PAVE IT FORWARD.

91 Express Lanes
Fiscal Year 2011-12 Annual Report

FISCAL YEAR 2011-2012

Total Customer Accounts	112,473
Total Transponders	167,329
Total Vehicle Volume	11,944,555

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WE HAVE A HISTORY OF DOING GOOD WORKS.

As the population boomed in the Inland Empire during the late 1980s, traffic volume increased on State Route 91 (SR-91). Commuters from the growing eastern communities needed a faster way to get to their jobs in Orange County. In 1995, a new private enterprise called the 91 Express Lanes made history by offering Inland Empire drivers a timesaving alternative for the commute to Orange County and a faster way to get home after work. This new alternative paved the way to the future with a four-lane, 10-mile toll road—one of the world's first fully automated toll facilities with demand-based pricing. Motorists soon discovered the timesaving advantage of traveling on the 91 Express Lanes.

In 2003, the Orange County Transportation Authority (OCTA) purchased the 91 Express Lanes and transformed the private, for-profit enterprise into a public asset. OCTA's ownership also ended a non-compete provision that restricted improvements to the SR-91 corridor. During OCTA's first year of ownership, commuters took 10 million trips on the 91 Express Lanes.

Under OCTA's strong stewardship, a growing number of customers enjoyed smooth sailing along the toll road without stopping for toll collections. In 2010, the 91 Express Lanes recorded 100 million trips taken since OCTA took ownership. Also during that year, a new eastbound lane was added on the SR-91 between State Route 241 and State Route 71. The new lane was partially funded by the 91 Express Lanes and benefited all motorists along the corridor.

Most importantly, the 91 Express Lanes remained fiscally strong in a challenging economy, continuing to be an example of financial stability for toll facilities around the world.

Dear Friend,

I am proud to present the 91 Express Lanes Fiscal Year 2011-2012 Annual Report. This report accents the progress made on the 91 Express Lanes during the past year.

The theme of the 2011-2012 Annual Report is “Pave It Forward.” That is exactly what the 91 Express Lanes has been doing since the Orange County Transportation Authority (OCTA) took ownership of the toll facility in 2003. From that year and through the past fiscal year, OCTA has given customers a faster, more reliable commute with the 91 Express Lanes, and has paved the way with improvements to reduce congestion along the State Route 91 Corridor.

As a result of ongoing cooperation with the Riverside County Transportation Commission (RCTC) over the past several years, OCTA and RCTC signed a cooperative agreement to extend the 91 Express Lanes into Riverside County. This agreement will extend the 91 Express Lanes eight miles east from the Orange /Riverside County line to the Interstate 15 interchange, and bring the timesaving benefits of the toll facility to more Inland Empire residents.

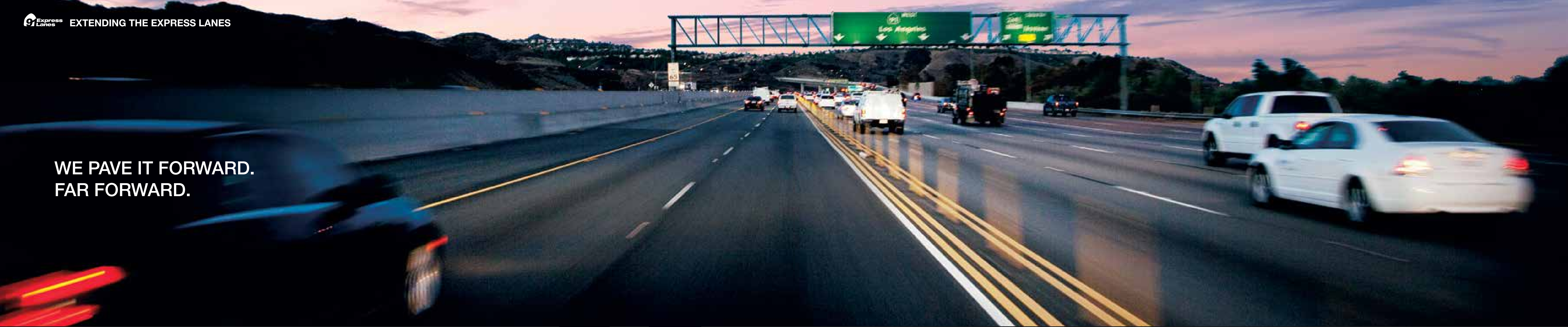
In addition, OCTA negotiated with the California Department of Transportation (Caltrans) to assign OCTA’s rights and interest in the 91 Express Lanes in Riverside County to RCTC. OCTA also negotiated with Caltrans to extend the terms of OCTA’s lease agreement for the 91 Express Lanes from 2030 forward to 2065.

To enhance the efficiency of toll operations and customer satisfaction, a new account management software system was installed. The new software also makes it easier for customers to manage their account using the 91 Express Lanes’ website.

The 91 Express Lanes continues to be a model of financial stability, year after year. With your support, we will continue to pave the way forward, extending timesaving travel to our current 91 Express Lanes’ customers and to more commuters along the SR-91 Corridor.

Sincerely,

Will Kempton
Chief Executive Officer
Orange County Transportation Authority



WE PAVE IT FORWARD. FAR FORWARD.

