Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

Orange County Transportation Authority

OCTA

Orange County, California

Orange County Transportation Authority

OCTA

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2008

Orange County, California

PAGE

PAGE

STATISTICAL SECTION

Streets & Roads

Bus Transit


636-RIDE
463
Transit Terminal
55 NEWPORT TRANSP CENTER
5506
2158
COSTA MESA
1029084

OCTA

AFFILIATED AGENCIES

Orange County Transit District

Local Transportation Authority

Service Authority for Freeway Emergencies

Consolidated Transportation Service Agency

Congestion Management Agency

Service Authority for Abandoned Vehicles

December 8, 2008

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orange County Transportation Authority (OCTA) for the fiscal year ended June 30, 2008 in accordance with California state law. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by certified public accountants.

Responsibility for the accuracy and completeness of the data presented rests with OCTA. Management has established a comprehensive system of internal controls to ensure that the assets of the OCTA are protected from loss, theft or misuse and to ensure that adequate financial information is compiled to allow for the presentation of financial statements in conformity with GAAP. Because the cost of internal control should not outweigh its benefits, OCTA's system of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The CAFR presents the financial position and results of operation of OCTA on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of OCTA's financial activities have been included.

OCTA's financial statements have been audited by Mayer Hoffman McCann P.C. The goal of the independent audit was to provide reasonable assurance that the financial statements of OCTA for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Mayer Hoffman McCann P.C. concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that OCTA's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The

Orange County Transportation Authority
550 South Main Street / P.O. Box 14184 / Orange / California 92863-1584 / (714) 560-OCTA (6282)

independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of OCTA was part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements in accordance with GAAP, but also on the government's internal control and compliance with legal requirements, with a special emphasis on internal control and legal requirements involving the administration of federal awards in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. These reports are available in OCTA's separately issued Single Audit report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. OCTA's MD&A can be found immediately following the report of the independent auditors.

Profile of OCTA

OCTA was established by state law and began serving the public on June 20, 1991. An 18-member Board of Directors (Board) governs OCTA and consists of five members of the Orange County Board of Supervisors, 10 city representatives selected by all of the cities within the County, two public members selected by the other 15 Board Members, and a representative appointed by the Governor of California serving in a non-voting capacity. A Chief Executive Officer manages OCTA and acts in accordance with the directions, goals and policies approved by the Board.

OCTA provides coordinated, efficient, and accountable transportation planning and services within Orange County. Former agencies and funds which were consolidated to form OCTA include: Orange County Transportation Commission, Orange County Transit District (OCTD), Consolidated Transportation Services Agency, Orange County Local Transportation Authority (OCLTA), Orange County Service Authority for Freeway Emergencies (SAFE), Orange County Congestion Management Agency, Orange County Service Authority for Abandoned Vehicles (SAAV), State Transit Assistance Fund, Local Transportation Fund, Orange County Unified Transportation Trust (OCUTT), and Transit Development Reserve. On January 3, 2003, OCTA began operating the 91 Express Lanes, a toll facility on a 10-mile segment of the Riverside Freeway (SR-91) between the Riverside/Orange County Line and the Costa Mesa Freeway (SR-55).

Establishment of the consolidated transportation authority has saved County taxpayers tens of millions of dollars through increased efficiency and elimination of duplicative efforts. At the same time, service and investment in transportation have increased, providing the County with a progressive, effective, and comprehensive transportation system. OCTA has seven primary service programs that support the transportation system in Orange County: bus operations, commuter rail, Measure M, 91 Express Lanes, planning and capital projects, and motorist and other services.

OCTA accounts for its operations by using separate funds to manage and report all financial activities of its many programs. The general fund finances most of the administrative and planning functions of OCTA, and includes the Finance, Administration, and Human Resources; Development; Employee & Labor Relations; Transit; and External Affairs divisions as well as the Chief Executive Officer's Executive Office, Clerk of the Board, and Internal Audit Department. Special revenue and capital projects funds are used to account for many of OCTA's revenue sources restricted by law or Board policy. A debt service fund is used to account for debt service activities related to OCLTA's sales tax revenue bonds. Enterprise funds are used to account for operations of the OCTD, 91 Express Lanes and Orange County Taxicab Administration Program (OCTAP).

Revenue sources consist primarily of sales tax apportionments, farebox collections, tolls and related fees, gasoline sales tax, interest income, federal capital and operating assistance grants, state grants, property taxes, and vehicle registration fees. On November 6, 1990, the voters of Orange County passed Measure M, which provided for a local transactions and use tax of 1/2 percent for 20 years to pay for a wide variety of freeway, road and transit improvements in the County. On November 7, 2006, Orange County voters approved by a 69.7 percent margin the continuation of Measure M for another 30 years until 2041. Called Renewed Measure M, this new transportation improvement plan, much like the original Measure M, will continue to deliver much needed freeway improvements as well as improvements to streets and roads and transit. A 1/4 percent sales tax, as outlined in state law, provides operating assistance for transit service, as well as a small percentage for planning and administrative support. Over the next three years, $38 million from this source will be diverted annually to the County; however, over the next five years, OCTA will be receiving $23 million of the County of Orange share of gas tax revenue annually from the State of California in exchange for these diverted funds. The diverted money will be used by the County as part of its bankruptcy recovery effort. OCTA also receives 5.88 percent of total statewide receipts for sales and use taxes on gasoline and diesel fuel.

Every year, OCTA develops its staffing, operating, and capital plans for the upcoming fiscal year. The product of this effort is the fiscal year budget. The budget outlines the expected funding sources and uses of funds that represent OCTA's year-long commitment to transportation projects and services. The budget also presents the projected fund balance for all funds that encompass OCTA. The budget is recorded in OCTA's accounting system, where it is compared with actual performance. Staff ensures that the budget is adopted by the Board of Directors before the beginning of each fiscal year. During the fiscal year, all major budget revisions and updates are presented to the Board for consideration and adoption.

Once adopted, staff ensures that the Board is kept well informed of budget versus actual performance. Budget control is accomplished through the following means:

- On a monthly basis, staff reviews actual monthly and year-to-date performance against the budget and provides a forecast for the remainder of the fiscal year. As part of this review, all materially significant variances and revisions are explained.

- On a quarterly basis, as part of the Board's regular agenda, staff reports OCTA's financial results in the Quarterly Budget Status Report. This report compares actual quarterly and year-to-date performance to budget in the areas of revenue, staffing, operating and capital expenditures. The quarterly budget status report for the fourth quarter summarizes the full year's performance against the approved budget.

OCTA monitors its long-term financial condition by updating a 20-year Comprehensive Business Plan (CBP) each year. The CBP is a business-planning tool designed to assist the OCTA in implementing its strategic goals and objectives. The CBP encapsulates OCTA's programs and outlines goals and objectives over the next 20 years, as articulated by the Board of Directors. Through the use of financial modeling and divisional input and review, a comprehensive study of economic influences and programmatic needs and objectives are incorporated into a business-planning document. The CBP validates the feasibility of proposed program and service levels, anticipates a variable economic environment, and identifies and proposes policy direction. The CBP is an evolving document that is updated annually in response to the ever-changing social, political, and economic environment. The CBP lays the foundation for the annual budget process.

The CBP projects service and capital requirements for the bus system. To ensure that adequate funds are available for future capital purchases, OCTA has set up a capital asset reserve. Funds are deposited each year in the capital asset reserve and withdrawn when necessary. Major cost drivers that could hinder the ability to provide increased levels of bus service in the future include changes in fuel prices, health care premiums, retirement rates, workers' compensation costs, and demand for federally-mandated service for persons with disabilities.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which OCTA operates.

Orange County Economy

Orange County, like much of the country, is weathering the current financial storm attributable to the housing crisis. Though Orange County has a diverse economy that will help buffer some of the effects of the mortgage/credit crisis, the impacts of the crisis are putting downward pressure on the local economy. The downward pressure is most evident in housing prices within the County. Orange County homeowners experienced a 22 percent decline in the median price of a single-family home over a period of 11 months between April 2007 and February 2008. Further downward adjustments in housing prices and related industries are expected for the remainder of 2008 and possibly into early 2009. OCTA continuously monitors changes in the economy because of the potential impact on future sales tax receipts and other revenues vital to the organization.

Over recent years, Orange County has experienced year-to-year growth in taxable sales though at a decreasing rate. Recent forecasts indicate that this trend may come to an end as taxable sales are forecasted to decrease 3.2 percent in 2008. The decrease would follow the mild 1 percent growth experienced in 2007. Taxable sales have been impacted directly from slower income growth in Orange County. Similarly, personal income growth has decreased from 4.2 percent in 2007 to an estimated 3 percent for 2008.

During 2007, Orange County experienced payroll job growth of 0.5 percent, which was the lowest growth rate for the last five years. Recent forecasts for calendar year 2008 estimate a decrease in payroll of 1 percent. Forecasts indicate that the slowdown in employment will affect the local economy through 2008. Six major industries account for approximately 85.1 percent of all jobs in the County: 44.4 percent services, 10.1 percent retail trade, 9.8 percent state and local government, 8.7 percent financial activities, 6.7 percent construction, and 5.4 percent wholesale trade. The remaining 15 percent consists of non-durable goods, durable goods, high technology, transportation and public utilities, and mineral extraction. Estimated employment within Orange County is 1.54 million workers for calendar year 2008.

Although the growth rate of building permit valuations spiked to $4.7 billion in 2006, it is forecasted to further decline from $3.9 billion in 2007 to $3.6 billion in 2008. The change in the value of building permits in the County reflects the slowdown in housing starts, which will continue to place downward pressure on the construction sector.

Summary of OCTA Activities and Services

Bus Transit—The United States (U.S.) Census Bureau estimated Orange County's population at three million in 2007. From all indications, the population will continue to grow and place renewed importance on improving the County's public transit system and the mobility it provides residents. By the end of fiscal year 2008, the OCTA bus system recorded more than 65 million passenger boardings. High fuel costs throughout the period continued to drive increasing numbers of riders to public transit. Since much of OCTA's ridership is transit dependent, the continuous improvement of local bus service plays a vital role in the County's economy.

OCTA's Summer Youth Bus Pass Program entered its seventh successful year. Designed to promote trial ridership, the program encourages youths from age 7 to 18 to use public transportation during the summer months. As an additional incentive for young pass holders, each Summer Youth Bus Pass also served as a discount card good at many popular County destinations. The special three-month pass went on sale May 1 and was valid June 1 – August 31. During 2008, Summer Youth Bus Pass sales reached 4,609, a 57 percent increase over 2007 sales. Boardings using the Summer Youth Bus Pass from June through August totaled 284,970, a 68 percent increase over the previous year.

OCTA's direct bus service to the Orange County Fair, the OC Flyer, offered five different routes from convenient pickup locations at park-and-ride facilities and Metrolink train stations. The convenient weekend bus service was provided on Saturday and Sunday over a four-week period when the Orange County Fair was in operation. Total OC Flyer boardings in 2008 were 6,161 representing a 211 percent increase over the previous year.

Now in its fourth year, OCTA's "youthNmotion" Program continued its partnership effort with local schools and youth organizations to encourage youth bus ridership. OCTA representatives conducted lively interactive "youthNmotion" presentations at schools and youth clubs demonstrating how easy it is to ride the bus. During the past year, OCTA's youth outreach staff took part in 72 youth presentations and events. An estimated 36,000 youths between the ages of 11 to 16 participate in the youthNmotion Program.

OCTA also continued its outreach program for senior citizens entitled, "Be There," for a fourth year. Through an easy-to-follow brochure, hands-on presentations and a fun trial bus ride at senior centers, OCTA outreach staff demonstrated how easy and economical it is for seniors to get wherever they want to go by bus. During fiscal year 2008, OCTA staff conducted 18 senior presentations, attended eight senior expos and took senior groups on seven supervised bus trips. Through these outreach activities, a total of 5,000 seniors were introduced to OCTA's convenient and economical bus service.

OCTA created its Employer Pass (E-Pass) Program to foster relationships with the employer community and to encourage greater use of public transportation by Orange County's employee population. E-Pass is an annual bus pass exclusively for employers to make available to their employees. OCTA administers the program, and employers are charged a maximum monthly cost of $45 per employee, no matter how many rides are taken. E-Pass provides employees with a convenient annual swipe card to make boarding the bus easy. Fiscal year 2008 was the fourth year of the E-Pass Program. With 20 employers participating in the program, 23,264 E-Passes were in use, an increase of 8.3 percent over fiscal year 2007. E-Pass sales amounted to $512,191 and boardings totaled 789,393.

The University Pass (U-Pass) was created in September 2003 and allows universities to provide growing student enrollments with convenient transportation and ease on-campus parking constraints. With the U-Pass, students, faculty, and staff swipe their validated campus IDs and get unlimited access to OCTA local buses. The university is charged 75 cents per boarding up to a maximum of $30 per month for students and $45 per month for faculty and staff. California State University, Fullerton and the University of California, Irvine—two of the largest campuses in the County—have U-Pass programs in effect. Now in its fifth year, the program had 39,076 U-Passes in use during fiscal year 2008. U-Pass revenues totaled $420,635, a 14.3 percent increase over the previous year.

Following on the success of its U-Pass Program, OCTA created the College Pass (C-Pass) Program exclusively for college students. The program offers two special discounted passes: the Quarter Pass, good for 75 days and the Semester Pass, good for 120 days. With rising gasoline prices and a shortage of parking facilities at many campuses, C-Pass affords economical and dependable transportation for students. During fiscal year 2008, 11 colleges participated in the program. Passes sold totaled 919 75-day passes (a decrease of 25.6 percent) and 1,225 120-day passes (down 13.7 percent from the previous year).

Vanpool Program—In July 2007, OCTA began its Vanpool Program to provide assistance to commuters who work in Orange County and live in Los Angeles, Orange, Riverside or San Bernardino counties. The Vanpool Program was the County's first public-private partnership, helping connect groups of commuters with private vanpool companies. OCTA subsidizes qualified vanpools with a monthly payment to defray part of the cost of the service shared by each vanpool group. At the end of fiscal year 2008, 205 vanpools were enrolled in OCTA's Vanpool Program. The vans in the program traveled nearly 3 million miles and provided 449,055 passenger trips.

91 Express Lanes— OCTA owns and operates this four-lane, 10-mile toll road. The 91 Express Lanes toll road is fully automated and uses congestion management pricing to maintain free-flow conditions and optimize vehicle throughput. With OCTA's innovative toll policy, rates are set to spread out demand, thus minimizing congestion on the toll road. During fiscal year 2008, drivers took 13.5 million trips on the 91 Express Lanes. As part of the commitment to increasing mobility, OCTA instituted the Three Ride Free program allowing carpools of three or more to use the high occupancy vehicle three plus (HOV3+) lane on the 91 Express Lanes for free during most hours and at a 50 percent discount during high demand times. During fiscal year 2008, HOV3+ trips reached over 2.9 million, which represents 21.8 percent of total trips.

The 91 Express Lanes continues to offer drivers a timesaving alternative for the commute to and from Orange County. According to the 2007 91 Express Lanes Customer Satisfaction Survey, users reported saving over 38 minutes per trip in the afternoon by using the toll road.

Measure M Freeway Projects—Freeway improvements continue to be the cornerstone and most visible component of the Measure M Traffic Improvement and Growth Management Plan approved by Orange County voters in 1990. Since the creation of OCTA, the Board made accelerating freeway construction a top priority to provide transportation relief to motorists as quickly as possible. At this time, the majority of Measure M freeway improvements are finished—with only one project remaining to be completed.

The projects with significant activity during the fiscal year were:

Santa Ana Freeway (I-5): Construction began in May 2006 to widen the last two miles of I-5 from the SR-91 Interchange up to the Los Angeles County line through the City of Buena Park. Measure M is contributing nearly $179 million toward the $314 million project, known as the I-5 Gateway Project. The I-5 Gateway Project will provide travelers on the I-5 with one new carpool and one additional general purpose lane in each direction, as well as auxiliary lanes to make entering and exiting the freeway safer and easier. Completion is scheduled for mid-2010.

Garden Grove Freeway (SR-22): The $550 million SR-22 improvement project was completed in May 2008 and has been turned over to California Department of Transportation (Caltrans). The project covered 12 miles of freeway through the cities of Westminster, Garden Grove, Santa Ana, and

Orange. This project added continuous access carpool lanes from approximately the SR-55 to Valley View Street, auxiliary lanes and several interchange improvements along the freeway. An elevated connector designed to eliminate weaving was added, separating the southbound Orange Freeway (SR-57) connector and The City Drive ramps to the westbound SR-22. OCTA used the design-build method to improve the SR-22, with a single contract firm for final engineering and construction. The design-build process increased efficiency and helped shave years off the completion of the project.

Renewed Measure M Freeway Projects—Orange County voters renewed The Measure M Sales Tax Program in November 2006. The Renewed Measure M Plan includes highway improvements that provide additional capacity and safety improvement throughout the County. In August 2007, the OCTA Board of Directors approved an Early Action Plan for Renewed Measure M to advance the completion of projects prior to the start of sales tax collection in April 2011.

Development of the freeway projects under the Renewed Measure M program is progressing at a rapid pace. Work was underway on all projects included in the Early Action Plan. The work included the advancement of the conceptual design, environmental clearance, and final design of the projects. This work will set the stage for the construction of 40 miles of freeway improvements, costing over $1.7 billion, over the next 10 years.

Current projects underway are:

Project C—Caltrans is preparing a conceptual design study to identify options to increase capacity of the I-5 corridor between Pacific Coast Highway and Avenida Pico, through the communities of Dana Point and San Clemente. This study will evaluate the benefits of extending the current high-occupancy vehicle (HOV) lanes on I-5 that currently end at the Pacific Coast Highway interchange, all the way down to Avenida Pico in San Clemente.

Project D—The City of San Juan Capistrano released a draft of the environmental analysis of proposed improvements to the I-5/Ortega Highway (SR-74) interchange for public review. The City, working with Caltrans, identified five alternatives to improve traffic flow within the interchange. These five options will be reviewed by various public agencies and the general public, and their comments will be considered before a final design alternative is selected.

Project F—The OCTA is preparing a feasibility study to look into options to improve the Costa Mesa Freeway (SR-55) between the San Diego Freeway (I-405) and I-5, passing through the communities of Santa Ana and Irvine. The study is looking at the feasibility of lane additions within this corridor and possible improvements to the freeway interchanges to reduce traffic congestion in the area.

Project G—The OCTA is preparing the final design for a new northbound lane on the Orange Freeway (SR-57) from Orangethorpe Avenue to Lambert Avenue through the communities of Fullerton and Brea. It is expected that the widening of the freeway in the northbound direction can be accommodated within the existing right-of-way. In addition, the OCTA is preparing an environmental analysis to add a new northbound lane on SR-57 between Katella Street and Lincoln Avenue in the Anaheim area. This study will identify any potential environmental impacts of the project and will propose mitigation measures to minimize any unavoidable impacts.

Project H—The OCTA is advancing an environmental document to add a new westbound lane to the SR-91 between I-5 and SR-57 in Anaheim. This effort is looking at the environmental and design issues related to adding the new lane, and will identify the most practical approach with the least impact on existing properties along the freeway.

Project I—The OCTA is preparing a feasibility study to look into options for improving the SR-91/SR-55 interchange and to add capacity along SR-91 between SR-57 and SR-55. This feasibility study will evaluate previous studies done in the area and pick some of the best options to advance into the conceptual design phase.

Project J—Three projects are being advanced along SR-91 to relieve traffic congestion in the corridor connecting Orange County and Riverside County. Caltrans is advancing the final design of a new eastbound lane between Foothill/Eastern Toll Road (SR-241) and Corona Expressway (SR-71) in Riverside County. This project will extend the existing eastbound auxiliary lane that terminates before Green River Road to the SR-71 interchange. Caltrans is also preparing an environmental analysis for adding one new lane each way along SR-91 from SR-55 to SR-241. This project will add significant new capacity through the City of Anaheim. The third project is being advanced by the Riverside County Transportation Commission (RCTC) to add a new lane each way between SR-241 in Anaheim to Ontario Freeway (I-15) in Corona. RCTC are currently preparing an environmental analysis for proposed improvements.

Project K—The OCTA completed the conceptual design for adding one new lane each way on I-405 between SR-55 and the San Gabriel River Freeway (I-605). These improvements will add mainline capacity and improve the local interchanges along the corridor that serves the communities of Santa Ana, Fountain Valley, Huntington Beach, Westminster, Seal Beach, and Los Alamitos. The Project Study Report is underway. The environmental analysis of the proposed improvements will begin in the next quarter.

Major Investment Studies—In addition to the previously listed freeway projects, OCTA is conducting several Major Investment Studies (MIS) to improve travel on Orange County freeways.

Central County Corridor Major Investment Study: Begun in 2005 as the Central County Corridor Study, this eight-month study included comments from more than 1,000 community members. The study produced a wide range of multi-modal conceptual alternatives. The OCTA Board of Directors instructed staff to consult with the Army Corps of Engineers on the physical feasibility of extending SR-57 within the Santa Ana River Channel. As a result of those discussions, staff undertook a SR-57 Extension Concept Planning Study. This study found that extending the SR-57 on structure via the Santa Ana River Channel was feasible.

The Central County Corridor Major Investment Study (CCCMIS) is anticipated to begin in mid to late 2008 and will take approximately 18 months to complete. In the first step, all five current alternatives will be refined. Staff will perform technical analysis and seek policy and public input on the alternatives. Next, the five conceptual alternatives will be subject to more rigorous technical analysis and policy review. Throughout the process, stakeholders and the public will have the opportunity to provide feedback and input. At the conclusion of this stage, a Locally Preferred Strategy will be identified and presented to the OCTA Board of Directors for review and direction.

The San Diego Freeway (I-405) Major Investment Study: This major 18-month study covering the I-405 corridor from the I-605 to the Corona Del Mar Freeway (SR-73) was completed in October 2005. The initial 13 alternatives were narrowed down to two: a minimal widening option and a moderate widening option. After carefully considering input from the public and the project's elected officials group, the OCTA Board selected the minimal widening alternative for further study. The alternative (Alternative 4) proposed adding capacity in each direction between Brookhurst Street and the I-605. It would also add merging lanes that link an on-ramp to the next off-ramp in many locations where sufficient right-of-way is available. The Locally Preferred Strategy also included other operational improvements and new park-and-ride facilities.

A Project Study Report (PSR) was initiated in February 2007 and approved in July 2008. This technical engineering and planning analysis included two alternatives: adding one lane in each direction or two lanes in each direction. Next steps include initiating the environmental document and conducting public outreach during the scoping and draft environmental document phases.

South Orange County Major Investment Study: In October 2005, OCTA launched the South Orange County Major Investment Study (SOCMIS). The objective of the study is to develop consensus on a multi-modal transportation improvement strategy for South Orange County for the next 25 years.

The Study involves three phases:

- **Phase I -** Purpose and Need Statement and the Initial Set of Alternative Strategies
- **Phase II -** Screening the Initial Set of 14 Alternative Strategies, and reducing these to 4 to 6 alternative strategies for more detailed evaluation
- **Phase III -** Identification of a locally preferred strategy 2008

Phase I was approved on May 14, 2007, by the OCTA Board of Directors. Phase II screening took place during Summer 2007 and was approved by the OCTA Board of Directors on October 22, 2007. Approval included six (6) alternative strategies for further consideration.

Public Open Houses on the reduced set of alternatives took place during Spring 2008. A detailed technical evaluation of the reduced set of conceptual alternatives resulted in a draft Locally Preferred Strategy. After seeking public input and review by stakeholders, technical staff from local agencies and elected officials, a recommended locally preferred strategy will be presented to the OCTA Board in October 2008.

Riverside County–Orange County Corridor: OCTA and RCTC through a MIS completed in December 2005 came up with several recommendations on how to improve travel between our two counties. Working together, OCTA and RCTC are moving several projects forward, which will bring much needed relief to SR-91. Some of these projects include:

- Construct a new eastbound lane between the SR-241 and the SR-71. OCTA authorized the use of $2.7 million dollars in 91 Express Lanes toll revenue as seed funding to accelerate preliminary engineering and environmental documentation to get this project moving. When completed, this $80 million project will open up a major eastbound traffic chokepoint at the Orange County/Riverside County line. Project completion is anticipated for 2011.

