The Amazing True Tales

From the 91 Express Lanes

BENEFITTING REAL LIVES IN REAL WAYS

2007 ANNUAL REPORT

introduction

THE AMAZING TRUE TALES

The 91 Express Lanes is far more than a 10-mile stretch of pavement connecting Orange and Riverside counties. Indeed, this four-lane toll road is an innovative, time-saving alternative that benefits real lives in real ways. Thanks to this alternative, people are spending less time on the road, enjoying more time with loved ones and boosting their quality of life. On these pages, you can read some of their real-life stories — and discover how the 91 Express Lanes is truly making a difference every day.

part 1
THE STORIES

eva

THE EXPECTING MOTHER

Eva thought she was still two weeks away from the birth of her second child when she started having labor pains. What she thought was false labor, however, turned out to be the real thing. Contractions began. The pain increased. And time was of the essence. She had to get from her Corona home to the Anaheim hospital as quickly as possible; the baby was on its way. The traffic, however, wasn't cooperating. The westbound 91 freeway was jam-packed, and cars were moving at a crawl. "We hopped on the 91 Express Lanes — and thank God we did — because there was an accident on the freeway at Weir Canyon," she said. "We were able to fly right by and get to the hospital in time. Once there, I was able to get an epidural for my pain, and my son, Daniel, was born only an hour and a half later. We were extremely grateful for the saved time."

ramiro

THE BUSY TOW-TRUCK DRIVER

For Ramiro, a tow-truck driver in Riverside County, time is money. And getting stuck in congested traffic is bad for business. ❁ "The more cars I can pick up, the better," he says. "Before using the 91 Express Lanes, dispatchers would call me with new jobs; but all too often, I had to turn them down because I was stuck in bumper-to-bumper traffic from Orange County." ❁ Today, Ramiro counts on the 91 Express Lanes to get him back and forth between counties quickly. ❁ "I'm always pressed for time, and the 91 Express Lanes help cut down on drive time, fuel cost and frustration," he says. "I usually pass thousands of cars while sailing along on the 91 Express Lanes back to Riverside County. By saving an hour or more each time, I can take more calls and keep business moving."

patricia

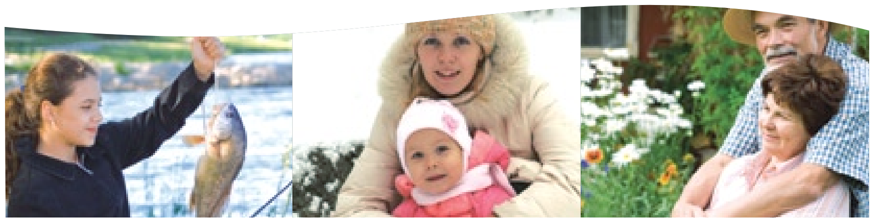
EASING A ROUGH COLLEGE COMMUTE

Recently, when Patricia's 19-year-old daughter got a full-tuition scholarship for the University of California, Riverside, the family was thrilled. But the weekly commute from the family home in Lakewood to the campus dorm proved not so thrilling. "The first month my husband and I were taking her to and from school, we hit bad traffic every Friday — and it was always very stressful," she said. "But because we're a close-knit family, we love to have her home every weekend, so were committed to making the drive." "We decided to get a FasTrak™ account and it took away the stress immediately," she said. "On average, we save at least 30 to 60 minutes each way. Plus, it enables us to spend more of our weekends together as a family. It's working out wonderfully — we really love it."

richard and ronni

MORE TIME TO RELAX IN BIG BEAR

Richard and Ronni bought a second home in Big Bear Lake for one simple reason: to relax and enjoy the weekends. Nearly every other Friday, the couple makes the trek up the mountain, traveling over a hundred miles from their Long Beach home to their mountain hideaway. After some boating and fishing, they normally return on Sunday — rested, revived and ready to tackle another work week. But when traffic is bad, the whole weekend suffers. The journey can take twice as long, and the stress of a hectic drive can ruin their relaxing mood. That's why they use the 91 Express Lanes. "It gets us through the traffic much faster than if we were driving it normally — and we use the time saved to catch a quick bite to eat," says Ronni. "Plus, we feel safer on it, so we take the lanes both ways, whether we need to or not. We're very thankful for the 91 Express Lanes. It really keeps us moving."



