Orange County Transportation Authority

OCTA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2011

Orange County, California

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Submitted by: Finance and Administration Division - Kenneth G. Phipps - Executive Director

ORANGE COUNTY TRANSPORTATION AUTHORITY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June, 30 2011

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December 12, 2011

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, 2011, in accordance with California state law. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

Vavrinek, Trine, Day and Company, LLP has audited OCTA's financial statements and issued an unqualified ("clean") opinion thereon for the fiscal year ended June 30, 2011. The independent auditors' report is located at the front of the financial section of this report.

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

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

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

Profile of OCTA

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

The eleven agencies and funds consolidated to form OCTA include:

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

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

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

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

Orange County Economy

The State of California continues to see high rates of unemployment, and Orange County is no exception. Orange County's unemployment rate of 9.2 percent is faring better than that of the State of California, which stood at 12.1 percent as of June 2011.

The real estate sector continues to show some improvement for 2011. Low interest rates and lower home prices continue to have a positive effect on the market. Building permits for new and multiple housing units are forecasted to increase by 12 and 18 percent, respectively. The median resale price for a single-family home is expected to increase from three to four percent.

For the year-over-year period, ended June 30, 2011, taxable sales have increased 6.5 percent. The estimated sales tax growth rate for fiscal year 2011-12 is 6 percent. This rate is based on a blended growth rate of those provided by Chapman University, University of California, Los Angeles, and California State University, Fullerton. Like the universities, OCTA anticipates the economy will continue to emerge from the recession; however, OCTA has chosen to assume a more conservative growth rate of 5.4 percent, which aligns with growth experienced through the first three quarters of fiscal year 2010-11.

OCTA is seeing optimistic indicators that suggest the economy is stabilizing. A few examples include positive increases in sales tax receipts and back-to-back job gains during the first two quarters of 2011.

Long-Term Financial Planning

In an effort to ensure long-term sustainability of transportation programs and services, OCTA developed a Comprehensive Business Plan (CBP). The CBP is a financially constrained business planning tool providing a 20-year cash flow for each of OCTA's transportation programs and serves as the baseline for developing the annual budget. The plan details a comprehensive, multi-modal approach ensuring the financial viability of each of OCTA's programs and is developed consistent with the goals of OCTA's Strategic Plan and Long-Range Transportation Plan.

Relevant Financial Policies

OCTA utilizes several financial policies in guiding day-to-day operations and ensuring long-term financial sustainability. While there are overriding agencywide financial policies, some financial policies are program-specific.

A brief description of the major financial policies follows:

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

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

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

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

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

Major Initiatives

In 1990, Orange County voters approved Measure M (M1), a 20-year, local ½-cent sales tax that expired in April 2011. The program funded a package of significant transportation improvements. Over $4 billion was strategically invested in Orange County's transportation infrastructure. In fall of 2010, the I-5 Gateway project in North Orange County was completed, representing the culmination of a complete overhaul of the Orange County freeway network over the past 20 years. In that period, every freeway in Orange County was widened and several chokepoints were alleviated. The street and road network in Orange County has also been maintained and improved, as over $1 billion has been allocated to local jurisdictions for street and road improvements. Another significant accomplishment of M1 has been the establishment, continued funding, and expansion of Metrolink operations, a countywide commuter rail program linking Orange, Los Angeles, and Riverside counties.

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

During fiscal year 2010-11, OCTA accomplished many important goals while facing the challenges presented by a downturn in the economy and significant loss of revenues:

- Began construction on the West County Connectors (WCC), a $328 million project to add carpool lanes and connector ramps between State Route 22 (SR-22), Interstate 405 (I-405), and Interstate 605 (I-605).

- Opened the first M2 freeway project – the State Route 91 (SR-91) Eastbound Lane Addition Project. The project opened before a single dollar of M2 sales tax revenue was collected. This was the first Orange County freeway project to receive funding under the federal American Recovery and Reinvestment Act, proving that collaboration can facilitate progress.

- Received Board approval of a comprehensive update to the M2 EAP valued at $4.7 billion; also received approval from the Board to accelerate five highway projects on portions of State Route 55 (SR-55), the I-405/Interstate 5 (I-5), and SR-91.

- Jump-started the EAP with the sale of $352.57 million in M2 bonds. OCTA took advantage of a 35 percent subsidy provided by the federal government, with the cost of borrowing at the lowest since OCTA began issuing debt in the early 1990's.

- Reached new collective bargaining agreements with coach operators and maintenance employees, which will help support the long-term viability of the bus system.

- Received an allocation of $357.4 million in Proposition 1B and Proposition 116 funds from the California Transportation Commission. Projects that benefited from this allocation included WCC, Metrolink Service Expansion Program (MSEP), Grade Crossing Safety Enhancement and Quiet Zone Program, Tustin and Fullerton Metrolink Station Improvements and Metrolink Fiber Optics.

- Worked with stakeholders to restore and/or develop long-term stable, protected sources of state funding for transit operations resulting in the enactment of a $350 million state transit assistance program, helping to protect OCTA's current service levels from further reduction. This effort also protected highway, local streets and roads, and highway safety funding.

- Advanced the Breaking Down Barriers initiative through the development and creation of a final product that will be utilized by federal legislators and transportation policy makers in Washington. The initiative is now well known at the White House, the Department of Transportation, Congress, and throughout the industry and has gained wide bipartisan support.

- Started construction on three State Route 57 projects.

  Started construction of the Sand Canyon grade separation on the Los Angeles-San Diego-San Luis Obispo Rail Corridor (LOSSAN) .

- Completed conversion of SR-55 high occupancy vehicle lanes to continuous access striping.

- Completed property acquisition on the first phase of the M2 Freeway Environmental Program.

- Completed the necessary infrastructure improvements for MSEP service start-up (Fullerton and Laguna Niguel turnback facilities) and commencement of the MSEP rail service.

- Completed grade crossing improvements in Orange and Anaheim, and established the first Quiet Zone.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OCTA for its CAFR for the fiscal year ended June 30, 2010. This was the 28th consecutive year OCTA or its predecessor agency received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe the CAFR for the fiscal year ended June 30, 2011 continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA, expecting it to be eligible for another certificate.

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

Respectfully submitted,

Will Kempton
Chief Executive Officer

Kenneth G. Phipps
Executive Director, Finance and Administration

ORANGE COUNTY TRANSPORTATION AUTHORITY

ORGANIZATION CHART

Board of Directors

Deputy CEO
Darrell Johnson

Chief Executive Officer
Will Kempton

Clerk of the Board
Wendy Knowles
Director

Internal Audit
Janet Sutter
Executive Director

Government Relations
Lance Larson
Executive Director

Functions:
- Federal Relations
- State Relations
- Local Government Relations

Transit
Beth McCormick
General Manager

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

Finance and Administration
Kenneth G. Phipps
Executive Director

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

Planning
Kia Mortazavi
Executive Director

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

External Affairs
Ellen S. Burton
Executive Director

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

Capital Programs
James Beil
Executive Director

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

Human Resources & Organizational Development
Patrick J. Gough
Executive Director

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

ORANGE COUNTY TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS

Patricia Bates
Chair
Supervisor, District 5
County of Orange

Paul Glaab
Vice-Chair
Mayor Pro Tem,
City of Laguna Niguel

Jerry Amante
Director
Mayor,
City of Tustin

Don Bankhead
Director
Mayor Pro Tem
City of Fullerton

Bill Campbell
Director
Supervisor, District 3
County of Orange

Carolyn Cavecche
Director
Mayor,
City of Orange

Larry Crandall
Director
Council Member,
City of Fountain Valley

William J. Dalton
Director
Mayor,
City of Garden Grove

Lorri Galloway
Director
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City of Anaheim

Don Hansen
Director
Mayor Pro Tem,
City of Huntington Beach

Peter Herzog
Director
Mayor,
City of Lake Forest

John Moorlach
Director
Supervisor, District 2
County of Orange

Shawn Nelson
Director
Supervisor, District 4
County of Orange

Janet Nguyen
Director
Supervisor, District 1
County of Orange

Miguel Pulido
Director
Mayor,
City of Santa Ana

Gregory T. Winterbottom
Director
Public Member

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

Michael Hennessey
Director
Public Member

Photo not available

ORANGE COUNTY TRANSPORTATION AUTHORITY

MANAGEMENT STAFF

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

Ellen S. Burton	Executive Director, External Affairs
Patrick J. Gough	Executive Director, Human Resources & Organizational Development
James Beil	Executive Director, Capital Programs
Beth McCormick	General Manager, Transit
Kia Mortazavi	Executive Director, Planning
Lance Larson	Executive Director, Government Relations
Kenneth G. Phipps	Executive Director, Finance and Administration

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Transportation Authority California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

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.

Linda C. Davison

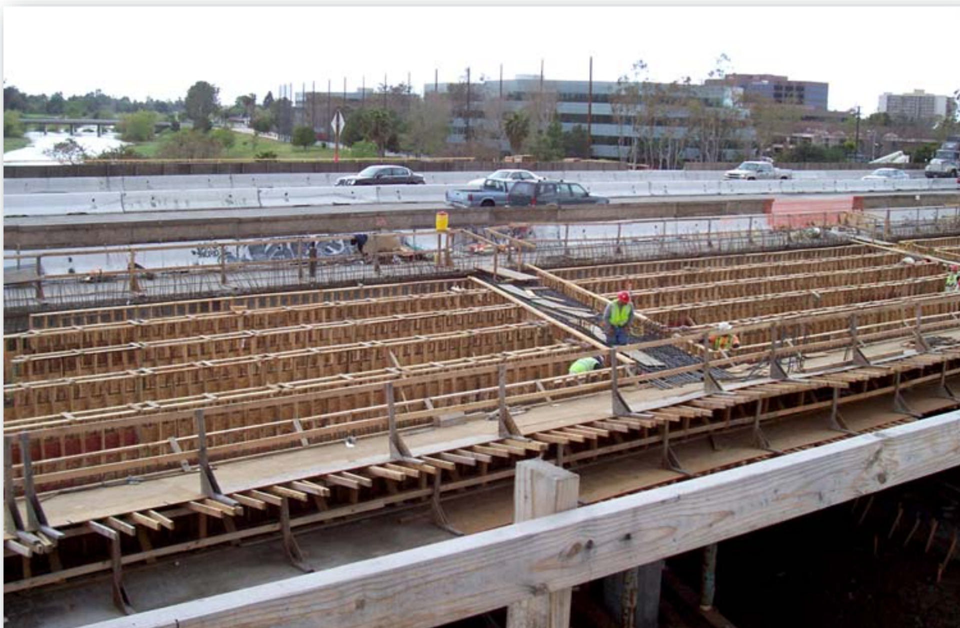
President

Jeffrey R. Esser

Executive Director

Freeway

Freeway Construction



INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 1 and 22 to the financial statements, OCTA has adopted the provisions of GASB 54, *Fund Balance Reporting and Fund Type Definitions*, and GASB 59, *Financial Instruments Omnibus*, effective July 1, 2010.

Also, as described in Note 19 to the financial statements, the beginning fund balance and net assets have been restated to properly reflect compensated absences, reflect a change in OCTA's period of availability, and other adjustments.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011 on our consideration of OCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The 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.

25231 Paseo De Alicia, Suite 100 Laguna Hills, CA 92653 Tel: 949.768.0833 Fax: 949.768.8408 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SACRAMENTO

The management's discussion and analysis on pages 3 through 15, the budgetary comparison schedules on pages 85 through 88, the schedules of employer contributions and funding progress and the related notes on pages 89 through 92 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OCTA's basic financial statements. The accompanying supplementary information, such as the introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and budgetary comparison 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
October 31, 2011

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, 2011. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages v-xi and OCTA's financial statements that begin on page 16. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total net assets of OCTA were $1,114,648 and consisted of net assets invested in capital assets, net of related debt, of $497,031; restricted net assets of $219,838; and unrestricted net assets of $397,779.

- Beginning net assets for governmental activities were restated $(6,228) due to revenues earned in the prior year that were not recorded, writing off the net pension asset, and recording a correction for compensated absences. Beginning net assets for Business-type Activities were restated $(4,986) due to writing off the net pension asset and recording the correction for compensated absences (see note 19). Net assets decreased $25,981 during fiscal year 2010-11. The increase in net assets from governmental activities of $5,350 was primarily due to an increase in operating grants and contributions for the Measure M program in addition to a decrease in overall expenditures. The decrease in net assets from business-type activities of $31,331 was primarily related to the temporary hold of the State Transit Assistance for fiscal year 2010-11.

- Total capital assets, net of accumulated depreciation, were $633,546 at June 30, 2011, representing a decrease of $22,043, or 3%, over June 30, 2010. This decrease in capital assets was primarily due to continued depreciation offset by the purchase of land for the Metrolink Service Expansion Program (MSEP), the radio communication system upgrade and the Electronic Toll and Traffic Management (ETTM) system upgrade.

- OCTA's governmental funds were restated $(1,734) due to revenues earned in the prior year that were not recorded, changing the availability period for revenue recognition and recording a correction for compensated absences (see note 19). OCTA's governmental funds reported combined ending fund balances of $754,693, an increase of $247,734 compared to fiscal year 2009-10. Approximately 69% of the governmental fund balances represent Local Transportation Authority amounts available for the Measure M program, including debt service.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

OCTA maintains 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 Fund (LTF), and Commuter and 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, LTF and CURE special revenue funds as required supplementary information to demonstrate compliance with the annual appropriated budgets.

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

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

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-84 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. Additionally, OCERS pension trend data for the previous six years ending December 31, 2010 is also included. Required supplementary information can be found on pages 85-92 of this report.

The combining statements referred to earlier relating to nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information. In addition, budgetary results for all other nonmajor governmental funds are located in this section. This other supplementary information can be found on pages 93-114 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, 2011, OCTA's assets exceeded liabilities by $1,114,648, a $25,981 decrease from June 30, 2010. Our analysis below focuses on net assets (Table 1) and changes in net assets (Table 2) of OCTA's governmental and business-type activities.

OCTA's net assets invested in capital assets net of related debt were $497,031, compared to $511,591 in 2010. OCTA's net assets reflect its investment in capital assets (i.e., toll facility franchise; land; buildings and improvements; machinery, equipment and furniture; transit vehicles; and transponders), less any related outstanding debt used to acquire these assets. OCTA uses these capital assets to provide transportation and transit services to the residents and business community of Orange County. The increase of $13,837 in net assets invested in capital assets, net of related debt, from governmental activities was primarily due to the purchase of land for the Metrolink Service Expansion Program (MSEP). The decrease of $28,397 in net assets invested in capital assets, net of related debt, from business-type activities was primarily related to continued depreciation offset by the purchase of a new radio system and the upgrade of the ETTM system.

Restricted net assets, representing resources subjected to external restrictions on how they may be used, were 20% and 28% of the total net assets at June 30, 2011 and 2010, respectively. Restricted net assets from governmental activities decreased $104,065 as a result of the final debt service payment on the sales tax revenue bonds. The increase in restricted net assets from business-type activities of $79 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 $139,298 at June 30, 2010 to $234,876 at June 30, 2011. This increase was primarily due to the reduction of debt service. The decrease of $3,013 in unrestricted net assets from business-type activities was primarily attributable to the reduction of transfers from the State Transit Assistance fund, the recording of an investment gain on a derivative instruments and the transfer of funds from the Bus Operations Fund to OCTD for operations.

Table 1
Orange County Transportation Authority
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets, as restated	$924,192	$652,392	$226,008	$251,327	$1,150,200	$903,719
Restricted assets	-	73,069	38,933	38,854	38,933	111,923
Prepaid retirement	4,288	4,024	14,664	14,436	18,952	18,460
Assets held for resale	6,623	6,623	-	-	6,623	6,623
Capital assets	193,968	180,131	439,578	475,458	633,546	655,589
Total assets, as restated	1,129,071	916,239	719,183	780,075	1,848,254	1,696,314
Current liabilities, as restated	139,196	220,485	50,489	76,843	189,685	297,328
Long-term liabilities, as restated	361,491	85,412	182,430	185,637	543,921	271,049
Total liabilities, as restated	500,687	305,897	232,919	262,480	733,606	568,377
Net assets:						
Invested in capital assets, net of related debt	193,968	180,131	303,063	331,460	497,031	511,591
Restricted, as restated	199,540	303,605	20,298	20,219	219,838	323,824
Unrestricted, as restated	234,876	139,298	162,903	165,916	397,779	305,214
Total net assets, as restated	$628,384	$623,034	$486,264	$517,595	$1,114,648	$1,140,629

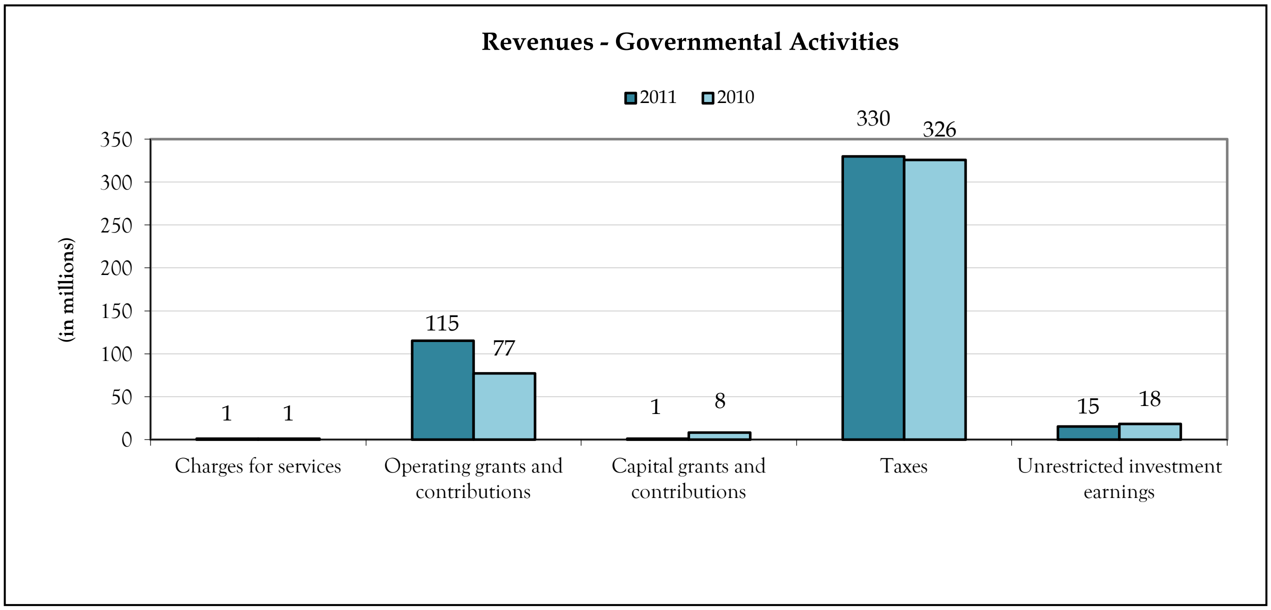
OCTA's total revenues increased by 6%, while the total cost of all programs decreased by 7%. The increase in revenues is primarily due to grants received for the MSEP. The decrease in program costs is primarily due to a decrease in transit staffing due to a reduction in service hours, a decrease in M1 expenditures related to the upcoming conclusion of the M1 program and a decrease in expenditures for the Bristol Street Widening project. Approximately 44% of the costs of OCTA's programs were paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants and contributions. Taxes and investment earnings financed a significant portion of the programs' net costs. The analysis in Table 2 separately considers the operations of governmental and business-type activities.

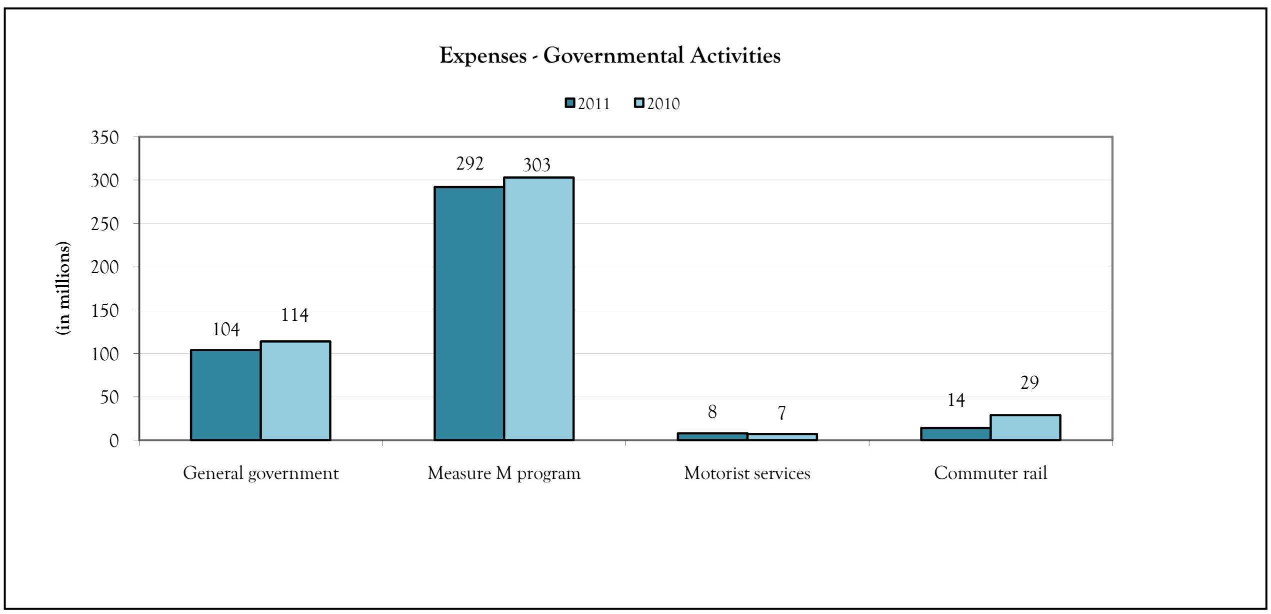
Table 2
Orange County Transportation Authority
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$1,233	$1,129	$ 98,455	$ 98,918	$ 99,688	$ 100,047
Operating grants and contributions, as restated	115,154	76,598	72,441	88,597	187,595	165,195
Capital grants and contributions	1,204	8,279	8,648	1,841	9,852	10,120
General revenues:						
Taxes	329,971	326,005	10,736	10,220	340,707	336,225
Unrestricted investment earnings	14,487	17,325	15,552	4,184	30,039	21,509
Other miscellaneous revenue	229	328	2,769	207	2,998	535
Total revenues, as restated	462,278	429,664	208,601	203,967	670,879	633,631
Expenses:						
General government, as restated	104,305	114,493	-	-	104,305	114,493
Measure M program	291,703	302,851	-	-	291,703	302,851
Motorist services	7,545	7,497	-	-	7,545	7,497
Commuter rail	14,393	29,395	-	-	14,393	29,395
Fixed route, as restated	-	-	200,999	215,512	200,999	215,512
Paratransit	-	-	46,151	42,999	46,151	42,999
Tollroad	-	-	31,371	33,713	31,371	33,713
Taxicab administration	-	-	393	344	393	344
Total expenses, as restated	417,946	454,236	278,914	292,568	696,860	746,804
Indirect expense allocation	(27,248)	(31,187)	27,248	31,187	-	-
Increase (decrease) in net assets before transfers, as restated	71,580	(6,615)	(97,561)	(119,788)	(25,981)	(113,173)
Transfers	(66,230)	(75,038)	66,230	75,038	-	-
Changes in net assets, as restated	5,350	(68,423)	(31,331)	(44,750)	(25,981)	(113,173)
Net assets—beginning of year, as restated	623,034	691,457	517,595	562,345	1,140,629	1,253,802
Net assets—end of year, as restated	$628,384	$623,034	$ 486,264	$ 517,595	$1,114,648	$1,140,629

Governmental Activities

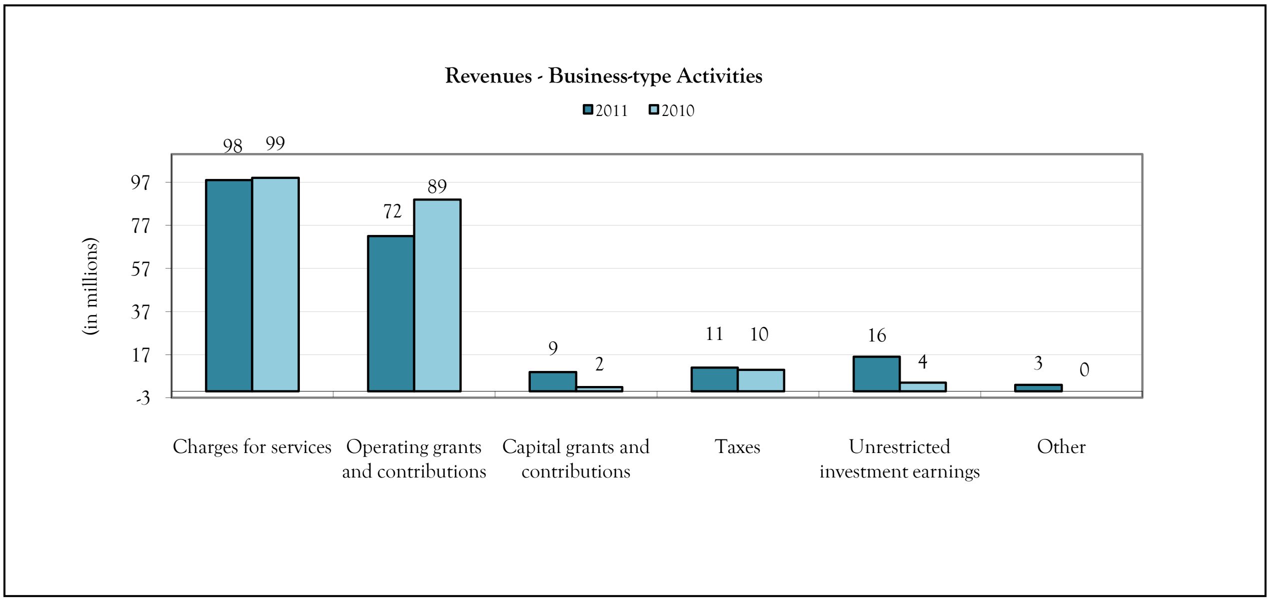
Total revenues for OCTA's governmental activities increased $32,614 primarily due to an increase in operating grants received for the MSEP. Total expenses decreased $36,290 primarily due to the impending completion of the M1 program and a decrease in the Bristol Street Widening project expenses.