- Add new lanes in each direction on SR-91 between the I-15 and the SR-241. Project completion is scheduled for 2015.
- Evaluate a seven-mile reversible lane facility on SR-91 between the Orange County/Riverside County line to I-15. Project details are under development.
- Evaluate a new freeway interchange at Fairmont Boulevard connecting to and from the north side of SR-91. Project details are under development.
- Add a fifth general purpose lane in each direction between the SR-55 and SR-241. Conceptual engineering is complete. An environmental document will refine project details.
- Build a new direct connector between the 91 Express Lanes and SR-241 toll road. A feasibility study is underway.
- Construct a new direct carpool-lane connector between SR-91 and I-15. Project details are under development.
- Caltrans and RCTC have embarked on a $26 million project to reconstruct the SR-91/Green River interchange. The scope includes the widening of the bridge over the freeway and enhancing on and off-ramps. Project completion is anticipated for late 2008.
- Provide free tow services through the Freeway Service Patrol Program during peak a.m. and p.m. commute hours to commuters traveling on the SR-91. This service helps stranded motorists get quickly back on the road and clears incidents or debris to maximize traffic flow and highway safety.

Orange/Los Angeles Intercounty Transportation Study: OCTA, in cooperation with the Los Angeles County Metropolitan Transportation Authority (LACMTA), has completed a one-year transportation study focusing on border issues and opportunities between Orange and Los Angeles counties. The study analyzed bus, rail, and vehicle traffic along the border between Orange and Los Angeles counties. The primary goals of the study were to: identify transportation needs in the border area, coordinate cross-border planning, and develop transportation improvements to enhance cross-border connections.

A purpose and need/mobility report was developed as well as an initial set of conceptual alternatives. The initial set of concepts developed through this study process will lay the foundation for future work between the two agencies, including further planning, engineering and environmental studies. A final conceptual alternatives report is expected to be presented to the OCTA Board for approval in late 2008.

Streets and Roads—Local streets and roads provide daily transportation for Orange County's more than three million residents and are a critical component of the County's vast transportation network. There are presently more than 7,200 miles of local streets and roads within Orange County.

OCTA allocates funding to local governments to supplement their programs for maintaining and improving roadways. Projects include the elimination of potholes, rough surfaces and bottlenecks, as well as increasing street and road capacity to improve mobility and reduce traffic congestion throughout the County.

Major local street improvement projects during fiscal year 2008 included: the City of Anaheim Smart Street Project, with limits from Humor Drive to Jean Street, was issued $4.9 million toward the right-of-way phase; the City of Lake Forest was issued $1.4 million for efforts in improving El Toro Road from I-5 to Jutewood Place/Cornelius Drive; and the City of Costa Mesa Harbor Corridor project was issued $1.4 million toward the construction phase. The two Smart Street projects in the City of La Habra were issued $2.6 million toward engineering and right-of-way phases, and the County was issued over $1 million for efforts in the widening of Irvine Avenue.

During fiscal year 2008, OCTA allocated $52.2 million in Measure M funds through the competitive Combined Transportation Funding Program and $41.1 million in formula turnback funds for a total investment of $93.2 million to streets and roads in Orange County. Since the passage of Measure M in 1990, local cities and the County have received more than $959.1 million in Measure M revenues.

Paratransit—OCTA operates curb-to-curb paratransit van service for persons with disabilities. This service, known as ACCESS, is mandated by the Americans with Disabilities Act (ADA) and is intended to provide public transit service to persons who are unable to use regular fixed-route buses. ACCESS service requires the completion of an eligibility process to determine the rider's transportation limitations. Demand for ACCESS has continued to grow since its inception in 1993. ACCESS provided 1.2 million unlinked trips during fiscal year 2008.

Paratransit Growth Management strategies implemented in July 2005 have been successful in slowing the rate of growth and demand on ACCESS. These strategies included: increasing the efficiency of OCTA's ADA paratransit service; educating the disabled community on the value of OCTA's 100 percent accessible fixed-route service; creating a more balanced fare structure consistent with ADA requirements; and increasing overall fixed-route services for our customers with special needs. Additional strategies will continue to be evaluated and implemented to manage ACCESS growth.

OCTA also has developed and implemented several effective programs for seniors and special needs customers. The Senior Mobility Program, which supplies operating funds and retired vehicles to local cities' senior programs, provided more than 19,000 trips per month in fiscal year 2008. OCTA's Reduced Fare ID program allows paratransit customers to use the 100 percent accessible fixed-route service for only $0.25. More than 80,000 reduced fare boardings were recorded during the last fiscal year. In addition, OCTA partners with the Orange County Office on Aging, cities and senior centers throughout the County to provide nutrition transportation service via contracted taxi providers. OCTA also provides an operating subsidy to transport developmentally disabled adults and seniors to and from vocational programs, senior service agencies, and adult day care facilities using alternative transportation providers.

Rail Service (Metrolink)—Rail service is operated by the Southern California Regional Rail Authority (SCRRA) and is popularly known as Metrolink. SCRRA is a joint powers authority formed by transportation agencies in five counties including OCTA. Metrolink serves Orange County with 44 train trips per weekday along three rail lines:

- Orange County (OC) Line with station stops in Oceanside, San Clemente, San Juan Capistrano, Laguna Niguel/Mission Viejo, Irvine, Tustin, Santa Ana, Orange, Anaheim, Fullerton, Buena Park, Norwalk/Santa Fe Springs, Commerce, and Downtown Los Angeles

- Inland Empire/Orange County (IEOC) Line serving stations in San Bernardino, Riverside Downtown, Riverside-La Sierra, North Main Corona, West Corona, Anaheim Canyon, Orange, Santa Ana, Tustin, Irvine, Laguna Niguel/Mission Viejo, San Juan Capistrano, San Clemente, and Oceanside

- 91 Line serving stations in Riverside Downtown, Riverside-La Sierra, North Main Corona, West Corona, Fullerton, Buena Park, Norwalk/Santa Fe Springs, Commerce, and Downtown Los Angeles

Ridership on Metrolink trains serving Orange County has increased dramatically, due in part to the steep rise in gas prices. During fiscal year 2008, total rail ridership for the three lines serving Orange County (including Metrolink riders on Amtrak) exceeded 4 million passengers. This represents an increase in ridership of 6.1 percent over the previous fiscal year.

Metrolink Weekends, weekend rail service on the OC and IEOC lines introduced in 2006, also saw an increase in ridership. During its second year in operation, total weekend ridership reached 119,698, a 4.4 percent increase over the previous year. To further encourage weekend ridership, a Free Station event was held Saturday, May 17, at the Downtown Riverside Metrolink station. At the event 1,500 round-trip tickets were given away. Approximately 750 people were introduced to the convenience of Metrolink weekend rail travel at a second Free Station event at the Laguna Niguel/Mission Viejo Metrolink Station that took place on Saturday, June 21.

In November 2005, OCTA adopted the Metrolink Service Expansion Program (MSEP), which began the planning, design, construction, and implementation of 30-minute Metrolink rail service between the Fullerton Transportation Center and the Laguna Niguel/Mission Viejo Metrolink station by 2010. Major rail infrastructure projects are being designed, including additional tracks, platform and crossovers for the Fullerton Transportation Center (FTC), a new Anaheim Overnight Layover Yard just south of the FTC, new universal crossovers in Anaheim and Santa Ana, construction of approximately 0.75 miles of second main line track along the Olive Subdivision north of the Orange Station, additional tracks, platform and crossovers for the Laguna Niguel/Mission Viejo Station, as well as extensive communications and signal upgrades.

Advanced Transit—As directed by the Board, OCTA staff proposed a five-year program for advanced transit within Orange County. The components of the program include:

- Implementing three bus rapid transit (BRT) projects serving Harbor Boulevard, Westminster/17th Street, and a 28-mile corridor from the Brea Mall to the Irvine Transportation Center.

- Constructing transitway/HOV drop ramps to activity centers on the I-405. The 28-mile BRT corridor from the Brea Mall to the Irvine Transportation Center could be enhanced by using the HOV lanes for BRT by constructing drop ramps to the I-405 at Bear Street and Von Karman Avenue. These drop ramps would allow BRT to directly serve John Wayne Airport and activity centers in Costa Mesa and Irvine.

- Adding West and Central Orange County HOV lane connectors to complement the improvements to the SR-22. HOV lane connectors at the confluence of the SR-22, I-405 and the I-605 would enhance congestion relief, improve mobility and complete a continuous system of HOV lanes that also could be used to link express buses on five freeways.

- Expanding Metrolink service between Laguna Niguel and Fullerton to provide all-day, evening and weekend service within Orange County every 30 minutes, seven days a week.

- Investing in gateways to regional rail by interconnecting Metrolink commuter rail service to future high-speed rail lines that would serve distant areas such as the San Francisco Bay Area, Los Angeles, San Diego, and Ontario Airport.

- Extending the reach of the Metrolink commuter rail by providing funding to cities to identify ways to make Metrolink more convenient to more people.

Motorist and Other Services—OCTA also facilitates other state and locally funded programs primarily related to motorist services.

Freeway Service Patrol (FSP)—The FSP consists of a fleet of dedicated tow trucks that patrol Orange County's freeways and highways to assist stranded motorists. The FSP helps reduce traffic congestion by quickly removing disabled vehicles and those involved in minor accidents from freeways. FSP tow trucks get stranded motorists back on the road with a jump start, a gallon of gas, by changing a flat tire or repairing a cooling system hose—all at no charge. OCTA manages the FSP program and the California Highway Patrol provides dispatch and field services whenever law enforcement is required.

SAFE—Orange County broke new ground in 1987 when it pioneered a solar-powered cellular technology telephone call box network. OCTA administers, installs and maintains all call boxes in Orange County. During 2003, the entire network was equipped with Text Telephone assistance devices for the hearing impaired. The Orange County call box system is the fourth largest in the state, with approximately 600 call boxes equipped with full two-way communication by voice and by typewritten message to assist speech- and hearing-impaired individuals.

SAAV—Established in 1991, SAAV handles the removal of abandoned vehicles from roadsides throughout Orange County. Funded by a $1 per vehicle registration fee, this program allows the County and its 34 cities to remove unsightly and potentially dangerous vehicles from local Orange County streets and roads. Using SAAV funds for this purpose means that cities do not have to use important law enforcement and code enforcement funds on vehicle removal. Since it began, the SAAV program has removed approximately 333,000 abandoned vehicles from Orange County streets and roads.

OCTAP–OCTAP is a program operated by OCTA to regulate taxicab companies, drivers, and vehicles on behalf of Orange County's 34 cities and the County. OCTAP began operation in January 1998. OCTAP simplified

Orange County taxicab regulations with centralized permitting of cab companies, drivers and vehicles. Prior to OCTAP, each city regulated cab companies, resulting in a complex system, minimal standards and inadequate service for passengers. OCTAP was established to alleviate the administrative burden from local cities, centralize the issuance of permits to taxicab companies and drivers, and eliminate duplication of efforts. Local police departments conduct enforcement. All 34 cities in Orange County and the County itself participate in the program, ensuring added efficiency and effectiveness for local governments countywide. By the end of fiscal year 2008, OCTAP was responsible for the permitting of 23 taxi companies, 792 taxicabs and 1,245 taxi drivers.

Cash Management–OCTA's Treasury/Public Finance Department contracts with several private sector investment management firms to manage the majority of OCTA's cash assets. Separate investment accounts are maintained for the proceeds and the interest earnings from each of OCTA's debt issues. The remainder of OCTA's cash and investments are maintained in commingled accounts, with interest earnings allocated to the respective funds and accounts based on daily dollar average balances.

Each of the investment manager's accounts is monitored on a daily basis by the Treasury/Public Finance Department to ensure compliance with OCTA's investment policy. The investment policy has been adopted by OCTA's Board and is approved annually to ensure that it complies with all applicable laws and regulations and that the policy meets OCTA's foremost investment objective: *safeguarding of principal*.

OCTA maintains commercial checking accounts at Bank of the West for the purposes of issuing payroll and general accounts payable. The bank collateralizes all balances over $100,000 covered by the Federal Deposit Insurance Corporation with a pooled collateral account held by the financial institution's trust department in OCTA's name.

The Treasury/Public Finance Department prepares monthly reports for presentation to the Finance and Administration Committee of the Board and quarterly reports to the Board. These reports review compliance with OCTA's investment policy, as well as the overall performance of OCTA's investment portfolio.

Debt Administration–As of June 30, 2008, OCTA's outstanding debt consisting of bonds, commercial paper notes, and capital leases was $429 million, net of unamortized amounts. The current portion of this debt totals $83 million. Final maturity of the Measure M Sales Tax Revenue Bonds is scheduled for 2011, when the current Measure M Sales Tax Program expires. OCTA refinanced the taxable bonds assumed in the 91 Express Lanes purchase with tax-exempt bonds in November 2003. These bonds final maturity is scheduled for December 2030. The commercial paper notes have been issued for the Measure M and Renewed Measure M Programs.

The renewed Measure M Commercial Paper Program was established in January 2008 in the amount of $400 million. The commercial paper notes for both programs have a maximum maturity of 270 days. OCTA has entered into an irrevocable direct-pay letter of credit reimbursement agreement with Dexia Bank for the Measure M notes to provide liquidity support for the commercial paper notes. For the renewed Measure M commercial paper notes, OCTA entered into an irrevocable direct-pay letter of credit reimbursement agreement with Dexia Bank, JP Morgan, Bank of America, and BNP Paribas to provide liquidity support for the commercial paper notes.

Risk Management–OCTA management is of the opinion that recorded liabilities for OCTA's claims are adequate, and resources are being accumulated in the internal service funds to meet potential losses. In addition, a series of training and wellness programs for OCTA administrative, maintenance, and coach operator employees seek to evaluate and control losses in workers' compensation claims. Defensive driving, customer service and assistance, and other coach operator training programs seek to control general claim exposure.

Pension Benefits–A majority of OCTA's employees participate in the Orange County Employees Retirement System, which is a cost-sharing, multiple-employer defined benefit plan. A nominal number of employees participate in the Public Employees' Retirement System of the State of California. Financial activities for the two retirement systems are not included in this document as the Board does not oversee the retirement systems.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the OCTA for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the 25th straight year OCTA or its predecessor agency has received this prestigious award. In order to be awarded a Certificate of Achievement, OCTA published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the U.S. and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the CAFR on an efficient basis required the dedication of staff in many OCTA departments. We wish to express our appreciation to all the department managers and staff who assisted and contributed to the preparation of this report, as well as our independent auditors for their participation in the review and preparation of this report. Special appreciation is extended to the Board for its support for efforts to excel in the operational and financial management of OCTA.

Respectfully submitted,

Arthur T. Leahy

Arthur T. Leahy
Chief Executive Officer

James S. Kenan

James S. Kenan
Executive Director of Finance, Administration and Human Resources

(AS OF JUNE 30, 2008)

BOARD OF DIRECTORS

DEPUTY CEO
PAUL C. TAYLOR

FUNCTIONS:
- Motorist Services

CHIEF EXECUTIVE OFFICER
ARTHUR T. LEAHY

CLERK OF THE BOARD
WENDY KNOWLES
DIRECTOR

INTERNAL AUDIT
KATHLEEN O'CONNELL
MANAGER

CHIEF OF STAFF
P. SUE ZUHLKE

FUNCTIONS:
- Safety/Environmental Compliance
- State Relations
- Labor & Employee Relations
- EEO/Affirmative Action
- DBE & Title VI Programs

SPECIAL PROJECTS
MONTE WARD
DIRECTOR

FEDERAL RELATIONS
RICHARD J. BACIGALUPO
MANAGER

TRANSIT
BETH MCCORMICK
GENERAL MANAGER

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

FINANCE, ADMINISTRATION & HUMAN RESOURCES
JAMES S. KENAN
EXECUTIVE DIRECTOR

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

DEVELOPMENT
KIA MORTAZAVI
EXECUTIVE DIRECTOR

FUNCTIONS:
- Strategic Planning
  - Capital Programs
  - Regional Initiatives
  - Planning & Analysis
  - Regional Modeling and Traffic Operations
- Transit Project Delivery
  - Metrolink Expansion
  - Metrolink Operations
  - Local Initiatives
  - Facilities Engineering
- Highway Project Delivery
  - Program Management
- Project Controls

EXTERNAL AFFAIRS
ELLEN S. BURTON
EXECUTIVE DIRECTOR

FUNCTIONS:
- Marketing
- Public Communications
- Customer Relations
- Local Government Relations

Chris Norby
Chairman
Supervisor, District 4
County of Orange

Peter Buffa
Vice-Chair
Public Member

Jerry Amante
Director
Mayor Pro Tem,
City of Tustin

Patricia Bates
Director
Supervisor, District 5
County of Orange

Arthur C. Brown
Director
Councilman,
City of Buena Park

Bill Campbell
Director
Supervisor, District 3
County of Orange

Carolyn Cavecche
Director
Mayor
City of Orange

Richard Dixon
Director
Mayor,
City of Lake Forest

Paul Glaab
Director
Mayor Pro Tem,
City of Laguna Niguel

Cathy Green
Director
Councilmember,
City of Huntington Beach

Allan Mansoor
Director
Mayor,
City of Costa Mesa

John Moorlach
Director
Supervisor, District 2
County of Orange

Janet Nguyen
Director
Supervisor, District 1
County of Orange

Curt Pringle
Director
Mayor,
City of Anaheim

Miguel Pulido
Director
Mayor,
City of Santa Ana

Mark Rosen
Director
Mayor Pro Tem,
City of Garden Grove

Gregory T. Winterbottom
Director
Public Member

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

(AS OF JUNE 30, 2008)

ARTHUR T. LEAHY	Chief Executive Officer
PAUL C. TAYLOR	Deputy Chief Executive Officer
WENDY KNOWLES	Clerk of the Board
MONTE WARD	Director, Special Projects
KATHLEEN O'CONNELL	Manager, Internal Audit
P. SUE ZUHLKE	Chief of Staff
RICHARD J. BACIGALUPO	Manager, Federal Relations

ELLEN S. BURTON	Executive Director, External Affairs
BETH MCCORMICK	General Manager, Transit
JAMES S. KENAN	Executive Director, Finance, Administration & Human Resources
KIA MORTAZAVI	Executive Director, Development

KENNETH G. PHIPPS	Director, Finance, Administration & Human Resources
VIRGINIA ABADESSA	Director, Contracts Administration and Materials Management
LISA AROSTEGUY	Manager, Human Resources
KIRK AVILA	Treasurer / General Manager, Tollroads
JULIE ESPY	Section Manager, Training & Development
AL GORSKI	Chief Risk Officer, Risk Management
WILLIAM MAO	Chief Information Officer, Information Systems
ANDREW OFTELIE	Manager, Financial Planning and Analysis
LORI PARSEL	Section Manager, General Services
TOM WULF	Manager, Accounting and Financial Reporting

KENNARD R. SMART, JR.	General Counsel

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Transportation Authority California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

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

President

Executive Director

SR-22 Freeway

Freeeway Construction Projects

Mayer Hoffman McCann P.C.
An Independent CPA Firm
Conrad Government Services Division
2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2008, which collectively comprise OCTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OCTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, of OCTA for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described further in note 13 to the financial statements, OCTA changed its method of accounting for postemployment benefits for fiscal years ending on or after June 30, 2008.

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

Board of Directors
Orange County Transportation Authority
Orange, California
Page Two

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2008 on our consideration of the OCTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
October 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Orange County Transportation Authority (OCTA), we offer readers of OCTA's financial statements this narrative overview and analysis of OCTA's financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages v-xxiv and OCTA's financial statements that begin on page 14. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total net assets of OCTA were $1,197,393 and consisted of net assets invested in capital assets, net of related debt, of $491,234; restricted net assets of $546,667; and unrestricted net assets of $159,492.

- Unrestricted net assets is comprised of ($63,434) from governmental activities and $222,926 from business-type activities. The deficit from governmental activities primarily results from the recording of debt issued for Measure M projects, the assets for which title vests with the California Department of Transportation (Caltrans). Accordingly, OCTA does not have sufficient current resources on hand to cover current and long-term liabilities; however, future Measure M sales taxes are pledged to cover Measure M debt service payments when made.

- Beginning net assets of governmental-type activities were restated $3,486 due to an increase in Caltrans' share of project expenditures of $7,600 and State Transportation Improvement Program (STIP) revenues not recorded in the previous fiscal year of $4,114 (see note 17). Net assets decreased $376,147 during fiscal 2008. The decrease in net assets from governmental activities of $428,862 was attributable to the transfer of the SR-22 freeway project to Caltrans. The increase in net assets from business-type activities of $52,715 was related to an increase in capital grants due to the purchase of 188 CNG buses and 49 paratransit buses.

- Total capital assets, net of accumulated depreciation, were $645,725 at June 30, 2008, representing a decrease of $426,413, or 40%, over June 30, 2007. This decrease in capital assets was primarily due to the transfer of the SR-22 freeway project to Caltrans.

- Beginning fund balance of the Local Transportation Authority was restated $7,239 due to a change in Caltran's share of SR-22 freeway project expenditures of $7,600 and STIP revenues earned but not recorded in the prior fiscal year of $361 (see note 17). Additionally, the beginning fund balance of the General Fund was also restated by $253 due STIP revenues earned but not recorded in the prior fiscal year. OCTA's governmental funds reported combined ending fund balances of $697,678, a decrease of $3,339 compared to fiscal 2007. Approximately 75% of the governmental fund balances represent Local Transportation Authority amounts available for the Measure M program, including debt service.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements include only OCTA and its blended component units. The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements

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

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

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

OCTA maintains 13 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the related statement of revenues, expenditures and changes in fund balances for OCTA's major governmental funds comprised of the General fund; Local Transportation Authority (LTA), Local Transportation, and Commuter Urban Rail Endowment (CURE) special revenue funds; and LTA Debt Service fund, which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The governmental fund financial statements can be found on pages 16-19 of this report.

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

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

The proprietary fund financial statements can be found on pages 20-26 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside OCTA. Fiduciary funds are not reflected in the government-wide financial statements, as the resources of those funds are not available to support OCTA's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-66 of this report.

Other information is in addition to the basic financial statements and accompanying notes. This report also presents certain required supplementary information concerning OCTA's budgetary results for the General fund and major special revenue funds with appropriated budgets. Required supplementary information can be found on pages 67-71 of this report.

The combining statements referred to earlier relating to nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. In addition, budgetary results for all other nonmajor governmental funds is located in this section. This other supplementary information can be found on pages 73-94 of this report.

Government-wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2008, OCTA's assets exceeded liabilities by $1,197,393, a $376,147 decrease from June 30, 2007. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of OCTA's governmental and business-type activities.

Approximately 41%, compared to 58% in 2007, of OCTA's net assets reflect its investment in capital assets (i.e., toll facility franchise; land; buildings and improvements; freeway construction in progress; machinery, equipment and furniture; transit vehicles; and transponders), less any related outstanding debt used to acquire these assets. OCTA uses these capital assets to provide transportation and transit services to the residents and business community of Orange County. The decrease of $496,905 in net assets invested in capital assets, net of related debt, from governmental activities was primarily due to the transfer of the SR-22 freeway project to Caltrans. The increase of $75,802 in net assets invested in capital assets, net of related debt, from business-type activities was primarily related to the purchase of Compressed Natural Gas (CNG) and paratransit buses and the construction of a CNG fueling station.

Restricted net assets, representing resources subjected to external restrictions on how they may be used, were 46% and 34% of the total net assets at June 30, 2008 and 2007, respectively. Restricted net assets from governmental activities increased $6,919 as a result of the completion of the SR-22 freeway project offset by the continued progress on the I-5 far north project. The increase in restricted net assets from business-type activities of $2,181 is related to investment activity in bond reserve accounts.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets from governmental activities changed from a $124,558 deficit at June 30, 2007 to a $63,434 deficit at June 30, 2008. This deficit results from the recording of debt issued for Measure M projects, the assets for which title vests with Caltrans. Accordingly, OCTA does not have sufficient current resources on hand to cover long-term liabilities; however, future Measure M sales taxes are pledged to cover Measure M debt service payments when made. The decrease of $25,268 in unrestricted net assets from business-type activities was primarily attributable to the purchase of CNG and paratransit buses and the construction of the CNG facility.