part 2

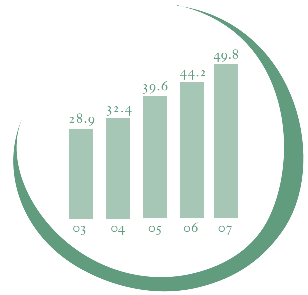
THE MESSAGE & MORE

a message

FROM THE CEO AND GENERAL MANAGER

We hope you have enjoyed reading specific examples of how the 91 Express Lanes is improving the lives of Southern California motorists every day. Indeed, the 91 Express Lanes is a smart solution for smart commuters. Therefore, it is with great pride that we present the 91 Express Lanes Fiscal Year 2006-2007 Annual Report, The Amazing True Tales of the 91 Express Lanes. This report highlights the strides we have made this year in the areas of technology, safety, customer satisfaction, and service — and how we are helping the 91 Express Lanes reach new heights of efficiency and value.

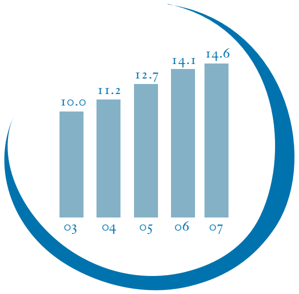
Five years ago on January 3, 2003, the Orange County Transportation Authority (OCTA) purchased the 91 Express Lanes from the private firm that had owned and operated the toll road since its inception in 1995. OCTA's purchase of the 91 Express Lanes not only marked the transition from private to public ownership, but also eliminated the non-compete clause that prevented improvements to the Riverside Freeway (SR-91).



TOTAL OPERATING REVENUE
in millions of dollars

Under OCTA ownership, public officials from Orange and Riverside counties began collaborating on toll road policies and related improvements to the SR-91. OCTA's purchase also allowed revenues in excess of those needed for operations, maintenance and debt payments to be used for improvements along the SR-91 corridor. For example, shortly after acquiring the 91 Express Lanes, OCTA implemented the "Three-Ride-Free" policy, allowing carpoolers of three or more to travel free during most hours in the high occupancy vehicle (HOV)3+ lane. During fiscal year 2007, there were 3,064,829 HOV3+ trips taken on the 91 Express Lanes, representing an increase of 6.6 percent over the previous fiscal year. Since 2003, OCTA also made additional headway on improving the 91 Express Lanes. We invested $400,000 in the TollPro™

customer account management and toll operations system, funded the construction of a westbound auxiliary lane near Coal Canyon Drive, completed a major investment study, and approved the 2007 SR-91 Implementation Plan to prioritize short- and long-term improvements to the SR-91. ▫ In the past fiscal year, OCTA also completed a $1.6 million major repavement project, replaced the yellow channelizers, and restriped lanes to help make the 91 Express Lanes faster and safer. Today, the 91 Express Lanes continues to offer drivers a timesaving alternative for the commute to and from Orange County. The four-lane, 10-mile toll road is fully automated with congestion based pricing to accommodate increasing traffic volume. Many motorists discovered the fast, safe, and reliable commute the lanes provided. ▫ More than 14.6 million vehicle trips were logged during fiscal year 2007 — a 3.2 percent increase over the previous fiscal year and a historic high for vehicle volume on the 91 Express Lanes. Total operating revenues rose to more than $49.8 million — an increase of 12.7 percent over the previous fiscal year. The number of 91 Express Lanes transponders also increased by 3 percent — from 171,589 to 176,818. ▫ Overall, the 91 Express Lanes continues to be financially stable, with increased motorist demand and revenues. In addition, the high bond ratings translate into less interest and better profitability, with excess funds made available for the 91 corridor improvements. We are proud of the progress that has been made on the 91 Express Lanes during the past year.



