenses	$ 148,949	$ 138,408	$ 104,226	$ 114,757	$ 219,653	$ 365,091	$ 266,376	$ 211,145	$ 194,808	$ 243,191
Measure M2 program (thousands)										
Freeways	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,300	$ 16,490	$ 17,682
Streets and roads	-	-	-	-	-	-	-	25	3,279	15,226
Transit	-	-	-	-	-	-	-	3,565	11,570	22,073
Environmental cleanup	-	-	-	-	-	-	-	7	175	324
Total program expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,897	$ 31,514	$ 55,305
Motorist services										
Calls made from call boxes	47,114	38,138	30,020	28,753	18,540	15,600	7,459	7,306	4,361	4,138
Vehicles removed	25,721	9,000	31,200	33,300	13,413	9,096	434	642	931	1,306
Vehicles assisted by FSP	63,383	73,802	58,284	58,000	68,160	70,000	70,935	70,128	43,520	60,865
Commuter rail										
Weekday trips	31	40	40	40	40	44	44	44	44	42
Annual boardings	2,149,571	2,186,170	2,733,483	2,764,870	3,230,988	3,547,697	3,841,259	4,074,443	4,189,455	3,941,628
Fixed route										
Annual boardings	58,359,358	64,038,048	65,123,546	67,551,870	67,009,989	67,779,946	69,035,226	65,203,611	64,353,673	53,376,023
Vehicle revenue hours	1,566,924	1,678,500	1,752,322	1,799,253	1,835,463	1,846,458	1,910,707	1,938,129	1,894,657	1,842,128
Miles of fixed route	2,021	2,295	2,321	2,318	2,320	2,378	2,488	2,943	2,126	2,039
Paratransit										
Annual boardings	697,894	779,967	909,156	1,085,329	1,181,892	1,114,639	1,231,346	1,375,370	1,464,730	1,482,950
Vehicle revenue hours	388,963	424,604	489,754	577,053	597,821	565,543	614,620	656,222	678,340	671,456
Eligible riders (c)	n/a	15,762	21,317	24,955	25,569	26,204	26,110	26,611	26,834	27,104
Tollroad (b)										
Annual drivers trips	n/a	n/a	4,958,660	11,213,741	12,741,319	14,182,916	14,639,848	13,477,488	12,036,831	12,659,051
Taxicab										
Permits Issued	1,609	1,541	1,590	1,510	1,662	1,698	2,170	2,303	2,364	2,481

Source: Various departments within OCTA

Notes:

The first full year of construction on the I-5 freeway widening project occurred in fiscal year 1999.

The SR-22 project began in fiscal year 2005.

In fiscal year 2000, the Regional Center of Orange County (RCOC) shifted trips to other providers.

In fiscal year 2003, the Regional Center of Orange County (RCOC) shifted trips back to OCTA and the Office on Aging established programs that required consumers to apply for OCTA service.

In fiscal year 2010, the decrease in Fixed Route annual boardings is primarily due to the decrease in vehicle service hours.

(a) Estimate

(b) The 91 Express Lanes were purchased in January, 2003.

(c) Data for Paratransit eligible riders from 2001 and prior is not available.

SCHEDULE 17

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fixed route										
Bus bases	3	3	3	3	4	4	4	5	5	5
Large revenue vehicles	472	495	507	558	563	570	566	572	530	510 (b)
Small revenue vehicles	87	53	92	85	84	80	82	82	80	19 (b)
Paratransit										
Paratransit vehicles	179	207	248	238	249	264	263	263	263	252 (b)
Tollroad (a)										
Transponders in use	n/a	n/a	143,533	157,635	172,220	171,589	176,818	176,149	171,485	170,458

Source: Various departments within the Orange County Transportation Authority

Notes:

n/a = data not available

(a) The 91 Express Lanes were purchased in January, 2003.

(b) In fiscal year 2010, the decreases in Fixed route large and small vehicles, and in Paratransit vehicles are due to the retirement of vehicles after they had reached their useful lives.

Submitted by:

FINANCE AND ADMINISTRATION DIVISION

Kenneth G. Phipps, Executive Director

For the fiscal year ended June 30,

2010

Orange County Transportation Authority
Orange County, California