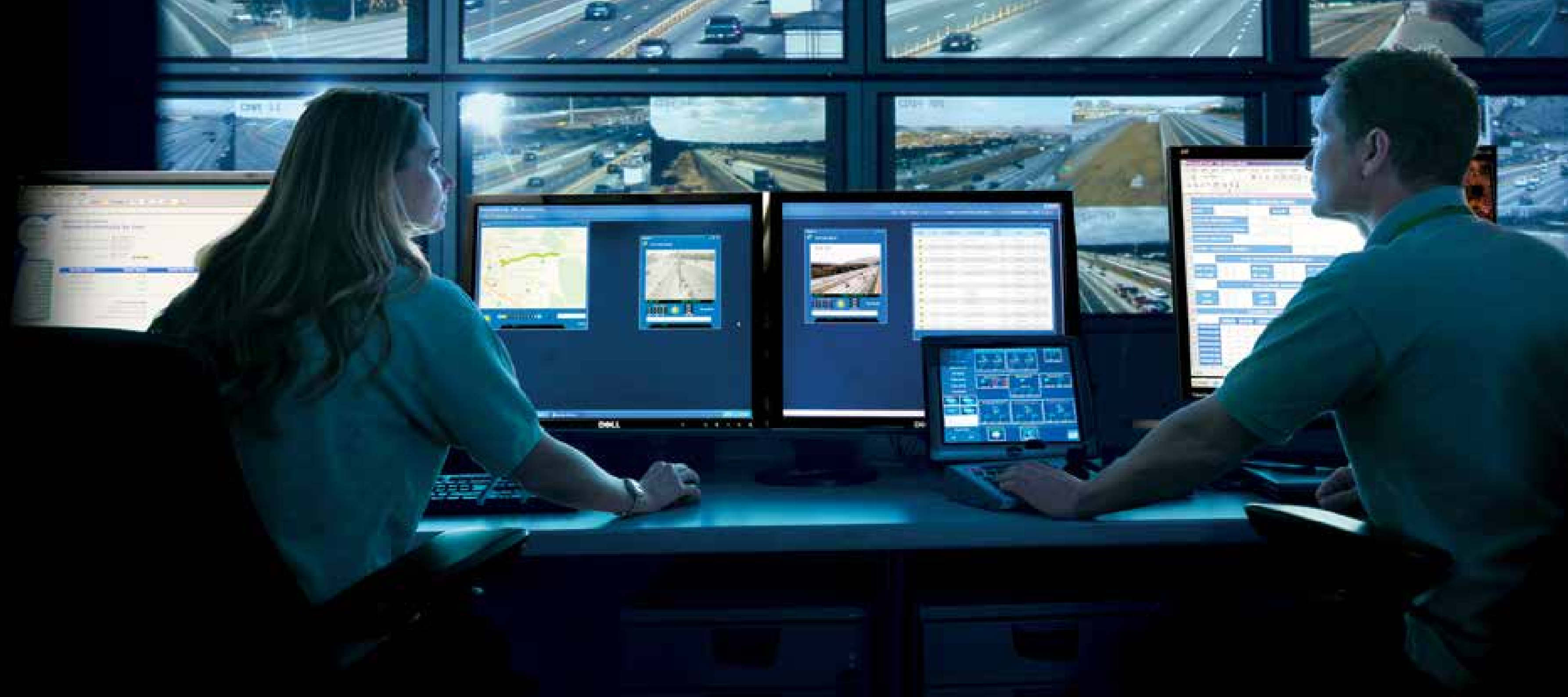
Bringing the benefits of the 91 Express Lanes to more Inland Empire commuters has been one of OCTA's long-range plans. During the past year, OCTA paved the way for extending the toll lanes eastward into Riverside County by executing a cooperative agreement with the Riverside County Transportation Commission (RCTC). OCTA also negotiated amendments to the franchise and lease agreements with Caltrans, assigning OCTA's interest in the 91 Express Lanes in Riverside County and extending the lease to 2065.

The OCTA/RCTC agreement outlines each agency's responsibilities in mitigating the impacts of construction on the existing 91 Express Lanes.

The agreement also established a framework for cooperation and coordination to ensure that customers have a seamless transition along the two toll facilities.

2065

In negotiations with Caltrans, OCTA secured an amendment to the lease agreement that extended the lease to 2065.



EVEN EXPRESS LANES NEED A SOFTWARE UPGRADE.

What does software have to do with operating a toll facility? Everything if you want it to operate accurately and efficiently. That's why OCTA installed a new account management software system for the 91 Express Lanes. The new software calculates tolls, charges customer accounts, handles violations, and generates customer correspondence. The new software also makes it easier for customers to get information and manage their accounts online with the 91 Express Lanes website.

New account management software made financial transactions easier.

Customers can create accounts, add to their prepaid toll balances, update their account and vehicle information, and even pay a violation online.

A system performance audit of the new software system found the controls to be accurate and complete in reporting financial transactions.

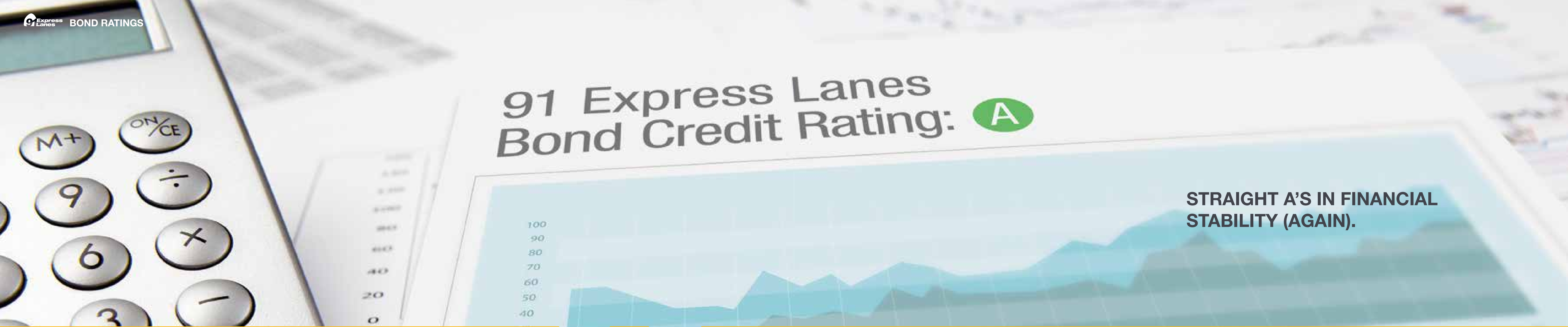
EVERY MILE BRINGS MORE HAPPINESS.

When OCTA and Caltrans began adding a fifth lane in each direction to relieve traffic congestion on the SR-91, the construction affected the 91 Express Lanes. To make room for the new lanes, the toll facility's overhead gantries with electronic toll and traffic management equipment had to be removed and replaced. Crews worked from 11 p.m. to 4 a.m. to not disrupt traffic on the 91 Express Lanes. When they finished, the new cantilever structures were up and operational, ensuring the continuing satisfaction 91 Express Lanes' customers enjoy with every trip.