TOTAL VEHICLE VOLUME
in millions

TRANSPONDERS IN CIRCULATION
in hundreds of thousands

Sincerely,

ARTHUR T. LEAHY
OCTA Chief Executive Officer

KIRK AVILA
91 Express Lanes General Manager

TODAY'S technology AT WORK

For years, the automated 91 Express Lanes have been impressing transportation officials and experts from around the world, who visit to see this much-admired model of transportation success in action. Thanks to state-of-the-art technology operating behind the scenes, this tradition continues.

Every day, 35 surveillance cameras record the action on the 91 Express Lanes and send a video feed to the Traffic Operations Center (TOC) in Anaheim. From this technology and management hub, well-trained staff members monitor the 91 Express Lanes 24/7 and dispatch Customer Assistance Patrol trucks or law enforcement when needed.

During 2007, OCTA upgraded the 12-year-old TOC to a larger home.

PUTTING safety FIRST

On the 91 Express Lanes, safety is always a number one priority. And this year, OCTA's unwavering commitment was evidenced again.

The 91 Express Lanes installed 35 new, all-weather surveillance cameras that use powerful zoom lenses to identify new incidents and resolve them quickly. Whether it's an accident, a breakdown or debris blocking traffic lanes, OCTA is always among the first to know — and always ready to assist.

OCTA also increased motorist safety by conducting extensive pavement maintenance. This included removing excess asphalt between the 91 Express Lanes and the general purpose lanes, improving the water flow across the freeway, and replacing the yellow channelizers along the entire length of the toll road.

The result of all these efforts is increased safety. In fact, the rate of accidents on the 91 Express Lanes has declined 38 percent in fiscal year 2006-2007 compared to fiscal year 2003-2004, the first year of OCTA ownership.

HIGH customer SATISFACTION, YEAR AFTER YEAR

When customers are happy with a product or service, it shows. Such is certainly the case with the 91 Express Lanes.

During the 2007 Customer Satisfaction Survey, respondents shared their praise of the toll road — and the benefits it brings. Consistent with last year's results, 81 percent of respondents said they were satisfied with the toll road, and cited time savings as the number one reason for their satisfaction. Likewise, 72 percent perceived greater safety by using the 91 Express Lanes. And over 80 percent rank OCTA high in professional treatment of customers.

In addition, usage of the 91 Express Lanes for weekend trips is up — as is the number of customers who increased their use of the 91 Express Lanes this past fiscal year.

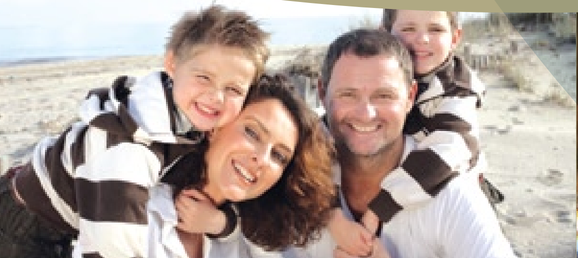
service WITH A SMILE

Serving the needs of 91 Express Lanes customers doesn't only happen on the road itself. Behind the scenes is an entire team of people that works hard to attract new customers and keep them happy.

Thanks to two Customer Service Centers, friendly phone assistance and a broad menu of web-based customer-service options, 91 Express Lanes customers can get all the help they need — quickly and conveniently. Whether they have questions about their FasTrak™ transponders, monthly accounts or other issues, they can always count on 91 Express Lanes representatives to help.

In fact, every month this team handles an average of 34,000 customer phone calls, processes an average of 4,000 e-mails, and issues an average of 1,000 new 91 Express Lanes transponders.

Best of all, each transaction is handled with the utmost in communication efficiency and performance — all to help customers feel well served.



part 3

THE FINANCIALS

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INDEPENDENT AUDITORS' REPORT FROM MAYER HOFFMAN MCCANN P.C.