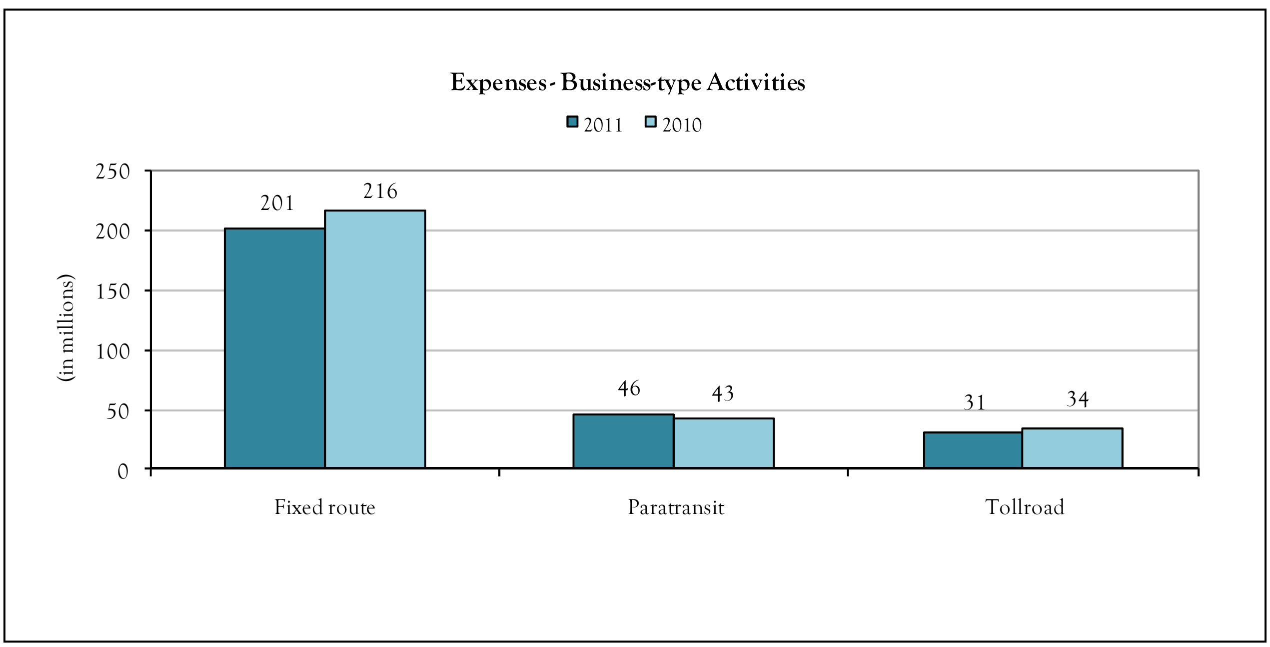




Business-type Activities

Revenues of OCTA's business-type activities increased $4,634 due to an increase in investment earnings primarily resulting from a gain in the derivative investments, offset by a decrease in operating grants and contributions due to the receipt of ARRA grants in the prior fiscal year. Total expenses decreased $13,654 primarily due to the decrease in fixed route bus service.





Financial Analysis of OCTA's Funds

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

Governmental funds

The focus of OCTA's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing OCTA's financing requirements.

As of June 30, 2011, OCTA's governmental funds reported combined ending fund balances of $754,693, an increase of $247,734 compared to 2010. $663,669 or 88% of fund balances represents restricted fund balance the majority of which relates to the Measure M program. $70,304 or 9% is committed fund balance primarily for the commuter rail program. $15,224 is considered nonspendable because of the following:

- $2,283 deposited with the State for condemnation deposits;
- $4,288 prepaid retirement;
- $4,523 other assets;
- $4,130 advance to M2 to pay for expenditures and administrative costs.

The remainder of fund balance of $(4,061) is unassigned.

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

The General fund decreased by $1,296, primarily due to miscellaneous projects that are grant funded, the revenues of which will be received in the subsequent fiscal year and an increase in the prepaid retirement from the prior year of $264.

The LTA fund increased by $251,074, primarily due to the issuance of bonds to assist in the financing of M2 projects.

The CURE fund increased by $95,241. This increase is primarily due to the transfer of $120,000 in M1 funds for future Metrolink operations and capital projects.

The LTA Debt Service fund balance decreased $99,460, primarily due to the payoff of the M1 sales tax revenue bonds.

Proprietary Funds

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

Unrestricted net assets of the enterprise funds were $143,893 at June 30, 2011 compared to $142,935 at June 30, 2010. The following are the significant changes in net assets of OCTA's major proprietary funds:

The Orange County Transit District fund net assets decreased $33,250, primarily due to continued depreciation offset by the purchase of a new radio system and the upgrade of the ETTM system.

The 91 Express Lanes fund net assets increased $19,737 primarily due to an investment gain on the derivative instrument.

The Bus Operations fund decreased $13,816 due to the transfer of funds to the OCTD for transit operations.

General Fund Budgetary Highlights

Revenues

The primary sources of revenues for the general fund are from Federal, State, and Local sources. Throughout the fiscal year, the original budget increased by $2,450 due to two amendments. The first amendment was for $500 and was related to a cooperative agreement with the City of Laguna Beach, which was eligible to receive a one-time pass through of American Recovery and Reinvestment Act Surface Transportation Program funds. The second amendment in the amount of $1,950 was to accommodate the pass through of Federal Transit Administration Section 5309 Discretionary Earmarks to the Orange County Council of Governments (OCCOG).

Actual revenues were less than the final budget by $5,344. The primary underrun in both capital assistance grants and contributions from other agencies are strictly related to timing issues. Funds in these categories are received on a reimbursement basis. Reimbursements are sought as expenditures are incurred throughout the life of a project. The projects contributing to the underruns are the South Orange County Major Investment Study (SOCMIS) Phase II, the Video Surveillance System (VSS) for Metrolink stations, and the West County Connectors project. All of these projects are underway and reimbursements will be sought as expenditures are incurred.

Expenditures

During the fiscal year, the original budget increased by $4,533 primarily due to amendments and transfers. The amendments that had an impact on the original budget were related to the OCCOG, financial auditing services, City of Laguna Beach cooperative agreement, Anaheim Transportation Network cooperative agreement, and the traffic signal synchronization implementation project. The transfers of budget authority that contributed to the increase of the original budget were primarily from the OCTD fund. These transfers were primarily utilized to cover expenditures associated with auditing services, professional services, outreach efforts, and training and development.

Actual expenditures were less than the final budget by $14,304. This was primarily due to project delays arising from changes in scope and changes to plans involving multiple agencies for the following projects: OCCOG, the high occupancy vehicle continuous access striping projects, the VSS for Metrolink stations, the Fullerton Metrolink station, and the SOCMIS Phase II.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2011, OCTA had $633,546, net of accumulated depreciation, invested in a broad range of capital assets including: the 91 Express Lanes toll facility franchise, transit vehicles, land, buildings and machinery, equipment and furniture (Table 3). The total decrease in OCTA's capital assets for fiscal year 2010-11 was $22,043, which was comprised of a $13,837 increase in capital assets related to governmental activities and a $35,880 decrease in capital assets related to business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 187,627	$ 173,337	$ 54,545	$ 55,129	$ 242,172	$ 228,466
Buildings and improvements	2,340	2,551	89,581	92,914	91,921	95,465
Transit vehicles	-	-	137,700	165,232	137,700	165,232
Machinery, equipment and furniture	1,267	1,509	14,800	11,901	16,067	13,410
Toll facility franchise	-	-	142,952	150,282	142,952	150,282
Construction in progress	2,734	2,734	-	-	2,734	2,734
Totals	$ 193,968	$ 180,131	$ 439,578	$ 475,458	$ 633,546	$ 655,589

Major capital asset additions during 2011 included:

- $13,987 for land purchased for the MSEP
- $2,853 for paratransit buses
- $4,452 for communication equipment and information systems

Major capital asset deletions during 2011 included:

- $27,114 for disposal of revenue vehicles

More detailed information about OCTA's capital assets is presented in note 9 to the financial statements.

OCTA has outstanding capital expenditure commitments, the most significant of which are: $33,111 for the Bristol Street Widening project, $21,623 for the MSEP, $40,274 for Metrolink grade crossing enhancements and safety improvements, $22,170 for the Sand Canyon Grade Separation Project, and $16,502 for bus radio system replacement.

Debt Administration

As of June 30, 2011, OCTA had $543,255 in bonds and commercial paper notes outstanding compared to $353,220 at June 30, 2010, as presented in Table 4.

Table 4
Orange County Transportation Authority
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Sales tax revenue bonds	$ 352,570	$ 82,795	$ -	$ -	$ 352,570	$ 82,795
Commercial paper notes	25,000	100,000	-	-	25,000	100,000
Revenue refunding bonds	-	-	165,685	170,425	165,685	170,425
Totals	$ 377,570	$ 182,795	$165,685	$170,425	$ 543,255	$ 353,220

OCTA issued $293,540 in M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and $59,030 in 2010 Series B (Tax-exempt Bonds) to fund the M2 program. OCTA retired $75,000 in M2 commercial paper notes, $82,795 of M1 sales tax revenue bonds and $4,740 of revenue refunding bonds during fiscal year 2011.

OCTA maintains a "AA+" rating from Standard & Poor's, a "AA" rating from Fitch and a "Aa2" rating from Moody's for its M2 Sales Tax Revenue Bonds. The Toll Road Revenue Refunding Bonds (91 Express Lanes) have ratings of "A1" by Moody's, "A" from Fitch, and "A" by Standard and Poor's.

Additional information on OCTA's short-term debt, interest rate swaps and long-term debt can be found in notes 11, 12 and 13 to the financial statements, respectively.

Economic and Other Factors

On June 13, 2011, OCTA's Board of Directors (Board) adopted the fiscal year 2011-12 budget. The $1.1 billion budget was developed consistent with the assumptions and goals of OCTA's Strategic Plan and fiscal year 2010-11 Comprehensive Business Plan. This balanced budget is a result of OCTA's ongoing effort to deliver long-term sustainable transportation solutions for the residents of Orange County while remaining a responsible steward of limited taxpayer dollars.

This budget anticipates no further reductions to bus service levels. The plan to contract additional fixed route service commensurate with coach operator attrition will continue, with approximately 100,000 revenue hours to be converted during the fiscal year. In addition, sales tax revenue is budgeted to increase by 5.4% next fiscal year, which is consistent with the growth in sales tax collections this fiscal year. This steady growth provides further indication that the economy is slowly recovering from the recession.

As the economy emerges from the recession, OCTA remains committed to controlling costs. No wage increases for administrative or union employees have been included in this budget, and growth in the OCTA contribution towards administrative and Transportation Communications International Union healthcare costs for calendar year 2012 has been limited to just five percent. These cost saving efforts, amongst others, will be necessary as OCTA faces significant cost increases in areas such as fuel, pensions, and ACCESS service.

Though sales tax collections for M1 ended in March 2011, M1 expenditures are still anticipated in the budget as closeout work continues on projects and planned drawdowns occur on cash reserve balances. Additionally, this budget will mark the first full year of sales tax collections for M2 and the continued development of many of the projects that began under the M2 Early Action Plan.

The Fiscal Year 2011-12 budget demonstrates OCTA's continued commitment to developing and delivering transportation solutions to enhance quality of life and keep Orange County moving, while remaining a responsible steward of taxpayer dollars.

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.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Net Assets
June 30, 2011

(amounts expressed in thousands)	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 773,865	$ 163,981	$ 937,846
Receivables:			
Interest	2,626	987	3,613
Operating grants	29,991	18,565	48,556
Capital grants	713	14	727
Other	174	11,262	11,436
Internal balances	(292)	292	-
Due from other governments	108,216	20,768	128,984
Condemnation deposits	2,283	-	2,283
Inventory	-	5,845	5,845
Restricted cash and investments:			
Cash equivalents	-	38,933	38,933
Prepaid retirement	4,288	14,664	18,952
Other assets	6,616	4,294	10,910
Assets held for resale	6,623	-	6,623
Capital assets, net:			
Nondepreciable	190,361	54,545	244,906
Depreciable and amortizable	3,607	385,033	388,640
Total Assets	**1,129,071**	**719,183**	**1,848,254**
Liabilities			
Accounts payable	24,846	14,143	38,989
Accrued payroll and related items	932	5,123	6,055
Accrued interest payable	8,347	2,229	10,576
Due to other governments	65,422	853	66,275
Unearned revenue	14,588	23,589	38,177
Other liabilities	61	427	488
Commercial paper notes	25,000	-	25,000
Derivative instruments	-	4,125	4,125
Noncurrent liabilities:			
Due within one year	35	17,908	17,943
Due in more than one year	361,456	164,522	525,978
Total Liabilities	**500,687**	**232,919**	**733,606**
Net Assets			
Invested in capital assets, net of related debt	193,968	303,063	497,031
Restricted for:			
Measure M program	179,476	-	179,476
Debt service	10,195	6,931	17,126
Motorist services	9,869	-	9,869
Capital	-	10,135	10,135
Operating reserve	-	3,232	3,232
Unrestricted	234,876	162,903	397,779
Total Net Assets	**$ 628,384**	**$ 486,264**	**$ 1,114,648**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Expenses	Indirect Expense Allocation	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	Net (Expense) Revenue and Changes in Net Assets: Total
Functions/Programs								
Primary government								
Governmental activities:								
General government	$ 104,305	$ (46,355)	$ 140	$ 29,203	$ 882	$ (27,725)	$ -	$ (27,725)
Measure M program	291,703	18,021	437	77,769	-	(231,518)	-	(231,518)
Motorist services	7,545	433	-	8,172	-	194	-	194
Commuter rail	14,393	653	656	10	322	(14,058)	-	(14,058)
Total governmental activities	417,946	(27,248)	1,233	115,154	1,204	(273,107)	-	(273,107)
Business-type activities:								
Fixed route	200,999	25,418	49,412	63,097	8,025	-	(105,883)	(105,883)
Paratransit	46,151	-	6,556	9,171	623	-	(29,801)	(29,801)
Tollroad	31,371	1,683	41,837	173	-	-	8,956	8,956
Taxicab administration	393	147	650	-	-	-	110	110
Total business-type activities	278,914	27,248	98,455	72,441	8,648	-	(126,618)	(126,618)
Total primary government	$ 696,860	$ -	$ 99,688	$ 187,595	$ 9,852	(273,107)	(126,618)	(399,725)
General Revenues:								
Property taxes						-	10,736	10,736
Sales taxes						329,971	-	329,971
Unrestricted investment earnings						14,487	15,552	30,039
Other miscellaneous revenue						229	2,769	2,998
Transfers						(66,230)	66,230	-
Total general revenues and transfers						278,457	95,287	373,744
Change in net assets						5,350	(31,331)	(25,981)
Net assets - beginning, as restated						623,034	517,595	1,140,629
Net assets - ending						**$ 628,384**	**$ 486,264**	**$ 1,114,648**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Balance Sheet - Governmental Funds
June 30, 2011

(amounts expressed in thousands)	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	$ 2,193	$ 546,729	$ 4,022	$ 186,153	$ 10,194	$ 24,574	$ 773,865
Receivables:							
Interest	-	1,641	5	878	1	101	2,626
Operating grants	2,980	27,011	-	-	-	-	29,991
Capital grants	525	-	-	188	-	-	713
Other	75	62	-	24	-	13	174
Due from other funds	903	11,270	-	2,983	-	-	15,156
Due from other governments	1,828	75,841	23,924	1	-	4,027	105,621
Condemnation deposits	-	2,283	-	-	-	-	2,283
Advances to other funds	-	-	-		-	4,130	4,130
Prepaid retirement	4,288	-	-	-	-	-	4,288
Other assets	423	-	-	-	-	4,100	4,523
Total Assets	**$ 13,215**	**$ 664,837**	**$ 27,951**	**$ 190,227**	**$ 10,195**	**$ 36,945**	**$ 943,370**
Liabilities and Fund Balances							
Liabilities							
Accounts payable	3,630	19,566	-	352	-	1,298	24,846
Accrued payroll and related items	932	-	-	-	-	-	932
Compensated absences	35	-	-	-	-	-	35
Due to other funds	2,983	-	835	11,306	-	32	15,156
Due to other governments	1,103	61,856	-	747	-	1,716	65,422
Deferred revenue	3,842	45,234	3,167	331	-	521	53,095
Other liabilities	40	21	-	-	-	-	61
Advances from other funds	-	4,130	-	-	-	-	4,130
Commercial paper notes	-	25,000	-	-	-	-	25,000
Total Liabilities	**12,565**	**155,807**	**4,002**	**12,736**	**-**	**3,567**	**188,677**
Fund Balances							
Nonspendable:							
Condemnation deposits	-	2,283	-	-	-	-	2,283
Prepaid retirement	4,288	-	-	-	-	-	4,288
Other assets	423	-	-	-	-	4,100	4,523
Advances	-	-	-	-	-	4,130	4,130
Restricted for:							
Transportation programs	-	506,747	23,949	107,187	-	5,297	643,180
Streets and roads	-	-	-	-	-	543	543
Motorist services	-	-	-	-	-	9,751	9,751
Debt service	-	-	-	-	10,195	-	10,195
Committed to:							
Metrolink Operations/Capital	-	-	-	70,304	-	-	70,304
Assigned to:							
Capital project funds	-	-	-	-	-	9,557	9,557
Unassigned	(4,061)	-	-	-	-	-	(4,061)
Total Fund Balances	**650**	**509,030**	**23,949**	**177,491**	**10,195**	**33,378**	**754,693**
Total Liabilities and Fund Balances	**$ 13,215**	**$ 664,837**	**$ 27,951**	**$ 190,227**	**$ 10,195**	**$ 36,945**	**$ 943,370**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2011

(amounts expressed in thousands)

Amounts reported for governmental activities in the Statement of Net Assets (page 16) are different because:

Total fund balances (page 18)	$	754,693
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		193,968
Interest subsidy on the Build America Bonds is not reported in the funds.		2,595
Asset held for resale is not a financial resource and, therefore, is not reported in the funds.		6,623
Revenue that was earned but not collected within the availability period has not been recognized in the governmental funds.		38,507
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.		2,093
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.		(292)
Interest payable on bonds outstanding is not due and payable in the current period and, therefore, is not reported in the funds.		(8,347)
Other liabilities, including other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.		(74)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(361,382)
Net assets of governmental activities (page 16)	**$**	**628,384**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Sales taxes	$ -	$ 235,610	$ 91,194	$ -	$ -	$ -	$ 326,804
Gasoline taxes	-	-	-	-	-	23,000	23,000
Vehicle registration fees	-	-	-	-	-	5,109	5,109
Fines	140	-	-	16	-	-	156
Contributions from other agencies	4,970	60,054	-	10	-	3,096	68,130
Interest and investment income/(loss)	-	7,319	43	2,459	1,438	379	11,638
Capital assistance grants	1,469	-	-	322	-	86	1,877
Miscellaneous	205	437	-	639	-	73	1,354
Total Revenues	**6,784**	**303,420**	**91,237**	**3,446**	**1,438**	**31,743**	**438,068**
Expenditures							
Current:							
General government	5,974	67,008	1,661	13,615	152	5,745	94,155
Transportation:							
Contributions to other local agencies	18,341	159,815	3,911	1,427	-	25,388	208,882
Capital outlay	2,291	82,265	-	4	-	1,546	86,106
Debt service:							
Principal	-	-	-	-	82,795	-	82,795
Interest	-	726	-	-	7,856	-	8,582
Bond issuance costs	-	2,181	-	-	-	-	2,181
Total Expenditures	**26,606**	**311,995**	**5,572**	**15,046**	**90,803**	**32,679**	**482,701**
Excess (deficiency) of revenues over (under) expenditures	**(19,822)**	**(8,575)**	**85,665**	**(11,600)**	**(89,365)**	**(936)**	**(44,633)**
Other financing sources (uses)							
Transfers in	18,522	86,670	-	120,163	64,421	-	289,776
Transfers out	-	(185,614)	(81,147)	(13,322)	(74,516)	(1,407)	(356,006)
Proceeds from sale of capital assets	4	-	-	-	-	-	4
Bond issuance	-	352,570	-	-	-	-	352,570
Bond premium	-	6,023	-	-	-	-	6,023
Total other financing sources (uses)	**18,526**	**259,649**	**(81,147)**	**106,841**	**(10,095)**	**(1,407)**	**292,367**
Net change in fund balances	**(1,296)**	**251,074**	**4,518**	**95,241**	**(99,460)**	**(2,343)**	**247,734**
Fund balances - beginning, as restated	1,946	257,956	19,431	82,250	109,655	35,721	506,959
Fund balances-ending	**$ 650**	**$ 509,030**	**$ 23,949**	**$177,491**	**$ 10,195**	**$ 33,378**	**$ 754,693**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