The new cantilever gantries have toll recording and traffic management equipment mounted behind new lane identifying signage.

Working at night, crews dismantled the old gantries and began installing the new structures so traffic wouldn't be disrupted.

The toll recording and traffic management equipment on the new gantries was tested to ensure accuracy.



STRAIGHT A'S IN FINANCIAL STABILITY (AGAIN).

Every year since OCTA purchased the 91 Express Lanes in 2003, the toll facility has been a model of financial stability. In fact, the 91 Express Lanes was the first stand-alone toll facility to receive "A" category bond ratings. The 91 Express Lanes continues to receive strong bond ratings even with the current economy's influence on the number of vehicle trips during the past year. And, just as it has since OCTA took ownership, the 91 Express Lanes met its financial obligations while helping customers save time and reduce stress on their daily commutes.

A The 91 Express Lanes received an "A" category rating from Moody's Investors Service, Standard and Poor's, and Fitch Ratings.

Every year since OCTA took ownership, the toll facility continues to be a model of financial stability.

91 EXPRESS LANES FUND

(An Enterprise Fund of the Orange County Transportation Authority)

AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CONTENTS

INDEPENDENT AUDITORS' REPORT

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

We have audited the accompanying financial statements of the 91 Express Lanes Fund, an enterprise fund of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2012, which collectively comprise the 91 Express Lanes Fund's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 91 Express Lanes Fund'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 91 Express Lanes Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the 91 Express Lanes Fund of OCTA and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2012, 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 previously present fairly, in all material respects, the respective financial position of the 91 Express Lanes Fund of OCTA as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012, on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Vavrinek, Trine, Day & Co. LLP

Laguna Hills, California, October 29, 2012

Vavrinek, Trine, Day & Co., LLP
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91 EXPRESS LANES FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Fiscal Year Ended June 30, 2012

As management of the 91 Express Lanes Fund (91 EL), an enterprise fund of the Orange County Transportation Authority, we offer readers of the 91 EL financial statements this narrative overview and analysis of the 91 EL's financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information on financial performance presented in conjunction with the financial statements that begin on page 18. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total net assets of the 91 EL were $73,259 and consisted of net assets invested in capital assets, net of related debt, of $13,685; restricted net assets of $20,340; and unrestricted net assets of $39,234.
- Net assets increased $9,537 during fiscal year 2011-12. The increase is primarily due to operating revenues in excess of operating expenses offset by bond interest expense and a loss on derivative instrument.
- Nonoperating revenues (expenses) decreased $11,246 from the prior year primarily due to the loss on derivative instrument of $3,639 in fiscal year 2011-12 compared to a gain of $10,725 in fiscal year 2010-11.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 91 EL's financial statements. The financial statements are comprised of the fund financial statements and notes to the financial statements.

The statement of fund net assets presents information on all of the 91 EL'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 the 91 EL is improving or deteriorating.

The statement of revenues, expenses and changes in fund net assets presents information showing how the 91 EL'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.

The 91 EL fund financial statements can be found on pages 18-19 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 20-29 of this report.

91 Express Lanes Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of the 91 EL's financial position. At June 30, 2012, the 91 EL's assets exceeded liabilities by $73,259, a $9,537 increase from June 30, 2011. Our analysis below focuses on net assets (Table 1) and changes in net assets (Table 2) of the 91 EL's financial activities.

The 91 EL's net assets invested in capital assets, net of related debt, were $13,685, compared to $14,727 in 2011. The 91 EL's net assets reflect its investment in capital assets (i.e., toll facility franchise; improvements; communications equipment; computer hardware and software; equipment, furniture and fixtures; and transponders), less any related outstanding debt used to acquire these assets. The 91 EL uses these capital assets to provide improved mobility for 91 EL customers and commuters along the State Route 91 corridor. The decrease of $1,042 in net assets invested in capital assets, net of related debt, was primarily related to continued depreciation.

Restricted net assets, representing resources subjected to external restrictions on how they may be used, were 28% and 32% of the total net assets at June 30, 2012 and 2011, respectively. The increase in restricted net assets of $42 is related to investment activity in bond reserve accounts.

91 EXPRESS LANES FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) Fiscal Year Ended June 30, 2012

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 changed from $28,697 at June 30, 2011 to $39,234 at June 30, 2012. This increase of $10,537 was primarily due to operating revenues in excess of operating expenses.

91 EXPRESS LANES FUND NET ASSETS — TABLE 1

	2012	2011
Current and other assets	$ 53,908	$ 40,099
Restricted assets	38,975	38,933
Unamortized debt issuance costs	2,621	2,764
Capital assets	143,232	148,439
Total assets	238,736	230,235
Current liabilities	14,776	15,021
Long-term liabilities	150,701	151,492
Total liabilities	165,477	166,513
Net assets:		
Invested in capital assets, net of related debt	13,685	14,727
Restricted	20,340	20,298
Unrestricted	39,234	28,697
Total net assets	**$ 73,259**	**$ 63,722**

91 EL's total operating revenues decreased by 8%, while the total operating expenses decreased by 17%. The decrease in operating revenues is primarily due to a decrease in traffic volume and in estimated fees collectible. The decrease in operating expenses is primarily attributable to the extension of the Franchise Agreement resulting in a decrease in amortization (see note 9).

Nonoperating revenues (expenses) decreased $11,246 due to an investment loss on the derivative investment, offset by a decrease in interest expense due to the termination of the Series 2003-B-1 swap in the prior year.

The analysis in Table 2 focuses on the changes in net assets.