We have audited the accompanying financial statements of the 91 Express Lanes, an enterprise fund of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the 91 Express Lanes Fund of the Authority and do not purport to, and do not, present fairly the financial position of the Authority, as of June 30, 2007, and the changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 91 Express Lanes Fund of the Authority as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Irvine, California
October 19, 2007

STATEMENT OF FUND NET ASSETS
JUNE 30, 2007

An Enterprise Fund of the Orange County Transportation Authority

ASSETS	
CURRENT ASSETS:	
Cash and investments	$ 36,865,702
Receivables:	
Interest	692,822
Violations	6,510,023
Allowance for doubtful accounts	(721,929)
Other	923,817
Other assets	311,820
NONCURRENT ASSETS:	
Restricted cash and investments:	
Cash equivalents	10,967,028
Investments	18,634,792
Unamortized debt issuance costs	3,333,002
Capital assets, net:	
Depreciable and amortizable	180,016,003
TOTAL ASSETS	257,533,080
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	3,597,743
Accrued interest payable	3,032,178
Due to other governments	500,000
Unearned revenue	4,519,692
Other liabilities	379,536
Bonds payable – due within one year	4,225,000
NONCURRENT LIABILITIES:	
Advances from other OCTA funds – due in more than one year	42,204,920
Bonds payable – due in more than one year	162,685,768
TOTAL LIABILITIES	221,144,837
NET ASSETS	
Invested in capital assets, net of related debt	35,073,029
Restricted	10,967,028
Unrestricted (deficit)	(9,651,814)
TOTAL NET ASSETS	$ 36,388,243

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

An Enterprise Fund of the Orange County Transportation Authority

OPERATING REVENUES:	
User fees and charges	$ 49,838,090
OPERATING EXPENSES:	
Contracted services	5,630,442
Administrative services	1,603,719
Insurance claims	351,679
Professional services	5,305,433
General and administrative	623,209
Other	967,459
Depreciation and amortization	9,286,721
Total operating expenses	23,768,662
Operating income	26,069,428
NONOPERATING REVENUES (EXPENSES):	
Investment earnings	3,495,763
Interest expense	(10,663,145)
Other	51,278
Total nonoperating revenues (expenses)	(7,116,104)
Change in net assets	18,953,324
Total net assets – beginning	17,434,919
Total net assets – ending	$ 36,388,243

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	$ 47,540,997
Payments to suppliers	(10,926,763)
Payments for interfund services used	(1,603,719)
Miscellaneous	50,564
Net cash provided by operating activities	35,061,079
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payment on advances from other funds	(12,000,000)
Proceeds from sale of capital assets	1,008
Payment of long term debt	(4,115,000)
Interest paid	(8,063,150)
Acquisition and construction of capital assets	(3,651,000)
Net cash used for capital and related financing activities	(27,828,142)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	3,352,299
Net cash provided by investing activities	3,352,299
Net increase in cash and cash equivalents	10,585,236
Cash and cash equivalents at beginning of year	37,247,494
Cash and cash equivalents at end of year	$ 47,832,730
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 26,069,428
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,955,876
Amortization of franchise agreement	7,330,845
Amortization of cost of issuance	142,335
Miscellaneous	50,564
Change in assets and liabilities:	
Receivables	(2,446,542)
Other assets	(7,002)
Accounts payable	1,816,126
Due to other governments	482,778
Unearned revenue	(321,527)
Other liabilities	(11,802)
Total adjustments	8,991,651
Net cash provided by operating activities	$ 35,061,079
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:	
Cash and investments	36,865,702
Restricted cash and cash equivalents	10,967,028
Total cash and cash equivalents	$ 47,832,730
SCHEDULE OF NONCASH ACTIVITIES:	
Increase in interest expense incurred on advances from other OCTA funds	$ 1,827,166

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

1. REPORTING ENTITY

On January 3, 2003, the Orange County Transportation Authority (OCTA) purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility on a 10-mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR-55. The purchase was enabled by State Assembly Bill 1010 (Correa), which was passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs no later than 2030 and eliminated noncompete provisions in the franchise agreement for needed improvements on SR-91. OCTA purchased the assets and liabilities of the franchise interest for $207,500,000, consisting of cash of $72,500,000 and certain assets and the assumption of certain liabilities.

The franchise agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

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

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the 91 Express Lanes Fund are charges to customers for use of the toll facility.

