Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2006

OCTA

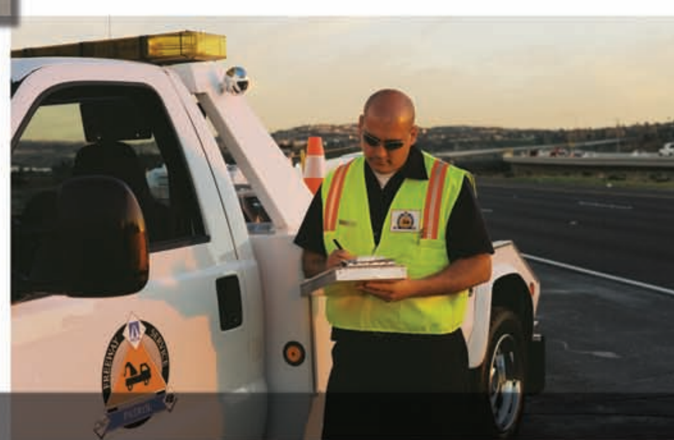
Orange County Transportation Authority
Orange County, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2006

Submitted By:

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



OCTA

Orange County Transportation Authority
Orange County, California

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STREETS AND ROADS

SR - 22 FREEWAY

November 7, 2006

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

State law requires the Orange County Transportation Authority (OCTA) to publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with auditing standards generally accepted in the United States by independent certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of OCTA for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of OCTA. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, OCTA management has established a system of comprehensive internal controls designed both to protect OCTA's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of OCTA's financial statements in conformity with GAAP. Because the cost of internal control should not outweigh its benefits, OCTA's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The enclosed data presents the financial position and results of operations of OCTA on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of OCTA's financial activities have been included.

OCTA's financial statements have been audited by Macias Gini & O'Connell LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of OCTA for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Macias Gini & O'Connell LLP concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that OCTA's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

This Comprehensive Annual Financial Report is presented in three sections:

- Introductory: Including the letter of transmittal, organization charts and information, and financial reporting awards.

- Financial: Including the independent auditor's report, the basic financial statements with accompanying notes, required supplementary information including the MD&A, and other supplementary information related to combining fund statements and schedules.

- Statistical: Including selected financial and nonfinancial data relating to OCTA on a multiple-year basis, as well as demographic information relating to the County of Orange, California (County), where OCTA provides transportation planning and services.

Profile of OCTA

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

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

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

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

OCTD, 91 Express Lanes and Orange County Taxicab Administration Program (OCTAP).

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

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

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

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

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

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

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

Other programs, such as commuter rail service and Freeway Service Patrol services, offered by OCTA are anticipated to have serious funding shortfalls within five to ten years unless another funding source is identified. Currently, both of these programs are included in the renewed Measure M Ordinance, a proposal to extend for 30 years a 1/2 cent local sales tax for transportation purposes. If the renewed Measure M Ordinance is passed by the voters, both of these programs would receive necessary funding to continue and expand service in 2011.

Factors Affecting Financial Condition

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

Orange County Economy

Orange County's diverse economy has had steady positive growth over the last several years. Traditional indicators point to a relatively stable regional economy over the next five years. OCTA continuously monitors changes in the economy because of the potential impact on future sales tax receipts and other revenues vital to the organization.

During 2005, Orange County has experienced employment growth of 2.3 percent. Recent forecasts for calendar year 2006 estimate growth of 1.7 percent. Six major industries account for approximately 85 percent of all jobs in the County: 43.6 percent services, 10.5 percent retail trade, 9.6 percent state and local government, 9.2 percent financial activities, 6.9 percent construction, and 5.5 percent wholesale trade. The remaining 15 percent consists of non-durable goods, durable goods, high technology, transportation and public utilities, and mineral extraction. Estimated employment within Orange County is 1.52 million workers for the calendar year 2006.

Economic projections on a national level indicate continued low unemployment and inflation rates. At the local level, the Orange County economy is projected to remain relatively stable.

Orange County's residents' personal income has grown from $112 billion in 2002 to an estimated $142 billion in calendar year 2006. Although the value of building permits is expected to remain steady at $3.5 billion over the same period, projections point to a decline to $3.2 billion in 2007. The change in the value of building permits in the County exemplifies the slowdown in housing starts, which will place downward pressure on the construction sector.

Summary of OCTA Activities and Services

2005 Outstanding Public Transportation System Achievement Award—The American Public Transportation Association (APTA) presented its 2005 Outstanding Public Transportation System Achievement Award to OCTA. The award honors an APTA public transportation system member demonstrating achievement in efficiency and effectiveness based on verifiable data concerning bus and paratransit performance for a consecutive three-year period and specific achievements in safety, operations, customer service, financial management, marketing, and community relations. OCTA was chosen over transportation systems in New York City, Chicago, San Francisco, and Portland to receive this prestigious award.

Bus Transit—The County's population continues to grow and currently numbers more than three million. This rapid growth places renewed importance on improving the County's public transit system and the mobility it provides residents. By the end of fiscal year 2006, more than 67.7 million passengers boarded OCTA buses, the highest ridership in the history of the agency. APTA ranked OCTA as the public transportation system with the 10th highest ridership in the United States (U.S.) during calendar year 2005. This growing ridership reflects the continuing success of OCTA's "Putting Customers First" program. Since much of OCTA's ridership is transit dependent, the continuous improvement of local bus service plays a vital role in the County's economy.

OCTA aggressively marketed its local bus service to youths and senior citizens, two very important discretionary ridership audiences. To capture the growing youth segment, OCTA developed the Youth Summer Saver Bus Pass. With the theme, “Be There. Do That,” the program encourages youths age 18 and younger to use public transportation during the summer months. The Youth Summer Saver Bus Pass also acted as a discount card good at over 80 popular County destinations.

In September 2004, OCTA inaugurated the “youthNmotion” program, a partnership effort with local schools and youth organizations to encourage youth bus ridership. Now in its second year, OCTA continued conducting lively interactive presentations at schools and youth clubs demonstrating how easy it is to ride the bus. More than 15,236 youths age 11 to 16 participated in the program.

OCTA’s outreach program for senior citizens entitled, “Be There,” entered its second year. Through an easy-to-follow brochure and hands-on presentations with a fun trial bus ride at senior centers, OCTA outreach staff demonstrated how easy and economical it is for seniors to get wherever they want to go by bus. During fiscal year 2006, 10,000 seniors were reached through presentations, senior fairs and expositions.

OCTA continued offering its Employer Pass (E-Pass) program. E-Pass, created to foster relationships with the employer community, is an annual bus pass exclusively for employers to make available to their employees. Employees have unlimited use of OCTA buses and employers are charged 60 cents per boarding while the E-Pass is in effect. E-Pass provides employees with a convenient annual swipe card to make boarding the bus easy. During fiscal year 2006, the E-Pass program generated a total of 606,340 boardings.

The University Pass (U-Pass) allows universities to provide growing student enrollments with convenient transportation and ease on-campus parking constraints. With the U-Pass, students, faculty, and staff swipe their validated campus IDs and get unlimited access to OCTA buses while the school is charged 75 cents per boarding up to a maximum of $30 per month. California State University, Fullerton and the University of California, Irvine—two of the largest campuses in the County—have U-Pass programs in effect. The U-Pass program generated 539,396 boardings during fiscal year 2006.

OCTA continued its College Pass program exclusively for college students, faculty and staff. The program offers two special discounted passes: the Quarter Pass, good for 75 days and the Semester Pass, good for 120 days. With rising gasoline prices and a shortage of parking facilities at many campuses, College Pass affords economical and dependable transportation for students.

The transit infrastructure expanded with the opening in May 2005 of OCTA's fourth bus facility, the Santa Ana Maintenance and Operations Center. This state-of-the-art operations and maintenance facility can accommodate 259 large buses and provides convenient access to many of OCTA's most heavily used bus routes. A compressed natural gas (CNG) fueling system is under construction at the facility capable of fueling over 200 CNG buses scheduled to arrive in March 2007.

91 Express Lanes— During fiscal year 2006, drivers took 14,182,916 trips on the 91 Express Lanes toll road. Traffic volume increased 11.3 percent over the previous year. Yet commuters were able to get where they wanted to go faster and easier.

OCTA achieved these positive results by implementing an innovative congestion management policy. The policy encourages commuters to carpool to reduce the number of vehicles in the lanes, and also motivates them to commute when there is less traffic. OCTA's "Three Ride Free" program allows carpools of three or more to use the high occupancy vehicle three plus (HOV3+) lane on the 91 Express Lanes for free during most hours and at a 50 percent discount during high demand times. During fiscal year 2006, HOV3+ trips reached 2,876,345—a 13.8 percent increase over fiscal year 2005.

For 91 Express Lanes customers, the speedy commute gave them a priceless gift of time. According to a June 2006 Customer Satisfaction Survey, users reported saving about 38 minutes per trip in the afternoon by using the toll road.

OCTA's policy of maximizing the number of vehicles that can travel in the 91 Express Lanes continues to demonstrate positive results. Traffic increased in all categories during fiscal year 2006. Full toll trips increased by 10.7 percent and carpools of three or more rose 13.8 percent over the previous year.

Freeway Improvements—Freeway improvements continue to be the cornerstone and most visible component of the Measure M Traffic Improvement and Growth Management Plan approved by County voters in 1990. Since the creation of OCTA, the Board made accelerating freeway construction a top priority to provide transportation relief to motorists as quickly as possible.

While the majority of Measure M freeway improvements are nearly complete, OCTA continues to plan other projects well into the future. This will require OCTA to aggressively seek federal, state and private sector funding of long-term projects. Nevertheless, a number of projects experienced significant progress in the last year including:

San Diego Freeway (I-405): The $135.8 million project designed to improve traffic flow and safety at the I-405/SR-55 interchange near Costa Mesa, one of the 10 busiest freeway interchanges in the nation, was completed in

September 2005. Access to shopping, business, and entertainment clustered in the South Coast Metro area of Costa Mesa has been improved. The new "braided" configuration eliminated traffic weaving and improved traffic safety for vehicles exiting at Bristol Street from northbound I-405 in relation to motorists traveling southbound on SR-55 connecting to northbound I-405. The final improvement for this area, the addition of an on-ramp to northbound I-405 from Anton Boulevard, was completed and opened on July 5, 2005.

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

Garden Grove Freeway (SR-22): The $550 million SR-22 improvement project is underway. The project covers approximately 12 miles through the cities of Westminster, Garden Grove, Santa Ana and Orange, and will add carpool lanes, auxiliary lanes and several interchange improvements along the freeway. An elevated connector designed to eliminate weaving will also be added, separating the southbound Orange Freeway (SR-57) connector and The City Drive ramps on the westbound SR-22. OCTA is using the design-build method to improve the SR-22, with a single contract firm for final engineering and construction. By using the design-build process—a first for OCTA and a first in the State of California on an active freeway—the project can be completed more efficiently and save years in the process. The project is scheduled to take 800 days and will be complete in November 2006.

Freeway Chokepoints—A major area of emphasis for OCTA is identifying and improving freeway chokepoint areas throughout Orange County. Chokepoints are freeway bottleneck locations where diverging roadway operations are hampered by unusually heavy weaving and merging. Remedies for chokepoints include the addition of auxiliary lanes between interchanges, interchange or ramp modifications, re-striping and improved signage, as well as the extension of auxiliary lanes through interchanges when warranted by high traffic volumes. The Freeway Chokepoint Program has over 32 projects under development along the I-5, SR-55, SR-57, SR-91, and I-405. The total construction cost estimates to fix all of the bottlenecks exceed $800 million and will require a blend of federal, state, and local funding.

OCTA and Caltrans, in conjunction with local jurisdictions, are working cooperatively to develop a slate of "shelf-ready" projects that can be brought forward as funding becomes available. Significant progress has been achieved with several projects constructed or advancing to the next stages of development. OCTA has had to overcome issues related to non-compete restrictions and the state budget crisis. Most recently, however, elimination of the toll road non-compete agreement on the SR-91 allowed the completion of four project study reports for chokepoint improvements to the SR-91 corridor along the following locations:

- SR-91 westbound from SR-55 to Tustin Avenue
- SR-91 westbound from SR-57 to I-5
- SR-91 eastbound from SR-241 to Corona Expressway (SR-71)
- SR-91 eastbound/westbound from Eastern Toll Road (SR-241) to Imperial Highway

The improvements under study on the eastbound SR-91 between SR-241 and SR-71 will complement two westbound projects that were completed in spring 2004. This project is now in the Project Report/Environmental Document phase. In addition to the SR-91 improvements, OCTA is developing conceptual improvements to the I-5/SR-55 interchange in central Orange County. Beyond these efforts, OCTA and Caltrans are continuing to develop freeway chokepoint improvement projects at the following locations:

- I-5 southbound at Culver Drive
- I-5 southbound at Oso Parkway
- I-5 southbound at Avenida Pico
- I-5 southbound at Camino Capistrano
- SR-57 northbound from Orangethorpe Avenue to Lambert Road
- SR-57 northbound from Katella Avenue to Lincoln Avenue
- I-405 from Magnolia Avenue to Beach Boulevard

The development work underway focuses on preliminary engineering and environmental analysis to refine these projects for design and construction. Three projects have advanced to the final design phase:

- I-405 from Magnolia Avenue to Beach Boulevard
- I-5 southbound at Culver Drive
- I-5 southbound at Oso Parkway

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

Central County Corridor Study: After eight months of study and comments from more than a thousand community members, the OCTA Board approved further study of options to improve mobility in central Orange County. The next phase of the Central County Corridor MIS involves a detailed analysis of engineering issues and costs associated with five conceptual alternatives, including arterial street improvements, extension of the SR-57 from the SR-22 to the I-405 along the Santa Ana River riverbed, widening the SR-55, and transit improvements in central Orange County. The new study will get under way in early 2007 and take 12 to 18 months to complete. It will ultimately provide a recommendation for a comprehensive strategy to improve travel in central Orange County. During the study, the public, community leaders, and local officials will have several opportunities to provide comments and input to the study.

The San Diego Freeway (I-405) Study: This major study spanned the I-405 corridor from the San Gabriel River Freeway (I-605) to the Corona del Mar Freeway (SR-73). After soliciting input from the public, elected officials, and business and community leaders, the technical team reviewed the 13 conceptual alternatives for feasibility and cost effectiveness and reduced the number of alternatives to two: a minimal widening option and moderate widening option. In October 2005, the OCTA Board selected Alternative 4 (minimal widening option) as the Locally Preferred Strategy. Alternative 4 adds a general purpose lane in each direction between Brookhurst Street and the I-605. It adds auxiliary lanes, linking an on-ramp to the next off-ramp, in many locations. The next step is to complete a project study report, which is the precursor to an environmental impact report.

South Orange County Major Investment Study: OCTA is focused on developing solutions that will improve mobility in the southern portion of Orange County. The study area extends from just south of the Costa Mesa Freeway (SR-55) to the San Diego County border and from the foothills on the east to the Pacific coast. The first phase of the South Orange County MIS was launched in early 2006 and consists of research to compile traffic data and gathering information from the 14 cities that are stakeholders in the area as well as other involved agencies. From these activities a Purpose and Need Statement will be created to provide a framework for developing conceptual alternatives. Further study will include continued technical analysis and a comprehensive public outreach program to gather additional information about possible transportation solutions. The study is expected to conclude in December 2007 with the selection of a Locally Preferred Strategy that will include varied solutions such as roadway capacity improvements, mass transit and other options.

Riverside County to Orange County Corridor Study: The OCTA and the Riverside County Transportation Commission (RCTC), in partnership with the Foothill/Eastern Transportation Corridor Agency (TCA), joined together to improve mobility between Orange and Riverside counties. The Riverside County — Orange County MIS began in Summer 2004 and consisted of working with the public to identify the key concerns and issues related to improving mobility between the two counties. After 18 months of study, including extensive public outreach, the OCTA and RCTC boards of directors both approved a package of recommendations on moving forward to improve mobility between the two counties. The recommendations included:

- Establish the Riverside Freeway (SR-91) between the Costa Mesa Freeway (SR-55) and the Corona Freeway (I-15) as a priority for improving transportation between Riverside and Orange counties.
    - Emphasize SR-91 improvements between the Foothill/Eastern Transportation Corridor (SR-241) and I-15 first, followed by improvements between SR-55 and SR-241.
- Continue to work with the Foothill/Eastern Transportation Corridor Agency to:
    - Develop a mutually acceptable plan to improve the connection between the SR-241 and SR-91 corridors
    - Accelerate capacity improvements on Eastern Toll Road (SR-133), SR-241 and Eastern Toll Road (SR-261) to optimize their use and improve travel between Riverside and Orange counties.
- Continue to evaluate costs and impacts for a new corridor within the existing Riverside Freeway (SR-91) right-of-way through a preliminary engineering process in cooperation with other agencies.
- Continue to study the technical feasibility of a new corridor concept (between the City of Corona and the City of Irvine) including costs, risks, joint-use opportunities, benefits and potential funding options in cooperation with the OCTA/RCTC, TCA, Metropolitan Water District, and other interested agencies.
- Continue to study Ortega Highway (SR-74), focusing on making operational/safety improvements on SR-74.

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

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

During fiscal year 2006, OCTA allocated approximately $58 million in Measure M funds to local cities and the County for the improvement and maintenance of local and regional streets and roads, interchanges and intersections. Since the passage of Measure M in 1990, local cities and the County have received more than $765 million in Measre M revenues.

Paratransit—OCTA operates curb-to-curb paratransit van service for persons with disabilities. This service, known as ACCESS, is mandated by the Americans with Disabilities Act (ADA) and is intended to provide public transit service to persons who are unable to use regular fixed-route buses. ACCESS service requires the completion of an eligibility process to determine the rider's transportation limitations. Demand for ACCESS has continued to grow since its inception in 1993. ACCESS provided 1,147,247 unlinked trips during fiscal year 2006, an increase of 11.5 percent from the previous fiscal year.

In an effort to manage future growth and still provide quality service that meets ADA requirements, OCTA implemented several Paratransit Growth Management strategies to manage paratansit ridership growth. The strategies included: increasing the efficiency of OCTA's ADA paratransit service; educating the disabled community on the value of OCTA's 100 percent accessible fixed route service; creating a more balanced fare structure consistent with ADA requirements; and increasing overall fixed route services for our customers with special needs.

With these strategies, OCTA developed and implemented several effective programs. The Senior Mobility Program, which supplies operating funds and retired vehicles to local cities' senior programs, provided more than 16,500 trips per month to elderly persons. OCTA partnered with the Orange County Office on Aging, cities and senior centers throughout the County to provide special service such as nutrition transportation via contracted taxi providers. OCTA partners with special agencies to transport developmentally disabled adults to and from vocational programs, and also with local senior service agencies to furnish an operating subsidy to transport disabled adults to day care centers. OCTA introduced Reduced Fare IDs that allow paratransit customers to use the

100 percent accessible fixed-route service for only $0.25. OCTA also initiated the Late Night ACCESS Program by contracting with a taxi company to provide transportation for paratransit customers requiring service between 10 p.m. and 4 a.m.

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

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

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

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

During fiscal year 2006, total commuter rail ridership for the three lines serving Orange County (including the Metrolink riders on Amtrak) exceeded 3.5 million passengers.

OCTA and the City of Buena Park are in the process adding a new Metrolink station in Buena Park. Groundbreaking took place on December 15, 2005, for the new station, which will be the eleventh Orange County Metrolink station. Located in the City of Buena Park, the new station will serve the surrounding community and offer north Orange County residents an alternate Metrolink stop in addition to the existing station in Fullerton. Construction is scheduled for completion in February 2007.

On Saturday, June 3, OCTA introduced Metrolink Weekends, a new weekend commuter rail service on the Orange County (OC) Line from Oceanside to Los Angeles Union Station. On July 15, Metrolink Weekends service expanded to the Inland Empire-Orange County (IEOC) Line, affording passengers a choice of visiting San Bernardino and the Inland Empire or heading west by train to the beaches of San Clemente and Oceanside. To promote ridership for the new weekend commuter service member agencies agreed to offer 50 percent off the regular weekday fares through December 31, 2006. In addition, to further encourage weekend ridership, a "Free Station" promotion one weekend day each month will be held at each of the ten Orange County Metrolink stations. The first station promotion was Saturday, June 24, at the Laguna Niguel Station. Approximately 500 people took advantage of the free round-trip ride. On July 29, more than 1,000 people turned out to ride from the Orange Station.

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

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

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

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

- Expanding Metrolink service between Laguna Niguel and Fullerton to provide all-day, evening and weekend service within Orange County every 20 to 30 minutes seven days a week.

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

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

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

Service Authority for Freeway Emergencies (SAFE)—Orange County broke new ground in 1987 when it pioneered a solar-powered cellular technology call box system. During 2003, the entire network was equipped with Text Telephone assistance devices for the hearing impaired. The program is funded by a $1 per year fee on vehicles registered in Orange County. SAFE now operates and maintains 544 call boxes throughout Orange County after a reduction of 582 call boxes because of the proliferation of cellular phone usage. In fiscal year 2006, 15,600 calls (an average of 1,310 calls per month) were received through the SAFE call box network.

