91 EXPRESS LANES FUND
(An Enterprise Fund of the Orange County Transportation Authority)

FINANCIAL STATEMENTS

Year Ended June 30, 2011

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)

Financial Statements

For the Fiscal Year Ended June 30, 2011

Contents

INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited the accompanying financial statements of the 91 Express Lanes Fund, an enterprise fund of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2011, which collectively comprise the 91 Express Lanes Fund's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 91 Express Lanes Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 91 Express Lanes Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the 91 Express Lanes Fund of OCTA and do not purport to, and do not, present fairly the financial position of OCTA as of June 30, 2011, and the changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the 91 Express Lanes Fund of OCTA as of June 30, 2011, and the 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 Note 10 to the financial statements, the 91 Express Lanes Fund of OCTA has adopted the provisions of GASB 59, *Financial Instruments Omnibus*, July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011 on consideration of the 91 Express Lanes Fund'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.

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The 91 Express Lanes Fund has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Vavrinek, Trine, Day & Co. LLP

Laguna Hills, California
October 21, 2011

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Fund Net Assets
June 30, 2011

Assets		
Current Assets:		
Cash and investments	$	31,355,334
Receivables:		
Interest		48,567
Violations, net		6,904,359
Other		1,528,614
Other assets		262,155
Total current assets		40,099,029
Noncurrent Assets:		
Restricted cash and investments:		
Cash equivalents		38,933,086
Unamortized debt issuance costs		2,763,663
Capital assets, net:		
Depreciable and amortizable		148,439,526
Total noncurrent assets		190,136,275
Total Assets		230,235,304
Liabilities		
Current Liabilities:		
Accounts payable		3,697,787
Accrued interest payable		2,209,522
Due to other governments		96,127
Unearned revenue		3,714,799
Other liabilities		322,599
Bonds payable - due within one year		4,980,000
Total current liabilities		15,020,834
Noncurrent Liabilities:		
Derivative instruments		4,125,329
Bonds payable - due in more than one year		147,366,826
Total noncurrent liabilities		151,492,155
Total Liabilities		166,512,989
Net Assets		
Invested in capital assets, net of related debt		14,727,492
Restricted for:		
Debt service		6,930,939
Capital		10,135,155
Operating reserves		3,232,200
Unrestricted		28,696,529
Total Net Assets	$	63,722,315

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2011

Operating revenues:	
Tolls, fees, and fines	$ 41,245,590
Operating expenses:	
Management and operational services	6,483,400
Administrative overhead	1,683,269
Other operating expenses	152,334
Insurance claims and premiums	333,268
Professional services	3,809,813
General and administrative	596,084
Depreciation and amortization	9,323,514
Total operating expenses	22,381,682
Operating income	18,863,908
Nonoperating revenues (expenses):	
Investment earnings	758,451
Investment gain on derivative instruments	10,724,981
Interest expense	(10,080,363)
Other	354,298
Total nonoperating revenues (expenses)	1,757,367
Income before transfers	20,621,275
Transfers to other OCTA funds	(884,318)
Change in net assets	19,736,957
Total net assets - beginning	43,985,358
Total net assets - ending	$ 63,722,315

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows
For the Year Ended June 30, 2011

Cash flows from operating activities:	
Receipts from customers and users	$ 39,812,127
Payments to suppliers	(11,910,469)
Payments for OCTA interfund services used	(1,683,269)
Miscellaneous revenue received	354,622
Net cash provided by operating activities	26,573,011
Cash flows from noncapital financing activities:	
Transfers to OCTA funds	(884,318)
Repayment of advances from OCTA funds	(9,865,561)
Net cash used for noncapital financing activities	(10,749,879)
Cash flows from capital and related financing activities:	
Principal payment on long-term debt	(4,740,000)
Interest paid on long-term debt	(15,596,875)
Acquisition and construction of capital assets	(2,361,293)
Net cash used for capital and related financing activities	(22,698,168)
Cash flows from investing activities:	
Termination payment for derivative instrument	(4,821,334)
Interest received	1,889,783
Net cash used for investing activities	(2,931,551)
Net decrease in cash and cash equivalents	(9,806,587)
Cash and cash equivalents at beginning of year	80,095,007
Cash and cash equivalents at end of year	$ 70,288,420
Noncash capital, financing and investing activities:	
Interest expense incurred on advances from other OCTA funds	$ (323,831)
Investment gain on derivative instruments	$ 10,724,981
Amortization of bond premium	$ (252,542)
Amortization of bond deferred charges	$ (1,067,806)

See accompanying notes to the financial statements.