91 EXPRESS LANES FUND CHANGES IN NET ASSETS — TABLE 2

	2012	2011
Revenues		
Operating revenues: Tolls, fees and fines	$ 37,742	$ 41,246
Total operating revenues	37,742	41,246
Operating expenses:		
Management and operational services	7,222	6,484
Administrative overhead	1,848	1,683
Other operating expenses	153	152
Insurance claims and premiums	308	333
Professional services	2,651	3,810
General and administrative	439	596
Depreciation and amortization	5,994	9,324
Total operating expenses	18,615	22,382
Operating income	**19,127**	**18,864**
Nonoperating revenues (expenses):		
Investment earnings	521	758
Investment loss on derivative instrument	(3,639)	10,725
Interest expense	(6,464)	(10,080)
Other	93	354
Total nonoperating revenues (expenses)	(9,489)	1,757
Income before transfers	9,638	20,621
Transfers to OCTA funds	(101)	(884)
Changes in net assets	9,537	19,737
Total net assets—beginning	63,722	43,985
Total net assets—ending	**$ 73,259**	**$ 63,722**

91 EXPRESS LANES FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended June 30, 2012

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2012, the 91 EL had $143,232, net of accumulated depreciation, invested in a broad range of capital assets including: the toll facility franchise, improvements, communications equipment, computer hardware and software, transponders, and equipment, furniture and fixtures (Table 3). The total decrease in the 91 EL's capital assets for fiscal year 2011-12 was $5,207, which was primarily due to depreciation.

91 EXPRESS LANES FUND CAPITAL ASSETS, NET OF DEPRECIATION AND AMORTIZATION — TABLE 3

	2012	2011
Toll facility franchise	$ 138,388	$ 142,951
Improvements	2,029	2,212
Communications equipment	197	312
Computer hardware and software	1,380	1,569
Transponders	1,183	1,324
Equipment, furniture and fixtures	55	71
Total capital assets, net	**$ 143,232**	**$ 148,439**

Major capital asset deletions during 2012 included $2,581 for disposal of various communication equipment/systems.

More detailed information about the 91 EL's capital assets is presented in note 4 to the financial statements.

The 91 EL has outstanding capital expenditure commitments, the most significant of which is $2,622 for transponder purchases.

Debt Administration

As of June 30, 2012, the 91 EL had $160,705 in tax-exempt bonds outstanding compared to $165,685 at June 30, 2011, as presented in Table 4.

91 EXPRESS LANES FUND OUTSTANDING DEBT — TABLE 4

	2012	2011
Tax-exempt bonds	$ 160,705	$ 165,685

The 91 Express Lanes Toll Road Revenue Refunding Bonds have ratings of "A1" by Moody's, "A" from Fitch, and "A" by Standard and Poor's.

Additional information on the 91 EL's interest rate swap and long-term debt can be found in notes 5 and 6 to the financial statements, respectively.

Economic and Other Factors

The 91 EL makes up $38,200 of OCTA's fiscal year 2012-13 budget. In fiscal year 2012-13, toll revenue is anticipated to decrease by 7.6 percent due to the addition of a 5th lane on the SR-91 corridor which will encourage patrons to use the general purpose lanes. However, the average long term rate of growth for toll road revenues beyond 2012-13 is 5.1 percent.

The majority of expenditures related to the 91 EL within the fiscal year 2012-13 budget are on-going general costs related to day to day operations of the toll facility. Since the 91 EL is a fully electronic toll facility, motorists pay tolls through the convenient use of windshield mounted FasTrak™ transponders that automatically deduct toll charges from a prepaid account. At the end of fiscal year 2011-12, there were 112,473 active customer accounts, with 167,239 transponders assigned to those accounts.

OCTA, in concert with Caltrans and RCTC, issues an annual State Route (SR) 91 Implementation Plan to establish a program of projects eligible for funding by potential excess 91 EL toll revenue and other funds. The total cost for the first set of projects is approximately $170,500. One of these projects is the widening of SR-91 between the State Route (SR) 55 to State Route (SR) 241 by adding one general purpose lane in each direction. Construction began in 2011-12 and is expected to be completed in 2012-13. This project requires close coordination with Caltrans in order to minimize impacts to the 91 EL's operations.

Contacting 91 EL's Management

This financial report is designed to provide a general overview of the 91 EL's finances for all those with an interest in the government's finances and to demonstrate the 91 EL'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.

91 EXPRESS LANES FUND An Enterprise Fund of the Orange County Transportation Authority
STATEMENT OF FUND NET ASSETS
June 30, 2012

ASSETS

Current Assets:	
Cash and investments	$ 46,877,416
Receivables:	
Interest	62,685
Violations, net	5,602,532
Other, net	1,115,127
Other assets	249,910
Total current assets	53,907,670
Noncurrent Assets:	
Restricted cash and investments:	
Cash equivalents	38,975,127
Unamortized debt insurance costs	2,621,329
Capital assets, net:	
Depreciable and amortizable	143,232,250
Total noncurrent assets	184,828,706
Total Assets	**238,736,376**

LIABILITIES

Current Liabilities:	
Accounts payable	2,906,326
Accrued interest payable	2,118,804
Due to other governments	86,609
Unearned revenue	4,117,727
Other liabilities	301,694
Bonds payable - due within one year	5,245,000
Total current liabilities	14,776,160
Noncurrent Liabilities:	
Derivative instrument	7,764,089
Bonds payable - due in more than one year	142,937,091
Total noncurrent liabilities	150,701,180
Total Liabilities	**165,477,340**

NET ASSETS

Invested in capital assets, net of related debt	13,684,951
Restricted for:	
Debt service	6,959,980
Capital	10,145,013
Operating reserves	3,235,342
Unrestricted	39,233,750
Total Net Assets	**$ 73,259,036**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Fiscal Year Ended June 30, 2012

Operating Revenues:	
Tolls, fees, and fines	$ 37,742,322
Operating expenses:	
Management and operational services	7,222,166
Administrative overhead	1,848,323
Other operating expenses	152,553
Insurance claims and premiums	307,803
Professional services	2,651,229
General and administrative	438,989
Depreciation and amortization	5,994,396
Total operating expenses	18,615,459
Operating income	**19,126,863**
Nonoperating revenues (expenses):	
Investment earnings	520,975
Investment loss on derivative instrument	(3,638,760)
Interest expense	(6,463,911)
Other	93,270
Total nonoperating revenues (expenses)	(9,488,426)
Income before transfers	9,638,437
Transfers to other OCTA funds	(101,716)
Change in net assets	9,536,721
Total net assets - beginning	63,722,315
Total net assets - ending	**$ 73,259,036**