Freeway Service Patrol (FSP)—Orange County's FSP, which consists of a fleet of dedicated tow trucks that patrol the County's vast freeway system, helps to keep freeways flowing freely by removing disabled cars and other physical impediments. By assisting drivers with dead batteries, empty gas tanks, and flat tires, traffic congestion from freeway incidents has been greatly reduced.

FSP is sponsored by SAFE and the California Highway Patrol and is funded by California State Highway funds administered by Caltrans and matching funds from SAFE. This program is part of an overall plan to significantly improve freeway traffic flow and reduce smog caused by stop-and-go congestion. During fiscal year 2006, the FSP program assisted an estimated 70,000 stranded motorists (an average of 5,800 assists per month) on Orange County freeways and public toll roads utilizing 35 tow trucks during peak hours and five tow trucks during midday hours.

Service Authority for Abandoned Vehicles (SAAV)—Established in October 1991, SAAV funds the cost of removing abandoned vehicles from roadsides throughout Orange County. Funded by a $1 per vehicle registration fee, this program allows the County and its 34 cities to remove unsightly and potentially dangerous vehicles from local Orange County streets and roads. Using SAAV funds for this purpose means that cities do not have to use important law enforcement and code enforcement funds on vehicle removal. During fiscal year 2006, the SAAV program funded the removal of 9,096 abandoned vehicles from Orange County streets.

Orange County Taxicab Administration Program (OCTAP)—California cities are required by law to regulate taxicabs. OCTAP, a regulatory program operated by OCTA, was formed to regulate taxicab companies, drivers, and vehicles on behalf of Orange County's 34 cities as well as the County. OCTAP began operation in January 1998. The service is funded by fees paid by taxicab drivers and operators, requiring no tax subsidies. Prior to

OCTAP, each taxicab company and its affiliated drivers had to follow a variety of rules and regulations established by each of the cities in which they operated. This made the task of ensuring compliance with taxicab rules and regulations difficult and time consuming. OCTAP was established to alleviate the administrative burden from local cities, centralize the issuance of permits to taxicab companies and drivers, and eliminate duplication of efforts. Enforcement is conducted by local police departments. All 34 cities in Orange County and the County itself have now joined the program, ensuring added efficiency and effectiveness for local governments countywide. By the end of fiscal year 2006, OCTAP was responsible for the permitting of 20 taxi companies, 675 taxicabs and 1,003 taxi drivers.

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

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

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

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

Debt Administration—As of June 30, 2006, OCTA's outstanding debt consisting of bonds, commercial paper notes, certificates of participation, and capital leases was $589 million, net of unamortized amounts. The current portion of this debt totals $79 million. Final maturity of the Measure M Sales Tax Revenue Bonds is scheduled for 2011, when the current Measure M sales tax program expires. OCTA refinanced the taxable bonds assumed in the 91 Express Lanes purchase with tax-exempt bonds in November 2003. These bonds final maturity is scheduled for December 2030. Final maturity for the transit certificates of participation is scheduled for July 2007. The commercial paper notes have a maximum maturity of 270 days, and OCTA has entered into an irrevocable direct-pay letter of credit reimbursement agreement with Dexia Bank to provide liquidity support for the commercial paper notes.

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

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

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the OCTA for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the 23rd straight year OCTA or its predecessor agency has received this prestigious award. In order to be awarded a Certificate of Achievement, OCTA published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the U.S. and applicable legal requirements.

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

The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award for Outstanding Financial Reporting to the OCTA for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the fourth straight year OCTA has received the award. The certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared. Due to program changes at the CSMFO, we are no longer eligible to submit our comprehensive annual financial report if we also submit it to the GFOA for an award. Therefore, we will be submitting our report to the GFOA to determine its eligibility for an award.

The preparation of the Comprehensive Annual Financial Report on an efficient basis required the dedication of staff in many OCTA departments. We wish to express our appreciation to all the department managers and staff who assisted and contributed to the preparation of this report, as well as our independent auditors for their participation in the review and preparation of this report. We are especially grateful for the dedicated efforts over the past few years of the Accounting and Financial Reporting Department staff, who have prepared for and coordinated our implementation and continued support of the new financial reporting model. Special appreciation is extended to the Board for its support for efforts to excel in the operational and financial management of OCTA.

Respectfully submitted,

Arthur T. Leahy

Arthur T. Leahy
Chief Executive Officer

James S. Kenan

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

(AS OF JUNE 30, 2006)

BOARD OF DIRECTORS

DEPUTY CEO
RICHARD J. BACIGALUPO

FUNCTIONS:
- Safety/Environmental Compliance
- Security Threat Assessment
- Federal & State Relations

CHIEF EXECUTIVE OFFICER
ARTHUR T. LEAHY

CLERK OF THE BOARD
WENDY KNOWLES

INTERNAL AUDIT
LISA MONTEIRO
ACTING MANAGER

STRATEGIC ADVISOR/
SPECIAL PROJECTS
MONTE WARD
DIRECTOR

TRANSIT
JOHN D. BYRD
GENERAL MANAGER

FUNCTIONS:
- Transit Police Services
- Fixed Route Operations
- Maintenance
- Operations Support
- Community Transportation Services

DEVELOPMENT
PAUL C. TAYLOR
EXECUTIVE DIRECTOR

FUNCTIONS:
- Rail Operations
- Planning & Development
- Transportation Analysis
- Local Programs & Commuter Rail Plans
- Capital Programs
- Toll Road & Motorist Services
- Construction Services
- Right-of-Way
- SR-22
- Freeways
- Project Controls

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

FUNCTIONS:
- Accounting & Financial Reporting
- Contracts Administration & Materials Management
- Financial Planning & Analysis
- General Services
- Information Systems
- Treasury / Public Finance
- Compensation, Employment & Benefits
- Training & Development
- Risk Management
- Local Transportation Fund
- State Transit Assistance Fund
- General Fund
- Gas Tax
- Measure M Debt Service

EXTERNAL AFFAIRS
ELLEN BURTON
EXECUTIVE DIRECTOR

FUNCTIONS:
- Construction Relations
- Marketing
- CenterLine
- Community & Local Government Relations
- Customer Relations
- Media Relations
- Project Communications

EMPLOYEE & LABOR RELATIONS
AND CIVIL RIGHTS
MARLENE K. HEYSER
EXECUTIVE DIRECTOR

FUNCTIONS:
- Employee/Labor Relations
- EEO/Affirmative Action
- DBE & Title VI Programs

Arthur C. Brown, Chairman
Mayor Pro Tem
City of Buena Park

Carolyn Cavecche, Vice-Chairman
Mayor Pro Tem
City of Orange

Peter Buffa Director
Public Member

Bill Campbell Director
Supervisor, District 3
County of Orange

Lou Correa, Director
Supervisor, District 1
County of Orange

Richard Dixon, Director
Mayor Pro Tem
City of Lake Forest

Michael D. Duvall, Director
Mayor Pro Tem
City of Yorba Linda

Cathy Green, Director
Councilmember
City of Huntington Beach

Gary Monahan, Director
Mayor Pro Tem
City of Costa Mesa

Chris Norby, Director
Supervisor, District 4
County of Orange

Curt Pringle, Director
Mayor
City of Anaheim

Miguel Pulido, Director
Mayor
City of Santa Ana

Susan Ritschel, Director
Councilmember
City of San Clemente

Mark Rosen, Director
Mayor Pro Tem
City of Garden Grove

James W. Silva, Director
Supervisor, District 2
County of Orange

Thomas W. Wilson, Director
Supervisor, District 5
County of Orange

Gregory T. Winterbottom, Director
Public Member

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

(AS OF JUNE 30, 2006)

ARTHUR T. LEAHY	Chief Executive Officer
RICHARD J. BACIGALUPO	Deputy Chief Executive Officer
WENDY KNOWLES	Clerk of the Board
MONTE WARD	Strategic Advisor / Special Projects Director
LISA MONTEIRO	Acting Manager, Internal Audit

ELLEN BURTON	Executive Director, External Affairs
JOHN BYRD	General Manager, Transit
MARLENE HEYSER	Executive Director, Employee & Labor Relations and Civil Rights
JAMES S. KENAN	Executive Director, Finance, Administration & Human Resources
PAUL TAYLOR	Executive Director, Construction & Engineering
PAUL TAYLOR	Executive Director, Planning, Development & Commuter Services

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

KENNARD R. SMART, JR.	General Counsel

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Transportation Authority, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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

President

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

Orange County Transportation Authority

This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.

February 24, 2006

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

TRANSIT SERVICES

Financial Section

OCTAP

MGO

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Transportation Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (Authority) as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2006, on our consideration of the Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 61 through 65, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
October 9, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

As management of the Orange County Transportation Authority (OCTA), we offer readers of OCTA's financial statements this narrative overview and analysis of OCTA's financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages v-xxiii and OCTA's financial statements that begin on page 14. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total net assets of OCTA were $1,432,994 and consisted of net assets invested in capital assets, net of related debt, of $778,985; restricted net assets of $596,627; and unrestricted net assets of $57,382.

- Unrestricted net assets is comprised of ($202,776) from governmental activities and $260,158 from business-type activities. The amount from governmental activities represents liabilities in excess of assets. This results primarily from the recording of debt issued for Measure M projects, the assets for which title vests with the California Department of Transportation (Caltrans). Accordingly, OCTA does not have sufficient current resources on hand to cover current and long-term liabilities; however, future Measure M sales taxes are pledged to cover Measure M debt service payments when made.

- Beginning net assets of governmental-type activities were restated $17,672 due to a reclassification of expenses to capital assets (see note 16). Net assets increased $223,371 during fiscal 2006. The increase in net assets from governmental activities of $233,006 was attributable to tax revenues in excess of net governmental program costs. The increase is also attributable to the large increase of State and local freeway construction-in-progress costs on the SR-22 freeway project, which is recorded as non-depreciable capital assets on the statement of activities. The decrease in net assets from business-type activities of $9,635 was related to higher operating costs generated by an increase in service combined with a decrease in capital grants and contributions.

- Total capital assets, net of accumulated depreciation, were $958,199 at June 30, 2006, representing an increase of $270,231, or 39%, over June 30, 2005. This increase in capital assets was primarily due to the construction on the SR-22 which grew $274,054 during fiscal year 2006.

- OCTA's governmental funds reported combined ending fund balances of $721,791, a decrease of $90,276 compared to fiscal 2005. Approximately 61% of the governmental fund balances represent Local Transportation Authority amounts available for the Measure M program, including debt service.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-60 of this report.

Other information is in addition to the basic financial statements and accompanying notes. This report also presents certain required supplementary information concerning OCTA's budgetary results for the General fund and major special revenue funds with appropriated budgets. Required supplementary information can be found on pages 61-65 of this report.

The combining statements referred to earlier relating to nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. In addition, budgetary results for all other nonmajor governmental funds is located in this section. This other supplementary information can be found on pages 67-84 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2006, OCTA's assets exceeded liabilities by $1,432,994, a $223,371 increase from June 30, 2005. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of OCTA's governmental and business-type activities.

Approximately 54%, compared to 41% in 2005, of OCTA's net assets reflect its investment in capital assets (i.e., toll facility franchise; land; buildings; freeway construction in progress; machinery, equipment and furniture; transit vehicles; and transponders), less any related outstanding debt used to acquire these assets. OCTA uses these capital assets to provide transportation and transit services to the residents and business community of Orange County. The increase of $273,901 in net assets invested in capital assets, net of related debt, from governmental activities was primarily due to the construction in progress on the SR 22. The decrease of $22,185 in net assets invested in capital assets, net of related debt, from business-type activities was primarily related to additional depreciation and the bus rehabilitation project.

The most significant portion of OCTA's net assets represents resources subjected to external restrictions on how they may be used. Restricted net assets represented 42% and 55% of the total net assets at June 30, 2006 and 2005, respectively. Restricted net assets from governmental activities decreased $69,239 as a result of the continued progress of the Garden Grove SR-22 project which is scheduled for completion in November 2006. The increase in restricted net assets from business-type activities of $2,275 is related to investment activity in bond reserve accounts.

Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets from governmental activities changed from a $231,120 deficit at June 30, 2005 to a $202,776 deficit at June 30, 2006. This deficit results from the recording of debt issued for Measure M projects, the assets for which title vests with Caltrans. Accordingly, OCTA does not have sufficient current resources on hand to cover long-term liabilities; however, future Measure M sales taxes are pledged to cover Measure M debt service payments when made. The increase of $10,275 in unrestricted net assets from business-type activities was primarily attributable to the increase in depreciation which decreased net assets invested in capital assets, net of related debt.

Table 1
Orange County Transportation Authority
Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	$ 756	$ 867	$ 314	$ 314	$ 1,070	$ 1,181
Restricted assets	75	72	28	26	103	98
Land held for resale	3	20	-	-	3	20
Capital assets	552	278	406	428	958	706
Total assets	1,386	1,237	748	768	2,134	2,005
Current liabilities	91	111	25	32	116	143
Long-term liabilities	377	441	208	211	585	652
Total liabilities	468	552	233	243	701	795
Net assets:						
Invested in capital assets, net of related debt	552	278	227	249	779	527
Restricted	569	638	28	26	597	664
Unrestricted (deficit)	(203)	(231)	260	250	57	19
Total net assets, as restated	$ 918	$ 685	$ 515	$ 525	$ 1,433	$ 1,210

OCTA's total revenues decreased by 4%, while the total cost of all programs decreased by 3%. Approximately 63% of the costs of OCTA's programs were paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants and contributions. Taxes and investment earnings ultimately financed a significant portion of the programs' net costs. The analysis below separately considers the operations of governmental and business-type activities.

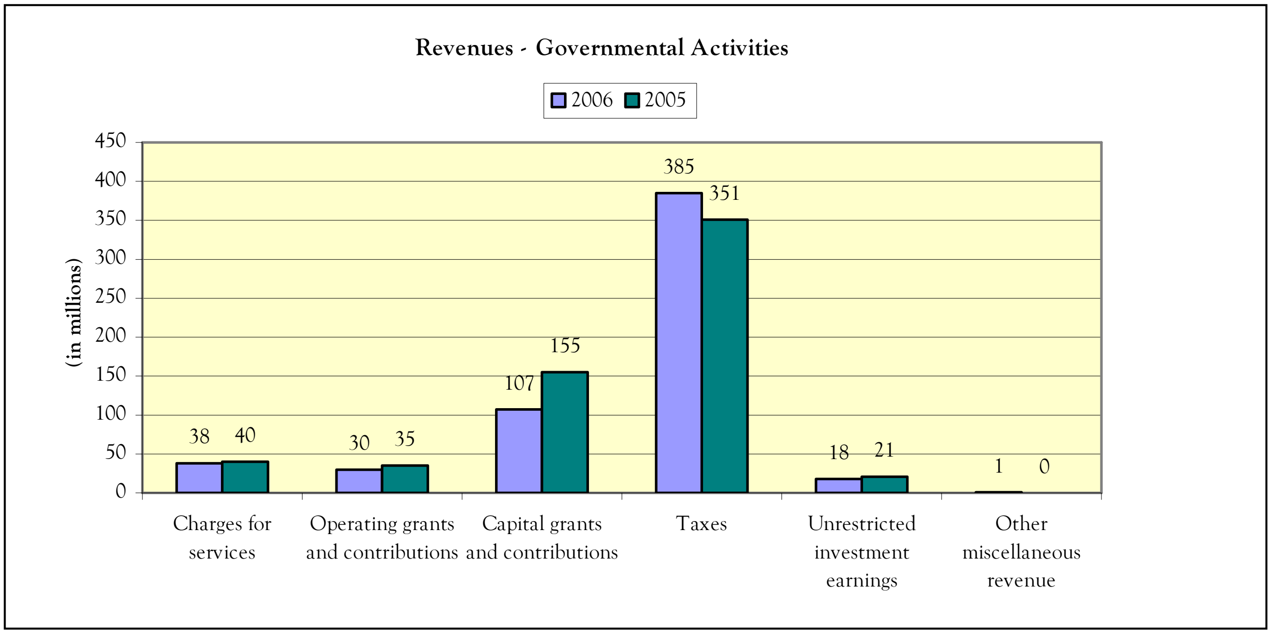
Table 2
Orange County Transportation Authority
Changes in Net Assets
(in millions)

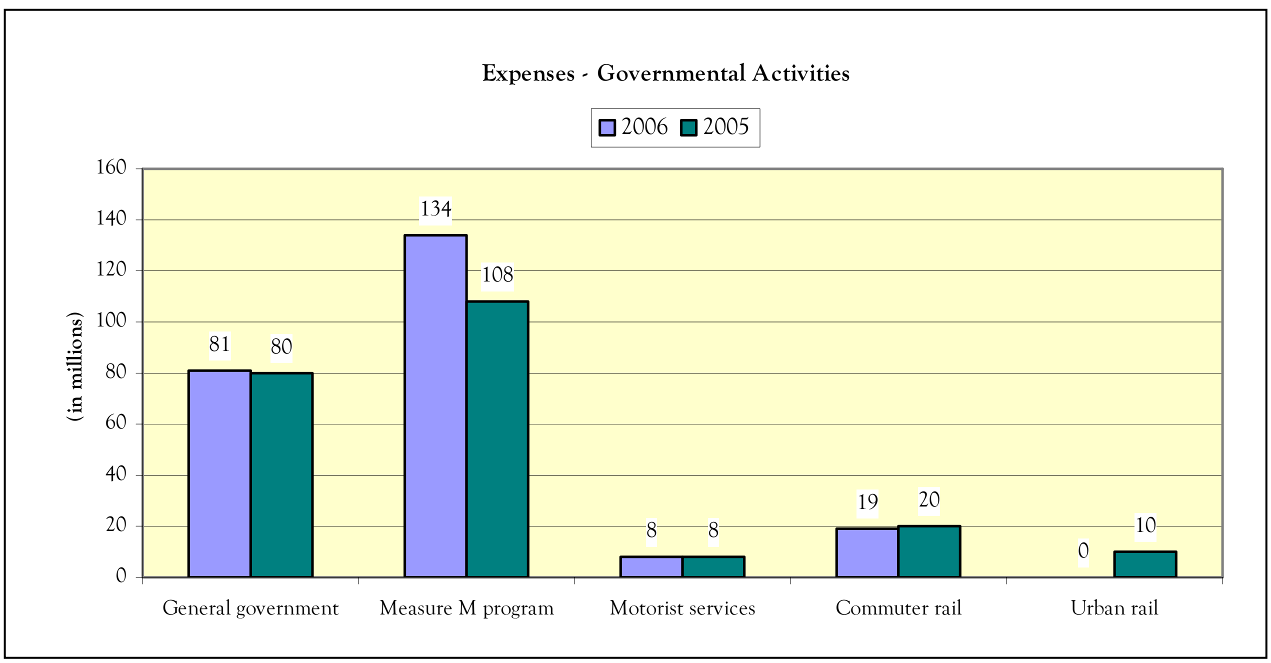
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	$ 38	$ 40	104	$ 97	$ 142	$ 137
Operating grants and contributions	30	35	44	43	74	78
Capital grants and contributions	107	155	9	25	116	180
General revenues:						
Taxes	385	351	10	8	395	359
Unrestricted investment earnings	18	21	8	9	26	30
Other miscellaneous revenue	1	-	-	1	1	1
Total revenues	579	602	175	183	754	785
Expenses:						
General government	81	80	-	-	81	80
Measure M program	134	108	-	-	134	108
Motorist services	8	8	-	-	8	8
Commuter rail	19	20	-	-	19	20
Urban rail	-	10	-	-	-	10
Fixed route	-	-	227	220	227	220
Paratransit	-	-	28	33	28	33
Tollroad	-	-	34	34	34	34
Total expenses	242	226	289	287	531	513
Increase (decrease) in net assets before transfers	337	358	(114)	(104)	223	272
Transfers	(104)	(91)	104	91	-	-
Changes in net assets	233	285	(10)	(13)	223	272
Net assets—beginning of Year	685	400	525	538	1,210	938
Net assets—end of year, as restated	$ 918	$ 685	$ 515	$ 525	$ 1,433	$ 1,210

Governmental Activities

Total revenues for OCTA's governmental activities decreased $23,020 primarily due to a decrease in the amount of capital grants and contributions due to the funds for the SR-22 construction project earned in the prior fiscal year and offset by an increase in sales taxes due to a continued growth in the economy. Total expenses increased $14,764 primarily due to the increase in construction for the SR-22 project.

