ANNUAL FINANCIAL REPORT

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)

For the Fiscal Year Ended June 30, 2005
with Independent Auditor's Report

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

Audited Financial Statements

For the Fiscal Year Ended June 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying financial statements of the 91 Express Lanes enterprise fund (91 Express Lanes Fund) of the Orange County Transportation Authority (Authority), as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of Authority 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. 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 Authority's internal control over financial reporting relating to the 91 Express Lanes Fund. 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 and do not purport to, and do not, present fairly the financial position of the Authority, as of June 30, 2005, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 91 Express Lanes Fund of the Authority, as of June 30, 2005, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Macias Gini & Company LLP

Los Angeles, California
October 17, 2005

91 Express Lanes Fund

(An Enterprise Fund of the Orange County Transportation Authority)

Statement of Fund Net Assets

June 30, 2005

ASSETS		
Current Assets:		
Cash and investments	$	25,126,899
Receivables:		
Interest		495,988
Violations		3,254,779
Allowance for doubtful accounts		(538,567)
Other		893,862
Other assets		1,121,776
Noncurrent Assets:		
Restricted cash and investments:		
Cash equivalents		4,261,518
Investments		18,634,792
Cost of issuance		3,617,671
Capital assets, net:		
Nondepreciable		225,837
Depreciable and amortizable		193,259,795
TOTAL ASSETS		250,354,350
LIABILITIES		
Current Liabilities:		
Accounts payable		2,711,466
Accrued interest payable		3,112,161
Due to others		188,721
Deferred revenue		4,211,218
Other liabilities		397,984
Bonds payable - due within one year		3,189,735
Noncurrent liabilities:		
Advances from other OCTA funds - due in more than one year		61,372,988
Bonds payable - due in more than one year		170,210,503
TOTAL LIABILITIES		245,394,776
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt		20,085,394
Restricted		22,896,310
Unrestricted		(38,022,130)
TOTAL NET ASSETS (DEFICIT)	$	4,959,574

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 (Deficit)
For the Year Ended June 30, 2005

OPERATING REVENUES:	
User fees and charges	$ 39,583,597
OPERATING EXPENSES:	
Contracted services	5,336,764
Administrative services	1,675,340
Insurance claims	305,338
Professional services	4,776,854
General and administrative	1,043,637
Other	1,367,473
Depreciation and amortization	9,108,316
TOTAL OPERATING EXPENSES	23,613,722
Operating income	15,969,875
NONOPERATING REVENUES (EXPENSES):	
Investment earnings	1,406,466
Interest expense	(10,272,639)
Other	148,630
TOTAL NONOPERATING REVENUES (EXPENSES)	(8,717,543)
Change in net assets	7,252,332
Total net assets (deficit) - beginning	(2,292,758)
TOTAL NET ASSETS (DEFICIT) - ENDING	$ 4,959,574

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, 2005

Cash flows from operating activities:		
Receipts from customers and users	$	38,676,268
Payments to suppliers		(10,956,803)
Payments for interfund services used		(1,675,340)
Miscellaneous		148,630
Net cash provided by operating activities		26,192,755
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets		143,671
Payment of long term debt		(3,635,000)
Interest paid		(8,279,995)
Acquisition and construction of capital assets		(1,618,229)
Net cash used for capital and related financing activities		(13,389,553)
Cash flows from investing activities:		
Purchase of investments		(12,634,792)
Interest received		1,330,135
Net cash provided by investing activities		(11,304,657)
Net increase in cash and cash equivalents		1,498,545
Cash and cash equivalents at beginning of year, as restated		27,889,872
Cash and cash equivalents at end of year	$	29,388,417
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	15,969,875
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		1,777,471
Amortization of franchise agreement		7,330,845
Amortization of cost of issuance		142,335
Miscellaneous		148,630
Change in assets and liabilities:		
Receivables		(1,969,237)
Other assets		37,877
Accounts payable		1,693,051
Due to others		188,721
Deferred revenue		990,154
Other liabilities		(116,967)
Total adjustments		10,222,880
Net cash provided by operating activities	$	26,192,755
Reconciliation of cash and cash equivalents to statements of net assets:		
Cash and investements		25,126,899
Restricted cash and cash equivalents		4,261,518
Total cash and cash equivalents	$	29,388,417
Schedule of noncash activities:		
Increase in interest expense incurred on advances from other OCTA funds	$	1,196,179

See accompanying notes to the financial statements.