(amounts expressed in thousands)

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

Net change in fund balances - total governmental funds (page 20)	$	247,734
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.		13,838
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds, but are deferred.		24,382
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(279,766)
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.		(891)
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.		53
Change in net assets of governmental activities (page 17)	**$**	**5,350**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Assets
Proprietary Funds
June 30, 2011

(amounts expressed in thousands)	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash and investments	$ 93,938	$ 31,355	$ 585	$ 125,878	$ 38,103
Receivables:					
Interest	720	49	2	771	216
Operating grants	18,565	-	-	18,565	-
Capital grants	14	-	-	14	-
Violations, net	-	6,904	-	6,904	-
Farebox	1,069	-	-	1,069	-
Other	1,158	1,529	-	2,687	602
Due from other governments	20,743	-	24	20,767	1
Inventory	5,845	-	-	5,845	-
Prepaid retirement	14,636	-	28	14,664	-
Other assets	49	262	-	311	1,219
Total current assets	156,737	40,099	639	197,475	40,141
Noncurrent assets:					
Restricted cash and investments:					
Cash equivalents	-	38,933	-	38,933	-
Unamortized debt issuance costs	-	2,764	-	2,764	-
Capital assets, net:					
Nondepreciable	54,545	-	-	54,545	-
Depreciable and amortizable	236,593	148,440	-	385,033	-
Total noncurrent assets	291,138	190,137	-	481,275	-
Total Assets	**447,875**	**230,236**	**639**	**678,750**	**40,141**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fund Net Assets
Proprietary Funds, Continued
June 30, 2011

(amounts expressed in thousands)	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	9,800	3,698	9	13,507	636
Accrued payroll and related items	5,111	-	12	5,123	-
Accrued interest	19	2,210	-	2,229	-
Claims payable	-	-	-	-	4,587
Due to other governments	755	96	2	853	-
Unearned revenue	19,872	3,715	2	23,589	-
Other liabilities	2	323	-	325	102
Current portion of long-term liabilities	8,318	4,980	23	13,321	-
Total current liabilities	43,877	15,022	48	58,947	5,325
Noncurrent liabilities:					
Claims payable	-	-	-	-	16,098
Derivative instruments	-	4,125	-	4,125	-
Long-term liabilities	1,053	147,367	4	148,424	-
Total noncurrent liabilities	1,053	151,492	4	152,549	16,098
Total Liabilities	44,930	166,514	52	211,496	21,423
Net Assets					
Invested in capital assets, net of related debt	288,336	14,728	-	303,063	-
Restricted for:					
Debt service	-	6,931	-	6,931	-
Capital	-	10,135	-	10,135	-
Operating reserves	-	3,232	-	3,232	-
Unrestricted	114,609	28,696	587	143,893	18,718
Total Net Assets	**$ 402,945**	**$ 63,722**	**$ 587**	**$ 467,254**	**$ 18,718**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Fund Net Assets of Proprietary Funds to the Statement of Net Assets
June 30, 2011

(amounts expressed in thousands)

Amounts reported for business-type activities in the Statement of Net Assets (page 16) are different because:

Total net assets (page 23)	$	467,254
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.		19,010
Net assets of business-type activities (page 16)	**$**	**486,264**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues:					
User fees and charges	$ 50,706	$ 41,245	$ -	$ 91,951	$ -
Permit fees	-	-	650	650	-
Charges for services	-	-	-	-	7,578
Total operating revenues	**50,706**	**41,245**	**650**	**92,601**	**7,578**
Operating expenses:					
Wages, salaries and benefits	115,601	-	332	115,933	-
Maintenance, parts and fuel	17,788	-	-	17,788	-
Purchased services	52,478	6,483	-	58,961	-
Administrative services	25,279	1,683	147	27,109	139
Other	2,097	152	2	2,251	248
Insurance claims and premiums	5	333	-	338	11,203
Professional services	13,867	3,810	57	17,734	1,245
General and administrative	3,487	596	7	4,090	-
Depreciation and amortization	36,206	9,324	-	45,530	-
Total operating expenses	**266,808**	**22,381**	**545**	**289,734**	**12,835**
Operating income (loss)	**(216,102)**	**18,864**	**105**	**(197,133)**	**(5,257)**
Nonoperating revenues (expenses):					
Gas tax exchange	23,000	-	-	23,000	-
State transit assistance	6	-	-	6	-
Federal operating assistance grants	49,195	-	-	49,195	-
Property taxes allocated by the County of Orange	10,736	-	-	10,736	-
Investment earnings	3,232	758	126	4,116	710
Investment gain on derivative instruments	-	10,725	-	10,725	-
Interest expense	(180)	(10,080)	-	(10,260)	-
Completed construction in process transferred to outside agencies	(584)	-	-	(584)	-
Other	7,566	354	6	7,926	598
Total nonoperating revenues (expenses)	**92,971**	**1,757**	**132**	**94,860**	**1,308**
Income (loss) before contributions and transfers	**(123,131)**	**20,621**	**237**	**(102,273)**	**(3,949)**
Capital contributions	8,714	-	-	8,714	-
Transfers in	94,928	-	-	94,928	-
Transfers out	(13,761)	(884)	(14,053)	(28,698)	-
Change in net assets	**(33,250)**	**19,737**	**(13,816)**	**(27,329)**	**(3,949)**
Total net assets - beginning, as restated	436,195	43,985	14,403	494,583	22,667
Total net assets - ending	**$ 402,945**	**$ 63,722**	**$ 587**	**$ 467,254**	**$ 18,718**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenues, Expenses and
Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities
For the Year Ended June 30, 2011

(amounts expressed in thousands)

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

Net change in fund net assets - total enterprise funds (page 25)	$	(27,329)
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue of the general liability and workers' compensation internal service funds are included in business-type activities in the Statement of Net Assets. Additionally, the effect of allocating the workers' compensation Internal Service Fund loss to the governmental activities.		(4,002)
Change in net assets of business-type activities (page 17)	**$**	**(31,331)**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	$ 50,157	$ 39,812	$ 638	$ 90,607	$ -
Receipts from interfund services provided	-	-	-	-	7,523
Payments to suppliers	(94,032)	(11,909)	(66)	(106,007)	(1,236)
Payments to claimants	(5)	-	-	(5)	(6,617)
Payments to employees	(116,329)	-	(310)	(116,639)	-
Payments for interfund services used	(25,279)	(1,683)	(147)	(27,109)	(139)
Advertising revenue received	3,193	-	-	3,193	-
Miscellaneous revenue received	4,241	354	6	4,601	598
Net cash provided by (used for) operating activities	**(178,054)**	**26,574**	**121**	**(151,359)**	**129**
Cash flows from noncapital financing activities:					
Gas tax exchange received	11,961	-	-	11,961	-
Federal operating assistance grants received	39,424	-	-	39,424	-
Property taxes received	10,117	-	-	10,117	-
State transit assistance funds received	6	-	-	6	-
Transfers from other funds	94,928	-	-	94,928	-
Transfers to other funds	(13,761)	(884)	(14,053)	(28,698)	-
Repayment of advances from other funds	-	(9,866)	-	(9,866)	-
Net cash provided by (used for) noncapital financing activities	**142,675**	**(10,750)**	**(14,053)**	**117,872**	**-**
Cash flows from capital and related financing activities:					
Federal capital grants for acquisition and construction of capital assets	12,251	-	-	12,251	-
Proceeds from sale of capital assets	1,938	-	-	1,938	-
Payment of capital lease	(3,560)	-	-	(3,560)	-
Principal payment on long-term debt	-	(4,740)	-	(4,740)	-
Interest paid on long-term debt	(206)	(15,596)	-	(15,802)	-
Acquisition and construction of capital assets	(10,088)	(2,362)	-	(12,450)	-
Net cash provided by (used for) capital and related financing activities	**335**	**(22,698)**	**-**	**(22,363)**	**-**
Cash flows from investing activities:					
Termination payment for derivative instrument	-	(4,821)	-	(4,821)	-
Investment earnings	3,030	1,888	490	5,408	716
Net cash provided by (used for) investing activities	**3,030**	**(2,933)**	**490**	**587**	**716**
Net increase (decrease) in cash and cash equivalents	**(32,014)**	**(9,807)**	**(13,442)**	**(55,263)**	**845**
Cash and cash equivalents at beginning of year	125,952	80,095	14,027	220,074	37,258
Cash and cash equivalents at end of year	**$ 93,938**	**$ 70,288**	**$ 585**	**$ 164,811**	**$ 38,103**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds, Continued
For the Year Ended June 30, 2011

(amounts expressed in thousands)	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	$ (216,102)	$ 18,864	$ 105	$ (197,133)	$ (5,257)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation expense	36,206	1,994	-	38,200	-
Amortization of franchise agreement	-	7,330	-	7,330	-
Amortization of cost of issuance	-	142	-	142	-
Amortization of prepaid retirement	14,328	-	37	14,365	-
Net OPEB obligation	13	-	-	13	
Advertising revenue	3,195	-	-	3,195	-
Miscellaneous	4,649	354	6	5,009	-
Insurance recoveries	-	-	-	-	598
Change in assets and liabilities:					
Receivables	96	(1,017)	-	(921)	(57)
Due from other governments	(703)	-	(12)	(715)	-
Inventory	715	-	-	715	-
Prepaid retirement	(14,565)	-	(28)	(14,593)	-
Other assets	(49)	77	-	28	46
Accounts payable	(5,474)	(808)	(2)	(6,284)	133
Accrued payroll and related items	(89)	-	1	(88)	-
Compensated absences	(414)	-	12	(402)	-
Claims payable	-	-	-	-	4,667
Due to other funds	-	-	-	-	-
Due to other governments	141	54	2	197	-
Unearned revenue	-	(407)	-	(407)	-
Other liabilities	(1)	(9)	-	(10)	(1)
Total adjustments	38,048	7,710	16	45,774	5,386
Net cash provided by (used for) operating activities	**$ (178,054)**	**$ 26,574**	**$ 121**	**$ (151,359)**	**$ 129**
Reconciliation of cash and cash equivalents to statement of net assets					
Cash and investments	$ 93,938	$ 31,355	$ 585	$ 125,878	$ 38,103
Restricted cash and cash equivalents	-	38,933	-	38,933	-
Total cash and cash equivalents	**$ 93,938**	**$ 70,288**	**$ 585**	**$ 164,811**	**$ 38,103**
Noncash capital, financing and investing activities:					
Interest expense incurred on advances from other funds	-	(324)	-	(324)	-
Investment gain on derivative instrument	-	10,725	-	10,725	-
Amortization of bond premium	-	(253)	-	(253)	-
Amortization of bond deferred charges	-	(1,068)	-	(1,068)	-

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Fiduciary Net Assets
June 30, 2011

(amounts expressed in thousands)	Scholarship Trust Fund	ARBA Trust Fund
Assets		
Cash and cash equivalents held in OCTA pool	$ 1	$ -
Cash and cash equivalents held in OCERS pool	-	107
Investments at fair value:		
Mutual Funds	-	10,254
Accounts receivable	1	-
Total Assets	**2**	**10,361**
Net Assets		
Held in trust for future scholarships	2	-
Held in trust for pension benefits	-	10,361
Total Net Assets	**$ 2**	**$ 10,361**

See accompanying notes to the financial statements.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

(amounts expressed in thousands)	**Scholarship Trust Fund**	**ARBA Trust Fund**
Additions		
Contributions:		
Employer contributions	$ -	$ 878
Private donations	19	-
Total contributions	19	878
Investment income:		
Investment income	-	1,658
Net investment income	-	1,658
Total additions	**19**	**2,536**
Deductions		
Benefits	-	723
Scholarships	24	-
Total deductions	**24**	**723**
Change in net assets	**(5)**	**1,813**
Net assets - beginning, as restated	7	8,548
Net Assets - ending	**$ 2**	**$ 10,361**

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

On January 3, 2003, OCTA purchased from the California Private Transportation Company (CPTC) its interest in a franchise agreement for a toll facility on a 10 mile segment of the Riverside Freeway/State Route (SR) 91 between the Orange/Riverside County line and the Costa Mesa Freeway/SR 55. The purchase was enabled by State Assembly Bill 1010 (Correa), passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs until 2030, and eliminated noncompete provisions in the franchise agreement for needed improvements on SR 91. The franchise agreement with the State of California's Department of Transportation (Caltrans) had granted CPTC the right to develop and construct the toll facility and to operate it for 35 years under a lease arrangement. Caltrans retains legal title to the real property components of the toll facility.

The OCTA governing board (Board) consists of 18 members. Five members are the Orange County Board of Supervisors, ten members are city representatives (one per supervisorial district selected by population-weighted voting, and one per supervisorial district selected on a one-city, one-vote method), two public members (neither of whom can be an elected official or have been an elected official during the previous four years), and one is a non-voting ex-officio member appointed by the governor (Caltrans District Director).

The Orange County Local Transportation Authority (LTA), a blended component unit of OCTA, was created pursuant to the provisions of the Local Transportation Authority and Improvement Act commencing with Section 180000 of the California Public Utilities Code and pursuant to

Ordinance No. 2, adopted by the Board of Directors of the LTA on August 2, 1989. The Board also serves as the Board of Directors for the LTA. Separate financial statements for the LTA are prepared and available from the OCTA Finance and Administration Division.

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

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

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

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

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

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

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

Basis of Presentation

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

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

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Interest expense related to the sales tax revenue bonds and commercial paper, the capital lease, and the taxable bonds and advances from OCTA funds is reported as a direct expense of the Measure M program, fixed route, and tollroad functions, respectively, as it would be misleading to exclude the interest from direct expenses and the borrowings are considered essential to the creation or continuing existence of these programs. For the year ended June 30, 2011, interest expense of $14,310, $180 and $10,080, was included as Measure M, fixed route, and tollroad program costs, respectively. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Sales taxes and other revenues are not reported as program revenues and instead, are reported as general revenues.

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

OCTA reports the following major governmental funds:

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

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

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

- ***Commuter and Urban Rail Endowment (CURE) Fund*** – This fund accounts for OCTA's share of the Metrolink commuter rail operations in Orange County. Funding for the CURE consists of Measure M, interest earnings, and local funds which are provided through actions of the Board. The Measure M funds and related interest earnings are restricted.

- ***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/state 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

OCTA reports the following fiduciary funds:

- ***Additional Retiree Benefit Account (ARBA) Trust Fund*** – This fund accounts for the resources legally held in trust for additional retiree benefits. Employees who retire directly 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. Toll revenues are recognized when customers utilize the toll road facility. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, OCTA considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. OCTA changed its availability period from 180 days to 90 days in fiscal year 2010-2011. For further information, refer to the prior period adjustment (note 19) for the restatement of beginning balance due to the change in accounting policy. Expenditures generally are recorded when a liability is incurred; however, principal and interest expenditures on long-term debt and compensated absences of governmental funds are recorded only when payment is due.

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

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

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

Cash and Investments

OCTA maintains cash and investments in accordance with the Annual Investment Policy (AIP) adopted by the Board on May 8, 1995, and most recently amended May 9, 2011. The AIP complies with, or is more restrictive than, the California Government Code (Code). The majority of OCTA's investments are managed by six private sector investment managers. At June 30, 2011, the investment portfolios were held by Union Bank as custodial bank. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily account balances.

Investments in U.S. government and U.S. agency securities, medium-term notes, 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. Treasury mutual funds are carried at fair value based on each fund's share price. The Orange County Investment Pool (OCIP) is carried at fair value based on the value of each participating dollar as provided by the OCIP.

The state managed Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF. Commercial paper is carried at amortized cost (which approximates fair value).

The AIP requires that assets in the portfolio consist of the following investments, with maximum permissible concentrations based on book value, and is more restrictive than applicable state statutes for the following investment types:

OCTA Notes and Bonds (25%)

Notes and bonds issued by OCTA, including notes and bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by OCTA or by a department, board, agency or authority of OCTA which may bear interest at a fixed or floating rate.

U. S. Treasuries (100%)

Direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Treasury coupon and principal Separate Trading of Registered Interest and Principal of Securities (STRIPS) and Treasury Inflation Protected Securities (TIPS) are permitted investments pursuant to the AIP.

Federal Instrumentality Securities (Government Sponsored Enterprises) (100%)

Debentures, discount notes, callable and step-up securities, with a final maturity not exceeding five years from the date of trade settlement issued by the following:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Federal National Mortgage Association (FNMA or Fannie Mae)
- Federal Farm Credit Bank (FFCB)
- Federal Agricultural Mortgage Corporation (Farmer Mac)

Federal Agencies (100%)

Mortgage-backed securities and debentures with a final maturity not exceeding five years from the date of trade settlement issued by the following:

- Government National Mortgage Association (GNMA or Ginnie Mae)
- Small Business Administration (SBA)
- Export-Import Bank of the United States (EXIMBANK)
- Maritime Administration

- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

State of California and Local Agency Obligations (25%)

Registered state warrants, treasury notes or bonds of the State of California and bonds, notes, warrants or other evidences of indebtedness of any local agency, other than OCTA, of the State, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency or authority of the State or local agency. Such obligations must be issued by an entity whose general obligation debt is rated at least A-1 or better by two of the three Nationally Recognized Statistical Rating Organizations (NRSROs) for short-term obligations, or A or the equivalent for long-term debt.

OCTA may also purchase defeased state and local obligations as long as the obligations have been legally defeased with U.S. Treasury securities and such obligations mature or otherwise terminate within five years of the date of purchase.

Public agency bonds issued for private purposes (industrial development bonds) are specifically excluded as allowable investments.

Bankers Acceptance (30%)

- Must be eligible for purchase by the Federal Reserve System.
- Must be rated by at least two of the NRSROs with at least A-1 or the equivalent for short-term deposits.
- May not exceed the 5 percent limit on any one commercial bank.
- Maximum Term: 180 days. (Code)

Commercial Paper (25%)

- Must be rated at least A-1 or the equivalent by two of the three NRSROs.
- Must be issued by corporations rated at least A- or the equivalent rating by a NRSRO for issuer's debt, other than commercial paper.
- Must be issued by corporations organized and operating within the United States and having total assets in excess of $500 million.
- Must not represent more than 10 percent of the outstanding paper of the issuing corporation.
- Maximum Term: 180 days. (Code 270 days)

Negotiable Certificates of Deposit (30%)

- Must be issued by a nationally or state-chartered bank or state or federal association, or by a state licensed branch of a foreign bank, which has been rated by at least two of the NRSRO's with at least A-1 or the equivalent for short-term deposits.
- Maximum Term: 270 days

Repurchase Agreements (75%)

Repurchase agreements collateralized by U.S. Treasuries or Agency securities as defined in the AIP with any registered broker-dealer subject to the Securities Investors Protection Act or any commercial banks insured by the FDIC so long as at the time of the investment such dealer (or its parent) has an uninsured, unsecured and unguaranteed obligation rated P-1 short-term or A2 long-term or better by Moody's, and A-1 short-term or A long-term or better by Standard & Poor's, provided:

- A Public Securities Association (PSA) master repurchase agreement and a tri-party agreement, if applicable, representing a custodial undertaking in connection with a master repurchase agreement, which governs the transaction and has been signed by OCTA.
- The securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent (Agent) for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee.
- A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA.
- The Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.
- Reverse purchase agreements are not permitted unless used as a permitted investment in the Local Agency Investment Fund.
- Maximum Term: 30 days. (Code 1 year)

Medium-Term Maturity Corporate Securities (30%)

- Corporate securities which are rated A- or better by two of the three NRSROs.
- Must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

- Medium-term notes must not represent more than ten percent (10%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e. medium term notes (MTNs). Under no circumstance may any one corporate issuer represent more than 5 percent of the portfolio.
- Maximum Term: 5 years. (Code)

Money Market Funds (20%)

Shares of beneficial interest issued by diversified management companies (commonly called money market funds) which:

- Must be rated AAA (or the equivalent highest ranking) by two of the three NRSROs.
- May not represent more than 10 percent of the money market fund's assets.

Other Mutual Funds (20%)

Shares of beneficial interest issued by diversified management companies (commonly called mutual funds) which:

- Must be rated AAA (or the equivalent highest ranking) by two of the three NRSROs.
- May not represent more than 10 percent of the fund's or pools assets.

Mortgage or Asset-Backed Securities (20%)

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond which:

- Is rated AAA or the equivalent (Code AA) by a NRSRO.
- Is issued by an issuer having at least an A or equivalent rating by a NRSRO for its long-term debt.
- Maximum Term: Five year stated final maturity. (Code)

Investment Agreements (100%)

Investment agreements must be approved and signed by OCTA's Treasurer. Investment agreements are permitted with any bank, insurance company or broker/dealer, or any corporation if, at the time of such investment:

1) Such bank has an unsecured, uninsured and unguaranteed obligation rated long-term Aa2 or better by Moody's and AA or better by Standard & Poor's.

2) Such insurance company or corporation has an unsecured, uninsured and unguaranteed claims paying ability rated long-term Aaa by Moody's and AAA by Standard & Poor's.

3) Such bank or broker/dealer has an unsecured, uninsured and unguaranteed obligation rated long-term A2 or better by Moody's and A or better by Standard & Poor's (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by Standard & Poor's); provided, that such broker/dealer or A2/A rated bank also collateralize the obligation under the investing agreement with U.S. Treasuries, Government National Mortgage Association securities, Federal National Mortgage Association securities or Federal Home Loan Mortgage Association securities meeting the following requirements:

    i) The securities are held free and clear of any lien by OCTA's custodian or trustee or an independent third party acting as agent (Agent) for the custodian or trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits of not less than $50 million and the custodian or trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for OCTA's custodian or trustee; and

    ii) A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of OCTA's custodian or trustee and OCTA; and

    iii) The Agent provides OCTA's custodian or trustee and OCTA with valuation of the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required 102 percent collateral percentage is not restored within two business days of such valuation.

The agreement shall include a provision to the effect that if any rating of any such bank, insurance, broker-dealer or corporation is downgraded below a minimum rating to be established at the time the agreement is executed, OCTA shall have the right to terminate such agreement.

State of California Local Agency Investment Fund (LAIF)

LAIF is a pooled fund managed by the State Treasurer referred to in Section 16429.1 of the Code. All securities are purchased under the authority of the Code Section 16430 and 16480.4. It has a $40 million maximum portfolio percentage per entity. Reference note 4 for more information.

Orange County Treasury Investment Pool (OCIP)

The OCIP is a pooled fund managed by the Orange County Treasurer and is comprised of two funds, the Money Market Fund and the Extended Fund. The Money Market Fund is invested in cash equivalent securities and is based on the investment guidelines detailed in the Code section 53601.7. The Extended Fund is for cash requirements past one year and is based on the Code Sections 53601 and 53635. It has a $40 million maximum portfolio percentage per entity.

California Asset Management Program (CAMP) (10%)

CAMP is a program for the investment of bond and certificates of participation proceeds only. CAMP investments must be rated AA or better by two of the three NRSROs.