91 Express Lanes Fund
(An Enterprise Fund of the Orange County Transportation Authority)
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2011

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 18,863,908
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,992,669
Amortization of Franchise Agreement	7,330,845
Amortization of cost of issuance	142,335
Miscellaneous	354,622
Change in assets and liabilities:	
Violations receivables, net	(210,204)
Other receivables	(806,453)
Other assets	77,050
Accounts payable	(808,773)
Due to other governments	53,818
Unearned revenue	(407,322)
Other liabilities	(9,484)
Total adjustments	7,709,103
Net cash provided by operating activities	$ 26,573,011
Reconciliation of cash and cash equivalents to statement of net assets:	
Cash and investments	$ 31,355,334
Restricted cash and investments	38,933,086
Total cash and cash equivalents	$ 70,288,420

See accompanying notes to the financial statements.

1. Reporting Entity

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

OCTA purchased the franchise interest for $207,500,000, consisting of cash of $72,500,000 and certain assets and the assumption of certain liabilities. The purchase was enabled by State Assembly Bill 1010 (Correa), which was passed by the California legislature and signed by the governor in September 2002. The legislation provided the authority for OCTA to collect tolls and pay related financing costs no later than 2030 and eliminated noncompete provisions in the Franchise Agreement for needed improvements on SR 91. The passage of Senate Bill 1316 (Correa) in August 2008 approved extending the 91 Express Lanes toll facility along the SR 91 into Riverside County. The bill also allows the extension of the Franchise Agreement to a date no later than December 31, 2065.

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

2. Summary of Significant Accounting Policies

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

Basis of Accounting

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

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the 91 Express Lanes Fund are charges to customers for use of the toll facility. Operating expenses for the 91 Express Lanes Fund include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Cash and Investments

The 91 Express Lanes Fund participates in OCTA's Commingled Investment Pool. OCTA maintains cash and investments in accordance with the Annual Investment Policy (AIP) adopted initially by OCTA's Board of Directors (Board) on May 8, 1995, and most recently amended May 9, 2011. The AIP complies with, or is more restrictive than, the California Government Code (Code). At June 30, 2011, the investment portfolios were maintained at Union Bank as custodial bank. OCTA's Commingled Investment Pool is managed by four private sector investment managers. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes in the OCTA Commingled Investment Pool, with investment earnings allocated to the different accounts based on average daily dollar account balances.

Investments in U.S. government and U.S. agency securities, medium-term notes, repurchase agreements, variable and floating rate securities, mortgage and asset-backed securities and corporate notes are carried at fair value based on quoted market prices, except for securities with a remaining maturity of one year or less at purchase date, which are carried at cost. Treasury mutual funds are carried at fair value based on each fund's share price. The Orange County Treasury Investment Pool (OCIP) is carried at fair value based on the value of each participating dollar as provided by the OCIP. The state managed Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF. 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 NRSROs 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 Investor Service (Moody's), and A-1 short-term or A long-term or better by Standard & Poor's Corporation (S & P), 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 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.
- 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 LAIF.
- 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 pool's 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 S & P.

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 S & P.

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 S & P (and with respect to such broker/dealer rated short-term P-1 by Moody's and A-1 by S & P); 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:

   a) 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; and

   b) 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

   c) 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. LAIF has a $40 million maximum portfolio percentage per entity.

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. OCIP 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 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 S & P 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 the 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, with maximum permissible concentrations based on book value as follows:

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 $\leq$ 7 days.
- 35% for any one repurchase agreement counter-party name if the maturity/term is > 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, commercial paper, money market mutual funds, certificates of deposit, and the 91 Express Lanes Fund's share of the OCTA Commingled Investment Pool represent cash and cash equivalents for cash flow purposes.