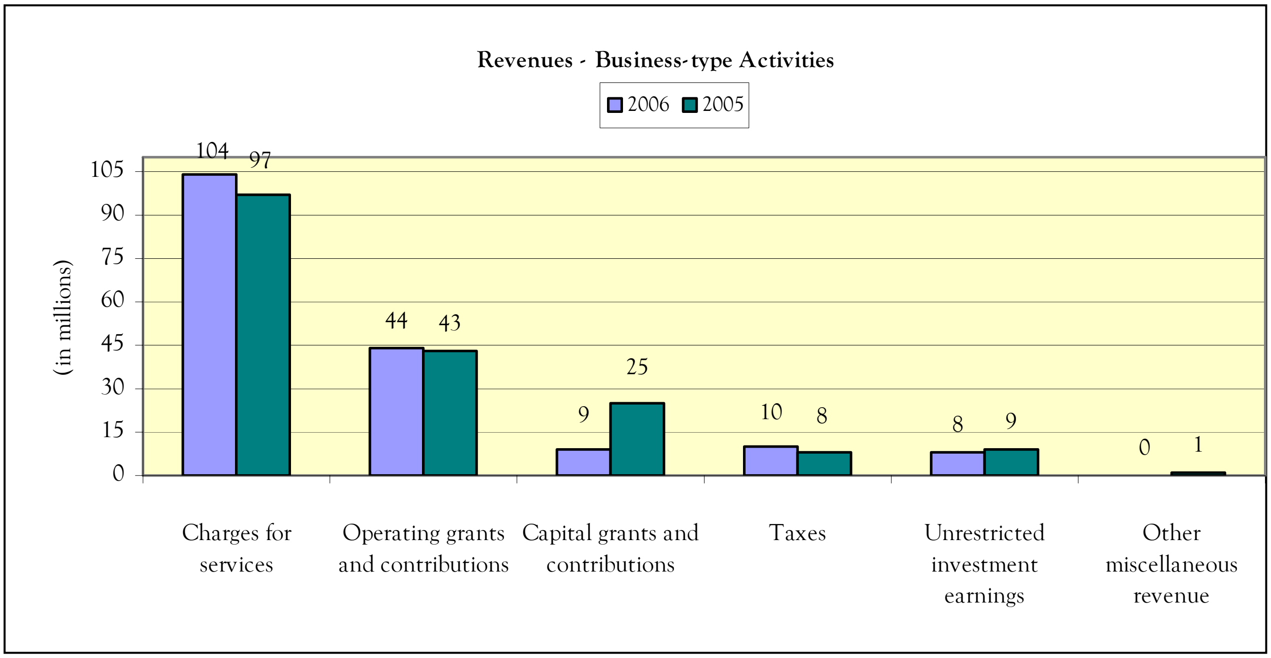
- Net assets for governmental activities increased $233,006 or 34%. This compares to a $284,271 increase in net assets in 2005.

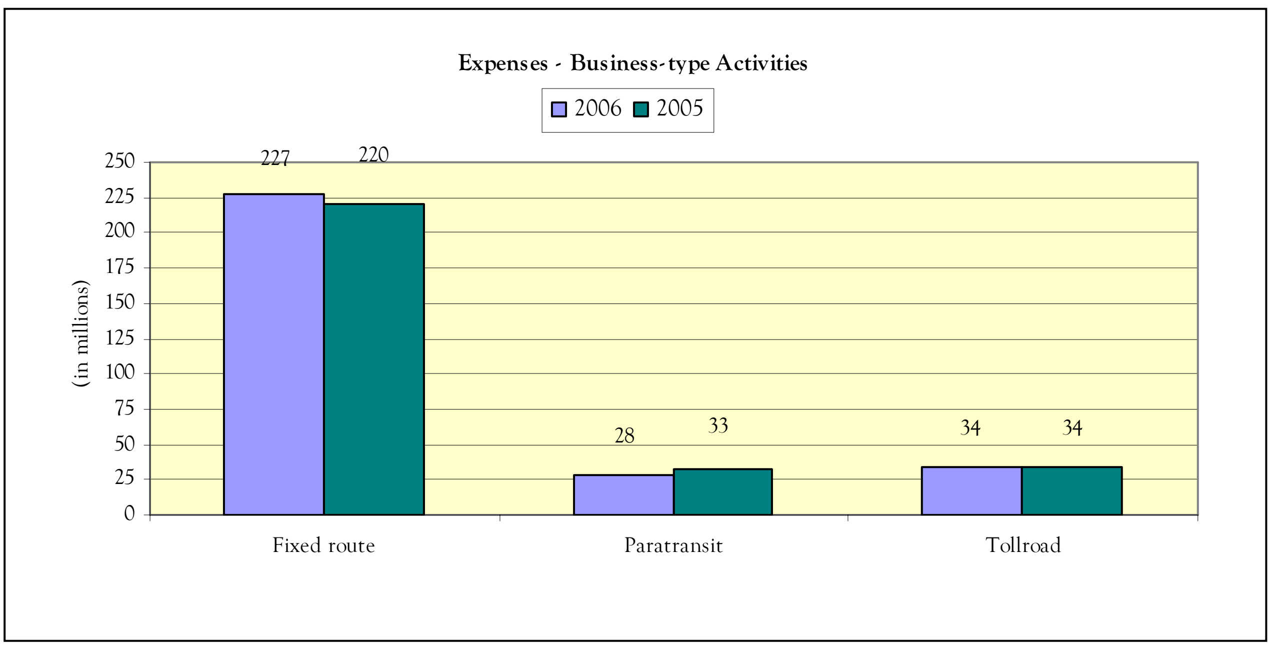




Business-type Activities

- Revenues of OCTA's business-type activities decreased $7,092 primarily due to a decrease in capital grants and contributions due to a decrease in the purchase of buses during the current fiscal year offset by a continued increase in ridership and toll fees for the 91 Express Lanes. Total expenses increased $2,483 primarily due to an increase in operating costs due to the new Santa Ana bus base.





Financial Analysis of OCTA's Funds

As of June 30, 2006, OCTA's governmental funds reported combined ending fund balances of $721,791, a decrease of $90,276 compared to 2005. Approximately 19%, or $135,768, of this total amount constitutes unreserved fund balance; however, $124,205 of the unreserved fund balance is related to commuter rail. The remainder of fund balance is reserved to indicate that it is not available for new spending because of the following commitments:

- $185,325 to liquidate contracts and purchase orders of the current and prior periods;
- $112,863 to pay debt service on Measure M sales tax revenue bonds issued in prior years to accelerate funding for Measure M projects;
- $282,251 for transportation programs primarily related to Measure M projects;
- $5,584 for motorist services.

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

- A decrease of $69,330 in the LTA Special Revenue fund is primarily due to the continued construction on the Garden Grove SR-22 freeway, which is scheduled for completion in November 2006;
- A decrease of $12,718 in the CURE Special Revenue fund due to capital contributions to SCRRA for the Lincoln Avenue Double Track capital project

OCTA's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the enterprise funds were $232,222 at June 30, 2006 compared to $228,555 at June 30, 2005. Other factors concerning the finances of these major proprietary funds have already been addressed in the discussion of OCTA's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a $392 increase in expenditures primarily due to the additional funds required for lease improvements related to the administrative building and hardware/software equipment. Actual expenditures were less than the final budget by $6,533. This is primarily due to postponement of two project development studies related to the Orange County freeway interchanges, the Central County Corridor study, planning and design for the commuter rail strategic plan implementation, and the widening and realignment of Laguna Canyon Road.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2006, OCTA had $958,199, net of accumulated depreciation, invested in a broad range of capital assets including: the 91 Express Lanes toll facility franchise, transit vehicles, land, buildings, freeway construction projects and machinery, equipment and furniture (Table 3). The total increase in OCTA's capital assets for 2006 was 35.7%, which was comprised of a 98.6% increase for governmental activities and a 5% decrease for business-type activities.

Table 3
Orange County Transportation Authority
Capital Assets, net of depreciation and amortization
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$ 134	$ 134	45	$ 45	$ 179	$ 179
Buildings	2	2	65	67	67	69
Transit vehicles	-	-	92	104	92	104
Machinery, equipment and furniture	1	1	17	20	18	21
Toll facility franchise	-	-	180	187	180	187
Construction in progress	415	141	7	5	422	146
Totals	$ 552	$ 278	$ 406	$ 428	$ 958	$ 706

Major capital asset additions during 2006 included:

- $274,054 in freeway construction in progress for the SR-22 project;
- $3,133 for the purchase of 12 paratransit vehicles and two 40' New Flyer Low Floor vehicles
- $4,113 for bus rehabilitation projects;
- $3,147 for purchase of computer, communication, and other support equipment;

Major capital asset deletions during 2006 included:

- $2,409 disposal of fully depreciated revenue vehicles;

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

OCTA has outstanding construction contracts, the most significant of which are: $79,658 for the SR-22 project, $14,568 for the I-5 far north project, $5,298 for the I-405/SR-73 transitway project, $18,600 for the I-405/SR-55 transitway project, and $27,600 for the I-55 17th street to Fairhaven project.

Debt Administration

As of June 30, 2006, OCTA had $599,765 in bonds, commercial paper notes and certificates of participation outstanding compared to $676,385 at June 30, 2005, as presented in Table 4.

Table 4
Orange County Transportation Authority
Outstanding Debt
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Sales tax revenue bonds	$ 375	$ 439	$ -	$ -	375	$ 439
Commercial paper notes	35	41	-	-	35	41
Certificates of participation	-	-	2	5	2	5
Revenue refunding bonds	-	-	188	191	188	191
Totals	$ 410	$ 480	$ 190	$ 196	$ 600	$ 676

OCTA retired $6,400 in commercial paper notes and $63,720 of sales tax revenue bonds during fiscal year 2006.

OCTA maintains a "AA+" rating from Standard & Poor's, a "AA" rating from Fitch and a "Aa2" rating from Moody's for its Measure M 1st Senior Sales Tax Revenue Bonds; a "AA-" rating from Standard & Poor's, an "AA-" rating from Fitch and a "Aa3" rating from Moody's for its Measure M 2nd Senior Sales Tax Revenue Bonds; and an "A1" rating from Moody's for its certificates of participation. The Toll Road Revenue Refunding Bonds (91 Express Lanes) have ratings of "A2" by Moody's, "A-" from Fitch, and "A-" by Standard and Poor's.

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

Economic and Other Factors

On June 12, 2006, the OCTA Board of Directors approved the Fiscal Year 2006-07 Budget. The budget is balanced at $845.0 million and is consistent with the OCTA's long-range Comprehensive Business Plan (CBP). The CBP is updated annually to address changes in the political and economic environment. While traditional indicators portend a relatively stable regional economy over the next five years, OCTA will face several economic challenges in the near future.

Competition for discretionary grant funds continues to escalate as public agencies vie for limited or reduced state and federal grant programs. In recent years, transportation funding has been diverted to meet other federal, state or county goals.

While transit ridership remains strong and sales tax revenues increase moderately, costs associated with federally mandated ACCESS service, health-care premiums, general liability claims, workers' compensation claims, diesel fuel and pensions have slowed the growth of the fixed route bus system in recent years. Over the past year, some of these trends such as general liability and workers' compensation claims, have been reversed. On July 1, 2005, OCTA implemented several cost containment strategies to mitigate the growing demand for ACCESS service. These strategies have flattened the demand curve for ACCESS services resulting in savings of several million dollars. An overhaul of the Authority's health care program covering its administrative and TCU employees has resulted in a cost savings of approximately $844 over the prior year. Additionally, aggressive internal efforts coupled with legislative changes have resulted in a significant reduction in workers' compensation costs. However, pension costs and diesel fuel continue to rise outside of the OCTA's control.

OCTA is making good on its promise to deliver significant freeway improvements to Orange County. OCTA is nearing the end of the 800-day construction schedule to complete improvements on the Garden Grove SR-22 Freeway project. Also, Measure M funds have been budgeted in FY 2006-07 to begin construction on the I-5 Far North project.

Contacting OCTA's Management

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

Statement of Net Assets

(thousands)

June 30, 2006		Governmental Activities		Business-type Activities		Total
Assets						
Cash and investments	$	609,820	$	300,478	$	910,298
Receivables:						
Interest		4,897		2,678		7,575
Operating grants		-		21,048		21,048
Capital grants		6,391		3,616		10,007
Other		2,447		6,230		8,677
Internal balances		50,989		(50,989)		-
Due from other governments		49,585		4,063		53,648
Condemnation deposits		18,490		-		18,490
Note receivable		8,587		-		8,587
Inventory		-		6,207		6,207
Restricted cash and investments:						
Cash equivalents		28,354		8,618		36,972
Investments		46,536		19,428		65,964
Other assets		4,962		20,284		25,246
Land held for resale		2,610		-		2,610
Capital assets, net:						
Nondepreciable		548,566		51,994		600,560
Depreciable and amortizable		3,341		354,298		357,639
Total Assets		1,385,575		747,953		2,133,528
Liabilities						
Accounts payable		35,104		13,139		48,243
Accrued payroll and related items		1,001		2,723		3,724
Accrued interest payable		7,806		3,139		10,945
Claims payable		100		-		100
Due to other governments		12,008		134		12,142
Unearned revenue		-		4,962		4,962
Other liabilities		55		393		448
Commercial paper notes		34,500		-		34,500
Noncurrent liabilities:						
Due within one year		69,253		16,617		85,870
Due in more than one year		308,036		191,564		499,600
Total Liabilities		467,863		232,671		700,534
Net Assets						
Invested in capital assets, net of related debt		551,907		227,078		778,985
Restricted for:						
Measure M program		440,738		-		440,738
Debt service		112,863		28,046		140,909
Motorist services		5,584		-		5,584
Other		9,396		-		9,396
Unrestricted (deficit)		(202,776)		260,158		57,382
Total Net Assets	$	917,712	$	515,282	$	1,432,994

See accompanying notes to the financial statements.

Statement of Activities

(thousands)

for the year ended June 30, 2006	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Total
Functions/Programs							
Primary government							
Governmental activities:							
General government	$ 80,961	$ 37,517	$ 24,245	$ 808	$ (18,391)	$ -	$ (18,391)
Measure M program	133,524	199	-	106,541	(26,784)	-	(26,784)
Motorist services	8,451	-	5,387	-	(3,064)	-	(3,064)
Commuter rail	18,442	514	-	-	(17,928)	-	(17,928)
Urban rail	128	-	-	-	(128)	-	(128)
Total governmental activities	241,506	38,230	29,632	107,349	(66,295)	-	(66,295)
Business-type activities:							
Fixed route	226,960	54,178	39,896	8,750	-	(124,136)	(124,136)
Paratransit	28,285	4,686	4,659	-	-	(18,940)	(18,940)
Tollroad	33,693	44,238	-	-	-	10,545	10,545
Taxicab administration	271	330	-	-	-	59	59
Total business-type activities	289,209	103,432	44,555	8,750	-	(132,472)	(132,472)
Total primary government	$ 530,715	$ 141,662	$ 74,187	$ 116,099	(66,295)	(132,472)	(198,767)

	Governmental Activities	Business-type Activities	Total
General revenues:			
Property taxes	-	9,762	9,762
Sales taxes	385,090	-	385,090
Unrestricted investment earnings	18,168	8,127	26,295
Other miscellaneous revenue	494	497	991
Transfers	(104,451)	104,451	-
Total general revenues and transfers	299,301	122,837	422,138
Change in net assets	233,006	(9,635)	223,371
Net assets - beginning, as restated	684,706	524,917	1,209,623
Net assets - ending	$ 917,712	$ 515,282	$ 1,432,994

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

(thousands)

June 30, 2006	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	$ 5,725	$ 457,081	$ 12,792	$ 71,609	$ 37,000	$ 22,636	$ 606,843
Receivables:							
Interest	79	2,902	100	546	973	272	4,872
Capital grants	-	6,391	-	-	-	-	6,391
Other	21	2,271	-	50	-	32	2,374
Due from other funds	130	-	-	57,402	-	-	57,532
Due from other governments	1,067	35,835	3,563	80	-	9,040	49,585
Condemnation deposits	-	18,490	-	-	-	-	18,490
Note receivable	-	8,587	-	-	-	-	8,587
Restricted cash and investments:							
Cash equivalents	-	-	-	-	28,354	-	28,354
Investments	-	-	-	-	46,536	-	46,536
Other assets	2,642	1,775	-	-	-	-	4,417
Total Assets	$ 9,664	$ 533,332	$ 16,455	$ 129,687	$ 112,863	$ 31,980	$ 833,981
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ 3,103	$ 29,669	$ -	$ 235	$ -	$ 2,041	$ 35,048
Accrued payroll and related items	1,001	-	-	-	-	-	1,001
Compensated absences	1,913	-	-	-	-	-	1,913
Due to other funds	-	-	-	-	-	4,911	4,911
Due to other governments	1	10,887	1	-	-	1,119	12,008
Deferred revenue	-	17,517	-	5,237	-	-	22,754
Other liabilities	34	21	-	-	-	-	55
Commercial paper notes	-	34,500	-	-	-	-	34,500
Total Liabilities	6,052	92,594	1	5,472	-	8,071	112,190
Fund Balances							
Reserved for:							
Encumbrances	4,708	175,929	-	10	-	4,678	185,325
Debt service	-	-	-	-	112,863		112,863
Transportation programs	-	264,809	16,454	-	-	988	282,251
Motorist services	-	-	-	-	-	5,584	5,584
Unreserved, reported in:							
General fund	(1,096)	-	-	-	-	-	(1,096)
Special revenue funds	-	-	-	124,205	-	10,366	134,571
Capital projects funds	-	-	-	-	-	2,293	2,293
Total Fund Balances	3,612	440,738	16,454	124,215	112,863	23,909	721,791
Total liabilities and fund balances	$ 9,664	$ 533,332	$ 16,455	$ 129,687	$ 112,863	$ 31,980	$ 833,981

See accompanying notes to the financial statements.

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

(thousands)

June 30, 2006

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

Total fund balances (page 16)	$	721,791
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		551,907
Land held for resale is not a financial resource and therefore is not reported in the funds.		2,610
Earned but unavailable revenue is not available to liquidate current liabilities and therefore is deferred.		22,754
Other long-term assets related to costs of issuance are not available to pay for current-period expenditures and therefore are deferred.		295
Internal service funds are used by management to charge the costs of risk management and employee health to individual funds. The assets and liabilities of the employee health administrative internal service fund are included in governmental activities in the statement of net assets.		1,537
Interest payable on bonds outstanding are not due and payable in the current period and therefore are not reported in the funds.		(7,806)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(375,376)
Net assets of governmental activities (page 14)	$	917,712

See accompanying notes to the financial statements.

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

(thousands)

for the year ended June 30, 2006	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Sales taxes	$ -	$ 268,118	$ 105,166	$ -	$ -	$ 11,806	$ 385,090
Gasoline taxes	-	-	-	-	-	23,000	23,000
Vehicle registration fees	-	-	-	-	-	5,096	5,096
Fines	163	-	-	7	-	-	170
Contributions from other agencies	330	44,036	-	-	-	1,229	45,595
Charges for services	37,354	-	-	-	-	-	37,354
Interest and investment income	341	11,485	(540)	1,481	4,005	300	17,072
Federal capital assistance grants	167	70,467	-	-	-	616	71,250
Miscellaneous	422	213	14	507	-	47	1,203
Total revenues	38,777	394,319	104,640	1,995	4,005	42,094	585,830
Expenditures							
Current:							
General government:							
Salaries and benefits	28,635	-	-	-	-	-	28,635
Supplies and services	19,116	20,628	1,128	11,265	152	8,842	61,131
Contributions to other local agencies	14	63,466	2,806	7,177	-	25,238	98,701
Capital outlay	638	297,136	-	-	-	3,722	301,496
Debt service:							
Principal payments on long-term debt	-	-	-	-	63,720	-	63,720
Interest on long-term debt and commercial paper	-	840	-	-	24,466	-	25,306
Total expenditures	48,403	382,070	3,934	18,442	88,338	37,802	578,989
Excess (deficiency) of revenues over (under) expenditures	(9,626)	12,249	100,706	(16,447)	(84,333)	4,292	6,841
Other financing sources (uses)							
Transfers in	7,424	1,502	-	5,024	88,224	1,535	103,709
Transfers out	-	(90,347)	(99,833)	(1,295)	(1,461)	(15,159)	(208,095)
Proceeds from sale of capital assets and land held for resale	3	7,266	-	-	-	-	7,269
Total other financing sources (uses)	7,427	(81,579)	(99,833)	3,729	86,763	(13,624)	(97,117)
Net change in fund balances	(2,199)	(69,330)	873	(12,718)	2,430	(9,332)	(90,276)
Fund balances-beginning	5,811	510,068	15,581	136,933	110,433	33,241	812,067
Fund balances-ending	$ 3,612	$ 440,738	$ 16,454	$ 124,215	$ 112,863	$ 23,909	$ 721,791

See accompanying notes to the financial statements.

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

(thousands)

for the year ended June 30, 2006

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (PAGE 18)	$	(90,276)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.		273,966
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(9,487)
Prior year deferred revenues received in the current year are reported as revenues in the funds and not reported in the statement of activities.		(6,957)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		64,994
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(3)
Internal service funds are used by management to charge the costs of risk management and employee health to individual funds. The net revenue of the employee health administrative internal service fund is reported with governmental activities in the statement of activities.		769
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 15)	$	233,006

See accompanying notes to the financial statements.