Table 1
Orange County Transportation Authority
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 741,778	$ 716,656	$ 315,382	$ 300,251	1,057,160	1,016,907
Restricted assets	75,402	70,405	33,984	31,803	109,386	102,208
Prepaid retirement	3,938	3,251	15,362	12,579	19,300	15,830
Land held for resale	4,839	3,239	-	-	4,839	3,239
Capital assets	155,502	652,407	490,223	419,731	645,725	1,072,138
Total assets	981,459	1,445,958	854,951	764,364	1,836,410	2,210,322
Current liabilities	118,924	83,534	82,512	37,600	201,436	121,134
Long-term liabilities	239,149	310,176	198,432	205,472	437,581	515,648
Total liabilities	358,073	393,710	280,944	243,072	639,017	636,782
Net assets:						
Invested in capital assets, net of related debt	155,502	652,407	335,732	259,930	491,234	912,337
Restricted, as restated	531,318	524,399	15,349	13,168	546,667	537,567
Unrestricted (deficit), as restated	(63,434)	(124,558)	222,926	248,194	159,492	123,636
Total net assets, as restated	$623,386	$1,052,248	$574,007	$521,292	$1,197,393	$1,573,540

OCTA's total revenues increased by 4%, while the total cost of all programs increased by 84%. The significant increase in program costs is primarily due to the completion of the SR-22 freeway project and resulting transfer to Caltrans, construction of the I-5 far north project and street and road projects. Approximately 29% of the costs of OCTA's programs were paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants and contributions. Taxes and investment earnings ultimately financed a significant portion of the programs' net costs. The analysis in Table 2 separately considers the operations of governmental and business-type activities.

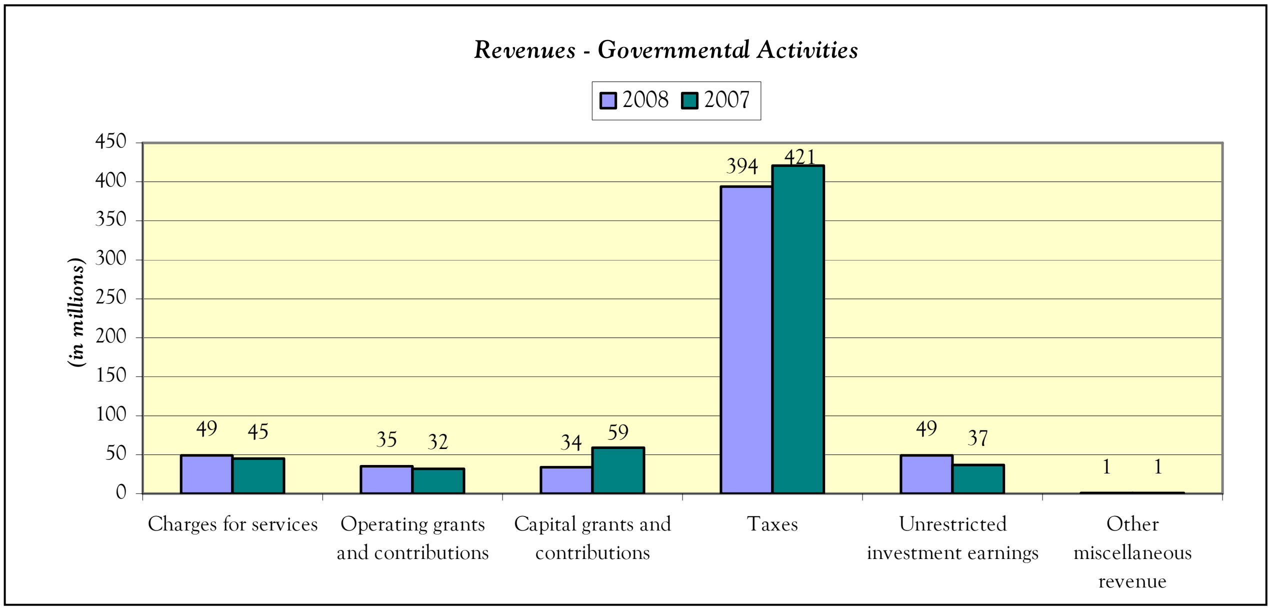
Table 2
Orange County Transportation Authority
Changes in Net Assets

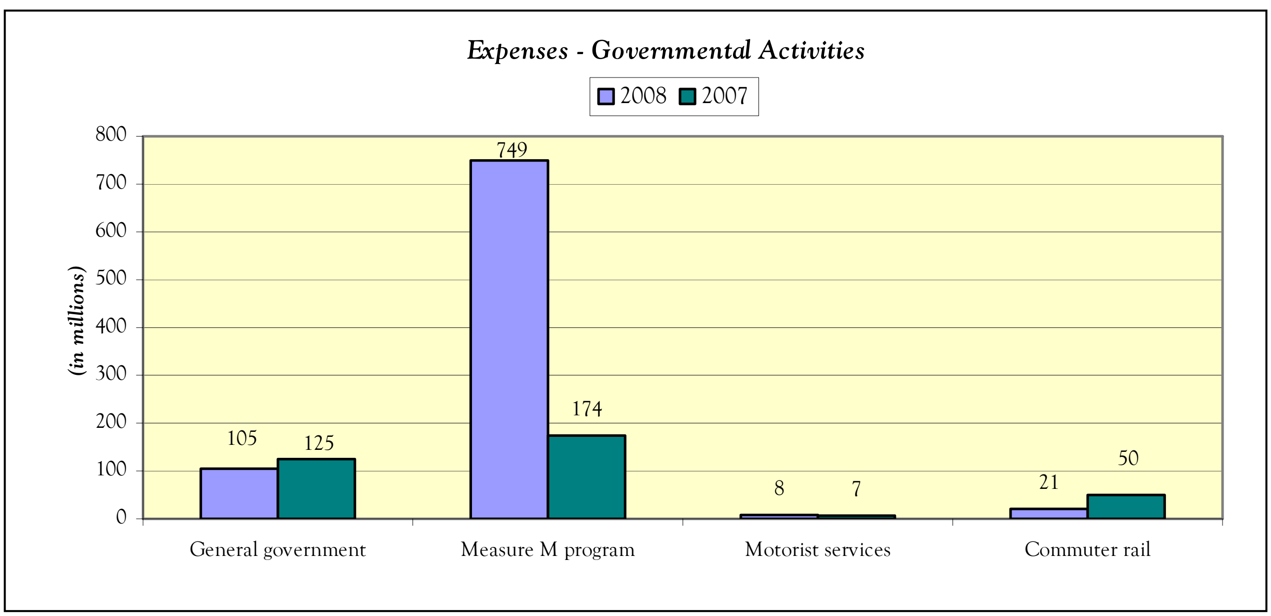
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	$48,681	$44,720	$ 103,351	$ 104,463	$ 152,032	$ 149,183
Operating grants and contributions	35,125	31,963	53,561	46,493	88,686	78,456
Capital grants and contributions	34,142	59,344	69,693	15,948	103,835	75,292
General revenues:						
Taxes	393,350	421,067	11,178	10,338	404,528	431,405
Unrestricted investment earnings	49,331	37,322	21,476	18,117	70,807	55,439
Other miscellaneous revenue	1,271	668	507	495	1,778	1,163
Total revenues, as restated	561,900	595,084	259,766	195,854	821,666	790,938
Expenses:						
General government	105,009	125,160	-	-	105,009	125,160
Measure M program	748,962	174,314	-	-	748,962	174,314
Motorist services	7,669	6,717	-	-	7,669	6,717
Commuter rail	21,585	49,791	-	-	21,585	49,791
Fixed route	-	-	243,151	233,827	243,151	233,827
Paratransit	-	-	35,631	28,002	35,631	28,002
Tollroad	-	-	35,375	34,430	35,375	34,430
Taxicab administration	-	-	431	366	431	366
Total expenses	883,225	355,982	314,588	296,625	1,197,813	652,607
Increase (decrease) in net assets before transfers, as restated	(321,325)	239,102	(54,822)	(100,771)	(376,147)	138,331
Transfers	(107,537)	(102,981)	107,537	102,981	-	-
Changes in net assets, as restated	(428,862)	136,121	52,715	2,210	(376,147)	138,331
Net assets—beginning of year, as restated	1,052,248	916,127	521,292	519,082	1,573,540	1,435,209
Net assets—end of year, as restated	$623,386	$1,052,248	$ 574,007	$ 521,292	$1,197,393	$1,573,540

Governmental Activities

Total revenues for OCTA's governmental activities decreased $33,184 primarily due to a decrease in capital grants for the purchase of commuter rail cars and locomotives in the previous fiscal year and a decrease in sales taxes due to the slowing economy offset by an increase in unrestricted investment earnings due to realized gains. Total expenses increased $527,243 primarily due to the completion of the SR-22 freeway project transferred to Caltrans, continued construction on the I-5 far north and street and road projects offset by a reduction in contributions to Metrolink for the purchase of rail cars and locomotives.

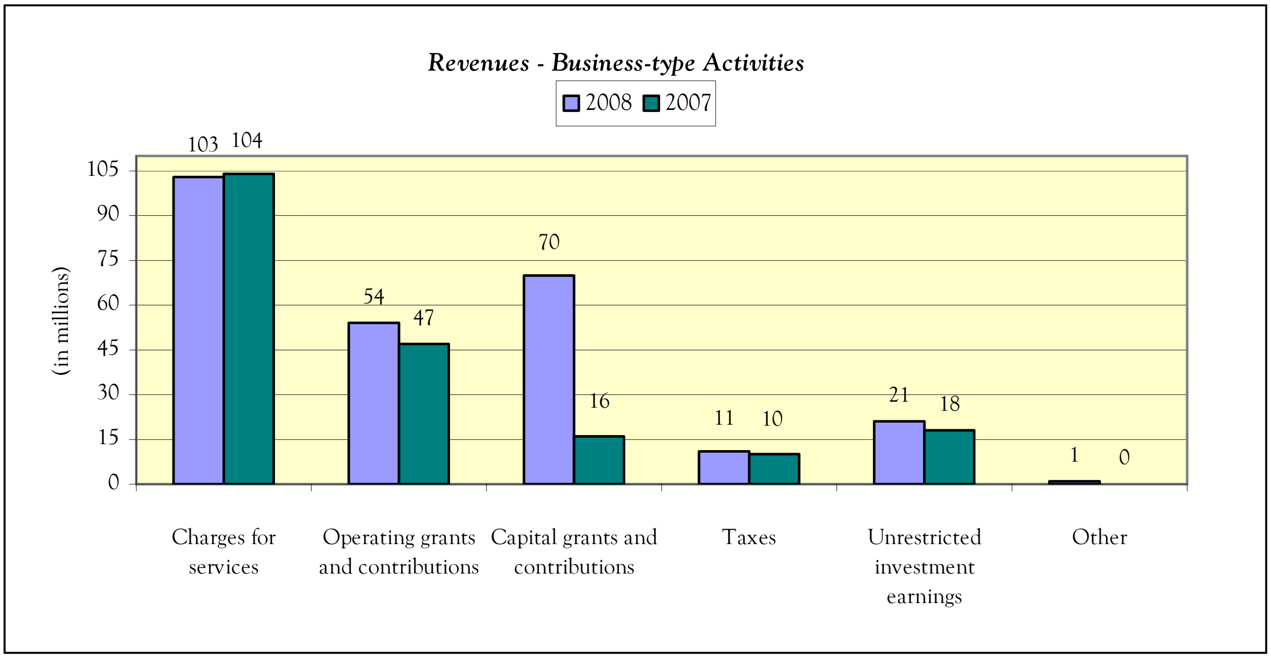
- Net assets for governmental activities decreased $428,862 or 41%. This compares to a $136,121 or 13% increase in net assets in 2007.

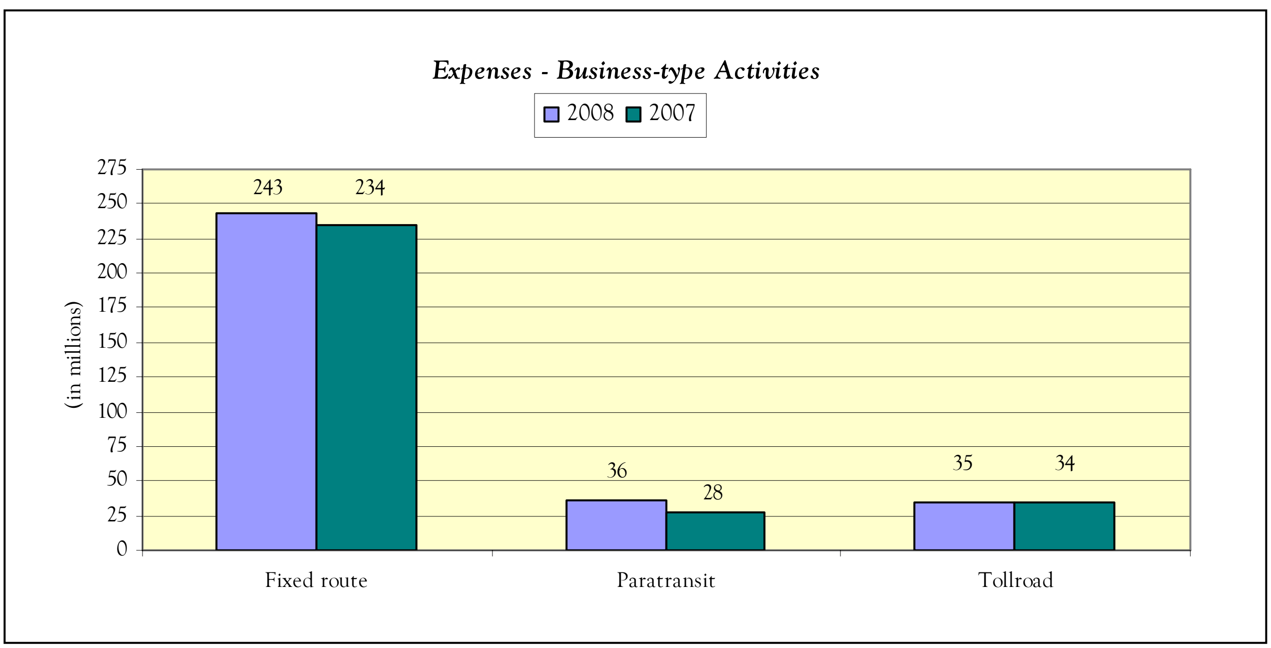




Business-type Activities

- Revenues of OCTA's business-type activities increased $63,912 primarily due to an increase in capital grants and contributions for the purchase of CNG and paratransit buses. Total expenses increased $17,963 primarily due to an increase in fuel and paratransit operating costs and pension and health costs.





Financial Analysis of OCTA's Funds

As of June 30, 2008, OCTA's governmental funds reported combined ending fund balances of $697,678, a decrease of $3,339 compared to 2007. Approximately 13%, or $87,592, of this total amount constitutes unreserved fund balance; however, $84,534 of the unreserved fund balance is related to commuter rail. The remainder of fund balance is reserved to indicate that it is not available for new spending because of the following commitments:

- $1,390 deposited with the State for condemnation deposits;
- $1,487 other non current assets;
- $122,452 to liquidate contracts and purchase orders of the current and prior periods;
- $42,772 advance to the 91 Express Lanes to purchase the Toll Road;
- $1,884 advance to Renewed Measure M to pay for expenditures and administrative costs;
- $117,322 to pay debt service on Measure M sales tax revenue bonds issued in prior years to accelerate funding for Measure M projects;
- $314,821 for transportation programs primarily related to Measure M projects;
- $7,958 for motorist services.

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

- A decrease of $14,342 in CURE is due to a decrease in the amount of monies transferred in from OCTD for capital and a reduction in interest and investment income due to a reduction in the cash balance, offset by continued contributions to SCRRA for operations and capital;
- An increase in LTA Debt Service of $7,090 due to the calculation and transfer of excess bond reserve amounts occurring in August subsequent to fiscal year end.

Unrestricted net assets of the enterprise funds were $191,555 at June 30, 2008 compared to $209,466 at June 30, 2007. The following are the significant changes in net assets of OCTA's major proprietary funds:

- An increase of $55,137 in OCTD primarily due to the receipt of capital grants for the purchase of CNG and paratransit buses;
- An increase of $15,676 in the 91 Express Lanes primarily due to revenues in excess of operating expenses;
- A decrease of $11,094 in Bus Operations due to the transfer to the OCTD for transit operations.

General Fund Budgetary Highlights

Differences between the original budget and the final budget resulted from an increase of $8.6 million due to several amendments approved by the Board including: the Placentia Transit Station project for $2.5 million, the City of Irvine Guideway Demonstration project for $1.7 million, the El Camino Real and the Avenida Vaquero Soundwall projects for $1.3 million, and the Tustin Rail Station Parking project for $0.6 million. In addition, with the passage of the Renewed Measure M, the Board approved an Early Action Plan (EAP) to advance the completion of projects prior to the start of sales tax collection in April 2011. As a result of the EAP, eleven full-time equivalent positions were added to the budget to help deliver these much needed projects, which totaled $1.1 million.

Actual expenditures were less than the final budget by $39 million. This is primarily due to project delays arising from changes in scope and changes to plans involving multiple agencies for the following projects: Bristol Street Widening, $17.5 million; Bus Rapid Transit, $7.3 million; Placentia Transit Station, $2.5 million; the Video Surveillance System, $2 million and the Tustin Rail Station Parking Expansion, $.6 million. Additionally, there was a $1.7 million savings on salaries and benefits due to a 6.2% vacancy rate realized during the fiscal year.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2008, OCTA had $645,725, net of accumulated depreciation, invested in a broad range of capital assets including: the 91 Express Lanes toll facility franchise, transit vehicles, land, buildings and machinery, equipment and furniture (Table 3). The total decrease in OCTA's capital assets for 2008 was 40%, which was comprised of a 76% decrease for governmental activities and a 17% increase for business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 150,379	$ 150,392	$ 55,420	$ 55,383	$ 205,799	$ 205,775
Buildings and improvements, as restated	3,366	2,896	82,871	85,435	86,237	88,331
Transit vehicles	-	-	159,824	87,542	159,824	87,542
Machinery, equipment and furniture	982	1,082	16,066	18,691	17,048	19,773
Toll facility franchise	-	-	164,944	172,275	164,944	172,275
Construction in progress	775	498,037	11,098	405	11,873	498,442
Totals	$ 155,502	$ 652,407	$ 490,223	$ 419,731	$ 645,725	$1,072,138

Major capital asset additions during 2008 included:

- $61,449 in freeway construction in progress for the SR-22 project;
- $85,968 for the payment of 146 CNG buses and the partial payment of 42 CNG buses;
- $4,346 for the payment on 49 paratransit vehicles;
- $9,003 for the CNG fueling stations;
- $3,412 engine replacements.

Major capital asset deletions during 2008 included:

- $559,356 transfer to Caltrans for the completed SR-22 freeway project;
- $17,041 disposal of revenue vehicles.

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

OCTA has outstanding capital asset commitments, the most significant of which are: $145,140 for the I-5 far north project, $33,646 for CNG buses, $24,566 for paratransit buses, $16,920 for the I-405/SR-55 transitway project, and $15,635 for Bus Rapid Transit project.

Debt Administration

As of June 30, 2008, OCTA had $463,440 in bonds, commercial paper notes and certificates of participation outstanding compared to $521,690 at June 30, 2007, as presented in Table 4.

Table 4
Orange County Transportation Authority
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Sales tax revenue bonds	$ 236,555	$ 307,845	$ -	$ -	$ 236,555	$ 307,845
Commercial paper notes	47,600	29,100	-	-	47,600	29,100
Certificates of participation	-	-	-	1,235	-	1,235
Revenue refunding bonds	-	-	179,285	183,510	179,285	183,510
Totals	$ 284,155	$ 336,945	$179,285	$184,745	$ 463,440	$ 521,690

OCTA issued $25,000 in commercial paper notes; and retired $6,500 in commercial paper notes and $71,290 of sales tax revenue bonds during fiscal year 2008.

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

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

Economic and Other Factors

On June 9, 2008, the OCTA Board of Directors approved the fiscal year 2009 Budget. The budget is balanced at $1,057.8 million and is consistent with the OCTA's long-range Comprehensive Business Plan (CBP). The CBP is updated annually to address changes in the political and economic environment. In Orange County, job growth declines and the slumping housing market has had a negative impact on sales tax receipts. In addition, complications related to the State of California's Budget has led to a reduction in funding. Recent economic news and projections do not call for a near-term recovery so OCTA faces the likelihood of further reductions from the State and a continued erosion of sales tax revenue.

Competition for discretionary grant funds continues to escalate as public agencies vie for limited or reduced state and federal grant programs. In recent years, transportation funding has been diverted to meet other federal, state or county goals. The State has already announced a reduction in State Transit Assistance Funds for fiscal year 2009 with other measures to be considered throughout the year. Increasing costs associated with providing defined-benefit pension plans, federally mandated ACCESS services and the price of fuel continue to be areas of concern.

OCTA is making good on its promise to deliver significant freeway improvements to Orange County. Measure M funds have been budgeted in fiscal year 2009 to continue improvements on the I-5 Far North project. In August, the Board approved an Early Action Plan (EAP) to jump start the Renewed Measure M program. Utilizing a tax-exempt commercial paper program, the EAP calls for five freeway projects to be under construction before revenue collection begins in 2011.

Contacting OCTA's Management

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

Statement of Net Assets

(thousands)

June 30, 2008		Governmental Activities		Business-type Activities		Total
Assets						
Cash and investments	$	632,256	$	275,707	$	907,963
Receivables:						
Interest		5,323		3,081		8,404
Operating grants		326		26,053		26,379
Capital grants		5,248		12,438		17,686
Other		73		9,249		9,322
Internal balances		36,124		(36,124)		-
Due from other governments		52,198		4,654		56,852
Condemnation deposits		1,390		-		1,390
Note receivable		4,830		-		4,830
Inventory		-		9,157		9,157
Restricted cash and investments:						
Cash equivalents		5,611		15,349		20,960
Investments		69,791		18,635		88,426
Prepaid retirement		3,938		15,362		19,300
Other assets		4,010		11,167		15,177
Land held for resale		4,839		-		4,839
Capital assets, net:						
Nondepreciable		151,154		66,518		217,672
Depreciable and amortizable		4,348		423,705		428,053
Total Assets		981,459		854,951		1,836,410
Liabilities						
Accounts payable		29,904		44,500		74,404
Accrued payroll and related items		1,422		4,415		5,837
Accrued interest payable		5,031		3,083		8,114
Due to other governments		34,620		1,521		36,141
Unearned revenue		290		28,524		28,814
Other liabilities		57		469		526
Commercial paper notes		47,600		-		47,600
Noncurrent liabilities:						
Due within one year		77,735		16,982		94,717
Due in more than one year		161,414		181,450		342,864
Total Liabilities		358,073		280,944		639,017
Net Assets						
Invested in capital assets, net of related debt		155,502		335,732		491,234
Restricted for:						
Measure M program		406,038		-		406,038
Debt service		117,322		15,349		132,671
Motorist services		7,958		-		7,958
Unrestricted (deficit)		(63,434)		222,926		159,492
Total Net Assets	$	623,386	$	574,007	$	1,197,393

See accompanying notes to the financial statements.