Variable and Floating Rate Securities (30%)

Variable and floating rate securities are restricted to investments in securities with a final maturity of not to exceed five years as described above, must utilize traditional money market reset indices such as U. S. Treasury bills, Federal Funds, commercial paper or the London Interbank Offered Rate (LIBOR), and must meet all minimum credit requirements previously detailed in the AIP. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

Bank Deposits (5%)

Bank deposits in California banks which have a minimum short-term rating of A-1 by Standard and Poor's and a minimum short-term rating of P-1 by Moody's. OCTA's Treasurer shall draft and execute a contract describing provisions for bank deposits.

Derivatives (5%)

Derivatives are to be used as a tool for bonafide hedging investments only where deemed appropriate. Derivatives shall not be used for the purpose of interest rate speculation.

Derivative products in any of the eligible investment categories listed above may be permitted. OCTA's Treasurer has the sole responsibility for determining which prospective investments are derivatives. Each prospective investment in a derivative product must be documented by OCTA's Treasurer as to the purpose and specific financial risk being hedged. Each such investment must be approved by the Finance and Administration Committee prior to entering into such investment.

No investments shall be permitted that have the possibility of returning a zero or negative yield if held to maturity. In addition, the investment in inverse floaters, range notes, strips derived from mortgage obligations, step-up notes and dual index notes are not permitted investments.

All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board and as permitted by the Code.

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

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

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

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

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

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

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

OCTA can purchase all or a portion of the 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.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits, certificates of deposit, commercial paper, money market mutual funds, and the proprietary funds' share of OCTA's commingled investment pool represent cash and cash equivalents for cash flow purposes.

Receivables

Receivables include an estimate for outstanding unpaid violations of the 91 Express Lanes that OCTA anticipates to collect. For violations less than 90 days old, the receivable is based on a twelve-month average for violations collected during that time and is recorded net of an allowance for uncollectible accounts of $838. For those violations in excess of 90 days, the receivable is estimated using a 3-year average collected and is recorded net as the majority is consider not probable of collection. Additionally, the 91 Express Lanes records a receivable for amounts owed from customers net of an allowance of $593. Approximately $5,300 is not expected to be collected within one year.

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 2010-11 fiscal year, $46,390 of administrative services were charged to other OCTA funds from the general fund. These charges for services are reported as general government expenditures in governmental fund types and as administrative services expenses in the proprietary fund types.

Internal service funds are utilized by OCTA to account for risk management activities in the areas of general liability and workers' compensation. Charges for risk management services are reported as general government expenditures in the governmental funds receiving the services and as wages, salaries and benefits or other operating expenses in the proprietary funds. The risk management internal service funds charged $7,578 to OCTA's operating funds.

Inventory

All inventory is valued at cost using the average cost method, which approximates market.

Prepaid Retirement

Orange County Employee Retirement System (OCERS) provides a 7.75 percent discount to employers for early payment of employer contributions. OCTA elected to prepay employer contributions for fiscal year 2011-12 in order to benefit from this discount.

Restricted Cash and Investments

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

Capital Assets

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

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

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

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

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

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

Assets Held for Resale

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

Compensated Absences

Vacation hours accumulated and not taken are accrued at fiscal year-end, and a liability is reported in the government-wide and proprietary fund financial statements.

Sick leave is recorded as an expenditure or expense when taken by the employee. Annually, all administrative, maintenance, and Transportation Communication International Union employees may elect to be paid for sick leave accumulated in excess of 120 hours. Coach operators, on the other hand, may elect to be paid for sick leave accumulated in excess of 80 hours twice a year.

Upon termination, an employee with over 10 years of service is paid any earned but unused sick leave up to a ceiling determined by the employee's applicable union agreement or the personnel and salary resolution. Sick leave is accrued at year-end using the vesting method, and a liability is reported in the government-wide and proprietary fund financial statements.

A liability for vacation and sick leave is reported in the governmental funds as a result of employee terminations.

Long-Term Debt

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

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

Interest Rate Swaps

As a means of lowering borrowing costs on variable rate debt compared to fixed rate bonds at the time of issuance in November 2003, OCTA entered into two parity interest rate swaps totaling $100,000. The parity swaps were to effectively change OCTA's variable rate bonds to a synthetically fixed rate of 4.06227%. On March 15, 2011, OCTA terminated one of the swaps in the amount of $75,000. The agreement for the remaining swap is recorded at fair value. Changes in fair value of derivative instruments affect investment earnings or losses. As of June 30, 2011, the derivative instrument is considered ineffective (refer to note 12).

Risk Management

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

Property Taxes

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

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

Contributions to Other Agencies

Contributions to other agencies primarily represent sales tax revenues received by LTA and disbursed to cities for competitive projects, the turnback program, local fair share, the senior mobility program, and to other outside agencies for projects which are in accordance with the Measure M ordinance. Additionally, gas tax monies are transferred to local governmental agencies in exchange for nonrestricted funds and contributions are made to Southern California Regional Rail Authority (SCRRA) from the CURE fund.

Net Assets

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

- ***Invested in capital assets, net of related debt*** – This balance reflects the net assets of OCTA that are invested in capital assets, net of related debt. These net assets are generally not accessible for other purposes.
- ***Restricted Net Assets*** – This balance represents net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net assets reports $189,345 of net assets restricted by enabling legislation.
- ***Unrestricted Net Assets*** – This balance represents those net assets that are available for general use.

Fund Balance Classifications

OCTA implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2010-11. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which OCTA is bound to honor constraints on the specific purposes for which amounts can be spent.

The classifications used in the governmental fund financial statements are as follows:

- ***Nonspendable*** – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

- ***Restricted*** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

- ***Committed*** – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Directors, as the highest level of decision making authority, has the ability to commit fund balances through the adoption of a formal staff report. The same action must be taken to modify or rescind the commitment.

- ***Assigned*** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. Assignments in the General Fund constitute contracts that have been let and have a remaining balance at the end of the fiscal year.

- ***Unassigned*** – this classification includes the residual fund balance for the General Fund. It also includes the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

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. When using unrestricted fund balance amounts, OCTA applies the default spending priority established by GASB 54, whereby the committed amounts would be reduced first, followed by the assigned amounts, and then unassigned amounts.

Use of Estimates

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets

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

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds." The details of this $193,968 difference are as follows:

Capital assets	$	203,347
Less accumulated depreciation		(9,379)
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	**$**	**193,968**

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 $(361,382) difference are as follows:

Bonds payable	$	(352,570)
Plus unamortized bond issuance premium (to be amortized to interest expense)		(5,421)
Compensated absences		(3,391)
Net adjustment to decrease fund balance – total governmental funds to arrive at net assets – governmental activities	**$**	**(361,382)**

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 $13,838 difference are as follows:

Capital outlay	$	14,514
Depreciation expense		(676)
Net adjustment to increase net change in fund balance – total governmental funds to arrive at change in net assets – governmental activities	**$**	**13,838**

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 $(279,766) difference are as follows:

Issuance of Bonds – sales tax revenue bonds	$ (352,570)
Premium on long-term debt	(6,023)
Cost of issuance	2,181
Principal repayments - sales tax revenue bonds	82,795
Change in accrued interest	(6,618)
Amortization of deferred charge on refunding	(337)
Amortization of premium	953
Amortization of issuance costs	(147)
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets – governmental activities	**$ (279,766)**

3. DIVERSION OF TDA FUNDING

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

OCTA entered into agreements with nine Orange County cities and the SCRRA effective July 1, 1997 to exchange the gasoline tax funds for flexible funding from each agency. OCTA has successfully exchanged funds for 14 years as of June 30, 2011.

4. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2011:

Deposits:	
Deposits	$ 50,458
Petty Cash	7
Total cash	**50,465**
Investments:	
With Orange County Treasurer	4,023
With LAIF	54
With Trustee	277,318
With Custodian	655,281
Total investments	**936,676**
Total Cash and Investments	**$ 987,141**

Total cash and investments are reported in the following funds:

Unrestricted Cash and Investments:	
Governmental Funds	$ 773,865
Proprietary Funds:	
Enterprise	125,878
Internal Service	38,103
Fiduciary Funds	10,362
Restricted Cash and Investments:	
Proprietary Funds:	
Enterprise	38,933
Total Cash and Investments	**$ 987,141**

Restricted investments at June 30, 2011, represent reserves for debt service, capital and operations.

As of June 30, 2011, OCTA had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
Orange County Investment Pool	$ 4,023	$ 4,022	.79%-1.02%	1 Day-5 years	342 days or .93
Local Agency Investment Fund	54	54	.448%-.528%	203-237 days	237 days or .64
U. S. Treasuries	303,395	300,261	Discount, .375%-4.5%	11/15/11-5/31/16	1.76
U. S. Agency Notes	269,070	250,523	Discount, .20%-6.045%	7/6/11-5/27/16	1.70
Medium Term Notes	173,391	173,313	.52%-8.00%	7/15/11-6/15/16	1.79
Mortgage and Asset Backed Securities	65,793	65,786	Discount, .71%-6.5%	7/1/11-6/23/16	2.88
Money Market & Mutual Funds	49,326	82,155	Variable	7/1/11	1 Day
Variable Rate Notes	14,777	14,748	Discount, .19161%-.48193%	8/2/11-5/15/15	1.40
State of CA & Local Agencies	3,224	3,204	Discount, 2.605%-8.18%	7/1/11-3/15/14	1.43
Commercial Paper	40,256	25,565	Discount and .40%	7/15/11-12/14/11	.10
Certificates of Deposit	13,367	13,367	.10%	7/5/11	.01
Total Investments	**$ 936,676**	**$ 932,998**			
Portfolio Weighted					**1.60**

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, 2011, mortgage and asset-backed securities totaled $65,793. 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 NRSROs.

As of June 30, 2011, OCTA had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express Credit Corp	$ 100	LIBOR + 30 basis points	Monthly
American Express Credit Corp	950	LIBOR + 170 basis points	Monthly
American Express Credit Corp	599	LIBOR + 15 basis points	Monthly
BA Credit Card	1,000	LIBOR + 0 basis points	Monthly
Bank of America Corp	1,003	LIBOR + 20 basis points	Quarterly
Citigroup Inc	677	LIBOR + 85 basis points	Quarterly
Citigroup Inc	421	LIBOR + 33 basis points	Quarterly
Eaton Corp	501	LIBOR + 33 basis points	Quarterly
Federal Home	1,000	LIBOR – 9.5 basis points	Monthly
Federal Home	2,702	LIBOR – 7 basis points	Quarterly
Goldman Sachs	645	LIBOR + 100 basis points	Quarterly
Goldman Sachs	1,000	LIBOR + 25 basis points	Quarterly
MBNA Credit	200	LIBOR + 15 basis points	Monthly
Morgan Stanley	848	LIBOR + 98 basis points	Quarterly
Morgan Stanley	1,027	LIBOR + 250 basis points	Quarterly
NCUA Notes	470	LIBOR + 2 basis points	Monthly
New York Life	1,000	LIBOR + 26 basis points	Quarterly
Paccar Financial Corp	634	LIBOR + 45 basis points	Monthly
Total Variable Rate Notes	**$ 14,777**		

OCTA is invested in a pay-fixed, receive-variable interest rate swap with a notional amount totaling $25,000. OCTA makes semiannual fixed payments to the counterparty of 4.06227% and receives monthly variable payments based on 67 % of LIBOR if LIBOR is equal to or greater than 4.0% or the Securities Industry Financial Markets Association (SIFMA) Index if LIBOR is less than 4.0%. The interest rate swap was executed in November 2003 and matures in December 2030. At June 30, 2011, the interest rate swap had a negative fair value of $4,125.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. OCTA's investment policy requires that a third party bank custody department hold all securities owned by OCTA. All trades are settled on a delivery versus payment basis through OCTA's safekeeping agent. At June 30, 2011, 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 NRSROs: S & P, Moody's, and Fitch. For an issuer of short-term debt, the rating must be no less than A-1 (S & P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "A" by two of the three rating services. LAIF is not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2011. (NR means Not Rated, US means obligation of the United States (U.S.) government or obligations explicitly guaranteed by the U. S. government):

Investments	S & P	Moody's	Fitch	% of Portfolio
Orange County Investment Pool	AAA	NR	NR	0.43%
Local Agency Investment Fund	NR	NR	NR	0.01%
Certificates of Deposit	A-1	P-1	F1+	1.43%
U.S. Treasuries	US	US	US	32.39%
U.S. Agency Notes	AAA	Aaa	AAA	28.73%
Medium Term Notes				
Corporate Notes	AAA	Aaa	AAA	2.09%
Corporate Notes	AAA	Aaa	AA+	0.23%
Corporate Notes	AAA	Aaa	NR	0.65%
Corporate Notes	AAA	Aa1	AA+	0.11%
Corporate Notes	AA+	Aa2	AA+	0.11%
Corporate Notes	AA+	Aa2	A+	0.32%
Corporate Notes	AA+	Aa2	NR	0.96%
Corporate Notes	AA	Aa2	AA	0.28%
Corporate Notes	AA	Aa3	NR	0.02%
Corporate Notes	AA	A1	A+	0.09%
Corporate Notes	AA-	Aa2	AA-	0.03%
Corporate Notes	AA-	Aa2	NR	0.17%
Corporate Notes	AA-	Aa3	AA-	0.37%
Corporate Notes	AA-	Aa3	A+	0.13%
Corporate Notes	AA-	Aa3	NR	0.99%
Corporate Notes	AA-	A1	AA-	0.69%
Corporate Notes	AA-	A1	NR	0.02%
Corporate Notes	AA-	A2	A+	0.07%

Investments	S & P	Moody's	Fitch	% of Portfolio
Corporate Notes	AA-	A2	A	0.01%
Corporate Notes	AA-	A2	NR	0.03%
Corporate Notes	A+	Aa1	AA-	0.18%
Corporate Notes	A+	Aa3	AA-	0.58%
Corporate Notes	A+	Aa3	A+	1.01%
Corporate Notes	A+	NR	A+	0.01%
Corporate Notes	A+	A1	A+	0.08%
Corporate Notes	A+	A1	A	0.01%
Corporate Notes	A+	A1	A-	0.12%
Corporate Notes	A+	A1	NR	0.69%
Corporate Notes	A+	A2	AA-	0.07%
Corporate Notes	A+	A2	A+	0.27%
Corporate Notes	A+	A2	A	0.03%
Corporate Notes	A+	A2	NR	0.05%
Corporate Notes	A+	A3	A	0.09%
Corporate Notes	A+	A3	A-	0.05%
Corporate Notes	A	Aa3	AA-	0.07%
Corporate Notes	A	Aa3	A+	0.01%
Corporate Notes	A	A1	A+	0.51%
Corporate Notes	A	A1	A	0.26%
Corporate Notes	A	A1	NR	0.03%
Corporate Notes	A	A2	A+	2.86%
Corporate Notes	A	A2	NR	0.79%
Corporate Notes	A	A3	AA-	0.05%
Corporate Notes	A	A3	A+	0.62%
Corporate Notes	A	A3	A	0.24%
Corporate Notes	A	A3	A-	0.06%
Corporate Notes	A-	Aa3	A+	0.32%
Corporate Notes	A-	A1	A	0.02%
Corporate Notes	A-	A2	A	0.79%
Corporate Notes	A-	A3	A	0.37%
Corporate Notes	A-	A3	A-	0.12%
Corporate Notes	A-	A3	BBB+	0.18%
Corporate Notes	A-	A3	NR	0.08%
Corporate Notes	A-	Baa1	A	0.15%
Corporate Notes	A-	NR	A	0.06%
Corporate Notes	BBB+	A2	A+	0.28%
Corporate Notes	NR	NR	NR	0.03%
Mortgage and Asset Backed Securities				
Securities	AAA	Aaa	AAA	2.23%
Securities	AAA	Aaa	NR	2.78%

Investments	**S & P**	**Moody's**	**Fitch**	**% of Portfolio**
Securities	AAA	NR	AAA	0.17%
Securities	NR	Aaa	AAA	1.62%
Securities	NR	Aaa	NR	0.22%
Variable Rate Notes				
Notes	AAA	Aaa	AAA	0.78%
Notes	AAA	Aaa	A+	0.11%
Notes	AAA	Aaa	NR	0.06%
Notes	A+	A1	NR	0.07%
Notes	A	A1	A+	0.07%
Notes	A	A2	A	0.20%
Notes	A	A3	A+	0.07%
Notes	A-	A3	A-	0.05%
Notes	BBB+	A2	A+	0.17%
Money Market and Mutual Funds	AAA	Aaa	AAA	5.27%
State of CA & Local Agency Obligations				
California Street	AAA	Aaa	AAA	0.03%
Irvine Ranch	AAA	Aaa	NR	0.11%
Irvine Ranch	AA+	Aaa	NR	0.16%
Los Angeles County	AAA	Aa2	NR	0.00%
San Francisco Bay Area RTC	AA+	Aa2	NR	0.04%
Commercial Paper				
Bank of Nova Scotia	A-1	P-1	F1+	0.21%
Citigroup	A-1	P-1	F1+	0.19%
Coca-Cola	A-1	P-1	F1	0.42%
General Electric	A-1+	P-1	NR	2.73%
Johnson & Johnson	A-1	P-1	F1+	0.53%
National Rural Utilities	A-1	P-1	NR	0.21%
Total				**100%**

At June 30, 2011, JP Morgan Chase Bank, N.A., the counterparty for the pay-fixed interest rate swap Series 2003-B-2 was rated AA- by S & P, Aa1 by Moody's, and AA- by Fitch. In addition, OCTA's investment derivative instrument was not in an asset position at June 30, 2011. Thus, OCTA was not exposed to loss due to credit risk.

As of June 30, 2011, OCTA held one investment in Lehman Brothers Holding Inc. Medium Term Notes. The investment had a $1,000 par maturing on January 24, 2013. On September 15, 2008, Lehman Brothers Holding Inc. filed for bankruptcy. As of June 30, 2011, the market value of the security was 26.50% of par.

Concentration of Credit Risk

At June 30, 2011, the Annual Investment Policy stated the following:

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

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

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

- 35% of any one Federal Agency or Federal Instrumentalities.
- 50% of any one repurchase agreement counter-party name if maturity/term is ≤ 7 days.
- 35% of any one repurchase agreement counter-party name if maturity/term is > 7 days.

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

- 25% of the maximum portfolio is allowed to 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.

OCTA did not exceed the AIP limitations, as stated above, as of June 30, 2011.

The following is a summary of the concentration of credit risk by issuer as a percentage of the fair value of the 91 Express Lanes Fund's investment portfolio at June 30, 2011:

Issuer	Amount	% of 91 Express Lanes Portfolio
Enterprise Fund: 91 Express Lanes		
General Electric Cap Corp (Commercial paper)	$ 25,565	36.55%
Bank of the West (Certificates of deposit)	13,367	19.11%

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. The Local Investment Advisory Board provides oversight for LAIF, consisting of five members as designated by statute, which includes the Treasurer of the State of California as Chairman. The fair value of 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), funds are available to OCTD for Americans with Disabilities Act (ADA) paratransit operating assistance, preventive maintenance, capital cost of contracting, demonstration projects, transportation planning, and acquisition and construction of facilities, transit vehicles and related support equipment. For fiscal year 2010-11, OCTA was awarded $42,413 in operating assistance and had a receivable of $48,556 outstanding as of June 30, 2011.

Capital Grants

Under the provisions of FTA, appropriations are available for the development and operation of a public transportation system. For fiscal year 2010-11, OCTA was awarded $490 in capital grants and had a receivable of $727 outstanding as of June 30, 2011.

Local Transportation Fund

In fiscal year 2010-11, LTF received revenues from a one-quarter percent state sales and use tax through provisions of the TDA, as amended. Under TDA, monies are to be made available to OCTD for acquisitions of property, plant and equipment and for operating expenses. In fiscal year 2010-11, OCTA and OCTD became entitled to $3,459 and $77,688 in LTF monies, respectively. This revenue was recorded as a transfer from LTF to OCTD. The remaining revenues received by LTF were contributed to other agencies for use in transit projects and OCTA planning. An additional $38,000 in TDA revenue was diverted to the County under provisions of bankruptcy recovery legislation passed by the California State legislature in September 1995 (see Note 3), and, accordingly, is not recorded in the financial statements.

State Transit Assistance Program

State Transit Assistance (STA) revenue is generated by the state sales tax on diesel fuel as specified under the gas tax swap enacted in March 2010. STA revenues are then distributed based on several demographic factors. As part of the gas tax swap, the State allocated an initial sum to cover fiscal years 2009-10 and 2010-11. OCTA received and recorded $23 million in fiscal year 2009-10. Starting with fiscal year 2011-12, STA funds will be continuously appropriated and allocated on a quarterly basis.

Proposition 1B

As part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by California voters as Proposition 1B (Prop 1B) on November 7, 2006, OCTA was awarded funding from the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and the Transit System Safety, Security and Disaster Response Account (TSSSDRA). During fiscal year 2010-11, OCTA received $7,041 in TSSSDRA funding. As of June 30, 2011, OCTA has unspent Prop 1B proceeds and interest of $16,052 and $8,888 in PTMISEA and TSSSDRA funds, respectively.

6. DUE FROM/TO OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2011 are as follows:

	Governmental Funds					Enterprise Funds		Internal Service Fund	
Receivables:	**General**	**LTA**	**LTF**	**CURE**	**Nonmajor Funds**	**OCTD**	**Nonmajor funds**	**General Liability**	**Total**
Sales taxes	$ -	$44,811	$23,924	$ -	$ -	$ -	$ -	$ -	$68,735
Project reimbursements	1,807	30,984	-	-	22	25	-	-	32,838
Gas tax Exchange	-	-	-	-	-	17,752	-	-	17,752
Other	21	46	-	1	4,005	2,966	24	1	7,064
Total	**$ 1,828**	**$75,841**	**$23,924**	**$ 1**	**$ 4,027**	**$20,743**	**$ 24**	**$ 1**	**$126,389**

Amounts due to other governments as of June 30, 2011 are as follows:

	Governmental Funds				Enterprise Funds			
Payables:	**General**	**LTA**	**CURE**	**Nonmajor Funds**	**OCTD**	**91 Express Lanes**	**Nonmajor Funds**	**Total**
Projects	$ 1,102	$60,769	$ 646	$ 32	$ 27	$ -	$ -	$ 62,576
Use taxes	1	-	-	-	52	-	-	53
Gas tax exchange	-	-	-	1,124	-	-	-	1,124
Other	-	1,087	101	560	676	96	2	2,522
Total	**$ 1,103**	**$61,856**	**$ 747**	**$ 1,716**	**$ 755**	**$ 96**	**$ 2**	**$66,275**

7. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances at June 30, 2011 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	LTF Fund	$ 835	TDA Planning/Administration
General Fund	Nonmajor Governmental Funds	32	Management fee
General Fund	CURE Fund	36	VSS Program Metrolink Stations
LTA Fund	CURE Fund	11,270	Rail-Highway Grade Crossings and Safety Enhancements and Quiet Zone
CURE Fund	General Fund	2,983	Fund negative balance
Total		**$ 15,156**	

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
Nonmajor Governmental Funds	LTA Fund	$ 4,130	M2 Expenditures
Total		**$ 4,130**	

Beginning with fiscal year 2006-07, OCUTT advanced monies to LTA to cover expenditures such as election costs, administrative costs, and accrued interest. Interest accrues monthly at an interest rate representing OCTA's rate of return on short-term investments, adjusted each July (2.43% at June 30, 2010). LTA began repaying OCUTT when M2 funds were collected. In fiscal year 2010-11, a total of $8,334 was repaid to OCUTT using M2 funds.