1. Reporting Entity

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

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

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

2. Summary of Significant Accounting Policies

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

Basis of Accounting

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

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

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

CASH AND INVESTMENTS

OCTA maintains cash and investments in accordance with an investment policy adopted initially by the OCTA Board on May 8, 1995, and most recently amended February 28, 2005. The investment policy complies with, or is more restrictive than, applicable state statutes. The majority of OCTA's investments are managed by four private sector investment managers. At June 30, 2005, the investment portfolios were maintained at The Bank of New York Trust Company, N.A. as custodial bank. Cash from all OCTA revenue sources, excluding proceeds of bond issues and related earnings, is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily dollar account balances.

OCTA's investment policy authorizes it to invest in obligations of the U. S. Treasury, U. S. agencies, commercial paper rated A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc., bankers' acceptances, certificates of deposit, variable and floating rate securities, mortgage and asset backed securities, corporate notes, repurchase agreements, and guaranteed investment contracts. Derivative products of any otherwise eligible investment are permitted but only with prior Board of Directors' authorization. Investments in reverse repurchase agreements are prohibited. Other allowable investment categories include money market funds, mutual funds as permitted by the California government code, and the state-managed Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code (Code) Section 16429 under the oversight of the Treasurer of the State of California. All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the Code.

Investments in U.S. government and U.S. agency securities, repurchase agreements, variable and floating rate securities in permitted securities, mortgage and asset backed securities, and corporate notes are carried at fair value based on quoted market prices, except for securities with a remaining maturity of one year or less at purchase date, which are carried at cost. Guaranteed investment contracts are carried at cost. Treasury mutual funds are carried at fair value based on each fund's share price. LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. Commercial paper is carried at amortized cost (which approximates fair value).

Bank balances are secured by the pledging of a pool of eligible securities to collateralize OCTA deposits with the bank in accordance with the California Government Code.

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. Cash and cash equivalents at beginning of year on the Statement of Cash Flows has been restated, as noted below, to reflect a long term investment in prior year being recorded as a cash and cash equivalent.

	Amount
Cash and cash equivalents at June 30, 2004	$ 33,889,872
Long term investment	(6,000,000)
Cash and cash equivalents at June 30, 2004, as restated	$ 27,889,872

RESTRICTED INVESTMENTS

Certain resources set aside for capital maintenance and debt service coverage are classified as restricted investments, because they are maintained in separate investment accounts and their use is limited by applicable debt covenants.

RECEIVABLES

Violations receivable represent an estimate of the total outstanding unpaid violations that the 91 Express Lanes anticipate to collect. This estimate is based upon twelve month average collections on outstanding unpaid violations. The 91 Express Lanes contracts with an outside collection agency to assist in the recovery of unpaid violations over 90 days.

Allowance for doubtful accounts represent the amount anticipated uncollectible for those receivables with a due date of less than 90 days.

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

OTHER ASSETS

Other assets include prepaid expenses and deposits.

COSTS OF ISSUANCE

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

CAPITAL ASSETS

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

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

Capital Asset Type	Useful Life
Building improvements	10-30 years
Equipment, furniture, and fixtures	3-10 years
Transponders	5 years

The toll facility franchise is amortized over the remaining life of the franchise agreement through December 2030. Construction in process primarily represents costs related to leasehold improvement renovations at the 91 Express Lanes offices in Anaheim.

RISK MANAGEMENT

The 91 Express Lanes Fund has obtained commercial property insurance including earthquake, flood, and terrorism coverage related to the toll facility. Additionally, the 91 Express Lanes Fund is part of OCTA's self-insurance general liability program. The liability for such claims, including claims incurred but not reported, is transferred to OCTA in consideration of self-insurance premiums to be paid by the 91 Express Lanes Fund.

NET ASSETS

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

- *INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT* - This reflects the net assets of the 91 Express Lanes Fund that are invested in capital assets, net of related debt. Usually this indicates that these net assets are not accessible for other purposes; however, a deficit indicates that the related debt exceeds the capital assets.