Operating expenses for the 91 Express Lanes Fund include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CASH AND INVESTMENTS

OCTA maintains cash and investments in accordance with an investment policy adopted initially by the Board on May 8, 1995, and most recently amended April 9, 2007. The investment policy complies with, or is more restrictive than, applicable state statutes. The majority of OCTA's investments are managed by four private sector investment managers. At June 30, 2007, the investment portfolios were maintained at The Bank of New York Trust Company, N.A. as custodial bank. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily dollar account balances.

The Annual Investment Policy requires the assets in the portfolio to consist of the following investments and maximum permissible concentrations based on book value and are more restrictive than applicable state statutes for the following cases: OCTA notes and bonds (25%); commercial paper of a high rating A-1 or P-1 as provided by one of the nationally recognized rating agencies, Standard & Poor's Corporation (S & P) or Moody's Investor Service (Moody's), and must be issued by corporations rated A2 or better by Moody's and A or better by S & P with further restrictions to issuer size and maximum maturity of 180 days (25%); negotiable certificates of deposit issued by a nationally or state-chartered bank or state or federal association or be a state licensed branch of a foreign bank, which have been rated by at least two of the nationally recognized rating services with minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch with maximum maturity of 180 days (30%); bankers acceptances which have been rated by at least two of the nationally recognized rating services 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 (30%); mortgage or asset-backed securities rated AAA by S & P, Aaa by Moody's, or AAA by Fitch and issued by an issuer; medium-term notes are rated A- or better by S & P, A3 or better by Moody's or A- by Fitch or an equivalent rating by a nationally recognized rating service. MTN's may not represent more than ten percent (10%) of the issue in the case of a specific public offering. Under no circumstance can any one corporate issuer represent more than 5% of the portfolio; Repurchase Agreements collateralized at 102% (75%) reverse repurchase agreements or securities lending are not permitted.

Other allowable investment categories include money market funds, mutual funds, and the state-managed Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code (Code) Section 16429 under the oversight of the Treasurer of the State of California. Investment is also allowed in the Orange County

Investment Pool (OCIP), but is limited to those funds legally required to be deposited in the County Treasury. Oversight of the OCIP is conducted by the County Treasury Oversight Committee. All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the Code.

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. Guaranteed investment contracts are carried at cost. Treasury mutual funds are carried at fair value based on each fund's share price. 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).

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

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

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

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

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.

RESTRICTED INVESTMENTS

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

RECEIVABLES

Violations receivable represent an estimate of the total outstanding unpaid violations that the 91 Express Lanes anticipate to collect. This estimate is based upon twelve month average collections on outstanding unpaid violations for violations with a due date of 90 days or less. For violations over 90 days, this estimate is based upon a 3½ year average collections on outstanding unpaid violations. The 91 Express Lanes contracts with an outside collection agency to assist in the recovery of unpaid violations over 90 days.

Allowance for doubtful accounts represents the amount anticipated uncollectible for those violations receivable related to unpaid violations, with a due date of 90 days or less.

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

OTHER ASSETS

Other assets include prepaid expenses and deposits.

COSTS OF ISSUANCE

Costs of issuance represent issuance costs associated with refinancing the $135,000,000 taxable debt and are deferred and amortized over the life of the debt.

CAPITAL ASSETS

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

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

CAPITAL ASSET TYPE	USEFUL LIFE
Improvements	10-30 years
Equipment, furniture, and fixtures	3-10 years
Transponders	5 years

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

RISK MANAGEMENT

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

NET ASSETS

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

- **Invested in capital assets, net of related debt** – This reflects the net assets of the 91 Express Lanes Fund that are invested in capital assets, net of related debt. Usually this indicates that these net assets are not accessible for other purposes; however, a deficit indicates that the related debt exceeds the capital assets.
- **Restricted net assets** – This represents the net assets that are not accessible for general use, because their use is subject to restrictions enforceable by third parties. The statement of net assets reports $29,601,820 of restricted net assets, all of which is restricted by enabling legislation.
- **Unrestricted net assets** – This represents those net assets that are available for general use.