91 EXPRESS LANES FUND An Enterprise Fund of the Orange County Transportation Authority
STATEMENT OF FUND NET ASSETS
June 30, 2012

Cash flows from operating activities:	
Receipts from customers and users	$ 39,839,659
Payments to suppliers	(11,419,140)
Payments for OCTA interfund services used	(1,848,323)
Miscellaneous revenue received	93,270
Net cash provided by operating activities	26,665,466
Cash flows from noncapital financing activities:	
Transfers to OCTA funds	(101,716)
Net cash used for noncapital financing activities	(101,716)
Cash flows from capital and related financing activities:	
Principal payment on long-term debt	(4,980,000)
Interest paid on long-term debt	(5,739,364)
Acquisition and construction of capital assets	(787,120)
Net cash used for capital and related financing activities	(11,506,484)
Cash flows from investing activities:	
Interest received	506,857
Net cash provided by investing activities	506,857
Net increase in cash and cash equivalents	15,564,123
Cash and cash equivalents at beginning of year	70,288,420
Cash and cash equivalents at end of year	**$ 85,852,543**

Reconciliation of cash and cash equivalents to statement of net assets:	
Cash and investments	$ 46,877,416
Restricted cash and investments	38,975,127
Total cash and cash equivalents	**$ 85,852,543**

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 19,126,863
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,430,973
Amortization of Franchise Agreement	4,563,423
Amortization of cost of issuance	142,334
Miscellaneous	93,270
Change in assets and liabilities:	
Violations receivables, net	1,301,827
Other receivables, net	413,487
Other assets	12,245
Accounts payable	(791,461)
Due to other governments	(9,518)
Unearned revenue	402,928
Other liabilities	(20,905)
Total adjustments	7,538,603
Net cash provided by operating activities	**$ 26,665,466**

Noncash capital, financing and investing activities:	
Investment loss on derivative instrument	$ (3,638,760)
Amortization of bond premium	$ (252,541)
Amortization of bond deferred charges	$ 1,067,806

See accompanying notes to the financial statements.

1. Reporting Entity

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

OCTA purchased the franchise interest for $207,500,000, consisting of cash of $72,500,000 and certain assets and the assumption of certain liabilities. The purchase was enabled by State Assembly Bill (AB) 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 the non-compete provisions in the Franchise Agreement for needed improvements on the SR-91.

In September 2008, the Governor of California approved Senate Bill (SB) 1316 (Correa) as an update to the provisions of AB 1010. SB 1316 authorized OCTA to assign its franchise rights, interests and obligations in the Riverside County portion to the Riverside County Transportation Commission (RCTC), thereby allowing RCTC to add two toll lanes and a regular lane in each direction on the SR-91 from the Orange County line to Interstate 15. In addition, the bill authorized the terms of the franchise to expire no later than December 31, 2065. SB 1316 also required OCTA and RCTC to enter into an agreement providing for the coordination of their respective tolling facilities if RCTC was to construct and operate the toll facilities on the Riverside County portion of the SR-91 franchise.

In December 2011, the OCTA Board of Directors approved the assignment of OCTA's rights, interests and obligations in the Riverside County portion of the SR-91 franchise to RCTC. The Board also approved the extension of the expiration date to 2065 and a cooperative agreement between OCTA and RCTC that details the joint operation for the 91 Express Lanes extension.

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

2. Summary of Significant Accounting Policies

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

Basis of Accounting

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

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.

When both restricted and unrestricted resources are available for use, it is the 91 Express Lanes Fund's policy to use restricted resources first and then unrestricted resources as they are needed.

Cash and Investments

The 91 Express Lanes Fund participates in OCTA's Commingled Investment Pool. OCTA maintains cash and investments in accordance with the Annual Investment Policy (AIP) adopted initially by OCTA's Board of Directors (Board) on May 8, 1995, and most recently amended January 9, 2012. The AIP complies with, or is more restrictive than, the California Government Code (Code). At June 30, 2012, the investment portfolios were maintained at Union Bank as custodial bank. OCTA's Commingled Investment Pool is managed by four private sector investment managers. 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 in the OCTA Commingled Investment Pool, with investment earnings allocated to the different accounts based on average daily dollar account balances.

Investments in U.S. government and U.S. agency securities, medium-term notes, repurchase agreements, variable and floating rate securities, commercial paper, 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. Treasury mutual funds are carried at fair value based on each fund's share price. The Orange County Treasury 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.

The AIP requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and may be more restrictive than applicable state statutes for the following investment types: OCTA notes and bonds, U.S. treasuries, federal instrumentality securities, federal agencies, State of California and local agency obligations, bankers acceptance, commercial paper, negotiable certificates of deposit, repurchase agreements, medium-term maturity corporate securities, money market funds, other mutual funds, mortgage or asset-backed securities, LAIF, OCIP, variable and floating rate securities and bank deposits. Investment agreements are also allowed for bond issues.

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.

Cash and Cash Equivalents

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, commercial paper, money market mutual funds, certificates of deposit, and the 91 Express Lanes Fund's share of the OCTA Commingled Investment Pool represent cash and cash equivalents for cash flow purposes.

Restricted Cash and Investments

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

Permitted investments per the debt covenants include: government obligations, State of California and local agency obligations, bankers acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, money market funds, other mutual funds, investment agreements, OCIP, and variable and floating rate securities.

Receivables

Violations receivables include an estimate for outstanding unpaid violations that the 91 Express Lanes Fund anticipates to collect. For violations less than 90 days old, the receivable is based on a twelve-month average of violations collected, and is recorded net of an allowance for uncollectible accounts of $670,281 at June 30, 2012. For unpaid violations in excess of 90 days, the receivable is estimated using a 3-year average of violations collected and is recorded net of uncollectible accounts as the majority is not considered probable of collection.