Statement of Activities

(thousands)

for the year ended June 30, 2008	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Total
FUNCTIONS/PROGRAMS							
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES:							
General government	$ 105,009	$ 47,509	$ 25,418	$ 9,777	$ (22,305)	$ -	$ (22,305)
Measure M program	748,962	584	1,081	21,602	(725,695)	-	(725,695)
Motorist services	7,669	-	8,576	-	907	-	907
Commuter rail	21,585	588	50	2,763	(18,184)	-	(18,184)
TOTAL GOVERNMENTAL ACTIVITIES	883,225	48,681	35,125	34,142	(765,277)	-	(765,277)
BUSINESS-TYPE ACTIVITIES:							
Fixed route	243,151	50,522	48,296	67,509	-	(76,824)	(76,824)
Paratransit	35,631	6,085	5,255	2,184	-	(22,107)	(22,107)
Tollroad	35,375	46,236	10	-	-	10,871	10,871
Taxicab administration	431	508	-	-	-	77	77
TOTAL BUSINESS-TYPE ACTIVITIES	314,588	103,351	53,561	69,693	-	(87,983)	(87,983)
TOTAL PRIMARY GOVERNMENT	$ 1,197,813	$ 152,032	$ 88,686	$ 103,835	(765,277)	(87,983)	(853,260)
GENERAL REVENUES:							
Property taxes					-	11,178	11,178
Sales taxes					393,350	-	393,350
Unrestricted investment earnings					49,331	21,476	70,807
Other miscellaneous revenue					1,271	507	1,778
TRANSFERS					(107,537)	107,537	-
TOTAL GENERAL REVENUES AND TRANSFERS					336,415	140,698	477,113
Change in net assets					(428,862)	52,715	(376,147)
Net assets - beginning, as restated					1,052,248	521,292	1,573,540
NET ASSETS - ENDING					$ 623,386	$ 574,007	$ 1,197,393

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

(thousands)

June 30, 2008	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	$ 10,898	$ 467,415	$ 2,535	$ 84,538	$ 41,102	$ 25,768	$ 632,256
Receivables:							
Interest	-	3,371	18	789	818	327	5,323
Operating grants	326	-	-	-	-	-	326
Capital grants	887	3,455	-	390	-	516	5,248
Other	2	14	-	15	-	42	73
Due from other funds	3,396	38	-	2,546	-	-	5,980
Due from other governments	7,995	24,554	3,872	112	-	15,665	52,198
Condemnation deposits	-	1,390	-	-	-	-	1,390
Note receivable	-	4,830	-	-	-	-	4,830
Advances to other funds	-	-	-	42,772	-	1,884	44,656
Restricted cash and investments:							
Cash equivalents	-	-	-	-	5,611	-	5,611
Investments	-	-	-	-	69,791	-	69,791
Prepaid retirement	3,938	-	-	-	-	-	3,938
Other assets	69	1,418	-	-	-	-	1,487
Total Assets	$ 27,511	$ 506,485	$ 6,425	$ 131,162	$ 117,322	$ 44,202	$ 833,107
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ 5,842	$ 22,157	$ -	$ 337	$ -	$ 1,568	$ 29,904
Accrued payroll and related items	1,422	-	-	-	-	-	1,422
Compensated absences	2,380	-	-	-	-	-	2,380
Due to other funds	-	-	-	1,363	-	10,923	12,286
Due to other governments	8,540	23,793	-	1,815	-	472	34,620
Deferred revenue	203	4,894	-	24	-	57	5,178
Other liabilities	36	21	-	-	-	-	57
Advances from other funds	-	1,884	-	-	-	-	1,884
Commercial paper notes	-	47,600	-	-	-	-	47,600
Interest payable	-	98	-	-	-	-	98
Total Liabilities	18,423	100,447	-	3,539	-	13,020	135,429
Fund Balances							
Reserved for:							
Condemnation deposits	-	1,390	-	-	-	-	1,390
Other assets	69	1,418	-	-	-	-	1,487
Encumbrances	10,773	95,813	-	317	-	15,549	122,452
Advances	-	-	-	42,772	-	1,884	44,656
Debt service	-	-	-	-	117,322	-	117,322
Transportation programs	-	307,417	6,425	-	-	979	314,821
Motorist services	-	-	-	-	-	7,958	7,958
Unreserved, reported in:							
General fund	(1,754)	-	-	-	-	-	(1,754)
Special revenue funds	-	-	-	84,534	-	9,788	94,322
Capital projects funds	-	-	-	-	-	(4,976)	(4,976)
Total Fund Balances	9,088	406,038	6,425	127,623	117,322	31,182	697,678
Total liabilities and fund balances	$ 27,511	$ 506,485	$ 6,425	$ 131,162	$ 117,322	$ 44,202	$ 833,107

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

(thousands)

June 30, 2008

Amounts reported for governmental activities in the statement of net assets (page 14) are different because:

Total fund balances (page 16)	$	697,678
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		155,502
Land held for resale is not a financial resource and therefore is not reported in the funds.		4,839
Earned but unavailable revenue is not available to liquidate current liabilities and therefore is deferred.		4,888
Other long-term assets related to costs of issuance and prepaid expenses are not available to pay for current-period expenditures and therefore are deferred.		2,523
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		(343)
Interest payable on bonds outstanding are not due and payable in the current period and therefore are not reported in the funds.		(4,932)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(236,769)
Net assets of governmental activities (page 14)	$	623,386

See accompanying notes to the financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

(thousands)

for the year ended June 30, 2008	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Sales taxes	$ -	$ 269,118	$ 106,891	$ -	$ -	$ 17,341	$ 393,350
Gasoline taxes	-	-	-	-	-	23,000	23,000
Vehicle registration fees	-	-	-	-	-	5,137	5,137
Fines	183	-	-	14	-	-	197
Contributions from other agencies	11,335	5,586	-	50	-	3,923	20,894
Charges for services	47,326	-	-	-	-	-	47,326
Interest and investment income	658	30,608	166	8,685	7,274	1,891	49,282
Capital assistance grants	3,357	15,496	-	2,763	-	516	22,132
Miscellaneous	1,238	2,732	-	574	-	33	4,577
Total revenues	64,097	323,540	107,057	12,086	7,274	51,841	565,895
Expenditures							
Current:							
General government:							
Salaries and benefits	36,123	-	-	-	-	-	36,123
Supplies and services	25,273	45,110	1,684	15,327	152	6,486	94,032
Transportation:							
Contributions to other local agencies	15,382	108,239	3,333	6,258	-	24,549	157,761
Capital outlay	1,462	80,737	-	-	-	2,002	84,201
Debt service:							
Principal payments on long-term debt	-	-	-	-	71,290	-	71,290
Interest on long-term debt and				-			
commercial paper	-	1,480	-	-	17,168	-	18,648
Total expenditures	78,240	235,566	5,017	21,585	88,610	33,037	462,055
Excess (deficiency) of revenues over (under) expenditures	(14,143)	87,974	102,040	(9,499)	(81,336)	18,804	103,840
Other financing sources (uses)							
Transfers in	18,036	161	-	2,564	88,426	2,320	111,507
Transfers out	-	(89,426)	(103,303)	(7,407)	-	(18,572)	(218,708)
Proceeds from sale of capital assets	22	-	-	-	-	-	22
Total other financing sources (uses)	18,058	(89,265)	(103,303)	(4,843)	88,426	(16,252)	(107,179)
Net change in fund balances	3,915	(1,291)	(1,263)	(14,342)	7,090	2,552	(3,339)
Fund balances-beginning, as restated	5,173	407,329	7,688	141,965	110,232	28,630	701,017
Fund balances-ending	$ 9,088	$ 406,038	$ 6,425	$ 127,623	$ 117,322	$ 31,182	$ 697,678

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

(thousands)

for the year ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 18)	$	(3,339)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.		62,802
Transfer of the completion of the SR22 HOV project to Caltrans.		(559,356)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(561)
Prepaid expenses are recorded in the fund statements as expenditures. However, in the statement of activities the cost of the asset is amortized over the life of the asset. This amount is the net between the prepaid amount and the amortization.		2,346
Prior year deferred revenues received in the current year are reported as revenues in the funds and not reported in the statement of activities.		48
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		72,669
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(22)
The effect of the prior period adjustment impacting the Government wide statements and not the fund statements.		(3,500)
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		51
Change in net assets of governmental activities (page 15)	$	(428,862)

See accompanying notes to the financial statements.

Statement of Fund Net Assets - Proprietary Funds

(thousands)

	Enterprise Funds				
June 30, 2008	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	$ 138,493	$ 52,833	$ 39,443	$ 230,769	$ 44,938
Receivables:					
Interest	1,156	742	643	2,541	540
Operating grants	26,053	-	-	26,053	-
Capital grants	12,438	-	-	12,438	-
Violations, net	-	6,168	-	6,168	-
Farebox	1,373	-	-	1,373	-
Other	569	928	-	1,497	211
Due from other funds	10,852	-	-	10,852	-
Due from other governments	4,644	10	-	4,654	-
Inventory	9,157	-	-	9,157	-
Prepaid retirement	15,334	-	28	15,362	-
Other assets	6,316	3,510	-	9,826	1,341
Total current assets	226,385	64,191	40,114	330,690	47,030
Noncurrent assets:					
Restricted cash and investments:					
Cash equivalents	-	15,349	-	15,349	-
Investments	-	18,635	-	18,635	-
Capital assets, net:					
Nondepreciable	66,518	-	-	66,518	-
Depreciable and amortizable	251,903	171,802	-	423,705	-
Total noncurrent assets	318,421	205,786	-	524,207	-
TOTAL ASSETS	544,806	269,977	40,114	854,897	47,030

See accompanying notes to the financial statements.

Statement of Fund Net Assets - Proprietary Funds, *continued*

(thousands)

June 30, 2008	Enterprise Funds: OCTD	Enterprise Funds: 91 Express Lanes	Enterprise Funds: Nonmajor Enterprise Funds	Enterprise Funds: Total Enterprise Funds	Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	$ 40,154	$ 4,007	$ 16	$ 44,177	$ 323
Accrued payroll and related items	4,406	-	9	4,415	-
Accrued interest	94	2,989	-	3,083	-
Due to other funds	4,546	-	-	4,546	-
Claims payable	-	-	-	-	3,324
Due to other governments	1,519	-	2	1,521	-
Unearned revenue	24,243	4,279	2	28,524	-
Other liabilities	2	365	-	367	102
Current portion of long-term liabilities	9,298	4,345	15	13,658	-
Total current liabilities	84,262	15,985	44	100,291	3,749
Noncurrent liabilities:					
Advances from other funds	-	42,772	-	42,772	-
Claims payable	-	-	-	-	12,007
Long-term liabilities	10,287	159,156	-	169,443	-
Total noncurrent liabilities	10,287	201,928	-	212,215	12,007
Total Liabilities	94,549	217,913	44	312,506	15,756
Net Assets					
Invested in capital assets, net of related debt	305,360	30,127	-	335,487	-
Restricted for debt service	-	15,349	-	15,349	-
Unrestricted	144,897	6,588	40,070	191,555	31,274
Total Net Assets	$ 450,257	$ 52,064	$ 40,070	$ 542,391	$ 31,274

See accompanying notes to the financial statements.

Reconciliation of the Statement of Fund Net Assets of Proprietary Funds to the Statement of Net Assets

(thousands)

June 30, 2008

Amounts reported for business-type activities in the statement of net assets (page 14) are different because:

Total net assets (page 21)	$	542,391
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the general liability and workers' compensation internal service funds are included in business-type activities. Additionally, the effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		31,616
Net assets of business-type activities (page 14)	$	574,007

See accompanying notes to the financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

(thousands)

for the year ended June 30, 2008	Enterprise Funds: OCTD	Enterprise Funds: 91 Express Lanes	Enterprise Funds: Nonmajor Enterprise Funds	Enterprise Funds: Total Enterprise Funds	Internal Service Funds
Operating revenues:					
User fees and charges	$ 51,431	$ 46,236	$ -	$ 97,667	$ -
Permit fees	-	-	508	508	-
Charges for services	-	-	-	-	9,423
Total operating revenues	51,431	46,236	508	98,175	9,423
Operating expenses:					
Wages, salaries and benefits	129,007	-	229	129,236	-
Maintenance, parts and fuel	30,563	-	-	30,563	-
Purchased services	33,869	5,888	53	39,810	-
Administrative services	35,051	1,851	164	37,066	139
Other	2,234	268	3	2,505	92
Insurance claims and premiums	6	390	-	396	5,425
Professional services	16,362	5,103	26	21,491	1,012
General and administrative	5,925	563	12	6,500	3
Depreciation and amortization	28,302	9,333	-	37,635	-
Total operating expenses	281,319	23,396	487	305,202	6,671
Operating income (loss)	(229,888)	22,840	21	(207,027)	2,752
Nonoperating revenues (expenses):					
Gas tax exchange	23,000	-	-	23,000	-
Federal operating assistance grants	26,916	10	-	26,926	-
Property taxes allocated by the County of Orange	11,178	-	-	11,178	-
Investment earnings	9,949	4,629	2,977	17,555	3,921
Interest expense	(600)	(11,977)	-	(12,577)	-
Other	6,071	174	6	6,251	594
Total nonoperating revenues (expenses)	76,514	(7,164)	2,983	72,333	4,515
Income (loss) before contributions and transfers	(153,374)	15,676	3,004	(134,694)	7,267
Capital contributions	73,328	-	-	73,328	-
Transfers in	147,564	-	10	147,574	-
Transfers out	(12,381)	-	(14,000)	(26,381)	(13,992)
Change in net assets	55,137	15,676	(10,986)	59,827	(6,725)
Total net assets - beginning	395,120	36,388	51,056	482,564	37,999
Total net assets - ending	$ 450,257	$ 52,064	$ 40,070	$ 542,391	$ 31,274

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities

(thousands)

for the year ended June 30, 2008

Amounts reported for business-type activities in the statement of activities (page 15) are different because:

NET CHANGE IN FUND NET ASSETS - TOTAL ENTERPRISE FUNDS (PAGE 23)	$	59,827
Internal service funds are used by management to charge the costs of risk management and employee health to individual funds. The net revenue of the general liability and workers compensation internal service funds are included in business-type activities in the statement of net assets. Additionally, the effect of allocating the Worker's Compensation Internal Service Fund loss to the Government activities.		(7,112)
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 15)	$	52,715

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

(thousands)

for the year ended June 30, 2008	Enterprise Funds OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	$ 56,260	$ 45,096	$ 509	$ 101,865	$ -
Receipts from interfund services provided	-	-	-	-	9,590
Payments to suppliers	(73,037)	(11,668)	(93)	(84,798)	(1,004)
Payments to claimants	(6)	-	-	(6)	(5,741)
Payments to employees	(135,564)	-	(224)	(135,788)	-
Payments for interfund services used	(35,051)	(1,851)	(164)	(37,066)	(139)
Advertising revenue	4,625	-	-	4,625	-
Miscellaneous	1,046	175	6	1,227	-
Net cash provided by (used for) operating activities	(181,727)	31,752	34	(149,941)	2,706
Cash flows from noncapital financing activities:					
Gas tax exchange received	23,000	-	-	23,000	-
Federal operating assistance grants received	24,084	-	-	24,084	-
Property taxes received	11,178	-	-	11,178	-
State transit assistance funds received	-	-	10	10	-
Transfers in	146,073	-	-	146,073	-
Transfers out	(14,869)	-	(14,000)	(28,869)	(13,992)
Net cash provided by (used for) noncapital financing activities	189,466	-	(13,990)	175,476	(13,992)
Cash flows from capital and related financing activities:					
Federal capital grants for acquisition and construction of capital assets	91,795	-	-	91,795	-
Proceeds from sale of capital assets	552	(1)	-	551	-
Payment of capital lease	(2,681)	-	-	(2,681)	-
Payment of long-term debt	(1,235)	(4,225)	-	(5,460)	-
Payment on advances from other funds	-	(2,000)	-	(2,000)	-
Interest paid	(538)	(8,638)	-	(9,176)	-
Acquisition and construction of capital assets	(95,417)	(1,119)	-	(96,536)	-
Net cash (used for) capital and related financing activities	(7,524)	(15,983)	-	(23,507)	-
Cash flows from investing activities:					
Investment earnings	9,984	4,580	3,090	17,654	3,862
Net cash provided by (used for) investing activities	9,984	4,580	3,090	17,654	3,862
Net increase (decrease) in cash and cash equivalents	10,199	20,349	(10,866)	19,682	(7,424)
Cash and cash equivalents at beginning of year	128,294	47,833	50,309	226,436	52,362
Cash and cash equivalents at end of year	$ 138,493	$ 68,182	$ 39,443	$ 246,118	$ 44,938

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds, *continued*

(thousands)

for the year ended June 30, 2008	Enterprise Funds OCTD	Enterprise Funds 91 Express Lanes	Enterprise Funds Nonmajor Enterprise Funds	Enterprise Funds Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	$ (229,888)	$ 22,840	$ 21	$ (207,027)	$ 2,752
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation expense	28,302	2,002	-	30,304	-
Amortization of franchise agreement	-	7,331	-	7,331	-
Amortization of cost of issuance	36	142	-	178	-
Advertising revenue	4,625	-	-	4,625	-
Miscellaneous	1,046	175	6	1,227	-
Insurance recoveries	-	-	-	-	594
Change in assets and liabilities:					
Receivables	(563)	(384)	-	(947)	98
Due from other governments	5,380	-	-	5,380	-
Inventory	(3,204)	-	-	(3,204)	-
Other assets	(7,569)	(7)	(5)	(7,581)	(295)
Accounts payable	18,622	409	4	19,035	(127)
Accrued payroll and related items	75	-	2	77	-
Compensated absences	599	-	3	602	-
Claims payable	-	-	-	-	(316)
Due to other funds	350	-	-	350	-
Due to other governments	462	(500)	2	(36)	-
Unearned revenue	-	(241)	1	(240)	-
Other liabilities	-	(15)	-	(15)	-
Total adjustments	48,161	8,912	13	57,086	(46)
Net cash provided by (used for) operating activities	$ (181,727)	$ 31,752	$ 34	$ (149,941)	$ 2,706
Reconciliation of cash and cash equivalents to Statement of Net Assets					
Cash and investments	$ 138,493	$ 52,833	$ 39,443	$ 230,769	$ 44,938
Restricted cash and cash equivalents	-	15,349	-	15,349	-
Total cash and cash equivalents	$ 138,493	$ 68,182	$ 39,443	$ 246,118	$ 44,938
Schedule of noncash activities:					
Capital lease	$ 8,895	$ -	$ -	$ -	$ -

See accompanying notes to the financial statements.

Statement of Fiduciary Net Assets

(thousands)

June 30, 2008	Scholarship Trust Fund	ARBA Trust Fund	Total Fiduciary Funds
Assets			
Cash and investments	$ 1	$ 8,271	$ 8,272
Total Assets	1	8,271	8,272
Net Assets			
Held in trust for future scholarships	1	-	1
Held in trust for pension benefits	-	8,271	8,271
Total Net Assets	$ 1	$ 8,271	$ 8,272

See accompanying notes to the financial statements.

Statement of Changes in Fiduciary Net Assets

(thousands)

for the year ended June 30, 2008	Private-Purpose Trust Fund	ARBA Trust Fund	Total Fiduciary Funds
Additions			
Contributions:			
Employer contributions	$ -	$ 8,271	$ 8,271
Private donations	18	-	18
Total contributions	18	8,271	8,289
Total additions	18	8,271	8,289
Deductions			
Scholarships	30	-	30
Total deductions	30	-	30
Change in net assets	(12)	8,271	8,259
Net assets - beginning	13	-	13
Net Assets - ending	$ 1	$ 8,271	$ 8,272

See accompanying notes to the financial statements.

(THOUSANDS)

JUNE 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility on a 10 mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR 55. The purchase was enabled by State Assembly Bill 1010 (Correa), which was passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs no later than 2030 and eliminated noncompete provisions in the franchise agreement for needed improvements on SR 91. The franchise agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

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

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

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

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

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

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

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

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

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS: The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of OCTA. For the most part, the effect of interfund activity has been removed from these statements with the exception of interfund services provided and used.

(THOUSANDS)

JUNE 30, 2008

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges and fees for support.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Interest expense related to the sales tax revenue bonds and commercial paper, the certificates of participation, and the taxable bonds and advances from OCTA funds is reported as a direct expense of the Measure M program, fixed route, and tollroad functions, respectively. The borrowings are considered essential to the creation or continuing existence of these programs. For the year ended June 30, 2008, interest expense of $16,631, $600 and $11,977, was included as Measure M, fixed route, and tollroad program costs, respectively. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Sales taxes and other items, which are properly not included among program revenues, are reported instead as general revenues.

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

OCTA reports the following major governmental funds:

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

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

- *LOCAL TRANSPORTATION FUND* – This fund accounts for revenues received and expenditures made for use on certain transit projects within Orange County. Financing is generated from a one-quarter percent state sales and use tax made pursuant to the California Transportation Development Act (TDA). Expenditures of these moneys must be made in accordance with TDA provisions.

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

(THOUSANDS)

JUNE 30, 2008

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

OCTA reports the following major enterprise funds:

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

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

Additionally, OCTA reports the following fund types:

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

  General Liability
  Workers' Compensation

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

(THOUSANDS)

JUNE 30, 2008

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

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

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

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

Cash and Investments

OCTA maintains cash and investments in accordance with an investment policy adopted initially by the Board on May 8, 1995, and most recently amended May 23, 2008. 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, 2008, 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 (AIP) requires the assets in the portfolio to consist of the following investments and maximum permissible concentrations based on book value and are more restrictive than applicable state statutes for the following cases: OCTA notes and bonds (25%); commercial paper of a high rating of 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 A3 or better by Moody's, A- or better by S & P and A- or better by Fitch Ratings (Fitch) 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; Repurchase Agreements collateralized at 102% (75%), reverse repurchase agreements or securities lending are not permitted; medium-term notes (MTN) are rated A- or better by S & P, A3 or better by Moody's or A- by Fitch or an equivalent rating by two of the three nationally recognized rating services. 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;.

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. The OCIP is carried at fair value based on the value of each participating dollar as provided by the OCIP. LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. Commercial paper is carried at amortized cost (which approximates fair value).

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. All deposits represent cash and cash equivalents for cash flow purposes.

INTERFUND TRANSACTIONS

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

As a centralized transportation planning and administration agency, OCTA allocates costs related to administrative services from certain funds to benefiting funds. For the 2007-08 fiscal year, $47,326 of administrative services were charged to other OCTA funds from the general fund. These charges for services are reported as general government expenditures in governmental fund types and as administrative services expenses in the proprietary fund types.

Internal service funds are utilized by OCTA to account for risk management activities in the areas of general liability and workers' compensation. Charges for risk management services provided are reported as general government expenditures in the governmental funds receiving the services and as wages, salaries and benefits or other operating expenses in the proprietary funds. The risk management internal service funds charged $9,423 to OCTA's operating funds.

Inventory

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

Restricted cash and Investments

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

Capital Assets

Capital assets, which include the toll facility franchise; land; buildings; machinery, equipment, and furniture; vehicles; and transponders are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by OCTA as assets with an initial, individual cost of more than $5 and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

(THOUSANDS)

JUNE 30, 2008

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

Asset Type	Useful Life
Buildings and improvements	10-30 years
Machinery, equipment and furniture	3-10 years
Transit vehicles	3-12 years
Transponders	5 years

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

Land Held for Resale

OCTA has received title to property in connection with the purchase of rights-of-way for infrastructure not held by OCTA (see above). This land is reported as Land held for resale in the governmental activities column in the government-wide financial statements. This land will be sold and proceeds will be reimbursed to the fund where the initial expenditure was recorded.

Compensated Absences

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

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

Long-Term Debt

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

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

RISK MANAGEMENT

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

PROPERTY TAXES

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

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

CONTRIBUTIONS TO OTHER AGENCIES

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

NET ASSETS

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

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

- *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 government-wide statement of net assets reports $546,667 of restricted net assets, which is restricted by enabling legislation.

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

(THOUSANDS)

JUNE 30, 2008

FUND EQUITY

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

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.