In connection with the purchase of the toll facility franchise, to fund the debt service payment required on February 15, 2003, and to establish operations, the 91 Express Lanes Fund borrowed $83,641 from other OCTA funds. Interest accrued monthly at an interest rate representing OCTA's rate of return on short-term investments, adjusted each January (2.21% at June 30, 2011). The amount of $9,866, representing the balance of the advance from other OCTA funds plus accrued interest, was repaid by the 91 Express Lanes Fund on June 15, 2011 from net revenues.

Interfund Transfers:

Transfers Out	Transfers In	Amount	Explanation
LTA Fund	LTA Debt Service Fund	$ 64,421	Debt service
LTA Fund	OCTD Enterprise Fund	1,156	Fare stabilization
LTA Fund	OCTD Enterprise Fund	37	Senior Mobility program
LTA Fund	CURE Fund	60,000	Metrolink Service Expansion
LTA Fund	CURE Fund	60,000	HighTec Advanced Rail
Local Transportation Fund	General Fund	3,459	OCTA planning
Local Transportation Fund	OCTD Enterprise Fund	77,688	OCTD and CTSA operations
CURE Fund	General Fund	73	VSS program Metrolink stations
CURE Fund	OCTD Enterprise Fund	1,979	Stationlink and Rail feeder service
CURE Fund	LTA Fund	11,270	Rail-Highway Grade Crossings and Quiet Zone
LTA Debt Service Fund	LTA Fund	73,511	Transfer excess reserves
LTA Debt Service Fund	LTA Fund	1,005	Measure M2 BABs subsidy
Nonmajor Governmental Funds	General Fund	1,229	Transportation projects
Nonmajor Governmental Funds	OCTD Enterprise Fund	15	Close Capital Project Fund
Nonmajor Governmental Funds	CURE Fund	163	Close the Urban Rail Fund
OCTD Enterprise Fund	General Fund	13,761	Bristol Street Widening & HASTUS project
91 Express Lanes Fund	LTA Fund	884	Transportation projects
Nonmajor Enterprise Fund	OCTD Enterprise Fund	14,053	OCTD Operations
Total		**$ 384,704**	

8. RELATED PARTY TRANSACTIONS

In June 2009, OCTA entered into a contract of employment with an officer of OCTA. In August 2009, OCTA amended the contract of employment to include a loan for a down payment on a house in Orange County in an amount not to exceed $75. The loan bears simple interest on the unpaid principal balance at a percentage equal to the yield on OCTA's short-term portfolio investments plus two percent. The loan amount and interest were to be paid to OCTA no later than July 31, 2012.

In August 2010, OCTA amended the contract of employment to state that the loan amount and interest shall be paid to OCTA no later than July 31, 2013. Pursuant to this agreement, OCTA recorded a receivable with a balance of $76 as of June 30, 2011.

9. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 173,337	$ 14,290	$ -	$ 187,627
Construction in progress	2,734	-	-	2,734
Total capital assets, not being depreciated	176,071	14,290	-	190,361
Capital assets, being depreciated:				
Building and improvements	4,351	-	-	4,351
Machinery, equipment and furniture	8,474	224	63	8,635
Total capital assets, being depreciated	12,825	224	63	12,986
Less accumulated depreciation for:				
Buildings and improvements	(1,800)	(211)	-	(2,011)
Machinery, equipment and furniture	(6,965)	(465)	(62)	(7,368)
Total accumulated depreciation	(8,765)	(676)	(62)	(9,379)
Total capital assets, being depreciated, net	4,060	(452)	1	3,607
Governmental activities capital assets, net	**$ 180,131**	**$ 13,838**	**$ 1**	**$ 193,968**
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 55,129	$ -	$ 584	$ 54,545
Total capital assets, not being depreciated	55,129	-	584	54,545
Capital assets, being depreciated and amortized:				
Building and improvements	147,546	1,828	-	149,374
Transit vehicles	314,227	2,853	27,114	289,966
Machinery, equipment and furniture	66,416	7,184	788	72,812
Toll facility franchise	205,264	-	-	205,264
Total capital assets, being depreciated and amortized	733,453	11,865	27,902	717,416

	Beginning Balance	Increases	Decrease	Ending Balance
Less accumulated depreciation and amortization for:				
Buildings and improvements	(54,632)	(5,161)	-	(59,793)
Transit vehicles	(148,995)	(28,768)	(25,497)	(152,266)
Machinery, equipment and furniture	(54,515)	(4,271)	(774)	(58,012)
Toll facility franchise	(54,982)	(7,330)	-	(62,312)
Total accumulated depreciation and amortization	(313,124)	(45,530)	(26,271)	(332,383)
Total capital assets, being depreciated and amortized, net	420,329	(33,665)	1,631	385,033
Business-type activities capital assets, net	**$ 475,458**	**$ (33,665)**	**$ 2,215**	**$ 439,578**

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

Governmental activities:	
General government	$ 626
Measure M program	43
Motorist services	7
Total depreciation expense – governmental activities	**$ 676**
Business-type activities:	
Fixed route	$ 30,554
Paratransit	5,652
Tollroad	9,324
Total depreciation and amortization expense – business-type activities	**$ 45,530**

10. 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 self-insured up to a maximum amount of $500 per claim and have statutory coverage through a commercial insurer. General liability claims are self-insured up to a maximum amount of $4,000 and have additional coverage of $35,000 per occurrence through two commercial insurers. No claims have exceeded insurance coverage in the past three fiscal years. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. General liability and workers' compensation reserves are actuarially determined. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Management is of the opinion that the recorded liabilities for OCTA's self-insured claims are adequate.

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

	2011	2010
General Liability		
Unpaid claims as of July 1	**$ 5,519**	**$ 9,689**
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	764	434
Increase/(Decrease) in provision for prior years' events	3,548	(705)
Total incurred claims	4,312	(271)
Payments:		
Claims attributable to current year events	124	107
Claims attributable to prior years' events	425	3,792
Total payments	(549)	(3,899)
Unpaid claims at June 30,	**9,282**	**5,519**
Workers' Compensation		
Unpaid claims as of July 1	**10,499**	**10,698**
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	1,263	2,001
Increase/(Decrease) in provision for prior years' events	4,449	2,449
Total incurred claims	5,712	4,450
Payments:		
Claims attributable to current year events	709	972
Claims attributable to prior years' events	4,099	3,677
Total payments	(4,808)	(4,649)
Unpaid claims at June 30,	**11,403**	**10,499**
Total unpaid claims at June 30,	**20,685**	**16,018**
Less current portion of unpaid claims	**4,587**	**3,341**
Total long-term portion of unpaid claims	**$ 16,098**	**$ 12,677**

11. SHORT-TERM DEBT

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

In December 2010, OCTA issued taxable and tax-exempt sales tax revenue bonds for the M2 program (see note 12). A portion of the bonds issued ($75,000) were used to pay down the outstanding M2 Notes balance of $100,000. The M2 Notes program and supporting Letter of Credit were reduced from $400,000 to $50,000.

As of June 30, 2011, LTA had outstanding M2 Notes in the amount of $25,000. Interest is payable on the respective maturity dates of the M2 Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the M2 Notes is 12.0%. The average issuance rate during fiscal year 2010-11 was 0.37%.

Changes in Short-Term Debt

Short-term debt activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax exempt commercial paper – M2	$ 100,000	$ -	$ 75,000	$ 25,000
Total short-term debt	**$ 100,000**	**$ -**	**$ 75,000**	**$ 25,000**

12. INTEREST RATE SWAPS

Interest Rate Swaps

As a means to lower its borrowing costs on variable rate debt 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 for the 91 Express Lanes. The parity swaps were entered into to effectively change OCTA's variable rate bonds to a synthetic fixed rate of 4.06227%. $95,265 was issued on a fixed rate basis and $100,000 was issued on a variable rate basis. The Series 2003-B-1 swap was for $75,000 and the counterparty was Lehman Brothers Special Funding Incorporated (Lehman Brothers). The Series 2003-B-2 swap was for $25,000 and the counterparty was Bear Stearns Capital Markets Incorporated (Bear Stearns).

On May 30, 2008, JP Morgan completed its acquisition of The Bear Stearns Companies Incorporated. As a result of the merger, JP Morgan assumed the $25,000 interest rate swap between OCTA and Bear Stearns Capital Markets Incorporated.

On November 23, 2005, Lehman Brothers Holding Inc. named Lehman Brothers Commercial Bank (LBCB) 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.

On October 2, 2008, OCTA provided a Notice of Event of Default and Reservation of Rights letter to Lehman Brothers Special Financing and LBCB regarding the rating downgrade and missed counterparty payments. Since LBCB's Event of Default, OCTA had not remitted payment to LBCB as part of the swap agreement.

In February 2009, LBCB changed its name to Woodlands Commercial Bank (Woodlands). The net amount owed between OCTA and Woodlands totaled approximately $6,600 through February 2011. On March 15, 2011, OCTA terminated the Series 2003-B-1 swap and remitted the net amount owed to the counterparty for unpaid swap payments. An investment gain of $9,932 was recognized as a result of the termination.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, and the changes in fair value of such derivative instruments for the year then ended are as follows:

	Changes in fair value		Fair value at June 30, 2011		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Investment derivatives -					
Pay-fixed interest rate swap:					
Series 2003-B-1	Investment gain	$ 9,932	Investment	$ -	$ -
Series 2003-B-2	Investment gain	793	Investment	(4,125)	25,000
Total		$ 10,725		**$ (4,125)**	**$ 25,000**

In the prior fiscal year, OCTA determined that the pay-fixed interest rate swaps classified as investment derivative instruments did not meet the criteria for effectiveness. Accordingly, an adjustment was made to record the accumulated negative changes in fair value of the swaps. The increase in the fair value of the swaps in fiscal year 2011 of $10,725 is reported as an investment gain on derivative instruments for the year ended June 30, 2011 in the 91 Express Lanes enterprise fund.

The fair values of the interest rate swaps were estimated using proprietary methodologies developed by DerivActiv, LLC. The pricing valuation was conducted by using the executed trade confirmations for the swap and modeling the trades in DerivActiv's pricing system using the rate structure contained in the confirmation and International Swaps and Derivatives Association (ISDA) agreement. DerivActiv utilized pricing levels from Bloomberg Financial at the market close on June 30, 2011.

Terms

The bonds and the related outstanding parity swap agreement mature on December 15, 2030. The parity swap was entered into at the same time the bonds were sold (November 2003). Starting in fiscal year 2022, the notional amount of the parity swap declines and the principal amount of the associated bonds declines by an identical amount. Under the parity swap, OCTA pays the counterparty a fixed payment of 4.06227% and the counterparty pays OCTA a floating rate equal to 67% of one month LIBOR index if one month LIBOR index is equal to or greater than 4.0% or the SIFMA Index if LIBOR is less than 4.0%.

13. LONG-TERM DEBT

Sales Tax Revenue Bonds

During fiscal years 1993, 1994, 1998, and 2002, LTA issued sales tax revenue bonds to assist in the financing of various highway, local streets and roads, and transit projects in Orange County. The Measure M sales tax was the source of revenue for repaying this debt. The outstanding balance of $82,795 was paid in full in fiscal year 2010-11.

On December 9, 2010, LTA issued $293,540 in M2 Sales Tax Revenue Bonds, 2010 Series A (Taxable Build America Bonds) and $59,030 in 2010 Series B (Tax-Exempt Bonds), to finance and refinance the costs of certain transportation projects located in Orange County, to restructure the Tax Exempt Commercial Paper (TECP) Program, and to fund capitalized interest and costs of issuance related to the 2010 Series Bonds. A reserve fund is not required in connection with the 2010 Series Bonds per the bond indenture. The transaction closed on December 23, 2010. A total of $75,000 was used to refund outstanding TECP. The outstanding balance of the TECP program is $25,000.

A summary of the bonds outstanding is as follows:

	2010 Series A (Taxable Build America Bonds)	2010 SeriesB (Tax-Exempt Bonds)
Issuance Date	12/9/10	12/9/10
Original issue amount	$ 293,540	$ 59,030
Original issue premium	-	6,023
Net Bond Proceeds	**$ 293,540**	**$ 65,053**
Issuance costs	$ 1,905	$ 274
Interest rates	5.56%-6.91%	3.00%-5.00%
Maturity range	2021-2041	2013-2020
Final Maturity	2041	2020
Bonds outstanding	$ 293,540	$ 59,030
Plus unamortized premium	-	5,421
Total	**$ 293,540**	**$ 64,451**

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest
2012	$ -	$ 22,383
2013	6,410	22,383
2014	6,600	22,191
2015	6,865	21,927
2016	7,210	21,584
2017-2021	40,860	103,111
2022-2026	49,960	91,104
2027-2031	61,800	72,890
2032-2036	76,975	49,539
2037-2041	95,890	20,454
Total	**$ 352,570**	**$ 447,566**

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 a $26,428 Yield

Maintenance Premium in connection with the defeasance of the Senior Secured Bonds, which is deferred and amortized over the life of the Series 2003 tax-exempt bonds, on the straight line basis.

Toll Road Revenue Refunding Bonds

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

On November 24, 2008, OCTA remarketed $100,000 in Toll Road Revenue Refunding Bonds (91 Express Lanes) Series 2003-B-1 and Series 2003-B-2 (collectively the "Series 2003-B Bonds") that were issued on November 12, 2003. The Series 2003-B Bonds were originally issued as adjustable rate bonds. The Series 2003-B Bonds were purchased by OCIP. In connection with the mandatory tender of the Series 2003-B Bonds required by the Indenture, the interest rate was converted to a Long Term Interest Rate equal to the OCIP Rate, or 3.85%. The Series 2003-B Bonds were subject to mandatory tender for repurchase by or for the benefit of OCTA on December 19, 2010. On December 20, 2010, OCTA entered into a new transaction with OCIP for the Series 2003-B Bonds at a 1.55% rate. The 2003-B Bonds have a mandatory tender date of August 15, 2013.

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

Issuance date	11/12/03
Original issue amount	$ 195,265
Cash reserve requirements	$ 38,020*
Cash reserve balance	$ 38,933
Interest rate	1.55% - 5.375% **
Maturity	December 2030
Principal payment date	August 15
Current balance	$ 165,685
Unamortized premium	$ 4,904
Deferred amount on refunding	$ (18,242)

*Pursuant to the 2003 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the following four reserve funds are required to be maintained: Reserve Fund - $12,635, Supplemental Reserve Fund - $12,635, Major Maintenance Reserve Fund - $10,000, and Operating Reserve Fund - $2,750. At June 30, 2011, all reserve requirements have been satisfied.

**2003 Series B-1 and B-2 were issued as variable rate revenue bonds with a floating-to-fixed interest rate swap transaction in place. The swap for the $75,000 Series 2003-B-1 bonds was terminated on March 15, 2011. The $25,000 Series 2003-B-2 bonds were swapped to a fixed rate of 4.06227%. See note 11 for interest rate swap description.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2011, are as follows:

Year ending June 30,	Principal	Interest
2012	$ 4,980	$ 5,755
2013	5,245	5,490
2014	5,525	5,210
2015	5,815	4,920
2016	6,130	4,606
2017-2021	35,825	17,855
2022-2026	45,420	10,226
2027-2031	56,745	3,745
Total	**$ 165,685**	**$ 57,807**

The interest rate used to determine the future annual debt service requirements for the Series 2003-B-1 bonds was the 1.55% OCIP rate at June 30, 2011. The interest rate used to determine the future annual debt service requirements for the Series 2003-B-2 bonds was 5.5227%, which includes net swap interest. As part of the swap agreement, OCTA pays a fixed interest rate of 4.06227% per annum and receives the SIFMA Index which amounted to 0.09% on June 30, 2011. As rates vary, bond interest payments and net swap payments will vary.

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Sales tax revenue bonds	$ 82,795	$ 352,570	$ 82,795	$ 352,570	$ -
Unamortized deferred loss on refunding	(337)	-	(337)	-	-
Unamortized premium	351	6,023	953	5,421	-
Compensated absences, as restated	2,321	5,452	4,347	3,426	35
Other post employment	54	20	-	74	-
Total governmental activities long-term liabilities, as restated	**$ 85,184**	**$ 364,065**	**$ 87,758**	**$ 361,491**	**$ 35**
Business-type activities:					
Tax-exempt bonds	$ 170,425	$ -	$ 4,740	$ 165,685	$ 4,980
Capital leases	6,362	-	3,560	2,802	2,231
Unamortized premium	5,156	-	252	4,904	-
Unamortized deferred amount on refunding	(19,310)	-	(1,068)	(18,242)	-
Claims payable	16,018	10,024	5,357	20,685	4,587
Compensated absences	6,955	10,466	10,869	6,552	6,110
Other post employment	31	13	-	44	-
Total business-type activities long-term liabilities	**$ 185,637**	**$ 20,503**	**$ 23,710**	**$ 182,430**	**$ 17,908**

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

Arbitrage Rebate

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. In general, arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Failure to follow the arbitrage regulations could result in the interest paid to bondholders being 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 and $273 was paid in April 2011.

Pledged Revenue

OCTA has a number of debt issuances outstanding that are repaid and secured by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the summary of bonds outstanding tables. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions. For the year ended June 30, 2011, the 91 Express Lanes debt service payments include an additional $2,246 in interest costs associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc. Debt service payments as a ratio of the pledged gross revenue, less certain expenses as required by the debt agreement, for the year ended June 30, 2011, are indicated in the following table:

Description of Pledged Revenue	Annual Amount of Net Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
Measure M1 Sales Tax	$ 183,077	$ 87,422	2.09
Measure M2 Sales Tax	$ 13,023	$ 2,228	5.85
91 Express Lanes Net Toll Road Revenue	$ 28,422	$ 14,503	1.96

14. 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 OCTA, except for those former employees of the OCTC who elected to participate in PERS (currently two employees), 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. The most recent financial information available is for the year ended December 31, 2009. See notes to RSI for more information.

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

Funding Policy (OCERS) - Plan members contribute between 4.22% to 11.84% to the plan. OCTA's actuarially determined contribution requirement was 18.16% of total covered payroll.

Annual Pension Cost (PERS) – Annual required contributions for fiscal year 2010-11 were based on the June 30, 2008 actuarial valuation, the latest available from PERS. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% per annum compounded annually and an inflation factor of 3.0%; and (b) projected annual salary increases that vary by duration of service and include a factor of 3.0% for inflation, .25% for annual production growth and various amounts for merit according to longevity.

OCTA's contributions to PERS were $0 for the years ended June 30, 2011, 2010, and 2009, 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 2011 were based on the OCERS actuarial valuation as of December 31, 2008, in which the investment return assumption was 7.75%, and the inflation factor was 3.50%. The salary increase rate assumption varies by duration of service between 4.50% and 11.50% for General members, which includes the inflation factor of 3.50%. There are assumed to be no across the board salary increases.

OCTA's contributions to OCERS for the years ended June 30, 2011, 2010, and 2009 were $16,755, $15,877 and $17,473, respectively, and were equal to the required contribution calculated by the OCERS actuary for each year.

Supplemental Pension Plan

Plan Description - On January 1, 1995, OCTA established the Additional Retiree Benefit Account (Plan). The Plan is a single-employer defined benefit retirement plan. The Plan is administered for OCTA through OCERS. The Plan provides a supplemental retirement benefit to individuals age 50 and over with at least 10 years of service with OCTA. Employees deferring retirement more than 30 days from date of separation from OCTA are not eligible. There is no separate benefit plan report issued.

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 an 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, 2011 is $935 which is equal to OCTA's required and actual contributions.

Three-year Trend Information

Fiscal Year Ending June	Annual Pension Cost	Actual Contribution	Percentage Contribution	Net Pension Obligation
2011	$ 935	$ 935	100%	$ 0
2010	$ 883	$ 883	100%	$ 0
2009	$ 786	$ 786	100%	$ 0

The following information describes the calculation methodology:

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

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

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

- Interest rate: 7.75%
- Mortality: OCERS assumptions
- Termination: Sample rates in the first five years of service are:

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

Sample rates with 5+ years of service are:

Age	Rate	Age	Rate
25	4.0%	45	3.4%
30	4.0%	50	2.7%
35	4.0%	55	1.9%
40	4.0%	60	.6%

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

Age	Rate
50	3.0%
55	4.0%
60	11.0%
65	25.0%
70	100.0%

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

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

15. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

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

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

For fiscal year 2010-11, OCTA contributed $40 in implied subsidy through the active healthcare premiums:

	Amount
Total Active Health Premiums	$ 8,301
Reclassification for Implied Subsidy	(40)
Net Active Health Premiums	**$ 8,261**

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 30 years.

The following table shows the components of OCTA's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the Plan, and changes in OCTA's net OPEB obligation.

	Amount
Annual required contribution	$ 74
Interest on net OPEB obligation	4
Adjustment to annual required contribution	(4)
Annual OPEB cost	74
Benefit payments made	40
Increase in net OPEB obligation	34
Net OPEB obligation – beginning of year	84
Net OPEB obligation – end of year	$ 118

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, 2011 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/11	$ 74	54.1%	$ 118
6/30/10	$ 71	45.1%	$ 84
6/30/09	$ 60	65.0%	$ 45

Funded Status - The June 30, 2011 funded status, based on the January 1, 2010 actuarial valuation was:

	Amount
Actuarial Accrued Liability (AAL)	$ 659
Actuarial value of plan assets	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 659
Funded ratio (Actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$ 38,764
UAAL as a percentage of covered payroll	1.7%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required contribution	Percentage Contributed
6/30/11	$ 74	54.1%
6/30/10	$ 71	45.1%
6/30/09	$ 60	65.0%

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

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

The UAAL is amortized over an initial 30-year closed period as a level percentage of payroll. The remaining amortization period at January 1, 2011 is 27 years.

Current trend information about the funding progress is presented in the Required Supplementary Information following the notes to the basic financial statements.

16. 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, 2011 are as follows:

	Total Purchase Commitments	Reserve for Encumbrances	Unencumbered Purchase Commitments
Governmental Funds:			
General	$ 160,026	$ 9,925	$ 150,101
LTA	623,458	71,391	552,067
LTF	809	-	809
CURE	12,378	186	12,192
Nonmajor governmental funds	36,533	13,098	23,435
Total Governmental Funds	833,204	94,600	738,604
Proprietary Funds:			
OCTD	205,299	22,730	182,569
91 Express Lanes	48,150	2,019	46,131
Internal Service Funds	1,817	1,218	599
Total Proprietary Funds	255,266	25,967	229,299
Total	**$ 1,088,470**	**$ 120,567**	**$ 967,903**

The majority of the contracts relate to the expansion of Orange County's freeway and road systems, grade separation projects, expansion of commuter rail service and the purchase of new rail cars.

17. OTHER COMMITMENTS AND CONTINGENCIES

Litigation

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

Metrolink Event

On September 12, 2008, a Metrolink commuter train collided with a freight train in Chatsworth. The National Transportation Safety Board determined that the probable cause of the collision was the failure of the Metrolink engineer to observe and appropriately respond to the red signal aspect at Control Point Topanga. Upon completion of the safety review process, the independent Rail Safety Peer Review Panel developed an Enhanced Safety Action Plan with recommendations on eight key issues identified by the Panel. The $200 million interpleader was approved, which was funded by Connex and Metrolink. The funds will be disbursed to the victims and their families through the court system. Management does not anticipate any future financial impact to OCTA due to this incident.