Statement of Fund Net Assets - Proprietary Funds

(thousands)

June 30, 2006	Enterprise Funds: OCTD	Enterprise Funds: 91 Express Lanes	Enterprise Funds: Bus Operations	Enterprise Funds: Nonmajor Enterprise Fund OCTAP	Enterprise Funds: Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	$ 148,384	$ 29,999	$ 73,802	$ 61	$ 252,246	$ 51,209
Receivables:						
Interest	1,001	549	739	-	2,289	414
Operating grants	21,048	-	-	-	21,048	-
Capital grants	3,616	-	-	-	3,616	-
Violations	-	3,809	-	-	3,809	-
Allowance for doubtful accounts	-	(1,414)	-	-	(1,414)	-
Farebox	1,373	-	-	-	1,373	-
Other	92	1,870	-	-	1,962	573
Due from other funds	4,832	-	-	-	4,832	-
Due from other governments	4,063	-	-	-	4,063	-
Inventory	6,207	-	-	-	6,207	-
Other assets	15,637	3,780	-	19	19,436	1,098
Total current assets	206,253	38,593	74,541	80	319,467	53,294
Noncurrent assets:						
Restricted cash and investments:						
Cash equivalents	1,370	7,248	-	-	8,618	-
Investments	793	18,635	-	-	19,428	-
Capital assets, net:						
Nondepreciable	51,981	13	-	-	51,994	-
Depreciable and amortizable	168,659	185,639	-	-	354,298	-
Total noncurrent assets	222,803	211,535	-	-	434,338	-
TOTAL ASSETS	429,056	250,128	74,541	80	753,805	53,294

See accompanying notes to the financial statements.

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

(thousands)

	Enterprise Funds					
June 30, 2006	OCTD	91 Express Lanes	Bus Operations	Nonmajor Enterprise Fund OCTAP	Total Enterprise Funds	Internal Service Funds
Liabilities						
Current liabilities:						
Accounts payable	10,890	1,782	17	-	12,689	506
Accrued payroll and related items	2,718	-	-	5	2,723	-
Accrued interest	64	3,075	-	-	3,139	-
Due to other funds	5,024	-	-	-	5,024	51
Claims payable	-	-	-	-	-	5,356
Due to other governments	117	17	-	-	134	-
Unearned revenue	121	4,841	-	-	4,962	-
Other liabilities	2	391	-	-	393	-
Long-term liabilities	8,052	3,299	-	10	11,361	-
Total current liabilities	26,988	13,405	17	15	40,425	5,913
Noncurrent liabilities:						
Due to other funds	-	52,378	-	-	52,378	-
Claims payable	-	-	-	-	-	17,906
Long-term liabilities	6,746	166,912	-	-	173,658	-
Total noncurrent liabilities	6,746	219,290	-	-	226,036	17,906
Total Liabilities	33,734	232,695	17	15	266,461	23,819
Net Assets						
Invested in capital assets, net of related debt	211,637	15,441	-	-	227,078	-
Restricted	2,163	25,883	-	-	28,046	-
Unrestricted (deficit)	181,522	(23,891)	74,524	65	232,220	29,475
Total Net Assets	$ 395,322	$ 17,433	$ 74,524	$ 65	$ 487,344	$ 29,475

See accompanying notes to the financial statements.

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

(thousands)

June 30, 2006

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

Total net assets (page 21)	$	487,344
Internal service funds are used by management to charge the costs of risk management and employee health to individual funds. The assets and liabilities of the general liability, workers' compensation, and employee health coach operators and maintenance internal service funds are included in business-type activities in the statement of net assets.		27,938
Net assets of business-type activities (page 14)	$	515,282

See accompanying notes to the financial statements.

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

for the year ended June 30, 2006	OCTD	91 Express Lanes	Bus Operations	Nonmajor Enerprise Fund OCTAP	Total Enterprise Funds	Internal Service Funds
	Enterprise Funds					
Operating revenues:						
User fees and charges	$ 51,465	$ 44,231	$ -	$ -	$ 95,696	$ -
Permit fees	-	-	-	330	330	-
Charges for services	-	-	-	-	-	36,066
Total operating revenues	51,465	44,231	-	330	96,026	36,066
Operating expenses:						
Wages, salaries and benefits	113,609	-	-	172	113,781	-
Maintenance, parts and fuel	28,018	-	-	-	28,018	-
Purchased services	31,422	5,500	82	-	37,004	-
Administrative services	26,533	1,450	-	71	28,054	444
Other	11,724	570	-	2	12,296	93
Insurance claims and premiums	-	249	-	-	249	27,860
Professional services	13,802	5,724	-	25	19,551	1,534
General and administrative	4,878	1,015	-	7	5,900	2
Depreciation and amortization	26,779	9,146	-	-	35,925	-
Total operating expenses	256,765	23,654	82	277	280,778	29,933
Operating income (loss)	(205,300)	20,577	(82)	53	(184,752)	6,133
Nonoperating revenues (expenses):						
Gas tax exchange	23,000	-	-	-	23,000	-
Federal operating assistance grants	21,397	-	-	-	21,397	-
Property taxes allocated by the County of Orange	9,762	-	-	-	9,762	-
Investment earnings	3,560	1,888	1,690	2	7,140	1,077
Interest expense	(163)	(10,036)	-	-	(10,199)	-
Other	4,068	44	-	1	4,113	168
Total nonoperating revenues (expenses)	61,624	(8,104)	1,690	3	55,213	1,245
Income (loss) before contributions and transfers	(143,676)	12,473	1,608	56	(129,539)	7,378
Capital contributions	8,908	-	-	-	8,908	-
Transfers in	123,429	-	-	-	123,429	-
Transfers out	(5,043)	-	(14,000)	-	(19,043)	-
Change in net assets	(16,382)	12,473	(12,392)	56	(16,245)	7,378
Total net assets - beginning	411,704	4,960	86,916	9	503,589	22,097
Total net assets - ending	$ 395,322	$ 17,433	$ 74,524	$ 65	$ 487,344	$ 29,475

See accompanying notes to the financial statements.

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

(thousands)

for the year ended June 30, 2006

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

NET CHANGE IN FUND NET ASSETS - TOTAL ENTERPRISE FUNDS (PAGE 23)	$	(16,245)
Internal service funds are used by management to charge the costs of risk management and employee health to individual funds. The net revenue of the general liability, workers compensation, and employee health coach operators and maintenance internal service funds are included in business-type activities in the statement of net assets.		6,610
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 15)	$	(9,635)

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

(thousands)

for the year ended June 30, 2006	Enterprise Funds					
	OCTD	91 Express Lanes	Bus Operations	Nonmajor Enterprise Fund OCTAP	Totals	Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	$ 51,984	$ 44,027	$ -	$ 342	$ 96,353	$ -
Receipts from interfund services provided	-	-	-	-	-	36,885
Payments to suppliers	(104,225)	(13,028)	(92)	(57)	(117,402)	(17,788)
Payments to claimants	-	-	-	-	-	(15,029)
Payments to employees	(117,815)	-	-	(164)	(117,979)	-
Payments for interfund services used	(26,533)	(1,450)	-	(71)	(28,054)	(444)
Advertising revenue	3,129	-	-	-	3,129	-
Miscellaneous	924	48	-	1	973	-
Net cash provided by (used for) operating activities	(192,536)	29,597	(92)	51	(162,980)	3,624
Cash flows from noncapital financing activities:						
Gas tax exchange received	23,000	-	-	-	23,000	-
Federal operating assistance grants received	19,416	-	-	-	19,416	-
Property taxes received	9,762	-	-	-	9,762	-
Transfers in	128,489	-	-	-	128,489	-
Transfers out	(5,409)	-	(14,000)	-	(19,409)	(233)
Net cash provided by (used for) noncapital financing activities	175,258	-	(14,000)	-	161,258	(233)
Cash flows from capital and related financing activities:						
Federal capital grants for acquisition and construction of capital assets	8,776	-	-	-	8,776	-
Proceeds from sale of capital assets	45	1	-	-	46	-
Payment of long-term debt	(2,495)	(4,005)	-	-	(6,500)	-
Payment on advances from other funds	-	(10,000)	-	-	(10,000)	-
Interest paid	(200)	(8,252)	-	-	(8,452)	-
Acquisition and construction of capital assets	(12,377)	(1,317)	-	-	(13,694)	-
Net cash (used for) capital and related financing activities	(6,251)	(23,573)	-	-	(29,824)	-
Cash flows from investing activities:						
Investment earnings	3,795	1,835	1,789	2	7,421	1,084
Net cash provided by (used for) investing activities	3,795	1,835	1,789	2	7,421	1,084
Net increase (decrease) in cash and cash equivalents	(19,734)	7,859	(12,303)	53	(24,125)	4,475
Cash and cash equivalents at beginning of year	169,488	29,388	86,105	8	284,989	46,734
Cash and cash equivalents at end of year	$ 149,754	$ 37,247	$ 73,802	$ 61	$ 260,864	$ 51,209

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, *CONTINUED*

(thousands)

for the year ended June 30, 2006	Enterprise Funds: OCTD	Enterprise Funds: 91 Express Lanes	Enterprise Funds: Bus Operations	Enterprise Funds: Nonmajor Enterprise Fund OCTAP	Enterprise Funds: Totals	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:						
Operating income (loss)	$ (205,300)	$ 20,577	$ (82)	$ 53	$ (184,752)	$ 6,133
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:						
Depreciation expense	26,779	1,815	-	-	28,594	-
Amortization of franchise agreement	-	7,331	-	-	7,331	-
Amortization of cost of issuance	41	142	-	-	183	-
Advertising revenue	3,129	-	-	-	3,129	-
Miscellaneous	924	48	-	1	973	-
Insurance recoveries	-	-	-	-	-	168
Change in assets and liabilities:						
Receivables	496	(655)	-	12	(147)	767
Due from other governments	23	-	-	-	23	-
Inventory	(1,105)	-	-	-	(1,105)	-
Other assets	(9,359)	817	-	(19)	(8,561)	(39)
Accounts payable	(3,679)	(929)	(10)	(4)	(4,622)	108
Accrued payroll and related items	(3,913)	-	-	(1)	(3,914)	-
Compensated absences	(293)	-	-	9	(284)	-
Claims payable	-	-	-	-	-	(3,513)
Due to other governments	(274)	(172)	-	-	(446)	-
Unearned revenue	-	630	-	-	630	-
Other liabilities	(5)	(7)	-	-	(12)	-
Total adjustments	12,764	9,020	(10)	(2)	21,772	(2,509)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (192,536)	$ 29,597	$ (92)	$ 51	$ (162,980)	$ 3,624
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS						
Cash and investments	$ 148,384	$ 29,999	$ 73,802	$ 61	$ 252,246	$ 51,209
Restricted cash and cash equivalents	1,370	7,248	-	-	8,618	-
Total cash and cash equivalents	$ 149,754	$ 37,247	$ 73,802	$ 61	$ 260,864	$ 51,209
SCHEDULE OF NONCASH ACTIVITIES:						
Purchase of capital, inventory and leased items on account	$ 821	$ -	$ -	$ -	$ 821	$ -
Capital lease	$ 6,534	$ -	$ -	$ -	$ 6,534	$ -

See accompanying notes to the financial statements.

Statement of Fiduciary Net Assets

(thousands)

June 30, 2006	Private-Purpose Trust Fund
Assets	
Cash and investments	$ 14
Total Assets	14
Net Assets	
Held in trust for future scholarships	14
Total Net Assets	$ 14

See accompanying notes to the financial statements.

Statement of Changes in Fiduciary Net Assets

(thousands)

for the year ended June 30, 2006		Private-Purpose Trust Fund
Additions		
Contributions:		
Private donations	$	20
Total additions		20
Deductions		
Scholarships		23
Total deductions		23
Change in net assets		(3)
Net assets - beginning		17
Net Assets - ending	$	14

See accompanying notes to the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

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

The Orange County Service Authority for Freeway Emergencies (SAFE), a blended component unit of OCTA, was created by Senate Bill 1199 which authorized the County Board of Supervisors upon approval from a

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majority of the cities with a majority of the population to establish SAFE. In 1986, SAFE began the implementation and operation of a freeway system of call boxes to help with motorist emergencies. SAFE is funded by a $1.00 fee paid at the time of vehicle registration. The OCTA Board also serves as the Board of Directors for SAFE. Separate financial statements are not issued for SAFE.

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

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

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

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

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

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

BASIS OF PRESENTATION

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

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

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

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Interest expense related to the sales tax revenue bonds and commercial paper, the certificates of participation, and the taxable bonds and advances from OCTA funds is reported as a direct expense of the Measure M program, fixed route, and tollroad functions, respectively. The borrowings are considered essential to the creation or continuing existence of these programs. For the year ended June 30, 2006, interest expense of $23,974, $151 and $10,036, was included as Measure M, fixed route, and tollroad program costs, respectively. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Sales taxes and other items, which are properly not included among program revenues, are reported instead as general revenues.

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

OCTA reports the following major governmental funds:

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

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

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

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

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

OCTA reports the following major enterprise funds:

- ***Orange County Transit District (OCTD) Fund*** – This fund accounts for the transit operations of OCTA. The primary sources of funding for transit operations are the TDA one-quarter percent sales tax, farebox collections, gas tax exchange and federal grants.

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

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

Additionally, OCTA reports the following fund types:

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

  General Liability
  Workers' Compensation
  Employee Health

- ***Private-Purpose Trust Fund*** – This fund accounts for the resources legally held in trust for providing scholarships and supporting activities for other organizations' special programs.

Measurement focus and basis of accounting

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

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

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

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

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

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

CASH AND INVESTMENTS

OCTA maintains cash and investments in accordance with an investment policy adopted initially by the Board on May 8, 1995, and most recently amended March 13, 2006. 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, 2006, the investment portfolios were maintained at The Bank of New York Trust Company, N.A. as custodial bank. Separate investment manager accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. Cash from other OCTA revenue sources is commingled for investment purposes, with investment earnings allocated to the different accounts based on average daily dollar account balances.

The Annual Investment Policy requires the assets in the portfolio to consist of the following investments and maximum permissible concentrations based on book value and are more restrictive than applicable state statutes for the following cases: OCTA notes and bonds (25%); commercial paper of a high rating A-1 P-1 as provided by one of the nationally recognized rating agencies, Standard & Poor's Corporation (S & P) or Moody's, and must be issued by corporations rated A2 or better by Moody's and A or better by S & P with further restrictions to issuer size and maximum maturity of 180 days (25%); negotiable certificates of deposit issued by a nationally or state-chartered bank or state or federal association or be a state licensed branch of a foreign bank, which have been rated by at least two of the nationally recognized rating services with minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch with maximum maturity of 180 days (30%); bankers acceptances and which have been rated by at least two of the nationally recognized rating services with minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch and may not exceed the 5 % limit by any one commercial bank (30%); mortgage or asset-backed securities rated AAA by S&P, Aaa by Moody's, or AAA by Fitch and issued by a an issuer; medium-term notes are rated AA- or better by Standard & Poor's, Aa3 or better by Moody's or AA- by Fitch or an equivalent rating by a nationally recognized rating service. MTN's may not represent more than ten percent (10%) of the issue in the case of a specific public offering. Under no circumstance can any one corporate issuer represent more than 5% of the portfolio; Repurchase Agreements collateralized at 102% (75%) reverse repurchase agreements or securities lending are not permitted.

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Other allowable investment categories include money market funds, mutual funds, and the state-managed Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code (Code) Section 16429 under the oversight of the Treasurer of the State of California. Investment is also allowed in the Orange County Investment Pool (OCIP), but is limited to those funds legally required to be deposited in the County Treasury. Oversight of the OCIP is conducted by the County Treasury Oversight Committee. All investments are subject to a maximum maturity of five years, unless specific direction to exceed the limit is given by the Board as permitted by the Code.

Investments in U.S. government and U.S. agency securities, repurchase agreements, variable and floating rate securities 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. The OCIP is carried at fair value based on the value of each participating dollar as provided by the OCIP. LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. Commercial paper is carried at amortized cost (which approximates fair value).

OCTA policy is to invest only in high quality instruments as permitted by the Code, subject to the limitations of this Annual Investment Policy. Securities which are currently under "Negative Credit Watch" by any of the three nationally recognized rating services (Standard and Poor's Corporation, Moody's Investor Service, and Fitch Ratings) are not eligible securities under this Policy. If an eligible security already contained in the Authority's portfolio is subsequently placed on "Negative Credit Watch" by any of the three nationally recognized rating services, then the security will be handled under the provisions of Rating Downgrades.

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

Issuer/Counter-Party Diversification Guidelines for all securities except Federal Agencies, Government Sponsored Enterprises, Investment Agreements and Repurchase Agreements; Any one corporation, bank, local agency, special purpose vehicle or other corporate name for one or more series of securities (5%).

Issuer/Counter-Party Diversification Guidelines for Federal Agencies, Government Sponsored Enterprises and Repurchase Agreements; Any one Federal Agency or Government Sponsored Enterprise (35%); Any one repurchase agreement counter-party name if maturity/term is < 7 days (50%), If maturity/term is > 7 days (35%).

INTERFUND TRANSACTIONS

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

As a centralized transportation planning and administration agency, OCTA allocates costs related to administrative services from certain funds to benefiting funds. For the 2005-06 fiscal year, $37,354 of administrative services were charged to other OCTA funds from the general fund. These charges for services are reported as general government expenditures in governmental fund types and as administrative services expenses in the proprietary fund types.

Internal service funds are utilized by OCTA to account for risk management activities in the areas of general liability, workers' compensation and employee health. Charges for risk management services provided are reported as general government expenditures in the governmental funds receiving the services and as wages, salaries and benefits or other operating expenses in the proprietary funds. The risk management internal service funds charged $36,066 to OCTA's operating funds.

Inventory

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

Restricted cash and Investments

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

Capital Assets

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

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

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

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

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

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

LAND HELD FOR RESALE

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

COMPENSATED ABSENCES

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

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

LONG-TERM DEBT

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

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

RISK MANAGEMENT

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

PROPERTY TAXES

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

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

CONTRIBUTIONS TO OTHER AGENCIES

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

NET ASSETS

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

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

- ***RESTRICTED NET ASSETS*** – This represents the net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net assets reports $596,627 of restricted net assets, of which $587,231 is restricted by enabling legislation.

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

FUND EQUITY

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

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USE OF ESTIMATES

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

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

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

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

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this $551,907 difference are as follows:

Capital assets	$ 566,510
Less accumulated depreciation	(14,603)
NET ADJUSTMENT TO INCREASE FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS – GOVERNMENTAL	**$551,907**

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this ($375,376) difference are as follows:

Bonds payable	$ (375,170)
Less deferred charge on refunding (to be amortized as interest expense)	1,682
Plus unamortized bond issuance premium (to be amortized to interest expense)	(1,755)
Compensated absences	(133)
NET ADJUSTMENT TO DECREASE FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT NET ASSETS – GOVERNMENTAL	**$(375,376)**

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

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

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

The details of this $273,966 difference are as follows:

Capital outlay	$ 274,723
Depreciation expense	(757)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	**$273,966**

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets." The details of this ($9,487) difference are as follows:

Proceeds on sale of capital assets	$ (7,269)
Loss on sale of excess land	(2,153)
Transfer of a capital asset between governmental activities and business-type activities	(65)
NET ADJUSTMENT TO DECREASE NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	**$ (9,487)**

Another element of that reconciliation states that "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $64,994 difference are as follows:

Principal repayments - sales tax revenue bonds	$ 63,720
Change in accrued interest	1,318
Amortization of deferred charge on refunding	(336)
Amortization of premium	351
Amortization of issuance costs	(59)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	**$ 64,994**

(3) DIVERSION OF TDA FUNDING

In September 1995, as a result of and to assist the County of Orange in recovering from its December 1994 bankruptcy, the California State Legislature adopted legislation diverting $38,000 annually to the County from OCTA's TDA sales tax revenue. In return, $23,000 in annual County gasoline tax revenue is being diverted to

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OCTA. Diversion from OCTA of the TDA revenue began on July 1, 1996, for a 15 year period. Diversion to OCTA of the gasoline tax revenue began on July 1, 1997, for a 16 year period. The net result of this diversion is a loss to OCTA of $202,000. As all anticipated bankruptcy litigation settlements have occurred and been distributed to Orange County Investment Pool participants, OCTA does not anticipate recovery of this loss.

OCTA entered into agreements with nine Orange County cities and the Southern California Regional Rail Authority (SCRRA) effective July 1, 1997 to exchange the gasoline tax funds for flexible funding from each agency that OCTA could use to provide bus transit services. OCTA has successfully exchanged funds for nine years as of June 30, 2006.

(4) CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2006:

DEPOSITS:	
Deposits	$ 1,513
Petty cash	6
TOTAL CASH	**1,519**
INVESTMENTS:	
With Orange County Treasurer	13,407
With LAIF	25,009
With Trustee	147,190
With Custodian	826,123
TOTAL INVESTMENTS	**1,011,729**
TOTAL CASH AND INVESTMENTS	**$1,013,248**

Total deposits and investments are reported in the following funds:

UNRESTRICTED CASH AND INVESTMENTS:	
Governmental Funds	$ 606,843
Proprietary Funds:	
Enterprise	252,246
Internal Service	51,209
Fiduciary Funds	14
RESTRICTED CASH AND INVESTMENTS:	
Governmental Funds	74,890
Proprietary Funds:	
Enterprise	28,046
TOTAL CASH AND INVESTMENTS	**$1,013,248**

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On a daily basis, cash balances are swept into an overnight investment vehicle. As of June 30, 2006, OCTA had a negative $22,634 deposit balance due to this sweep. This amount is included in the investments with custodian amount of $826,123. Restricted investments at June 30, 2006, represent reserves for debt service.