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

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

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

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this $155,502 difference are as follows:

Capital assets	$ 164,176
Less accumulated depreciation	(8,674)
NET ADJUSTMENT TO INCREASE FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS – GOVERNMENTAL	**$ 155,502**

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this ($236,769) difference are as follows:

Bonds payable	$ (236,555)
Less deferred charge on refunding (to be amortized as interest expense)	
Plus unamortized bond issuance premium (to be amortized to interest expense)	(1,053)
Compensated absences	(170)
NET ADJUSTMENT TO DECREASE FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS – GOVERNMENTAL	**$(236,769)**

(THOUSANDS)

JUNE 30, 2008

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

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

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

The details of this $62,802 difference are as follows:

Capital outlay	$ 63,566
Depreciation expense	(764)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	$62,802

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $72,669 difference are as follows:

Principal repayments - sales tax revenue bonds	$ 71,290
Change in accrued interest	1,423
Amortization of deferred charge on refunding	(337)
Amortization of premium	351
Amortization of issuance costs	(58)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	$ 72,669

(3) DIVERSION OF TDA FUNDING

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

(THOUSANDS)

JUNE 30, 2008

OCTA entered into agreements with nine Orange County cities and the Southern California Regional Rail Authority (SCRRA) effective July 1, 1997 to exchange the gasoline tax funds for flexible funding from each agency that OCTA could use to provide bus transit services. OCTA has successfully exchanged funds for 11 years as of June 30, 2008.

(4) CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2008:

DEPOSITS:	
Deposits	$ 6,569
Petty Cash	4
TOTAL CASH	**6,573**
INVESTMENTS:	
With Orange County Treasurer	2,969
With LAIF	18,130
With Trustee	196,293
With Custodian	801,656
TOTAL INVESTMENTS	**1,019,048**
TOTAL CASH AND INVESTMENTS	**$1,025,621**

Total deposits and investments are reported in the following funds:

UNRESTRICTED CASH AND INVESTMENTS:	
Governmental Funds	$ 632,256
Proprietary Funds:	
Enterprise	230,769
Internal Service	44,938
Fiduciary Funds	8,272
RESTRICTED CASH AND INVESTMENTS:	
Governmental Funds	75,402
Proprietary Funds:	
Enterprise	33,984
TOTAL CASH AND INVESTMENTS	**$1,025,621**

On a daily basis, cash balances are swept into an overnight investment vehicle. As of June 30, 2008, OCTA had a negative $4,099 deposit balance due to this sweep. Restricted investments at June 30, 2008, represent reserves for debt service.

(THOUSANDS)

JUNE 30, 2008

As of June 30, 2008, OCTA had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
Orange County Investment Pool	$ 2,969	$ 2,970	2.44%-5.40%	33-51 days	33 days or .09
Local Agency Investment Fund	18,130	18,131	2.894%-5.25%	176-212 days	212 days or .58
U. S. Treasuries	399,380	394,229	2.00%-5.00%	9/15/08-3/31/13	2.17
U. S. Agency Notes	212,342	210,452	Discount, 2.20%-6.00%	8/8/08-4/9/13	1.84
Medium Term Notes	107,681	107,189	2.70%-7.50%	9/10/08-4/10/13	1.72
Mortgage and Asset Backed Securities	61,809	61,236	3.09%-6.00%	7/2508-5/15/13	2.45
Money Market Mutual Funds	89,038	89,038	Variable	7/1/08	1 Day
Variable Rate Notes	15,372	15,832	2.68%-4.48%	11/17/08-6/19/13	1.69
Investment Agreements	77,724	64,204	Discount, 3.877%-5.791%	8/15/08-12/15/30	6.15
Negotiable Certificates of Deposit	10,965	10,965	2.25%	7/1/08	1 Day
Repurchase Agreements	23,638	23,638	1.50%	7/1/08	1 Day
Total Investments	$1,019,048	$997,884			
Portfolio Weighted Average Maturity					2.07

Interest rate risk

OCTA manages exposure to declines in fair value from increasing interest rates by having an investment policy that limits maturities to five years while also staggering maturities. OCTA maintains a low duration strategy, targeting an estimated average portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile, therefore less sensitive to interest rate changes. In accordance with the OCTA investment policy, amounts restricted for debt service reserves are invested in accordance with the maturity provision of their specific indenture, which may extend beyond five years.

As of June 30, 2008, asset-backed securities totaled $61,809. 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.

(THOUSANDS)
JUNE 30, 2008

As of June 30, 2008, OCTA had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
Allstate Life Global	988	LIBOR + 60 basis points	Quarterly
American Express Credit Corp	924	LIBOR + 170 basis points	Monthly
American Honda Financial Corp	1,228	LIBOR + 40 basis points	Quarterly
Bank New York Inc	500	LIBOR + 40 basis points	Quarterly
Caterpillar Financial Services	999	LIBOR + 45 basis points	Quarterly
Hewlett Packard Co	1,320	LIBOR + 40 basis points	Quarterly
John Deere Capital Corp	1,185	LIBOR + 45 basis points	Quarterly
JP Morgan Chase & Co	1,750	LIBOR + 3 basis points	Quarterly
PNC Bank NA Pittsburgh	1,498	LIBOR + 40 basis points	Quarterly
PNC Bank NA Pittsburgh	575	LIBOR + 22 basis points	Quarterly
UBS AG Stamford	1,977	LIBOR – 1 basis point	Quarterly
VTB Capital SA LN Partnership	506	LIBOR + 170 basis points	Quarterly
Wachovia Bank NA	1,426	LIBOR + 7 basis points	Quarterly
Western Union	496	LIBOR + 15 basis points	Quarterly
Total Investments	15,372		

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. At June 30, 2008, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

Credit risk

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

(THOUSANDS)

JUNE 30, 2008

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, 2008. (NR means Not Rated):

INVESTMENTS	S & P	MOODY'S	FITCH	% OF
Orange County Investment Pool	NR	Aaa	AAA/VI+	.29%
Local Agency Investment Fund	NR	NR	NR	1.78%
U. S. Treasuries	AAA	AAA	AAA	39.19%
U. S. Agency Notes	AAA	Aaa	AAA	20.84%
Medium Term Notes	A	A	A	10.57%
Mortgage and Asset Backed Securities	AAA	Aaa	AAA	6.06%
Money Market Mutual Funds	AAA	Aaa	NR	8.74%
Variable Rate Notes	A	A	A	1.51%
Investment Agreements	NR	NR	NR	7.63%
Negotiable Certificates of Deposit	AA	Aa2	AA	1.07%
Repurchase Agreements	AAA	Aaa	AAA	2.32%
TOTAL				100%

As of June 30, 2008, OCTA held two investments in Lehman Brothers Holding Inc. Medium Term Notes. The par amount of the notes totaled $3,000. One of the investments had a $2,000 par maturing on July 26, 2010. The second had a $1,000 par maturing on January 24, 2013. On September 15, 2008, Lehman Brothers Holding Inc. filed for bankruptcy. As of September 30, 2008, the market value of the securities were 15.000% of par for the July 26, 2010 Notes and 13.125% for the January 24, 2013 Notes.

On September 15, 2008, AIG Matched Funding Corporation (AIG) was downgraded to A- by Standard and Poor's and A2 by Moody's Investors Service. Additionally, AIG was placed under review for possible further downgrades. On September 29 and 30, 2008, OCTA terminated and liquidated both investment agreements with AIG. The full balance of the agreements were received with no penalty assessed for early termination.

The investment agreement with MBIA Incorporated (MBIA) is fully collateralized at 104%. MBIA was downgraded to AA by Standard and Poor's and A2 by Moody's Investors Service. The downgrades occurred on June 5, 2008 and June 19, 2008 respectively.

CONCENTRATION OF CREDIT RISK

At June 30, 2008, OCTA did not exceed the AIP limitation that states that no more than:

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

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

(THOUSANDS)

JUNE 30, 2008

INVESTMENT IN STATE INVESTMENT POOL

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

(5) GRANTS AND STATE ASSISTANCE

OPERATING ASSISTANCE GRANTS

Under provisions of the Federal Transit Administration (FTA) and the TDA, funds are available to OCTD for Americans with Disabilities Act (ADA) paratransit operating assistance, demonstration projects, transportation planning, and acquisition and construction of facilities, transit vehicles and related support equipment. For 2008, OCTA was awarded $26,195 in operating assistance and had a receivable of $26,379 outstanding as of June 30, 2008.

CAPITAL GRANTS

Under the provisions of a 1979 amendment to the TDA and the provisions of FTA, appropriations are available for the development and operation of a public transportation system. For 2008, OCTA was awarded $26,356 in capital grants and had a receivable of $17,686 outstanding as of June 30, 2008.

LOCAL TRANSPORTATION FUND

In 2008, LTF received revenues from a one-quarter percent state sales and use tax through provisions of the TDA, as amended. Under TDA, moneys are to be made available to OCTD for acquisitions of property, plant and equipment and for operating expenses. In 2008, OCTA and OCTD became entitled to $4,842 and $96,144 in LTF moneys, respectively. This entitlement was recorded as a transfer from LTF to OCTD. The remaining revenues received by LTF were contributed to other agencies for use in transit projects and OCTA planning. An additional $38,000 in TDA revenue was diverted to the County under provisions of bankruptcy recovery legislation passed by the California State legislature in September 1995 (see Note 3), and, accordingly, is not recorded in the financial statements.

STATE TRANSIT ASSISTANCE PROGRAM

In 2008, STAF was allocated a portion of the state gasoline tax. The gasoline tax is allocated to each county based on demographic factors. In 2008, OCTD became entitled to $17,340 in STAF moneys. This entitlement was recorded as a transfer from STAF to OCTD.

(THOUSANDS)

JUNE 30, 2008

(6) DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2008 are as follows:

	Governmental Funds					Enterprise Funds		
Receivables:	**General**	**LTA**	**LTF**	**CURE**	**Nonmajor Funds**	**OCTD**	**91 Express Lanes**	**Total**
Sales taxes	$ -	$ 10,663	$ 3,872	$ -	$ 5,567	$ -	$ -	$20,102
Project reimbursements	7,915	13,188	-	50	441	2,111	10	23,715
Vehicle registration fees	-	-	-	-	879	-	-	879
Other	80	703	-	62	8,778	2,533	-	12,156
Total	**$ 7,995**	**$ 24,554**	**$ 3,872**	**$ 112**	**$ 15,665**	**$ 4,644**	**$ 10**	**$56,852**

(7) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances at June 30, 2008 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	Nonmajor Governmental Funds	$ 33	Management fee
General Fund	CURE Fund	1,363	Irvine Transportation Center
General Fund	OCTD Enterprise Fund	2,000	Transportation projects
LTA	Nonmajor Governmental Funds	38	Freeway construction projects
CURE Fund	OCTD Enterprise Fund	2,546	Operating assistance
OCTD Enterprise Fund	Nonmajor Governmental Funds	5,285	Fund negative balance Gas Tax
OCTD Enterprise Fund	Nonmajor Governmental Funds	5,567	OCTD operations and senior/disabled subsidy
Total		**$16,832**	

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
CURE Fund	91 Express Lanes Fund	$ 42,772	91 Express Lanes purchase
Nonmajor Governmental Funds	LTA	1,884	Measure M II expenses
Total		**$44,656**	

In connection with the purchase of the toll facility franchise, to fund the debt service payment required on February 15, 2003, and to establish operations, the 91 Express Lanes Fund borrowed $83,641 from other OCTA funds at an interest rate, adjusted each January, representing OCTA's rate of return on short-term

(THOUSANDS)

JUNE 30, 2008

investments (6.76% at June 30, 2008). Interest accrues monthly, and the advance from other OCTA funds plus accrued interest will be repaid by the 91 Express Lanes Fund on an on-going basis with net revenues. On June 30, 2008, the 91 Express Lanes repaid $2,000 of the advance with net revenues. At June 30, 2008, these advances were $42,772 and are reported as interfund balances.

Interfund Transfers:

Transfers Out	Transfers In	Amount	Explanation
LTA Fund	LTA Debt Service Fund	$ 88,426	Debt service
LTA Fund	OCTD Enterprise Fund	1,000	Fare stabilization
Local Transportation Fund	General Fund	4,842	OCTA planning
Local Transportation Fund	OCTD Enterprise Fund	96,144	OCTD and CTSA operations
Local Transportation Fund	Nonmajor Governmental Funds	2,317	ADA bus stops
CURE Fund	OCTD Enterprise Fund	6,044	Stationlink and Rail feeder service
CURE Fund	General Fund	1,363	Irvine Transportation Center
Nonmajor Governmental Funds	General Fund	1,071	Transportation projects and Management fees
Nonmajor Governmental Funds	OCTD Enterprise Fund	17,340	OCTD operations
Nonmajor Governmental Funds	LTA Fund	161	Capital projects
OCTD Enterprise Fund	General Fund	9,814	Bristol Street Widening & BRT Design Costs
OCTD Enterprise Fund	CURE Fund	2,564	Rail operations (Metrolink)
OCTD Enterprise Fund	Nonmajor Governmental Funds	3	Management fee
Internal Service Funds	General Fund	946	Excess Workers Compensation contribution
Internal Service Funds	OCTD Enterprise Fund	13,036	Excess Workers Compensation contribution
Internal Service Funds	Nonmajor Enterprise Fund	10	Excess Workers Compensation contribution
Nonmajor Enterprise funds	OCTD Enterprise Fund	14,000	OCTD Operations
		$259,081	

(8) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 150,392	-	$ 13	$ 150,379
Construction in progress	53	140	-	193
Construction in progress held for Department of Transportation	497,984	61,954	559,356	582
Total capital assets, not being depreciated	648,429	62,094	559,369	151,154
Capital assets, being depreciated:				
Buildings and improvements	4,153	1,069	344	4,878
Machinery, equipment and furniture	15,232	403	7,491	8,144
Total capital assets, being depreciated	19,385	1,472	7,835	13,022

(THOUSANDS)
JUNE 30, 2008

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings and improvements	(1,257)	(276)	(21)	(1,512)
Machinery, equipment and furniture	(14,150)	(488)	(7,476)	(7,162)
Total accumulated depreciation	(15,407)	(764)	(7,497)	(8,674)
Total capital assets, being depreciated, net	3,978	708	338	4,348
Governmental activities capital assets, net	**$652,407**	**$62,802**	**$ 559,707**	**$155,502**
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 55,383	$ 37	$ -	$ 55,420
Construction in progress	405	10,693	-	11,098
Total capital assets, not being depreciated	55,788	10,730	-	66,518
Capital assets, being depreciated and amortized:				
Buildings and improvements	126,380	1,790	249	127,921
Transit vehicles	241,879	92,964	17,041	317,802
Machinery, equipment and furniture	66,290	3,152	5,201	64,241
Toll facility franchise	205,264	-	-	205,264
Total capital assets, being depreciated and amortized	639,813	97,906	22,491	715,228
Less accumulated depreciation and amortization for:				
Buildings and improvements	(40,945)	(4,289)	(184)	(45,050)
Transit vehicles	(154,337)	(20,397)	(16,756)	(157,978)
Machinery, equipment and furniture	(47,599)	(5,618)	(5,042)	(48,175)
Toll facility franchise	(32,989)	(7,331)	-	(40,320)
Total accumulated depreciation and amortization	(275,870)	(37,635)	(21,982)	(291,523)
Total capital assets, being depreciated and amortized	363,943	60,271	509	423,705
Business-type activities capital assets	**$419,731**	**$ 71,001**	**$509**	**$490,223**

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

Governmental activities:	
General government	$ 709
Measure M program	54
Motorist services	1
Total depreciation expense – governmental activities	**$764**

(THOUSANDS)

JUNE 30, 2008

Business-type activities:	
Fixed route	$ 25,057
Paratransit	3,245
Tollroad	9,333
TOTAL DEPRECIATION AND AMORTIZATION EXPENSE – BUSINESS-TYPE ACTIVITIES	**$37,635**

(9) RISK MANAGEMENT - CLAIMS LIABILITY

OCTA is self-insured for workers' compensation and general liability claims, and also purchases excess workers' compensation and general liability insurance. Workers' compensation claims are insured up to a maximum amount per claim of $750. General liability claims in excess of a $4,000 self-insured retention are insured for up to an additional $35,000 per occurrence. Settled claims have not exceeded insurance coverage in any prior fiscal years. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. General liability and workers' compensation reserves are actuarially determined. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Management is of the opinion that the recorded liabilities for OCTA's self-insured claims are adequate. Effective June 2007, OCTA closed the Employee Health Internal Service Fund as the self-insured health plans were converted to fully insured plans as of January 1, 2006.

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

	2008	2007
GENERAL LIABILITY		
UNPAID CLAIMS AS OF JULY 1, AS RESTATED	$ 5,027	$ 4,359
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	1,321	926
Increase/(Decrease) in provision for prior year events	(141)	565
Total incurred claims	1,180	1,491
PAYMENTS:		
Claims attributable to current year events	454	283
Claims attributable to prior year events	416	540
Total payments	(870)	(823)
Unpaid claims at June 30,	5,337	5,027
WORKERS' COMPENSATION		
UNPAID CLAIMS AS OF JULY 1,	10,619	15,003
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	455	427
Increase/(Decrease) in provision for prior year events	2,618	(441)
Total incurred claims	3,073	(14)
PAYMENTS:		
Claims attributable to current year events	161	196
Claims attributable to prior year events	3,537	4,174
Total payments	(3,698)	(4,370)
Unpaid claims at June 30,	9,994	10,619

(THOUSANDS)

JUNE 30, 2008

	2008	2007
EMPLOYEE HEALTH		
UNPAID CLAIMS AS OF JULY 1,	-	100
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	-	-
Increase in provision for prior year events	-	10
Total incurred claims	-	10
PAYMENTS:		
Claims attributable to current year events	-	10
Claims attributable to prior year events	-	100
Total payments	-	(110)
Unpaid claims at June 30,	-	-
TOTAL UNPAID CLAIMS AT JUNE 30,	15,331	15,646
Less current portion of unpaid claims	3,324	3,328
TOTAL LONG-TERM PORTION OF UNPAID CLAIMS	$ 12,007	$ 12,318

Unpaid claims as of July 1, 2006 for General Liability of $4,359 includes a prior period adjustment of $3,800 for claims on the construction of the Santa Ana Bus Base were erroneously coded to the Internal Service Fund and should have been recorded as a capital asset in the OCTD Enterprise Fund.

(10) SHORT-TERM DEBT

On March 13, 1995, LTA was authorized to issue up to $115,000 in Tax-Exempt Commercial Paper Notes (Notes). As a requirement for the issuance of the Notes, OCTA entered into an irrevocable direct-pay Letter of Credit and Reimbursement Agreement with a financial institution as liquidity support for the Notes. On August 30, 1999, OCTA transferred the Letter of Credit to Dexia Bank. The authorized amount was reduced to $74,200 with the available amount totaling $80,787. OCTA did not draw on this Letter of Credit authorization during the year ended June 30, 2008, nor were there any amounts outstanding under this Letter of Credit agreement at June 30, 2008.

As of June 30, 2008, LTA had outstanding Notes in the amount of $22,600. There were no additional Notes issued; $6,500 in Notes was retired in August 2007. On September 8, 2008, OCTA retired $6,600 in Notes, which reduced the outstanding principal balance to $16,000. The source of revenue to repay the Notes is the Measure M sales tax. Interest is payable on the respective maturity dates of the Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the Notes is 12.0%, with issuance rates at June 30, 2008 at 1.47%.

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

(THOUSANDS)

JUNE 30, 2008

As of June 30, 2008, LTA had outstanding Renewed Measure M Notes in the amount of $25,000. Interest is payable on the respective maturity dates of the Renewed Measure M Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the Renewed Measure M Notes is 12.0%, with an interest rate at June 30, 2008 of 1.00%.

CHANGES IN SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2008, was as follows:

	BEGINNING BALANCE	ISSUED	REDEEMED	ENDING BALANCE
Tax exempt commercial paper	$ 29,100	$ -	$ 6,500	$ 22,600
Tax exempt commercial paper - Renewed Measure M	-	25,000	-	25,000
TOTAL	$ 29,100	$ 25,000	$ 6,500	$ 47,600

(11) LONG-TERM DEBT

SALES TAX REVENUE BONDS

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

On August 26, 1997, LTA issued $57,730 in Measure M Sales Tax Revenue Refunding Bonds to advance refund $57,600 of outstanding 1992 Second Senior Bonds (1992 Second Senior Series). The net proceeds plus additional 1992 Second Senior Series sinking fund moneys and release of funds from the Bond Reserve Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Second Senior Series. In February 2002, the refunded bonds, which have been eliminated in the financial statements, were paid.

On March 24, 1998, LTA issued $20,270 in Measure M Sales Tax Revenue Refunding Bonds to advance refund $19,885 of outstanding 1992 First Senior Bonds (1992 First Senior Series). In addition to the refunding, LTA also issued $213,985 in revenue bonds to continue with the financing of Measure M related projects. The net proceeds plus additional 1992 First Senior Series sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 First Senior Series. In February 2002, the refunded bonds, which have been eliminated in the financial statements, were paid.

On October 10, 2001, LTA issued $67,335 in Measure M Sales Tax Revenue Refunding Bonds to advance refund $18,805 of the 1992 First Senior Bonds and $48,400 of the 1994 Second Senior Bonds. The proceeds plus additional sinking fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1994 bonds. The amount of the refunded bonds, which have been eliminated in the financial statements, were paid February 17, 2004.

(THOUSANDS)

JUNE 30, 2008

A summary of the bonds outstanding is as follows:

	1992 1ST SENIOR BOND	1992 2ND SENIOR BOND	1994 2ND SENIOR BOND	1997 2ND SENIOR	1998 2ND SENIOR	2001 2ND SENIOR BOND
Issuance Date	08/27/92	09/18/92	02/24/94	08/15/97	03/15/98	10/15/01
Original issue amount	$ 350,000	$ 190,000	$ 200,000	$ 57,730	$ 213,985	$ 48,430
Original issue (discount)/ premium	(2,612)	(727)	(165)	3,800	11,687	3,510
Net bond	$ 347,388	$ 189,273	$ 199,835	$ 61,530	$ 225,672	$ 51,940
Issuance costs	$ 3,508	$ 2,323	$ 2,535	$ 780	$ 2,194	$ 590
Reserve requirements	$ -	$ 14,465	$ 11,535	$ 2,009	$ 22,567	$ 6,334
Cash reserve balance	$ -	$ 15,010	$ 12,813	$ 2,639	$ 24,596	$ 6,823
Interest Rate	2.8%-12.23%	2.9%-12.03%	2.8%-12.55%	3.8%-5.7%	3.9%-5.5%	4.0-5.0%
Effective blended rate	6.0%	5.96%	4.94%	5.06%	4.45%	3.70%
Annual principal payment	$25,000-27,200	-	-	$13,960-15,445	$20,935-23,300	$15,460-16,850
Maturity	2011	2011	2011	2011	2011	2011
Bonds outstanding	$77,700	-	-	$44,105	$66,320	$48,430
Less deferred loss on refunding	-	-	-	-	-	(1,009)
Plus unamortized premium	-	-	-	-	-	1,053
TOTAL	**$77,700**	**$ -**	**$ -**	**$44,105**	**$66,320**	**$48,474**

The sales tax revenue bonds contain certain financial covenants, and management believes OCTA is in compliance with such covenants as of June 30, 2008.

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2008, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST
2009	75,355	13,201
2010	78,405	9,000
2011	82,795	4,627
TOTAL	**$236,555**	**$26,828**

(THOUSANDS)

JUNE 30, 2008

CERTIFICATES OF PARTICIPATION

In 1993, OCTD issued Certificates of Participation (COPs) to provide for the acquisition of buses. On July 1, 2007, the 1993 COPs fully matured. Principal and interest of $1,235 and $32, respectively were paid.