Restricted Investments

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

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

Receivables

Violations receivable represents an estimate of the total outstanding unpaid violations that the 91 Express Lanes Fund anticipates to collect, net of an allowance for uncollectible accounts of $837,812 at June 30, 2011. This estimate is based upon a twelve-month average of collections on violations with a due date of 90 days or less. For unpaid violations exceeding 90 days, this estimate is based upon an approximate 3-year average collections. An estimated $5.3 million represents receivables not expected to be collected within one year. The 91 Express Lanes utilizes an outside collection agency to assist in the recovery of unpaid violations exceeding 90 days.

Other receivables include amounts due from other California toll road agencies related to their customers' use of the 91 Express Lanes, as well as amounts owed from customers, net of an allowance for uncollectible accounts of $592,811 at June 30, 2011.

Other Assets

Other assets include prepaid expenses and refundable deposits.

Unamortized Debt Issuance Costs

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

Capital Assets

Capital assets include the toll facility franchise, improvements, equipment, computer hardware, software, furniture and fixtures, and transponders. Capital assets are defined by the 91 Express Lanes Fund as assets with an initial, individual cost of more than $5,000 and a useful life in excess of one year. It is also the 91 Express Lanes Fund's policy to capitalize transponder purchases, as they are considered a significant class of assets even though individually under $5,000. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

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

Capital Asset Type	Useful Life
Improvements	10-30 years
Equipment, furniture, and fixtures	3-10 years
Computer hardware and software	3-5 years
Transponders	5 years

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

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 $100,000,000. 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 $75,000,000. 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 of the 91 Express Lanes Fund is considered ineffective. Refer to note 5.

Risk Management

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

Net Assets

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

- *Invested in capital assets, net of related debt* - Reflects net assets of the 91 Express Lanes Fund invested in capital assets, net of related debt. These net assets are not accessible for other purposes.

- *Restricted net assets* - Represents net assets not accessible for general use, with the use subject to restrictions enforceable by third parties. The Statement of Net Assets includes restricted net assets for the portion of debt attributable to unspent proceeds, restricted by the 2003 Toll Road Revenue Refunding Bonds Master Indenture of Trust for debt service, capital, and operating expenses.

- *Unrestricted net assets* - Represents net assets available for general use.

Use of Estimates

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

3. Cash and Investments

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

Deposits:	
Petty cash	$ 550
Deposits	338,682
Total deposits	339,232
Investments:	
With OCTA Commingled Investment Pool	30,990,644
With trustee	38,958,544
Total investments	69,949,188
Total cash and investments	$ 70,288,420

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

Unrestricted cash and investments	$ 31,355,334
Restricted cash and investments:	
Cash equivalents	38,933,086
Total cash and investments	$ 70,288,420

As of June 30, 2011, the 91 Express Lanes Fund had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
OCTA Commingled Investment Pool	$ 30,990,644	$ 30,353,483	Discount, 0.01%-8.0%	7/1/11-6/23/16	1.98
Held by trustee:					
Commercial paper	25,565,188	25,565,188	0.40%	7/15/11	0.04
Money market mutual funds	26,002	26,002	0.00%	7/1/11	1 Day
Certificates of deposit	13,367,354	13,367,354	0.10%	7/5/11	0.01
Total investments	$ 69,949,188	$ 69,312,027			

Interest Rate Risk

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

As of June 30, 2011, the 91 Express Lanes Fund participated in OCTA's Commingled Investment Pool which had asset-backed securities totaling $65,793,349. 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's Commingled Investment Pool had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
American Express	$ 949,865	LIBOR + 170 basis points	Monthly
Bank of America	1,002,690	LIBOR + 20 basis points	Quarterly
Citigroup	677,348	LIBOR + 85 basis points	Quarterly
Citigroup	421,445	LIBOR + 33 basis points	Quarterly
Eaton Corp	500,585	LIBOR + 33 basis points	Quarterly
Goldman Sachs	1,001,390	LIBOR + 25 basis points	Quarterly
Goldman Sachs	644,605	LIBOR + 100 basis points	Quarterly
Morgan Stanley	848,452	LIBOR + 98 basis points	Quarterly
Morgan Stanley	1,026,720	LIBOR + 250 basis points	Quarterly
NCUA Notes	470,000	LIBOR + 2 basis points	Monthly
New York Life	1,000,270	LIBOR + 26 basis points	Quarterly
PACCAR Financial	633,522	LIBOR + 45 basis points	Monthly
Total variable rate notes	$ 9,176,892		