As of June 30, 2006, OCTA had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
Orange County Investment Pool	$ 13,407	$ 11,836	3.14%-5.18%	25-55 days	55 days or .15
Local Agency Investment Fund	25,009	25,055	2.967%-4.70%	152-165 days	152 days or .41
U. S. Treasuries	375,471	379,711	2.51%-5.40%	9/30/06-4/15/10	1.77
U. S. Agency Notes	181,483	184,502	3.45%-6.34%	7/3/06-2/22/11	2.32
Medium Term Notes	94,788	97,643	2.81%-7.09%	7/1/06-8/9/10	1.90
Mortgage and Asset Backed Securities	114,707	116,530	1.63%-6.01%	4/20/07-4/1/11	3.31
Money Market Mutual Funds	122,965	122,965	Variable	7/3/06-7/16/06	.03
Investment Agreements	77,228	65,171	Discount, 3.877%-5.791%	8/15/06-12/15/30	8.06
Negotiable Certificates of Deposit	6,012	6,012	4.45%	7/1/06-8/1/06	.08
Repurchase Agreements	23,293	23,293	4.75%	7/3/06	.01
TOTAL INVESTMENTS	$1,034,363	$1,032,718			
PORTFOLIO WEIGHTED AVERAGE MATURITY					2.21

INTEREST RATE RISK

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

As of June 30, 2006, asset-backed securities totaled $114,707. 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.

OCTA did not have any variable or floating rate securities at year end.

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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, 2006, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

CREDIT RISK

The Annual Investment Policy (IPS) 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". LAIF is not rated.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2006. (NR means Not Rated):

INVESTMENTS	S & P	MOODY'S	FITCH	% OF
Orange County Investment Pool	NR	Aaa	AAA/VI+	1.15%
Local Agency Investment Fund	NR	NR	NR	2.43%
U. S. Treasuries	AAA	AAA	AAA	36.77%
U. S. Agency Notes	AAA	Aaa	AAA	17.86%
Medium Term Notes	AA	Aa2	AA	9.45%
Mortgage and Asset Backed Securities	AAA	Aaa	AAA	11.28%
Money Market and Mutual Funds	AAA	Aaa	NR	11.91%
Investment Agreements	NR	NR	NR	6.31%
Negotiable Certificates of Deposit	AA	Aa2	AA	.58%
Repurchase Agreements	AAA	Aaa	AAA	2.26%
TOTAL				100%

CONCENTRATION OF CREDIT RISK

At June 30, 2006, OCTA did not exceed the IPS 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 any money market mutual fund

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OCTA had the following mortgage and asset backed securities outstanding as of June 30, 2006:

Mortgage and Asset Backed Securities	Amount
Federal Home Loan Mortgage	$14,583
Federal National Mortgage Association	10,612
Federal Home Loan Banks	7,446

(5) GRANTS AND STATE ASSISTANCE

OPERATING ASSISTANCE GRANTS

Under provisions of the Federal Transit Administration (FTA) and the TDA, funds are available to OCTD for Americans with Disabilities Act (ADA) paratransit operating assistance, demonstration projects, transportation planning, and acquisition and construction of facilities, transit vehicles and related support equipment. For 2006, OCTA was awarded $21,011 in operating assistance and had a receivable of $21,048 outstanding as of June 30, 2006.

CAPITAL GRANTS

Under the provisions of a 1979 amendment to the TDA and the provisions of FTA, appropriations are available for the development and operation of a public transportation system. For 2006, OCTA was awarded $29,587 in capital grants and had a receivable of $10,007 outstanding as of June 30, 2006.

LOCAL TRANSPORTATION FUND

In 2006, LTF received revenues from a one-quarter percent state sales and use tax through provisions of the TDA, as amended. Under TDA, moneys are to be made available to OCTD for acquisitions of property, plant and equipment and for operating expenses. In 2006, OCTA and OCTD became entitled to $4,124 and $95,316 in LTF moneys, respectively. This entitlement was recorded as a transfer from LTF to OCTD. The remaining revenues received by LTF were contributed to other agencies for use in transit projects and OCTA planning. An additional $38,000 in TDA revenue was diverted to the County under provisions of bankruptcy recovery legislation passed by the California State legislature in September 1995 (see Note 3), and, accordingly, is not recorded in the financial statements.

STATE TRANSIT ASSISTANCE PROGRAM

In 2006, STAF was allocated a portion of the state gasoline tax. The gasoline tax is allocated to each county based on demographic factors. In 2006, OCTD became entitled to $11,818 in STAF moneys. This entitlement was recorded as a transfer from STAF to OCTD.

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(6) DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2006 are as follows:

	Governmental Funds					Enterprise Fund	
Receivables:	**General**	**LTA**	**LTF**	**CURE**	**Nonmajor Funds**	**OCTD**	**Total**
Sales taxes	$ -	$ 9,864	$ 3,563	$ -	$ 3,003	$ -	$16,430
Project reimbursements	1,017	22,598	-	-	3,119	-	26,734
Vehicle registration fees	-	-	-	-	226	-	226
Gas tax exchange	-	-	-	-	2,067	2,343	4,410
Condemnation deposits	-	3,373	-	-	-	-	3,373
Other	50	-	-	80	625	1,720	2,475
TOTAL	**$ 1,067**	**$ 35,835**	**$ 3,563**	**$ 80**	**$ 9,040**	**$ 4,063**	**$53,648**

(7) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Balances:

The composition of interfund balances at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	Nonmajor Governmental Funds	$ 130	Transportation projects and Management fee
CURE Fund	OCTD Enterprise Fund	5,024	Operating assistance
CURE Fund	91 Express Lanes Fund	52,378	91 Express Lanes purchase
OCTD Enterprise Fund	Nonmajor Governmental Funds	4,781	OCTD operations, senior/disabled subsidy and negative cash funding
OCTD Enterprise Fund	Internal Service Funds	51	Negative cash funding
TOTAL		**$62,364**	

In connection with the purchase of the toll facility franchise, to fund the debt service payment required on February 15, 2003, and to establish operations, the 91 Express Lanes Fund borrowed $83,641 from other OCTA funds at an interest rate, adjusted each January, representing OCTA's rate of return on short-term investments (1.79% at June 30, 2006). Interest accrues monthly, and the advance from other OCTA funds plus accrued interest will be repaid by the 91 Express Lanes Fund on an on-going basis with net revenues. On June 30, 2006, the 91 Express Lanes repaid $10,000 of the advance with net revenues. At June 30, 2006, these advances were $52,378 and are reported as interfund balances.

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Interfund Transfers:

TRANSFERS OUT	TRANSFERS IN	AMOUNT	EXPLANATION
LTA Fund	LTA Debt Service Fund	$ 88,224	Debt service
LTA Fund	OCTD Enterprise Fund	1,000	Fare stabilization
LTA Fund	Nonmajor Governmental Funds	1,123	Capital projects
Local Transportation Fund	General Fund	4,124	OCTA planning
Local Transportation Fund	OCTD Enterprise Fund	95,316	OCTD and CTSA operations
Local Transportation Fund	Nonmajor Governmental Funds	393	ADA bus stops
LTA Debt Service Fund	LTA Fund	1,461	Commercial Paper Program
CURE Fund	OCTD Enterprise Fund	1,295	Stationlink and Rail feeder service
Nonmajor Governmental Funds	General Fund	3,300	Transportation projects and Management fees
Nonmajor Governmental Funds	OCTD Enterprise Fund	11,818	OCTD operations and Ssenior/Disabled subsidy
Nonmajor Governmental Funds	LTA Fund	41	Capital projects
OCTD Enterprise Fund	CURE Fund	5,024	Rail operations (Metrolink)
OCTD Enterprise Fund	Nonmajor Governmental Funds	19	Management fee
Bus Operations Fund	OCTD Enterprise Fund	14,000	OCTD operations
		$227,138	

(8) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 134,247	$ -	$ -	$ 134,247
Construction in progress	53	-	-	53
Construction in progress held for Department of Transportation	140,212	274,054	-	414,266
Total capital assets, not being depreciated	274,512	274,054	-	548,566
Capital assets, being depreciated:				
Buildings	3,372	31	108	3,295
Machinery, equipment and furniture	14,086	664	101	14,649
Total capital assets, being depreciated	17,458	695	209	17,944
Less accumulated depreciation for:				
Buildings	(1,017)	(112)	(42)	(1,087)
Machinery, equipment and furniture	(12,947)	(645)	(76)	(13,516)
Total accumulated depreciation	(13,964)	(757)	(118)	(14,603)
Total capital assets, being depreciated, net	3,494	(62)	91	3,341
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	**$278,006**	**$273,992**	**$ 91**	**$551,907**

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 44,885	$ 40	$ -	$ 44,925
Construction in progress	5,204	5,407	3,542	7,069
Total capital assets, not being depreciated	50,089	5,447	3,542	51,994
Capital assets, being depreciated and amortized:				
Buildings	100,632	2,445	505	102,572
Transit vehicles	227,962	7,354	2,409	232,907
Machinery, equipment and furniture	57,974	3,074	998	60,050
Toll facility franchise	205,264	-	-	205,264
Total capital assets, being depreciated and amortized	591,832	12,873	3,912	600,793
Less accumulated depreciation and amortization for:				
Buildings	(34,115)	(3,317)	(419)	(37,013)
Transit vehicles	(123,447)	(19,985)	(2,409)	(141,023)
Machinery, equipment and furniture	(38,398)	(5,292)	(889)	(42,801)
Toll facility franchise	(18,327)	(7,331)	-	(25,658)
Total accumulated depreciation and amortization	(214,287)	(35,925)	(3,717)	(246,495)
Total capital assets, being depreciated and amortized, net	377,545	(22,324)	923	354,298
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	**$427,634**	**$(16,877)**	**$4,465**	**$406,292**

The beginning balance for Governmental Activities Construction in Progress of $140,212 includes a prior period adjustment of $17,672 for construction management costs related to the SR-22 freeway project that should have been recorded as a capital asset. Refer to footnote #16.

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

Governmental activities:	
General government	$ 710
Measure M program	39
Motorist services	8
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	**$757**
Business-type activities:	
Fixed route	$ 22,283
Paratransit	4,496
Tollroad	9,146
TOTAL DEPRECIATION AND AMORTIZATION EXPENSE – BUSINESS-TYPE ACTIVITIES	**$35,925**

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(9) RISK MANAGEMENT - CLAIMS LIABILITY

Effective January 1, 2006, OCTA's self-insured health plans were converted to fully insured plans. OCTA continues to be self-insured for workers' compensation claims up to a maximum amount per claim of $125 for health and $1,000 for workers' compensation. General liability claims in excess of a $5,000 self-insured retention are insured for up to an additional $10,000 per occurrence. Settled claims have not exceeded insurance coverage in any prior fiscal years. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. General liability and workers' compensation claims are actuarially determined. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Management is of the opinion that the recorded liabilities for OCTA's self-insured claims are adequate.

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

	2006	2005
GENERAL LIABILITY		
UNPAID CLAIMS AS OF JULY 1,	$ 10,064	$ 2,796
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	4,290	3,500
Increase in provision for prior year events	2,438	7,423
Total incurred claims	6,728	10,923
PAYMENTS:		
Claims attributable to current year events	185	2,197
Claims attributable to prior year events	8,448	1,458
Total payments	(8,633)	(3,655)
Unpaid claims at June 30,	8,159	10,064
WORKERS' COMPENSATION		
UNPAID CLAIMS AS OF JULY 1,	16,038	12,239
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	1,123	3,309
Increase in provision for prior year events	2,645	6,240
Total incurred claims	3,768	9,549
PAYMENTS:		
Claims attributable to current year events	620	831
Claims attributable to prior year events	4,183	4,919
Total payments	(4,803)	(5,750)
Unpaid claims at June 30,	15,003	16,038

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	2006	2005
EMPLOYEE HEALTH		
UNPAID CLAIMS AS OF JULY 1,	674	1,264
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	1,019	2,045
Total incurred claims	1,019	2,045
PAYMENTS:		
Claims attributable to current year events	1,230	2,117
Claims attributable to prior year events	363	518
Total payments	(1,593)	(2,635)
Unpaid claims at June 30,	100	674
TOTAL UNPAID CLAIMS AT JUNE 30,	**23,262**	**26,776**
Less current portion of unpaid claims	5,356	10,830
TOTAL LONG-TERM PORTION OF UNPAID CLAIMS	**$ 17,906**	**$ 15,946**

At June 30, 2006 and June 30, 2005, $16,501 and $16,682 in unpaid workers compensation claims and claim adjustment expenses are presented at their net present value of $15,003 and $16,038, respectively. These claims are discounted at 3.63% and 1.5%, respectively.

(10) SHORT-TERM DEBT

On March 13, 1995, LTA was authorized to issue up to $115,000 in Tax-Exempt Commercial Paper Notes (Notes). As a requirement for the issuance of the Notes, OCTA entered into an irrevocable direct-pay Letter of Credit and Reimbursement Agreement with a financial institution as liquidity support for the Notes. On August 30, 1999, OCTA transferred the Letter of Credit to Dexia Bank. The authorized amount was reduced to $74,200 with the available amount totaling $80,787. OCTA did not draw on this Letter of Credit authorization during the year ended June 30, 2006, nor were there any amounts outstanding under this Letter of Credit agreement at June 30, 2006.

As of June 30, 2006, LTA had outstanding Notes in the amount of $34,500. There were no additional Notes issued; $6,400 in Notes was retired in August 2005. On August 31, 2006, OCTA retired $5,400 in Notes, which reduced the outstanding principal balance to $29,100. The source of revenue to repay the Notes is the Measure M sales tax. Interest is payable on the respective maturity dates of the Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the Notes is 12.0%, with issuance rates at June 30, 2006 ranging from 3.49% to 3.50%.

CHANGES IN SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2006, was as follows:

	BEGINNING BALANCE	ISSUED	REDEEMED	ENDING BALANCE
Tax exempt commercial paper	$ 40,900	$ -	$ 6,400	$ 34,500

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(11) LONG-TERM DEBT

SALES TAX REVENUE BONDS

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

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

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

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

A summary of the bonds outstanding is as follows:

	1992 1st Senior Bond	1992 2nd Senior Bond	1994 2nd Senior Bond	1997 2nd Senior	1998 2nd Senior	2001 2nd Senior Bond
Issuance Date	08/27/92	09/18/92	02/24/94	08/15/97	03/15/98	10/15/01
Original issue amount	$ 350,000	$ 190,000	$ 200,000	$ 57,730	$ 213,985	$ 48,430
Original issue (discount)/ premium	(2,612)	(727)	(165)	3,800	11,687	3,510
Net bond	$ 347,388	$ 189,273	$ 199,835	$ 61,530	$ 225,672	$ 51,940

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	1992 1st Senior Bond	1992 2nd Senior Bond	1994 2nd Senior Bond	1997 2nd Senior	1998 2nd Senior	2001 2nd Senior Bond
Issuance costs	$ 3,508	$ 2,323	$ 2,535	$ 780	$ 2,194	$ 590
Reserve requirements	$ -	$ 14,465	$ 11,535	$ 2,009	$ 22,567	$6,334
Interest Rate	2.8%-12.23%	2.9%-12.03%	2.8%-12.55%	3.8%-5.7%	3.9%-5.5%	4.0-5.0%
Effective blended rate	6.0%	5.96%	4.94%	5.06%	4.45%	3.70%
Annual principal payment	$22,290-27,200	$12,185	$13,905-14,585	$85-15,445	$18,860-23,300	$15,460-16,850
Maturity	2011	2011	2011	2011	2011	2011
Bonds outstanding	$123,615	$12,185	$28,490	$57,400	$105,050	$48,430
Less deferred loss on refunding	-	-	-	-	-	(1,682)
Plus unamortized premium	-	-	-	-	-	1,755
TOTAL	**$123,615**	**$12,185**	**$28,490**	**$57,400**	**$105,050**	**$48,503**

The sales tax revenue bonds contain certain financial covenants, and management believes OCTA is in compliance with such covenants as of June 30, 2006.

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2006, are as follows:

Year Ending June 30	Principal	Interest
2007	$ 67,325	$ 20,994
2008	71,290	17,168
2009	75,355	13,202
2010	78,405	9,000
2011	82,795	4,627
TOTAL	**$375,170**	**$64,991**

CERTIFICATES OF PARTICIPATION

In 1993, OCTD issued Certificates of Participation (COPs) to provide for the acquisition of buses. For the 1993 COPs, sources of revenue include FTA Section 5307 grants, LTF and STAF allocations, and property taxes.

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A summary of the terms of the COPs is as follows:

Issuance date	6/01/93
Original issue amount	$ 21,100
Cash reserve requirements	$ 2,082
Interest rate	3.75% to 5.25%
Maturity	July 2007
Principal payment date	July 1
Current balance	$2,470
Unamortized premium	$ -

The COP's contain certain financial covenants, and management believes OCTA is in compliance with such covenants as of June 30, 2006.

Annual debt service requirements of the COPs to maturity as of June 30, 2006 are as follows:

YEAR ENDING JUNE 30	1993 COPs	
	Principal	Interest
2007	$ 1,235	$ 97
2008	1,235	33
TOTAL	$2,470	$130

TAXABLE SENIOR SECURED BONDS

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

TOLL ROAD REVENUE REFUNDING BONDS

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

INTEREST RATE SWAPS

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

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

FAIR VALUE

As of June 30, 2006 the negative fair value for the $75,000 swap with Lehman Brothers was estimated by Lehman Brothers to be $2,248. As of June 30, 2006 the negative fair value for the $25,000 swap with Bear Stearns was estimated by Bear Stearns to be $409. Therefore, if the swaps were terminated on June 30, 2006, the OCTA would have made a termination payment of $2,248 and $409 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, 2006 are a result of the change in interest rate levels and certain interest rate relationships. The rate used to calculate the fixed swap payment owed by the OCTA to the swap providers is 4.06227%. As of June 30, 2006, this fixed rate was higher than the current rate for a swap of identical terms and conditions. The fair values were estimated by the counterparties using proprietary methodologies. 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 swap with Lehman Brothers and the $25,000 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, 2006, OCTA experienced $53 in cumulative positive basis differential.

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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

As of June 30, 2006, debt service requirements of OCTA's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

	$75,000 Series 2003-B-1 (1)			$25,000 Series-B-2 (1)			
Year Ending June 30	Principal	Interest	Interest Rate Swap Net	Principal	Interest	Interest Rate Swap Net	Total
2007	$ -	$ 2,940	$ 358	$ -	$ 980	$ 119	$ 4,397
2008	-	2,940	358	-	980	119	4,397
2009	-	2,940	358	-	980	119	4,397
2010	-	2,940	358	-	980	119	4,397
2011	-	2,940	358	-	980	119	4,397
2012-2016	-	14,700	1,790	-	4,900	597	21,987
2017-2021	-	14,700	1,790	-	4,900	597	21,987
2022-2026	32,440	11,131	1,355	10,815	3,711	452	59,904
2027-2031	42,560	3,514	428	14,185	1,171	143	62,001
	$ 75,000	$ 58,745	$ 7,153	$ 25,000	$ 19,582	$ 2,384	$ 187,864

As rates vary, variable-rate bond interest payments and net swap payments will vary. The variable rate on the 2003 B-1 and B-2 debt was 3.92% on June 30, 2006. As part of the Swap Agreement, OCTA receives 67% of one-month LIBOR which amounted to 3.59% on June 30, 2006.

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

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

Issuance date	11/12/03
Original issue amount	$195,265
Cash reserve requirements	$18,635
Interest rate	2.0% to 5.375% *
Maturity	December 2030
Principal payment date	August 15
Current balance	$187,625
Unamortized premium	$6,166
Deferred amount on refunding	($23,581)

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

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The toll road refunding bonds contain certain financial covenants, and management believes OCTA is in compliance with such covenants as of June 30, 2006.

Annual debt service requirements on the tax-exempt bonds as of June 30, 2006, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2007	$ 4,115	$ 8,142	$ 12,257
2008	4,225	8,028	12,253
2009	4,345	7,910	12,255
2010	4,515	7,743	12,258
2011	4,740	7,517	12,257
2012-2016	27,695	33,577	61,272
2017-2021	35,825	25,451	61,276
2022-2026	45,420	16,307	61,727
2027-2031	56,745	5,980	62,725
TOTAL	**$187,625**	**$120,655**	**$308,280**

The interest rate used to determine the future annual debt service requirements for the variable rate bonds was 4.06227% at June 30, 2006.