TAXABLE SENIOR SECURED BONDS

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

TOLL ROAD REVENUE REFUNDING BONDS

On November 12, 2003, the OCTA issued $195,265 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-A, Series 2003-B-1 and Series 2003-B-2 to refinance the $135,000 taxable 7.63% Senior Secured Bonds and to reimburse the OCTA for a portion of its prior payment of the costs of acquiring the Toll Road and certain other property and interests associated with the Toll Road. The Series 2003 A Bonds were issued as fixed rate bonds, the Series 2003-B-1 Bonds and the Series 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 November 2003, OCTA entered into two parity interest rate swaps totaling $100,000 in connection with its $195,265 Toll Road Revenue Refunding Bonds. $95,265 was issued on a fixed rate basis and $100,000 was issued on a variable rate basis. The Series 2003-B-1 swap was for $75,000 and the counterparty is Lehman Brothers Special Funding Incorporated (Lehman Brothers). The Series-B-2 swap was for $25,000 and the counterparty was Bear Stearns Capital Markets Incorporated (Bear Stearns). On May 30, 2008, JP Morgan completed its acquisition of The Bear Stearns Companies Incorporated. As a result of the merger, JP Morgan assumed the $25,000 interest rate swap between OCTA and Bear Stearns Capital Markets Incorporated. The effective rate on the parity swaps was to effectively change OCTA's variable rate bonds to a synthetic fixed rate of 4.06227%.

On November 23, 2005, Lehman Brothers Holding Inc. named Lehman Brothers Commercial Bank as the counterparty for the interest rate swap replacing Lehman Brothers Special Financing Inc. On September 15, 2008, Lehman Brothers Holding Inc. filed for bankruptcy. As of September 30, 2008, Lehman Brothers Commercial Bank had not declared bankruptcy.

On October 2, 2008, OCTA provided a Notice of Event of Default and Reservation of Right letter to Lehman Brothers Special Financing and Lehman Brothers Commercial Bank regarding the rating downgrade and the missed counterparty payment of $228,340 on October 1, 2008. OCTA is working with general counsel and bond counsel to determine the impact of the bankruptcy on OCTA's interest rate swap.

TERMS

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

Fair Value

As of June 30, 2008, the negative fair value for the $75,000 swap with Lehman Brothers was estimated by Lehman Brothers to be $7,261. As of June 30, 2008, the negative fair value for the $25,000 swap with JP Morgan was estimated by JP Morgan to be $1,747. Therefore, if the swaps were terminated on June 30, 2008, the OCTA would have made a termination payment of $7,261 and $1,747 to Lehman Brothers and JP Morgan, respectively. The termination payments that would have been owed by the OCTA if the swaps were terminated on June 30, 2008 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, 2008, 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 swap with Lehman Brothers and the $25,000 swap with JP Morgan require collateralization with U.S. government securities at all times if a termination payment is required. Due to the fact that interest rates declined since the swaps were executed, the counterparties did not owe OCTA a termination payment as of June 30, 2008.

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 SIFMA Index if LIBOR is less than 4.0%. As of June 30, 2008, OCTA experienced $478 in cumulative negative basis differential. This negative amount was funded with toll road revenues.

Termination Risk

Termination risk is the risk that an event occurs that causes a termination of the parity swaps and the OCTA would incur replacement costs. As of the June 30, 2008 valuation, there had not been a termination event.

(THOUSANDS)

JUNE 30, 2008

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2008, debt service requirements of OCTA's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

	$75,000 Series 2003-B-1 (1)			$25,000 Series-B-2 (1)			
Year Ending June 30	Principal	Interest	Interest Rate Swap Net	Principal	Interest	Interest Rate Swap Net	Total
2009	$ -	$ 4,500	$ 1,884	$ -	$ 1,500	$ 628	$ 8,512
2010	-	4,500	1,884	-	1,500	628	8,512
2011	-	4,500	1,884	-	1,500	628	8,512
2012	-	4,500	1,884	-	1,500	628	8,512
2013	-	4,500	1,884	-	1,500	628	8,512
2014-2018	-	22,500	9,421	-	7,500	3,140	42,561
2019-2023	11,100	21,558	9,027	3,695	7,187	3,009	55,576
2024-2028	37,240	12,666	5,304	12,420	4,222	1,768	73,620
2029-2031	26,660	1,647	690	8,885	548	230	38,660
	$ 75,000	$ 80,871	$ 33,862	$ 25,000	$ 26,957	$ 11,287	$ 252,977

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 6.00% on June 30, 2008. As part of the Swap Agreement, OCTA receives the SIFMA Index which amounted to 1.55% on June 30, 2008.

(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.

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

Issuance date	11/12/03
Original issue amount	$ 195,265
Cash reserve requirements	$ 31,585
Cash reserve balance	$ 33,984
Interest rate	2.0% to 5.375% *
Maturity	December 2030
Principal payment date	August 15
Current balance	$179,285
Unamortized premium	$5,661
Deferred amount on refunding	($21,445)

* 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 Series B-1 bonds and the $25,000 Series B-2 bonds was swapped to a fixed rate of 4.06227%.

The toll road refunding bonds contain certain financial covenants, and management believes OCTA is in compliance with such covenants as of June 30, 2008.

(THOUSANDS)

JUNE 30, 2008

Annual debt service requirements on the tax-exempt bonds as of June 30, 2008, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2009	4,345	7,910	12,255
2010	4,515	7,743	12,258
2011	4,740	7,517	12,257
2012	4,980	7,274	12,254
2013	5,245	7,009	12,254
2014-2018	30,730	30,544	61,274
2019-2023	39,525	21,823	61,348
2024-2028	49,660	12,443	62,103
2029-2031	35,545	2,222	37,767
TOTAL	**$179,285**	**$104,485**	**$283,770**

The interest rate used to determine the future annual debt service requirements for the variable rate bonds was 4.06227% at June 30, 2008.

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2008, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental activities:					
Sales tax revenue bonds	$ 307,845	$ -	$ 71,290	$ 236,555	$ 75,355
Unamortized deferred loss on refunding	(1,346)	-	(337)	(1,009)	-
Unamortized premium	1,404	-	351	1,053	-
Compensated absences	2,273	3,636	3,359	2,550	2,380
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	**$310,176**	**$ 3,636**	**$ 74,663**	**$239,149**	**$77,735**
Business-type activities:					
Certificates of participation	$ 1,235	$ -	$ 1,235	$ -	$ -
Tax-exempt bonds	183,510	-	4,225	179,285	4,345
Capital lease	15,741	-	2,681	13,060	3,281
Unamortized premium	5,913	-	252	5,661	-
Unamortized deferred amount on refunding	(22,513)	-	(1,068)	(21,445)	-
Claims payable	15,646	4,253	4,568	15,331	3,324
Compensated absences	5,940	11,738	11,138	6,540	6,032
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	**$205,472**	**$ 15,991**	**$ 23,031**	**$198,432**	**$16,982**

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

(THOUSANDS)

JUNE 30, 2008

ARBITRAGE REBATE

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

In accordance with the arbitrage regulations, if excess earnings were calculated, 90% of the amount calculated would be due to the Internal Revenue Service (IRS) at the end of each five year period. The remaining 10% would be recorded as a liability and paid after all bonds had been redeemed. During the current year, OCTA performed calculations of excess investment earnings on various bonds issues. $579 was determined due; $1 was paid in October 2007 and $578 was paid in April 2008.

(12) PENSION PLANS

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

PERS is a cost-sharing multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and agency ordinance. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans administered by PERS. A copy of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, CA 95814.

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

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

Funding Policy (OCERS) - Plan members contribute between 5.11% to 11.66% to the plan. OCTA's actuarially determined contribution requirement was 15.96% of total covered payroll.

Annual Pension Cost (PERS) – Annual required contributions for fiscal year 2008 were based on the June 30, 2005 actuarial valuation, the latest available from PERS. The actuarial assumptions included (a) a rate of

(THOUSANDS)

JUNE 30, 2008

return on the investment of present and future assets of 7.75% per annum compounded annually and an inflation factor of 3.0%; and (b) projected annual salary increases that vary by duration of service and include a factor of 3.0% for inflation, .25% for across the board salary increases and various amounts for merit according to longevity.

OCTA's contributions to PERS were $0 for the years ended June 30, 2008, 2007, and 2006, and were equal to the required contribution calculated by the PERS actuary for each year.

Annual Pension Cost (OCERS) – Annual required contributions for fiscal year 2008 were based on the OCERS actuarial valuation as of December 31, 2005, in which the investment return assumption was 7.75%, the salary increase rate assumption was 4.5%, and the Consumer Price Index increase rate assumption was 4.0%.

OCTA's contributions to OCERS for the years ended June 30, 2008, 2007, and 2006 were $15,236, $13,579, and $11,439, respectively, and were equal to the required contribution calculated by the OCERS actuary for each year.

SUPPLEMENTAL PENSION PLAN

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

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

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

Annual Pension Cost - The Plan's Annual Pension Cost for the fiscal year ending June 30, 2008 is $786 which is equal to OCTA's required and actual contributions.

THREE-YEAR TREND INFORMATION

Fiscal Year Ending June 30	Annual Pension Cost	Actual Contribution	Percentage Contribution	Net Pension Obligation
2008	$ 786	$786	100%	$0
2007	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A

(THOUSANDS)

JUNE 30, 2008

The following information describes the calculation methodology:

- The actuarial liabilities and assets are valued as of January 1, 2008.
- The actuarial funding method used is the entry age normal method. Under this method, the plan's normal cost is developed as a level percent of payroll throughout the participants' working lifetime.

The unfunded actuarial liability is the difference between the actuarial accrued liability and Plan assets. This difference is amortized as a level percent of payroll over a 20-year closed period.

The following is a summary of January 1, 2008 actuarial assumptions:

- Interest rate: 7.5%
- Mortality: Orange County Employees Retirement System (OCERS) assumptions
- Termination: Sample rates in the first five years of service are:

Years of Service	Rate
0	10.0%
1	7.0%
2	6.0%
3	5.0%
4	4.0%

Sample rates with 5+ years of service are:

Age	Rate	Age	Rate
25	3.0%	45	3.0%
30	3.0%	50	2.7%
35	3.0%	55	1.9%
40	3.0%	60	0.6%

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

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

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

(THOUSANDS)

JUNE 30, 2008

Funding Status and Funding Progress - As of January 1, 2008, the most recent actuarial valuation date, the Plan was 69% funded. The actuarial accrued liability for benefits was $11,545 and the actuarial value of assets was $8,013 resulting in an unfunded actuarial accrued liability (UAAL) of $3,532. The covered payroll (annual payroll of active employees covered by the Plan) was $98,063 and the ratio of the UAAL to the covered payroll was 3.6% percent.

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	$8,013	$11,545	$3,532	69%	$ 98,063	3.6%
2007	N/A	N/A	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A	N/A	N/A

(13) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

During the year ended June 30, 2008, OCTA implemented GASB Statement No. 45 which changed the accounting and financial reporting used by local government employers for postemployment benefits. Previously, the costs of such benefits were generally recognized as expenditures/expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to OCTA are set forth below.

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

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

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

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

(THOUSANDS)

JUNE 30, 2008

For fiscal year 2008, OCTA contributed $33 in implied subsidy through the active healthcare premiums:

	TOTAL
Total Active Health Premiums	$4,713
Reclassification for Implied Subsidy	(33)
NET ACTIVE HEALTH PREMIUMS	**$4,680**

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

The following table shows the components of OCTA's annual OPEB cost for the year ended June 30, 2008, the amount actually contributed to the Plan, and changes in OCTA's net OPEB obligation.

	TOTAL
Annual required contribution	$57
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	57
Benefit payments made	33
Increase in net OPEB obligation	24
Net OPEB obligation – beginning of year	0
Net OPEB obligation – end of year	$24

OCTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net postemployment healthcare plan obligation for the year ended June 30, 2008 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/06	N/A	N/A	N/A
6/30/07	N/A	N/A	N/A
6/30/08	$57	57.9%	$24

(THOUSANDS)

JUNE 30, 2008

Funded Status - The June 30, 2008 funded status, based on the January 1, 2008 actuarial valuation was:

	Total
Actuarial Accrued Liability (AAL)	$491
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	$491
Funded Ratio (Actuarial value of plan assets/ AAL)	0%
Covered Payroll (active plan members)	$36,085
UAAL as a Percentage of Covered Payroll	1.4%

OCTA implemented GASB Statement No. 45 during the fiscal year ended June 30, 2008. As a result, actuarial information prior to July 1, 2007 was not available.

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2006	N/A	N/A
2007	N/A	N/A
2008	$57	57.9%

OCTA implemented GASB Statement No. 45 during the fiscal year ended June 30, 2008. As a result, employer contributions prior to June 30, 2008 were not provided.

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

In the January 1, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), and annual healthcare cost trend rates for medical of 10.2% (11% for Preferred Provider Organizations) initially decreasing to 5% over ten years. Salary scale and demographic assumptions for withdrawal, mortality, disability, and retirement rates were based on OCERS assumptions.

The UAAL was amortized over 30-year closed period as a level percentage of payroll.

(THOUSANDS)

JUNE 30, 2008

(14) PURCHASE COMMITMENTS

OCTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2008 are as follows:

	TOTAL PURCHASE COMMITMENTS	RESERVE FOR ENCUMBRANCES	UNENCUMBERED PURCHASE COMMITMENTS
Governmental Funds:			
General	$ 178,436	$ 10,773	$ 167,663
LTA	525,060	95,813	429,247
CURE	6,880	317	6,563
Nonmajor governmental	20,188	15,549	4,639
Total Governmental Funds	730,564	122,452	608,112
Proprietary Funds:			
OCTD	216,426	92,968	123,458
91 Express Lanes	23,598	501	23,097
Internal Service	3,294	1,037	2,257
Total Proprietary Funds	243,318	94,506	148,812
TOTAL	$ 973,882	$ 216,958	$ 756,924

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

(15) OTHER COMMITMENTS AND CONTINGENCIES

LITIGATION

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

METROLINK EVENT

On September 12, 2008, a Metrolink commuter train collided with a freight train in Chatsworth. Metrolink is working closely with the National Transportation Safety Board and other agencies to determine the cause of the collision.

FEDERAL GRANTS

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

(THOUSANDS)

JUNE 30, 2008

LEASE COMMITMENTS

OPERATING LEASES

OCTA is committed under various leases for building, office space, a Compressed Natural Gas (CNG) Fueling Facility, tires for revenue vehicles, and office equipment. These leases are considered for accounting purposes to be operating leases. The terms of the lease for OCTA's administrative headquarters in Orange are for fifteen years beginning in September 1993, with two five-year renewal options. Lease expenditures for the year ended June 30, 2008 amounted to $7,750.

Future minimum payments for these leases are as follows:

Fiscal year ending	
2009	$ 8,015
2010	7,414
2011	3,894
2012	3,886
2013	3,909
2014-2018	19,974
TOTAL	**$ 47,092**

CAPITAL LEASES

OCTA is also committed under multiple leases for design and construction of CNG Fueling Facilities which are considered to be capital leases. As of fiscal year 2008, one of the three facilities has been completed at a cost of $6,884 and is included in building and improvements. The other two facilities began construction in fiscal year 2008 and are recorded in CIP using the percentage of completion method. The cost of these two asset total $9,003 at June 30, 2008. Once these assets are complete they will be transferred to buildings and improvements and depreciated over a 20 year life. The cost of these two assets is expected to be $10,407. The terms of the leases are for five years commencing July 21, 2006 for the first lease and October 30, 2007 for the other two leases.

Future minimum payments for these leases are as follows:

Fiscal year ending	
2009	$ 3,766
2010	3,766
2011	3,765
2012	2,310
2013	577
Total minimum lease payments	14,184
Less: interest costs	(1,124)
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	**$ 13,060**

(THOUSANDS)

JUNE 30, 2008

(16) JOINT VENTURE

OCTA is one of five members of the SCRRA, a joint powers authority created in 1992. The SCRRA's board consists of one member from the Ventura County Transit Commission (VCTC); two each from OCTA, the San Bernardino Associated Governments (SANBAG) and the Riverside County Transportation Commission (RCTC); and four members from the Los Angeles County Metropolitan Transportation Authority (LACMTA). SCRRA is responsible for maintaining and operating a regional commuter rail system (Metrolink) in five southern California counties. As a member of the agency, OCTA makes annual capital and operating contributions for its prorata share of rail lines serving Orange County. OCTA expended $17,915 during 2008 for its share of Metrolink capital and operating costs. Separate financial statements are prepared by and available from the SCRRA, which is located at 700 N. Flower Street, 26th floor, Los Angeles, CA 90017.

(17) PRIOR PERIOD ADJUSTMENT

In the prior fiscal year, revenues of $7,600 for the construction of the SR-22 freeway project were reversed in the current fiscal year due to an over billing to Caltrans for their share of the expenditures. Additionally, OCTA was awarded State Transit Improvement (STIP) monies. Although the grants were awarded previously, they were not approved by Caltrans until FY 2008. The expenditures related to these grants were recorded in previous fiscal years as follows: General Fund - $3,500 in fiscal year 2004 and $253 in fiscal year 2007 and Local Transportation Authority Fund - $361 in fiscal year 2007. As the $3,500 was not available to finance expenditures of the previous fiscal period, the prior period adjustment only impacts the governmental activities net assets.

The following is a summary for the effect of this adjustment:

	Governmental Activities Net Assets	General Fund Balance	Local Transportation Authority Fund Balance
Beginning balance, as previously reported	$ 1,055,734	$ 4,920	$ 414,568
Adjustment (SR-22 freeway project)	(7,600)	-	(7,600)
Adjustment (STIP)	4,114	253	361
Beginning balance, as restated	**$ 1,052,248**	**$ 5,173**	**$ 407,329**

(18) SUBSEQUENT EVENTS

As previously mentioned in note 4, OCTA held investments in Lehman Brothers Holding Inc. Medium Term Notes (MTN). As of September 30, 2008, the market value of the securities were 15.000% of par for the July 27, 2010 MTN and 13.125% for the January 24, 2013 MTN. Additionally, OCTA held investments in AIG. On September 29 and 30, OCTA terminated and liquidated all investment agreements with AIG with no penalty.

(THOUSANDS)

JUNE 30, 2008

As previously mentioned in note 11, Lehman Brothers Holding Inc. filed for bankruptcy on September 15, 2008. As of October 1, 2008, Lehman Brothers did not fulfill their swap counterparty payment obligation and are considered in default. OCTA is working with general counsel and bond counsel to determine the impact of the bankruptcy on OCTA's interest rate swap.

On August 11, 2008, the OCTA investment policy was amended to reflect investments in the 91 Express Lanes debt. Specifically, 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.

(19) EFFECT OF NEW PRONOUNCEMENTS

GASB STATEMENT NO. 45

In June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. OCTA has not determined its effects on OCTA's financial statements. OCTA has implemented the new reporting requirement for fiscal year 2008.

GASB STATEMENT NO. 47

In June 2005, GASB issued Statement No. 47, Accounting for Termination Benefits. This statement provides guidance on accounting and financial reporting for termination benefits. These benefits include incentives for voluntary terminations such as early retirement window programs and involuntary termination benefits, such as severance payments. The statement requires employers to disclose a description of the termination benefit arrangement, the cost of their termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefits provided through an existing defined benefit OPEB plan. For fiscal year 2008, OCTA did not have any termination benefit arrangements.

GASB STATEMENT NO. 49

In November 2006, GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement address accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is effective for OCTA's fiscal year ending June 30, 2009.

GASB STATEMENT NO. 50

In May 2007, GASB issued Statement No. 50, Pension Disclosures – an amendment to GASB Statements No. 25 and No. 27. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhance information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. OCTA has implemented the new disclosure requirement for fiscal year 2008.

GASB Statement No. 51

In June 2007, GASB issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement is effective for OCTA's fiscal year ending June 30, 2010.

GASB Statement No. 52

In November 2007, GASB issued Statement No. 52, Land and Other Real Estate Held as Investments by Endowments. This statement requires that Endowments report their land and other real estate investments at fair value. This statement is effective for OCTA's fiscal year ending June 30, 2010. OCTA does not have land and other real estate held as investments by Endowments, therefore this statement is not applicable to OCTA.

GASB Statement No. 53

In June 2008, GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement is effective for OCTA's fiscal year ending June 30, 2010.

Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts: Original	Budgeted Amounts: Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines	$ 167	$ 167	$ 183	$ 16
Contributions from other agencies	158	308	11,335	11,027
Charges for services	50,049	50,049	47,326	(2,723)
Interest and investment income	419	419	658	239
Capital assistance grants	21,331	27,397	3,357	(24,040)
Miscellaneous	328	328	1,238	910
Total revenues	72,452	78,668	64,097	(14,571)
Expenditures				
Current:				
General government:				
Salaries and benefits	35,004	36,060	36,123	(63)
Supplies and services	42,242	47,769	25,273	22,496
Transportation:				
Contributions to other local agencies	29,764	31,372	15,382	15,990
Capital outlay	1,966	2,314	1,462	852
Total expenditures	108,976	117,515	78,240	39,275
Excess (deficiency) of revenues over (under) expenditures	(36,524)	(38,847)	(14,143)	24,704
Other financing sources				
Transfers in	29,358	29,358	18,036	(11,322)
Proceeds from sale of capital assets	-	-	22	22
Total other financing sources	29,358	29,358	18,058	(11,300)
Net change in fund balance	$ (7,166)	$ (9,489)	$ 3,915	$ 13,404

See accompanying notes to required supplementary information.

Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Authority Special Revenue Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax revenue	$ 300,299	$ 300,299	$ 269,118	$ (31,181)
Contributions from other agencies	-	200	5,586	5,386
Interest and investment income	22,636	22,636	30,608	7,972
Capital assistance grants	27,134	27,134	15,496	(11,638)
Miscellaneous	2,407	2,407	2,732	325
Total revenues	352,476	352,676	323,540	(29,136)
Expenditures				
Current:				
General government:				
Supplies and services	73,508	86,001	45,110	40,891
Transportation:				
Contributions to other local agencies	163,154	163,648	108,239	55,409
Capital outlay	170,260	206,961	80,737	126,224
Debt service:				
Interest on long-term debt and commercial paper	844	844	1,480	(636)
Total expenditures	407,766	457,454	235,566	221,888
Excess (deficiency) of revenues over (under) expenditures	(55,290)	(104,778)	87,974	192,752
Other financing sources (uses)				
Transfers in	15,801	15,801	161	(15,640)
Transfers out	(103,029)	(103,029)	(89,426)	13,603
Total other financing sources (uses)	(87,228)	(87,228)	(89,265)	(2,037)
Net change in fund balance	$ (142,518)	$ (192,006)	$ (1,291)	$ 190,715

See accompanying notes to required supplementary information.

Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Special Revenue Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax revenue	$ 120,741	$ 120,741	$ 106,891	$ (13,850)
Interest and investment income	431	431	166	(265)
Total revenues	121,172	121,172	107,057	(14,115)
Expenditures				
Current:				
General government:				
Supplies and services	1,514	1,514	1,684	(170)
Transportation:				
Contributions to other local agencies	2,869	2,869	3,333	(464)
Total expenditures	4,383	4,383	5,017	(634)
Excess of revenues over expenditures	116,789	116,789	102,040	(14,749)
Other financing uses				
Transfers out	(116,552)	(116,552)	(103,303)	13,249
Total other financing uses	(116,552)	(116,552)	(103,303)	13,249
Net change in fund balance	$ 237	$ 237	$ (1,263)	$ (1,500)

See accompanying notes to required supplementary information.

Required Supplementary Information
Budgetary Comparison Schedule
Commuter Urban Rail Endowment Special Revenue Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines	$ 9	$ 9	$ 14	$ 5
Contributions from other agencies	-	-	50	50
Interest and investment income	3,918	3,918	8,685	4,767
Federal capital assistance grants	13,921	13,921	2,763	(11,158)
Miscellaneous	577	577	574	(3)
Total revenues	18,425	18,425	12,086	(6,339)
Expenditures				
Current:				
General government:				
Supplies and services	18,784	19,484	15,327	4,157
Transportation:				
Contributions to other local agencies	33,495	40,302	6,258	34,044
Total expenditures	52,279	59,786	21,585	38,201
Excess (deficiency) of revenues over (under) expenditures	(33,854)	(41,361)	(9,499)	31,862
Other financing sources (uses)				
Transfers in	3,313	3,313	2,564	(749)
Transfers out	(2,816)	(2,816)	(7,407)	(4,591)
Total other financing sources (uses)	497	497	(4,843)	(5,340)
Net change in fund balance	$ (33,357)	$ (40,864)	$ (14,342)	$ 26,522

See accompanying notes to required supplementary information.