Federal Grants

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

Lease Commitments

Operating leases

OCTA is committed under various leases for building, office space, a Compressed Natural Gas (CNG) Fueling Facility, non-revenue vehicles and tires for revenue vehicles. These leases are considered for accounting purposes to be operating leases. The lease for OCTA's administrative headquarters in Orange was originally for 15 years beginning in September 1993, but was amended to extend the lease term to April 30, 2018. Lease expenditures for the year ended June 30, 2011 amounted to $7,089.

Future minimum payments for these leases are as follows:

Fiscal Year Ended		Amount
2012	$	6,406
2013		6,042
2014		6,150
2015		5,931
2016		4,135
2017-2018		7,896
Total	**$**	**36,560**

Capital leases

OCTA is also committed under multiple leases for design and construction of CNG Fueling Facilities that are considered capital leases. As of June 30, 2011, three facilities have been completed at a cost of $18,173 and are included in building and improvements. The terms of the leases are for five years commencing July 21, 2006 for the first lease and October 30, 2007 for the other two leases.

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

Fiscal Year Ending		Amount
2012	$	2,310
2013		577
Total minimum lease		2,887
Less: interest costs		(85)
Present value of net minimum lease	**$**	**2,802**

18. JOINT VENTURE

OCTA is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority created in 1992. The SCRRA's board consists of one member from the Ventura County Transit Commission (VCTC); two each from OCTA, the San Bernardino Associated Governments (SANBAG) and the Riverside County Transportation Commission (RCTC); and four members from the Los Angeles County Metropolitan Transportation Authority (LACMTA). SCRRA is responsible for maintaining and operating a regional commuter rail system (Metrolink) in five southern California counties. As a member of the agency, OCTA makes annual capital and operating contributions for its prorata share of rail lines serving Orange County. OCTA expended $10,419 during fiscal year 2010-11 for its share of

Metrolink capital and operating costs. Separate financial statements are prepared by, and available from, SCRRA, which is located at 700 N. Flower Street, 26th floor, Los Angeles, CA 90017.

19. PRIOR PERIOD ADJUSTMENT

During fiscal year 2010-11, certain contracts for rolling stock were determined to be funded with FTA grants that had expenditures incurred in the prior fiscal year. The revenue associated with these expenditures should have been recorded in the prior fiscal year. Therefore, a prior period adjustment of $8,583 was made in the current fiscal year.

In the prior fiscal year, the governmental fund statements included compensated absences for the sick leave payout. It was determined that such payments should only be recorded in the government wide statements since it does not use current financial resources. Additionally, per GASB 16, an additional liability for sick leave estimated to be paid using the vesting method should have been recorded in the government wide statements.

During fiscal year 2010-11, OCTA changed its availability period from 180 days to 90 days for revenue recognition purposes in its governmental funds. The change in availability period allows OCTA to more accurately reflect revenues in the appropriate fiscal year and minimizes the use of estimates. Therefore, a prior period adjustment of $(2,808) and $(9,885) was made in the General Fund and LTA Fund respectively.

OCTA implemented GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, in fiscal year 2007-08. Based on guidance received at that time, funds initially transferred to the OCERS trust fund were recorded as a net pension asset for the OCTD fund and business–type activities, and as other assets under governmental activities on the Statement of Net Assets. Based on additional guidance, these funds should have been expensed when GASB 45 was implemented. A prior period adjustment was made in the current year of $(2,255) in the governmental activities, and $(4,298) in the OCTD fund and business-type activities.

OCTA's supplemental pension plan, ARBA, is administered by OCERS, and based on a 3-year audit, OCERS recorded a prior period adjustment in December 2010 to adjust for the under-reporting of investments for the prior years. OCTA is recording a prior period adjustment for $1,191 in the current fiscal year to account for the adjustment made by OCERS.

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

	Governmental Activities	General Fund	LTA	Business-type Activities	OCTD	Fiduciary – ARBA Trust Fund
Beginning balance, as previously reported	$616,806	$2,378	$259,258	$ 522,581	$441,181	$7,357
Revenues for Rolling Stock	8,583	-	8,583	-	-	-
Compensated Absences	(100)	2,376	-	(688)	(688)	-
Change in Acctg Policy	-	(2,808)	(9,885)	-	-	-
Write-off Net Pension Asset	(2,255)	-	-	(4,298)	(4,298)	-
Investment Adj to ARBA	-	-	-	-	-	1,191
Beginning Balance, as restated	**$623,034**	**$1,946**	**$257,956**	**$517,595**	**$436,195**	**$8,548**

20. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the LTA Debt Service Fund, expenditures exceeded appropriations for interest on long-term debt and commercial paper in the amount of $3,229. During the year, $2,200 was appropriated for the interest on the M2 debt in the LTA Fund rather than the debt service fund, where the actual expenditures were incurred. Also, when budgeting for the interest costs on the M2 sales tax revenue bonds, the Build America Bonds (BABs) subsidy of $1,005 was netted against the total interest costs. Action has been taken to correctly budget for these transactions in the future.

21. SUBSEQUENT EVENTS

On August 4, 2011, OCTA amended the Letter of Credit and Reimbursement Agreement and removed Dexia Credit Local and BNP Paribas. The liquidity support for the M2 Notes will be provided by Bank of America, N.A. and JP Morgan Chase Bank, N.A. until November 2011 (the expiration date of the Letter of Credit and Reimbursement Agreement).

22. EFFECT OF NEW PRONOUNCEMENTS

GASB Statement No. 54

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

GASB Statement No. 59

In June 2010, GASB issued Statement No. 59, Financial Instruments Omnibus. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. OCTA implemented this statement in fiscal year 2011.

GASB Statement No. 60

In November 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement is effective for OCTA's fiscal year ending June 30, 2013.

GASB Statement No. 61

In November 2010, GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This statement is effective for OCTA's fiscal year ending June 30, 2013.

GASB Statement No. 62

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

GASB Statement No. 63

In June 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position. This statement is effective for OCTA's fiscal year ending June 30, 2013.

GASB Statement No. 64

In June 2011, GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This statement is effective for OCTA's fiscal year ending June 30, 2012.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Fines	$ 163	$ 163	$ 140	$ (23)
Contributions from other agencies	5,056	7,506	4,970	(2,536)
Interest and investment income/(loss)	223	223	-	(223)
Capital assistance grants	3,920	3,920	1,469	(2,451)
Miscellaneous	316	316	205	(111)
Total revenues	**9,678**	**12,128**	**6,784**	**(5,344)**
Expenditures				
Current:				
General government:				
Salaries and benefits	37,517	37,517	36,141	1,376
Supplies and services	27,413	29,248	16,223	13,025
Interfund reimbursements	(50,188)	(50,188)	(46,390)	(3,798)
Transportation:				
Contributions to other local agencies	16,673	18,971	18,341	630
Capital outlay	4,962	5,362	2,291	3,071
Total expenditures	**36,377**	**40,910**	**26,606**	**14,304**
Excess (deficiency) of revenues over (under) expenditures	**(26,699)**	**(28,782)**	**(19,822)**	**8,960**
Other financing sources (uses)				
Transfers in	20,494	20,812	18,522	(2,290)
Proceeds from sale of capital assets	-	-	4	4
Total other financing sources (uses)	**20,494**	**20,812**	**18,526**	**(2,286)**
Net change in fund balance	**$ (6,205)**	**$ (7,970)**	**$ (1,296)**	**$ 6,674**

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Authority Special Revenue Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales tax revenue	$ 213,408	$ 213,408	$ 235,610	$ 22,202
Contributions from other agencies	1,969	1,969	60,054	58,085
Interest and investment income	4,916	4,916	7,319	2,403
Capital assistance grants	163,307	163,307	-	(163,307)
Miscellaneous	814	814	437	(377)
Total revenues	**384,414**	**384,414**	**303,420**	**(80,994)**
Expenditures				
Current:				
General government:				
Supplies and services	107,633	145,080	67,008	78,072
Transportation:				
Contributions to other local agencies	336,415	334,115	159,815	174,300
Capital outlay	223,630	223,630	82,265	141,365
Debt service:				
Interest	1,250	3,450	726	2,724
Bond issuance costs	-	-	2,181	(2,181)
Total expenditures	**668,928**	**706,275**	**311,995**	**394,280**
Excess (deficiency) of revenues over (under) expenditures	**(284,514)**	**(321,861)**	**(8,575)**	**313,286**
Other financing sources (uses)				
Transfers in	-	-	86,670	86,670
Transfers out	(95,297)	(95,297)	(185,614)	(90,317)
Bond issuance	-	-	352,570	352,570
Bond premium	-	-	6,023	6,023
Total other financing sources (uses)	**(95,297)**	**(95,297)**	**259,649**	**354,946**
Net change in fund balance	**$ (379,811)**	**$ (417,158)**	**$ 251,074**	**$ 668,232**

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Transportation Special Revenue Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales tax revenue	$ 74,568	$ 74,568	$ 91,194	$ 16,626
Interest and investment income	56	56	43	(13)
Total revenues	**74,624**	**74,624**	**91,237**	**16,613**
Expenditures				
Current:				
General government:				
Supplies and services	1,225	1,225	1,661	(436)
Transportation:				
Contributions to other local agencies	7,071	7,071	3,911	3,160
Total expenditures	**8,296**	**8,296**	**5,572**	**2,724**
Excess of revenues over expenditures	**66,328**	**66,328**	**85,665**	**19,337**
Other financing uses				
Transfers out	(70,309)	(70,309)	(81,147)	(10,838)
Total other financing uses	**(70,309)**	**(70,309)**	**(81,147)**	**(10,838)**
Net change in fund balance	**$ (3,981)**	**$ (3,981)**	**$ 4,518**	**$ 8,499**

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Commuter and Urban Rail Endowment Special Revenue Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Fines	$ 17	$ 17	$ 16	$ (1)
Contributions from other agencies	-	-	10	10
Interest and investment income	833	833	2,459	1,626
Federal capital assistance grants	1,594	1,594	322	(1,272)
Miscellaneous	632	632	639	7
Total revenues	**3,076**	**3,076**	**3,446**	**370**
Expenditures				
Current:				
General government:				
Supplies and services	27,557	27,557	13,615	13,942
Transportation:				
Contributions to other local agencies	33,184	33,954	1,427	32,527
Capital outlay	43	43	4	39
Total expenditures	**60,784**	**61,554**	**15,046**	**46,508**
Excess (deficiency) of revenues over (under) expenditures	**(57,708)**	**(58,478)**	**(11,600)**	**46,878**
Other financing sources (uses)				
Transfers in	-	-	120,163	120,163
Transfers out	(1,701)	(1,701)	(13,322)	(11,621)
Total other financing sources (uses)	**(1,701)**	**(1,701)**	**106,841**	**108,542**
Net change in fund balance	**$ (59,409)**	**$ (60,179)**	**$ 95,241**	**$ 155,420**

See accompanying notes to required supplementary information.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Required Supplementary Information
Pension and Supplemental Pension Plan Trend Data
June 30, 2011

(amounts expressed in thousands)

Presented below are the Schedule of Funding Progress and the Schedule of Employer Contributions for OCERS, a cost-sharing multiple-employer defined benefit plan.

Orange County Employees' Retirement System
Schedule of Funding Progress for Years Ended December 31

Actuarial Valuation as of December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2005	$ 5,786,617	$ 8,089,627	$ 2,303,010	71.5%	$ 1,276,764	180.4%
2006	$ 6,466,085	$ 8,765,045	$ 2,298,960	73.8%	$ 1,322,952	173.8%
2007	$ 7,288,900	$ 9,838,686	$ 2,549,786	74.1%	$ 1,457,159	175.0%
2008	$ 7,748,380	$ 10,860,715	$ 3,112,335	71.3%	$ 1,569,764	198.3%
2009	$ 8,154,687	$ 11,858,578	$ 3,703,891	68.8%	$ 1,618,491	228.8%
2010	$ 8,672,592	$ 12,425,873	$ 3,753,281	69.8%	$ 1,579,239	237.7%

Orange County Employees' Retirement System
Schedule of Employer Contributions

Plan Year Ended December 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2005	$ 227,892	$ 227,892	100.0%
2006	$ 227,368	$ 227,368	100.0%
2007	$ 326,736	$ 326,736	100.0%
2008	$ 359,673	$ 360,365	100.2%
2009	$ 337,496	$ 338,387	100.3%
2010	$ 372,437	$ 372,437	100.0%

Presented below is the schedule of funding progress for OCTA's supplemental pension plan, Additional Retiree Benefit Account (Plan), a single-employer defined benefit retirement plan. OCTA obtains actual valuations biennially.

Schedule of Funding Progress for Years Ended June 30

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

See accompanying notes to RSI.

(amounts expressed in thousands)

Presented below is the schedule of funding progress for OCTA's postemployment healthcare plan. This plan is a single-employer defined benefit healthcare plan.

OCTA implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for fiscal year 2007-08. In conformance with GASB 45, OCTA obtains actual valuations biennially.

Schedule of Funding Progress for Years Ended June 30

Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll*	UAAL as a Percentage of Covered Payroll
2010	$ -	$ 659	$ 659	0%	$ 38,764	1.7%
2008	$ -	$ 491	$ 491	0%	$ 36,085	1.4%

*Annual covered payroll represents active employees earning service credit towards eligibility for continuation of health coverage at retirement.

See accompanying notes to RSI.

(amounts expressed in thousands)

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 subject to approval by the Finance and Administration Division. 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 2011 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

There were no excess of expenditures over appropriations for fiscal year 2010-11 for the General Fund and the major special revenue funds.

2. OCERS

OCTA's contributions to OCERS represent approximately 4.5% of the total plan sponsor payments into OCERS. The most recent actuarial valuation for OCERS was performed by Segal Company as of December 31, 2010. As of this valuation date, OCTA had 1,639 active OCERS members out of a total of 21,742 active OCERS members. As of December 31, 2010, OCERS was 69.79% funded.

OCTA's portion of OCERS UAAL as provided by OCERS is as follows:

Actuarial Valuation as of December 31	UAAL
2005	$ 72,828
2006	$ 68,157
2007	$ 68,322
2008	$ 94,383
2009	$ 144,137
2010	$ 142,980

OCERS is funded pursuant to the Entry Age Normal Actuarial Cost Method. The actuarial assumptions currently used in valuing the plan include, but are not limited to (i) an investment return assumption of 7.75%, (ii) a policy to amortize OCERS Unfunded (UAAL) as of December 31, 2004, over a 24-year period on a closed basis, (iii) amortize any increases or decreases in UAAL that arise in future years due to actuarial gains or losses over separate 15-year period, (iv) increases or decreases due to assumption changes are amortized over separate 30-year periods, (v) all amortizations conducted on a level percent of pay basis, (vi) a 3.5% inflation factor, (vii) salary increase rate assumptions vary by duration of service between 4.50% and 11.50% for General members, which includes the inflation factor of 3.50%.

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 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 – As of 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 that 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 light-rail transit corridor within Orange County.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011

	Special Revenue					
(amounts expressed in thousands)	**OCUTT**	**SAFE**	**SAAV**	**STAF**	**Gas Tax**	**Total**
Assets						
Cash and investments	$ 5,765	$ 3,739	$ 2,994	$ 1	$ 2,460	$ 14,959
Receivables:						
Interest	55	32	14	-	-	101
Other	-	13	-	-	-	13
Due from other governments	-	3,379	648	-	-	4,027
Advance to other funds	4,130	-	-	-	-	4,130
Other assets	4,100	-	-	-	-	4,100
Total Assets	**$ 14,050**	**$ 7,163**	**$ 3,656**	**$ 1**	**$ 2,460**	**$ 27,330**
Liabilities and Fund Balances						
Liabilities						
Accounts payable	3	443	1	-	793	1,240
Due to other funds	-	-	32	-	-	32
Due to other governments	-	50	542	-	1,124	1,716
Deferred revenue	521	-	-	-	-	521
Total Liabilities	**524**	**493**	**575**	**-**	**1,917**	**3,509**
Fund Balances						
Nonspendable:						
Other assets	4,100	-	-	-	-	4,100
Advances	4,130	-	-	-	-	4,130
Restricted for:						
Transportation programs	5,296	-	-	1	-	5,297
Streets and roads	-	-	-	-	543	543
Motorist services	-	6,670	3,081	-	-	9,751
Assigned to:						
Special revenue funds	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-
Total fund balances	**13,526**	**6,670**	**3,081**	**1**	**543**	**23,821**
Total liabilities and fund balances	**$ 14,050**	**$ 7,163**	**$ 3,656**	**$ 1**	**$ 2,460**	**$ 27,330**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Balance Sheet - Nonmajor Governmental Funds, ***Continued***
June 30, 2011

(amounts expressed in thousands)	Capital Projects				
	General	**OCTD**	**Rail Capital Project**	**Total**	**Total Nonmajor Governmental Funds**
Assets					
Cash and investments	$ 9,615	$ -	$ -	$ 9,615	$ 24,574
Receivables:					
Interest	-	-	-	-	101
Other	-	-	-	-	13
Due from other governments	-	-	-	-	4,027
Advance to other funds	-	-	-	-	4,130
Other assets	-	-	-	-	4,100
Total Assets	**$ 9,615**	**$ -**	**$ -**	**$ 9,615**	**$ 36,945**
Liabilities and Fund Balances					
Liabilities					
Accounts payable	58	-	-	58	1,298
Due to other funds	-	-	-	-	32
Due to other governments	-	-	-	-	1,716
Deferred revenue	-	-	-	-	521
Total Liabilities	**58**	**-**	**-**	**58**	**3,567**
Fund Balances					
Nonspendable:					
Other assets	-	-	-	-	4,100
Advances	-	-	-	-	4,130
Restricted for:					
Transportation programs	-	-	-	-	5,297
Streets and roads	-	-	-	-	543
Motorist services	-	-	-	-	9,751
Assigned to:					
Capital project funds	9,557	-	-	9,557	9,557
Total fund balances	**9,557**	**-**	**-**	**9,557**	**33,378**
Total liabilities and fund balances	**$ 9,615**	**$ -**	**$ -**	**$ 9,615**	**$ 36,945**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Special Revenue OCUTT	SAFE	SAAV	STAF	Gas Tax	Total
Revenues						
Gasoline taxes	$ -	$ -	$ -	$ -	$ 23,000	$ 23,000
Vehicle registration fees	-	2,518	2,591	-	-	5,109
Contributions from other agencies	-	3,063	-	-	-	3,063
Interest and investment income	227	90	62	-	-	379
Capital assistance grants	-	-	-	-	-	-
Miscellaneous	-	73	-	-	-	73
Total revenues	**227**	**5,744**	**2,653**	**-**	**23,000**	**31,624**
Expenditures						
Current:						
General government:						
Supplies and services	16	5,578	5	1	-	5,600
Transportation:						
Contributions to other local agencies	-	-	2,388	-	23,000	25,388
Capital outlay	1,463	-	-	-	-	1,463
Total expenditures	**1,479**	**5,578**	**2,393**	**1**	**23,000**	**32,451**
Excess (deficiency) of revenues over (under) expenditures	**(1,252)**	**166**	**260**	**(1)**	**-**	**(827)**
Other financing uses						
Transfers out	(1,100)	-	(129)	-	-	(1,229)
Total other financing uses	**(1,100)**	**-**	**(129)**	**-**	**-**	**(1,229)**
Net change in fund balances	**(2,352)**	**166**	**131**	**(1)**	**-**	**(2,056)**
Fund balances-beginning	15,878	6,504	2,950	2	543	25,877
Fund balances-ending	**$ 13,526**	**$ 6,670**	**$ 3,081**	**$ 1**	**$ 543**	**$ 23,821**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances, ***continued***
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Capital Projects General	Capital Projects OCTD	Capital Projects Rail Capital Project	Capital Projects Total	Nonmajor Governmental Funds
Revenues					
Gasoline taxes	$ -	$ -	$ -	$ -	$ 23,000
Vehicle registration fees	-	-	-	-	5,109
Contributions from other agencies	33	-	-	33	3,096
Interest and investment income	-	-	-	-	379
Capital assistance grants	86	-	-	86	86
Miscellaneous	-	-	-	-	73
Total revenues	**119**	**-**	**-**	**119**	**31,743**
Expenditures					
Current:					
General government:					
Supplies and services	145	-	-	145	5,745
Transportation:					
Contributions to other local agencies	-	-	-	-	25,388
Capital outlay	83	-	-	83	1,546
Total expenditures	**228**	**-**	**-**	**228**	**32,679**
Excess (deficiency) of revenues over (under) expenditures	**(109)**	**-**	**-**	**(109)**	**(936)**
Other financing uses					
Transfers out	-	(15)	(163)	(178)	(1,407)
Total other financing uses	**-**	**(15)**	**(163)**	**(178)**	**(1,407)**
Net change in fund balances	**(109)**	**(15)**	**(163)**	**(287)**	**(2,343)**
Fund balances-beginning	9,666	15	163	9,844	35,721
Fund balances-ending	**9,557**	**-**	**-**	**9,557**	**33,378**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Local Transportation Authority Debt Service Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Interest and investment income	$ 1,732	$ 1,732	$ 1,438	$ (294)
Total revenues	**1,732**	**1,732**	**1,438**	**(294)**
Expenditures				
Current:				
General government:				
Supplies and services	152	152	152	-
Debt service:				
Principal payments on long-term debt	82,795	82,795	82,795	-
Interest on long-term debt and commercial paper	4,627	4,627	7,856	(3,229)
Total expenditures	**87,574**	**87,574**	**90,803**	**(3,229)**
Deficiency of revenues under expenditures	**(85,842)**	**(85,842)**	**(89,365)**	**(3,523)**
Other financing sources (uses)				
Transfers in	85,841	85,841	64,421	(21,420)
Transfers out	-	-	(74,516)	(74,516)
Total other financing sources (uses)	**85,841**	**85,841**	**(10,095)**	**(95,936)**
Net change in fund balance	**$ (1)**	**$ (1)**	**$ (99,460)**	**$ (99,459)**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Orange County Unified Transportation Trust Special Revenue Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Interest and investment income	$ 233	$ 233	$ 227	$ (6)
Total revenues	**233**	**233**	**227**	**(6)**
Expenditures				
Current:				
General government:				
Supplies and services	10	10	16	(6)
Capital outlay	1,463	1,463	1,463	-
Total expenditures	**1,473**	**1,473**	**1,479**	**(6)**
Excess (deficiency) of revenues over (under) expenditures	**(1,240)**	**(1,240)**	**(1,252)**	**(12)**
Other financing sources (uses)				
Transfers in	7,269	7,269	-	(7,269)
Transfers out	(2,720)	(2,720)	(1,100)	1,620
Total other financing sources (uses)	**4,549**	**4,549**	**(1,100)**	**(5,649)**
Net change in fund balance	**$ 3,309**	**$ 3,309**	**$ (2,352)**	**$ (5,661)**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Freeway Emergencies Special Revenue Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Vehicle registration fees	$ 2,598	$ 2,598	$ 2,518	$ (80)
Contributions from other agencies	2,982	2,982	3,063	81
Interest and investment income	144	144	90	(54)
Miscellaneous	30	30	73	43
Total revenues	**5,754**	**5,754**	**5,744**	**(10)**
Expenditures				
Current:				
General government:				
Supplies and services	6,827	6,827	5,578	1,249
Total expenditures	**6,827**	**6,827**	**5,578**	**1,249**
Excess (deficiency) of revenues over (under) expenditures	**(1,073)**	**(1,073)**	**166**	**1,239**
Other financing sources (uses)				
Transfers in	676	676	-	(676)
Total other financing sources (uses)	**676**	**676**	**-**	**(676)**
Net change in fund balance	**$ (397)**	**$ (397)**	**$ 166**	**$ 563**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Service Authority for Abandoned Vehicles Special Revenue Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Vehicle registration fees	$ 2,588	$ 2,588	$ 2,591	$ 3
Interest and investment income	32	32	62	30
Total revenues	**2,620**	**2,620**	**2,653**	**33**
Expenditures				
Current:				
General government:				
Supplies and services	22	22	5	17
Transportation:				
Contributions to other local agencies	2,459	2,359	2,388	(29)
Total expenditures	**2,481**	**2,381**	**2,393**	**(12)**
Excess of revenues over expenditures	**139**	**239**	**260**	**21**
Other financing uses				
Transfers out	(114)	(114)	(129)	(15)
Total other financing uses	**(114)**	**(114)**	**(129)**	**(15)**
Net change in fund balance	**$ 25**	**$ 125**	**$ 131**	**$ 6**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
State Transit Assistance Special Revenue Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales tax revenue	$ 22,000	$ 22,000	$ -	$ (22,000)
Total revenues	**22,000**	**22,000**	**-**	**(22,000)**
Expenditures				
Current:				
General government:				
Supplies and services	-	-	1	(1)
Contributions to other local agencies	175	175	-	175
Total expenditures	**175**	**175**	**1**	**174**
Excess (deficiency) of revenues over (under) expenditures	**21,825**	**21,825**	**(1)**	**(21,826)**
Other financing uses				
Transfers out	(21,825)	(21,825)	-	21,825
Total other financing uses	**(21,825)**	**(21,825)**	**-**	**21,825**
Net change in fund balance	**$ -**	**$ -**	**$ (1)**	**$ (1)**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Gasoline taxes	$ 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	**$ -**	**$ -**	**$ -**	**$ -**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
General Capital Projects Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Contributions from other agencies	$ 150	$ 150	$ 33	$ (117)
Capital assistance grants	-	-	86	86
Total revenues	**150**	**150**	**119**	**(31)**
Expenditures				
Current:				
General government:				
Supplies and services	435	435	145	290
Capital outlay	12,896	12,896	83	12,813
Total expenditures	**13,331**	**13,331**	**228**	**13,103**
Excess (deficiency) of revenues over (under) expenditures	**(13,181)**	**(13,181)**	**(109)**	**13,072**
Net change in fund balance	**$ (13,181)**	**$ (13,181)**	**$ (109)**	**$ 13,072**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Orange County Transit District Capital Projects Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			
(amounts expressed in thousands)	Original	Final	Actual Amounts	Variance with Final Budget
Expenditures				
Capital outlay	$ 759	$ 759	$ -	$ 759
Total expenditures	**759**	**759**	**-**	**759**
Excess (deficiency) of revenues over (under) expenditures	**(759)**	**(759)**	**-**	**759**
Other financing uses				
Transfers out	-	-	(15)	(15)
Total other financing uses	**-**	**-**	**(15)**	**(15)**
Net change in fund balance	**$ (759)**	**$ (759)**	**$ (15)**	**$ 744**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule
Rail Capital Project Fund
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Other financing uses				
Transfers out	$ -	$ -	$ (163)	$ (163)
Total other financing uses	**-**	**-**	**(163)**	**(163)**
Net change in fund balance	**$ -**	**$ -**	**$ (163)**	**$ (163)**