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2006, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental activities:					
Sales tax revenue bonds	$ 438,890	$ -	$ 63,720	$ 375,170	$ 67,325
Unamortized deferred loss on refunding	(2,018)	-	(336)	(1.682)	(336)
Unamortized premium	2,106	-	351	1,755	351
Compensated absences	1,974	2,783	2,711	2,046	1,913
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	**$440,952**	**$ 2,783**	**$ 66,446**	**$377,289**	**$69,253**
Business-type activities:					
Certificates of participation	$ 4,965	$ -	$ 2,495	$ 2,470	$ 1,235
Tax-exempt bonds	191,630	-	4,005	187,625	4,115
Capital lease	-	6,534	-	6,534	1,455
Unamortized premium	6,426	-	260	6,166	252
Unamortized Deferred Amount on Refunding	(24,649)	-	(1,068)	(23,581)	(1,068)
Claims payable	26,102	10,496	13,436	23,162	5,256
Compensated absences	6,087	8,861	9,143	5,805	5,372
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	**$210,561**	**$ 25,891**	**$ 28,271**	**$208,181**	**$16,617**

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

ARBITRAGE REBATE

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

In accordance with the arbitrage regulations, if excess earnings were calculated, 90% of the amount calculated would be due to the Internal Revenue Service (IRS) at the end of each five year period. The remaining 10% would be recorded as a liability and paid after all bonds had been redeemed. During the current year, OCTA performed calculations of excess investment earnings on various bond issues. $12 was determined due and was paid in full on January 24, 2006 for the Orange County Transit District.

(12) PENSION PLANS

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

PERS is a cost-sharing multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and agency ordinance. An annual report for the OCTA plan within PERS is not available, however, a copy of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, CA 95814.

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

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

Funding Policy (OCERS) - Plan members contribute between 3.91% to 10.99% to the plan. OCTA's actuarially determined contribution requirement was 11.95% of total covered payroll.

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Annual Pension Cost (PERS) – Annual required contributions for fiscal year 2006 were based on the June 30, 2004 actuarial valuation, the latest available from PERS. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% per annum compounded annually and an inflation factor of 3.0%; and (b) projected annual salary increases that vary by duration of service and include a factor of 3.0% for inflation, .25% for across the board salary increases and various amounts for merit according to longevity.

OCTA's contributions to PERS were $0 for the years ended June 30, 2006, 2005, and 2004, and were equal to the required contribution calculated by the PERS actuary for each year.

Annual Pension Cost (OCERS) – Annual required contributions for fiscal year 2006 were based on the OCERS actuarial valuation as of December 31, 2003, in which the investment return assumption was 7.75%, the salary increase rate assumption was 4.5%, and the Consumer Price Index increase rate assumption was 4.0%.

OCTA's contributions to OCERS for the years ended June 30, 2006, 2005, and 2004 were $11,439, $9,924, and $6,673, respectively, and were equal to the required contribution calculated by the OCERS actuary for each year.

(13) PURCHASE COMMITMENTS

OCTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2006 are as follows:

	Total Purchase Commitments	Reserve for Encumbrances	Outstanding Purchase Commitments
Governmental Funds:			
General	$ 4,708	$ 4,708	$ -
LTA	175,929	175,929	-
CURE	10	10	-
Nonmajor governmental	4,678	4,678	-
Total Governmental Funds	185,325	185,325	-
Proprietary Funds:			
OCTD	36,218	-	36,218
91 Express Lanes	490	-	490
Internal Service	1,375	-	1,375
Total Proprietary Funds	38,083	-	38,083
TOTAL	**$ 223,408**	**$ 185,325**	**$ 38,083**

The majority of the contracts relate to the expansion of Orange County's freeway and road systems and purchases of transit vehicles.

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(14) OTHER COMMITMENTS AND CONTINGENCIES

LITIGATION

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

FEDERAL GRANTS

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

LEASE COMMITMENTS

OPERATING LEASES

OCTA is committed under various leases for building, office space, tires for revenue vehicles, and office equipment. These leases are considered for accounting purposes to be operating leases. The terms of the lease for OCTA's administrative headquarters in Orange are for fifteen years beginning in September 1993, with two five-year renewal options. Lease expenditures for the year ended June 30, 2006 amounted to $6,724.

Future minimum payments for these leases are as follows:

Fiscal year ending		
2007	$	6,523
2008		6,220
2009		4,355
2010		3,802
2011		3,452
2012-2016		17,964
2017-2018		7,239
TOTAL	**$**	**49,555**

CAPITAL LEASES

OCTA is also committed under a lease for design and construction of a Compressed Natural Gas Fueling Facility which is considered to be a capital lease. As of fiscal year 2006, 5% of the capital asset has been constructed and has been recorded in WIP using the percentage of completion method. Once the asset is complete it will be transferred to buildings and improvements and depreciated over a 20 year life. The terms of the lease are for five years commencing 7/21/06.

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Future minimum payments for these leases are as follows:

Fiscal year ending	
2007	$ 1,455
2008	1,456
2009	1,456
2010	1,456
2011	1,455
Total minimum lease payments	7,278
Less: interest costs	(744)
TOTAL	**$ 6,534**

(15) JOINT VENTURE

OCTA is one of five members of the SCRRA, a joint powers authority created in 1992. The SCRRA's board consists of one member from the Ventura County Transit Commission (VCTC); two each from OCTA, the San Bernardino Associated Governments (SANBAG) and the Riverside County Transportation Commission (RCTC); and four members from the Los Angeles County Metropolitan Transportation Authority (LACMTA). SCRRA is responsible for maintaining and operating a regional commuter rail system (Metrolink) in five southern California counties. As a member of the agency, OCTA makes annual capital and operating contributions for its prorata share of rail lines serving Orange County. OCTA expended $18,558 during 2006 for its share of Metrolink capital and operating costs. Separate financial statements are prepared by and available from the SCRRA, which is located at 700 N. Flower Street, 26th floor, Los Angeles, CA 90017.

(16) PRIOR PERIOD ADJUSTMENT

Expenditures for the SR-22 freeway project were erroneously coded as an operating expenditure in prior years. As this project is a capital asset, the related construction management costs should be recorded as a capital asset. An adjustment was made to the beginning net assets for the government wide statements.

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

	GOVERNMENTAL ACTIVITIES NET ASSETS
Beginning balance, as previously reported	$ 667,034
Adjustment	17,672
BEGINNING BALANCE, AS RESTATED	**$ 684,706**

(17) Effect of New Pronouncements

GASB Statement No. 42

In November 2003, GASB issued Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. As of fiscal year 2006, OCTA did not have any impaired capital assets.

GASB Statement No. 44

In May 2004, GASB issued Statement No. 44, Economic Condition Reporting: The Statistical Section–an amendment of NCGA Statement 1. This statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important and eliminates certain previous requirements. OCTA has implemented the new reporting requirement for fiscal year 2006.

GASB Statement No. 45

In June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. OCTA has not determined its effects on OCTA's financial statements. This statement is effective for OCTA's fiscal year ending June 30, 2008.

GASB Statement No. 46

In December 2004, GASB issued Statement No. 46, Net Assets Restricted by Enabling Legislation - an amendment of GASB 34. This statement imposes limitations on the use of restricted net assets. GASB Statement No. 46 clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as its citizens, public interest groups, or the judiciary, can compel a government to honor. This statement requires governments to disclose the portions of total net assets that are restricted by enabling legislation. Disclosing the amount of net assets restricted by enabling legislation will allow users of the financial statements to distinguish qualifying restrictions on resource use imposed through a government's own action from other types of net asset restrictions. OCTA has implemented this new reporting requirement for fiscal year 2006.

GASB Statement No. 47

In June 2005, GASB issued Statement No. 47, Accounting for Termination Benefits. This statement provides guidance on accounting and financial reporting for termination benefits. These benefits include incentives for voluntary terminations such as early retirement window programs and involuntary termination benefits, such as severance payments. The statement requires employers to disclose a description of the termination benefit arrangement, the cost of their termination benefits (required in the period in which the employer becomes

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obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefits provided through an existing defined benefit OPEB plan. The provisions of this statement should be implemented simultaneously with the requirement of GASB Statement No. 45. This statement is effective for OCTA's fiscal year ending June 30, 2008.

OCTA allows retiring Administrative and employees covered by the Transportation Communications International Union the option of continuing health coverage at the active employee rate from age 50 to 65. Coach operators and mechanics covered by collective bargaining agreements are not eligible for this program. The retiree must pay 100% of the premium amount. Employees electing a deferred retirement are not eligible for participation. OCTA does not make any contributions related to this plan. As of June 30, 2006, fourteen retirees were participating in the program.

GASB STATEMENT NO. 48

In September 2006, GASB issued Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. This Statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. Such transactions are likely to comprise the sale of delinquent taxes, certain mortgages, student loans, or future revenues such as those arising from tobacco settlement agreements. This Statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. OCTA does not sell or pledge receivables therefore this statement is not applicable to OCTA.

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

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines	$ 162	$ 162	$ 163	$ 1
Contributions from other agencies	2,405	2,405	330	(2,075)
Charges for services	41,472	41,472	37,354	(4,118)
Interest	223	223	341	118
Federal capital assistance grants	-	-	167	167
Miscellaneous	124	124	422	298
Total revenues	44,386	44,386	38,777	(5,609)
Expenditures				
Current:				
General government:				
Salaries and benefits	29,908	29,908	28,635	1,273
Supplies and services	23,026	22,188	18,050	4,138
Contributions to other local agencies	21	1,027	14	1,013
Capital outlay	695	919	810	109
Total expenditures	53,650	54,042	47,509	6,533
Excess (deficiency) of revenues over (under) expenditures	(9,264)	(9,656)	(8,732)	924
Other financing sources (uses)				
Transfers in	9,263	9,263	7,424	(1,839)
Proceeds from sale of capital assets	-	-	3	3
Total other financing sources (uses)	9,263	9,263	7,427	(1,836)
Net change in fund balance	$ (1)	$ (393)	$ (1,305)	$ (912)

See accompanying notes to the required supplementary information.

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

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax revenue	$ 261,721	$ 261,721	$ 268,118	$ 6,397
Contributions from other agencies	-	7,723	44,036	36,313
Interest	12,400	12,400	11,485	(915)
Federal capital assistance grants	5,000	5,000	70,467	65,467
Miscellaneous	75	75	213	138
Total revenues	279,196	286,919	394,319	107,400
Expenditures				
Current:				
General government:				
Supplies and services	35,523	39,523	20,848	18,675
Contributions to other local agencies	94,841	92,841	63,466	29,375
Capital outlay	64,355	96,355	86,105	10,250
Debt service:				
Interest on long-term debt and commercial paper	540	540	840	(300)
Total expenditures	195,259	229,259	171,259	58,000
Excess (deficiency) of revenues over (under) expenditures	83,937	57,660	223,060	165,400
Other financing sources (uses)				
Transfers in	2,943	2,943	1,502	(1,441)
Transfers out	(96,320)	(96,320)	(90,347)	5,973
Proceeds from sale of capital assets	-	-	7,266	7,266
Total other financing sources (uses)	(93,377)	(93,377)	(81,579)	11,798
Net change in fund balance	$ (9,440)	$ (35,717)	$ 141,481	$ 177,198

See accompanying notes to the required supplementary information.

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

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax revenue	$ 97,276	$ 112,594	$ 105,166	$ (7,428)
Interest	193	193	(540)	(733)
Miscellaneous	-	-	14	14
Total revenues	97,469	112,787	104,640	(8,147)
Expenditures				
Current:				
General government:				
Supplies and services	1,207	1,207	1,128	79
Contributions to other local agencies	1,222	1,222	2,806	(1,584)
Total expenditures	2,429	2,429	3,934	(1,505)
Excess of revenues over expenditures	95,040	110,358	100,706	(9,652)
Other financing uses				
Transfers out	(97,335)	(97,335)	(99,833)	(2,498)
Total other financing uses	(97,335)	(97,335)	(99,833)	(2,498)
Net change in fund balance	$ (2,295)	$ 13,023	$ 873	$ (12,150)

See accompanying notes to the required supplementary information.

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

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines	$ 21	$ 21	$ 7	$ (14)
Interest	2,997	2,997	1,481	(1,516)
Federal capital assistance grants	8,800	8,800	-	(8,800)
Miscellaneous	518	518	507	(11)
Total revenues	12,336	12,336	1,995	(10,341)
Expenditures				
Current:				
General government:				
Supplies and services	12,468	12,683	11,205	1,478
Contributions to other local agencies	15,960	30,327	7,177	23,150
Total expenditures	28,428	43,010	18,382	24,628
Excess (deficiency) of revenues over (under) expenditures	(16,092)	(30,674)	(16,387)	14,287
Other financing sources (uses)				
Transfers in	9,818	9,818	5,024	(4,794)
Transfers out	(3,354)	(3,354)	(1,295)	2,059
Total other financing sources (uses)	6,464	6,464	3,729	(2,735)
Net change in fund balance	$ (9,628)	$ (24,210)	$ (12,658)	$ 11,552

See accompanying notes to the required supplementary information.

(THOUSANDS)

JUNE 30, 2006

(1) BUDGETARY DATA

OCTA establishes accounting control through formal adoption of an annual operating budget for all governmental funds. The operating budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as Salaries and Benefits, Supplies and Services, which includes Contributions to Other Local Agencies, Debt Service and Transfers, and Capital Outlay. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2006 is available from the OCTA Finance, Administration and Human Resources Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations for the following major governmental fund as of June 30, 2006:

FUND	ACCOUNT	APPROPRIATIONS	EXPENDITURES	EXPLANATIONS
LTF	Contributions to other local Agencies	$ 1,222	$ 2,806	Senior Mobility Program budgeted in OCTD Enterprise Fund.
LTF	Transfers out	$ 97,335	$ 99,833	Draw down from prior year's unallocated apportionment
LTA	Interest on Long-Term Debt	$ 540	$ 840	Actual interest rate came in higher than budgeted rate.

(2) BUDGETARY BASIS RECONCILIATION

For the budgeted general and major special revenue funds, the following schedule reconciles the budgetary expenditure amounts on the Budgetary Comparison Schedule to the GAAP expenditure amounts on the Statement of Revenues, Expenditures and Changes in Fund Balances:

	GENERAL FUND	SPECIAL REVENUE FUND LTA	SPECIAL REVENUE FUND CURE
Total expenditures	$ 47,509	$ 171,259	$ 18,382
Less fiscal year 2006 encumbrances	(2,648)	(47,188)	-
Plus expenditures against prior year	3,542	257,999	60
TOTAL GAAP EXPENDITURES	**$ 48,403**	**$ 382,070**	**$ 18,442**

(THOUSANDS)

JUNE 30, 2006

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

CAPITAL PROJECTS FUNDS

General Capital Projects Fund – This fund, formerly known as the Transit Development Reserve, is used to account for transportation capital projects.

OCTD Capital Projects Fund – This fund is used to account for transit capital projects.

Rail Capital Project Fund – This fund is used to account for the development of a proposed light-rail transit corridor within Orange County.

Combining Balance Sheet - Nonmajor Governmental Funds

(thousands)

	Special Revenue					
June 30, 2006	OCUTT	SAFE	SAAV	STAF	Gas Tax	Total
Assets						
Cash and investments	$ 10,072	$ 3,948	$ 977	$ 616	$ 73	$ 15,686
Receivables:						
Interest	144	46	11	10	-	211
Other	-	32	-	-	-	32
Due from other governments	627	2,431	625	3,003	2,067	8,753
Total Assets	$ 10,843	$ 6,457	$ 1,613	$ 3,629	$ 2,140	$ 24,682
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 4	$ 1,332	$ 15	$ -	$ -	$ 1,351
Due to other funds	99	-	31	3,184	1,597	4,911
Due to other governments	-	-	1,103	-	-	1,103
Total Liabilities	103	1,332	1,149	3,184	1,597	7,365
Fund Balances:						
Reserved for:						
Encumbrances	374	1	4	-	-	379
Transportation programs	-	-	-	445	543	988
Motorist services	-	5,124	460	-	-	5,584
Unreserved (deficit), reported in:						
Special revenue funds	10,366	-	-	-	-	10,366
Total fund balances	10,740	5,125	464	445	543	17,317
Total liabilities and fund balances	$ 10,843	$ 6,457	$ 1,613	$ 3,629	$ 2,140	$ 24,682

Combining Balance Sheet - Nonmajor Governmental Funds, *continued*

(thousands)

June 30, 2006	Capital Projects General	Capital Projects OCTD	Capital Projects Rail Capital Project	Capital Projects Total	Total Nonmajor Governmental Funds
Assets					
Cash and investments	$ 5,868	$ 23	$ 1,059	$ 6,950	$ 22,636
Receivables:					
Interest	-	-	61	61	272
Other	-	-	-	-	32
Due from other governments	287	-	-	287	9,040
Total Assets	$ 6,155	$ 23	$ 1,120	$ 7,298	$ 31,980
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 663	$ 8	$ 19	$ 690	$ 2,041
Due to other funds	-	-	-	-	4,911
Due to other governments	16	-	-	16	1,119
Total Liabilities	679	8	19	706	8,071
Fund Balances:					
Reserved for:					
Encumbrances	2,177	949	1,173	4,299	4,678
Transportation programs	-	-	-	-	988
Motorist services	-	-	-	-	5,584
Unreserved (deficit), reported in:					
Special revenue funds	-	-	-	-	10,366
Capital project funds	3,299	(934)	(72)	2,293	2,293
Total fund balances	5,476	15	1,101	6,592	23,909
Total liabilities and fund balances	$ 6,155	$ 23	$ 1,120	$ 7,298	$ 31,980

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

(thousands)

	Special Revenue					
for the year ended June 30, 2006	OCUTT	SAFE	SAAV	STAF	Gas Tax	Total
Revenues:						
Sales taxes	$ -	$ -	$ -	$ 11,806	$ -	$ 11,806
Gasoline taxes	-	-	-	-	23,000	23,000
Vehicle registration fees	-	2,535	2,561	-	-	5,096
Contributions from other agencies	626	291	-	-	-	917
Interest and investment income	409	100	15	(245)	-	279
Miscellaneous	-	27	-	-	-	27
Total revenues	1,035	2,953	2,576	11,561	23,000	41,125
Expenditures:						
Current:						
General government:						
Supplies and services	900	6,231	70	1	1	7,203
Contributions to other local agencies	-	-	2,142	-	23,000	25,142
Total expenditures	900	6,231	2,212	1	23,001	32,345
Excess (deficiency) of revenues over (under) expenditures	135	(3,278)	364	11,560	(1)	8,780
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(3,172)	-	(128)	(11,818)	-	(15,118)
Total other financing sources (uses)	(3,172)	-	(128)	(11,818)	-	(15,118)
Net change in fund balances	(3,037)	(3,278)	236	(258)	(1)	(6,338)
Fund balances-beginning	13,777	8,403	228	703	544	23,655
Fund balances-ending	$ 10,740	$ 5,125	$ 464	$ 445	$ 543	$ 17,317

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

Nonmajor Governmental Funds

(thousands)

for the year ended June 30, 2006	Capital Projects: General	Capital Projects: OCTD	Capital Projects: Rail Capital Project	Capital Projects: Total	Total Nonmajor Governmental Funds
Revenues:					
Sales taxes	$ -	$ -	$ -	$ -	$ 11,806
Gasoline taxes	-	-	-	-	23,000
Vehicle registration fees	-	-	-	-	5,096
Contributions from other agencies	312	-	-	312	1,229
Interest	-	-	21	21	300
Federal capital assistance grants	616	-	-	616	616
Miscellaneous	-	-	20	20	47
Total revenues	928	-	41	969	42,094
Expenditures:					
Current:					
General government:					
Supplies and services	1,436	101	102	1,639	8,842
Contributions to other local agencies	70	-	26	96	25,238
Capital outlay	3,112	610	-	3,722	3,722
Total expenditures	4,618	711	128	5,457	37,802
Excess (deficiency) of revenues over (under) expenditures	(3,690)	(711)	(87)	(4,488)	4,292
Other financing sources (uses):					
Transfers in	393	711	431	1,535	1,535
Transfers out	(41)	-	-	(41)	(15,159)
Total other financing sources (uses)	352	711	431	1,494	(13,624)
Net change in fund balances	(3,338)	-	344	(2,994)	(9,332)
Fund balances-beginning	8,814	15	757	9,586	33,241
Fund balances-ending	$ 5,476	$ 15	$ 1,101	$ 6,592	$ 23,909

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

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	$ 3,302	$ 3,302	$ 4,005	$ 703
TOTAL REVENUES	3,302	3,302	4,005	703
EXPENDITURES				
Current:				
General government:				
Supplies and services	152	152	152	-
Debt service:				
Principal payments on long-term debt	63,720	63,720	63,720	-
Interest on long-term debt and commercial paper	24,466	24,466	24,466	-
TOTAL EXPENDITURES	88,338	88,338	88,338	-
Excess (deficiency) of revenues over (under) expenditures	(85,036)	(85,036)	(84,333)	703
OTHER FINANCING SOURCES (USES)				
Transfers in	88,186	88,186	88,224	38
Transfers out	-	-	(1,461)	(1,461)
TOTAL OTHER FINANCING SOURCES (USES)	88,186	88,186	86,763	(1,423)
Net change in fund balance	$ 3,150	$ 3,150	$ 2,430	$ (720)