USE OF ESTIMATES

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

3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2007:

Deposits:	
Petty cash	$ 150
Deposits	373,974
Total deposits	374,124
Investments:	
With OCTA Commingled Investment Pool	36,343,895
With Trustee	29,749,503
Total Investments	66,093,398
Total Cash And Investments	$ 66,467,522

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

Unrestricted Cash and Investments	$ 36,865,702
Restricted Cash and Investments:	
Cash equivalents	10,967,028
Investments	18,634,792
Total Restricted Cash and Investments	29,601,820
Total Cash and Investments	$ 66,467,522

As of June 30, 2007, the 91 Express Lanes Fund had the following investments:

INVESTMENT	FAIR VALUE	PRINCIPAL
OCTA Commingled Investment Pool	$36,343,895	$ 36,226,296
Money Market Mutual Funds	2,949,492	2,949,492
Negotiable Certificates of Deposit	8,165,219	8,165,219
Investment Agreements	18,634,792	18,634,792
Total Investments	$66,093,398	$65,975,799

INVESTMENT (continued):	INTEREST RATE RANGE	MATURITY RANGE	WEIGHTED AVERAGE MATURITY (YEARS)
OCTA Commingled Investment Pool	Discount, 2%-7.625%	7/2/07-4/15/12	2.3
Money Market Mutual Funds	Variable	7/1/07	1 Day
Negotiable Certificates of Deposit	5.23%	7/2/07	2 Days
Investment Agreements	4.51%-5.125%	8/15/15-12/15/30	18.54

INTEREST RATE RISK

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

As of June 30, 2007, the 91 Express Lanes Fund was a participant in OCTA's commingled investment pool which had asset-backed securities totaling $113,082,332. 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. OCTA did not have any variable or floating rate securities at year end.

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, 2007, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

CREDIT RISK

The Annual Investment Policy (Policy) 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." 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, 2007. (NR means Not Rated):

INVESTMENTS	S & P	MOODY'S	FITCH	% OF PORTFOLIO
OCTA Commingled Investment Pool	NR	NR	NR	55.00%
Money Market Mutual Funds	AAA	Aaa	NR	4.46%
Negotiable Certificates of Deposit	AA	Aa2	AA	12.35%
Investment Agreements	NR	NR	NR	28.19%
Total				100.00%

CONCENTRATION OF CREDIT RISK

At June 30, 2007, OCTA did not exceed the Policy limitation that states that no more than:

- 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government sponsored enterprises.
- 20% may be invested in money market mutual funds.

This Policy limitation excludes investment agreements pursuant to the bond indenture. The 91 Express Lanes Fund had the following investment agreements outstanding as of June 30, 2007:

INVESTMENT AGREEMENTS	AMOUNT
MBIA Incorporated	$12,634,792
AIG Matched Funding Corporation	6,000,000

4. CAPITAL ASSETS

Capital asset activity for the 91 Express Lanes Fund for the year ended June 30, 2007 is as follows:

	BEGINNING BALANCE	INCREASES
Capital assets, not being depreciated:		
Construction in process	$ 13,235	$ –
Total capital assets, not being depreciated	$ 13,235	$ –
Capital assets, being depreciated and amortized:		
Toll facility franchise	$205,263,668	$ –
Improvements	687,541	2,052,585
Communications equipment	4,039,254	1,197,851
Computer hardware and software	937,098	138,019
Transponders	4,961,499	247,022
Equipment, furniture and fixtures	79,133	28,758
Total capital assets, being depreciated and amortized	215,968,193	3,664,235
Less accumulated depreciation and amortization for:		
Toll facility franchise	(25,657,958)	(7,330,845)
Improvements	(187,031)	(187,219)
Communications equipment	(1,353,701)	(630,536)
Computer hardware and software	(667,333)	(171,743)
Transponders	(2,448,702)	(953,531)
Equipment, furniture and fixtures	(14,685)	(12,847)
Total accumulated depreciation and amortization	(30,329,410)	(9,286,721)
Total capital assets, being depreciated and amortized, net	$185,638,783	$(5,622,486)