- *RESTRICTED NET ASSETS* - This represents the net assets that are not accessible for general use, because their use is subject to restrictions enforceable by third parties.

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

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures 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, 2005:

Deposits:	
Petty cash	$ 150
Deposits	637,904
Total deposits	638,054
Investments:	
With OCTA Commingled Investment Pool	24,437,615
With Trustee	22,947,540
Total investments	47,385,155
Total cash and investments	$ 48,023,209

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

Unrestricted Cash and Investments	$ 25,126,899
Restricted Cash and Investments:	
Cash equivalents	4,261,518
Investments	18,634,792
Total Restricted Cash and Investments	22,896,310
Total Cash and Investments	$ 48,023,209

As of June 30, 2005, the 91 Express Lanes had the following investments:

INVESTMENT	FAIR VALUE	PRINCIPAL	INTEREST RATE RANGE	MATURITY RANGE	WEIGHTED AVERAGE MATURITY (YEARS)
OCTA Commingled Investment Pool	$ 24,437,615	$ 24,781,315	Discount, 1.520%-7.625%	7/1/05-5/17/10	1.97
Money Market Mutual Funds	442,831	442,831	Variable	7/1/05	0.00
Negotiable Certificates of Deposit	3,869,917	3,869,917	2.48%	7/1/05	1 Day
Investment Agreements	18,634,792	18,634,792	4.51%-5.125%	8/14/05-12/15/30	20.54
Total Investments	$ 47,385,155	$ 47,728,855			

INTEREST RATE RISK

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

As of June 30, 2005, the 91 Express Lanes Fund was a participant in OCTA's commingled investment pool which had asset-backed securities totaling $123,253,584. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA by at least two of the three nationally recognized rating services.

As of June 30, 2005, the 91 Express Lanes Fund was a participant in OCTA's commingled investment pool which had variable rate securities totaling $14,768,351. The notes are tied to the one-month and three-month Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate securities is generally less susceptible to changes in value because the variable-rate coupon resets back to the market rate on a periodic basis, effectively eliminating interest rate risk at each periodic reset. The details of the floating rate securities are as follows:

Issuer	Collateral	Int. Rate Range	Index	Credit Rating
Eli Lilly	Notes	1.74% to 3.34%	3 month LIBOR + 5 basis points	AA/AA
FHLMC	Notes	Variable to fixed after 11/05	3 month LIBOR +12 basis points	AAA/Aaa
Goldman Sachs	Notes	1.81% to 3.32%	3 month LIBOR +18 basis points	A+/Aa3
National City Bank	Notes	1.45% to 3.31%	1 month LIBOR flat	A+/Aa3
Wells Fargo	Notes	1.96% to 3.48%	3 month LIBOR + 9 basis points	AA-/Aa1

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 91 Express Lanes has two bank accounts at Bank of the West; the operating account and the revolving account with bank balances of $0 and $412,884, respectively. The operating account is swept daily to OCTA's concentration account. The concentration account is swept to an overnight repurchase agreement. The revolving account is federally insured up to $100,000 and the bank collateralizes at least 110% of the excess as required by the California government code. 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, 2005, OCTA did not have any securities exposed to custodial credit risk and there was no securities lending.

CREDIT RISK

The Annual Investment Policy (Policy) sets minimum acceptable credit ratings for investments from any of the three nationally recognized rating services Standard and Poor's Corporation (S&P), Moody's Investor Service (Moody's), and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an "AA".

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, 2005. (NR means Not Rated):

Investments	S & P	Moody's	Fitch	% of Portfolio
OCTA Commingled Investment Pool	NR	NR	NR	51.57%
Money Market Mutual Funds	AAA	Aaa	NR	.93%
Negotiable Certificates of Deposit	AA	Aa2	AA	8.17%
Investment Agreements	AAA	Aaa	AAA	39.33%
Total				100.00%

CONCENTRATION OF CREDIT RISK

At June 30, 2005, OCTA did not exceed the Policy limitation that states that no more than:

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

This Policy limitation excludes investment agreements pursuant to the bond indenture. The 91 Express Lanes had the following investment agreements outstanding as of June 30, 2005:

Investment Agreements	Amount
MBIA Incorporated	$12,634,792
AIG Matched Funding Corporation	6,000,000

4. CAPITAL ASSETS

Capital asset activity for the 91 Express Lanes for the year ended June 30, 2005 is as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets, not being depreciated:				
Construction in process	$ -	$ 225,837	$ -	$ 225,837
Total capital assets, not being depreciated	$ -	$ 225,837	$ -	$ 225,837
Capital assets, being depreciated and amortized:				
Toll facility franchise	$ 205,263,668	$ -	$ -	$ 205,263,668
Building improvements	118,530	275,799	-	394,329
Communications equipment	4,039,254	-	-	4,039,254
Computer hardware and software	718,045	221,657	-	939,702
Transponders	3,242,095	903,098	241,069	3,904,124
Equipment, furniture and fixtures	58,644	-	8,162	50,482
Total capital assets, being depreciated and amortized	213,440,236	1,400,554	249,231	214,591,559
Less accumulated depreciation and amortization for:				
Toll facility franchise	(10,996,268)	(7,330,845)	-	(18,327,113)
Building improvements	(9,319)	(102,442)	-	(111,761)
Communications equipment	(140,085)	(621,440)	-	(761,525)
Computer hardware and software	(265,144)	(279,375)	-	(544,519)
Transponders	(905,317)	(767,877)	(97,398)	(1,575,796)
Equipment, furniture and fixtures	(4,713)	(7,212)	(875)	(11,050)
Total accumulated depreciation and amortization	(12,320,846)	(9,109,191)	(98,273)	(21,331,764)
Total capital assets, being depreciated and amortized, net	$ 201,119,390	$ (7,708,636)	$ 150,958	$ 193,259,795

5. BONDS PAYABLE

TAXABLE SENIOR SECURED BONDS

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

TOLL ROAD REVENUE REFUNDING BONDS

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

INTEREST RATE SWAPS

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

TERMS

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

FAIR VALUE

As of June 30, 2005 the negative fair value for the $75,000,000 swap with Lehman Brothers was estimated by Lehman Brothers to be $9,644,024. As of June 30, 2005 the negative fair value for the $25,000,000 swap with Bear Stearns was estimated by Bear Stearns to be $2,210,342. Therefore, if the swaps were terminated on June 30, 2005, the OCTA would have made a termination payment of $9,644,024 and $2,210,342 to Lehman Brothers and Bear Stearns, respectively. The termination payments that would have been owed by the OCTA if the swaps were terminated on June 30, 2005 is a direct result of the decline in interest rates. The rate used to calculate the fixed swap payment owed by the OCTA to the swap providers is 4.06227%. As of June 30, 2005, this fixed rate was higher than the current rate for a swap of identical terms and conditions. The value of this above market rate as of June 30, 2005 is reflected in the calculation of the fair value of the interest rate swaps between the OCTA and the swap providers. The fair values were estimated by the counterparties using proprietary methodologies. Although the interest rates on the variable rate bonds have also declined since the execution of swaps, the variable swap payments paid to the OCTA by the swap providers have declined as well.

CREDIT RISK

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

BASIS RISK

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

Under the parity swap agreements, OCTA pays the counterparties a fixed payment of 4.06227% and the counterparties pay OCTA a floating rate equal to 67% of LIBOR if LIBOR is equal to or greater than 4.0% or the BMA Municipal Swap Index if LIBOR is less than 4.0%. As of June 30, 2005, OCTA experienced $57 in cumulative positive basis differential.