(THOUSANDS)

JUNE 30, 2008

(1) BUDGETARY DATA

OCTA establishes accounting control through formal adoption of an annual operating budget for all governmental funds. The operating budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2008 is available from the OCTA Finance, Administration and Human Resources Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations for the following major governmental fund as of June 30, 2008:

FUND	ACCOUNT	APPROPRIATIONS	EXPENDITURES	EXPLANATIONS
General Fund	Salaries and benefits	$ 36,060	$ 36,123	Funding of ARBA Trust Account

(THOUSANDS)

JUNE 30, 2008

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

Combining Balance Sheet - Nonmajor Governmental Funds

(thousands)

	Special Revenue					
June 30, 2008	OCUTT	SAFE	SAAV	STAF	Gas Tax	Total
Assets						
Cash and investments	$ 9,661	$ 2955	$ 2,388	$ 434	$ 78	$ 15,516
Receivables:						
Interest	190	49	23	2	-	264
Capital grants	-	-	-	-	-	-
Other	-	42	-	-	-	42
Due from other governments	-	3,360	657	5,567	5,750	15,334
Advance to other funds	1,884	-	-	-	-	1,884
Total Assets	$ 11,735	$ 6,406	$ 3,068	$ 6,003	$ 5,828	$ 33,040
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 6	$ 468	$ 1	$ -	$ -	$ 475
Due to other funds	-	-	33	5,567	5,285	10,885
Due to other governments	-	4	468	-	-	472
Deferred revenue	57	-	-	-	-	57
Total Liabilities	63	472	502	5,567	5,285	11,889
Fund Balances:						
Reserved for:						
Encumbrances	-	542	-	-	-	542
Advances	1,884	-	-	-	-	1,884
Transportation programs	-	-	-	436	543	979
Motorist services	-	5,392	2,566	-	-	7,958
Unreserved (deficit), reported in:						
Special revenue funds	9,788	-	-	-	-	9,788
Capital project funds	-	-	-	-	-	-
Total fund balances	11,672	5,934	2,566	436	543	21,151
Total liabilities and fund balances	$ 11,735	$ 6,406	$ 3,068	$ 6,003	$ 5,828	$ 33,040

Combining Balance Sheet - Nonmajor Governmental Funds, *continued*

(thousands)

June 30, 2008	Capital Projects: General	Capital Projects: OCTD	Capital Projects: Rail Capital Project	Capital Projects: Total	Total Nonmajor Governmental Funds
Assets					
Cash and investments	$ 9,078	$ 15	$ 1,159	$ 10,252	$ 25,768
Receivables:					
Interest	-	-	63	63	327
Capital grants	516	-	-	516	516
Other	-	-	-	-	42
Due from other governments	331	-	-	331	15,665
Advance to other funds	-	-	-	-	1,884
Total Assets	$ 9,925	$ 15	$ 1,222	$ 11,162	$ 44,202
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 1,093	$ -	$ -	$ 1,093	$ 1,568
Due to other funds	38	-	-	38	10,923
Due to other governments	-	-	-	-	472
Deferred revenue	-	-	-	-	57
Total Liabilities	1,131	-	-	1,131	13,020
Fund Balances:					
Reserved for:					
Encumbrances	14,223	759	25	15,007	15,549
Advances	-	-	-	-	1,884
Transportation programs	-	-	-	-	979
Motorist services	-	-	-	-	7,958
Unreserved (deficit), reported in:					
Special revenue funds	-	-	-	-	9,788
Capital project funds	(5,429)	(744)	1,197	(4,976)	(4,976)
Total fund balances	8,794	15	1,222	10,031	31,182
Total liabilities and fund balances	$ 9,925	$ 15	$ 1,222	$ 11,162	$ 44,202

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

(thousands)

	Special Revenue					
for the year ended June 30, 2008	OCUTT	SAFE	SAAV	STAF	Gas Tax	Total
REVENUES:						
Sales taxes	$ -	$ -	$ -	$ 17,341	$ -	$ 17,341
Gasoline taxes	-	-	-	-	23,000	23,000
Vehicle registration fees	-	2,563	2,574	-	-	5,137
Contributions from other agencies	-	3,437	-	-	-	3,437
Interest and investment income	1,349	257	153	60	-	1,819
Capital assistance grants	-	-	-	-	-	-
Miscellaneous	-	33	-	-	-	33
TOTAL REVENUES	1,349	6,290	2,727	17,401	23,000	50,767
EXPENDITURES:						
Current:						
General government:						
Supplies and services	29	6,109	8	2	-	6,148
Transportation:						
Contributions to other local agencies	-	-	1,549	-	23,000	24,549
Capital outlay	-	10	-	-	-	10
TOTAL EXPENDITURES	29	6,119	1,557	2	23,000	30,707
Excess (deficiency) of revenues over (under) expenditures	1,320	171	1,170	17,399	-	20,060
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	(942)	-	(129)	(17,340)	-	(18,411)
TOTAL OTHER FINANCING SOURCES (USES)	(942)	-	(129)	(17,340)	-	(18,411)
Net change in fund balances	378	171	1,041	59	-	1,649
Fund balances-beginning	11,294	5,763	1,525	377	543	19,502
FUND BALANCES-ENDING	$ 11,672	$ 5,934	$ 2,566	$ 436	$ 543	$ 21,151

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, *continued*

Nonmajor Governmental Funds

(thousands)

for the year ended June 30, 2008	Capital Projects: General	Capital Projects: OCTD	Capital Projects: Rail Capital Project	Capital Projects: Total	Total Nonmajor Governmental Funds
Revenues:					
Sales taxes	$ -	$ -	$ -	$ -	$ 17,341
Gasoline taxes	-	-	-	-	23,000
Vehicle registration fees	-	-	-	-	5,137
Contributions from other agencies	486	-	-	486	3,923
Interest and investment income	-	-	72	72	1,891
Capital assistance grants	516	-	-	516	516
Miscellaneous	-	-	-	-	33
Total revenues	1,002	-	72	1,074	51,841
Expenditures:					
Current:					
General government:					
Supplies and services	334	3	1	338	6,486
Transportation:					
Contributions to other local agencies	-	-	-	-	24,549
Capital outlay	1,992	-	-	1,992	2,002
Total expenditures	2,326	3	1	2,330	33,037
Excess (deficiency) of revenues over (under) expenditures	(1,324)	(3)	71	(1,256)	18,804
Other financing sources (uses):					
Transfers in	2,317	3	-	2,320	2,320
Transfers out	(161)	-	-	(161)	(18,572)
Total other financing sources (uses)	2,156	3	-	2,159	(16,252)
Net change in fund balances	832	-	71	903	2,552
Fund balances-beginning	7,962	15	1,151	9,128	28,630
Fund balances-ending	$ 8,794	$ 15	$ 1,222	$ 10,031	$ 31,182

Budgetary Comparison Schedule
Local Transportation Authority Debt Service Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Interest and investment income	$ 5,118	$ 5,118	$ 7,274	$ 2,156
Total revenues	5,118	5,118	7,274	2,156
Expenditures				
Current:				
General government:				
Supplies and services	152	152	152	-
Debt service:				
Principal payments on long-term debt	71,290	71,290	71,290	-
Interest on long-term debt and commercial paper	17,168	17,168	17,168	-
Total expenditures	88,610	88,610	88,610	-
Excess (deficiency) of revenues over (under) expenditures	(83,492)	(83,492)	(81,336)	2,156
Other financing sources				
Transfers in	88,458	88,458	88,426	(32)
Total other financing sources	88,458	88,458	88,426	(32)
Net change in fund balance	$ 4,966	$ 4,966	$ 7,090	$ 2,124

Budgetary Comparison Schedule
Local Transportation Authority Debt Service Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Interest and investment income	$ 5,118	$ 5,118	$ 7,274	$ 2,156
Total revenues	5,118	5,118	7,274	2,156
Expenditures				
Current:				
General government:				
Supplies and services	152	152	152	-
Debt service:				
Principal payments on long-term debt	71,290	71,290	71,290	-
Interest on long-term debt and commercial paper	17,168	17,168	17,168	-
Total expenditures	88,610	88,610	88,610	-
Excess (deficiency) of revenues over (under) expenditures	(83,492)	(83,492)	(81,336)	2,156
Other financing sources				
Transfers in	88,458	88,458	88,426	(32)
Total other financing sources	88,458	88,458	88,426	(32)
Net change in fund balance	$ 4,966	$ 4,966	$ 7,090	$ 2,124

Budgetary Comparison Schedule

Orange County Unified Transportation Trust Special Revenue Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Interest and investment income	$ 560	$ 560	$ 1,349	$ 789
Total revenues	560	560	1,349	789
Expenditures				
Current:				
General government:				
Supplies and services	16	16	29	(13)
Total expenditures	16	16	29	(13)
Excess of revenues over expenditures	544	544	1,320	776
Other financing uses				
Transfers out	(686)	(686)	(942)	(256)
Total other financing uses	(686)	(686)	(942)	(256)
Net change in fund balance	$ (142)	$ (142)	$ 378	$ 520

Budgetary Comparison Schedule

Service Authority for Freeway Emergencies Special Revenue Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Vehicle registration fees	$ 2,560	$ 2,560	$ 2,563	$ 3
Contributions from other agencies	3,685	3,685	3,437	(248)
Interest and investment income	226	226	257	31
Miscellaneous	22	22	33	11
Total revenues	6,493	6,493	6,290	(203)
Expenditures				
Current:				
General government:				
Supplies and services	7,946	7,946	6,109	1,837
Capital outlay	57	57	10	47
Total expenditures	8,003	8,003	6,119	1,884
Excess (deficiency) of revenues over (under) expenditures	(1,510)	(1,510)	171	1,681
Net change in fund balance	$ (1,510)	$ (1,510)	$ 171	$ 1,681

Budgetary Comparison Schedule

Service Authority for Abandoned Vehicles Special Revenue Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Vehicle registration fees	$ 2,600	$ 2,600	$ 2,574	$ (26)
Interest and investment income	43	43	153	110
Total revenues	2,643	2,643	2,727	84
Expenditures				
Current:				
General government:				
Supplies and services	86	86	8	78
Transportation:				
Contributions to other local agencies	2,242	2,242	1,549	693
Total expenditures	2,328	2,328	1,557	771
Excess of revenues over expenditures	315	315	1,170	855
Other financing uses				
Transfers out	(130)	(130)	(129)	1
Total other financing uses	(130)	(130)	(129)	1
Net change in fund balance	$ 185	$ 185	$ 1,041	$ 856

Budgetary Comparison Schedule

State Transit Assistance Special Revenue Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts: Original	Budgeted Amounts: Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax revenue	$ 10,823	$ 10,823	$ 17,341	$ 6,518
Interest and investment income	24	24	60	36
Total revenues	10,847	10,847	17,401	6,554
Expenditures				
Current:				
General government:				
Supplies and services	-	-	2	(2)
Total expenditures	-	-	2	(2)
Excess of revenues over expenditures	10,847	10,847	17,399	6,552
Other financing uses				
Transfers out	(10,847)	(10,847)	(17,340)	(6,493)
Total other financing uses	(10,847)	(10,847)	(17,340)	(6,493)
Net change in fund balance	$ -	$ -	$ 59	$ 59

Budgetary Comparison Schedule
Gas Tax Special Revenue Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Gasoline tax revenue	$ 23,000	$ 23,000	$ 23,000	$ -
Total revenues	23,000	23,000	23,000	-
Expenditures				
Current:				
Transportation:				
Contributions to other local agencies	23,000	23,000	23,000	-
Total expenditures	23,000	23,000	23,000	-
Net change in fund balance	$ -	$ -	$ -	$ -

Budgetary Comparison Schedule
General Capital Projects Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Contributions from other agencies	$ -	$ -	$ 486	$ 486
Interest	288	288	-	(288)
Capital assistance grants	755	755	516	(239)
Operating assistance grants	260	260	-	(260)
TOTAL REVENUES	1,303	1,303	1,002	(301)
EXPENDITURES				
Current:				
General government:				
Supplies and services	1,100	1,100	334	766
Capital outlay	3,167	16,857	1,992	14,865
TOTAL EXPENDITURES	4,267	17,957	2,326	15,631
Excess (deficiency) of revenues over (under) expenditures	(2,964)	(16,654)	(1,324)	15,330
OTHER FINANCING SOURCES (USES)				
Transfers in	1,962	1,962	2,317	355
Transfers out	(25)	(25)	(161)	(136)
TOTAL OTHER FINANCING SOURCES (USES)	1,937	1,937	2,156	219
Net change in fund balance	$ (1,027)	$ (14,717)	$ 832	$ 15,549

Budgetary Comparison Schedule

Orange County Transit District Capital Projects Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Interest and investment income	$ 1	$ 1	$ -	$ (1)
Total revenues	1	1	-	(1)
Expenditures				
Current:				
General government:				
Supplies and services	149	149	3	146
Capital outlay	773	773	-	773
Total expenditures	922	922	3	919
Excess (deficiency) of revenues over (under) expenditures	(921)	(921)	(3)	918
Other financing sources				
Transfers in	-	-	3	3
Total other financing sources	-	-	3	3
Net change in fund balance	$ (921)	$ (921)	$ -	$ 921

Budgetary Comparison Schedule
Rail Capital Project Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2008	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Interest and investment income	$ 48	$ 48	$ 72	$ 24
TOTAL REVENUES	48	48	72	24
EXPENDITURES				
Current:				
General government:				
Supplies and services	34	34	1	33
TOTAL EXPENDITURES	34	34	1	33
Excess (deficiency) of revenues over (under) expenditures	14	14	71	57
Net change in fund balance	$ 14	$ 14	$ 71	$ 57

(THOUSANDS)

JUNE 30, 2008

Nonmajor Enterprise Funds

Bus Operations Fund (BOF) – This fund was established by the Board in 1996 with moneys from various OCTA accounts available for use in mass transit. The principal and interest earnings are intended to partially subsidize the bus operations of OCTD through the 2011 fiscal year.

Orange County Taxicab Administration Program (OCTAP) – This fund accounts for the taxicab licensing and driver's permit program. The sources of funding for the operations are the permit fees.

Combining Statement of Fund Net Assets - Nonmajor Enterprise Funds

(thousands)

June 30, 2008	Enterprise Funds: Bus Operations	Enterprise Funds: OCTAP	Enterprise Funds: Total Nonmajor Enterprise Funds
ASSETS			
Current assets:			
Cash and investments	$ 39,190	$ 253	$ 39,443
Receivables:			
Interest	641	2	643
Prepaid retirement	-	28	28
Total current assets	39,831	283	40,114
TOTAL ASSETS	39,831	283	40,114
LIABILITIES			
Current liabilities:			
Accounts payable	$ 13	$ 3	$ 16
Accrued payroll and related items	-	9	9
Due to other governments	-	2	2
Unearned revenue	-	2	2
Current portion of long-term liabilities	-	15	15
Total current liabilities	13	31	44
TOTAL LIABILITIES	13	31	44
NET ASSETS			
Unrestricted	39,818	252	40,070
TOTAL NET ASSETS	$ 39,818	$ 252	$ 40,070

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds

(thousands)

for the year ended June 30, 2008	Enterprise Funds: Bus Operations	Enterprise Funds: OCTAP	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Permit fees	$ -	$ 508	$ 508
TOTAL OPERATING REVENUES	-	508	508
OPERATING EXPENSES:			
Wages, salaries and benefits	-	229	229
Purchased services	53	-	53
Administrative services	-	164	164
Other	-	3	3
Professional services	-	26	26
General and administrative	-	12	12
TOTAL OPERATING EXPENSES	53	434	487
Operating income (loss)	(53)	74	21
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	2,959	18	2,977
Other	-	6	6
TOTAL NONOPERATING REVENUES (EXPENSES)	2,959	24	2,983
Income before contributions and transfers	2,906	98	3,004
Transfers in	-	10	10
Transfers out	(14,000)	-	(14,000)
Change in net assets	(11,094)	108	(10,986)
Total net assets - beginning	50,912	144	51,056
TOTAL NET ASSETS - ENDING	$ 39,818	$ 252	$ 40,070

Combining Statement of Cash Flows - Nonmajor Enterprise Funds

(thousands)

	Enterprise Funds		
for the year ended June 30, 2008	Bus Operations	OCTAP	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	$ -	$ 509	$ 509
Payments to suppliers	(49)	(44)	(93)
Payments to employees	-	(224)	(224)
Payments for interfund services used	-	(164)	(164)
Miscellaneous	-	6	6
Net cash provided by (used for) operating activities	(49)	83	34
Cash flows from noncapital financing activities:			
State transit assistance funds received	-	10	10
Transfers out	(14,000)	-	(14,000)
Net cash provided by (used for) noncapital financing activities	(14,000)	10	(13,990)
Cash flows from investing activities:			
Investment earnings	3,073	17	3,090
Net cash provided by investing activities	3,073	17	3,090
Net increase (decrease) in cash and cash equivalents	(10,976)	110	(10,866)
Cash and cash equivalents at beginning of year	50,166	143	50,309
Cash and cash equivalents at end of year	$ 39,190	$ 253	$ 39,443
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (53)	$ 74	$ 21
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Miscellaneous	-	6	6
Change in assets and liabilities:			
Other assets	-	(5)	(5)
Accounts payable	4	-	4
Accrued payroll and related items	-	2	2
Compensated absences	-	3	3
Due to other governments	-	2	2
Unearned revenue	-	1	1
Total adjustments	4	9	13
Net cash provided by (used for) operating activities	$ (49)	$ 83	$ 34

(THOUSANDS)

JUNE 30, 2008

INTERNAL SERVICE FUNDS

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

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

Combining Statement of Fund Net Assets - Internal Service Funds

(thousands)

June 30, 2008	General Liability	Workers' Compensation	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	$ 30,260	$ 14,678	$ 44,938
Receivables:			
Interest	300	240	540
Other	86	125	211
Other assets	345	996	1,341
Total current assets	30,991	16,039	47,030
TOTAL ASSETS	30,991	16,039	47,030
LIABILITIES			
Accounts payable	60	263	323
Claims payable	1,894	1,430	3,324
Other liabilities	-	102	102
Total current liabilities	1,954	1,795	3,749
Noncurrent liabilities:			
Claims payable	3,443	8,564	12,007
Total noncurrent liabilities	3,443	8,564	12,007
TOTAL LIABILITIES	5,397	10,359	15,756
NET ASSETS			
Unrestricted	25,594	5,680	31,274
TOTAL NET ASSETS	$ 25,594	$ 5,680	$ 31,274

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds

(thousands)

for the year ended June 30, 2008	General Liability	Workers' Compensation	Total Internal Service Funds
Operating revenues:			
Charges for services	$ 1,492	$ 7,931	$ 9,423
Total operating revenues	1,492	7,931	9,423
Operating expenses:			
Administrative services	76	63	139
Other	-	92	92
Insurance claims and premiums	2,112	3,313	5,425
Professional services	576	436	1,012
General and administrative	-	3	3
Total operating expenses	2,764	3,907	6,671
Operating income (loss)	(1,272)	4,024	2,752
Nonoperating revenues (expenses):			
Investment earnings	2,036	1,885	3,921
Other	367	227	594
Total nonoperating revenues (expenses)	2,403	2,112	4,515
Income (loss) before contributions and transfers	1,131	6,136	7,267
Transfers out	-	(13,992)	(13,992)
Change in net assets	1,131	(7,856)	(6,725)
Total net assets - beginning	24,463	13,536	37,999
Total net assets - ending	$ 25,594	$ 5,680	$ 31,274

Combining Statement of Cash Flows - Internal Service Funds

(thousands)

for the year ended June 30, 2008	General Liability	Workers' Compensation	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	$ 1,492	$ 8,098	$ 9,590
Payments to suppliers	(405)	(599)	(1,004)
Payments to claimants	(1,802)	(3,939)	(5,741)
Payments for interfund services used	(76)	(63)	(139)
Net cash provided by (used for) operating activities	(791)	3,497	2,706
Cash flows from noncapital financing activities:			
Transfers out	-	(13,992)	(13,992)
Net cash provided by noncapital financing activities	-	(13,992)	(13,992)
Cash flows from investing activities:			
Investment earnings	2,024	1,838	3,862
Net cash provided by investing activities	2,024	1,838	3,862
Net increase (decrease) in cash and cash equivalents	1,233	(8,657)	(7,424)
Cash and cash equivalents at beginning of year	29,027	23,335	52,362
Cash and cash equivalents at end of year	$ 30,260	$ 14,678	$ 44,938
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (1,272)	$ 4,024	$ 2,752
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Insurance recoveries	367	227	594
Change in assets and liabilities:			
Receivables	(69)	167	98
Other assets	(90)	(205)	(295)
Accounts payable	(37)	(90)	(127)
Claims payable	310	(626)	(316)
Total adjustments	481	(527)	(46)
Net cash provided by (used for) operating activities	$ (791)	$ 3,497	$ 2,706

Metrolink

Statistical Section

91 Express Lanes

Schedule 1

Net Assets by Component, Last Seven Fiscal Years

(accrual basis of accounting- thousands)

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

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

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

Schedule 2

Changes in Net Assets, Last Seven Fiscal Years

(accrual basis of accounting - thousands)

	Fiscal Year						
Expenses	2002	2003	2004	2005	2006	2007	2008
Governmental activities:							
General government	$ 84,319	$ 72,284	$ 76,583	$ 79,777	$ 80,961	$ 125,160	$ 105,009
Measure M program	156,775	134,900	147,135	108,370	133,524	174,314	748,962
Motorist services	7,986	8,681	7,619	7,672	8,451	6,717	7,669
Commuter rail	11,029	10,294	10,463	20,505	18,442	49,791	21,585
Urban rail	1,312	37,992	15,755	10,115	128	-	-
Total governmental activites expenses	261,421	264,151	257,555	226,439	241,506	355,982	883,225
Business-type activities:							
Fixed Route	175,460	184,495	199,375	220,037	223,160	233,827	243,151
Paratransit	19,497	23,567	28,935	32,558	28,285	28,002	35,631
Tollroad	-	16,575	33,508	33,886	33,693	34,430	35,375
Taxicab administration	262	311	243	245	271	366	431
Total business-type activites expenses	195,219	224,948	262,061	286,726	285,409	296,625	314,588
Total primary government expenses	$ 456,640	$ 489,099	$ 519,616	$ 513,165	$ 526,915	$ 652,607	$ 1,197,813
Program Revenues							
Governmental activities:							
Charges for services:							
General government	$ 33,321	$ 33,977	$ 37,189	$ 39,429	$ 37,517	$ 43,840	$ 47,509
Other activities	795	664	797	735	713	880	1,172
Operating grants and contributions	5,280	4,483	4,325	35,263	29,632	31,963	35,125
Capital grants and contributions	27,420	45,548	38,787	154,565	107,349	59,344	34,142
Total governmental activites program revenues	66,816	84,672	81,098	229,992	175,211	136,027	117,948
Business-type activities:							
Charges for services:							
Fixed route	59,316	46,143	47,940	52,636	54,178	48,562	50,522
Tollroad	-	14,398	32,391	39,598	44,238	49,838	46,236
Other activities	3,052	3,608	3,770	4,660	5,016	6,063	6,593
Operating grants and contributions	33,564	55,962	55,094	42,681	44,555	46,493	53,561
Capital grants and contributions	64,818	14,351	22,910	25,218	8,750	15,948	69,693
Total business-type activites program revenues	160,750	134,462	162,105	164,793	156,737	166,904	226,605
Total primary government program revenues	$ 227,566	$ 219,134	$ 243,203	$ 394,785	$ 331,948	$ 302,931	$ 344,553
Net (expense)/revenue							
Governmental activities	$ (194,605)	$ (179,479)	$ (176,457)	$ 3,553	$ (66,295)	$ (219,955)	$ (765,277)
Business-type activities	(34,469)	(90,486)	(99,956)	(121,933)	(128,672)	(129,721)	(87,983)
Total primary government net expense	$ (229,074)	$ (269,965)	$ (276,413)	$ (118,380)	$ (194,967)	$ (349,676)	$ (853,260)

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

The 91 Express Lanes were purchased in January, 2003.