Capital asset activity (continued):

	DECREASES	ENDING BALANCE
Capital assets, not being depreciated:		
Construction in process	$ 13,235	$ –
Total capital assets, not being depreciated	$ 13,235	$ –
Capital assets, being depreciated and amortized:		
Toll facility franchise	$ –	$205,263,668
Improvements	–	2,740,126
Communications equipment	–	5,237,105
Computer hardware and software	32,263	1,042,854
Transponders	–	5,208,521
Equipment, furniture and fixtures	–	107,891
Total capital assets, being depreciated and amortized	32,263	219,600,165
Less accumulated depreciation and amortization for:		
Toll facility franchise	–	(32,988,803)
Improvements	–	(374,250)
Communications equipment	–	(1,984,237)
Computer hardware and software	(31,969)	(807,107)
Transponders	–	(3,402,233)
Equipment, furniture and fixtures	–	(27,532)
Total accumulated depreciation and amortization	(31,969)	(39,584,162)
Total capital assets, being depreciated and amortized, net	$ 294	$180,016,003

5. BONDS PAYABLE

TAXABLE SENIOR SECURED BONDS

On January 3, 2003, as part of the purchase agreement, the 91 Express Lanes Fund assumed $135,000,000 of taxable 7.63% Senior Secured Bonds. The taxable bonds mature on August 15, 2028. Semi-annual interest payments are due on the taxable bonds on February 15 and August 15 of each year, and semi-annual principal payments are due beginning February 15, 2004. On November 12, 2003, the taxable bonds were refunded as noted below. As required by the indenture, OCTA paid $26,428,197 Yield Maintenance Premium which is deferred and amortized over the life of the bonds.

TOLL ROAD REVENUE REFUNDING BONDS

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

INTEREST RATE SWAPS

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

TERMS

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

FAIR VALUE

As of June 30, 2007, the negative fair value for the $75,000,000 swap with Lehman Brothers was estimated by Lehman Brothers to be $2,366,107. As of June 30, 2007, the negative fair value for the $25,000,000 swap with Bear Stearns was estimated by Bear Stearns to be $541,878. Therefore, if the swaps were terminated on June 30, 2007, the OCTA would have made a termination payment of $2,366,107 and $541,878 to Lehman Brothers and Bear Stearns, respectively. The termination payments that would have been owed by the OCTA if the swaps were terminated on June 30, 2007 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 the OCTA to the swap providers is 4.06227%. As of June 30, 2007, this fixed rate was higher than the current rate for a swap of identical terms and conditions. The fair values were estimated by the counterparties using proprietary methodologies.

CREDIT RISK

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

BASIS RISK

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

Under the parity swap agreements, OCTA pays the counterparties a fixed payment of 4.06227% and the counterparties pay OCTA a floating rate equal to 67% of LIBOR if LIBOR is equal to or greater than 4.0% or the BMA Municipal Swap Index if LIBOR is less than 4.0%. As of June 30, 2007, OCTA experienced $132,333 in cumulative positive basis differential.

TERMINATION RISK

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

SWAP PAYMENTS AND ASSOCIATED DEBT

YEAR ENDING JUNE 30	$75,000,000 Series 2003-B-1 [1] PRINCIPAL	INTEREST	INTEREST RATE SWAPS, NET
2008	$ -	$ 2,722,500	$ 373,703
2009	-	2,722,500	373,703
2010	-	2,722,500	373,703
2011	-	2,722,500	373,703
2012	-	2,722,500	373,703
2013-2017	-	13,612,500	1,868,513
2018-2022	4,595,000	13,445,702	1,845,617
2023-2027	35,615,000	9,014,924	1,237,429
2028-2031	34,790,000	1,964,012	269,589
	$75,000,000	$51,649,638	$7,089,663

SWAP PAYMENTS AND ASSOCIATED DEBT (continued):