TERMINATION RISK

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

SWAP PAYMENTS AND ASSOCIATED DEBT

	$75,000,000 SERIES 2003-B-1 (1)			$25,000,000 SERIES-B-2 (1)			
YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	INTEREST RATE SWAPS, NET	PRINCIPAL	INTEREST	INTEREST RATE SWAPS, NET	TOTAL
2006	$ -	$ 1,740,000	$ 1,336,703	$ -	$ 550,000	$ 445,568	$ 4,072,271
2007	-	1,740,000	1,336,703	-	550,000	445,568	4,072,271
2008	-	1,740,000	1,336,703	-	550,000	445,568	4,072,271
2009	-	1,740,000	1,336,703	-	550,000	445,568	4,072,271
2010		1,740,000	1,336,703		550,000	445,568	4,072,271
2011-2015	-	8,700,000	6,683,513	-	2,750,000	2,227,838	20,361,351
2016-2020	-	8,700,000	6,683,513	-	2,750,000	2,227,838	20,361,351
2021-2025	25,005,000	7,630,538	5,861,931	5,960,000	2,412,245	1,954,214	48,823,928
2026-2030	40,715,000	3,522,050	2,705,709	12,990,000	1,112,925	901,606	61,947,290
2031	9,280,000	116,348	84,303	6,050,000	36,740	28,071	15,595,462
	$ 75,000,000	$ 37,368,936	$ 28,702,484	$ 25,000,000	$ 11,811,910	$ 9,567,407	$ 187,450,737

(1) Assumes an interest rate swap rate of 4.06227% per annum for the Series 2003-B-1 Bonds and the Series-B-2 Bonds based on the Series 2003-B Parity Swap Agreements.

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

Issuance date	11/12/03
Original issue amount	$195,265,000
Cash reserve requirements	$18,634,792
Interest rate	2.0% to 5.375% *
Maturity	December 2030
Principal payment date	August 15
Current balance	$191,630,000
Unamortized premium	$6,418,759
Deferred amount on refunding	($24,648,521)
Deferred cost of issuance	$3,617,671

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

Annual debt service requirements on the tax-exempt bonds as of June 30, 2005, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2006	$ 4,005,000	$ 8,249,032	$ 12,254,032
2007	4,115,000	8,142,389	12,257,389
2008	4,225,000	8,027,714	12,252,714
2009	4,345,000	7,909,876	12,254,876
2010	4,515,000	7,742,901	12,257,901
2011-2015	26,305,000	34,968,534	61,273,534
2016-2020	34,055,000	27,221,706	61,276,706
2021-2025	43,405,000	18,154,663	61,559,663
2026-2030	54,290,000	8,222,034	62,512,034
2031	12,370,000	264,792	12,634,792
	$ 191,630,000	$ 128,903,641	$ 320,533,641

The Bonds contain certain financial covenants, and management believes the 91 Express Lanes Fund is in compliance with such covenants as of June 30, 2005.

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2005, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Tax-exempt bonds	$ 195,265,000	$ -	$ 3,635,000	$ 191,630,000	$ 4,005,000
Unamortized premium	6,671,300	-	252,541	6,418,759	252,541
Unamortized deferred amount on refunding	(25,716,326)	-	(1,067,805)	(24,648,521)	(1,067,806)
TOTAL LONG-TERM LIABILITIES	$ 176,219,974	$ -	$ 2,819,736	$ 173,400,238	$ 3,189,735

6. ADVANCES FROM OTHER OCTA FUNDS

In connection with the purchase of the toll facility franchise, to fund the debt service payment required on February 15, 2003, and to establish operations, the 91 Express Lanes Fund borrowed $83,640,595 from other OCTA funds at an interest rate, adjusted each January, representing OCTA's rate of return on short-term investments (1.46% at June 30, 2005). Interest accrues monthly, and the advances from other OCTA funds plus accrued interest will be repaid on an annual basis with net revenues or as a result of a refinancing. Total interest of $1,196,180 accrued on the advances as of June 30, 2005. At June 30, 2005, these advances were $61,372,988 and are reported as advances from other OCTA funds.

7. COMMITMENTS AND CONTINGENCIES

OPERATOR AGREEMENT

In connection with the purchase of the toll facility interest, the 91 Express Lanes Fund entered into an operating agreement with Cofiroute Global Mobility (Cofiroute), effective January 3, 2003, 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. Cofiroute is responsible for the day-to-day operations of the toll facility. On February 23, 2005, OCTA issued a Request for Proposal for the operation and management of the 91 Express Lanes. The contract is anticipated to be awarded October 2005.

LEASE COMMITMENTS

The 91 Express Lanes Fund is committed under various leases for office space and equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2005 were $368,717.

Future minimum payments for these leases approximate the following:

for the year ending June 30	
2006	$ 358,202
2007	335,779
2008	330,909
2009	255,135
2010	232,848
	$ 1,512,873