NONMAJOR ENTERPRISE FUNDS

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

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Fund Net Assets - Nonmajor Enterprise Funds
June 30, 2011

(amounts expressed in thousands)	Bus Operations	OCTAP	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and investments	$ -	$ 585	$ 585
Receivables:			
Interest	-	2	2
Due from other governments	-	24	24
Prepaid retirement	-	28	28
Total current assets	-	639	639
Total Assets	**-**	**639**	**639**
Liabilities			
Current liabilities:			
Accounts payable	-	9	9
Accrued payroll and related item	-	12	12
Due to other governments	-	2	2
Unearned revenue	-	2	2
Current portion of long-term liabilities	-	23	23
Total current liabilities	-	48	48
Noncurrent liabilities:			
Long-term liabilities	-	4	4
Total noncurrent liabilities	-	4	4
Total Liabilities	-	52	52
Net Assets			
Unrestricted	-	587	587
Total Net Assets	**$ -**	**$ 587**	**$ 587**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Bus Operations	OCTAP	Total Nonmajor Enterprise Funds
Operating revenues:			
Permit fees	$ -	$ 650	$ 650
Total operating revenues	**-**	**650**	**650**
Operating expenses:			
Wages, salaries and benefits	-	332	332
Administrative services	-	147	147
Other	-	2	2
Professional services	5	52	57
General and administrative	-	7	7
Total operating expenses	**5**	**540**	**545**
Operating income (loss)	**(5)**	**110**	**105**
Nonoperating revenues:			
Investment earnings	114	12	126
Other	-	6	6
Total nonoperating revenues	**114**	**18**	**132**
Income before contributions and transfers	109	128	237
Transfers out	(14,053)	-	(14,053)
Change in net assets	**(13,944)**	**128**	**(13,816)**
Total net assets - beginning	13,944	459	14,403
Total net assets - ending	**$ -**	**$ 587**	**$ 587**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)	Bus Operations	OCTAP	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	$ -	$ 638	$ 638
Payments to suppliers	(10)	(56)	(66)
Payments to employees	-	(310)	(310)
Payments for interfund services used	-	(147)	(147)
Miscellaneous revenue received	-	6	6
Net cash provided by (used for) operating activities	**(10)**	**131**	**121**
Cash flows from noncapital financing activities:			
Transfers to other funds	(14,053)	-	(14,053)
Net cash provided by (used for) noncapital financing activities	**(14,053)**	**-**	**(14,053)**
Cash flows from investing activities:			
Investment earnings	479	11	490
Net cash provided by investing activities	**479**	**11**	**490**
Net increase (decrease) in cash and cash equivalents	(13,584)	142	(13,442)
Cash and cash equivalents at beginning of year	13,584	443	14,027
Cash and cash equivalents at end of year	**$ -**	**$ 585**	**$ 585**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (5)	$ 110	$ 105
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Amortization of prepaid retirement	-	37	37
Miscellaneous	-	6	6
Change in assets and liabilities:			
Due from other governments	-	(12)	(12)
Prepaid retirement	-	(28)	(28)
Accounts payable	(5)	3	(2)
Accrued payroll and related items	-	1	1
Compensated absences	-	12	12
Due to other governments	-	2	2
Total adjustments	**(5)**	**21**	**16**
Net cash provided by (used for) operating activities	**$ (10)**	**$ 131**	**$ 121**

INTERNAL SERVICE FUNDS

General liability - This fund is used to account for OCTA's risk management activities related to public liability, property damage and automobile liability.

Workers' compensation - This fund is used to account for OCTA's risk management activities related to workers' compensation.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Fund Net Assets - Internal Service Funds
June 30, 2011

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	$ 25,477	$ 12,626	$ 38,103
Receivables:			
Interest	142	74	216
Other	140	462	602
Due from other funds			
Due from other governments	1	-	1
Other assets	303	916	1,219
Total current assets	26,063	14,078	40,141
Total Assets	**26,063**	**14,078**	**40,141**
Liabilities			
Current liabilities:			
Accounts payable	108	528	636
Claims payable	2,877	1,710	4,587
Other liabilities	-	102	102
Total current liabilities	2,985	2,340	5,325
Noncurrent liabilities:			
Claims payable	6,405	9,693	16,098
Total noncurrent liabilities	6,405	9,693	16,098
Total Liabilities	**9,390**	**12,033**	**21,423**
Net Assets			
Unrestricted	16,673	2,045	18,718
Total Net Assets	**$ 16,673**	**$ 2,045**	**$ 18,718**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Operating revenues:			
Charges for services	$ 805	$ 6,773	$ 7,578
Total operating revenues	**805**	**6,773**	**7,578**
Operating expenses:			
Administrative services	61	78	139
Other	104	144	248
Insurance claims and premiums	5,150	6,053	11,203
Professional services	866	379	1,245
Total operating expenses	**6,181**	**6,654**	**12,835**
Operating loss	**(5,376)**	**119**	**(5,257)**
Nonoperating revenues:			
Investment earnings	494	216	710
Other	235	363	598
Total nonoperating revenues	**729**	**579**	**1,308**
Change in net assets	**(4,647)**	**698**	**(3,949)**
Total net assets - beginning	21,320	1,347	22,667
Total net assets - ending	**$ 16,673**	**$ 2,045**	**$ 18,718**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2011

(amounts expressed in thousands)	General Liability	Workers' Compensation	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	$ 805	$ 6,718	$ 7,523
Payments to suppliers	(810)	(426)	(1,236)
Payments to claimants	(1,408)	(5,209)	(6,617)
Payments for interfund services used	(61)	(78)	(139)
Miscellaneous revenue received	235	363	598
Net cash provided by (used for) operating activities	**(1,239)**	**1,368**	**129**
Cash flows from investing activities:			
Investment earnings	501	215	716
Net cash provided by investing activities	**501**	**215**	**716**
Net increase (decrease) in cash and cash equivalents	**(738)**	**1,583**	**845**
Cash and cash equivalents at beginning of year	26,215	11,043	37,258
Cash and cash equivalents at end of year	**$ 25,477**	**$ 12,626**	**$ 38,103**
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	$ (5,376)	$ 119	$ (5,257)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Insurance recoveries	235	363	598
Change in assets and liabilities:			
Other receivables	83	(140)	(57)
Other assets	20	26	46
Accounts payable	36	97	133
Claims payable	3,763	904	4,667
Other liabilities	-	(1)	(1)
Total adjustments	4,137	1,249	5,386
Net cash provided by (used for) operating activities	**$ (1,239)**	**$ 1,368**	**$ 129**

Metrolink

Streets and Roads

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

Contents **Page**

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 1
Net Assets by Component, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Invested in capital assets, net of related debt	$ 166,410	$ 160,756	$ 139,044	$ 278,006	$ 551,907	$ 652,407	$ 155,502	$ 175,769	$ 180,131	$ 193,968
Restricted	396,455	455,630	566,921	637,820	568,581	524,399	531,318	328,463	303,605	199,540
Unrestricted	(392,245)	(327,947)	(305,530)	(231,120)	(204,361)	(124,558)	(63,434)	149,839	133,070	234,876
Total government activities net assets	$ 170,620	$ 288,439	$ 400,435	$ 684,706	$ 916,127	$ 1,052,248	$ 623,386	$ 654,071	$ 616,806	$ 628,384
Business-type activities:										
Invested in capital assets, net of related debt	$ 227,694	$ 198,772	$ 241,883	$ 249,263	$ 230,878	$ 259,930	$ 335,732	$ 367,144	$ 331,460	$ 303,063
Restricted	-	25,439	22,942	25,771	28,046	13,168	15,349	19,355	20,219	20,298
Unrestricted	324,717	328,129	273,330	249,883	260,158	248,194	222,926	190,736	170,902	162,903
Total business-type activities net assets	$ 552,411	$ 552,340	$ 538,155	$ 524,917	$ 519,082	$ 521,292	$ 574,007	$ 577,235	$ 522,581	$ 486,264
Primary government:										
Invested in capital assets, net of related debt	$ 394,104	$ 359,528	$ 380,927	$ 527,269	$ 782,785	$ 912,337	$ 491,234	$ 542,913	$ 511,591	$ 497,031
Restricted	396,455	481,069	589,863	663,591	596,627	537,567	546,667	347,818	323,824	219,838
Unrestricted	(67,528)	182	(32,200)	18,763	55,797	123,636	159,492	340,575	303,972	397,779
Total primary government net assets	$ 723,031	$ 840,779	$ 938,590	$ 1,209,623	$ 1,435,209	$ 1,573,540	$ 1,197,393	$ 1,231,306	$ 1,139,387	$ 1,114,648

Source: Accounting and Financial Reporting Department

Note:

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.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 2
Changes in Net Assets, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	$ 84,319	$ 72,284	$ 76,583	$ 79,777	$ 80,961	$ 125,160	$ 105,009	$ 106,676	$ 112,138	$ 104,305
Measure M program	156,775	134,900	147,135	108,370	133,524	174,314	748,962	222,731	$ 302,851	$ 291,703
Motorist services	7,986	8,681	7,619	7,672	8,451	6,717	7,669	7,814	7,497	7,545
Commuter rail	11,029	10,294	10,463	20,505	18,442	49,791	21,585	27,009	29,395	14,393
Urban rail	1,312	37,992	15,755	10,115	128	-	-	-	-	-
Total governmental activities expenses	261,421	264,151	257,555	226,439	241,506	355,982	883,225	364,230	451,881	417,946
Business-type activities:										
Fixed route	175,460	184,495	199,375	220,037	223,160	233,827	243,151	224,538	210,526	200,999
Paratransit	19,497	23,567	28,935	32,558	28,285	28,002	35,631	37,980	42,999	46,151
Tollroad	-	16,575	33,508	33,886	33,693	34,430	35,375	38,224	33,713	31,371
Taxicab administration	262	311	243	245	271	366	431	299	344	393
Total business-type activities expenses	195,219	224,948	262,061	286,726	285,409	296,625	314,588	301,041	287,582	278,914
Total primary government expenses	$ 456,640	$ 489,099	$ 519,616	$ 513,165	$ 526,915	$ 652,607	$ 1,197,813	$ 665,271	$ 739,463	$ 696,860
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 33,321	$ 33,977	$ 37,189	$ 39,429	$ 37,517	$ 43,840	$ 47,509	$ 133	$ 121	$ 140
Other activities	795	664	797	735	713	880	1,172	967	1,008	1,093
Operating grants and contributions	5,280	4,483	4,325	35,263	29,632	31,963	35,125	36,092	68,015	115,154
Capital grants and contributions	27,420	45,548	38,787	154,565	107,349	59,344	34,142	30,747	8,279	1,204
Total governmental activities program revenues	66,816	84,672	81,098	229,992	175,211	136,027	117,948	67,939	77,423	117,591
Business-type activities:										
Charges for services:										
Fixed route	59,316	46,143	47,940	52,636	54,178	48,562	50,522	52,641	48,776	49,412
Tollroad	-	14,398	32,391	39,598	44,238	49,838	46,236	43,705	43,009	41,837
Other activities	3,052	3,608	3,770	4,660	5,016	6,063	6,593	6,870	7,133	7,206
Operating grants and contributions	33,564	55,962	55,094	42,681	44,555	46,493	53,561	80,242	88,597	72,441
Capital grants and contributions	64,818	14,351	22,910	25,218	8,750	15,948	69,693	56,588	1,841	8,648
Total business-type activities program revenues	160,750	134,462	162,105	164,793	156,737	166,904	226,605	240,046	189,356	179,544
Total primary government program revenues	$ 227,566	$ 219,134	$ 243,203	$ 394,785	$ 331,948	$ 302,931	$ 344,553	$ 307,985	$ 266,779	$ 297,135

Source: Accounting and Financial Reporting Department

Notes:

(Continued)

The 91 Express Lanes were purchased in January, 2003.

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

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

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

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

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

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

The fiscal year 2010 and 2011 decrease in Capital grants and contributions revenue is primarily due to grant reimbursements and ARRA funds related to CNG and LNG buses received in prior fiscal years.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 2
Changes in Net Assets, Last Ten Fiscal Years, *continued*

(accrual basis of accounting - thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Indirect expenses allocation:										
Governmental activities	-	-	-	-	-	-	-	$ (36,091)	$ (31,187)	$ (27,248)
Business-type activities	-	-	-	-	-	-	-	36,091	31,187	27,248
Net (expense)/program revenue										
Governmental activities	$ (194,605)	$ (179,479)	$ (176,457)	$ 3,553	$ (66,295)	$ (219,955)	$ (765,277)	$ (260,200)	$ (343,271)	$ (273,107)
Business-type activities	(34,469)	(90,486)	(99,956)	(121,933)	(128,672)	(129,721)	(87,983)	(97,086)	(129,413)	(126,618)
Total primary government net expense	$ (229,074)	$ (269,965)	$ (276,413)	$ (118,380)	$ (194,967)	$ (349,676)	$ (853,260)	$ (357,286)	$ (472,684)	$ (399,725)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Sales taxes	$ 297,705	$ 301,011	$ 328,853	$ 351,185	$ 385,090	$ 421,067	$ 393,350	$ 335,465	$ 326,005	$ 329,971
Vehicle registration	4,699	4,801	4,840	-	-	-	-	-	-	-
Motor fuel taxes	23,000	23,000	23,000	-	-	-	-	-	-	-
Unrestricted investment earnings	43,461	35,132	8,513	20,496	16,583	37,322	49,331	31,501	17,325	14,487
Loss on sale of capital assets	(15)	(3,180)	-	-	-	-	-	-	-	-
Other miscellaneous revenue	188	3,224	3,046	310	494	668	1,271	412	328	229
Transfers	(74,318)	(66,690)	(79,799)	(91,273)	(104,451)	(102,981)	(107,537)	(76,493)	(75,038)	(66,230)
Total governmental activities	294,720	297,298	288,453	280,718	297,716	356,076	336,415	290,885	268,620	278,457
Business-type activities:										
Taxes:										
Property taxes	6,690	7,239	7,846	8,473	9,762	10,338	11,178	11,295	10,220	10,736
Unrestricted investment earnings	22,210	16,215	2,900	8,506	8,127	18,117	21,476	12,186	4,184	15,552
Gain (loss) on sale of capital assets	(1,799)	41	-	-	-	-	-	-	-	-
Other miscellaneous revenue	308	230	287	443	497	495	507	340	207	2,769
Transfers	74,318	66,690	79,799	91,273	104,451	102,981	107,537	76,493	75,038	66,230
Total business-type activities	101,727	90,415	90,832	108,695	122,837	131,931	140,698	100,314	89,649	95,287
Total primary government	$ 396,447	$ 387,713	$ 379,285	$ 389,413	$ 420,553	$ 488,007	$ 477,113	$ 391,199	$ 358,269	$ 373,744
Change in Net Assets										
Governmental activities	$ 100,115	$ 117,819	$ 111,996	$ 284,271	$ 231,421	$ 136,121	$ (428,862)	$ 30,685	$ (74,651)	$ 5,350
Business-type activities	67,258	(71)	(9,124)	(13,238)	(5,835)	2,210	52,715	3,228	(39,764)	(31,331)
Total primary government	$ 167,373	$ 117,748	$ 102,872	$ 271,033	$ 225,586	$ 138,331	$ (376,147)	$ 33,913	$ (114,415)	$ (25,981)

Source: Accounting and Financial Reporting Department

Notes:

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

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

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

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 3

Fund Balances, Governmental Funds, Last Ten Fiscal Years

(modified accrual basis of accounting - thousands)

	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	$ 4,006	$ 5,626	$ 8,183	$ 5,052	$ 4,708	$ 9,195	$ 10,842	$ 12,895	$ 10,756	$ -
Unreserved	2,992	2,427	(1,189)	759	(1,096)	(4,022)	(1,754)	(8,260)	(8,378)	-
Nonspendable	-	-	-	-	-	-	-	-	-	4,711
Unassigned	-	-	-	-	-	-	-	-	-	(4,061)
Total general fund	$ 6,998	$ 8,053	$ 6,994	$ 5,811	$ 3,612	$ 5,173	$ 9,088	$ 4,635	$ 2,378	$ 650
All Other Governmental Funds										
Reserved	$ 470,769	$ 533,315	$ 571,931	$ 649,596	$ 588,661	$ 576,815	$ 599,244	$ 537,118	$ 433,513	$ -
Unreserved, reported in:										
Special revenue funds	141,302	151,255	160,938	150,419	134,571	111,018	94,322	92,482	76,653	-
Capital projects funds	4,417	3,143	6,370	6,241	2,293	8,011	(4,976)	(2,082)	(3,851)	-
Nonspendable	-	-	-	-	-	-	-	-	-	10,513
Restricted	-	-	-	-	-	-	-	-	-	663,669
Committed	-	-	-	-	-	-	-	-	-	70,304
Assigned, reported in:										
Capital projects funds	-	-	-	-	-	-	-	-	-	9,557
Total all other governmental funds	$ 616,488	$ 687,713	$ 739,239	$ 806,256	$ 725,525	$ 695,844	$ 688,590	$ 627,518	$ 506,315	$ 754,043

Source: Accounting and Financial Reporting Department

Notes: GASB 54 was implemented during fiscal year 2010-2011.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 4
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years

(modified accrual basis of accounting - thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Sales taxes	$ 297,705	$ 301,011	$ 328,853	$ 351,185	$ 385,090	$ 421,067	$ 393,350	$ 335,465	$ 326,005	$ 326,804
Gasoline taxes	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000
Vehicle registration fees	4,699	4,801	4,840	4,816	5,096	5,114	5,137	5,193	4,993	5,109
Fines	185	185	160	172	170	191	197	157	144	156
Contributions from other agencies	17,023	23,516	12,639	117,572	45,595	22,101	20,894	10,818	38,945	68,130
Charges for services	29,805	33,804	37,087	39,242	37,354	43,663	47,326	-	-	-
Interest and investment income	43,390	35,074	5,472	19,262	17,072	42,431	49,282	31,418	17,167	11,638
Capital assistance grants	15,678	30,291	8,585	27,549	71,250	36,357	22,132	26,998	7,655	1,877
Miscellaneous	916	3,871	3,833	1,056	1,203	1,532	4,577	3,386	3,949	1,354
Total revenues	432,401	455,553	424,469	583,854	585,830	595,456	565,895	436,435	421,858	438,068
Expenditures										
Current:										
General government	66,815	116,975	96,856	106,579	89,766	95,350	130,155	89,184	101,897	94,155
Transportation:										
Contributions to other local agencies	97,386	84,366	93,340	90,517	98,701	208,152	157,761	174,434	259,623	208,882
Capital outlay	72,881	28,590	20,745	141,805	301,496	132,514	84,201	72,666	56,462	86,106
Debt service:										
Principal payments on long-term debt	51,565	54,200	57,660	60,615	63,720	67,325	71,290	75,355	78,405	82,795
Advance refunding escrow	593	-	-	-	-	-	-	-	-	-
Interest	37,267	34,337	30,963	28,325	25,306	22,303	18,648	13,829	9,421	8,582
Bond issuance costs	-	-	-	-	-	-	-	-	-	2,181
Total expenditures	326,507	318,468	299,564	427,841	578,989	525,644	462,055	425,468	505,808	482,701
Excess of revenues over expenditures	105,894	137,085	124,905	156,013	6,841	69,812	103,840	10,967	(83,950)	(44,633)
Other financing sources (uses):										
Transfers in	106,357	121,818	120,095	138,679	103,709	175,338	111,507	113,508	128,366	289,776
Transfers out	(180,675)	(188,508)	(199,894)	(229,951)	(208,095)	(275,264)	(218,708)	(190,002)	(203,404)	(356,006)
Proceeds from sale of capital assets	-	1,885	5,361	1,093	7,269	1,994	22	2	5	4
Bond issuance	71,485	-	-	-	-	-	-	-	-	352,570
Bond premium	-	-	-	-	-	-	-	-	-	6,023
Payment to refunded bond escrow agent	(70,757)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(73,590)	(64,805)	(74,438)	(90,179)	(97,117)	(97,932)	(107,179)	(76,492)	(75,033)	292,367
Net changes in fund balances	$ 32,304	$ 72,280	$ 50,467	$ 65,834	$ (90,276)	$ (28,120)	$ (3,339)	$ (65,525)	$ (158,983)	$ 247,734
Debt service as a percentage of noncapital expenditures	28.5%	27.9%	29.7%	29.1%	29.3%	21.1%	22.6%	22.1%	17.6%	19.5%

Source: Accounting and Financial Reporting Department
Notes:
In fiscal year 2004, there were no significant projects that received federal capital assistance grants.
In fiscal year 2005, $124 million in Traffic Congestion Relief Program funds were re-allocated to OCTA for the Garden Grove SR-22 project.
For both fiscal year 2005 and 2006 the increase in capital outlay was due to the SR-22 construction project which was substantially completed in November 2006.
The increase in contributions to other local agencies for fiscal year 2007 is primarily due to an increase in freeway construction projects, street and road projects, and contributions to Metrolink for the purchase of new rail cars and locomotives.
In fiscal year 2009, the decrease in Charges for services and General government Expenditures are due to the allocation of indirect costs shown as a reduction of expenditures as opposed to charges

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 5

Program Revenues by Function/Program - Last Ten Fiscal Years

(accrual basis of accounting - thousands)

Program Revenues	**Fiscal Year**									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function/Program										
Governmental activities:										
General government	$ 35,046	$ 34,672	$ 39,919	$ 66,437	$ 62,570	$ 76,481	$ 82,704	$ 38,715	$ 32,876	$ 30,225
Measure M program	28,638	18,335	30,354	148,759	106,740	27,950	23,267	18,034	33,211	78,206
Motorist services	2,614	2,199	2,140	9,096	5,387	8,186	8,576	8,170	8,042	8,172
Commuter rail	518	535	574	553	514	26,896	3,401	3,020	3,294	988
Urban rail	-	28,931	8,111	5,147	-	-	-	-	-	-
Total governmental activities	66,816	84,672	81,098	229,992	175,211	139,513	117,948	67,939	77,423	117,591
Business-type activities:										
Fixed route	154,304	112,884	122,914	115,180	102,824	106,127	166,327	182,941	133,122	120,534
Paratransit	6,217	6,954	6,575	9,740	9,345	10,505	13,524	12,851	12,621	16,350
Tollroad	-	14,398	32,391	39,598	44,238	49,838	46,246	43,705	43,048	42,010
Taxicab administration	229	226	225	225	330	434	508	549	565	650
Total business-type activities	160,750	134,462	162,105	164,743	156,737	166,904	226,605	240,046	189,356	179,544
Total primary government	$ 227,566	$ 219,134	$ 243,203	$ 394,735	$ 331,948	$ 306,417	$ 344,553	$ 307,985	$ 266,779	$ 297,135

Source: Accounting and Financial Reporting Department

Notes:

The 91 Express Lanes were purchased in January, 2003.