YEAR ENDING JUNE 30	$25,000,000 Series-B-2 [1] PRINCIPAL	INTEREST	INTEREST RATE SWAPS, NET	TOTAL B-1 & B-2
2008	$ -	$ 925,000	$ 124,568	$ 4,145,771
2009	-	925,000	124,568	4,145,771
2010	-	925,000	124,568	4,145,771
2011	-	925,000	124,568	4,145,771
2012	-	925,000	124,568	4,145,771
2013-2017	-	4,625,000	622,838	20,728,851
2018-2022	1,530,000	4,568,390	615,214	26,599,923
2023-2027	11,880,000	3,063,045	412,493	61,222,891
2028-2031	11,590,000	666,925	89,813	49,370,339
	$25,000,000	$17,548,360	$2,363,198	$178,650,859

[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 variable rate on the 2003 B-1 and B-2 debt was 3.63% for Lehman Brothers and 3.70% for Bear Stearns on June 30, 2007. As part of the Swap Agreement, OCTA receives 67% of one-month LIBOR which amounted to 3.56% on June 30, 2007.

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

Issuance date	11/12/03
Original issue amount	$195,265,000
Cash reserve requirements	$27,984,792
Cash reserve balance	$29,601,820
Interest rate	2.0% to 5.375%*
Maturity	December 2030
Principal payment date	August 15
Current balance	$183,510,000
Unamortized premium	$5,913,677
Deferred amount on refunding	($22,512,909)

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

The Bonds contain certain financial covenants, and management believes the 91 Express Lanes Fund is in compliance with such covenants as of June 30, 2007.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2007, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2008	$ 4,225,000	$ 8,027,714	$ 12,252,714
2009	4,345,000	7,909,876	12,254,876
2010	4,515,000	7,742,901	12,257,901
2011	4,740,000	7,517,170	12,257,170
2012	4,980,000	7,274,170	12,254,170
2013-2017	29,175,000	32,097,310	61,272,310
2018-2022	37,655,000	23,641,302	61,296,302
2023-2027	47,495,000	14,416,082	61,911,082
2028-2031	46,380,000	3,885,697	50,265,697
Total	$183,510,000	$112,512,222	$296,022,222

The interest rate used to determine the future annual debt service requirements for the variable rate bonds was 4.06227% at June 30, 2007.

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2007, was as follows:

	BEGINNING BALANCE	ADDITIONS
Tax-exempt bonds	$187,625,000	$ -
Unamortized premium	6,166,218	-
Unamortized deferred amount on refunding	(23,580,715)	-
Total Long-Term Liabilities	$170,210,503	$ -

Long-term liabilities activity (continued):

	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Tax-exempt bonds	$ 4,115,000	$ 183,510,000	$ 4,225,000
Unamortized premium	252,541	5,913,677	-
Unamortized deferred amount on refunding	(1,067,806)	(22,512,909)	-
Total Long-Term Liabilities	$ 3,299,735	$ 166,910,768	$ 4,225,000

6. ADVANCES FROM OTHER OCTA FUNDS

In connection with the purchase of the toll facility franchise, to fund the debt service payment required on February 15, 2003, and to establish operations, the 91 Express Lanes Fund borrowed $83,640,595 from other OCTA funds at an interest rate, adjusted each January, representing OCTA's rate of return on short-term investments (5.08% at June 30, 2007). Interest accrues monthly, and the advances from other OCTA funds plus accrued interest will be repaid on an annual basis with net revenues or as a result of a refinancing. Total interest of $1,827,166 accrued on the advances for the year ended June 30, 2007. At June 30, 2007, these advances were $42,204,920 and are reported as advances from other OCTA funds.

7. COMMITMENTS AND CONTINGENCIES

OPERATOR AGREEMENT

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

LEASE COMMITMENTS

The 91 Express Lanes Fund is committed under two leases for office space. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2007 were $360,376.

Future minimum payments for these leases approximate the following:

FOR THE YEAR ENDING JUNE 30	
2008	$370,119
2009	295,129
2010	273,626
	$938,874

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Vice Chairman

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Chief Executive Officer

91 EXPRESS LANES' GENERAL MANAGER

Kirk Avila
General Manager

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special thanks

TO OUR 91 EXPRESS LANES CUSTOMERS FOR SHARING THEIR POSITIVE EXPERIENCES

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