Other receivables include amounts due from other California toll road agencies related to their customers' use of the 91 Express Lanes, as well as amounts owed from customers, net of an allowance for uncollectible accounts of $492,992 at June 30, 2012.

An estimated $4.2 million of violation and customer receivables are not expected to be collected within one year. The 91 Express Lanes utilizes an outside collection agency to assist in the recovery of unpaid customer balances and violations exceeding 90 days.

Other Assets

Other assets include prepaid expenses and refundable deposits.

Unamortized Debt Issuance Costs

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

Capital Assets

Capital assets include the toll facility franchise, improvements, equipment, computer hardware, software, 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. It is also the 91 Express Lanes Fund's policy to capitalize transponder purchases, as they are considered a significant class of assets even though individually under $5,000. 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
Computer hardware and software	3-5 years
Transponders	5 years

The toll facility franchise is amortized over the remaining life of the Franchise Agreement through December 2065.

Interest Rate Swap

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 $100,000,000. The parity swaps were entered into to effectively change OCTA's variable rate bonds to a synthetically fixed rate of 4.06227%. On March 15, 2011, OCTA terminated one of the swaps in the amount of $75,000,000. The agreement for the remaining swap of $25,000,000 is recorded at fair value. Changes in fair value of the derivative instrument affect investment earnings or losses. As of June 30, 2012, the derivative instrument of the 91 Express Lanes Fund is considered ineffective. Refer to note 5.

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 an expense of the 91 Express Lanes Fund.

Net Assets

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

- *Invested in capital assets, net of related debt* - Reflects net assets of the 91 Express Lanes Fund invested in capital assets, net of related debt. These net assets are not accessible for other purposes.
- *Restricted net assets* - Represents net assets not accessible for general use, with the use subject to restrictions enforceable by third parties. The Statement of Net Assets includes restricted net assets for the portion of debt attributable to unspent proceeds, restricted by the 2003 Toll Road Revenue Refunding Bonds Master Indenture of Trust for debt service, capital, and operating expenses.
- *Unrestricted net assets* - Represents net assets 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, 2012:

Deposits:	
Petty cash	$ 550
Deposits	342,597
Total deposits	343,147
Investments:	
With OCTA Commingled Investment Pool	46,518,676
With trustee	38,990,720
Total investments	85,509,396
Total cash and investments	**$ 85,852,543**

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

Unrestricted cash and investments	$ 46,877,416
Restricted cash and investments:	
Cash equivalents	38,975,127
Total cash and investments	**$ 85,852,543**

As of June 30, 2012, the 91 Express Lanes Fund had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range	Wt. Avg Maturity (Years)
OCTA Commingled Investment Pool	$46,518,676	$45,957,183	Discount, 0.125% - 8.0%	7/1/12 - 6/26/17	1.62
Held by trustee:					
Commercial paper	38,973,347	38,973,347	Discount, 0.05% - 0.10%	7/2/12 - 7/15/12	0.03
Money market mutual funds	17,373	17,373	0.01% - 0.02%	7/01/12	1 Day
Total investments	**$85,509,396**	**$84,947,903**			
Portfolio Weighted Average					1.56

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 AIP, 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, 2012, the 91 Express Lanes Fund participated in OCTA's Commingled Investment Pool which had asset-backed securities totaling $39,033,947 recorded in the pool. 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 statistical rating organizations.

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As of June 30, 2012, OCTA's Commingled Investment Pool had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express	$ 940,741	LIBOR + 170 basis points	Monthly
Citigroup	680,007	LIBOR + 85 basis points	Quarterly
Goldman Sachs	642,233	LIBOR + 100 basis points	Quarterly
Morgan Stanley	838,194	LIBOR + 98 basis points	Quarterly
New York Life	999,130	LIBOR + 26 basis points	Quarterly
Paccar Financial	632,230	LIBOR + 45 basis points	Monthly
Target Corporate Series	1,103,124	LIBOR + 17 basis points	Quarterly
VF Corporate Notes	500,000	LIBOR + 75 basis points	Quarterly
Total Variable Rate Notes	**$ 6,335,659**		

The 91 Express Lanes Fund is invested in a pay-fixed, receive-variable interest rate swap with a notional amount totaling $25,000,000. The 91 Express Lanes makes semiannual fixed payments to the counterparty of 4.06227% and receives monthly variable payments based on 67% of the London Interbank Offered Rate (LIBOR) if LIBOR is equal to or greater than 4.0% or the Securities Industry Financial Markets Association (SIFMA) Index if LIBOR is less than 4.0%. This interest rate swap was executed in November 2003 and matures in December 2030. At June 30, 2012, the interest rate swap had a negative fair value of $7,764,089.

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, 2012, 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: Standard & Poor's Corporation (S & P), Moody's Investors Service (Moody's), and Fitch Ratings (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 must be rated no less than an "A" by two of the three rating services. LAIF and OCTA's Commingled Investment Pool are not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of fair value of the 91 Express Lanes Fund's portfolio at June 30, 2012. (NR means Not Rated):

Investment	S&P	Moody's	Fitch	% of 91 Express Lanes Portfolio
OCTA Commingled Investment Pool	NR	NR	NR	54.40%
Held by trustee:				
Commercial paper:				
US Bank	A-1	P-1	F1	29.93%
General Electric	A-1	P-1	NR	15.65%
Money market mutual funds	AAA	Aaa	AAA	0.02%
Total				**100.00%**

At June 30, 2012, JP Morgan Chase Bank, N.A, the counterparty for the pay-fixed interest rate swap Series 2003-B-2 was rated A+ by S & P, Aa3 by Moody's, and A+ by Fitch. In addition, the 91 Express Lanes investment derivative instrument was not in an asset position at June 30, 2012. Thus, the 91 Express Lanes was not exposed to loss due to credit risk.

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Concentration of Credit Risk

At June 30, 2012, OCTA did not exceed the AIP maximum concentrations as stated below:

Issuer/Counter-Party Diversification Guidelines For All Securities Except Federal Agencies, Federal Instrumentalities, Investment Agreements, Repurchase Agreements and 91 Express Lanes Debt

- 5% for any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities.