The 91 Express Lanes Fund is invested in a pay-fixed, receive-variable interest rate swap with a notional amount totaling $25,000,000. The 91 Express Lanes makes semiannual fixed payments to the counterparty of 4.06227% and receives monthly variable payments based on 67% of LIBOR if LIBOR is equal to or greater than 4.0% or the Securities Industry Financial Markets Association (SIFMA) Index if LIBOR is less than 4.0%. This interest rate swap was executed in November 2003 and matures in December 2030. At June 30, 2011, the interest rate swap had a negative fair value of $4,125,329.

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 nationally recognized rating services S & P, Moody's, and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S & P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt must be rated no less than an "A" by two of the three NRSROs. LAIF and OCTA's Commingled Investment Pool are not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of fair value of the 91 Express Lanes Fund's portfolio at June 30, 2011. (NR means Not Rated):

Investments	S & P	Moody's	Fitch	% of 91 Express Lanes Portfolio
OCTA Commingled Investment Pool	NR	NR	NR	44.30%
Held by trustee:				
Commercial paper	A-1+	P-1	NR	36.55%
Money market mutual funds	AAA	Aaa	AAA	0.04%
Certificates of deposit	A-1	P-1	F1+	19.11%
Total				100.00%

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, the 91 Express Lanes investment derivative instrument was not in an asset position at June 30, 2011. Thus, the 91 Express Lanes was not exposed to loss due to credit risk.

As of June 30, 2011, the 91 Express Lanes Fund participated in OCTA's Commingled Investment Pool which held one investment in Lehman Brothers Holding Inc. medium-term notes. The investment had a $1,000,000 par maturing January 24, 2013. On September 15, 2008, Lehman Brothers Holding Inc. filed for bankruptcy. At June 30, 2011, the market value of the security was 26.50% of par.

Concentration of Credit Risk

At June 30, 2011, OCTA did not exceed the AIP maximum concentrations as stated below:

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

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

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

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

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

OCTA can purchase all or a portion of the Orange County Transportation Authority's Toll Road Revenue Refunding Bonds (91 Express Lanes) Series B Bonds maturing December 15, 2030 providing the purchase does not exceed 25% of the Maximum Portfolio.

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

Issuer	Amount	% of 91 Express Lanes Portfolio
General Electric Cap Corp (Commercial paper)	$ 25,565,188	36.55%
Bank of the West (Certificates of deposit)	13,367,354	19.11%

Investment in State Investment Pool

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

4. Capital Assets

Capital asset activity for the 91 Express Lanes Fund for the year ended June 30, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated and amortized:				
Toll facility franchise	$ 205,263,668	$ -	$ -	$ 205,263,668
Improvements	2,827,450	381,081	-	3,208,531
Communications equipment	5,602,202	-	-	5,602,202
Computer hardware and software	1,773,731	1,441,282	-	3,215,013
Transponders	4,498,852	538,930	474,987	4,562,795
Equipment, furniture and fixtures	162,371	-	5,422	156,949
Total capital assets, being depreciated and amortized	220,128,274	2,361,293	480,409	222,009,158
Less accumulated depreciation and amortization for:				
Toll facility franchise	(54,981,340)	(7,330,845)	-	(62,312,185)
Improvements	(845,947)	(150,768)	-	(996,715)
Communications equipment	(4,551,799)	(738,231)	-	(5,290,030)
Computer hardware and software	(1,116,515)	(529,416)	-	(1,645,931)
Transponders	(3,158,463)	(554,969)	(474,987)	(3,238,445)
Equipment, furniture and fixtures	(72,139)	(19,285)	(5,098)	(86,326)
Total accumulated depreciation and amortization	(64,726,203)	(9,323,514)	(480,085)	(73,569,632)
Total capital assets, being depreciated and amortized, net	$ 155,402,071	$ (6,962,221)	$ 324	$ 148,439,526