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

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 and Air Quality funds for the SR-22 project.

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

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

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

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 6

Tax Revenues by Source, Governmental Funds, Last Ten Fiscal Years

(accrual basis of accounting - thousands)

Fiscal Year	Sales & Use	Gasoline (a)	Total
2002	303,817	23,000	326,817
2003	297,705	23,000	320,705
2004	301,012	23,000	324,012
2005	328,853	23,000	351,853
2006	385,090	23,000	408,090
2007	421,067	23,000	444,067
2008	393,350	23,000	416,350
2009	335,465	23,000	358,465
2010	326,005	23,000	349,005
2011	326,804	23,000	349,804
Change			
2002 - 2011	7.6%	0.0%	7.0%

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.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 7

Taxable Sales by Category, Last Ten Calendar Years

	Calendar Year									
(amounts expressed in thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 (a)
1 Apparel stores	$ 1,446,572	$ 1,508,011	$ 1,697,120	$ 1,881,882	$ 2,062,892	$ 2,152,410	$ 2,217,996	$ 2,340,116	$ 2,742,626	$ 1,306,823
2 General merchandise	4,432,881	4,618,932	4,855,674	5,205,075	5,467,357	5,741,912	5,856,810	5,493,287	4,376,154	2,015,224
3 Specialty stores	4,999,099	4,837,212	5,085,612	5,700,317	6,028,089	6,514,211	4,447,931	3,665,066	1,638,968	760,574
4 Food stores	1,534,244	1,551,611	1,574,528	1,563,145	1,716,228	1,781,284	1,815,201	1,745,903	1,894,642	931,715
5 Eating and drinking establishments	3,749,604	3,884,388	4,149,117	4,475,791	4,798,676	5,051,841	5,296,863	5,245,480	5,024,379	2,519,325
6 Home furnishings and appliances	1,501,585	1,722,573	1,985,255	2,135,876	2,269,650	2,202,194	2,079,957	1,900,534	2,829,758	1,381,119
7 Building material	2,157,196	2,275,964	2,480,249	2,950,592	3,000,086	3,029,741	2,798,938	2,370,154	2,039,686	1,049,684
8 Automotive	7,957,760	8,482,604	9,651,049	10,585,091	11,283,156	11,490,939	11,469,589	10,431,086	8,286,158	4,380,189
9 Other	739,760	765,523	809,093	944,184	1,046,700	1,109,919	3,004,942	2,576,969	1,061,492	512,161
10 Business and personal services	2,673,666	2,615,150	2,699,250	2,819,934	2,938,129	2,987,539	2,968,831	2,828,005	1,268,759	634,555
11 All other outlets	13,402,947	12,607,188	12,530,119	13,420,172	14,452,283	15,140,757	15,336,413	15,010,229	14,550,164	7,237,085
Total	$ 44,595,314	$ 44,869,156	$ 47,517,066	$ 51,682,059	$ 55,063,246	$ 57,202,747	$ 57,293,471	$ 53,606,829	$ 45,712,786	$ 22,728,454
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. 2011 data not yet available.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 8
Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years

(amounts expressed in thousands)

Calendar Year	Measure M Direct rate	County of Orange	
2002	0.50%	7.25%	
2003	0.50%	7.25%	
2004	0.50%	7.25%	
2005	0.50%	7.25%	
2006	0.50%	7.25%	
2007	0.50%	7.25%	
2008	0.50%	7.25%	
2009	0.50%	8.25%	(a)
2010	0.50%	8.25%	
2011	0.50%	8.25%	

Sources: County of Orange information provided by the California State Board of Equalization,
Notes:
Measure M information provided by the Measure M Ordinance

(a) Effective April 1, 2009 through June 30, 2011 the state sales and use tax rate increased by 1%.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 9

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

(amounts expressed in thousands)

City		2009 Taxable Sales	2009 Rank	2009 Percentage of Total		2000 Taxable Sales	2000 Rank	2000 Percentage of Total
Aliso Viejo	$	344,773	28	0.85%	$	(a)		
Anaheim		4,532,491	1	11.12%		4,263,199	1	10.90%
Brea		1,369,505	11	3.36%		1,298,604	11	3.32%
Buena Park		1,722,353	8	4.23%		1,192,205	13	3.05%
Costa Mesa		3,261,414	3	8.00%		3,108,323	4	7.95%
Cypress		953,894	16	2.34%		827,414	17	2.12%
Dana Point		344,880	27	0.85%		310,077	25	0.79%
Fountain Valley		832,846	18	2.04%		869,965	15	2.22%
Fullerton		1,429,441	10	3.51%		1,479,772	10	3.78%
Garden Grove		1,361,395	12	3.34%		1,482,830	9	3.79%
Huntington Beach		2,247,735	6	5.52%		2,335,272	6	5.97%
Irvine		3,721,414	2	9.13%		3,982,449	2	10.18%
La Habra		730,812	19	1.79%		553,046	20	1.41%
La Palma		309,325	30	0.76%		244,199	28	0.62%
Laguna Beach		320,673	29	0.79%		299,574	26	0.77%
Laguna Hills		477,840	22	1.17%		617,430	19	1.58%
Laguna Niguel		864,402	17	2.12%		672,566	18	1.72%
Laguna Woods		71,776	33	0.18%		76,946	32	0.20%
Lake Forest		1,005,678	15	2.47%		860,009	16	2.20%
Los Alamitos		209,505	32	0.51%		241,273	29	0.62%
Mission Viejo		1,236,735	13	3.04%		1,183,745	14	3.03%
Newport Beach		2,126,848	7	5.22%		1,763,466	7	4.51%
Orange		2,479,374	5	6.08%		2,336,891	5	5.98%
Placentia		384,349	25	0.94%		435,955	23	1.11%
Rancho Santa Margarita		417,587	24	1.02%		236,053	30	0.60%
San Clemente		531,239	20	1.30%		398,783	24	1.02%
San Juan Capistrano		522,716	21	1.28%		548,009	21	1.40%
Santa Ana		3,116,988	4	7.65%		3,703,781	3	9.47%
Seal Beach		374,688	26	0.92%		170,523	31	0.44%
Stanton		267,005	31	0.66%		293,171	27	0.75%
Tustin		1,546,136	9	3.79%		1,568,134	8	4.01%
Villa Park		11,594	34	0.03%		17,008	33	0.04%
Westminster		1,155,023	14	2.83%		1,260,156	12	3.22%
Yorba Linda		463,831	23	1.14%		474,721	22	1.21%
Total		40,746,265		100%		39,105,549		100%
Unincorporated Cities		4,966,519				5,356,911		
Total Orange County	$	45,712,784				44,462,460		

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.

Note: The most current data available is for 2009.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 10
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years
(amounts expressed in 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
2002	611,365	60,200	12,708	-	-	$ 684,273	0.61%	231.20
2003	557,165	53,200	9,805	135,000	-	$ 755,170	0.64%	251.71
2004	499,505	47,400	7,410	195,265	-	$ 749,580	0.60%	247.25
2005	438,890	40,900	4,965	191,630	-	$ 676,385	0.49%	221.36
2006	375,170	34,500	2,470	187,625	6,534	$ 606,299	0.40%	197.66
2007	307,845	29,100	1,235	183,510	15,741	$ 537,431	0.35%	174.04
2008	236,555	47,600	-	179,285	13,060	$ 476,500	0.31%	152.46
2009	161,200	50,000	-	174,940	9,779	$ 395,919	0.27%	125.53
2010	82,795	100,000	-	170,425	6,362	$ 359,582	n/a	113.00
2011	352,570	25,000	-	165,685	2,802	$ 546,057	n/a	180.23

Source: Accounting and Financial Reporting Department

Notes:

See schedule 13 for personal income data

n/a - data not available

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 11
Legal Debt Margin Information, Last Ten Fiscal Years

(amounts expressed in thousands)

Measure M Ordinance No. 2 (Measure M1)

Legal Debt Margin Calculation for Fiscal Year 2011	
Debt service	$ 87,422
Debt coverage (1.3 % of debt service)	113,649
Sales tax revenue	214,641
Less: local revenue	(31,564)
Net sales tax revenues	183,077
Legal debt margin	$ 69,428

Measure M Ordinance No. 3 (Measure M2)

Legal Debt Margin Calculation for Fiscal Year 2011	
Debt service	$ 21,839
Debt coverage (1.3 % of debt service)	28,391
Sales tax revenue	15,984
Less: local revenue	(2,797)
Net sales tax revenues	13,187
Legal debt margin	$ (15,204)

Toll Road Revenue Bonds

Legal Debt Margin Calculation for Fiscal Year 2011	
Debt service	$ 14,503
Debt coverage (1.3 % of debt service)	18,854
Toll revenues	42,072
Less: operating expenses	(13,650)
Net toll revenues	28,422
Legal debt margin	$ 9,568

Measure M Ordinance No. 2 (Measure M1)

Fiscal Year	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit
2002	$ 149,487	88,557	60,930	59.2%
2003	$ 154,584	88,557	66,027	57.3%
2004	$ 170,608	88,557	82,051	51.9%
2005	$ 182,621	88,557	94,064	48.5%
2006	$ 198,671	88,557	110,114	44.6%
2007	$ 204,594	88,557	116,037	43.3%
2008	$ 198,815	88,557	110,258	44.5%
2009	$ 173,541	87,422	86,119	50.4%
2010	$ 156,246	87,422	68,824	56.0%
2011	$ 156,850	87,422	69,428	55.7%

Measure M Ordinance No. 3 (Measure M2)

Fiscal Year	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit
2002	-	-	-	-
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-
2006	-	-	-	-
2007	-	-	-	-
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	$ 6,635	21,839	(15,204)	329.1%

Toll Road Revenue Bonds

Fiscal Year	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit
2002	-	-	-	-
2003	5,712	12,323	(6,611)	215.7%
2004	16,686	12,635	4,051	75.7%
2005	22,793	12,635	10,158	55.4%
2006	27,662	12,635	15,027	45.7%
2007	34,760	12,635	22,125	36.3%
2008	28,786	12,635	16,151	43.9%
2009	26,503	15,504 (a)	10,999	58.5%
2010	26,523	16,038 (a)	10,485	60.5%
2011	24,071	14,503 (a)	9,568	60.3%

Source: Treasury and Accounting and Financial Reporting Departments

Note:

The 91 Express Lanes were purchased in January, 2003.

(a) In fiscal year 2009, 2010, and 2011 additional interest costs were incurred associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc.; $3,249, $3,780, and $2,246 respectively.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 12

Pledged-Revenue Coverage, Last Ten Fiscal Years

(amounts expressed in thousands)

	Measure M1 Sales Tax Revenue Bonds					Measure M2 Sales Tax Revenue Bonds					Toll Road Revenue Bonds					Certificates of Participation			
			Debt Service					Debt Service					Debt Service				Debt Service		
Fiscal Year	Sales Tax Revenue	Less: Turnback	Principal	Interest	Coverage	Sales Tax Revenue	Less: Turnback	Principal	Interest	Coverage	Toll Road Revenue	Less: Operating Expenses (a)	Principal	Interest	Coverage	Grant Revenues	Principal	Interest	Coverage
2002	209,105	(33,051)	51,565	36,076	2.01	-	-	-	-	-	-	-	-	-	-	-	3,265	679	-
2003	215,327	(34,176)	54,200	33,689	2.06	-	-	-	-	-	14,708	(5,299)	-	7,291	1.29	9,779	2,850	536	2.89
2004	231,763	(34,588)	57,660	30,335	2.24	-	-	-	-	-	33,083	(12,607)	912	10,283	1.83	914	2,395	414	0.33
2005	245,501	(36,313)	60,615	27,603	2.37	-	-	-	-	-	41,089	(14,506)	3,635	8,313	2.22	2,341	2,445	302	0.85
2006	263,378	(38,139)	63,720	24,466	2.55	-	-	-	-	-	45,960	(14,507)	4,005	8,249	2.57	2,146	2,495	187	0.80
2007	272,287	(41,126)	67,325	20,994	2.62	-	-	-	-	-	53,032	(14,482)	4,115	8,142	3.15	831	1,235	97	0.62
2008	266,443	(41,061)	71,290	17,168	2.55	-	-	-	-	-	50,649	(13,659)	4,225	8,028	3.02	831	1,235	32	0.66
2009	236,128	(36,361)	75,355	13,201	2.26	-	-	-	-	-	46,726	(15,572)	4,345	11,159(b)	2.01	-	-	-	-
2010	214,162	(31,689)	78,405	9,000	2.09	-	-	-	-	-	44,665	(13,330)	4,515	11,523(b)	1.95	-	-	-	-
2011	214,641	(31,564)	82,795	4,627	2.09	15,984	(2,797)	-	2,228	5.92	42,072	(13,650)	4,740	9,763(b)	1.96	-	-	-	-

Source: Accounting and Financial Reporting Department

Notes:

The 91 Express Lanes were purchased in January, 2003.

The Certificates of Participation matured in July 2007.

(a) Excludes depreciation and amortization expense.

(b) In fiscal year 2009, 2010, and 2011 additional interest costs were incurred associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc.; $3,249, $3,780, and $2,246 respectively.

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 13

Demographic and Economic Statistics, Last Ten Calendar Years

Calendar Year	Population (a)	Personal Income *(millions) (b)*	Per Capita Personal Income (c)	Median Age (d)	School Enrollment (e)	Unemployment Rate (f)
2002	2,959,721	111,750	38,247	33.7	503,351	5.0%
2003	3,000,133	117,722	39,944	34.5	512,105	4.8%
2004	3,031,629	125,798	42,420	34.7	515,464	4.3%
2005	3,055,559	139,408	47,141	35.1	513,744	3.8%
2006	3,067,337	150,598	50,997	35.4	510,114	3.7%
2007	3,088,059	153,447	51,877	35.9	503,955	3.9%
2008	3,125,422	155,068	51,877	36.1	503,492	5.3%
2009	3,153,981	148,373	49,020	35.8	504,136	9.5%
2010	3,182,171	n/a	n/a	36.2	502,239	9.5%
2011	3,029,859	n/a	n/a	n/a	502,903	9.2%

Notes:

n/a - data not available

Sources:

(a) July 1 estimates for 2002-2009 from California Department of Finance, http://www.dof.ca.gov/
January 1 estimates for 2010 and 2011 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

ORANGE COUNTY TRANSPORTATION AUTHORITY

Schedule 14

Principal Employers, Current Year and Nine Years Ago

	2011			2002		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
University of California, Irvine	20,650	1	1.45%	14,981	3	1.04%
Walt Disney Co.	20,000	2	1.40%	21,275	1	1.47%
County of Orange	17,655	3	1.24%	17,290	2	1.19%
St. Joseph Health System	11,965	4	0.84%	9,435	6	0.65%
Boeing Co.	8,060	5	0.57%	11,179	4	0.77%
Bank of America Corp.	6,500	6	0.46%	4,813	10	0.33%
Yum Brands Inc.	6,500	7	0.46%			
Supervalu Inc.	5,900	8	0.41%			
Kaiser Permanente	5,397	9	0.38%			
Target Corp.	5,325	10	0.37%	4,878	9	
Albertsons Inc.				9,500	5	0.66%
Tenet Healthcare Corp.				8,389	7	0.58%
SBC Communications, Inc.				7,100	8	0.49%

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 15
Full-Time Equivalent Government Employees by Function/Program for Ten Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	244	263	222	210	215	233	227	220	219	215
Measure M program	20	21	24	27	27	29	39	43	45	45
Motorist services	1	1	1	1	1	1	1	1	2	2
Commuter rail	1	1	1	1	2	2	2	15	12	10
Urban rail	-	1	1	1	4	-	-	-	-	-
Fixed route	1,462	1,555	1,581	1,619	1,587	1,611	1,633	1,540	1,319	1,247
Paratransit	9	11	13	13	14	13	12	11	11	10
Tollroad	-	4	4	4	4	4	4	3	3	3
Taxicab	3	3	3	3	3	3	3	3	3	4
Total	1,740	1,860	1,850	1,879	1,857	1,896	1,921	1,836	1,614	1,536

Source: Financial Planning & Analysis Department

Notes:

In fiscal year 2009, the Rail Division was created under Commuter Rail; the full-time equivalent positions were reduced from General Government and transferred to the Rail Division. In addition, in fiscal year 2009, 2010, and 2011 there were decreases in the full-time equivalent positions in Fixed Route due to service reductions.

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 16
Operating Indicators by Function/Program

Function/Program	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Measure M1 program (thousands)										
Freeways	$ 25,199	$ 19,812	$ 13,801	$ 141,969	$ 298,667	$ 112,732	$ 99,599	$ 53,283	$ 55,060	$ 25,890
Regional streets and roads	23,680	14,062	15,752	10,493	17,198	65,247	40,556	24,169	42,591	6,946
Local streets and roads	41,142	41,186	49,375	43,996	41,057	32,481	52,681	53,534	61,863	62,348
Transit	48,386	29,166	35,829	23,195	8,169	55,916	18,309	63,822	83,677	204,916
Total program expenses	$ 138,408	$ 104,226	$ 114,757	$ 219,653	$ 365,091	$ 266,376	$ 211,145	$ 194,808	$ 243,191	$ 300,100
Measure M2 program (thousands)										
Freeways	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,300	$ 16,490	$ 17,682	$ 43,210
Streets and roads	-	-	-	-	-	-	25	3,279	15,226	32,453
Transit	-	-	-	-	-	-	3,565	11,570	22,073	41,617
Environmental cleanup	-	-	-	-	-	-	7	175	324	1,086
Total program expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,897	$ 31,514	$ 55,305	$ 118,366
Motorist services										
Calls made from call boxes	38,138	30,020	28,753	18,540	15,600	7,459	7,306	4,361	4,138	3,560
Vehicles removed	9,000	31,200	33,300	13,413	9,096	434	642	931	1,306	1,390
Vehicles assisted by FSP	73,802	58,284	58,000	68,160	70,000	70,935	70,128	43,520	60,865	67,267
Commuter rail										
Weekday trips	40	40	40	40	44	44	44	44	42	42
Annual boardings	2,186,170	2,733,483	2,764,870	3,230,988	3,547,697	3,841,259	4,074,443	4,189,455	3,941,628	3,871,939
Fixed route										
Annual boardings	64,038,048	65,123,546	67,551,870	67,009,989	67,779,946	69,035,226	65,203,611	64,353,673	53,376,023	51,305,266
Vehicle revenue hours	1,678,500	1,752,322	1,799,253	1,835,463	1,846,458	1,910,707	1,938,129	1,894,657	1,842,128	1,707,743
Miles of fixed route	2,295	2,321	2,318	2,320	2,378	2,488	2,943	2,126	2,039	2,038
Paratransit										
Annual boardings	779,967	909,156	1,085,329	1,181,892	1,114,639	1,231,346	1,375,370	1,464,730	1,482,950	1,554,773
Vehicle revenue hours	424,604	489,754	577,053	597,821	565,543	614,620	656,222	678,340	671,456	678,137
Eligible riders	15,762	21,317	24,955	25,569	26,204	26,110	26,611	26,834	27,104	28,447
Tollroad (a)										
Annual drivers trips	n/a	4,958,660	11,213,741	12,741,319	14,182,916	14,639,848	13,477,488	12,036,831	12,659,051	11,998,541
Taxicab										
Permits Issued	1,541	1,590	1,510	1,662	1,698	2,170	2,303	2,364	2,481	2,648

Source: Various departments within OCTA
Notes:
The first full year of construction on the I-5 freeway widening project occurred in fiscal year 1999.
The SR-22 project began in fiscal year 2005.
In fiscal year 2000, the Regional Center of Orange County (RCOC) shifted trips to other providers.
In fiscal year 2003, the Regional Center of Orange County (RCOC) shifted trips back to OCTA and the Office on Aging established programs that required consumers to apply for OCTA service.
In fiscal year 2010, the decrease in Fixed Route annual boardings is primarily due to the economy and the decrease in vehicle service hours.

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

ORANGE COUNTY TRANSPORTATION AUTHORITY
Schedule 17
Capital Asset Statistics by Function/Program

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010		2011
Fixed route											
Bus bases	3	3	3	4	4	4	5	5	5		5
Large revenue vehicles	495	507	558	563	570	566	572	530	510	(b)	522
Small revenue vehicles	53	92	85	84	80	82	82	80	19	(b)	19
Paratransit											
Paratransit vehicles	207	248	238	249	264	263	263	263	252	(b)	248
Tollroad (a)											
Transponders in use	n/a	143,533	157,635	172,220	171,589	176,818	176,149	171,485	170,458		168,915

Source: Various departments within the Orange County Transportation Authority

Notes:

n/a = data not available

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

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

Comprehensive Annual Financial Report

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