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

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Contributions from other agencies	$ -	$ -	$ 626	$ 626
Interest	639	639	409	(230)
Total revenues	639	639	1,035	396
Expenditures				
Current:				
General government:				
Supplies and services	2,130	2,130	827	1,303
Total expenditures	2,130	2,130	827	1,303
Excess of revenues over expenditures	(1,491)	(1,491)	208	1,699
Other financing sources (uses)				
Transfers out	(3,425)	(3,425)	(3,172)	253
Total other financing sources (uses)	(3,425)	(3,425)	(3,172)	253
Net change in fund balance	$ (4,916)	$ (4,916)	$ (2,964)	$ 1,952

Budgetary Comparison Schedule

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

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Vehicle registration fees	$ 2,475	$ 2,475	$ 2,535	$ 60
Contributions from other agencies	2,820	2,820	291	(2,529)
Interest	216	216	100	(116)
Miscellaneous	20	20	27	7
Total revenues	5,531	5,531	2,953	(2,578)
Expenditures				
Current:				
General government:				
Supplies and services	6,930	6,930	6,232	698
Total expenditures	6,930	6,930	6,232	698
Excess (deficiency) of revenues over (under) expenditures	(1,399)	(1,399)	(3,279)	(1,880)
Net change in fund balance	$ (1,399)	$ (1,399)	$ (3,279)	$ (1,880)

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

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Vehicle registration fees	$ 2,475	$ 2,475	$ 2,561	$ 86
Interest	20	20	15	(5)
Total revenues	2,495	2,495	2,576	81
Expenditures				
Current:				
General government:				
Supplies and services	54	54	70	(16)
Contributions to other local agencies	2,300	2,300	2,142	158
Total expenditures	2,354	2,354	2,212	142
Excess of revenues over expenditures	141	141	364	223
Other financing uses				
Transfers out	(124)	(124)	(128)	(4)
Total other financing uses	(124)	(124)	(128)	(4)
Net change in fund balance	$ 17	$ 17	$ 236	$ 219

Budgetary Comparison Schedule
State Transit Assistance Special Revenue Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Sales tax revenue	$ 7,924	$ 7,924	$ 11,806	$ 3,882
Interest	17	17	(245)	(262)
TOTAL REVENUES	7,941	7,941	11,561	3,620
EXPENDITURES				
Current:				
General government:				
Supplies and services	-	-	1	(1)
TOTAL EXPENDITURES	-	-	1	(1)
Excess of revenues over expenditures	7,941	7,941	11,560	3,619
OTHER FINANCING USES				
Transfers out	(7,918)	(7,918)	(11,818)	(3,900)
TOTAL OTHER FINANCING USES	(7,918)	(7,918)	(11,818)	(3,900)
Net change in fund balance	$ 23	$ 23	$ (258)	$ (281)

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

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Gasoline tax revenue	$ 23,000	$ 23,000	$ 23,000	$ -
Total revenues	23,000	23,000	23,000	-
Expenditures				
Current:				
General government:				
Supplies and services	1	1	1	-
Contributions to other local agencies	23,000	23,000	23,000	-
Total expenditures	23,001	23,001	23,001	-
Deficiency of revenues under expenditures	(1)	(1)	(1)	-
Net change in fund balance	$ (1)	$ (1)	$ (1)	$ -

Budgetary Comparison Schedule

General Capital Projects Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Contributions from other agencies	$ 275	$ 1,908	$ 312	$ (1,596)
Federal capital assistance grants	-	-	616	616
Total revenues	275	1,908	928	(980)
Expenditures				
Current:				
General government:				
Supplies and services	776	4,059	2,856	1,203
Contributions to other local agencies	-	-	70	(70)
Capital outlay	4,350	4,350	2,726	1,624
Total expenditures	5,126	8,409	5,652	2,757
Excess (deficiency) of revenues over (under) expenditures	(4,851)	(6,501)	(4,724)	1,777
Other financing sources (uses)				
Transfers in	4,591	4,591	393	(4,198)
Transfers out	-	-	(41)	(41)
Total other financing sources (uses)	4,591	4,591	352	(4,239)
Net change in fund balance	$ (260)	$ (1,910)	$ (4,372)	$ (2,462)

Budgetary Comparison Schedule
Orange County Transit District Capital Projects Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Interest	$ 7	$ 7	$ -	$ (7)
Total revenues	7	7	-	(7)
Expenditures				
Current:				
General government:				
Supplies and services	124	124	98	26
Capital outlay	-	-	-	-
Total expenditures	124	124	98	26
Excess (deficiency) of revenues over (under) expenditures	(117)	(117)	(98)	19
Other financing sources (uses)				
Transfers in	-	-	711	711
Total other financing sources (uses)	-	-	711	711
Net change in fund balance	$ (117)	$ (117)	$ 613	$ 730

Budgetary Comparison Schedule
Rail Capital Project Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2006	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Interest	$ -	$ -	$ 21	$ 21
Miscellaneous	-	-	20	20
Total revenues	-	-	41	41
Expenditures				
Current:				
General government:				
Supplies and services	-	-	18	(18)
Contributions to other local agencies	-	-	26	(26)
Total expenditures	-	-	44	(44)
Excess (deficiency) of revenues over (under) expenditures	-	-	(3)	(3)
Other financing sources (uses)				
Transfers in	-	-	431	431
Total other financing sources (uses)	-	-	431	431
Net change in fund balance	$ -	$ -	$ 428	$ 428

(THOUSANDS)

JUNE 30, 2006

Internal Service Funds

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

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

Employee health - This fund is used to account for OCTA's three primary areas of employee health coverage – administrative employees, coach operators, and maintenance employees.

Combining Statement of Fund Net Assets - Internal Service Funds

(thousands)

June 30, 2006	General Liability	Workers' Compensation	Employee Health	Total Internal Service Funds
Assets				
Current assets:				
Cash and investments	$ 28,178	$ 17,292	$ 5,739	$ 51,209
Receivables:				
Interest	241	130	43	414
Other	53	275	245	573
Other assets	80	768	250	1,098
Total Assets	28,552	18,465	6,277	53,294
Liabilities				
Accounts payable	66	380	60	506
Due to other funds	-	-	51	51
Claims payable	2,737	2,519	100	5,356
Noncurrent liabilities:				
Claims payable	5,422	12,484	-	17,906
Total Liabilities	8,225	15,383	211	23,819
Net Assets				
Unrestricted	20,327	3,082	6,066	29,475
Total Net Assets	$ 20,327	$ 3,082	$ 6,066	$ 29,475

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

(thousands)

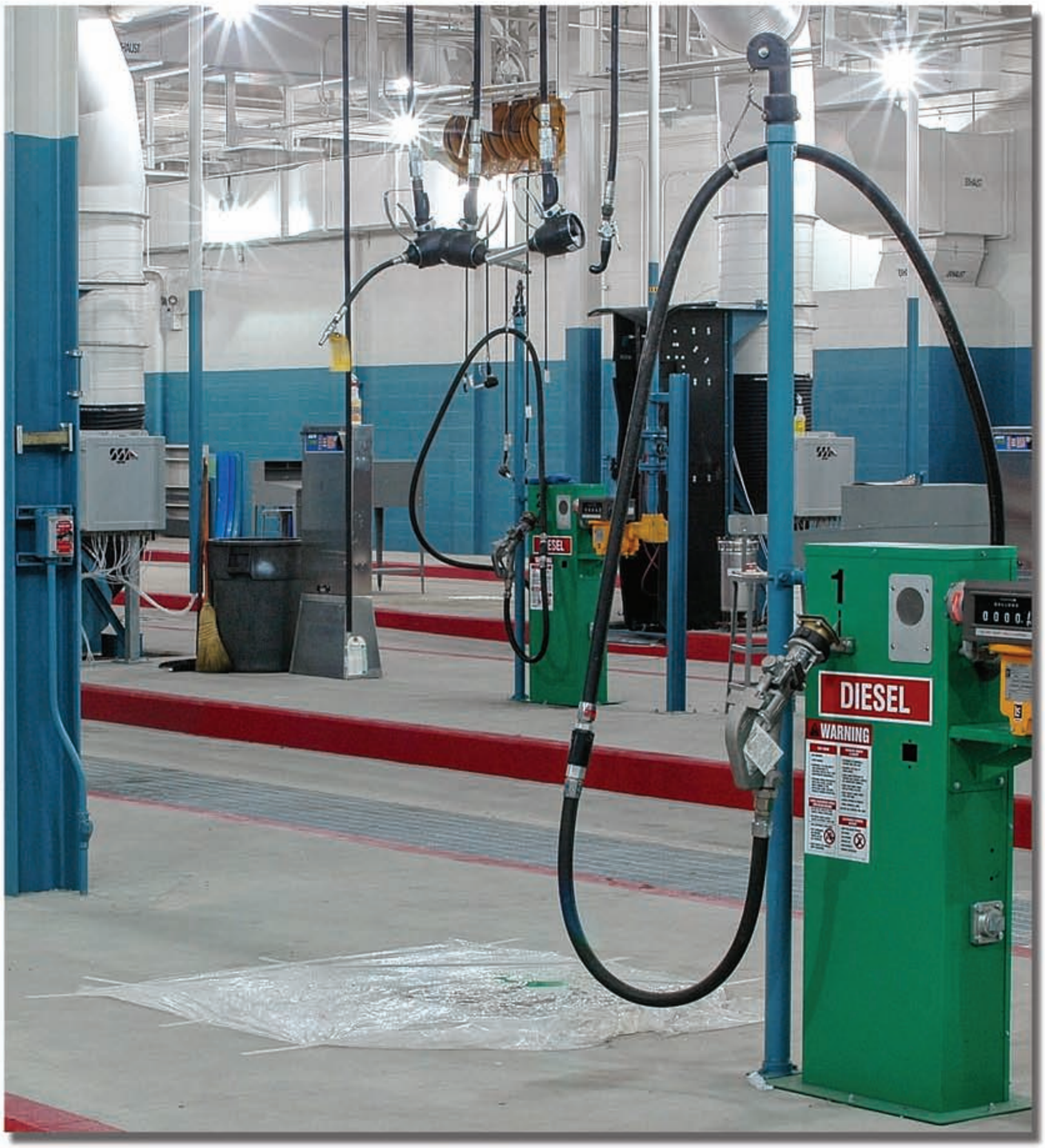
for the year ended June 30, 2006	General Liability	Workers' Compensation	Employee Health	Total Internal Service Funds
Operating revenues:				
Charges for services	$ 10,923	$ 9,520	$ 15,623	$ 36,066
Total operating revenues	10,923	9,520	15,623	36,066
Operating expenses:				
Administrative services	117	96	231	444
Other	-	93	-	93
Insurance claims and premiums	7,442	4,479	15,939	27,860
Professional services	1,024	365	145	1,534
General and administrative	-	2	-	2
Total operating expenses	8,583	5,035	16,315	29,933
Operating income (loss)	2,340	4,485	(692)	6,133
Nonoperating revenues (expenses):				
Investment earnings	587	337	153	1,077
Other	82	32	54	168
Total nonoperating revenues (expenses)	669	369	207	1,245
Change in net assets	3,009	4,854	(485)	7,378
Total net assets (deficit) - beginning	17,318	(1,772)	6,551	22,097
Total net assets - ending	$ 20,327	$ 3,082	$ 6,066	$ 29,475

Combining Statement of Cash Flows - Internal Service Funds

(thousands)

for the year ended June 30, 2006	General Liability	Workers' Compensation	Employee Health	Total Internal Service Funds
Cash flows from operating activities:				
Receipts from interfund services provided	$ 10,923	$ 9,767	$ 16,195	$ 36,885
Payments to suppliers	(1,560)	(1,235)	(14,993)	(17,788)
Payments to claimants	(8,633)	(4,803)	(1,593)	(15,029)
Payments for interfund services used	(117)	(96)	(231)	(444)
Net cash provided by (used for) operating activities	613	3,633	(622)	3,624
Cash flows from noncapital financing activities:				
Transfers out		-	(233)	(233)
Net cash provided by noncapital financing activities	-	-	(233)	(233)
Cash flows from investing activities:				
Investment earnings	602	329	153	1,084
Net cash provided by (used for) investing activities	602	329	153	1,084
Net increase (decrease) in cash and cash equivalents	1,215	3,962	(702)	4,475
Cash and cash equivalents at beginning of year	26,963	13,330	6,441	46,734
Cash and cash equivalents at end of year	$ 28,178	$ 17,292	$ 5,739	$ 51,209
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 2,340	$ 4,485	$ (692)	$ 6,133
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Insurance recoveries	82	32	54	168
Change in assets and liabilities:				
Receivables	(53)	247	573	767
Other assets	103	(187)	45	(39)
Accounts payable	46	91	(29)	108
Claims payable	(1,905)	(1,035)	(573)	(3,513)
Total adjustments	(1,727)	(852)	70	(2,509)
Net cash provided by (used for) operating activities	$ 613	$ 3,633	$ (622)	$ 3,624

FACILITIES



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Schedule 1

Net Assets by Component, Last Five Fiscal Years

(accrual basis of accounting - thousands)

	Fiscal Year 2002	2003	2004	2005	2006
Governmental activities:					
Invested in capital assets, net of related debt	$ 166,410	$ 160,756	$ 139,044	$ 278,006	$ 551,907
Restricted	396,455	455,630	566,921	637,820	568,581
Unrestricted	(392,245)	(327,947)	(305,530)	(231,120)	(202,776)
Total government activites net assets	$ 170,620	$ 288,439	$ 400,435	$ 684,706	$ 917,712
Business-type activities:					
Invested in capital assets, net of related debt	$ 227,694	$ 198,772	$ 241,883	$ 249,263	$ 227,078
Restricted	-	25,439	22,942	25,771	28,046
Unrestricted	324,717	328,129	273,330	249,883	260,158
Total business-type activites net assets	$ 552,411	$ 552,340	$ 538,155	$ 524,917	$ 515,282
Primary government:					
Invested in capital assets, net of related debt	$ 394,104	$ 359,528	$ 380,927	$ 527,269	$ 778,985
Restricted	396,455	481,069	589,863	663,591	596,627
Unrestricted	(67,528)	182	(32,200)	18,763	57,382
Total primary government net assets	$ 723,031	$ 840,779	$ 938,590	$ 1,209,623	$ 1,432,994

Source: Accounting and Financial Reporting Department

Note: GASB 34 was implemented July 1, 2001.

The Fiscal Year 2005 beginning balance for Governmental Activities Invested in Capital Assets includes a prior period adjustment of $17,672 for construction management costs related to the SR-22 freeway project that should have been recorded as a capital asset. Refer to footnote #16

Schedule 2
Changes in Net Assets, Last Five Fiscal Years

(accrual basis of accounting - thousands)

	Fiscal Year 2002	2003	2004	2005	2006
Expenses					
Governmental activities:					
General government	$ 84,319	$ 72,284	$ 76,583	$ 79,777	$ 80,961
Measure M program (a)	156,775	134,900	147,135	108,370	133,524
Motorist services	7,986	8,681	7,619	7,672	8,451
Commuter rail	11,029	10,294	10,463	20,505	18,442
Urban rail	1,312	37,992	15,755	10,115	128
Total governmental activites expenses	261,421	264,151	257,555	226,439	241,506
Business-type activities:					
Fixed route	175,460	184,495	199,375	220,037	226,960
Paratransit	19,497	23,567	28,935	32,558	28,285
Tollroad	-	16,575	33,508	33,886	33,693
Taxicab administration	262	311	243	245	271
Total business-type activites expenses	195,219	224,948	262,061	286,726	289,209
Total primary government expenses	$ 456,640	$ 489,099	$ 519,616	$ 513,165	$ 530,715
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$ 33,321	$ 33,977	$ 37,189	$ 39,429	$ 37,517
Other activities	795	664	797	735	713
Operating grants and contributions	5,280	4,483	4,325	35,263	29,632
Capital grants and contributions	27,420	45,548	38,787	154,565	107,349
Total governmental activites program revenues	66,816	84,672	81,098	229,992	175,211
Business-type activities:					
Charges for services:					
Fixed route	59,316	46,143	47,940	52,636	54,178
Tollroad	-	14,398	32,391	39,598	44,238
Other activities	3,052	3,608	3,770	4,660	5,016
Operating grants and contributions	33,564	55,962	55,094	42,681	44,555
Capital grants and contributions	64,818	14,351	22,910	25,218	8,750
Total business-type activites program revenues	160,750	134,462	162,105	164,793	156,737
Total primary government program revenues	$ 227,566	$ 219,134	$ 243,203	$ 394,785	$ 331,948
Net (expense)/revenue					
Governmental activities	$ (194,605)	$ (179,479)	$ (176,457)	$ 3,553	$ (66,295)
Business-type activities	(34,469)	(90,486)	(99,956)	(121,933)	(132,472)
Total primary government net expense	$ (229,074)	$ (269,965)	$ (276,413)	$ (118,380)	$ (198,767)

Source: Accounting and Financial Reporting Department

Notes:

(a) A prior period adjustment was made for $17,672 related to SR22 expenditures erroneously coded to operating expense, which should have been coded to a capital asset.

GASB 34 was implemented July 1, 2001.

The 91 Express Lanes were purchased in January, 2003.

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

SCHEDULE 2

CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS, *CONTINUED*

(accrual basis of accounting- thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS					
Governmental activities:					
Taxes					
Sales taxes	$ 297,705	$ 301,011	$ 328,853	$ 351,185	$ 385,090
Vehicle registration	4,699	4,801	4,840	-	-
Motor fuel taxes	23,000	23,000	23,000	-	-
Unrestricted investment earnings	43,461	35,132	8,513	20,496	18,168
Loss on sale of capital assets	(15)	(3,180)	-	-	-
Other miscellaneous revenue	188	3224	3046	310	494
Transfers	(74,318)	(66,690)	(79,799)	(91,273)	(104,451)
Total governmental activites	294,720	297,298	288,453	280,718	299,301
Business-type activities:					
Taxes					
Property taxes	6,690	7,239	7,846	8,473	9,762
Unrestricted investment earnings	22,210	16,215	2,900	8,506	8,127
Gain (loss) on sale of capital assets	(1,799)	41	-	-	-
Other miscellaneous revenue	308	230	287	443	497
Transfers	74,318	66,690	79,799	91,273	104,451
Total business-type activites	101,727	90,415	90,832	108,695	122,837
Total primary government	$ 396,447	$ 387,713	$ 379,285	$ 389,413	$ 422,138
CHANGE IN NET ASSETS					
Governmental activities	$ 100,115	$ 117,819	$ 111,996	$ 284,271	$ 233,006
Business-type activities	67,258	(71)	(9,124)	(13,238)	(9,635)
Total primary government	$ 167,373	$ 117,748	$ 102,872	$ 271,033	$ 223,371

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

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

SCHEDULE 3

FUND BALANCES, GOVERNMENTAL FUNDS, LAST FIVE FISCAL YEARS

(modified accrual basis of accounting-thousands)

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved	$ 4,006	$ 5,626	$ 8,183	$ 5,052	$ 4,708
Unreserved	2,992	2,427	(1,189)	759	(1,096)
Total general fund	$ 6,998	$ 8,053	$ 6,994	$ 5,811	$ 3,612
All other governmental funds					
Reserved	$ 470,769	$ 533,315	$ 571,931	$ 649,596	$ 581,315
Unreserved, reported in:					
Special revenue funds	141,302	151,255	160,938	150,419	134,571
Capital projects funds	4,417	3,143	6,370	6,241	2,293
Total all other governmental funds	$ 616,488	$ 687,713	$ 739,239	$ 806,256	$ 718,179

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

SCHEDULE 4

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, LAST FIVE FISCAL YEARS

(modified accrual basis of accounting-thousands)

	Fiscal Year 2002	2003	2004	2005	2006
REVENUES					
Sales taxes	$ 297,705	$ 301,011	$ 328,853	$ 351,185	$ 385,090
Gasoline taxes	23,000	23,000	23,000	23,000	23,000
Vehicle registration fees	4,699	4,801	4,840	4,816	5,096
Fines	185	185	160	172	170
Contributions from other agencies	17,023	23,516	12,639	117,572	45,595
Charges for services	29,805	33,804	37,087	39,242	37,354
Interest	43,390	35,074	5,472	19,262	17,072
Federal capital assistance grants	15,678	30,291	8,585	27,549	71,250
Miscellaneous	916	3,871	3,833	1,056	1,203
Total revenues	432,401	455,553	424,469	583,854	585,830
EXPENDITURES					
Current:					
General government:					
Salaries and benefits	17,968	21,986	25,921	27,968	28,635
Supplies and services	48,847	94,989	70,935	78,611	61,131
Contributions to other local agencies	97,386	84,366	93,340	90,517	98,701
Capital outlay	72,881	28,590	20,745	141,805	301,496
Debt service:					
Principal payments on long-term debt	51,565	54,200	57,660	60,615	63,720
Advance refunding escrow	593	-	-	-	
Interest on long-term debt and commercial paper	37,267	34,337	30,963	28,325	25,306
Total all governmental funds	326,507	318,468	299,564	427,841	578,989
Excess of revenues over expenditures	105,894	137,085	124,905	156,013	6,841
OTHER FINANCING SOURCES (USES):					
Transfers in	106,357	121,818	120,095	138,679	103,709
Transfers out	(180,675)	(188,508)	(199,894)	(229,951)	(208,095)
Proceeds from sale of capital assets	-	1,885	5,361	1,093	7,269
Proceeds of refunding bonds	71,485	-	-	-	-
Payment to refunded bond escrow agent	(70,757)	-	-	-	-
Total other financing sources (uses)	(73,590)	(64,805)	(74,438)	(90,179)	(97,117)
Net changes in fund balances	$ 32,304	$ 72,280	$ 50,467	$ 65,834	$ (90,276)
Debt service as a percentage of noncapital expenditures	35.3%	30.5%	31.8%	31.1%	32.1%

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

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

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

For both fiscal year 2005 and 2006 the increase in capital outlay was due to the SR-22 construction project which is scheduled for completion in November 2006

SCHEDULE 5

PROGRAM REVENUES BY FUNCTION/PROGRAM - LAST FIVE FISCAL YEARS

(accrual basis of accounting- thousands)

PROGRAM REVENUES	Fiscal Year				
	2002	2003	2004	2005	2006
FUNCTION/PROGRAM					
Governmental activities:					
General government	$ 35,046	$ 34,672	$ 39,919	$ 66,437	$ 62,570
Measure M program	28,638	18,335	30,354	148,759	106,740
Motorist services	2,614	2,199	2,140	9,096	5,387
Commuter rail	518	535	574	553	514
Urban rail	-	28,931	8,111	5,147	-
Total governmental activites	66,816	84,672	81,098	229,992	175,211
Business-type activities:					
Fixed route	154,304	112,884	122,914	115,180	102,824
Paratransit	6,217	6,954	6,575	9,740	9,345
Tollroad	-	14,398	32,391	39,598	44,238
Taxicab administration	229	226	225	275	330
Total business-type activites	160,750	134,462	162,105	164,793	156,737
Total primary government	$ 227,566	$ 219,134	$ 243,203	$ 394,785	$ 331,948

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

The 91 Express Lanes were purchased in January, 2003.