5. 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 $100,000,000 in connection with its $195,265,000 Toll Road Revenue Refunding Bonds. $95,265,000 was issued on a fixed rate basis and $100,000,000 was issued on a variable rate basis. The parity swaps were entered into to effectively change OCTA's variable rate bonds to a synthetically fixed rate of 4.06227%. The Series 2003-B-1 swap was for $75,000,000 and the counterparty was Lehman Brothers Special Funding Incorporated (Lehman Brothers). The Series 2003-B-2 swap was for $25,000,000 and the counterparty was Bear Stearns Capital Markets Incorporated. On May 30, 2008, JP Morgan completed its acquisition of The Bear Stearns Companies Incorporated. As a result of the merger, JP Morgan assumed the $25,000,000 interest rate swap between OCTA and Bear Stearns Capital Markets Incorporated.

On November 23, 2005, Lehman Brothers Holding Inc. named Lehman Brothers Commercial Bank (LBCB) as the counterparty for the Series 2003-B-1 interest rate swap replacing Lehman Brothers Special Financing Inc. On September 15, 2008, Lehman Brothers Holding Inc. declared bankruptcy. On October 2, 2008, OCTA provided a Notice of Event of Default and Reservation of Rights letter to Lehman Brothers Special Financing and LBCB regarding the investment 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 $6.6 million through February 2011. On March 15, 2011, OCTA terminated the Series 2003-vB-1 swap and remitted the net amount owed to the counterparty for unpaid swap payments. An investment gain of $9,932,418 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 swaps:					
Series 2003-B-1	Investment Gain	$ 9,932,418	Investment	$ -	$ -
Series 2003-B-2	Investment Gain	$ 792,563	Investment	$ (4,125,329)	$ 25,000,000
		$ 10,724,981		$ (4,125,329)	$ 25,000,000

In the prior fiscal year, the 91 Express Lanes Fund 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 $10,724,981 is reported as an investment gain on derivative instruments for the year ended June 30, 2011.

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

Terms

The bonds and the related parity swap agreement mature on December 15, 2030. The parity swap was entered into at the same time the bonds were issued (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 one month LIBOR is less than 4.0%.

6. Bonds Payable

Taxable Senior Secured Bonds

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

Toll Road Revenue Refunding Bonds

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

On November 24, 2008, OCTA remarketed the $100,000,000 Series 2003-B Bonds, which were purchased by the Orange County Investment Pool (OCIP). In connection with the mandatory tender of the Series 2003-B Bonds required by the Indenture, the interest rate was converted to a Long Term Interest Rate equal to the OCIP Rate, 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 Series 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	$195,265,000
Cash reserve requirements	$38,019,585 *
Cash reserve balance	$38,933,086
Interest rate	1.55% to 5.375% **
Maturity	December 2030
Principal payment date	August 15
Current balance	$165,685,000
Unamortized premium	$4,903,511
Deferred amount on refunding	($18,241,685)

* Pursuant to the 2003 Toll Road Revenue Refunding Bonds Master Indenture of Trust, four reserve funds are maintained with required balances as follows: Reserve Fund $12,634,792; Supplemental Reserve Fund $12,634,793; Major Maintenance Reserve Fund $10,000,000; and Operating Reserve Fund $2,750,000. At June 30, 2011, all reserve requirements have been satisfied.

** Series 2003-B Bonds were issued as variable rate bonds with a floating-to-fixed interest rate swap transaction in place. The swap for the $75,000,000 Series 2003-B-1 Bonds was terminated on March 15, 2011. The $25,000,000 Series 2003-B-2 Bonds was swapped to a fixed rate of 4.06227%. Refer to interest rate swap description in Note 5.