Issuer/Counter-Party Diversification Guidelines For Federal Agencies, Federal Instrumentalities and Repurchase Agreements

- 35% for any one Federal Agency or Federal Instrumentalities.
- 50% for any one repurchase agreement counter-party name if the maturity/term is less than or equal to 7 days.
- 35% for any one repurchase agreement counter-party name if the maturity/term is greater than 7 days.

Issuer/Counter-Party Diversification Guidelines for OCTA's 91 Express Lanes Debt

OCTA can 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.

The following is a summary of the concentration of credit risk by issuer as a percentage of the fair value of the 91 Express Lanes Fund's portfolio at June 30, 2012:

Issuer	Amount	% of 91 Express Lanes Portfolio
US Bank (Commercial paper)	$25,593,867	29.93%
General Electric (Commercial paper)	$13,379,480	15.65%

Investment in State Investment Pool

OCTA is a voluntary participant in LAIF which is regulated by the California Government Code. The Investment Advisory Board provides oversight for LAIF, consisting of five members as designated by statute, which includes the Treasurer of the State of California. The fair value of OCTA's investment in this pool is reported in the accompanying financial statements 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.

4. Capital Assets

Capital asset activity for the 91 Express Lanes Fund for the year ended June 30, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated and amortized:				
Toll facility franchise	$ 205,263,668	$ -	$ -	$ 205,263,668
Improvements	3,208,531	-	-	3,208,531
Communications equipment	5,602,202	-	2,581,122	3,021,080
Computer hardware and software	3,215,013	440,612	373,414	3,282,211
Transponders	4,562,795	346,508	374,096	4,535,207
Equipment, furniture and fixtures	156,949	-	-	156,949
Total capital assets, being depreciated and amortized	**222,009,158**	**787,120**	**3,328,632**	**219,467,646**
Less accumulated depreciation and amortization for:				
Toll facility franchise	(62,312,185)	(4,563,423)	-	(66,875,608)
Improvements	(996,715)	(182,212)	-	(1,178,927)
Communications equipment	(5,290,030)	(115,328)	(2,581,122)	(2,824,236)
Computer hardware and software	(1,645,931)	(629,858)	(373,414)	(1,902,375)
Transponders	(3,238,445)	(487,892)	(374,096)	(3,352,241)
Equipment, furniture and fixtures	(86,326)	(15,683)	-	(102,009)
Total accumulated depreciation and amortization	(73,569,632)	(5,994,396)	(3,328,632)	(76,235,396)
Total capital assets, being depreciated and amortized, net	**$ 148,439,526**	**$ (5,207,276)**	**$ -**	**$ 143,232,250**

5. Interest Rate Swap

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 in connection with its $195,265,000 Toll Road Revenue Refunding Bonds. The parity swaps were entered into to effectively change OCTA's variable rate bonds to a synthetically fixed rate of 4.06227%. The Series 2003-B-1 swap was for $75,000,000 and the counterparty was Lehman Brothers Special Funding Incorporated. The Series 2003-B-2 swap was for $25,000,000 and the counterparty was Bear Stearns Capital Markets Incorporated. On May 30, 2008, JP Morgan completed its acquisition of The Bear Stearns Companies Incorporated. As a result of the merger, JP Morgan assumed the $25,000,000 interest rate swap between OCTA and Bear Stearns Capital Markets Incorporated. On March 15, 2011, OCTA terminated the $75,000,000 interest rate swap.

The fair value and notional amount of derivative instrument outstanding at June 30, 2012, and the change in fair value of such derivative instrument for the year then ended are as follows:

	Change in Fair Value		Fair Value at June 30, 2012		
	Classification	Amount	Classification	Amount	Notional
Investment derivatives - Pay-fixed interest rate swaps:					
Series 2003-B-2	Investment Loss	$ (3,638,760)	Investment	$ (7,764,089)	$25,000,000

The 91 Express Lanes Fund's pay-fixed interest rate swap is classified as an investment derivative instrument because it did not meet the criteria for effectiveness. The decrease in the fair value of the swap in fiscal year 2011-12 of $3,638,760 is reported as an investment loss on derivative instrument for the year ended June 30, 2012.

The fair value of the interest rate swap was estimated using proprietary methodologies developed by DerivActiv, LLC (DerivActiv). The pricing valuation was conducted by using the executed trade confirmations for the swap and modeling the trades in DerivActiv's pricing system using the rate structure contained in the confirmation and ISDA agreement. DerivActiv utilized pricing levels from Bloomberg Financial at the market close on June 30, 2012.

Terms

The bonds and the related parity swap agreement mature on December 15, 2030. The parity swap was entered into at the same time the bonds were issued in November 2003. Starting in fiscal year 2021-22, the notional amount of the parity swap declines and the principal amount of the associated bonds declines by an identical amount. Under the parity swap, OCTA pays the counterparty a fixed payment of 4.06227% and the counterparty pays 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 SIFMA Index if one month LIBOR is less than 4.0%.

6. Bonds Payable

Taxable Senior Secured Bonds

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

Toll Road Revenue Refunding Bonds

On November 12, 2003, OCTA issued $195,265,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2 to refund the $135,000,000 taxable 7.63% Senior Secured Bonds and to reimburse OCTA for a portion of its payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The $95,265,000 Series 2003-A Bonds were issued as fixed rate bonds. The $75,000,000 Series 2003-B-1 Bonds and the $25,000,000 Series 2003-B-2 Bonds (collectively the "Series 2003-B Bonds") were issued as adjustable rate bonds.

On November 24, 2008, OCTA remarketed the $100,000,000 Series 2003-B Bonds, which were purchased by the Orange County Investment Pool (OCIP). 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. On December 20, 2010, OCTA entered into a new transaction with OCIP for the Series 2003-B Bonds at a 1.55% rate. The Series 2003-B Bonds have a mandatory tender date of August 15, 2013.