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

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

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

SCHEDULE 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS

(accrual basis of accounting- thousands)

Fiscal Year	Sales & Use	Gasoline	Total
1997	$ 209,067	$ - (a)	$ 209,067
1998	230,300	23,000	$ 253,300
1999	245,573	23,000	$ 268,573
2000	273,394	23,000	$ 296,394
2001	303,817	23,000	$ 326,817
2002	297,705	23,000	$ 320,705
2003	301,012	23,000	$ 324,012
2004	328,853	23,000	$ 351,853
2005	351,186	23,000	$ 374,186
2006	385,090	23,000	$ 408,090
Change			
1997 - 2006	84.2%	0.0%	95.2%

Source: Accounting and Financial Reporting Department

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

Schedule 7

Taxable Sales by Category, Last Ten Calendar Years

(thousands)

	Calendar Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 (a)
1 Apparel stores	$ 1,284,769	$ 1,346,631	$ 1,361,470	$ 1,211,410	$ 1,364,366	$ 1,446,572	$ 1,508,011	$ 1,697,120	$ 1,881,882	$ 935,381
2 General merchandise	3,226,425	3,401,958	3,650,906	4,067,855	4,334,887	4,432,881	4,618,932	4,855,674	5,205,075	2,441,410
3 Specialty stores	3,493,336	3,880,974	4,122,837	4,609,085	5,119,964	4,999,099	4,837,212	5,085,612	5,700,317	2,787,342
4 Food stores	1,237,789	1,322,157	1,359,193	1,436,680	1,509,744	1,534,244	1,551,611	1,574,528	1,563,145	837,004
5 Eating and drinking establishments	2,616,560	2,790,135	2,990,871	3,247,127	3,535,316	3,749,604	3,884,388	4,149,117	4,475,791	2,341,590
6 Home furnishings and applicances	1,070,614	1,081,546	1,206,212	1,358,467	1,486,155	1,501,585	1,722,573	1,985,255	2,135,876	1,053,877
7 Building material	1,218,758	1,400,233	1,581,890	1,842,935	2,013,714	2,157,196	2,275,964	2,480,249	2,950,592	1,437,040
8 Automotive	4,758,176	5,183,112	5,532,584	6,324,273	7,378,529	7,957,760	8,482,604	9,651,049	10,585,091	5,443,675
9 Other	544,370	576,577	650,144	690,742	742,314	739,760	765,523	809,093	944,184	493,778
10 Business and personal services	2,028,437	2,127,762	2,338,242	2,441,463	2,625,459	2,673,666	2,615,150	2,699,250	2,819,934	1,390,267
11 All other outlets	11,053,972	11,810,272	12,314,001	13,136,053	14,352,012	13,402,947	12,607,188	12,530,119	13,420,172	6,983,043
Total	$ 32,533,206	$ 34,921,357	$ 37,108,350	$ 40,366,090	$ 44,462,460	$ 44,595,314	$ 44,869,156	$ 47,517,066	$ 51,682,059	$ 26,144,407
Measure M Ordinance direct sales tax rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Source: California State Board of Equalization

(a) Represents the first and second quarter only.

Schedule 8

Direct and Overlapping Sales Tax Rates, Last Ten Calendar Years

(thousands)

Calendar Year	Measure M Direct rate	County of Orange
1997	0.50%	7.25%
1998	0.50%	7.25%
1999	0.50%	7.25%
2000	0.50%	7.25%
2001	0.50%	7.00%
2002	0.50%	7.25%
2003	0.50%	7.25%
2004	0.50%	7.25%
2005	0.50%	7.25%
2006	0.50%	7.25%

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

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

Schedule 9

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

(thousands)

City	2004 Taxable Sales	2004 Rank	2004 Percentage of Total	1995 Taxable Sales	1995 Rank	1995 Percentage of Total
Aliso Viejo	$ 313,087	30	0.68%	$ (a)		
Anaheim	5,283,841	1	11.41%	3,048,087	1	11.70%
Brea	1,467,636	13	3.17%	951,245	11	3.65%
Buena Park	1,390,281	14	3.00%	774,348	13	2.97%
Costa Mesa	3,820,884	3	8.25%	2,210,537	4	8.48%
Cypress	975,205	17	2.11%	502,341	16	1.93%
Dana Point	368,762	27	0.80%	195,271	27	0.75%
Fountain Valley	924,276	18	2.00%	728,698	15	2.80%
Fullerton	1,546,622	10	3.34%	1,143,532	7	4.39%
Garden Grove	1,768,357	8	3.82%	1,011,249	10	3.88%
Huntington Beach	2,411,197	6	5.21%	1,465,238	6	5.62%
Irvine	4,421,676	2	9.55%	2,515,921	3	9.66%
La Habra	771,356	19	1.67%	387,905	17	1.49%
La Palma	374,158	26	0.81%	110,999	30	0.43%
Laguna Beach	362,204	28	0.78%	199,357	26	0.77%
Laguna Hills	657,738	21	1.42%	344,412	20	1.32%
Laguna Niguel	1,001,824	16	2.16%	368,954	19	1.42%
Laguna Woods	97,897	33	0.21%	(b)		
Lake Forest	1,190,534	15	2.57%	379,020	18	1.45%
Los Alamitos	253,621	32	0.55%	173,935	28	0.67%
Mission Viejo	1,511,913	11	3.27%	751,051	14	2.88%
Newport Beach	2,124,545	7	4.59%	1,073,186	9	4.12%
Orange	2,834,411	5	6.12%	1,644,078	5	6.31%
Placentia	488,908	25	1.06%	278,660	23	1.07%
Rancho Santa Margarita	537,839	24	1.16%	(c)		
San Clemente	548,282	23	1.18%	256,978	24	0.99%
San Juan Capistrano	692,522	20	1.50%	286,037	21	1.10%
Santa Ana	3,802,432	4	8.21%	2,737,071	2	10.50%
Seal Beach	306,259	31	0.66%	121,956	29	0.47%
Stanton	328,600	29	0.71%	211,514	25	0.81%
Tustin	1,670,674	9	3.61%	1,073,786	8	4.12%
Villa Park	15,066	34	0.03%	13,021	31	0.05%
Westminster	1,477,837	12	3.19%	813,286	12	3.12%
Yorba Linda	557,759	22	1.20%	284,796	22	1.09%
Total	46,298,203		100%	26,056,469		100%
Unincorporated Cities	5,383,856			3,890,062		
Total Orange County	$ 51,682,059			$ 29,946,531		

Sources: California State Board of Equilization, www.boe.ca.gov

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

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

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

SCHEDULE 10

RATIOS OF OUTSTANDING DEBT BY TYPE, LAST TEN FISCAL YEARS

(thousands except per capita)

	Governmental Activities		Business-Type Activities					
Fiscal Year	Sales Tax Revenue Bonds	Commercial Paper Notes	Certificates of Participation	Toll Road Revenue Bonds	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
1997	$ 606,385	$ 74,200	$ 28,520	$ -	$ -	$ 709,105	848%	262.67
1998	790,365	74,200	25,500	-	-	$ 890,065	983%	323.71
1999	758,645	74,200	22,420	-	-	$ 855,265	888%	305.14
2000	711,845	74,200	19,145	-	-	$ 805,190	760%	281.19
2001	662,800	67,200	15,920	-	-	$ 745,920	68%	255.59
2002	611,365	60,200	12,708	-	-	$ 684,273	612%	230.95
2003	557,165	53,200	9,805	135,000	-	$ 755,170	645%	251.36
2004	499,505	47,400	7,410	195,265	-	$ 749,580	600%	246.90
2005	438,890	40,900	4,965	191,630	-	$ 676,385	n/a	221.98
2006	375,170	34,500	2,470	187,625	6,534	$ 606,299	n/a	197.34

Source: Accounting and Financial Reporting Department
Note: See schedule 13 for personal income data
n/a - data not available

Schedule 11
Legal Debt Margin Information, Last Ten Fiscal Years
(thousands)

Measure M Ordinance No. 2

Legal Debt Margin Calculation for Fiscal Year 2006	
Debt service	$ 88,557
Debt coverage (1.3 % of debt service)	115,124
Sales tax revenue	263,378
Less: local revenue	(38,139)
Net sales tax revenues	225,238
Legal debt margin	$ 110,114

Toll Road Revenue Bonds

Legal Debt Margin Calculation for Fiscal Year 2006	
Debt service	$ 12,635
Debt coverage (1.3 % of debt service)	16,426
Toll revenues	44,231
Less: operating expenses	(14,507)
Net sales tax revenues	29,724
Legal debt margin	$ 13,298

	Measure M Ordinance No. 2				Toll Road Revenue Bonds			
Fiscal Year	Debt limit (a)	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit	Debt limit (a)	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit
1997	$ 113,043	$ 64,317	$ 48,726	56.9%	$ -	$ -	$ -	-
1998	$ 117,259	88,684	28,575	75.6%	-	-	-	-
1999	$ 126,244	88,684	37,560	70.2%	-	-	-	-
2000	$ 141,813	88,684	53,129	62.5%	-	-	-	-
2001	$ 156,807	88,684	68,123	56.6%	-	-	-	-
2002	$ 152,009	88,557	63,452	58.3%	-	-	-	-
2003	$ 157,322	88,557	68,765	56.3%	5,402	12,323	(6,921)	228.1%
2004	$ 171,359	88,557	82,802	51.7%	15,978	12,635	3,343	79.1%
2005	$ 183,091	88,557	94,534	48.4%	21,288	12,635	8,653	59.4%
2006	$ 198,671	88,557	110,114	44.6%	25,933	12,635	13,298	48.7%

Source: Treasury and Accounting and Financial Reporting Departments
Note: The 91 Express Lanes were purchased in January, 2003.

SCHEDULE 12

PLEDGED-REVENUE COVERAGE, LAST TEN FISCAL YEARS

(thousands)

	Sales Tax Revenue Bonds					Toll Road Revenue Bonds					Certificates of Participation			
	Sales						Less:							
Fiscal	Tax	Less:	Debt Service			Toll Road	Operating (a)	Debt Service			Grant	Debt Service		
Year	Revenue	Turnback	Principal	Interest	Coverage	Revenue	Expenses	Principal	Interest	Coverage	Revenues	Principal	Interest	Coverage
1997	$ 154,962	(22,624)	29,075	35,005	2.07	-	-	-	-	-	$ 7,953	2,975	1,615	1.73
1998	168,459	(24,595)	30,520	33,616	2.24	-	-	-	-	-	3,504	3,020	1,479	0.78
1999	178,980	(26,131)	31,720	42,110	2.07	-	-	-	-	-	3,427	3,070	1,186	0.81
2000	197,211	(28,793)	46,800	41,604	1.91	-	-	-	-	-	3,491	3,275	972	0.82
2001	214,768	(31,356)	49,045	39,351	2.07	-	-	-	-	-	3,531	3,225	828	0.87
2002	209,105	(30,529)	51,565	36,076	2.04	-	-	-	-	-	-	3,265	679	-
2003	215,327	(31,438)	54,200	33,689	2.09	14,398	(5,299)	-	7,291	1.25	9,779	2,850	536	2.89
2004	231,763	(33,837)	57,660	30,335	2.25	32,375	(12,607)	912	10,283	1.77	914	2,395	414	0.33
2005	245,501	(35,843)	60,615	27,603	2.38	39,584	(14,506)	3,635	8,313	2.10	2,341	2,445	302	0.85
2006	263,378	(38,139)	63,720	24,466	2.55	44,231	(14,507)	4,005	8,249	2.43	2,146	2,495	187	0.80

Source: Accounting and Financial Reporting Department
Note: The 91 Express Lanes were purchased in January, 2003.
(a) Excludes depreciation and amortization expense.

Schedule 13

Demographic and Economic Statistics, Last Ten Calendar Years

Fiscal Year	Population (a)	Personal Income *(thousands) (b)*	Per Capita Personal Income (c)	Median Age (d)	School Enrollment (e)	Unemployment Rate (f)
1997	2,699,584	$ 83,635	$ 30,870	n/a	442,927	3.0%
1998	2,749,564	90,579	32,663	n/a	458,489	2.9%
1999	2,802,818	96,288	34,194	n/a	471,404	2.7%
2000	2,863,529	106,003	37,103	33.3	483,360	3.5%
2001	2,918,427	1,090,103	37,651	33.0	494,178	4.0%
2002	2,962,808	111,750	38,169	33.7	503,351	5.0%
2003	3,004,371	116,997	39,536	34.5	512,105	4.8%
2004	3,036,002	124,853	41,868	34.7	515,464	4.3%
2005	3,047,054	n/a	n/a	35.1	513,744	3.8%
2006	3,072,336	n/a	n/a	n/a	510,114	3.7%

(a) July 1 estimates from U.S. Census Bureau for 1997 - 2004;
January 1 estimates from U.S. Census Bureau for 2005 and 2006
(b) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.beau.gov/
(c) U.S. Department of Commerce, Bureau of Economic Analysis, http://www.beau.gov/
(d) U.S. Census Bureau
(e) California Department of Education, http://www.cde.ca.gov
(f) CA Employment Development Department, http://www.labormarketinfo.edd.ca.gov
n/a - data not available

Schedule 14

Principal Employers, Current Year and Nine Years Ago

	2006			1997		
Employer	Employees	Rank	Percentage of Total county Employment	Employees	Rank	Percentage of Total county Employment
Walt Disney Co.	21,000	1	1.36%	12,110	2	0.91%
County of Orange	17,785	2	1.15%	14,313	1	1.08%
University of California, Irvine	16,229	3	1.05%			
Boeing Co.	12,042	4	0.78%	5,350	5	0.40%
St. Joseph Health System	9,385	5	0.61%	5,101	7	0.38%
Yum! Brands Inc.	6,600	6	0.43%			
Ameriquest Capital Corp.	6,300	7	0.41%			
California State University, Fullerton	5,256	8	0.34%			
Pacificare Health System	5,074	9	0.33%			
Home Depot, Inc.	5,000	10	0.32%			
American Stores Co.				7,709	3	0.58%
McDonnell Douglas Corp.				5,451	4	0.41%
BankAmerica Corp.				5,200	6	0.39%
PepsiCo. Inc.				4,820	8	0.36%
Ralphs Grocery Co.				4,674	9	0.35%
Flagstar Cos. Inc.				4,313	10	0.33%

Source: Orange County Business Journal Book of Lists

Schedule 15

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

	Fiscal Year									
	(a) 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government	269	252	253	258	252	244	263	274	280	274
Measure M program	4	4	5	6	10	20	21	24	27	27
Motorist services	1	1	1	1	1	1	1	1	1	1
Commuter rail	1	1	1	1	1	1	1	1	1	2
Urban rail	-	-	-	-	-	-	1	1	1	4
Fixed route	1,104	1,132	1,172	1,210	1,313	1,462	1,555	1,645	1,549	1,528 (b)
Paratransit	41	35	26	25	9	9	11	13	13	14
Tollroad	-	-	-	-	-	-	4	4	4	4
Taxicab	-	1	2	3	3	3	3	3	3	3
Total FTEs	1,420	1,426	1,460	1,504	1,589	1,740	1,860	1,966	1,879	1,857

Source: Financial Planning & Analysis Department

(a) 1997 data is based on budgeted data from Financial Planning and Analysis; actual data is not available

(b) During 2006, there were more vacancies in OCTA staffing

SCHEDULE 16

OPERATING INDICATORS BY FUNCTION/PROGRAM

FUNCTION/PROGRAM		Fiscal Year 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Measure M program (thousands)											
Freeways		$ 117,196	$ 136,212	$ 183,599	$ 107,063	$ 63,048	$ 25,199	$ 19,812	$ 13,801	$ 141,969	$ 298,667
Regional streets and roads		14,569	16,500	36,743	35,532	24,422	23,680	14,062	15,752	10,493	17,198
Local streets and roads		37,705	34,039	32,778	37,327	42,104	41,142	41,186	49,375	43,996	41,057
Transit		67,666	48,076	17,702	20,492	19,375	48,386	29,166	35,829	23,195	8,169
Total program expenditures		$ 237,135	$ 234,828	$ 270,822	$ 200,413	$ 148,948	$ 138,407	$ 104,227	$ 114,757	$ 219,653	$ 365,091
Motorist services											
Calls made from call boxes		107,162	92,150	77,138	62,126	47,114	38,138	30,020	28,753	18,540	15,600
Vehicles removed		21,282	18,367	23,212	19,258	25,721	9,000	31,200	33,300	13,413	9,096
Vehicles assisted by FSP		73,029	55,000	58,133	63,049	63,383	73,802	58,284	58,000	68,160	70,000
Commuter rail											
Weekday trips		17	17	29	31	31	40	40	40	40	44
Annual boardings		1,450,041	1,582,220	1,734,246	1,891,851	2,149,571	2,186,170	2,733,483	2,764,870	3,230,988	3,547,697
Fixed route											
Annual boardings		47,830,573	51,237,458	54,619,406	56,477,228	58,359,358	64,038,048	65,123,546	67,551,870	67,009,989	67,779,946
Vehicle revenue hours		1,251,203	1,293,360	1,359,230	1,435,589	1,566,924	1,678,500	1,752,322	1,799,253	1,835,463	1,846,458
Miles of fixed route		1,425	1,425	1,790	1,950	2,021	2,295	2,321	2,318	2,320	2,378
Paratransit											
Annual boardings		854,317	787,908	715,735	663,996	697,894	779,967	909,156	1,085,329	1,181,892	1,114,639
Vehicle revenue hours		319,003	322,893	326,406	344,185	388,963	424,604	489,754	577,053	597,821	565,543
Eligible riders	(d)	n/a	n/a	n/a	n/a	n/a	15,762	21,317	24,955	25,569	26,204
Tollroad	(c)										
Annual drivers trips		n/a	n/a	n/a	n/a	n/a	n/a	(C) 4,958,660	11,213,741	12,741,319	14,182,916
Taxicab											
Permits Issued		(b)	902 (a)	1,404 (a)	1,661 (a)	1,609	1,541	1,590	1,510	1,662	1,698

Source: Various departments within OCTA

Notes:

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

The SR-22 project began in fiscal year 2005.

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

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

(a) Estimate

(b) In FY 1998, OCTA took over the administration of the taxicab program

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

(d) Data for Paratransit eligible riders from 2001 and prior is not available.

Schedule 17
Capital Asset Statistics by Function/Program

										Fiscal Year
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Fixed route										
Bus bases	3	3	3	3	3	3	3	3	4	4
Large revenue vehicles	421	438	448	462	472	495	507	558	563	570
Small revenue vehicles	n/a	24	60	60	87	53	92	85	84	80
Paratransit										
Paratransit vehicles	n/a	82	82	82	179	207	248	238	249	264
Tollroad (c)										
Transponders in use	n/a	n/a	n/a	n/a	n/a	n/a	143,533	157,635	172,220	171,589

Source: Various departments within the Orange County Transportation Authority
(c) The 91 Express Lanes were purchased in January, 2003.

Orange County Transportation Authority
Orange County, California

Comprehensive Annual Financial Report

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