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

Year ending June 30	Principal	Interest	Total
2012	$ 4,980,000	$ 5,754,968	$ 10,734,968
2013	5,245,000	5,489,508	10,734,508
2014	5,525,000	5,210,424	10,735,424
2015	5,815,000	4,919,655	10,734,655
2016	6,130,000	4,606,099	10,736,099
2017-2021	35,825,000	17,854,881	53,679,881
2022-2026	45,420,000	10,226,423	55,646,423
2027-2031	56,745,000	3,745,214	60,490,214
Total	$165,685,000	$57,807,172	$223,492,172

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 also includes net swap interest. As part of the swap agreement, OCTA pays a fixed interest rate of 4.06227% per annum and receives the SIFMA Index which amounted to 0.09% 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
Tax-exempt bonds	$170,425,000	$ -	$4,740,000	$165,685,000	$4,980,000
Unamortized premium	5,156,053	-	252,542	4,903,511	-
Unamortized deferred amount on refunding	(19,309,491)	-	(1,067,806)	(18,241,685)	-
Total long-term liabilities	$156,271,562	$ -	$3,924,736	$152,346,826	$4,980,000

Arbitrage Rebate

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

In accordance with the arbitrage regulations, if excess earnings were calculated, 90% of the amount calculated would be due to the Internal Revenue Service (IRS) at the end of each five year period. The remaining 10% would be recorded as a liability and paid after all bonds had been redeemed. During the current year, no excess earnings were calculated, therefore no payments were made.

Pledged Revenue

The 91 Express Lanes debt issuance outstanding is repaid and secured by the pledging of certain revenues, as defined in the debt agreement. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table. The purpose for which the proceeds of the debt issuance were utilized is disclosed in the debt description. Pursuant to the 2003 Toll Road Revenue Refunding Bonds Master Indenture of Trust, the 91 Express Lanes fund will covenant to fix and prescribe toll rates for each type of vehicle and each time of day sufficient to produce adjusted net toll revenues for each fiscal year at least equal to 1.3 times annual debt service. Adjusted net toll revenues includes tolls and investment earnings on specified reserve accounts minus operating expenses, excluding depreciation and interest expense. For the year ended June 30, 2011, the 91 Express Lanes annual debt service payments include an additional $2,245,849 in interest associated with the downgrade of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc.

Pledged revenue for the year ended June 30, 2011, was as follows:

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payments	Pledged Revenue Coverage
91 Express Lanes Net Toll Road Revenue	$28,421,539	$14,503,019	1.96

7. Advances from Other OCTA Funds

In connection with the purchase of the toll facility franchise, to fund the debt service payment required on February 15, 2003, and to establish operations, the 91 Express Lanes Fund borrowed $83,640,595 from other OCTA funds. 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). Total interest of $323,831 accrued on the advances for the year ended June 30, 2011. On June 15, 2011, the 91 Express Lanes Fund repaid $9,865,561, representing the advance plus accrued interest, with net revenues. At June 30, 2011, these advances were fully repaid.

8. Transfers to Other OCTA Funds

For the year ended June 30, 2011, the 91 Express Lanes Fund transferred $884,318 to OCTA's Local Transportation Authority (LTA) Fund for the Riverside Freeway (SR 91) Eastbound Project right-of-way capital expenditures and support services.

9. Commitments and Contingencies

Operator Agreement

In connection with the purchase of the toll facility interest, OCTA entered into an operating agreement with Cofiroute Global Mobility, subsequently Cofiroute USA, LLC (Cofiroute), to provide operating services in the annual amount of $4,994,000 plus inflation for three initial years with two one-year extension options, subject to Board of Directors approval. The agreement was in effect from January 3, 2003 through January 2, 2006. On January 6, 2006, OCTA entered into a second operating agreement with Cofiroute, effective January 3, 2006 through January 2, 2011. The annual amount of the base contract is $5,448,768 plus inflation adjustments after the first year. The agreement carried two two-year extension options through January 2, 2015. On June 27, 2011, the OCTA Board of Directors approved a subsequent amendment to the operating agreement with Cofiroute, which authorizes the addition of two five-year extension options beginning July 1, 2011 through June 30, 2016 for the first extension term and beginning July 1, 2016 through June 30, 2021 as the second extension term. Cofiroute is responsible for the day-to-day operations of the toll facility.

Lease Commitments

The 91 Express Lanes Fund is committed under two non-cancelable leases for office space. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2011 were $380,246.

Future minimum payments for these leases approximate the following:

For the year ending June 30:		
2012	$	368,043
2013		106,287
2014		26,767
Total	$	501,097

10. 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.