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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	$38,019,585*
Cash reserve balance	$38,975,127
Interest rate	1.55% to 5.432%**
Maturity	December 2030
Principal payment date	August 15
Current balance	$160,705,000
Unamortized premium	$4,650,970
Deferred amount on refunding	($17,173,879)

* Pursuant to the 2003 Toll Road Revenue Refunding Bonds Master Indenture of Trust, four reserve funds are maintained with required balances as follows: Reserve Fund $12,634,792; Supplemental Reserve Fund $12,634,793; Major Maintenance Reserve Fund $10,000,000; and Operating Reserve Fund $2,750,000. At June 30, 2012, all reserve requirements have been satisfied.

** The Series 2003-B-2 Bonds were issued as variable rate bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description in note 5.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2012 are as follows:

Year ending June 30	Principal	Interest	Total
2013	$ 5,245,000	$ 5,467,008	$ 10,712,008
2014	5,525,000	5,187,924	10,712,924
2015	5,815,000	4,897,155	10,712,155
2016	6,130,000	4,583,599	10,713,599
2017	6,460,000	4,253,111	10,713,111
2018-2022	37,655,000	15,980,029	53,635,029
2023-2027	47,495,000	8,945,145	56,440,145
2028-2031	46,380,000	2,412,556	48,792,556
Total	$160,705,000	$51,726,527	$212,431,527

The interest rate used to determine the future annual debt service requirements for the Series 2003-B Bonds was the 1.55% OCIP rate at June 30, 2012. The Series 2003-B-2 Bonds interest rate used was 5.43227%, which also includes net swap interest. As part of the swap agreement, OCTA pays a fixed interest rate of 4.06227% per annum and receives the SIFMA Index which amounted to 0.18% on June 30, 2012. As rates vary, bond interest payments and net swap payments will vary.

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Tax-exempt bonds	$165,685,000	$ -	$4,980,000	$160,705,000	$5,245,000
Unamortized premium	4,903,511	-	252,541	4,650,970	-
Unamortized deferred amount on refunding	(18,241,685)	-	(1,067,806)	(17,173,879)	-
Total long-term liabilities	$152,346,826	$ -	$4,164,735	$148,182,091	$5,245,000

Pledged Revenue

The 91 Express Lanes debt issuance outstanding is repaid and secured by the pledging of certain revenues, as defined in the debt agreement. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table. The purpose for which the proceeds of the debt issuance were utilized is disclosed in the debt description. Pursuant to the 2003 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the 91 Express Lanes Fund will covenant to fix and prescribe toll rates for each type of vehicle and each time of day sufficient to produce adjusted net toll revenues for each fiscal year at least equal to 1.3 times annual debt service. Adjusted net toll revenues includes tolls and investment earnings on specified reserve accounts minus operating expenses, excluding depreciation and interest expense.

Pledged revenue for the year ended June 30, 2012, was as follows:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
91 Express Lanes Net Toll Road Revenue	$25,677,570	$10,720,594	2.40

7. Transfers to Other OCTA Funds

For the year ended June 30, 2012, the 91 Express Lanes Fund transferred $101,716 to OCTA's Local Transportation Authority (LTA) Fund for the Riverside Freeway (SR-91) Eastbound Project right-of-way capital expenditures and support services.

8. 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, subsequently Cofiroute USA, LLC (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. On January 6, 2006, OCTA entered into a second operating agreement with Cofiroute, effective January 3, 2006 through January 2, 2011. The annual amount of the base contract is $5,448,768 plus inflation adjustments after the first year. The agreement carried two two-year extension options through January 2, 2015. On June 27, 2011, the OCTA Board of Directors approved a subsequent amendment to the operating agreement with Cofiroute, which authorizes the addition of two five-year extension options beginning July 1, 2011 through June 30, 2016 for the first extension term and beginning July 1, 2016 through June 30, 2021 as the second extension term. Cofiroute is responsible for the day-to-day operations of the toll facility.

Purchase Commitments

The 91 Express Lanes has various outstanding contracts. Total purchase commitments at June 30, 2012, were $42,429,821, the most significant is with Cofiroute as noted above.

Lease Commitments

The 91 Express Lanes Fund is committed under two non-cancelable leases for office space. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2012, were $352,222.

Future minimum payments for these leases approximate the following:

For the year ending June 30:	
2013	$ 336,195
2014	262,279
2015	241,116
2016	246,720
2017	252,324
Total	**$ 1,338,634**

9. Change in Accounting Estimate

The useful life of the toll facility franchise capital asset was adjusted as a result of an amendment extending the term of the Franchise Agreement with Caltrans through December 31, 2065. The impact of this change in estimate reduced depreciation expense for the year ended June 30, 2012 by $2,767,422 and increased the change in net assets by $2,767,422.

10. Effect of New Pronouncements

GASB Statement No. 60

In November 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement is effective for OCTA's fiscal year ending June 30, 2013. OCTA has not determined its effect on the financial statements.

GASB Statement No. 61

In November 2010, GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This statement is effective for OCTA's fiscal year ending June 30, 2013. OCTA has not determined its effect on the financial statements.

GASB Statement No. 62

In June 2011, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for OCTA's fiscal year ending June 30, 2013. OCTA has not determined its effect on the financial statements.

GASB Statement No. 63

In June 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position. This statement is effective for OCTA's fiscal year ending June 30, 2013. OCTA has not determined its effect on the financial statements.

GASB Statement No. 64

In June 2011, GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Since OCTA's derivative instrument was considered ineffective, this statement does not apply to OCTA.

GASB Statement No. 65

In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows or resources, certain items that were previously reported as assets and liabilities. This statement is effective for OCTA's fiscal year ending June 30, 2014. OCTA has not determined its effect on the financial statements.

GASB Statement No. 66

In March 2012, GASB issued Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement is effective for OCTA's fiscal year ending June 30, 2014. OCTA has not determined its effect on the financial statements.

GASB Statement No. 67

In June 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement is effective for OCTA's fiscal year ending June 30, 2014. OCTA has not determined its effect on the financial statements.

GASB Statement No. 68

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement is effective for OCTA's fiscal year ending June 30, 2015. OCTA has not determined its effect on the financial statements.

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