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

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

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

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

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

Schedule 2
Changes in Net Assets, Last Seven Fiscal Years, *continued*

(accrual basis of accounting- thousands)

	Fiscal Year 2002	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Sales taxes	$ 297,705	$ 301,011	$ 328,853	$ 351,185	$ 385,090	$ 421,067	$ 393,350
Vehicle registration	4,699	4,801	4,840	-	-	-	-
Motor fuel taxes	23,000	23,000	23,000	-	-	-	-
Unrestricted investment earnings	43,461	35,132	8,513	20,496	16,583	37,322	49,331
Loss on sale of capital assets	(15)	(3,180)	-	-	-	-	-
Other miscellaneous revenue	188	3,224	3,046	310	494	668	1,271
Transfers	(74,318)	(66,690)	(79,799)	(91,273)	(104,451)	(102,981)	(107,537)
Total governmental activities	294,720	297,298	288,453	280,718	297,716	356,076	336,415
Business-type activities:							
Taxes							
Property taxes	6,690	7,239	7,846	8,473	9,762	10,338	11,178
Unrestricted investment earnings	22,210	16,215	2,900	8,506	8,127	18,117	21,476
Gain (loss) on sale of capital assets	(1,799)	41	-	-	-	-	-
Other miscellaneous revenue	308	230	287	443	497	495	507
Transfers	74,318	66,690	79,799	91,273	104,451	102,981	107,537
Total business-type activities	101,727	90,415	90,832	108,695	122,837	131,931	140,698
Total primary government	$ 396,447	$ 387,713	$ 379,285	$ 389,413	$ 420,553	$ 488,007	$ 477,113
Change in Net Assets							
Governmental activities	$ 100,115	$ 117,819	$ 111,996	$ 284,271	$ 231,421	$ 136,121	$ (428,862)
Business-type activities	67,258	(71)	(9,124)	(13,238)	(5,835)	2,210	52,715
Total primary government	$ 167,373	$ 117,748	$ 102,872	$ 271,033	$ 225,586	$ 138,331	$ (376,147)

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

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

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

Schedule 3

Fund Balances, Governmental Funds, Last Seven Fiscal Years

(modified accrual basis of accounting-thousands)

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

Source: Accounting and Financial Reporting Department
Notes: GASB 34 was implemented July 1, 2001.

Schedule 4

Changes in Fund Balances, Governmental Funds, Last Seven Fiscal Years

(modified accrual basis of accounting-thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues							
Sales taxes	$ 297,705	$ 301,011	$ 328,853	$ 351,185	$ 385,090	$ 421,067	$ 393,350
Gasoline taxes	23,000	23,000	23,000	23,000	23,000	23,000	23,000
Vehicle registration fees	4,699	4,801	4,840	4,816	5,096	5,114	5,137
Fines	185	185	160	172	170	191	197
Contributions from other agencies	17,023	23,516	12,639	117,572	45,595	22,101	20,894
Charges for services	29,805	33,804	37,087	39,242	37,354	43,663	47,326
Interest	43,390	35,074	5,472	19,262	17,072	42,431	49,282
Federal capital assistance grants	15,678	30,291	8,585	27,549	71,250	36,357	22,132
Miscellaneous	916	3,871	3,833	1,056	1,203	1,532	4,577
Total revenues	432,401	455,553	424,469	583,854	585,830	595,456	565,895
Expenditures							
Current:							
General government:							
Salaries and benefits	17,968	21,986	25,921	27,968	28,635	30,918	36,123
Supplies and services	48,847	94,989	70,935	78,611	61,131	64,432	94,032
Contributions to other local agencies	97,386	84,366	93,340	90,517	98,701	208,152	157,761
Capital outlay	72,881	28,590	20,745	141,805	301,496	132,514	84,201
Debt service:							
Principal payments on long-term debt	51,565	54,200	57,660	60,615	63,720	67,325	71,290
Advance refunding escrow	593	-	-	-			
Interest on long-term debt and commercial paper	37,267	34,337	30,963	28,325	25,306	22,303	18,648
Total expenditures	326,507	318,468	299,564	427,841	578,989	525,644	462,055
Excess of revenues over expenditures	105,894	137,085	124,905	156,013	6,841	69,812	103,840
Other financing sources (uses):							
Transfers in	106,357	121,818	120,095	138,679	103,709	175,338	111,507
Transfers out	(180,675)	(188,508)	(199,894)	(229,951)	(208,095)	(275,264)	(218,708)
Proceeds from sale of capital assets and land held for resale	-	1,885	5,361	1,093	7,269	1,994	22
Proceeds of refunding bonds	71,485	-	-	-	-	-	-
Payment to refunded bond escrow agent	(70,757)	-	-	-	-	-	-
Total other financing sources (uses)	(73,590)	(64,805)	(74,438)	(90,179)	(97,117)	(97,932)	(107,179)
Net changes in fund balances	$ 32,304	$ 72,280	$ 50,467	$ 65,834	$ (90,276)	$ (28,120)	$ (3,339)
Debt service as a percentage of noncapital expenditures	28.5%	27.9%	29.7%	29.1%	29.3%	21.1%	22.6%

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

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

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

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

SCHEDULE 5

PROGRAM REVENUES BY FUNCTION/PROGRAM - LAST SEVEN FISCAL YEARS

(accrual basis of accounting- thousands)

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

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

The 91 Express Lanes were purchased in January, 2003.

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

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

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

Schedule 6

Tax Revenues by Source, Governmental funds, Last Ten fiscal Years

(accrual basis of accounting - thousands)

Fiscal Year	*Sales & Use*	*Gasoline (a)*	*Total*
1999	$ 230,300	23,000	$ 253,300
2000	245,573	23,000	268,573
2001	273,394	23,000	296,394
2002	303,817	23,000	326,817
2003	297,705	23,000	320,705
2004	301,012	23,000	324,012
2005	328,853	23,000	351,853
2006	385,090	23,000	408,090
2007	421,067	23,000	444,067
2008	393,350	23,000	416,350
Change			
1999 - 2008	70.8%	0.0%	64.4%

Source: Accounting and Financial Reporting Department

Notes:

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

Schedule 7

Taxable Sales by Category, Last Ten Calendar Years

(thousands)

	Calendar Year 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 (a)
1 Apparel stores	$ 1,361,470	$ 1,211,410	$ 1,364,366	$ 1,446,572	$ 1,508,011	$ 1,697,120	$ 1,881,882	$ 2,062,892	$ 2,152,410	$ 502,579
2 General merchandise	3,650,906	4,067,855	4,334,887	4,432,881	4,618,932	4,855,674	5,205,075	5,467,357	5,741,912	1,305,674
3 Specialty stores	4,122,837	4,609,085	5,119,964	4,999,099	4,837,212	5,085,612	5,700,317	6,028,089	6,514,211	1,104,974
4 Food stores	1,359,193	1,436,680	1,509,744	1,534,244	1,551,611	1,574,528	1,563,145	1,716,228	1,781,284	415,475
5 Eating and drinking establishments	2,990,871	3,247,127	3,535,316	3,749,604	3,884,388	4,149,117	4,475,791	4,798,676	5,051,841	1,279,376
6 Home furnishings and appliances	1,206,212	1,358,467	1,486,155	1,501,585	1,722,573	1,985,255	2,135,876	2,269,650	2,202,194	502,150
7 Building material	1,581,890	1,842,935	2,013,714	2,157,196	2,275,964	2,480,249	2,950,592	3,000,086	3,029,741	715,896
8 Automotive	5,532,584	6,324,273	7,378,529	7,957,760	8,482,604	9,651,049	10,585,091	11,283,156	11,490,939	2,774,659
9 Other	650,144	690,742	742,314	739,760	765,523	809,093	944,184	1,046,700	1,109,919	725,283
10 Business and personal services	2,338,242	2,441,463	2,625,459	2,673,666	2,615,150	2,699,250	2,819,934	2,938,129	2,987,539	699,553
11 All other outlets	12,314,001	13,136,053	14,352,012	13,402,947	12,607,188	12,530,119	13,420,172	14,452,283	15,140,757	3,682,630
Total	$ 37,108,350	$ 40,366,090	$ 44,462,460	$ 44,595,314	$ 44,869,156	$ 47,517,066	$ 51,682,059	$ 55,063,246	$ 57,202,747	$ 13,708,249
Measure M Ordinance direct sales tax rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Source: California State Board of Equalization

Notes:

(a) Represents the first and second quarter only.

Schedule 8

Direct and Overlapping Sales Tax Rates, last ten calendar years

(thousands)

Calendar Year	Measure M Direct rate	County of Orange
1999	0.50%	7.25%
2000	0.50%	7.25%
2001	0.50%	7.00%
2002	0.50%	7.25%
2003	0.50%	7.25%
2004	0.50%	7.25%
2005	0.50%	7.25%
2006	0.50%	7.25%
2007	0.50%	7.25%
2008	0.50%	7.25%

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

Notes:

Measure M information provided by the Measure M Ordinance

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

Schedule 9

Principal Taxable Sales Generation by City, Current Year and Nine Years Ago

(thousands)

City	2006 Taxable Sales	2006 Rank	2006 Percentage of Total	1997 Taxable Sales	1997 Rank	1997 Percentage of Total
Aliso Viejo	$ 406,609	28	0.80%	$ (a)		
Anaheim	5,827,440	1	11.43%	3,547,715	1	11.67%
Brea	1,657,090	12	3.25%	1,028,567	11	3.38%
Buena Park	1,898,407	8	3.72%	939,282	12	3.09%
Costa Mesa	4,117,047	3	8.08%	2,528,479	4	8.32%
Cypress	1,198,177	16	2.35%	641,848	16	2.11%
Dana Point	431,795	27	0.85%	235,748	26	0.78%
Fountain Valley	1,025,510	17	2.01%	747,375	15	2.46%
Fullerton	1,671,246	11	3.28%	1,225,763	9	4.03%
Garden Grove	1,789,812	9	3.51%	1,196,316	10	3.94%
Huntington Beach	2,594,565	6	5.09%	1,675,185	6	5.51%
Irvine	4,851,082	2	9.52%	3,041,923	3	10.01%
La Habra	892,347	19	1.75%	422,751	19	1.39%
La Palma	456,729	26	0.90%	202,820	28	0.67%
Laguna Beach	387,300	29	0.76%	231,511	27	0.76%
Laguna Hills	631,426	21	1.24%	588,741	17	1.94%
Laguna Niguel	1,020,805	18	2.00%	445,527	18	1.47%
Laguna Woods	93,602	33	0.18%	(b)		
Lake Forest	1,305,690	15	2.56%	407,744	20	1.34%
Los Alamitos	264,203	32	0.52%	188,712	29	0.62%
Mission Viejo	1,628,124	13	3.19%	853,283	14	2.81%
Newport Beach	2,572,821	7	5.05%	1,372,867	7	4.52%
Orange	3,202,565	5	6.28%	1,808,828	5	5.95%
Placentia	522,928	25	1.03%	347,481	22	1.14%
Rancho Santa Margarita	593,467	23	1.16%	(c)		
San Clemente	611,535	22	1.20%	291,514	24	0.96%
San Juan Capistrano	750,455	20	1.47%	364,317	21	1.20%
Santa Ana	4,021,276	4	7.89%	3,085,946	2	10.15%
Seal Beach	317,304	31	0.62%	126,953	30	0.42%
Stanton	371,325	30	0.73%	249,270	25	0.82%
Tustin	1,756,086	10	3.45%	1,324,601	8	4.36%
Villa Park	15,046	34	0.03%	12,987	31	0.04%
Westminster	1,516,407	14	2.98%	935,281	13	3.08%
Yorba Linda	567,081	24	1.11%	331,756	23	1.09%
Total	50,967,302		100%	30,401,091		100%
Unincorporated Cities	6,235,445			4,520,266		
Total Orange County	$ 57,202,747			34,921,357		

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

Notes:

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

(b) The City of Laguna Woods was incorporated in 1999 as Orange County's 32nd city.

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

Schedule 10

Ratios of Outstanding Debt by Type, last ten fiscal years

(thousands except per capita)

	Governmental Activities		*Business-Type Activities*					
Fiscal Year	Sales Tax Revenue Bonds	Commercial Paper Notes	Certificates of Participation	Toll Road Revenue Bonds	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
1999	758,645	74,200	22,420	-	-	$ 855,265	888%	305.14
2000	711,845	74,200	19,145	-	-	$ 805,190	760%	281.19
2001	662,800	67,200	15,920	-	-	$ 745,920	684%	255.59
2002	611,365	60,200	12,708	-	-	$ 684,273	612%	230.95
2003	557,165	53,200	9,805	135,000	-	$ 755,170	641%	251.36
2004	499,505	47,400	7,410	195,265	-	$ 749,580	596%	246.90
2005	438,890	40,900	4,965	191,630	-	$ 676,385	499%	221.98
2006	375,170	34,500	2,470	187,625	6,534	$ 606,299	421%	197.37
2007	307,845	29,100	1,235	183,510	15,741	$ 537,431	n/a	173.94
2008	236,555	47,600	-	179,285	13,060	$ 476,500	n/a	152.66

Source: Accounting and Financial Reporting Department

Notes:

See schedule 13 for personal income data

n/a - data not available

Schedule 11

Legal Debt Margin Information, Last Ten Fiscal Years

(thousands)

Measure M Ordinance No. 2

Legal Debt Margin Calculation for Fiscal Year 2008	
Debt service	$ 88,557
Debt coverage (1.3 % of debt service)	115,124
Sales tax revenue	266,443
Less: local revenue	(41,061)
Net sales tax revenues	225,382
Legal debt margin	$ 110,258

Toll Road Revenue Bonds

Legal Debt Margin Calculation for Fiscal Year 2008	
Debt service	$ 12,635
Debt coverage (1.3 % of debt service)	16,426
Toll revenues	46,236
Less: operating expenses	(13,659)
Net sales tax revenues	32,577
Legal debt margin	$ 16,151

Fiscal Year	Debt limit (a)	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit
1999	$ 126,244	88,684	37,560	70.2%	-	-	-	-
2000	$ 141,813	88,684	53,129	62.5%	-	-	-	-
2001	$ 156,807	88,684	68,123	56.6%	-	-	-	-
2002	$ 152,009	88,557	63,452	58.3%	-	-	-	-
2003	$ 157,322	88,557	68,765	56.3%	5,402	12,323	(6,921)	228.1%
2004	$ 171,359	88,557	82,802	51.7%	15,978	12,635	3,343	79.1%
2005	$ 183,091	88,557	94,534	48.4%	21,288	12,635	8,653	59.4%
2006	$ 198,671	88,557	110,114	44.6%	25,933	12,635	13,298	48.7%
2007	$ 204,594	88,557	116,037	43.3%	31,566	12,635	18,931	40.0%
2008	$ 198,815	88,557	110,258	44.5%	28,786	12,635	16,151	43.9%

Source: Treasury and Accounting and Financial Reporting Departments

Note:

The 91 Express Lanes were purchased in January, 2003.

Schedule 12

Pledged-Revenue Coverage, Last Ten Fiscal Years

(thousands)

	Sales Tax Revenue Bonds					Toll Road Revenue Bonds					Certificates of Participation			
	Sales		Debt Service				Less:	Debt Service				Debt Service		
Fiscal Year	Tax Revenue	Less: Turnback	Principal	Interest	Coverage	Toll Road Revenue	Operating Expenses (a)	Principal	Interest	Coverage	Grant Revenues	Principal	Interest	Coverage
1999	178,980	(26,131)	31,720	42,110	2.07	-	-	-	-	-	3,427	3,070	1,186	0.81
2000	197,211	(28,793)	46,800	41,604	1.91	-	-	-	-	-	3,491	3,275	972	0.82
2001	214,768	(31,356)	49,045	39,351	2.07	-	-	-	-	-	3,531	3,225	828	0.87
2002	209,105	(30,529)	51,565	36,076	2.04	-	-	-	-	-	-	3,265	679	-
2003	215,327	(31,438)	54,200	33,689	2.09	14,398	(5,299)	-	7,291	1.25	9,779	2,850	536	2.89
2004	231,763	(33,837)	57,660	30,335	2.25	32,375	(12,607)	912	10,283	1.77	914	2,395	414	0.33
2005	245,501	(35,843)	60,615	27,603	2.38	39,584	(14,506)	3,635	8,313	2.10	2,341	2,445	302	0.85
2006	263,378	(38,139)	63,720	24,466	2.55	44,231	(14,507)	4,005	8,249	2.43	2,146	2,495	187	0.80
2007	272,287	(41,126)	67,325	20,994	2.62	49,838	(14,482)	4,115	8,142	2.88	831	1,235	97	0.62
2008	266,443	(41,061)	71,290	17,168	2.55	46,236	(13,659)	4,225	8,028	2.66	831	1,235	32	0.66

Source: Accounting and Financial Reporting Department

Notes:

The 91 Express Lanes were purchased in January, 2003.

(a) Excludes depreciation and amortization expense.

Schedule 13

Demographic and Economic Statistics, Last Ten Calendar Years

Fiscal Year	Population (a)	Personal Income *(thousands) (b)*	Per Capita Personal Income (c)	Median Age (d)	School Enrollment (e)	Unemployment Rate (f)
1999	2,802,818	96,288	34,194	n/a	471,404	2.7%
2000	2,863,529	106,003	37,103	33.3	483,360	3.5%
2001	2,918,427	109,010	37,651	33.0	494,178	4.0%
2002	2,962,808	111,750	38,169	33.7	503,351	5.0%
2003	3,004,371	117,722	39,745	34.5	512,105	4.8%
2004	3,036,002	125,798	42,260	34.7	515,464	4.3%
2005	3,047,054	135,588	45,465	35.1	513,744	3.8%
2006	3,071,924	143,949	48,209	35.4	510,114	3.7%
2007	3,089,707	n/a	n/a	35.9	503,955	3.9%
2008	3,121,251	n/a	n/a	n/a	503,492	5.3%

Notes:

n/a - data not available

Sources:

(a) July 1 estimates from U.S. Census Bureau for 1997 - 2004;
January 1 estimates for 2005 - 2008 from California Department of Finance, http://www.dof.ca.gov/

(b) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.beau.gov/

(c) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.beau.gov/

(d) U.S. Census Bureau

(e) California Department of Education, http://www.cde.ca.gov

(f) CA Employment Development Department, http://www.labormarketinfo.edd.ca.gov

Schedule 14
Principal Employers, Current Year and Nine Years Ago

Employer	2008			1999		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	20,000	1	1.29%	13,300	2	0.94%
County of Orange	18,748	2	1.20%	15,408	1	1.09%
University of California, Irvine	17,579	3	1.13%	12,861	3	0.91%
Boeing Co.	9,961	4	0.64%	12,000	4	0.85%
St. Joseph Health System	10,047	5	0.65%	8,150	5	0.58%
Yum! Brands Inc.	7,200	6	0.46%			
AT & T Inc.	6,000	7	0.39%			
California State University, Fullerton	5,634	8	0.36%			
Home Depot, Incorporated	5,450	9	0.35%			
Memorial Health Services Inc.	4,956	10	0.32%			
Tenet Healthcare Corporation				7,221	7	0.51%
American Stores Company				7,543	6	0.53%
BankAmerica Corporation				4,843	9	0.34%
Tricon Global Restaurants Incorporated				4,820	10	0.34%
Ralphs Grocery Company				5,000	8	0.35%

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

Schedule 15

Full-Time Equivalent Government Employees by Function/Program for Ten Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	253	258	252	244	263	222	210	215	233	227
Measure M program	5	6	10	20	21	24	27	27	29	39
Motorist services	1	1	1	1	1	1	1	1	1	1
Commuter rail	1	1	1	1	1	1	1	2	2	2
Urban rail	-	-	-	-	1	1	1	4	-	-
Fixed route	1,172	1,210	1,313	1,462	1,555	1,581	1,619	1,587	1,611	1,633
Paratransit	26	25	9	9	11	13	13	14	13	12
Tollroad	-	-	-	-	4	4	4	4	4	4
Taxicab	2	3	3	3	3	3	3	3	3	3
Total	1,460	1,504	1,589	1,740	1,860	1,850	1,879	1,857	1,896	1,921

Source: Financial Planning & Analysis Department

Schedule 16
Operating Indicators by Function/Program

Function/Program		Fiscal Year 1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Measure M program (thousands)											
Freeways		$ 183,599	$ 107,063	$ 63,048	$ 25,199	$ 19,812	$ 13,801	$ 141,969	$ 298,667	$ 112,732	99,599
Regional streets and roads		36,743	35,532	24,422	23,680	14,062	15,752	10,493	17,198	65,247	40,556
Local streets and roads		32,778	37,327	42,104	41,142	41,186	49,375	43,996	41,057	32,481	52,681
Transit		17,702	20,492	19,375	48,386	29,166	35,829	23,195	8,169	55,916	18,309
Total program expenditures		$ 270,822	$ 200,413	$ 148,948	$ 138,407	$ 104,227	$ 114,757	$ 219,653	$ 365,091	$ 266,376	$ 211,145
Motorist services											
Calls made from call boxes		77,138	62,126	47,114	38,138	30,020	28,753	18,540	15,600	7,459	7,306
Vehicles removed		23,212	19,258	25,721	9,000	31,200	33,300	13,413	9,096	434	642
Vehicles assisted by FSP		58,133	63,049	63,383	73,802	58,284	58,000	68,160	70,000	70,935	70,128
Commuter rail											
Weekday trips		29	31	31	40	40	40	40	44	44	44
Annual boardings		1,734,246	1,891,851	2,149,571	2,186,170	2,733,483	2,764,870	3,230,988	3,547,697	3,841,259	4,074,443
Fixed route											
Annual boardings		54,619,406	56,477,228	58,359,358	64,038,048	65,123,546	67,551,870	67,009,989	67,779,946	69,035,226	65,203,611
Vehicle revenue hours		1,359,230	1,435,589	1,566,924	1,678,500	1,752,322	1,799,253	1,835,463	1,846,458	1,910,707	1,938,129
Miles of fixed route		1,790	1,950	2,021	2,295	2,321	2,318	2,320	2,378	2,488	2,943
Paratransit											
Annual boardings		715,735	663,996	697,894	779,967	909,156	1,085,329	1,181,892	1,114,639	1,231,346	1,375,370
Vehicle revenue hours		326,406	344,185	388,963	424,604	489,754	577,053	597,821	565,543	614,620	656,222
Eligible riders	(c)	n/a	n/a	n/a	15,762	21,317	24,955	25,569	26,204	26,110	26,611
Tollroad	(b)										
Annual drivers trips		n/a	n/a	n/a	n/a	4,958,660	11,213,741	12,741,319	14,182,916	14,639,848	13,477,488
Taxicab											
Permits Issued		1,404 (a)	1,661 (a)	1,609	1,541	1,590	1,510	1,662	1,698	2,170	2,303

Source: Various departments within OCTA

Notes:

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

The SR-22 project began in fiscal year 2005.

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

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

(a) Estimate
(b) The 91 Express Lanes were purchased in January, 2003.
(c) Data for Paratransit eligible riders from 2001 and prior is not available.

Schedule 17
Capital Asset Statistics by Function/Program

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fixed route										
Bus bases	3	3	3	3	3	3	4	4	4	5
Large revenue vehicles	448	462	472	495	507	558	563	570	566	572
Small revenue vehicles	60	60	87	53	92	85	84	80	82	82
Paratransit										
Paratransit vehicles	82	82	179	207	248	238	249	264	263	263
Tollroad (a)										
Transponders in use	n/a	n/a	n/a	n/a	143,533	157,635	172,220	171,589	176,818	176,149

Source: Various departments within the Orange County Transportation Authority

Notes:

n/a = data not available

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

ORANGE COUNTY TRANSPORTATION AUTHORITY

WWW.OCTA.NET

550 S. MAIN STREET
P.O. BOX 14184
ORANGE, CA 92863-1584

OCTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT