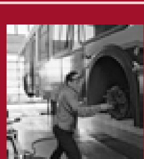
COMPREHENSIVE ANNUAL FINANCIAL REPORT

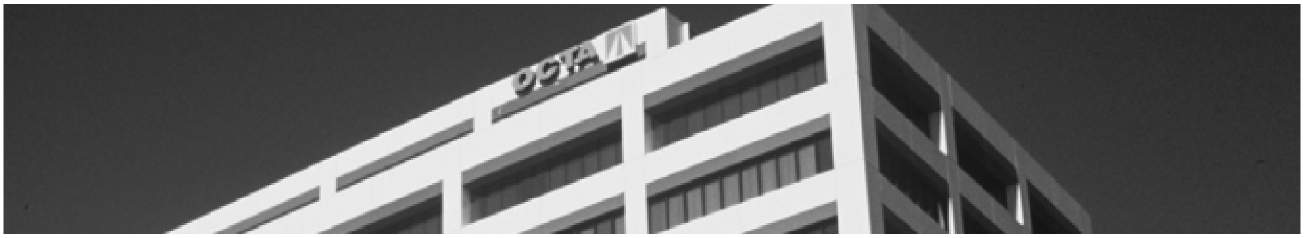



For the fiscal year ended June 30,

2009

Orange County Transportation Authority
Orange County, California

OCTA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

OCTA

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

For the fiscal year ended June 30,

2009

Orange County Transportation Authority

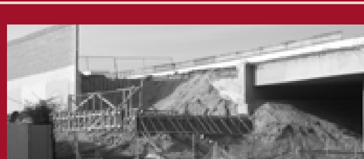
Orange County, California

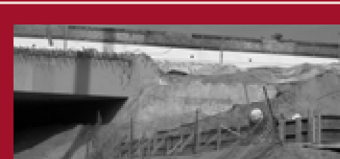
PAGE

PAGE

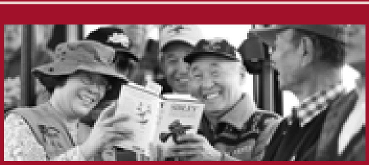
PAGE

STREETS & ROADS



BUS & TRANSIT



December 14, 2009

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orange County Transportation Authority (OCTA) for the fiscal year ended June 30, 2009, in accordance with California state law. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by certified public accountants.

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

OCTA's financial statements have been audited by Mayer Hoffman McCann P.C. The goal of the independent audit was to provide reasonable assurance that the financial statements of OCTA for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Mayer Hoffman McCann P.C. concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that OCTA's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP.

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

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.

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

Establishment of the consolidated transportation authority has saved County taxpayers tens of millions of dollars through increased efficiency and elimination of duplicative efforts. At the same time, service and investment in transportation have increased, providing the County with a progressive, effective, and comprehensive transportation system. OCTA has seven primary service programs that support the transportation system in Orange County: bus operations, commuter rail, Measure M, 91 Express Lanes, planning and capital projects, motorist services, 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 and Administration; Human Resources and Organizational Development; Rail Programs; Development; Government Relations; 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 freeway, road, and transit improvements in the County. On November 7, 2006, Orange County voters approved by a 69.7 percent margin the continuation of Measure M for another 30 years until 2041. Called Renewed Measure M, this new transportation improvement plan, much like the original Measure M, will continue to deliver much needed freeway improvements as well as improvements to streets and roads and transit. A 1/4 percent sales tax, as outlined in state law, provides operating assistance for transit service, as well as a small percentage for planning and administrative support. Over the next two years, $38 million from this source will be diverted annually to the County; however, over the next four 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.

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

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

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

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

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

The CBP projects service and capital requirements for the bus system. To ensure that adequate funds are available for future capital purchases, OCTA has set up a capital asset reserve. Funds are deposited each year in the capital asset reserve and withdrawn when necessary. Major cost drivers that could hinder the ability to sustain current levels of bus service in the future include the elimination of State Transit Assistance, declining sales tax revenue, lower ridership, changes in fuel prices, health care premiums, retirement rates, and demand for federally mandated service for persons with disabilities.

Factors Affecting Financial Condition

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

Orange County Economy

Orange County, like much of the nation, continues to experience deterioration in virtually every sector of the economy. Despite the diversity of the economy in Orange County, the continued collapse of home values, drastic cuts in consumer spending, illiquid banking system, volatile financial sector, and mounting job losses have combined to keep Orange County mired in a recession.

The downward pressure of the recession is most evident in housing prices within the County. The median price of existing single-family homes has declined approximately $300,000 since its peak of $730,000 in April 2007. Between February 2008 and February 2009, homeowners experienced a 29 percent decline in home value. Despite historically low mortgage rates, tougher credit standards coupled with uncertainty about job prospects and expectation of further housing price declines are expected to continue to depress the housing market in Orange County.

Employment within the County also has been a casualty of the recession. Between February 2008 and February 2009, the County lost approximately 72,000 jobs, sending the unemployment rate from 4.8 percent to 7.3 percent. The majority of jobs lost during this period were in the professional and business services sector (13,800 jobs lost), retail trade sector (12,100 jobs lost), and manufacturing sector (10,000 jobs lost). As of June 2009, the unemployment rate in the County reached 9.2 percent with job losses continuing to hit every major employment sector. Unemployment is expected to continue to rise, and is not expected to improve until the national economy improves and an economic recovery is firmly established.

OCTA continuously monitors changes in the economy because of the potential impact on future taxable sales receipts and other revenues vital to the organization. Taxable sales receipts for OCTA have been directly impacted by the recession. Over the last two fiscal years, OCTA has experienced an unprecedented decrease in taxable sales growth rates. In fiscal year 2008, OCTA experienced a sales tax decrease of 3.2 percent, followed by a 13.3 percent decrease in fiscal year 2009. Current forecasts anticipate sales tax to decrease an additional 8 percent in fiscal year 2010.

Summary of OCTA Activities and Services

Bus Transit—The United States Census Bureau estimated Orange County's population at 3,010,759 in 2008. From all indications, the population will continue to grow and place renewed importance on improving the County's public transit system and the mobility it provides residents.

Ridership during the past fiscal year reached a record high during October 2008 with 6,361,193 boardings. As gasoline prices declined and the unemployment rate rose, ridership held up very well, suggesting that transit remains a cost-effective alternative to auto use in the minds of many Orange County commuters. By the end of fiscal year 2009, the OCTA bus system recorded more than 64 million passenger boardings. This represents a decrease in ridership from the previous fiscal year, due primarily to the deteriorating economy and associated job losses, a fare increase that went into effect January 4, 2009, and service reductions.

Total pass sales revenue for fiscal year 2009 amounted to $16,579,166. Despite the economic downturn, OCTA's pre-paid and group pass sales revenue for the past fiscal year increased $2,625,486—a 19 percent rise over the prior year. The increase can be attributed to the addition of Ralphs grocery stores that contributed $1,921,365 in pass sales, and the fare increase that went into effect in January.

OCTA's Summer Youth Bus Pass Program entered its eighth year. Designed to promote trial ridership, the program encourages youths from age 7 to 18 to use public transportation during the summer months. As an additional incentive for young pass holders, each Summer Youth Bus Pass also served as a discount card good at many popular County destinations. The special pass went on sale May 1 and was valid June 1 – August 31. During 2009, Summer Youth Bus Pass sales totaled 3,738, down slightly from 2008 sales.

Because of the elimination of State Transit Assistance and declining sales tax revenue, OCTA was forced to reduce bus service to bring operating expenses in line with available funding. As a result, OCTA's direct bus service to the Orange County Fair, the OC Flyer, was not offered during summer 2009.

Now in its fifth year, OCTA's "youthNmotion" Program continued its partnership effort with local schools and youth organizations to encourage youth bus ridership. OCTA representatives conducted lively interactive "youthNmotion" presentations at schools and youth clubs demonstrating how easy it is to ride the bus. During the past year, OCTA's youth outreach staff took part in 27 youth presentations and events. An estimated 7,357 youths between the ages of 11 and 16 participated in the youthNmotion Program.

OCTA's outreach program for senior citizens, "Be There," continued for a fourth year. Through an easy-to-follow brochure, hands-on presentations and a fun trial bus ride at senior centers, OCTA outreach staff demonstrated how easy and economical it is for seniors to get wherever they want to go by bus. During fiscal year 2009, OCTA staff conducted 25 senior presentations. Through these outreach activities, a total of 1,980 seniors were introduced to OCTA's convenient and economical bus service.

OCTA created its Employer Pass (E-Pass) Program to foster relationships with the employer community and to encourage greater use of public transportation by Orange County's employee population. The program focuses on E-Pass, a discounted annual bus pass exclusively for employers to make available to their employees. OCTA administers the program, and employers are charged a maximum monthly cost of $55 per employee, no matter how many rides are taken. E-Pass provides employees with a convenient annual card that can be swiped to make boarding the bus easy. Fiscal year 2009 was the fifth year of the E-Pass Program. Revenue from the E-Pass Program amounted to $618,124, an increase of 14.5 percent. E-Pass boardings totaled 834,174, up 5.7 percent from the prior fiscal year.

The University Pass (U-Pass) was created in September 2003 and allows universities to provide growing student enrollments with convenient transportation and ease on-campus parking constraints. With the U-Pass, students, faculty and staff swipe their validated campus IDs and get unlimited access to OCTA local buses. The university is charged a flat rate per boarding up to a maximum of $37 per month for students and $55 per month for faculty and staff. California State University, Fullerton and the University of California, Irvine—two of the largest campuses in the County—have U-Pass programs in effect. Now in its sixth year, the program had 54,407 U-Passes in use during fiscal year 2009. U-Pass revenues totaled $682,141—a 62 percent increase over the previous year.

Following on the success of its U-Pass Program, OCTA created the College Pass (C-Pass) Program in January 2005 exclusively for college students. The program offers two special discounted passes: the Quarter Pass, valid for 75 days and the Semester Pass, valid for 120 days. With education costs rising and a shortage of parking facilities at many campuses, C-Pass affords economical and dependable transportation for students. During fiscal year 2009, nine colleges participated in the program. Passes sold totaled 1,180 75-day passes (an increase of 28.4 percent) and 1,660 120-day passes (up 35.5 percent from the previous year).

To reduce emissions and provide a quieter ride for customers, OCTA replaced aging buses with alternative fuel compressed natural gas (CNG) buses. In all, 299 new CNG buses were delivered to OCTA, the last of which were placed in service during January 2009. OCTA received a Carl Moyer grant to replace older liquefied natural gas (LNG) engines in its large bus fleet with more fuel-efficient and lower-emission LNG engines. The last of 188 buses with LNG engines under this program was accepted for service in May 2009.

In addition to providing ACCESS paratransit service for persons with disabilities, OCTA maintains cooperative agreements with other agencies for transport of seniors and persons with disabilities. During fiscal year 2009, these coordinated programs delivered a total of 414,120 passenger trips with an average cost to OCTA of $9.85 per trip. With the average ACCESS trip costing $28.76, the trips provided through the coordinated program represent a substantial savings for OCTA and a higher level of service for clients.

Vanpool Program—In July 2007, OCTA began its Vanpool Program to add a long-distance commuting alternative for people who work in Orange County and live in Los Angeles, Orange, Riverside or San Bernardino counties. In addition to helping reduce traffic congestion on Orange County freeways, the Vanpool Program also helps reduce emissions and meet South Coast Air Quality Management District requirements.

As part of the Vanpool Program, OCTA subsidizes qualified vanpools to encourage participation by interested commuters. In addition to providing a viable alternative to driving alone, the Vanpool Program helps OCTA qualify for increased federal transportation funding through the Federal Transit Administration.

At the end of fiscal year 2009, 285 vanpools were enrolled in OCTA's Vanpool Program. The vans in the program traveled more than 5 million miles and provided 781,828 passenger trips.

91 Express Lanes—OCTA owns and operates this four-lane, 10-mile toll road. The 91 Express Lanes toll road is fully automated and uses congestion management pricing to maintain free-flow conditions and optimize vehicle throughput. With OCTA's innovative toll policy, rates are set to spread out demand, thus minimizing congestion on the toll road. During fiscal year 2009, drivers took more than 12 million trips on the 91 Express Lanes. Of that amount, 2.7 million were HOV3+ trips representing 23 percent of total trips.

In addition, OCTA responded to the economic slowdown by lowering tolls on the 91 Express Lanes as part of its Congestion Management Pricing policy. OCTA received the International Bridge, Tunnel and Turnpike Association's 2008 Toll Excellence Award for tollway administration on the 91 Express Lanes. Also during the past year, OCTA has been working with the Riverside County Transportation Commission to expand the 91 Express Lanes into Riverside County.

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

Significant Measure M freeway project activity during fiscal year 2009:

> *Santa Ana Freeway (I-5):* 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 less congested and more convenient. Completion is scheduled for mid-2010.

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

Current projects underway include:

<u>Santa Ana Freeway (I-5) Projects</u>

Caltrans is preparing a project study to identify ways to relieve freeway congestion along the I-5 between the Costa Mesa Freeway (SR-55) and the Orange Freeway (SR-57) in Santa Ana. The study is looking at ways to increase capacity and improve traffic flow through this section of I-5 that connects four major freeways in central Orange County. The study is expected to be completed in late 2009.

OCTA selected a consultant to begin preparation of an environmental document for improvements along I-5 between Avenida Pico and Pacific Coast Highway, through the cities of San Clemente and Dana Point. The environmental study will evaluate the benefits of extending the current HOV lanes on I-5 that presently end at the Pacific Coast Highway interchange, to Avenida Pico in San Clemente. Environmental approval is expected in mid-2012.

OCTA also is preparing a project study to evaluate options to improve the I-5/Avenida Pico interchange. The study will look at ways to improve local traffic flow entering and leaving the freeway in this area. This study will be coordinated with the environmental study being done for the I-5 HOV lane project in the same vicinity. The study is expected to be completed in late 2010.

OCTA is preparing a project study to look at ways to improve traffic flow along I-5 between the Corona Del Mar Freeway (SR 73) and El Toro Road through the communities of Mission Viejo, Laguna Hills, and El Toro. The study will look at capacity enhancements and interchange improvements to ease the flow of traffic through this area. The study is expected to be completed in mid-2010.

Caltrans is preparing final design for the reconstruction of the Interstate 5/Ortega Highway interchange. The project will reconstruct the Ortega Highway bridge over the freeway and improve local traffic flow on Ortega Highway and other adjacent streets leading to the freeway. Design is expected to be completed in late 2011.

Orange Freeway (SR-57) Projects

OCTA is preparing the final design for a new northbound lane on SR-57 from Orangethorpe Avenue to Lambert Road through Fullerton and Brea. The widening of the freeway in the northbound direction generally will be accommodated within the existing right-of-way. Construction is expected to begin in mid-2010.

An environmental analysis is being prepared by OCTA to add a new northbound lane on the SR-57 between Katella Avenue and Lincoln Avenue in the Anaheim area. This study will identify any potential environmental impacts of the project and will propose mitigation measures to minimize any unavoidable impacts. Environmental approval is expected in late 2009.

Riverside Freeway (SR- 91) Projects

OCTA is preparing an environmental document to add a new westbound lane to SR-91 between I-5 and SR-57 in Anaheim. This effort will examine the environmental and design issues related to adding a new general purpose lane, and will identify the most practical approach that has the least impact on existing properties along the freeway. Environmental approval is expected in late 2009.

Caltrans is preparing an environmental document to improve traffic flow through the SR-55/SR-91 interchange. The improvements to the interchange will focus on the northbound to westbound connector along SR-91 between SR-55 and Tustin Avenue. Environmental approval is expected in late 2010.

Caltrans completed the final design for a new eastbound lane on SR-91 between the Foothill/Eastern Toll Road (SR-241) and the Corona Expressway (SR-71) in Riverside County. This project will extend the existing eastbound auxiliary lane that terminates before Green River Road to the SR-71 interchange. Construction is expected to begin in late 2009.

Caltrans is preparing final design to add one new lane in each direction along SR-91 from SR-55 to SR-241. This project will add significant new capacity along SR-91. Final design is expected to be completed in mid-2011.

The Riverside County Transportation Commission (RCTC) is planning to extend the 91 Express Lanes eastward along SR-91 from their current terminus in Anaheim to the Ontario Freeway (I-15) in Corona. This project will also add one general-purpose lane in each direction from I-15 to SR-241 in Orange County. RCTC is currently preparing an environmental analysis for the proposed improvements. The analysis is expected to be completed in early 2011.

<u>San Diego Freeway (I-405) Projects</u>

OCTA is preparing an environmental study to add one or two new lanes in each direction on I-405 between SR-55 and San Gabriel River Freeway (I-605). These improvements will add mainline capacity and improve the local interchanges along the corridor serving the cities of Seal Beach and Los Alamitos. One option that will be studied is to add high-occupancy toll lanes in each direction in the median of the freeway to provide express lanes similar to those currently operating on SR-91 in Anaheim.

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

Central County Corridor Major Investment Study: This study began in November 2008. The purpose of the study is to produce a recommended locally preferred strategy (LPS) in early/mid-2010, which will guide transportation improvements for central Orange County through the year 2035. The study area is bounded by Ball Road on the north, Pacific Coast Highway on the south, Beach Boulevard on the west and SR-55 on the east. The study area includes portions of 12 municipalities and several agencies of jurisdiction.

The study is led by a policy advisory committee (PAC) and also includes both a technical working group as well as a stakeholder working group. In fiscal year 2009, the OCTA Board of Directors approved five alternative strategies for initial screening and evaluation. During the initial screening and evaluations phase, each of the alternative strategies was measured for effect on travel time savings, freeway level of service, transit service, impact on right-of-way and projected capital costs/benefits, among other key factors.

During fiscal year 2010, the results of the screening phase, along with a technical recommendation and stakeholder feedback, will be presented to the PAC, the OCTA Highways Committee and the OCTA Board of Directors. Staff will recommend a reduced set of alternative strategies for a second, more rigorous round of screening and evaluation. The results of this second round of screening and evaluation are expected to form the basis of a locally preferred strategy.

I-405 Improvement Project: In January 2009, the OCTA Board of Directors voted to consider four alternatives for the I-405 corridor. Alternative 1 would add one general-purpose lane in each direction. Alternative 2 would add two general-purpose lanes in each direction. Alternative 3, the high-occupancy toll (HOT) lanes or express lanes alternative, would add one general-purpose lane and one express lane in each direction. Alternative 4 would identify improvements related to adding one general purpose lane in each direction that match the currently available funding. Alternatives 3 and 4 were included to address the significant funding gap between the available funding for the project, less than $500 million, and the estimated cost to add one or two general-purpose lanes.

At the end of fiscal year 2009, OCTA was preparing to initiate the environmental review process for the I-405 Improvement Project.

Riverside County–Orange County Corridor: OCTA and RCTC completed this MIS in December 2005, and produced a slate of short-term, mid-range and long-term recommendations for improving travel between the two counties. Working together, OCTA and RCTC are now moving forward on several projects, which collectively are projected to bring much needed relief to SR-91. Some of the projects include:

- Constructing a new eastbound lane between SR-241 and SR-71. OCTA authorized the use of $2.7 million in 91 Express Lanes toll revenue as project seed funding. Additionally, OCTA and Caltrans secured nearly $70 million in American Recovery and Reinvestment Act (ARRA) funds to pay for construction. When completed, the project will improve a major eastbound traffic chokepoint at the Orange County/Riverside County line. Construction is expected to start in fall 2009 and the project is scheduled to be completed in 2011.

- Adding a fifth general-purpose lane in each direction between the SR-55 and SR-241. With the project approval/environmental document phase completed, the project is now in the design phase. Construction on this project is estimated to begin in 2013.

- Adding a new westbound lane to SR-91 between I-5 and SR-57. The project is currently in the project approval/environmental document phase, with expected completion in late 2009/early 2010. After the PA/ED phase, the project is expected to go into the design phase.

- Providing free tow services through the Freeway Service Patrol Program during peak a.m. and p.m. hours to commuters traveling on the SR-91. This service helps stranded motorists get safely and quickly back on the road while clearing incidents or debris to maximize traffic flow and highway safety.

- Evaluating a new freeway interchange at Fairmont Boulevard connecting to and from the north side of SR-91. Project details are under development.

- Building a new direct connector between the 91 Express Lanes and SR-241 toll road. A feasibility study is under way.

- Evaluating a seven-mile reversible lane facility on SR-91 between the Orange County/Riverside County line to I-15. Project details are under development.

Orange/Los Angeles Intercounty Transportation Study: OCTA and the Los Angeles County Metropolitan Transportation Authority (Metro) completed a one-year study in July 2008 that explored opportunities to improve travel between the two counties.

The study analyzed bus, rail and vehicle traffic along the border between Orange and Los Angeles counties. The primary goals of the study were to identify transportation needs in the border area, coordinate cross-border planning, and develop transportation improvements to enhance cross-border connections.

The study identified a purpose and need statement as well as an initial set of conceptual alternatives for improving intercounty travel. The initial set of concepts developed through this study process established a foundation for future work between the two agencies, including further planning, engineering and environmental studies.

On February 23, 2009, the OCTA Board of Directors requested OCTA staff continue working with Metro to develop a work plan for a next phase of the study. While the specific scope of work is not yet complete, OCTA and

Metro have agreed to focus the next phase of the study on the feasibility of transit service for the Pacific Electric Right of Way across the county line. The study will be 18 months long and is expected to be complete by June 2011.

Streets and Roads—Orange County's vast transportation network includes more than 7,200 miles of local streets and roads. OCTA allocates funding to local governments to supplement their programs for maintaining and improving these roadways. Projects include the elimination of potholes, rough surfaces and bottlenecks, as well as increasing street and road capacity to improve mobility and reduce traffic congestion throughout the County.

Major local street improvement projects during fiscal year 2009 included the City of Irvine's MacArthur Boulevard at Red Hill Avenue widening project, which received $6.7 million to begin the construction phase; and the City of Laguna Niguel was awarded approximately $1 million for their portion of the Moulton Parkway Smart Street Project. In addition, the City of Anaheim was awarded $1.1 million toward the engineering and construction phases for improvements at the State College/Ball Road intersection. The City of Anaheim also used $2.2 million for right-of-way activities related to the Katella Avenue Smart Street project.

OCTA continues to monitor $705 million in previous Measure M fund allocations through the competitive Combined Transportation Funding Program and distributed approximately $36.4 million in formula turnback funds in fiscal year 2009. Since the passage of Measure M in 1990, cities and the County have been allocated more than $1.0 billion in Measure M revenues.

Paratransit—OCTA operates curb-to-curb paratransit 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 1.3 million trips during fiscal year 2009.

OCTA also has developed and implemented several effective programs for seniors and special needs customers. The Senior Mobility Program, which supplies operating funds and retired vehicles to local cities' senior programs, provided more than 20,000 trips per month in fiscal year 2009. OCTA's Reduced Fare ID program allows paratransit customers to use the 100 percent accessible fixed-route service for only 25 cents. More than 123,300 reduced-fare boardings were recorded during the last fiscal year. In addition, OCTA partners with the Orange County Office on Aging, cities and senior centers throughout the County to provide nutrition transportation service via contracted taxi providers.

OCTA also provides an operating subsidy to transport developmentally disabled adults and seniors to and from vocational programs, senior service agencies, and adult day care facilities using alternative transportation providers.

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

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

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

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

During fiscal year 2009, total rail ridership for the three lines serving Orange County (including Metrolink riders on Amtrak) totaled 4,189,455 passengers. This represents an increase in ridership of 2.8 percent over the previous fiscal year and the second consecutive year with ridership above 4 million passengers. Total fiscal year 2009 fourth quarter ridership for the three Metrolink lines serving Orange County, including Metrolink passengers on Amtrak, decreased by 7.4 percent compared to the same quarter last year. Ridership increased by 2.7 percent from the third quarter of the current year. According to the Energy Information Administration, average fuel prices dropped 34.3 percent during the 12-month period between July 2008 to June 2009. Additionally, the economy suffered as unemployment rates increased sharply. Both of these factors have affected ridership over the past three quarters.

The Rail 2 Rail Program, in which Metrolink monthly pass holders can ride Amtrak Pacific Surfliner trains within the limit of their passes, has been more successful over the past few years, reporting an 8.7 percent increase over last year. As stated earlier, the fiscal year ended with total Orange County ridership up 2.8 percent, largely due to a strong surge of riders in the first quarter.

Metrolink Weekends, weekend rail service on the OC and IEOC lines, was introduced in 2006. The OC Line provides eight trains on Saturday and Sunday and is funded by OCTA. The IEOC Line weekend service operates six trains on Saturday and four trains on Sunday, and is jointly funded by OCTA, RCTC, and the San Bernardino Associated Governments (SANBAG). Total Metrolink weekend service carried 35,516 Orange County riders during the fourth quarter of fiscal year 2009, 13.7 percent below the same quarter last year.

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

The SCRRA has awarded five separate contracts related to the MSEP. Construction work began in August 2009 and is scheduled for completion in late 2010.

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

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

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

- Adding West and Central Orange County HOV lane connectors to complement the improvements to the SR-22. HOV lane connectors at the confluence of the SR-22, I-405 and the I-605 would enhance congestion relief, improve mobility and complete a continuous system of HOV lanes that also could be used to link express buses on five freeways. Known as the West County Connectors Project, these improvements will get under way with the start of construction in early 2010.

- 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. The Anaheim Regional Transportation Intermodal Center (ARTIC) will be a transportation hub for Orange County and the region, and will accommodate various rail services. This project is currently in the first of three developmental phases; environmental work began in April and architectural and engineering planning started in May 2009.

- Extending the reach of the Metrolink commuter rail by providing funding to cities to identify ways to make Metrolink more convenient to more people. At the close of fiscal year 2009, this project, known as Go Local, was in the second step of a four-step program. During this step, selected proposals undergo detailed planning and alternative analysis such as mapping out route locations, determining the cost to operate the system and determining anticipated ridership. Once step two is complete, cities will compete for funds to implement their projects.

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

Freeway Service Patrol (FSP)— FSP assists stranded motorists on Orange County freeways and highways. FSP is a congestion management component within the Services Authority for Freeway Emergencies (SAFE) program. The FSP helps reduce traffic congestion by quickly removing disabled vehicles and those involved in minor accidents from freeways. FSP tow trucks help get stranded motorists back on the road with a jump start, a gallon of gas, by changing a flat tire or repairing a cooling system hose. All services are free and help keep busy freeways moving. OCTA manages the FSP program, and the CHP provides dispatch, field services whenever law enforcement is required, and oversees the operation of the contracted tow companies.

Service Authority for Freeway Emergencies (SAFE)—Orange County broke new ground in 1987 when it pioneered a solar-powered cellular technology telephone call box network. During fiscal year 2009, OCTA administered, installed and maintained approximately 600 call boxes in Orange County to provide a motorist aid communication system. Currently, call boxes are located at one-half mile intervals along freeways, highways, toll roads and expressways in the most densely populated regions of the County. Each call box is equipped with full two-way communication by voice and by typewritten message to assist speech- and hearing-impaired individuals. With the rise in individual cell phone usage by motorists and a corresponding drop in the number of calls received from call boxes, the OCTA Board of Directors has approved the gradual reduction of call boxes in Orange County as a cost-saving measure.

Service Authority for Abandoned Vehicles (SAAV)—Established in 1991, SAAV handles the removal of abandoned vehicles from roadsides throughout Orange County. Funded by a $1 per vehicle registration fee, this program allows the County and its 34 cities to remove unsightly and potentially dangerous vehicles from local Orange County streets and roads. Using SAAV funds for this purpose means that cities do not have to use important law enforcement and code enforcement funds on vehicle removal. Since it began, the SAAV program has removed nearly 334,000 abandoned vehicles from Orange County streets and roads.

Orange County Taxi Administration Program (OCTAP)—OCTAP is a program operated by OCTA to regulate taxicab companies, drivers and vehicles on behalf of Orange County's 34 cities and the County. OCTAP began operation in January 1998. OCTAP simplified Orange County taxicab regulations with centralized permitting of cab companies, drivers and vehicles. Prior to OCTAP, each city regulated cab companies, resulting in a complex system, minimal standards and inadequate service for passengers. OCTAP was established to alleviate the administrative burden from local cities, centralize the issuance of permits to taxicab companies and drivers, and eliminate duplication of efforts. Local police departments conduct enforcement. All 34 cities in Orange County and the County itself participate in the program, ensuring added efficiency and effectiveness for local governments countywide. By the end of fiscal year 2009, OCTAP was responsible for the permitting of 25 taxi companies, 811 taxicabs and 1,219 taxi drivers.

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

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

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

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

Debt Administration–As of June 30, 2009, OCTA's outstanding debt consisting of bonds, commercial paper notes, and capital leases was $331 million, net of unamortized amounts. Final maturity of the Measure M Sales Tax Revenue Bonds is scheduled for 2011, when the current Measure M Sales Tax Program expires. OCTA refinanced the taxable bonds assumed in the 91 Express Lanes purchase with tax-exempt bonds in November 2003. These bonds final maturity is scheduled for December 2030. The commercial paper notes have been issued for the Renewed Measure M Program.

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

Risk Management–OCTA management is of the opinion that recorded liabilities for OCTA's claims are adequate, and resources are being accumulated in the internal service funds to meet potential losses. In addition, a series of training and wellness programs for OCTA administrative, maintenance, and coach operator employees seek to evaluate and control losses in workers' compensation claims. Defensive driving, customer service and assistance, and other coach operator safety 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, 2008. This was the 26th straight year OCTA or its predecessor agency has received this prestigious award. In order to be awarded a Certificate of Achievement, OCTA published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the U.S. and applicable legal requirements.

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

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

Respectfully submitted,

Will Kempton
Chief Executive Officer

Kenneth G. Phipps
Executive Director of Finance and Administration

BOARD OF DIRECTORS

DEPUTY CEO
JAMES S. KENAN

CHIEF EXECUTIVE OFFICER
WILL KEMPTON

CLERK OF THE BOARD
WENDY KNOWLES
DIRECTOR

INTERNAL AUDIT
KATHLEEN O'CONNELL
EXECUTIVE DIRECTOR

GOVERNMENT RELATIONS
KRISTINE L. MURRAY
EXECUTIVE DIRECTOR

FUNCTIONS:
Federal Relations
State Relations
Local Government Relations

TRANSIT
BETH MCCORMICK
GENERAL MANAGER

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

FINANCE AND ADMINISTRATION
KENNETH G. PHIPPS
EXECUTIVE DIRECTOR

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

DEVELOPMENT
KIA MORTAZAVI
EXECUTIVE DIRECTOR

FUNCTIONS:
Strategic Planning
  Regional Modeling and Traffic Operations
  GIS
  Capital Programs
  Planning & Analysis
  Regional Initiatives
Highway Project Delivery
  Right-of-Way
  Program Management
Project Controls

EXTERNAL AFFAIRS
ELLEN S. BURTON
EXECUTIVE DIRECTOR

FUNCTIONS:
Marketing
Public Communications
Customer Relations
Community Relations

RAIL PROGRAMS
DARRELL JOHNSON
EXECUTIVE DIRECTOR

FUNCTIONS:
Facilities Engineering
Local Initiatives
Metrolink Expansion

HUMAN RESOURCES & ORGANIZATION DEVELOPMENT
PATRICK J. GOUGH
EXECUTIVE DIRECTOR

FUNCTIONS:
Human Resources
Labor & Employee Relations
  EEO/Affirmative Action
Training & Development
Risk Management
  Health, Safety, and Environment Compliance

Peter Buffa
Chairman
Public Member

Jerry Amante
Vice-Chair
Mayor Pro Tem,
City of Tustin

Patricia Bates
Director
Supervisor, District 5
County of Orange

Arthur C. Brown
Director
Councilman,
City of Buena Park

Bill Campbell
Director
Supervisor, District 3
County of Orange

Carolyn Cavecche
Director
Mayor,
City of Orange

William J. Dalton
Director
Mayor,
City of Garden Grove

Richard Dixon
Director
Mayor,
City of Lake Forest

Paul Glaab
Director
Mayor Pro Tem,
City of Laguna Niguel

Cathy Green
Director
Councilmember,
City of Huntington Beach

Allan Mansoor
Director
Mayor,
City of Costa Mesa

John Moorlach
Director
Supervisor, District 2
County of Orange

Janet Nguyen
Director
Supervisor, District 1
County of Orange

Chris Norby
Director
Supervisor, District 4
County of Orange

Curt Pringle
Director
Mayor,
City of Anaheim

Miguel Pulido
Director
Mayor,
City of Santa Ana

Gregory T. Winterbottom
Director
Public Member

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

Will Kempton	Chief Executive Officer
James S. Kenan	Deputy Chief Executive Officer
Wendy Knowles	Director, Clerk of the Board
Kathleen O'Connell	Executive Director, Internal Audit

Ellen S. Burton	Executive Director, External Affairs
Patrick J. Gough	Executive Director, Human Resources & Organizational Development
Darrell Johnson	Executive Director, Rail Programs
Beth McCormick	General Manager, Transit
Kia Mortazavi	Executive Director, Development
Kristine Murray	Executive Director, Government Relations
Kenneth G. Phipps	Executive Director, Finance and Administration

Kenneth G. Phipps	Acting, Director, Finance and Administration
Virginia Abadessa	Director, Contracts Administration and Materials Management
Kirk Avila	Treasurer / General Manager, Tollroads
Carolina Coppolo	Manager, Contracts and Procurement
William Mao	Chief Information Officer, Information Systems
Andrew Oftelie	Manager, Financial Planning and Analysis
Lori Parsel	Section Manager, General Services
Tom Wulf	Manager, Accounting and Financial Reporting

Kennard R. Smart, Jr.	General Counsel

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Transportation Authority, California

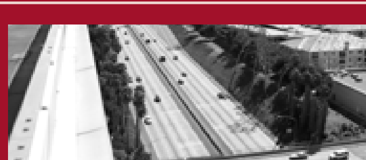
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008

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

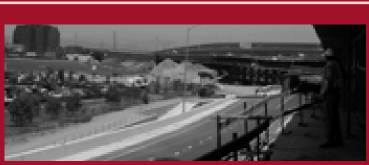
President

Executive Director

SR-22 FREEWAY

FREEWAY CONSTRUCTION PROJECTS

MHM

Mayer Hoffman McCann P.C.
An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA), as of and for the year ended June 30, 2009, which collectively comprise OCTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OCTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, of OCTA for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Board of Directors
Orange County Transportation Authority
Orange, California

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2009 on our consideration of OCTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
October 28, 2009

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, 2009. We encourage readers to consider the information on financial performance presented here in conjunction with the transmittal letter on pages v-xxiv and OCTA's financial statements that begin on page 14. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total net assets of OCTA were $1,231,306 and consisted of net assets invested in capital assets, net of related debt, of $542,913; restricted net assets of $347,818; and unrestricted net assets of $340,575.

- Net assets increased $33,913 during fiscal 2009. The increase in net assets from governmental activities of $30,685 was attributable to tax revenues in excess of net governmental program costs. The increase in net assets from business-type activities of $3,228 was related to an increase in operating grants that were used to offset decreases in gas tax revenues and sales tax revenues used in bus operations.

- Total capital assets, net of accumulated depreciation, were $694,028 at June 30, 2009, representing an increase of $48,303, or 7%, over June 30, 2008. This increase in capital assets was primarily due to the purchase of land for the ARTIC (Anaheim Regional Transportation Intermodal Center) and the purchase of additional CNG buses offset by the retirement of diesel buses.

- OCTA's governmental funds reported combined ending fund balances of $632,153, a decrease of $65,525 compared to fiscal 2008. Approximately 75% of the governmental fund balances represent Local Transportation Authority amounts available for the Measure M program, including debt service.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements include only OCTA and its blended component units. The government-wide financial statements can be found on pages 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 14 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 nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

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

The combining statements referred to earlier relating to nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information. In addition, budgetary results for all other nonmajor governmental funds is located in this section. This other supplementary information can be found on pages 73-96 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, 2009, OCTA's assets exceeded liabilities by $1,231,306, a $33,913 increase from June 30, 2008. 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 44%, compared to 41% in 2008, of OCTA's net assets reflect its investment in capital assets (i.e., toll facility franchise; land; buildings and improvements; machinery, equipment and furniture; transit vehicles; and transponders), less any related outstanding debt used to acquire these assets. OCTA uses these capital assets to provide transportation and transit services to the residents and business community of Orange County. The increase of $20,267 in net assets invested in capital assets, net of related debt, from governmental activities was primarily due to the purchase of land for the ARTIC. The increase of $31,412 in net assets invested in capital assets, net of related debt, from business-type activities was primarily related to the purchase of Compressed Natural Gas (CNG) and paratransit buses and the construction of a CNG fueling station.

Restricted net assets, representing resources subjected to external restrictions on how they may be used, were 28% and 27% of the total net assets at June 30, 2009 and 2008, respectively. Restricted net assets from governmental activities increased $23,800 as a result of sales taxes and unrestricted investment earnings received in excess of net program costs for the Measure M program. The increase in restricted net assets from business-type activities of $4,006 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 $163,221 at June 30, 2008 to $149,839 at June 30, 2009. This decrease is primarily due to the Metrolink Service Expansion Program. The decrease of $31,490 in unrestricted net assets from business-type activities was primarily attributable to the purchase of CNG and paratransit buses and the construction of the CNG fueling facility.

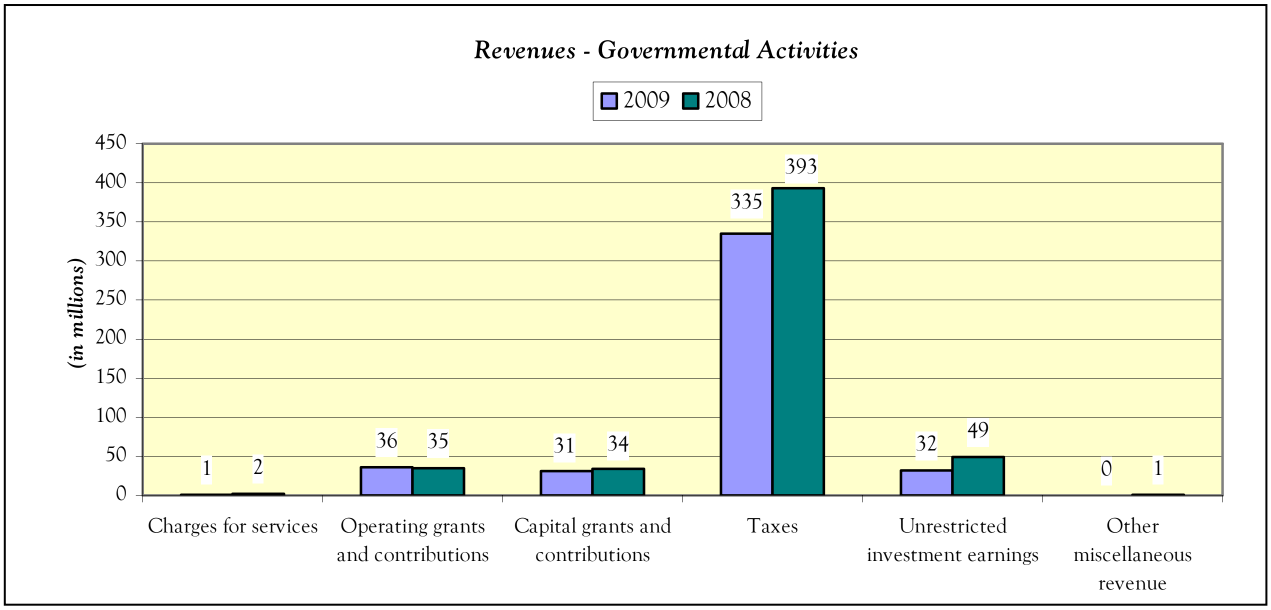
Table 1
Orange County Transportation Authority
Net Assets

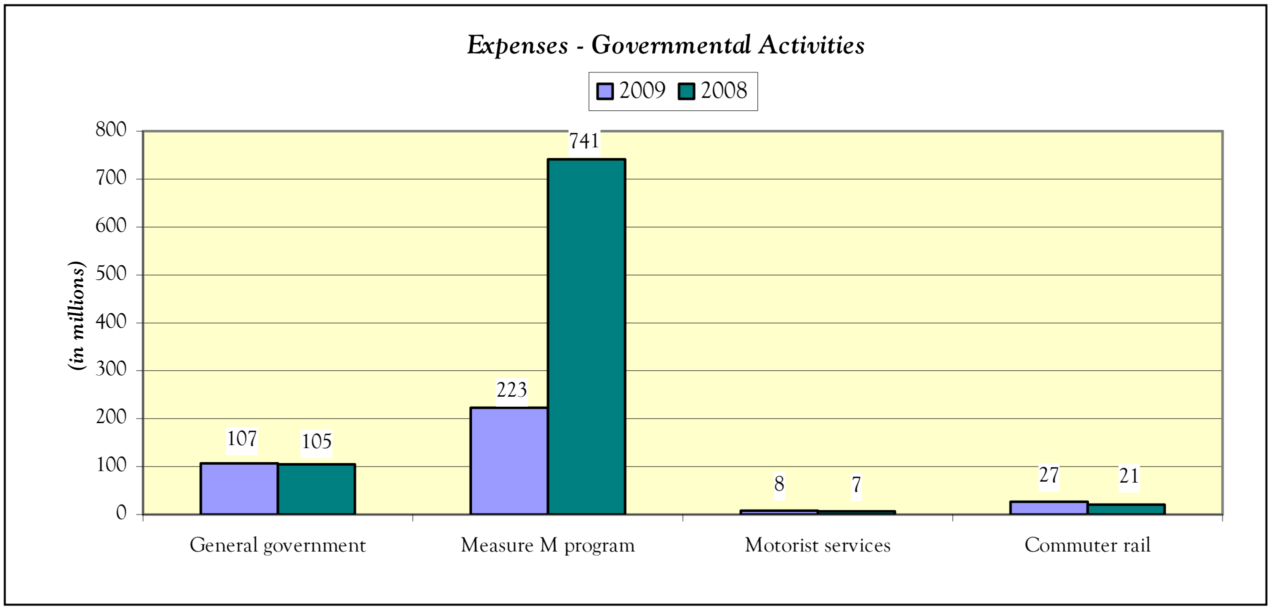
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 688,208	$ 741,778	$ 245,861	$ 315,382	934,069	1,057,160
Restricted assets	72,602	75,402	37,990	33,984	110,592	109,386
Prepaid retirement	4,061	3,938	19,232	15,362	23,293	19,300
Land held for resale	5,667	4,839	-	-	5,667	4,839
Capital assets	175,769	155,502	518,259	490,223	694,028	645,725
Total assets	946,307	981,459	821,342	854,951	1,767,649	1,836,410
Current liabilities	128,510	118,924	47,349	82,512	175,859	201,436
Long-term liabilities	163,726	239,149	196,758	198,432	360,484	437,581
Total liabilities	292,236	358,073	244,107	280,944	536,343	639,017
Net assets:						
Invested in capital assets, net of related debt	175,769	155,502	367,144	335,732	542,913	491,234
Restricted	328,463	304,663	19,355	15,349	347,818	320,012
Unrestricted	149,839	163,221	190,736	222,926	340,575	386,147
Total net assets	$654,071	$623,386	$577,235	$574,007	$1,231,306	$1,197,393

OCTA's total revenues decreased by 10%, while the total cost of all programs decreased by 42%. The significant decrease in program costs is primarily due to the completion of the SR-22 freeway project in the previous fiscal year and resulting transfer to Caltrans. Approximately 46% of the costs of OCTA's programs were paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants and contributions. Taxes and investment earnings financed a significant portion of the programs' net costs. The analysis in Table 2 separately considers the operations of governmental and business-type activities.

Governmental Activities

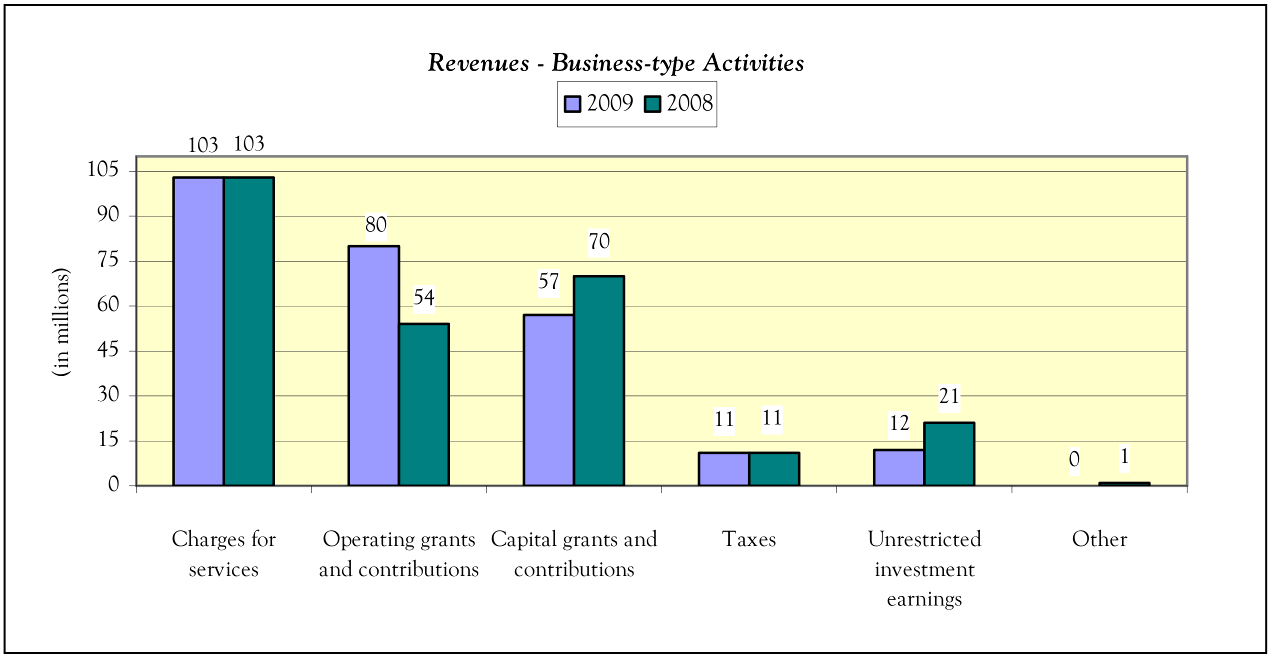
Total revenues for OCTA's governmental activities decreased $80,033 primarily due to a decrease in sales taxes and unrestricted investment earnings due to the economic downturn. Total expenses decreased $510,079 primarily due to the completion of the SR-22 freeway project in the previous fiscal year.

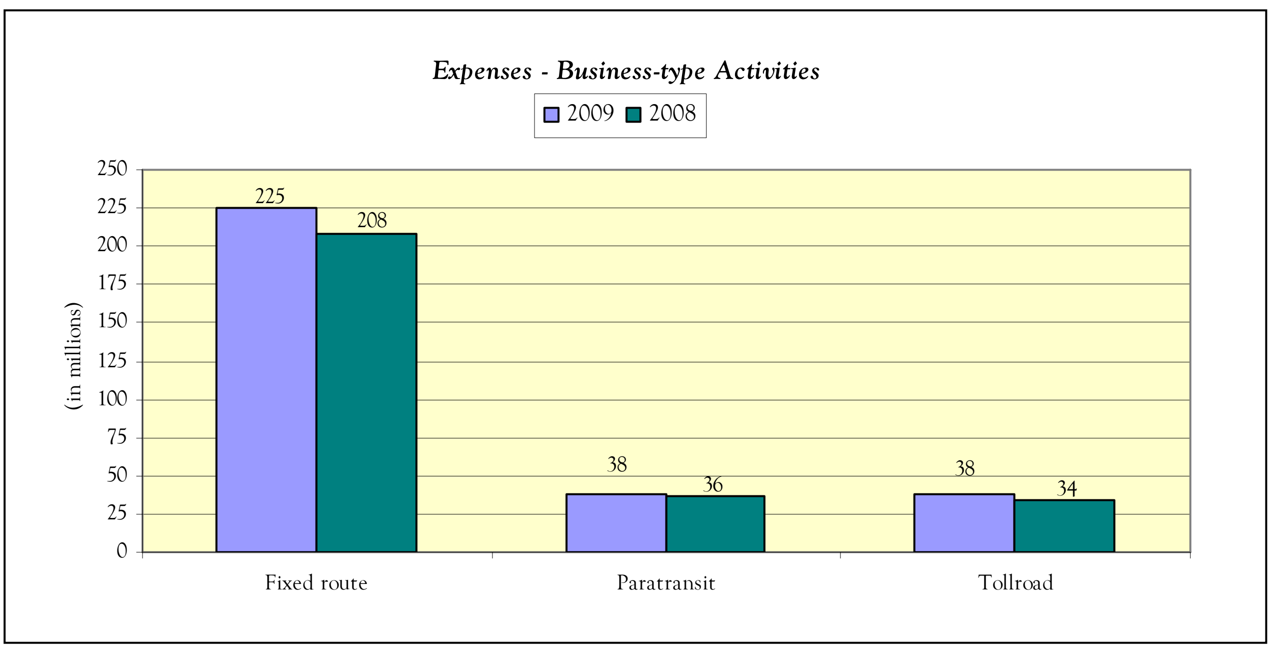




Business-type Activities

Revenues of OCTA's business-type activities increased $4,101 primarily due to an increase in operating grants and contributions received to offset the decrease in gas tax and sales tax used for bus operations. Additionally, capital grants and contributions decreased due to the purchase of CNG and paratransit buses in the previous fiscal year. Total expenses increased $24,087 primarily due to increased general liability costs, an increase in the Senior Mobility Program and higher contract costs for fixed route service.





Capital Asset and Debt Administration

Capital Assets

As of June 30, 2009, OCTA had $694,028, net of accumulated depreciation, invested in a broad range of capital assets including: the 91 Express Lanes toll facility franchise, transit vehicles, land, buildings and machinery, equipment and furniture (Table 3). The total increase in OCTA's capital assets for 2009 was 7%, which was comprised of a 13% increase for governmental activities and a 6% increase for business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 169,629	$ 150,379	$ 55,445	$ 55,420	$ 225,074	$ 205,799
Buildings and improvements	3,368	3,366	96,166	82,871	99,534	86,237
Transit vehicles	-	-	195,800	159,824	195,800	159,824
Machinery, equipment and furniture	982	982	13,235	16,066	14,217	17,048
Toll facility franchise	-	-	157,613	164,944	157,613	164,944
Construction in progress	1,790	775	-	11,098	1,790	11,873
Totals	$ 175,769	$ 155,502	$ 518,259	$ 490,223	$ 694,028	$ 645,725

Major capital asset additions during 2009 included:

- $33,350 for the payment of 63 CNG buses and the partial payment of 35 CNG buses.
- $16,208 for the payment on 169 paratransit vehicles.
- $16,574 for engine replacements.
- $16,250 for the purchase of land for ARTIC.
- $4,290 for building modifications.

Major capital asset deletions during 2009 included:

- $55,379 for disposal of revenue vehicles.

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

OCTA has outstanding capital expenditure commitments, the most significant of which are: $148,048 for the I-5 Gateway project and $11,714 for Bus Rapid Transit project.

Debt Administration

As of June 30, 2009, OCTA had $386,140 in bonds and commercial paper notes outstanding compared to $463,440 at June 30, 2008, as presented in Table 4.

Table 4
Orange County Transportation Authority
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Sales tax revenue bonds	$ 161,200	$ 236,555	$ -	$ -	$ 161,200	$ 236,555
Commercial paper notes	50,000	47,600	-	-	50,000	47,600
Revenue refunding bonds	-	-	174,940	179,285	174,940	179,285
Totals	$ 211,200	$ 284,155	$174,940	$179,285	$ 386,140	$ 463,440

OCTA issued $25,000 in Renewed Measure M commercial paper notes; and retired $22,600 in Measure M commercial paper notes, $75,355 of sales tax revenue bonds and $4,345 of revenue refunding bonds during fiscal year 2009.

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

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

Economic and Other Factors

On June 8, 2009, the OCTA Board of Directors approved the fiscal year 2010 Budget. The budget is balanced at $1,213.7 million and is consistent with the OCTA's long-range Comprehensive Business Plan (CBP). The CBP is updated annually to address changes in the political and economic environment. In Orange County, job losses and the slumping housing market have had a negative impact on sales tax receipts. In addition, complications related to the State of California's Budget have led to reductions in State funding. Recent economic news and projections do not call for a near-term recovery so OCTA faces the likelihood of further reductions in State funding and continued erosion of sales tax revenue.

Competition for discretionary grant funds continues to escalate as public agencies vie for limited or reduced state and federal grant programs. In recent years, transportation funding has been diverted to meet other federal, state or county goals. The State suspended State Transit Assistance (STA) funding for the remainder of fiscal year 2009 and OCTA assumes no STA will be available for the next five years. The loss of STA, decreased sales taxes and decreased fare revenue, have led to a projected annual operating deficit exceeding $30 million for the fixed route program for fiscal year 2010. Efforts will be made to reduce operating costs by eliminating 400,000 revenue vehicle hours in order to achieve a sustainable level of service. Furthermore, increasing costs associated with providing defined-benefit pension plans, federally mandated ACCESS services and the price of fuel continue to be areas of concern. Fortunately, OCTA will benefit this year with the receipt of ARRA funds that will help offset some of the loss in sales tax and other revenue sources and also provide funding for Highway Infrastructure, Rail Modernization and other transportation enhancements.

OCTA is making good on its promise to deliver significant freeway improvements to Orange County. The Measure M program continues its efficient closeout with the construction phases planned for the I-405 West County Connectors project and the completion of the I-5 Gateway project by the end of summer 2010. However, Measure M is not immune to the economic downturn. With less Measure M sales tax receipts expected, the contingency balance for the freeway mode decreased and less funding is available for local street projects. In addition, hundreds of millions of dollars of previously designated funds will be reallocated to continue the Metrolink Service Expansion Program. Tax-exempt commercial paper will be used to kick start various projects included in the Renewed Measure M Early Action Plan. Specifically, construction will begin on the widening projects for the SR-91, I-405, SR-57 and various other freeway improvements along the I-5.

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, 2009	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 609,078	$ 206,266	$ 815,344
Receivables:			
Interest	2,444	2,188	4,632
Operating grants	813	30,576	31,389
Capital grants	5,984	877	6,861
Other	142	9,549	9,691
Internal balances	25,363	(25,363)	-
Due from other governments	35,812	9,576	45,388
Condemnation deposits	1,558	-	1,558
Note receivable	2,147	-	2,147
Inventory	-	7,455	7,455
Restricted cash and investments:			
Cash equivalents	42,613	37,990	80,603
Investments	29,989	-	29,989
Prepaid retirement	4,061	19,232	23,293
Other assets	4,867	4,737	9,604
Land held for resale	5,667	-	5,667
Capital assets, net:			
Nondepreciable	171,419	55,445	226,864
Depreciable and amortizable	4,350	462,814	467,164
Total Assets	946,307	821,342	1,767,649
Liabilities			
Accounts payable	18,952	21,499	40,451
Accrued payroll and related items	1,934	4,977	6,911
Accrued interest payable	3,375	4,531	7,906
Due to other governments	46,140	478	46,618
Unearned revenue	8,043	15,412	23,455
Other liabilities	66	452	518
Commercial paper notes	50,000	-	50,000
Noncurrent liabilities:			
Due within one year	80,856	19,193	100,049
Due in more than one year	82,870	177,565	260,435
Total Liabilities	292,236	244,107	536,343
Net Assets			
Invested in capital assets, net of related debt	175,769	367,144	542,913
Restricted for:			
Measure M program	206,074	-	206,074
Debt Service	114,259	6,027	120,286
Motorist services	8,130	-	8,130
Capital	-	10,105	10,105
Other purposes	-	3,223	3,223
Unrestricted	149,839	190,736	340,575
Total Net Assets	$ 654,071	$ 577,235	$ 1,231,306

See accompanying notes to the financial statements.

Statement of Activities

(thousands)

for the year ended June 30, 2009	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Total
Functions/Programs								
Primary government								
Governmental activities:								
General government	$ 106,676	$ (47,737)	$ 133	$ 26,742	$ 11,840	$ (20,224)	$ -	$ (20,224)
Measure M program	222,731	10,388	353	948	16,733	(215,085)	-	(215,085)
Motorist services	7,814	306	-	8,170	-	50	-	50
Commuter rail	27,009	952	614	232	2,174	(24,941)	-	(24,941)
Total governmental activities	364,230	(36,091)	1,100	36,092	30,747	(260,200)	-	(260,200)
Business-type activities:								
Fixed route	224,538	34,194	52,641	74,438	55,862	-	(75,791)	(75,791)
Paratransit	37,980	-	6,321	5,804	726	-	(25,129)	(25,129)
Tollroad	38,224	1,763	43,705	-	-	-	3,718	3,718
Taxicab administration	299	134	549	-	-	-	116	116
Total business-type activities	301,041	36,091	103,216	80,242	56,588	-	(97,086)	(97,086)
Total primary government	$ 665,271	$ -	$ 104,316	$ 116,334	$ 87,335	(260,200)	(97,086)	(357,286)
General revenues:								
Property taxes						-	11,295	11,295
Sales taxes						335,465	-	335,465
Unrestricted investment earnings						31,501	12,186	43,687
Other miscellaneous revenue						412	340	752
Transfers						(76,493)	76,493	-
Total general revenues and transfers						290,885	100,314	391,199
Change in net assets						30,685	3,228	33,913
Net assets - beginning						623,386	574,007	1,197,393
Net assets - ending						$ 654,071	$ 577,235	$ 1,231,306

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

(thousands)

June 30, 2009	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	$ 2,009	$ 459,338	$ 4,565	$ 76,336	$ 41,494	$ 25,336	$ 609,078
Receivables:							
Interest	-	1,661	12	385	163	223	2,444
Operating grants	114	699	-	-	-	-	813
Capital grants	4,183	1,236	-	565	-	-	5,984
Other	57	59	-	13	-	13	142
Due from other funds	413	-	-	9,962	-	-	10,375
Due from other governments	10,251	13,734	2,913	235	-	8,679	35,812
Condemnation deposits	-	1,558	-	-	-	-	1,558
Note receivable	-	2,147	-	-	-	-	2,147
Advances to other funds	-	-	-	25,315	-	4,400	29,715
Restricted cash and investments:							
Cash equivalents	-	-	-	-	42,613	-	42,613
Investments	-	-	-	-	29,989	-	29,989
Prepaid retirement	4,061	-	-	-	-	-	4,061
Other assets	436	1,548	-	-	-	374	2,358
Total Assets	$ 21,524	$ 481,980	$ 7,490	$ 112,811	$ 114,259	$ 39,025	$ 777,089
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ 4,376	$ 13,119	$ -	$ 371	$ -	$ 1,086	$ 18,952
Accrued payroll and related items	1,934	-	-	-	-	-	1,934
Compensated absences	2,451	-	-	-	-	-	2,451
Due to other funds	6,795	-	-	382	-	2,830	10,007
Due to other governments	1,087	42,733	117	961	-	1,242	46,140
Deferred revenue	209	9,497	-	1,021	-	257	10,984
Other liabilities	37	21	-	-	-	-	58
Advances from other funds	-	4,400	-	-	-	-	4,400
Commercial paper notes	-	50,000	-	-	-	-	50,000
Interest payable	-	10	-	-	-	-	10
Total Liabilities	16,889	119,780	117	2,735	-	5,415	144,936
Fund Balances							
Reserved for:							
Condemnation deposits	-	1,558	-	-	-	-	1,558
Note receivable	-	2,147	-	-	-	-	2,147
Prepaid Retirement	4,061	-	-	-	-	-	4,061
Other assets	436	1,548	-	-	-	374	2,358
Encumbrances	8,398	67,628	-	563	-	13,311	89,900
Advances	-	-	-	25,315	-	4,400	29,715
Debt service	-	-	-	-	114,259	-	114,259
Transportation programs	-	289,319	7,373	-	-	1,193	297,885
Motorist services	-	-	-	-	-	8,130	8,130
Unreserved, reported in:							
General fund	(8,260)	-	-	-	-	-	(8,260)
Special revenue funds	-	-	-	84,198	-	8,284	92,482
Capital projects funds	-	-	-	-	-	(2,082)	(2,082)
Total Fund Balances	4,635	362,200	7,373	110,076	114,259	33,610	632,153
Total liabilities and fund balances	$ 21,524	$ 481,980	$ 7,490	$ 112,811	$ 114,259	$ 39,025	$ 777,089

See accompanying notes to the financial statements.

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

(thousands)

June 30, 2009

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

Total fund balances (page 16)	$	632,153
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		175,769
Land held for resale is not a financial resource and therefore is not reported in the funds.		5,667
Earned but unavailable revenue is not available to liquidate current liabilities and therefore is deferred.		2,941
Other long-term assets related to costs of issuance and prepaid expenses are not available to pay for current-period expenditures and therefore are deferred.		2,509
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		(320)
Interest payable on bonds outstanding are not due and payable in the current period and therefore are not reported in the funds.		(3,364)
Other liabilities, including OPEB, are not due and payable in the current period and therefore are not reported in the funds.		(9)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(161,275)
Net assets of governmental activities (page 14)	$	654,071

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, 2009	General	LTA	Local Transportation	CURE	LTA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Sales taxes	$ -	$ 237,397	$ 89,666	$ -	$ -	$ 8,402	$ 335,465
Gasoline taxes	-	-	-	-	-	23,000	23,000
Vehicle registration fees	-	-	-	-	-	5,193	5,193
Fines	133	-	-	24	-	-	157
Contributions from other agencies	2,766	3,544	-	232	-	4,276	10,818
Interest and investment income	120	20,441	145	6,293	3,033	1,386	31,418
Capital assistance grants	10,130	13,308	-	2,173	-	1,387	26,998
Miscellaneous	34	2,500	-	590	-	262	3,386
TOTAL REVENUES	13,183	277,190	89,811	9,312	3,033	43,906	436,435
EXPENDITURES							
Current:							
General government	13,046	52,236	1,422	16,398	151	5,931	89,184
Transportation:							
Contributions to other local agencies	16,022	117,804	3,831	11,563	-	25,214	174,434
Capital outlay	450	69,468	-	-	-	2,748	72,666
Debt service:							
Principal payments on long-term debt	-	-	-	-	75,355	-	75,355
Interest on long-term debt and commercial paper	-	630	-	-	13,199	-	13,829
TOTAL EXPENDITURES	29,518	240,138	5,253	27,961	88,705	33,893	425,468
Excess (deficiency) of revenues over (under) expenditures	(16,335)	37,052	84,558	(18,649)	(85,672)	10,013	10,967
OTHER FINANCING SOURCES (USES)							
Transfers in	12,002	8,501	-	3,167	88,086	1,752	113,508
Transfers out	(122)	(89,391)	(83,610)	(2,065)	(5,477)	(9,337)	(190,002)
Proceeds from sale of capital assets	2	-	-	-	-	-	2
TOTAL OTHER FINANCING SOURCES (USES)	11,882	(80,890)	(83,610)	1,102	82,609	(7,585)	(76,492)
Net change in fund balances	(4,453)	(43,838)	948	(17,547)	(3,063)	2,428	(65,525)
Fund balances-beginning	9,088	406,038	6,425	127,623	117,322	31,182	697,678
FUND BALANCES-ENDING	$ 4,635	$ 362,200	$ 7,373	$ 110,076	$ 114,259	$ 33,610	$ 632,153

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, 2009

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)	$	(65,525)
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.		21,464
Transfer of the completion of the SR22 HOV project to Caltrans.		(1,196)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(1,200)
Prepaid expenses are recorded in the fund statements as expenditures. However, in the statement of activities the cost of the asset is amortized over the life of the asset. This amount is the net between the prepaid amount and the amortization.		35
Prior year deferred revenues received in the current year are reported as revenues in the funds and not reported in the statement of activities.		82
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.		76,879
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.		124
The effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		22
Change in net assets of governmental activities (page 15)	$	30,685

See accompanying notes to the financial statements.

Statement of Fund Net Assets - Proprietary Funds

(thousands)

	Enterprise Funds				
June 30, 2009	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash and investments	$ 93,203	$ 43,343	$ 27,306	$ 163,852	$ 42,414
Receivables:					
Interest	460	1,033	433	1,926	262
Operating grants	30,576	-	-	30,576	-
Capital grants	877	-	-	877	-
Violations, net	-	6,621	-	6,621	-
Farebox	949	-	-	949	-
Other	831	747	17	1,595	384
Due from other funds	2,799	-	-	2,799	-
Due from other governments	9,575	-	-	9,575	1
Inventory	7,455	-	-	7,455	-
Prepaid retirement	19,195	-	37	19,232	-
Other assets	-	369	-	369	1,320
Total current assets	165,920	52,113	27,793	245,826	44,381
Noncurrent assets:					
Restricted cash and investments:					
Cash equivalents	-	37,990	-	37,990	-
Unamortized debt issuance costs	-	3,048	-	3,048	-
Capital assets, net:					
Nondepreciable	55,445	-	-	55,445	-
Depreciable and amortizable	299,590	163,224	-	462,814	-
Total noncurrent assets	355,035	204,262	-	559,297	-
Total Assets	520,955	256,375	27,793	805,123	44,381

See accompanying notes to the financial statements.

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

(thousands)

	Enterprise Funds				
June 30, 2009	OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	$ 14,631	$ 6,192	$ 10	$ 20,833	$ 666
Accrued payroll and related items	4,966	-	11	4,977	-
Accrued interest	69	4,462	-	4,531	-
Due to other funds	3,167	-	-	3,167	-
Claims payable	-	-	-	-	4,792
Due to other governments	476	-	2	478	-
Unearned revenue	11,264	4,146	2	15,412	-
Other liabilities	2	347	-	349	103
Current portion of long-term liabilities	9,866	4,515	20	14,401	-
Total current liabilities	44,441	19,662	45	64,148	5,561
Noncurrent liabilities:					
Advances from other funds	-	25,315	-	25,315	-
Claims payable	-	-	-	-	15,595
Long-term liabilities	6,514	155,456	-	161,970	-
Total noncurrent liabilities	6,514	180,771	-	187,285	15,595
Total Liabilities	50,955	200,433	45	251,433	21,156
Net Assets					
Invested in capital assets, net of related debt	345,220	21,888	-	367,108	-
Restricted for:					
Debt service	-	6,027	-	6,027	-
Capital	-	10,105	-	10,105	-
Other purposes	-	3,223	-	3,223	-
Unrestricted	124,780	14,699	27,748	167,227	23,225
Total Net Assets	$ 470,000	$ 55,942	$ 27,748	$ 553,690	$ 23,225

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, 2009

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

Total net assets (page 21)	$	553,690
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the general liability and workers' compensation internal service funds are included in business-type activities. Additionally, the effect of the elimination entries between the Governmental and the Business-type activities and the Governmental activities share of the allocation of the profit and loss of the Workers Compensation Internal Service Fund.		23,545
Net assets of business-type activities (page 14)	$	577,235

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, 2009	OCTD (Enterprise Funds)	91 Express Lanes (Enterprise Funds)	Nonmajor Enterprise Funds (Enterprise Funds)	Total Enterprise Funds (Enterprise Funds)	Internal Service Funds
Operating revenues:					
User fees and charges	$ 54,206	$ 43,705	$ -	$ 97,911	$ -
Permit fees	-	-	549	549	-
Charges for services	-	-	-	-	6,185
Total operating revenues	54,206	43,705	549	98,460	6,185
Operating expenses:					
Wages, salaries and benefits	130,542	-	245	130,787	-
Maintenance, parts and fuel	26,207	-	-	26,207	-
Purchased services	36,850	6,208	41	43,099	-
Administrative services	34,027	1,763	135	35,925	167
Other	2,503	792	1	3,296	234
Insurance claims and premiums	8	384	-	392	11,245
Professional services	17,633	6,190	43	23,866	1,451
General and administrative	5,347	471	9	5,827	-
Depreciation and amortization	36,914	9,151	-	46,065	-
Total operating expenses	290,031	24,959	474	315,464	13,097
Operating income (loss)	(235,825)	18,746	75	(217,004)	(6,912)
Nonoperating revenues (expenses):					
Gas tax exchange	23,000	-	-	23,000	-
Federal operating assistance grants	52,639	-	-	52,639	-
Property taxes allocated by the County of Orange	11,295	-	-	11,295	-
Investment earnings	5,514	3,151	1,599	10,264	1,922
Interest expense	(465)	(15,028)	-	(15,493)	-
Other	4,681	33	1	4,715	1,139
Total nonoperating revenues (expenses)	96,664	(11,844)	1,600	86,420	3,061
Income (loss) before contributions and transfers	(139,161)	6,902	1,675	(130,584)	(3,851)
Capital contributions	61,191	-	-	61,191	-
Transfers in	108,453	-	3	108,456	-
Transfers out	(10,740)	(3,024)	(14,000)	(27,764)	(4,198)
Change in net assets	19,743	3,878	(12,322)	11,299	(8,049)
Total net assets - beginning	450,257	52,064	40,070	542,391	31,274
Total net assets - ending	$ 470,000	$ 55,942	$ 27,748	$ 553,690	$ 23,225

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, 2009

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)	$	11,299
Internal service funds are used by management to charge the costs of risk management and employee health to individual funds. The net revenue of the general liability and workers compensation internal service funds are included in business-type activities in the statement of net assets. Additionally, the effect of allocating the Worker's Compensation Internal Service Fund loss to the Government activities.		(8,071)
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE 15)	$	3,228

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

(thousands)

for the year ended June 30, 2009	Enterprise Funds OCTD	91 Express Lanes	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	$ 54,368	$ 43,282	$ 532	$ 98,182	$ -
Receipts from interfund services provided	-	-	-	-	6,170
Payments to suppliers	(112,451)	(11,767)	(100)	(124,318)	(1,321)
Payments to claimants	(8)	-	-	(8)	(6,347)
Payments to employees	(128,965)	-	(247)	(129,212)	-
Payments for interfund services used	(34,027)	(1,763)	(135)	(35,925)	(167)
Advertising revenue received	4,201	-	-	4,201	-
Miscellaneous revenue received	851	33	1	885	1,139
Net cash provided by (used for) operating activities	(216,031)	29,785	51	(186,195)	(526)
Cash flows from noncapital financing activities:					
Gas tax exchange received	21,042	-	-	21,042	-
Federal operating assistance grants received	45,143	10	-	45,153	-
Property taxes received	11,295	-	-	11,295	-
Transfers from other funds	116,506	-	3	116,509	-
Transfers to other funds	(12,119)	(3,024)	(14,000)	(29,143)	(4,198)
Repayment of advances from other funds	-	(20,000)	-	(20,000)	-
Net cash provided by (used for) noncapital financing activities	181,867	(23,014)	(13,997)	144,856	(4,198)
Cash flows from capital and related financing activities:					
Federal capital grants for acquisition and construction of capital assets	59,858	-	-	59,858	-
Proceeds from sale of capital assets	1,505	-	-	1,505	-
Payment of capital lease	(3,280)	-	-	(3,280)	-
Principal payment on long-term debt	-	(4,345)	-	(4,345)	-
Interest paid on long-term debt	(490)	(10,197)	-	(10,687)	-
Acquisition and construction of capital assets	(74,857)	(573)	-	(75,430)	-
Net cash (used for) capital and related financing activities	(17,264)	(15,115)	-	(32,379)	-
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	18,635	-	18,635	-
Investment earnings	6,138	2,860	1,809	10,807	2,200
Net cash provided by investing activities	6,138	21,495	1,809	29,442	2,200
Net increase (decrease) in cash and cash equivalents	(45,290)	13,151	(12,137)	(44,276)	(2,524)
Cash and cash equivalents at beginning of year	138,493	68,182	39,443	246,118	44,938
Cash and cash equivalents at end of year	$ 93,203	$ 81,333	$ 27,306	$ 201,842	$ 42,414
Noncash capital, financing and investing activities:					
Increase in interest expense incurred on advances from other funds	-	2,543,125	-	-	-

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds, *continued*

(thousands)

for the year ended June 30, 2009	Enterprise Funds OCTD	Enterprise Funds 91 Express Lanes	Enterprise Funds Nonmajor Enterprise Funds	Enterprise Funds Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	$ (235,825)	$ 18,746	$ 75	$ (217,004)	$ (6,912)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation expense	36,914	1,820	-	38,734	-
Amortization of franchise agreement	-	7,331	-	7,331	-
Amortization of cost of issuance	-	143	-	143	-
Amortization of prepaid retirement	14,487	-	26	14,513	-
Advertising revenue	4,201	-	-	4,201	-
Miscellaneous	851	33	1	885	-
Insurance recoveries	-	-	-	-	1,139
Change in assets and liabilities:					
Other receivables	162	(272)	(17)	(127)	(173)
Due from other governments	-	-	-	-	(1)
Inventory	1,702	-	-	1,702	-
Prepaid retirement	(13,762)	-	(35)	(13,797)	-
Other assets	253	(50)	-	203	21
Accounts payable	(24,570)	2,185	(6)	(22,391)	343
Accrued payroll and related items	560	-	2	562	-
Compensated absences	39	-	5	44	-
Claims payable	-	-	-	-	5,056
Due to other governments	(1,043)	-	-	(1,043)	-
Unearned revenue	-	(133)	-	(133)	-
Other liabilities	-	(18)	-	(18)	1
Total adjustments	19,794	11,039	(24)	30,809	6,386
Net cash provided by (used for) operating activities	$ (216,031)	$ 29,785	$ 51	$ (186,195)	$ (526)
Reconciliation of cash and cash equivalents to statement of net assets					
Cash and investments	$ 93,203	$ 43,343	$ 27,306	$ 163,852	$ 42,414
Restricted cash and cash equivalents	-	37,990	-	37,990	-
Total cash and cash equivalents	$ 93,203	$ 81,333	$ 27,306	$ 201,842	$ 42,414

See accompanying notes to the financial statements.

Statement of Fiduciary Net Assets

(thousands)

June 30, 2009	Scholarship Trust Fund	ARBA Trust Fund	Total Fiduciary Funds
Assets			
Cash and investments	$ 12	$ 6,722	$ 6,734
Total Assets	12	6,722	6,734
Liabilities			
Accounts payable	9	-	9
Total liabilities	9	-	9
Net Assets			
Held in trust for future scholarships	3	-	3
Held in trust for pension benefits	-	6,722	6,722
Total Net Assets	$ 3	$ 6,722	$ 6,725

See accompanying notes to the financial statements.

Statement of Changes in Fiduciary Net Assets

(thousands)

for the year ended June 30, 2009	Scholarship Trust Fund	ARBA Trust Fund	Total Fiduciary Funds
ADDITIONS			
Contributions:			
Employer contributions	$ -	$ 925	$ 925
Private donations	21	-	21
Total contributions	21	925	946
Investment loss:			
Investment loss	-	(2,078)	(2,078)
Less investment expense	-	18	18
Net investment loss	-	(2,096)	(2,096)
TOTAL ADDITIONS	21	(1,171)	(1,150)
DEDUCTIONS			
Benefits	-	378	378
Scholarships	19	-	19
TOTAL DEDUCTIONS	19	378	397
Change in net assets	2	(1,549)	(1,547)
Net assets - beginning	1	8,271	8,272
NET ASSETS - ENDING	$ 3	$ 6,722	$ 6,725

See accompanying notes to the financial statements.

(THOUSANDS)

JUNE 30, 2009

(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 and Administration Division.

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

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

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

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

The accompanying financial statements present the government and its component units, entities for which OCTA is considered 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. The effect of interfund activity has been removed from these statements. Indirect costs have been allocated to the functions/programs on the Statement of

Activities in a separate column entitled "Indirect Expenses Allocation." Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges and fees for support.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Interest expense related to the sales tax revenue bonds and commercial paper, the capital lease, and the taxable bonds and advances from OCTA funds is reported as a direct expense of the Measure M program, fixed route, and tollroad functions, respectively, as it would be misleading to exclude the interest from direct expenses and the borrowings are considered essential to the creation or continuing existence of these programs. For the year ended June 30, 2009, interest expense of $12,247, $465 and $14,609, was included as Measure M, fixed route, and tollroad program costs, respectively. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Sales taxes and other items, which are properly not included among program revenues, are reported instead as general revenues.

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

OCTA reports the following major governmental funds:

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

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

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

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

(THOUSANDS)

JUNE 30, 2009

- *LTA Debt Service Fund* – This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the LTA.

OCTA reports the following major enterprise funds:

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

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

Additionally, OCTA reports the following fund types:

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

  General Liability
  Workers' Compensation

- *Additional Retiree Benefit Account (ARBA) Trust Fund* – This fund accounts for the resources legally held in trust for additional retiree benefits. Employees that retiree from OCTA with 10 years or more of service receive an additional $10 per month for each year of service up to $150 per month.

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

Measurement Focus and Basis of Accounting

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

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

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, monies 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, monies 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 23, 2009. 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, 2009, 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.

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

(THOUSANDS)

JUNE 30, 2009

The Annual Investment Policy (AIP) requires the assets in the portfolio to consist of the following investments and maximum permissible concentrations based on book value and are more restrictive than applicable state statutes for the following cases:

OCTA Notes and Bonds (25%)

Commercial Paper (25%)

- Must be rated by two of the three rating agencies at the following level or better: P-1 by Moody's Investor Service (Moody's), A-1 by Standard & Poor's Corporation (S & P) or F-1 by Fitch Ratings (Fitch).
- Must be issued by corporations rated A- or better by S & P, A3 or better by Moody's or A- or better by Fitch, with further restrictions to issuer size.
- Maximum Term: 180 days.

Negotiable Certificates of Deposit (30%)

- Must be 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 Statistical Rating Organizations.
- The issuer must have the following minimum credit ratings of A-1 by S & P, P-1 by Moody's, F1 by Fitch.
- Maximum Term 270 days.

Bankers Acceptance (30%)

- Must be rated by at least two of the Nationally Recognized Statistical Rating Organizations 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.
- Maximum Term: 180 days.

Mortgage or Asset-Backed Securities (20%)

- Must be rated AAA by S & P, Aaa by Moody's, or AAA by Fitch.
- The issuer must have an A or better rating by S & P, A2 or better by Moody's or A or better by Fitch or an equivalent rating by a Nationally Recognized Statistical Rating Organization recognized for rating service for its long-term debt.
- Maximum Term: Five year stated final maturity.

Repurchase Agreements (75%)

- Must be collateralized at one hundred and two percent (102%).

(THOUSANDS)

JUNE 30, 2009

- Reverse repurchase agreements or securities lending are not permitted.

- Maximum Term: 30 days.

MEDIUM-TERM NOTES (30%)

- Corporate securities which are rated A- or better by S & P, A3 or better by Moody's or A- by Fitch or an equivalent rating by two of the three Nationally Recognized Statistical Rating Organizations.

- Medium term notes must 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.

- Maximum Term: 5 years.

Other allowable investment categories include money market funds, mutual funds, and 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 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.

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

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

- Issuer/Counter-Party Diversification Guidelines for all securities except Federal Agencies, Government Sponsored Enterprises, Investment Agreements, Repurchase Agreements and 91 Express Lanes Debt – 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%).

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

For the purpose of the statement of cash flows, OCTA considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits and negotiable certificates of deposit represent cash and cash equivalents for cash flow purposes.

(THOUSANDS)

June 30, 2009

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 2008-09 fiscal year, $47,896 of administrative services were charged to other OCTA funds from the general fund. These charges for services are reported as general government expenditures in governmental fund types and as administrative services expenses in the proprietary fund types.

Internal service funds are utilized by OCTA to account for risk management activities in the areas of general liability and workers' compensation. Charges for risk management services provided are reported as general government expenditures in the governmental funds receiving the services and as wages, salaries and benefits or other operating expenses in the proprietary funds. The risk management internal service funds charged $6,185 to OCTA's operating funds.

Inventory

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

Restricted Cash and Investments

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

Capital Assets

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

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

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

(THOUSANDS)

JUNE 30, 2009

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

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

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

Land Held for Resale

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

Compensated Absences

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

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

Long-Term Debt

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

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

Risk Management

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

Property Taxes

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

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

Contributions to Other Agencies

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

Net Assets

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

- *Invested in capital assets, net of related debt* – This reflects the net assets of OCTA that are invested in capital assets, net of related debt. Usually this indicates that these net assets are not accessible for other purposes.

- *Restricted Net Assets* – This represents the net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties. The government-wide statement of net assets reports $347,818 of restricted net assets, which is restricted by enabling legislation.

- *Unrestricted Net Assets* – This represents those net assets that are available for general use.

(THOUSANDS)

JUNE 30, 2009

Fund Equity

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

Use of Estimates

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

(2) Reconciliation of Government-wide and Fund Financial Statements

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

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

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this $175,769 difference are as follows:

Capital assets	$ 185,053
Less accumulated depreciation	(9,284)
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental	**$175,769**

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 ($161,275) difference are as follows:

Bonds payable	$ (161,200)
Less deferred charge on refunding (to be amortized as interest expense)	673
Plus unamortized bond issuance premium (to be amortized to interest expense)	(702)
Compensated absences	(46)
Net adjustment to decrease fund balance – total governmental funds to arrive at net assets – governmental	**$(161,275)**

(THOUSANDS)

JUNE 30, 2009

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

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

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

The details of this $21,464 difference are as follows:

Capital outlay	$ 22,101
Depreciation expense	(637)
NET ADJUSTMENT TO INCREASE NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	**$21,464**

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 $76,879 difference are as follows:

Principal repayments - sales tax revenue bonds	$ 75,355
Change in accrued interest	1,568
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	**$ 76,879**

(3) DIVERSION OF TDA FUNDING

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

(THOUSANDS)

JUNE 30, 2009

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. OCTA has successfully exchanged funds for 12 years as of June 30, 2009.

(4) CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2009:

DEPOSITS:	
Deposits	$ 22,996
Petty Cash	5
TOTAL CASH	**23,001**
INVESTMENTS:	
With Orange County Treasurer	5,014
With LAIF	41
With Trustee	227,022
With Custodian	677,592
TOTAL INVESTMENTS	**909,669**
TOTAL CASH AND INVESTMENTS	**$932,670**

Total deposits and investments are reported in the following funds:

UNRESTRICTED CASH AND INVESTMENTS:	
Governmental Funds	$ 609,078
Proprietary Funds:	
Enterprise	163,852
Internal Service	42,414
Fiduciary Funds	6,734
RESTRICTED CASH AND INVESTMENTS:	
Governmental Funds	72,602
Proprietary Funds:	
Enterprise	37,990
TOTAL CASH AND INVESTMENTS	**$932,670**

Restricted investments at June 30, 2009, represent reserves for debt service, capital and other purposes.

(THOUSANDS)

JUNE 30, 2009

As of June 30, 2009, OCTA had the following investments:

Investment	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity (Years)
Orange County Investment Pool	$ 5,014	$ 5,010	.64%-2.64%	30-58 days	48 days or .13
Local Agency Investment Fund	41	41	1.38%-2.89%	212-235 days	235 days or .64
U. S. Treasuries	300,498	299,557	Discount .87%-4.75%	12/10/09- [illegible]	1.99
U. S. Agency Notes	196,009	193,852	Discount, 1.37%-6.98%	7/31/09-4/17/14	1.92
Medium Term Notes	129,787	129,664	1.78%-7.76%	8/10/09-5/13/14	2.41
Mortgage and Asset Backed Securities	59,023	57,685	.99%-5.60%	8/25/09-6/15/14	2.22
Money Market & Mutual Funds	142,014	142,014	Variable	7/1/09	1 Day
Variable Rate Notes	18,766	18,836	.51%-2.01%	7/23/09-6/19/13	1.07
Investment Agreements	30,189	16,349	Discount, 3.87	8/15/09-2/15/11	1.57
Negotiable Certificates of Deposit	28,328	28,328	.08%-2.00%	7/1/09-7/9/09	.01
TOTAL INVESTMENTS	$909,669	$891,336			
PORTFOLIO WEIGHTED AVERAGE MATURITY					1.66

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, 2009, asset-backed securities totaled $59,023. The underlying assets are consumer receivables that include credit cards, auto and home loans. The securities have a fixed interest rate and are rated AAA by at least two of the three nationally recognized rating services.

(THOUSANDS)

June 30, 2009

As of June 30, 2009, OCTA had the following variable rate notes:

Investment	Fair Value	Coupon Multiplier	Coupon Reset Date
Allstate Life Global	999	LIBOR + 60 basis points	Quarterly
American Express Credit Corp	838	LIBOR + 170 basis points	Monthly
American Honda Financial Corp	1,228	LIBOR + 40 basis points	Quarterly
Bank America Corp	1,009	LIBOR + 20 basis points	Quarterly
Bank New York Inc	501	LIBOR + 40 basis points	Quarterly
Caterpillar Financial Services	1,000	LIBOR + 45 basis points	Quarterly
Citigroup Inc	425	LIBOR + 33 basis points	Quarterly
Federal Farm Credit Banks	2,004	LIBOR + 20 basis points	Monthly
Goldman Sachs	1,010	LIBOR + 25 basis points	Quarterly
Hewlett Packard Corp	1,326	LIBOR + 40 basis points	Quarterly
John Deere Capital Corp	1,203	LIBOR + 45 basis points	Quarterly
JP Morgan Chase & Co	1,744	LIBOR + 3 basis points	Quarterly
Morgan Stanley	501	LIBOR + 210 basis points	Quarterly
PNC Bank NA Pittsburgh	1,499	LIBOR + 40 basis points	Quarterly
UBS AG Stamford Medium Term Note	1,999	LIBOR – 1 basis point	Quarterly
Wachovia Bank NA	1,480	LIBOR + 7 basis points	Quarterly
Total Investments	18,766		

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, 2009, OCTA did not have any deposits or securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

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

(THOUSANDS)

JUNE 30, 2009

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, 2009. (NR means Not Rated, US means obligation by the U. S. government or obligations explicitly guaranteed by the U. S. government):

INVESTMENTS	S & P	MOODY'S	FITCH	% OF
Orange County Investment Pool	NR	Aaa	AAA/VI+	.55%
Local Agency Investment Fund	NR	NR	NR	0.00%
U. S. Treasuries	US	US	US	33.04%
U. S. Agency Notes	AAA	Aaa	AAA	21.55%
Medium Term Notes	A	A	A	14.27%
Mortgage and Asset Backed Securities	AAA	Aaa	AAA	6.49%
Money Market and Mutual Funds	AAA	Aaa	NR	15.61%
Investment Agreements	NR	NR	NR	3.32%
Variable Rate Notes	A	A	A	2.06%
Negotiable Certificates of Deposit	AA	Aa2	AA	3.11%
TOTAL				100%

As of June 30, 2009, OCTA held one investment in Lehman Brothers Holding Inc. Medium Term Notes. The investment had a $1,000 par maturing on January 24, 2013. On September 15, 2008, Lehman Brothers Holding Inc. filed for bankruptcy. As of June 30, 2009, the market value of the security was 15.125% of par.

CONCENTRATION OF CREDIT RISK

At June 30, 2009, OCTA did not exceed the AIP limitation that states that no more than:

- 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for federal agencies, government sponsored enterprises, investment agreements, repurchase agreements and 91 Express Lanes debt.
- 20% may be invested in any money market mutual fund.

INVESTMENT IN STATE INVESTMENT POOL

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

(5) GRANTS AND STATE ASSISTANCE

OPERATING ASSISTANCE GRANTS

Under provisions of the Federal Transit Administration (FTA) and the TDA, funds are available to OCTD for Americans with Disabilities Act (ADA) paratransit operating assistance, demonstration projects, transportation planning, and acquisition and construction of facilities, transit vehicles and related support equipment. For 2009, OCTA was awarded $35,947 in operating assistance and had a receivable of $31,389 outstanding as of June 30, 2009.

(THOUSANDS)

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 2009, OCTA was awarded $22,094 in capital grants and had a receivable of $6,861 outstanding as of June 30, 2009.

Local Transportation Fund

In 2009, LTF received revenues from a one-quarter percent state sales and use tax through provisions of the TDA, as amended. Under TDA, monies are to be made available to OCTD for acquisitions of property, plant and equipment and for operating expenses. In 2009, OCTA and OCTD became entitled to $3,930 and $78,359 in LTF monies, 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 2009, STAF was allocated a portion of the state gasoline tax. The gasoline tax is allocated to each county based on demographic factors. In 2009, OCTD became entitled to $8,402 in STAF monies. This entitlement was recorded as a transfer from STAF to OCTD. This is a significant reduction from prior years due to the state budget shortfall. See Note 17 for subsequent disclosure related to future STA funding.

Proposition 1B

The Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) Fund is a part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of $19.9 billion was deposited into the PTMISEA fund, $3.6 billion of which was made available to project sponsors in California for allocation to eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation or replacement. Proposition 1B (Prop 1B) activity during the fiscal year ended June 30, 2009 was as follows:

	Amount
Unspent Prop 1B funds as of June 30, 2008	$ 23,150
Prop 1B funds received during fiscal year ended June 30, 2009	3,521
Expenditures recorded during fiscal year ended June 30, 2009	(17,330)
Net interest revenue/(expense) earned on unspent Prop 1B funds during fiscal year ended June 30, 2009	1,523
Unspent Prop 1B funds as of June 30, 2009	**$10,864**

(THOUSANDS)

JUNE 30, 2009

(6) DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2009 are as follows:

	Governmental Funds					Enterprise Funds	Internal Service Funds	
Receivables:	**General**	**LTA**	**LTF**	**CURE**	**Nonmajor Funds**	**OCTD**	**General Liability**	**Total**
Sales taxes	$ -	$ 9,204	$ 2,913	$ -	$ 2,799	$ -	$ -	$14,916
Project reimbursements	10,225	3,950	-	182	1,855	5,133	-	21,345
Vehicle registration fees	-	-	-	-	1,047	-	-	1,047
Gas tax exchange	-	-	-	-	-	1,958	-	1,958
Other	26	580	-	53	2,978	2,484	1	6,122
Total	**$ 10,251**	**$ 13,734**	**$ 2,913**	**$ 235**	**$ 8,679**	**$ 9,575**	**$ 1**	**$45,388**

(7) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances at June 30, 2009 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
General Fund	Nonmajor Governmental Funds	$ 31	Management fee
General Fund	CURE Fund	382	Irvine Transportation Center
CURE Fund	OCTD Enterprise Fund	3,167	Operating assistance
CURE Fund	General Fund	6,795	Fund negative balance
OCTD Enterprise Fund	Nonmajor Governmental Funds	2,799	OCTD operations
Total		**$13,174**	

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount	Explanation
CURE Fund	91 Express Lanes Fund	$ 25,315	91 Express Lanes purchase
Nonmajor Governmental	LTA	4,400	Measure M II expenses
Total		**$29,715**	

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

(THOUSANDS)

OCTA funds at an interest rate, adjusted each January, representing OCTA's rate of return on short-term investments (4.82% at June 30, 2009). 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, 2009, the 91 Express Lanes repaid $20,000 of the advance with net revenues. At June 30, 2009, these advances were $25,315 and are reported as interfund balances.

Interfund Transfers:

Transfers Out	Transfers In	Amount	Explanation
General Fund	Nonmajor Governmental Funds	$ 122	Transportation projects
LTA Fund	LTA Debt Service Fund	$ 88,086	Debt service
LTA Fund	OCTD Enterprise Fund	1,000	Fare stabilization
LTA Fund	Nonmajor Governmental Funds	305	Transportation projects
Local Transportation Fund	General Fund	3,930	OCTA planning
Local Transportation Fund	OCTD Enterprise Fund	78,359	OCTD and CTSA operations
Local Transportation Fund	Nonmajor Governmental Funds	1,321	ADA bus stops
CURE Fund	OCTD Enterprise Fund	2,065	Stationlink and Rail feeder service
LTA Debt Service Fund	LTA Fund	5,477	Excess debt service available for Measure M program
Nonmajor Governmental Funds	General Fund	159	Transportation projects and Management fees
Nonmajor Governmental Funds	OCTD Enterprise Fund	9,174	OCTD operations and capital purchase
Nonmajor Governmental Funds	Nonmajor Governmental Funds	4	Automated vehicle locator program
OCTD Enterprise Fund	General Fund	7,573	Bristol Street Widening & BRT Design Costs
OCTD Enterprise Fund	CURE Fund	3,167	Rail operations (Metrolink)
91 Express Lanes Fund	LTA Fund	3,024	Transportation projects
Nonmajor Enterprise funds	OCTD Enterprise Fund	14,000	OCTD Operations
Internal Service Funds	General Fund	340	Excess Workers Compensation contribution
Internal Service Funds	OCTD Enterprise Fund	3,855	Excess Workers Compensation contribution
Internal Service Funds	Nonmajor Enterprise Fund	3	Excess Workers Compensation contribution
		$221,964	

(8) Capital assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 150,379	$ 19,250	$ -	$ 169,629
Construction in progress	193	1,547	-	1,740
Construction in progress held for Department of Transportation	582	665	1,197	50
Total capital assets, not being depreciated	151,154	21,462	1,197	171,419

(THOUSANDS)

JUNE 30, 2009

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets, being depreciated:				
Buildings and improvements	4,878	171	-	5,049
Machinery, equipment and furniture	8,144	468	27	8,585
Total capital assets, being depreciated	13,022	639	27	13,634
Less accumulated depreciation for:				
Buildings and improvements	(1,512)	(169)	-	(1,681)
Machinery, equipment and furniture	(7,162)	(468)	(27)	(7,603)
Total accumulated depreciation	(8,674)	(637)	(27)	(9,284)
Total capital assets, being depreciated, net	4,348	2	-	4,350
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	**$155,502**	**$21,464**	**$ 1,197**	**$175,769**
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 55,420	25	$ -	$ 55,445
Construction in progress	11,098	1,589	12,687	-
Total capital assets, not being depreciated	66,518	1,614	12,687	55,445
Capital assets, being depreciated and amortized:				
Buildings and improvements	127,921	18,190	7	146,104
Transit vehicles	317,802	66,155	55,379	328,578
Machinery, equipment and furniture	64,241	2,717	1,630	65,328
Toll facility franchise	205,264	-	-	205,264
Total capital assets, being depreciated and amortized	715,228	87,062	57,016	745,274
Less accumulated depreciation and amortization for:				
Buildings and improvements	(45,050)	(4,895)	(7)	(49,938)
Transit vehicles	(157,978)	(28,417)	(53,617)	(132,778)
Machinery, equipment and furniture	(48,175)	(5,422)	(1,504)	(52,093)
Toll facility franchise	(40,320)	(7,331)	-	(47,651)
Total accumulated depreciation and amortization	(291,523)	(46,065)	(55,128)	(282,460)
Total capital assets, being depreciated and amortized	423,705	40,997	1,888	462,814
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS	**$490,223**	**$ 42,611**	**$14,575**	**$518,259**

(THOUSANDS)

JUNE 30, 2009

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

Governmental activities:	
General government	$ 572
Measure M program	62
Motorist services	3
TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	**$637**
Business-type activities:	
Fixed route	$ 33,042
Paratransit	3,872
Tollroad	9,151
TOTAL DEPRECIATION AND AMORTIZATION EXPENSE – BUSINESS-TYPE ACTIVITIES	**$46,065**

(9) RISK MANAGEMENT - CLAIMS LIABILITY

OCTA is self-insured for workers' compensation and general liability claims, and also purchases excess workers' compensation and general liability insurance. Workers' compensation claims are insured up to a maximum amount per claim of $500. General liability claims in excess of a $4,000 self-insured retention are insured for up to an additional $35,000 per occurrence. Settled claims have not exceeded insurance coverage in any prior fiscal years. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. General liability and workers' compensation reserves are actuarially determined. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Management is of the opinion that the recorded liabilities for OCTA's self-insured claims are adequate.

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

	2009	2008
GENERAL LIABILITY		
UNPAID CLAIMS AS OF JULY 1	$ 5,337	$ 5,027
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	456	1,321
Increase/(Decrease) in provision for prior year events	4,936	(141)
Total incurred claims	5,392	1,180
PAYMENTS:		
Claims attributable to current year events	242	454
Claims attributable to prior year events	798	416
Total payments	(1,040)	(870)
Unpaid claims at June 30,	9,689	5,337

(THOUSANDS)

June 30, 2009

	2009	2008
Workers' Compensation		
Unpaid claims as of July 1,	9,994	10,619
Incurred claims (including claims incurred but not reported as of June 30):		
Provision for current year events	1,554	455
Increase/(Decrease) in provision for prior year events	2,991	2,618
Total incurred claims	4,545	3,073
Payments:		
Claims attributable to current year events	589	161
Claims attributable to prior year events	3,252	3,537
Total payments	(3,841)	(3,698)
Unpaid claims at June 30,	10,698	9,994
Total unpaid claims at June 30,	20,387	15,331
Less current portion of unpaid claims	4,792	3,324
Total long-term portion of unpaid claims	$ 15,595	$ 12,007

(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, 2009, nor were there any amounts outstanding under this Letter of Credit agreement at June 30, 2009.

As of June 30, 2009, LTA had no Notes outstanding. $6,600, $5,000 and $11,000 in Notes were retired in October 2008, November 2008 and February 2009, respectively, bringing the outstanding balance to $0.

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

As of June 30, 2009, LTA had outstanding Renewed Measure M Notes in the amount of $50,000. Interest is payable on the respective maturity dates of the Renewed Measure M Notes, which are the earlier of 270 days from date of issuance or program termination. The maximum allowable interest rate on the Renewed Measure M Notes is 12.0%. The average issuance rate during fiscal year 2009 was 1.05%.

(THOUSANDS)

June 30, 2009

Changes in Short-Term Debt

Short-term debt activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax exempt commercial paper	$ 22,600	$ -	$ 22,600	$ -
Tax exempt commercial paper – Renewed Measure M	25,000	25,000	-	50,000
Total	**$ 47,600**	**$ 25,000**	**$ 22,600**	**$ 50,000**

(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.

In August 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 monies 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.

In March 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 (1998 Second Senior Series) in revenue bonds to continue with the financing of Measure M related projects. The net proceeds plus additional 1992 First Senior Series sinking fund monies 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.

In October 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 $48,430 of the 1994 Second Senior Bonds. The proceeds plus additional sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 and 1994 bonds. The amount of the refunded bonds, which have been eliminated in the financial statements, were paid February 17, 2004.

(THOUSANDS)

JUNE 30, 2009

A summary of the bonds outstanding is as follows:

	1992 1ST Senior Bond	1992 2ND Senior Bond	1994 2ND Senior Bond	1997 2ND Senior	1998 2ND Senior	2001 2ND Senior Bond
Issuance Date	08/27/92	09/18/92	02/24/94	08/15/97	03/15/98	10/15/01
Original issue amount	$ 350,000	$ 190,000	$ 200,000	$ 57,730	$ 213,985	$ 48,430
Original issue (discount)/ premium	(2,612)	(727)	(165)	3,800	11,687	3,510
Net bond	$ 347,388	$ 189,273	$ 199,835	$ 61,530	$ 225,672	$ 51,940
Issuance costs	$ 3,508	$ 2,323	$ 2,535	$ 780	$ 2,194	$ 590
Reserve requirements	$ -	$ 14,416	$ 11,406	$ 2,002	$ 24,581	$ 6,263
Cash reserve balance	$ -	$ 14,419	$ 11,409	$ 2,002	$ 24,593	$ 6,266
Interest Rate	2.8%-12.23%	2.9%-12.03%	2.8%-12.55%	3.8%-5.7%	3.9%-5.5%	4.0-5.0%
Effective blended rate	6.0%	5.96%	4.94%	5.06%	4.45%	3.70%
Annual principal payment	$25,500-27,200	$ -	$ -	$14,700-15,445	$22,085-23,300	$16,120-16,850
Maturity	2011	2011	2011	2011	2011	2011
Bonds outstanding	$52,700	-	-	$30,145	$45,385	$32,970
Less deferred loss on refunding	-	-	-	-	-	(673)
Plus unamortized premium	-	-	-	-	-	702
Total	**$52,700**	**$ -**	**$ -**	**$30,145**	**$45,385**	**$32,999**

Annual debt service requirements on the sales tax revenue bonds as of June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest
2010	78,405	9,000
2011	82,795	4,627
Total	**$161,200**	**$13,627**

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.

(THOUSANDS)

JUNE 30, 2009

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 2003-B-2 Bonds were issued as adjustable rate bonds.

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

Interest Rate Swaps

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

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

On October 2, 2008, OCTA provided a Notice of Event of Default and Reservation of Rights letter to Lehman Brothers Special Financing and Lehman Brothers Commercial Bank regarding the rating downgrade and the missed counterparty payment of $228 on October 1, 2008. On February 15, 2009 and August 15, 2009, OCTA did not remit payment to Lehman Brothers as part of the swap agreement because of Lehman Brother's Event of Default. OCTA continues to work with general counsel and bond counsel to determine the impact of the bankruptcy on OCTA's interest rate swap.

Terms

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

(THOUSANDS)

JUNE 30, 2009

month LIBOR index is equal to or greater than 4.0% or the Securities Industry Financial Markets Association (SIFMA) Index if LIBOR is less than 4.0%.

Fair Value

As of June 30, 2009, the negative fair value for the $75,000 swap with Lehman Brothers was estimated by PFM Asset Management to be $11,168. As of June 30, 2009, the negative fair value for the $25,000 swap with JP Morgan was estimated by PFM Asset Management to be $3,723. Therefore, if the swaps were terminated on June 30, 2009, OCTA would have made a termination payment of $11,168 and $3,723 to Lehman Brothers and JP Morgan, respectively. The termination payments that would have been owed by OCTA if the swaps were terminated on June 30, 2009 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 OCTA to the swap providers is 4.06227%. As of June 30, 2009, this fixed rate was higher than the current rate for a swap of identical terms and conditions. The fair values were estimated by the counterparties using proprietary methodologies.

Credit Risk

To mitigate the potential for credit risk, the $75,000 swap with Lehman Brothers and the $25,000 swap with JP Morgan require collateralization with U.S. government securities at all times if a termination payment is required. Due to the fact that interest rates declined since the swaps were executed, the counterparties did not owe OCTA a termination payment as of June 30, 2009.

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 SIFMA receiver rate in low interest rate environments, where rate compression has historically been at its highest.

Under the parity swap agreements, OCTA pays the counterparties a fixed payment of 4.06227% and the counterparties pay OCTA a floating rate equal to 67% of LIBOR if LIBOR is equal to or greater than 4.0% or the SIFMA Index if LIBOR is less than 4.0%. As of June 30, 2009, OCTA experienced $5,404 in cumulative negative basis differential since inception of the swap program in November 2003. This negative amount has been funded with toll road revenues.

Termination Risk

Termination risk is the risk that an event occurs that causes a termination of the parity swaps and the OCTA would incur replacement costs. As of the June 30, 2009 valuation, there had not been a termination event.

(THOUSANDS)

JUNE 30, 2009

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2009, 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
2010	$ -	$ 2,888	$ 2,784	$ -	$ 963	$ 928	$ 7,563
2011	-	2,888	2,784	-	963	928	7,563
2012	-	2,888	2,784	-	962	928	7,562
2013	-	2,888	2,784	-	962	928	7,562
2014	-	2,887	2,785	-	962	928	7,562
2015-2019	-	14,437	13,921	-	4,813	4,640	37,811
2020-2024	17,900	13,144	12,674	5,960	4,382	4,225	58,285
2025-2029	38,935	6,628	6,391	12,990	2,209	2,130	69,283
2030-2031	18,165	357	345	6,050	119	115	25,151
	$ 75,000	$ 49,005	$ 47,252	$ 25,000	$ 16,335	$ 15,750	$ 228,342

(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.

As rates vary, variable-rate bond interest payments and net swap payments will vary. The OCIP rate on the 2003-B-1 and B-2 debt was 3.85% on June 30, 2009. As part of the Swap Agreement, OCTA receives the SIFMA Index which amounted to 0.35% on June 30, 2009.

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	$ 35,585
Cash reserve balance	$ 37,990
Interest rate	2.0% to 5.375% *
Maturity	December 2030
Principal payment date	August 15
Current balance	$174,940
Unamortized premium	$5,408
Deferred amount on refunding	($20,377)

* 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 were swapped to a fixed rate of 4.06227%.

(THOUSANDS)

JUNE 30, 2009

Annual debt service requirements on the tax-exempt bonds as of June 30, 2009, are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2010	4,515	7,743	12,258
2011	4,740	7,517	12,257
2012	4,980	7,274	12,254
2013	5,245	7,009	12,254
2014	5,525	6,730	12,255
2015-2019	32,355	28,921	61,276
2020-2024	41,440	19,994	61,434
2025-2029	51,925	10,379	62,304
2030-2031	24,215	1,008	25,223
TOTAL	$174,940	$96,575	$271,515

The interest rate used to determine the future annual debt service requirements for the variable rate bonds was 4.06227% at June 30, 2009.

CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2009, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental activities:					
Sales tax revenue bonds	$ 236,555	$ -	$ 75,355	$ 161,200	$ 78,405
Unamortized deferred loss on refunding	(1,009)	-	(336)	(673)	-
Unamortized premium	1,053	-	351	702	-
Compensated absences	2,550	3,569	3,622	2,497	2,451
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	$239,149	$ 3,569	$ 78,992	$163,726	$80,856
Business-type activities:					
Tax-exempt bonds	179,285	-	4,345	174,940	4,515
Capital lease	13,060	-	3,281	9,779	3,417
Unamortized premium	5,661	-	253	5,408	-
Unamortized deferred amount on refunding	(21,445)	-	(1,068)	(20,377)	-
Claims payable	15,331	9,937	4,881	20,387	4,792
Compensated absences	6,540	11,253	11,207	6,585	6,469
Other post employment benefits	-	36	-	36	-
TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	$198,432	$ 21,226	$ 22,899	$196,758	$19,193

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

(THOUSANDS)

JUNE 30, 2009

ARBITRAGE REBATE

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

In accordance with the arbitrage regulations, if excess earnings were calculated, 90% of the amount calculated would be due to the Internal Revenue Service (IRS) at the end of each five year period. The remaining 10% would be recorded as a liability and paid after all bonds had been redeemed. During the current year, OCTA performed calculations of excess investment earnings on various bonds issues. $420 was paid in January 2009.

PLEDGED REVENUE

OCTA has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the summary of bonds outstanding tables. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions. For the year ended June 30, 2009, the 91 Express Lanes incurred an additional $3,249 in interest costs associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc. Debt service payments as a percentage of the pledged gross revenue, less certain expenses as required by the debt agreement, for the year ended June 30, 2009, are indicated in the table below:

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Measure M Sales Tax	$199,767	$88,556	44.3%
91 Express Lanes Toll Road Revenue	$46,726	$15,504	33.2%

(12) PENSION PLANS

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

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

Full time employees of the OCTA, except for those former employees of the OCTC who elected to participate in PERS, participate in OCERS, a cost-sharing multiple-employer defined benefit plan. OCERS provides for

(THOUSANDS)

JUNE 30, 2009

retirement, death, disability and cost-of-living benefits and is subject to provisions of the County Employees Retirement Law of 1937 and other applicable statutes. OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans administered by OCERS. Copies of OCERS' annual financial report may be obtained from its executive office: 2223 Wellington Avenue, Santa Ana, CA 92701.

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

Funding Policy (OCERS) - Plan members contribute between 5.10% to 11.64% to the plan. OCTA's actuarially determined contribution requirement was 16.82% of total covered payroll.

Annual Pension Cost (PERS) – Annual required contributions for fiscal year 2009 were based on the June 30, 2006 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, 2009, 2008, and 2007, 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 2009 were based on the OCERS actuarial valuation as of December 31, 2006, in which the investment return assumption was 7.75%, and the inflation factor was 3.50%. The salary increase rate assumption varies by duration of service between 4.10% and 10.50% for General members, which includes the inflation factor of 3.50%. There are assumed to be no across the board salary increases.

OCTA's contributions to OCERS for the years ended June 30, 2009, 2008, and 2007 were $17,473, $15,236, and $13,579, respectively, and were equal to the required contribution calculated by the OCERS actuary for each year.

Supplemental Pension Plan

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

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

(THOUSANDS)

June 30, 2009

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

Annual Pension Cost - The Plan's Annual Pension Cost for the fiscal year ending June 30, 2009 is $786 which is equal to OCTA's required and actual contributions.

Three-year Trend Information

Fiscal Year Ending June 30	Annual Pension Cost	Actual Contribution	Percentage Contribution	Net Pension Obligation
2009	$ 786	$ 786	100%	$0
2008	$ 786	$ 786	100%	$0
2007	N/A	N/A	N/A	N/A

The following information describes the calculation methodology:

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

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

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

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

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

Sample rates with 5+ years of service are:

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

(THOUSANDS)

JUNE 30, 2009

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

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

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

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

Required Supplementary Information

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

(13) Other postemployment benefits (OPEB)

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

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

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

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

(THOUSANDS)

For fiscal year 2009, OCTA contributed $39 in implied subsidy through the active healthcare premiums:

	Total
Total Active Health Premiums	$6,461
Reclassification for Implied Subsidy	(39)
Net Active Health Premiums	**$6,422**

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

The following table shows the components of OCTA's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the Plan, and changes in OCTA's net OPEB obligation.

	Total
Annual required contribution	$60
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	60
Benefit payments made	39
Increase in net OPEB obligation	21
Net OPEB obligation – beginning of year	24
Net OPEB obligation – end of year	$45

OCTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net postemployment healthcare plan obligation for the year ended June 30, 2009 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	$60	65.0%	$21
6/30/08	$57	57.9%	$24
6/30/07	N/A	N/A	N/A

(THOUSANDS)

JUNE 30, 2009

Funded Status - The June 30, 2009 funded status, based on the January 1, 2008 actuarial valuation was:

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

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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	$60	60.0%
2008	$57	57.9%
2007	N/A	N/A

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

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

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

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

(THOUSANDS)

JUNE 30, 2009

(14) PURCHASE COMMITMENTS

OCTA has various long-term outstanding contracts that extend over several years and rely on future years' revenues. Total commitments at June 30, 2009 are as follows:

	Total Purchase Commitments	Reserve for Encumbrance	Unencumbered Purchase Commitments
Governmental Funds:			
General	$ 182,315	$ 8,398	$ 173,917
LTA	792,737	67,628	725,109
LTF	649	-	649
CURE	8,251	563	7,688
Nonmajor governmental funds	25,636	13,311	12,325
Total Governmental Funds	1,009,588	89,900	919,688
Proprietary Funds:			
OCTD	206,392	9,486	196,906
91 Express Lanes	7,728	190	7,538
Nonmajor proprietary funds	2,861	-	2,861
Internal Service	1,153	134	1,019
Total Proprietary Funds	218,134	9,810	208,324
TOTAL	$ 1,227,722	$ 99,710	$ 1,128,012

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

(15) OTHER COMMITMENTS AND CONTINGENCIES

LITIGATION

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

METROLINK EVENT

On September 12, 2008, a Metrolink commuter train collided with a freight train in Chatsworth. Metrolink has worked closely with the National Transportation Safety Board and other agencies to determine the cause of the collision and has convened an independent Rail Safety Peer Review Panel to thoroughly examine its safety practices.

(THOUSANDS)

June 30, 2009

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, a Compressed Natural Gas (CNG) Fueling Facility, tires for revenue vehicles, and office equipment. These leases are considered for accounting purposes to be operating leases. The lease for OCTA's administrative headquarters in Orange was for fifteen years beginning in September 1993, and was recently amended extending the lease term to April 30, 2018. Lease expenditures for the year ended June 30, 2009 amounted to $7,782.

Future minimum payments for these leases are as follows:

Fiscal year ending		
2010	$	7,772
2011		4,212
2012		3,886
2013		3,909
2014		3,929
2015-2018		16,045
Total	**$**	**39,753**

Capital leases

OCTA is also committed under multiple leases for design and construction of CNG Fueling Facilities which are considered to be capital leases. As of fiscal year 2009, the three facilities have been completed at a cost of $16,942 and is included in building and improvements. The terms of the leases are for five years commencing July 21, 2006 for the first lease and October 30, 2007 for the other two leases.

Future minimum payments for these leases are as follows:

Fiscal year ending		
2010	$	3,765
2011		3,766
2012		2,310
2013		577
Total minimum lease payments		10,418
Less: interest costs		(639)
Present value of net minimum lease payments	**$**	**9,779**

(16) Joint venture

OCTA is one of five members of the Southern California Regional Rail Authority (SCRRA), a joint powers authority created in 1992. The SCRRA's board consists of one member from the Ventura County Transit Commission (VCTC); two each from OCTA, the San Bernardino Associated Governments (SANBAG) and the Riverside County Transportation Commission (RCTC); and four members from the Los Angeles County Metropolitan Transportation Authority (LACMTA). SCRRA is responsible for maintaining and operating a regional commuter rail system (Metrolink) in five southern California counties. As a member of the agency, OCTA makes annual capital and operating contributions for its prorata share of rail lines serving Orange County. OCTA expended $29,620 during 2009 for its share of Metrolink capital and operating costs. Separate financial statements are prepared by and available from the SCRRA, which is located at 700 N. Flower Street, 26th floor, Los Angeles, CA 90017.

(17) Subsequent events

On July 10, OCTA was awarded and executed $76.8 million in American Recovery and Reinvestment Act Transit Capital Assistance Grants.

On September 30, 2009, the California Supreme Court denied the petition by the state to override the Third District Court of Appeals decision protecting transit funding (Shaw v. Chiang). Ultimately, this action could restore $3.4 billion to transit agencies. OCTA will be working closely with the California Transit Association to negotiate with the Legislature regarding the future use of these transit funds – while also working to protect any other transportation accounts that could be negatively impacted.

On October 5, 2009, the Orange County Superior Court gave preliminary approval to the settlement agreement between OCTA and the plaintiffs of the Avery et al. v. Orange County Transportation Authority, et al case. In January 2007, a lawsuit was filed by customers of the OCTA 91 Express Lanes challenging the penalties imposed by OCTA. The class members have until January 19, 2010 to object to or opt out of the settlement. A final fairness hearing is scheduled for February 16, 2010. A pool of $700 will be paid on a pro-rata share to all eligible class members and $750 will be paid to the plaintiffs' counsel. Both the $700 and $750 have been recorded in the financial statements.

(18) Effect of new pronouncements

GASB Statement No. 49

In November 2006, GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement address accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. For fiscal year 2009, OCTA did not have any pollution remediation obligations.

(THOUSANDS)

JUNE 30, 2009

GASB STATEMENT NO. 51

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

GASB STATEMENT NO. 52

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

GASB STATEMENT NO. 53

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

GASB STATEMENT NO. 54

In March 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definition. This statement is effective for OCTA's fiscal year ending June 30, 2011.

GASB STATEMENT NO. 55

In March 2009, GASB issued Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, the object of which is to incorporate the hierarchy of general accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. OCTA follows this hierarchy.

GASB STATEMENT NO. 56

In March 2009, GASB issued Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. The objective of which incorporates into the Governmental Accounting Standards Board's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. OCTA uses the codification for guidance.

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

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines	$ 181	$ 181	$ 133	$ (48)
Contributions from other agencies	24,970	8,970	2,766	(6,204)
Interest and investment income	479	479	120	(359)
Capital assistance grants	13,985	13,985	10,130	(3,855)
Miscellaneous	200	200	34	(166)
Total revenues	39,815	23,815	13,183	(10,632)
Expenditures				
Current:				
General government:				
Salaries and benefits	38,547	38,245	37,455	790
Supplies and services	37,239	36,434	23,487	12,947
Interfund reimbursements	(51,251)	(50,328)	(47,896)	(2,432)
Transportation:				
Contributions to other local agencies	22,429	22,429	16,022	6,407
Capital outlay	24,032	8,329	450	7,879
Total expenditures	70,996	55,109	29,518	25,591
Excess (deficiency) of revenues over (under) expenditures	(31,181)	(31,294)	(16,335)	14,959
Other financing sources (uses)				
Transfers in	20,406	20,406	12,002	(8,404)
Transfers out	-	-	(122)	(122)
Proceeds from sale of capital assets	-	-	2	2
Total other financing sources (uses)	20,406	20,406	11,882	(8,524)
Net change in fund balance	$ (10,775)	$ (10,888)	$ (4,453)	$ 6,435

See accompanying notes to required supplementary information.

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

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax revenue	$ 282,517	$ 243,105	$ 237,397	$ (5,708)
Contributions from other agencies	1,883	1,883	3,544	1,661
Interest and investment income	14,975	14,975	20,441	5,466
Capital assistance grants	37,658	37,658	13,308	(24,350)
Miscellaneous	2,541	2,541	2,500	(41)
Total revenues	339,574	300,162	277,190	(22,972)
Expenditures				
Current:				
General government:				
Supplies and services	123,606	122,737	52,236	70,501
Transportation:				
Contributions to other local agencies	239,634	142,336	117,804	24,532
Capital outlay	185,858	168,558	69,468	99,090
Debt service:				
Interest on long-term debt and commercial paper	2,337	2,337	630	1,707
Total expenditures	551,435	435,968	240,138	195,830
Excess (deficiency) of revenues over (under) expenditures	(211,861)	(135,806)	37,052	172,858
Other financing sources (uses)				
Transfers in	3,015	3,015	8,501	5,486
Transfers out	(90,081)	(90,081)	(89,391)	690
Total other financing sources (uses)	(87,066)	(87,066)	(80,890)	6,176
Net change in fund balance	$ (298,927)	$ (222,872)	$ (43,838)	$ 179,034

See accompanying notes to required supplementary information.

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

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax revenue	$ 112,688	$ 93,770	$ 89,666	$ (4,104)
Interest and investment income	49	49	145	96
Total revenues	112,737	93,819	89,811	(4,008)
Expenditures				
Current:				
General government:				
Supplies and services	1,248	1,248	1,422	(174)
Transportation:				
Contributions to other local agencies	7,590	7,590	3,831	3,759
Total expenditures	8,838	8,838	5,253	3,585
Excess of revenues over expenditures	103,899	84,981	84,558	(423)
Other financing uses				
Transfers out	(106,991)	(88,073)	(83,610)	4,463
Total other financing uses	(106,991)	(88,073)	(83,610)	4,463
Net change in fund balance	$ (3,092)	$ (3,092)	$ 948	$ 4,040

See accompanying notes to required supplementary information.

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

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines	$ 15	$ 15	$ 24	$ 9
Contributions from other agencies	-	-	232	232
Interest and investment income	2,957	2,957	6,293	3,336
Federal capital assistance grants	-	-	2,173	2,173
Miscellaneous	589	589	590	1
Total revenues	3,561	3,561	9,312	5,751
Expenditures				
Current:				
General government:				
Supplies and services	19,964	20,099	16,398	3,701
Transportation:				
Contributions to other local agencies	16,798	16,663	11,563	5,100
Capital outlay	500	500	-	500
Total expenditures	37,262	37,262	27,961	9,301
Excess (deficiency) of revenues over (under) expenditures	(33,701)	(33,701)	(18,649)	15,052
Other financing sources (uses)				
Transfers in	3,191	3,191	3,167	(24)
Transfers out	(3,475)	(3,475)	(2,065)	1,410
Total other financing sources (uses)	(284)	(284)	1,102	1,386
Net change in fund balance	$ (33,985)	$ (33,985)	$ (17,547)	$ 16,438

See accompanying notes to required supplementary information.

(THOUSANDS)

JUNE 30, 2009

(1) Budgetary data

OCTA establishes accounting control through formal adoption of an annual operating budget for all governmental funds. The operating budget is prepared in conformity with accounting principles generally accepted in the United States (GAAP) except for multi-year contracts, for which the entire amount of the contract is budgeted and encumbered in the year of execution. The adopted budget can be amended by the Board to increase both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Division heads are authorized to approve appropriation transfers within major objects. Major objects are defined as Salaries and Benefits, Supplies and Services, and Capital Outlay. Supplies and Services includes Contributions to Other Local Agencies, Debt Service and Transfers. Appropriation transfers between major objects require approval of the Board. Accordingly, the legal level of budgetary control, that is the level that expenditures cannot exceed appropriations, for budgeted funds, is at the major object level for the budgeted governmental funds. A Fourth Quarter Budget Status Report, June 2009 is available from the OCTA Finance and Administration Division. With the exception of accounts which have been encumbered, appropriations lapse at year end.

There were no excess of expenditures over appropriations for fiscal year 2009.

(THOUSANDS)

JUNE 30, 2009

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.

MOBILE SOURCE AIR POLLUTION REDUCTION REVIEW COMMITTEE (MSRC) – This fund is used to account for AB2766 funds received from the South Coast Air Quality Management District (AQMD). These funds are used to reimburse for projects approved by the AQMD.

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, 2009		OCUTT		SAFE		SAAV		STAF		Gas Tax		MSRC		Total
Assets														
Cash and investments	$	8,316	$	3,034	$	3,460	$	449	$	543	$	-	$	15,802
Receivables:														
Interest		113		33		16		1		-		-		163
Other		-		13		-		-		-		-		13
Due from other governments		-		3,405		619		2,799		-		200		7,023
Advance to other funds		4,400		-		-		-		-		-		4,400
Other assets		-		374		-		-		-		-		374
Total Assets	$	12,829	$	6,859	$	4,095	$	3,249	$	543	$	200	$	27,775
Liabilities and Fund Balances														
Liabilities:														
Accounts payable	$	6	$	499	$	1	$	-	$	-	$	-	$	506
Due to other funds		-		-		31		2,799		-		-		2,830
Due to other governments		-		17		1,225		-		-		-		1,242
Deferred revenue		139		118		-		-		-		-		257
Total Liabilities		145		634		1,257		2,799		-		-		4,835
Fund Balances:														
Reserved for:														
Other assets		-		374		-		-		-		-		374
Encumbrances		-		539		20		-		-		-		559
Advances		4,400		-		-		-		-		-		4,400
Transportation programs		-		-		-		450		543		200		1,193
Motorist services		-		5,312		2,818		-		-		-		8,130
Unreserved (deficit), reported in:														
Special revenue funds		8,284		-		-		-		-		-		8,284
Capital project funds		-		-		-		-		-		-		-
Total fund balances		12,684		6,225		2,838		450		543		200		22,940
Total liabilities and fund balances	$	12,829	$	6,859	$	4,095	$	3,249	$	543		200	$	27,775

Combining Balance Sheet - Nonmajor Governmental Funds, *continued*

(thousands)

June 30, 2009	Capital Projects General	Capital Projects OCTD	Capital Projects Rail Capital Project	Capital Projects Total	Total Nonmajor Governmental Funds
Assets					
Cash and investments	$ 8,306	$ 15	$ 1,213	$ 9,534	$ 25,336
Receivables:					
Interest	-	-	60	60	223
Other	-	-	-	-	13
Due from other governments	1,656	-	-	1,656	8,679
Advance to other funds	-	-	-	-	4,400
Other assets	-	-	-	-	374
Total Assets	$ 9,962	$ 15	$ 1,273	$ 11,250	$ 39,025
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 580	$ -	$ -	$ 580	$ 1,086
Due to other funds	-	-	-	-	2,830
Due to other governments	-	-	-	-	1,242
Deferred revenue	-	-	-	-	257
Total Liabilities	580	-	-	580	5,415
Fund Balances:					
Reserved for:					
Other assets	-	-	-	-	374
Encumbrances	11,968	759	25	12,752	13,311
Advances	-	-	-	-	4,400
Transportation programs	-	-	-	-	1,193
Motorist services	-	-	-	-	8,130
Unreserved (deficit), reported in:					
Special revenue funds	-	-	-	-	8,284
Capital project funds	(2,586)	(744)	1,248	(2,082)	(2,082)
Total fund balances	9,382	15	1,273	10,670	33,610
Total liabilities and fund balances	$ 9,962	$ 15	$ 1,273	$ 11,250	$ 39,025

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

(thousands)

	Special Revenue						
for the year ended June 30, 2009	OCUTT	SAFE	SAAV	STAF	Gas Tax	MSRC	Total
Revenues:							
Sales taxes	$ -	$ -	$ -	$ 8,402	$ -	$ -	$ 8,402
Gasoline taxes	-	-	-	-	23,000	-	23,000
Vehicle registration fees	-	2,717	2,476	-	-	-	5,193
Contributions from other agencies	-	2,977	-	-	-	976	3,953
Interest and investment income	952	225	142	15	-	-	1,334
Capital assistance grants	-	-	-	-	-	-	-
Miscellaneous	-	262	-	-	-	-	262
Total revenues	952	6,181	2,618	8,417	23,000	976	42,144
Expenditures:							
Current:							
General government	27	5,894	8	1	-	-	5,930
Transportation:							
Contributions to other local agencies	-	-	2,214	-	23,000	-	25,214
Capital outlay	-	-	-	-	-	-	-
Total expenditures	27	5,894	2,222	1	23,000	-	31,144
Excess of revenues over expenditures	925	287	396	8,416	-	976	11,000
Other financing sources (uses):							
Transfers in	122	4	-	-	-	-	126
Transfers out	(35)	-	(124)	(8,402)	-	(776)	(9,337)
Total other financing sources (uses)	87	4	(124)	(8,402)	-	(776)	(9,211)
Net change in fund balances	1,012	291	272	14	-	200	1,789
Fund balances-beginning	11,672	5,934	2,566	436	543	-	21,151
Fund balances-ending	$ 12,684	$ 6,225	$ 2,838	$ 450	$ 543	$ 200	$ 22,940

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

Nonmajor Governmental Funds

(thousands)

for the year ended June 30, 2009	Capital Projects General	Capital Projects OCTD	Capital Projects Rail Capital Project	Capital Projects Total	Total Nonmajor Governmental Funds
Revenues:					
Sales taxes	$ -	$ -	$ -	$ -	$ 8,402
Gasoline taxes	-	-	-	-	23,000
Vehicle registration fees	-	-	-	-	5,193
Contributions from other agencies	323	-	-	323	4,276
Interest and investment income	-	-	52	52	1,386
Capital assistance grants	1,387	-	-	1,387	1,387
Miscellaneous	-	-	-	-	262
Total revenues	1,710	-	52	1,762	43,906
Expenditures:					
Current:					
General government	-	-	1	1	5,931
Transportation:					
Contributions to other local agencies	-	-	-	-	25,214
Capital outlay	2,748	-	-	2,748	2,748
Total expenditures	2,748	-	1	2,749	33,893
Excess (deficiency) of revenues over (under) expenditures	(1,038)	-	51	(987)	10,013
Other financing sources (uses):					
Transfers in	1,626	-	-	1,626	1,752
Transfers out	-	-	-	-	(9,337)
Total other financing sources (uses)	1,626	-	-	1,626	(7,585)
Net change in fund balances	588	-	51	639	2,428
Fund balances-beginning	8,794	15	1,222	10,031	31,182
Fund balances-ending	$ 9,382	$ 15	$ 1,273	$ 10,670	$ 33,610

Budgetary Comparison Schedule

Local Transportation Authority Debt Service Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Interest and investment income	$ 3,892	$ 3,892	$ 3,033	$ (859)
TOTAL REVENUES	3,892	3,892	3,033	(859)
EXPENDITURES				
Current:				
General government:				
Supplies and services	305	305	151	154
Debt service:				
Principal payments on long-term debt	75,355	75,355	75,355	-
Interest on long-term debt and commercial paper	13,202	13,202	13,199	3
TOTAL EXPENDITURES	88,862	88,862	88,705	157
Deficiency of revenues under expenditures	(84,970)	(84,970)	(85,672)	(702)
OTHER FINANCING SOURCES (USES)				
Transfers in	86,557	86,557	88,086	1,529
Transfers out	-	-	(5,477)	(5,477)
TOTAL OTHER FINANCING SOURCES (USES)	86,557	86,557	82,609	(3,948)
Net change in fund balance	$ 1,587	$ 1,587	$ (3,063)	$ (4,650)

Budgetary Comparison Schedule

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

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Interest and investment income	$ 425	$ 425	$ 952	$ 527
Total revenues	425	425	952	527
Expenditures				
Current:				
General government:				
Supplies and services	12	12	27	(15)
Total expenditures	12	12	27	(15)
Excess of revenues over expenditures	413	413	925	512
Other financing sources (uses)				
Transfers in	-	-	122	122
Transfers out	-	-	(35)	(35)
Total other financing sources (uses)	-	-	87	87
Net change in fund balance	$ 413	$ 413	$ 1,012	$ 599

Budgetary Comparison Schedule

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

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Vehicle registration fees	$ 2,598	$ 2,598	$ 2,717	$ 119
Contributions from other agencies	3,628	3,628	2,977	(651)
Interest and investment income	60	60	225	165
Miscellaneous	22	22	262	240
Total revenues	6,308	6,308	6,181	(127)
Expenditures				
Current:				
General government:				
Supplies and services	8,061	8,061	5,894	2,167
Capital outlay	2	2	-	2
Total expenditures	8,063	8,063	5,894	2,169
Excess (deficiency) of revenues over (under) expenditures	(1,755)	(1,755)	287	2,042
Other financing sources (uses)				
Transfers in	-	-	4	4
Total other financing sources (uses)	-	-	4	4
Net change in fund balance	$ (1,755)	$ (1,755)	$ 291	$ 2,046

Budgetary Comparison Schedule

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

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Vehicle registration fees	$ 2,639	$ 2,639	$ 2,476	$ (163)
Interest and investment income	67	67	142	75
Total revenues	2,706	2,706	2,618	(88)
Expenditures				
Current:				
General government:				
Supplies and services	47	47	8	39
Transportation:				
Contributions to other local agencies	2,000	2,000	2,214	(214)
Total expenditures	2,047	2,047	2,222	(175)
Excess of revenues over expenditures	659	659	396	(263)
Other financing uses				
Transfers out	(132)	(132)	(124)	8
Total other financing uses	(132)	(132)	(124)	8
Net change in fund balance	$ 527	$ 527	$ 272	$ (255)

Budgetary Comparison Schedule

State Transit Assistance Special Revenue Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax revenue	$ 25,830	$ 8,406	$ 8,402	$ (4)
Interest and investment income	25	25	15	(10)
Total revenues	25,855	8,431	8,417	(14)
Expenditures				
Current:				
General government:				
Supplies and services	2	2	1	1
Total expenditures	2	2	1	1
Excess of revenues over expenditures	25,853	8,429	8,416	(13)
Other financing uses				
Transfers out	(25,853)	(8,429)	(8,402)	27
Total other financing uses	(25,853)	(8,429)	(8,402)	27
Net change in fund balance	$ -	$ -	$ 14	$ 14

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

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Gasoline tax revenue	$ 23,000	$ 23,000	$ 23,000	$ -
Total revenues	23,000	23,000	23,000	-
Expenditures				
Current:				
Transportation:				
Contributions to other local agencies	23,000	23,000	23,000	-
Total expenditures	23,000	23,000	23,000	-
Net change in fund balance	$ -	$ -	$ -	$ -

Budgetary Comparison Schedule
MSRC Special Revenue Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Contributions from other agencies	$ -	$ -	$ 976	$ 976
Total revenues	-	-	976	976
Excess of revenues over expenditures	-	-	976	976
Other financing sources (uses)				
Transfers out	-	-	(776)	(776)
Total other financing sources (uses)	-	-	(776)	(776)
Net change in fund balance	$ -	$ -	$ 200	$ 200

Budgetary Comparison Schedule
General Capital Projects Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Contributions from other agencies	$ 263	$ 263	$ 323	$ 60
Interest	313	313	-	(313)
Capital assistance grants	526	526	1,387	861
Total revenues	1,102	1,102	1,710	608
Expenditures				
Current:				
General government:				
Supplies and services	540	540	-	540
Capital outlay	15,365	15,365	2,748	12,617
Total expenditures	15,905	15,905	2,748	13,157
Excess (deficiency) of revenues over (under) expenditures	(14,803)	(14,803)	(1,038)	13,765
Other financing sources				
Transfers in	724	724	1,626	902
Total other financing sources	724	724	1,626	902
Net change in fund balance	$ (14,079)	$ (14,079)	$ 588	$ 14,667

Budgetary Comparison Schedule

Orange County Transit District Capital Projects Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Interest and investment income	$ 1	$ 1	$ -	$ (1)
Total revenues	1	1	-	(1)
Expenditures				
Current:				
General government:				
Supplies and services	6	6	-	6
Capital outlay	759	759	-	759
Total expenditures	765	765	-	765
Excess (deficiency) of revenues over (under) expenditures	(764)	(764)	-	764
Net change in fund balance	$ (764)	$ (764)	$ -	$ 764

Budgetary Comparison Schedule
Rail Capital Project Fund (Budgetary Basis)

(thousands)

for the year ended June 30, 2009	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Interest and investment income	$ 39	$ 39	$ 52	$ 13
Total revenues	39	39	52	13
Expenditures				
Current:				
General government:				
Supplies and services	26	26	1	25
Total expenditures	26	26	1	25
Excess of revenues over expenditures	13	13	51	38
Net change in fund balance	$ 13	$ 13	$ 51	$ 38

(THOUSANDS)

JUNE 30, 2009

Nonmajor Enterprise Funds

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

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

Combining Statement of Fund Net Assets - Nonmajor Enterprise Funds

(thousands)

June 30, 2009	Bus Operations (Enterprise Funds)	OCTAP (Enterprise Funds)	Total Nonmajor Enterprise Funds (Enterprise Funds)
ASSETS			
Current assets:			
Cash and investments	$ 26,936	$ 370	$ 27,306
Receivables:			
Interest	432	1	433
Other	-	17	17
Prepaid retirement	-	37	37
Total current assets	27,368	425	27,793
TOTAL ASSETS	27,368	425	27,793
LIABILITIES			
Current liabilities:			
Accounts payable	$ 9	$ 1	$ 10
Accrued payroll and related items	-	11	11
Due to other governments	-	2	2
Unearned revenue	-	2	2
Current portion of long-term liabilities	-	20	20
Total current liabilities	9	36	45
TOTAL LIABILITIES	9	36	45
NET ASSETS			
Unrestricted	27,359	389	27,748
TOTAL NET ASSETS	$ 27,359	$ 389	$ 27,748

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

(thousands)

for the year ended June 30, 2009	Enterprise Funds: Bus Operations	Enterprise Funds: OCTAP	Total Nonmajor Enterprise Funds
Operating revenues:			
Permit fees	$ -	$ 549	$ 549
Total operating revenues	-	549	549
Operating expenses:			
Wages, salaries and benefits	-	245	245
Purchased services	41	-	41
Administrative services	-	135	135
Other	-	1	1
Professional services	-	43	43
General and administrative	-	9	9
Total operating expenses	41	433	474
Operating income (loss)	(41)	116	75
Nonoperating revenues:			
Investment earnings	1,582	17	1,599
Other	-	1	1
Total nonoperating revenues	1,582	18	1,600
Income before contributions and transfers	1,541	134	1,675
Transfers in	-	3	3
Transfers out	(14,000)	-	(14,000)
Change in net assets	(12,459)	137	(12,322)
Total net assets - beginning	39,818	252	40,070
Total net assets - ending	$ 27,359	$ 389	$ 27,748

Combining Statement of Cash Flows - Nonmajor Enterprise Funds

(thousands)

for the year ended June 30, 2009	Enterprise Funds: Bus Operations	Enterprise Funds: OCTAP	Enterprise Funds: Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	$ -	$ 532	$ 532
Payments to suppliers	(45)	(55)	(100)
Payments to employees	-	(247)	(247)
Payments for interfund services used	-	(135)	(135)
Miscellaneous revenue received	-	1	1
Net cash provided by (used for) operating activities	(45)	96	51
Cash flows from noncapital financing activities:			
Transfers from other funds	-	3	3
Transfers to other funds	(14,000)	-	(14,000)
Net cash provided by (used for) noncapital financing activities	(14,000)	3	(13,997)
Cash flows from investing activities:			
Investment earnings	1,791	18	1,809
Net cash provided by investing activities	1,791	18	1,809
Net increase (decrease) in cash and cash equivalents	(12,254)	117	(12,137)
Cash and cash equivalents at beginning of year	39,190	253	39,443
Cash and cash equivalents at end of year	$ 26,936	$ 370	$ 27,306
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (41)	$ 116	$ 75
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Amortization of prepaid retirement	-	26	26
Miscellaneous	-	1	1
Change in assets and liabilities:			
Other receivables	-	(17)	(17)
Prepaid retirement	-	(35)	(35)
Accounts payable	(4)	(2)	(6)
Accrued payroll and related items	-	2	2
Compensated absences	-	5	5
Total adjustments	(4)	(20)	(24)
Net cash provided by (used for) operating activities	$ (45)	$ 96	$ 51

(THOUSANDS)

JUNE 30, 2009

Internal Service Funds

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

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

Combining Statement of Fund Net Assets - Internal Service Funds

(thousands)

June 30, 2009	General Liability	Workers' Compensation	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	$ 30,286	$ 12,128	$ 42,414
Receivables:			
Interest	182	80	262
Other	170	214	384
Due from other governments	1	-	1
Other assets	317	1,003	1,320
Total current assets	30,956	13,425	44,381
TOTAL ASSETS	30,956	13,425	44,381
LIABILITIES			
Current liabilities:			
Accounts payable	295	371	666
Claims payable	3,294	1,498	4,792
Other liabilities	-	103	103
Total current liabilities	3,589	1,972	5,561
Noncurrent liabilities:			
Claims payable	6,395	9,200	15,595
Total noncurrent liabilities	6,395	9,200	15,595
TOTAL LIABILITIES	9,984	11,172	21,156
NET ASSETS			
Unrestricted	20,972	2,253	23,225
TOTAL NET ASSETS	$ 20,972	$ 2,253	$ 23,225

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

(thousands)

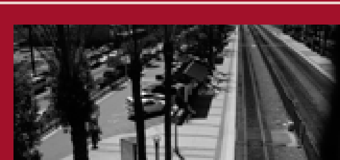
for the year ended June 30, 2009	General Liability	Workers' Compensation	Total Internal Service Funds
Operating revenues:			
Charges for services	$ 1,159	$ 5,026	$ 6,185
Total operating revenues	1,159	5,026	6,185
Operating expenses:			
Administrative services	90	77	167
Other	4	230	234
Insurance claims and premiums	6,256	4,989	11,245
Professional services	1,034	417	1,451
Total operating expenses	7,384	5,713	13,097
Operating loss	(6,225)	(687)	(6,912)
Nonoperating revenues:			
Investment earnings	1,439	483	1,922
Other	164	975	1,139
Total nonoperating revenues	1,603	1,458	3,061
Income (loss) before contributions and transfers	(4,622)	771	(3,851)
Transfers out	-	(4,198)	(4,198)
Change in net assets	(4,622)	(3,427)	(8,049)
Total net assets - beginning	25,594	5,680	31,274
Total net assets - ending	$ 20,972	$ 2,253	$ 23,225

Combining Statement of Cash Flows - Internal Service Funds

(thousands)

for the year ended June 30, 2009	General Liability	Workers' Compensation	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	$ 1,159	$ 5,011	$ 6,170
Payments to suppliers	(775)	(546)	(1,321)
Payments to claimants	(1,989)	(4,358)	(6,347)
Payments for interfund services used	(90)	(77)	(167)
Miscellaneous revenue received	164	975	1,139
Net cash provided by (used for) operating activities	(1,531)	1,005	(526)
Cash flows from noncapital financing activities:			
Transfers to other funds	-	(4,198)	(4,198)
Net cash used for noncapital financing activities	-	(4,198)	(4,198)
Cash flows from investing activities:			
Investment earnings	1,557	643	2,200
Net cash provided by investing activities	1,557	643	2,200
Net increase (decrease) in cash and cash equivalents	26	(2,550)	(2,524)
Cash and cash equivalents at beginning of year	30,260	14,678	44,938
Cash and cash equivalents at end of year	$ 30,286	$ 12,128	$ 42,414
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	$ (6,225)	$ (687)	$ (6,912)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Insurance recoveries	164	975	1,139
Change in assets and liabilities:			
Other receivables	(84)	(89)	(173)
Due from other governments	(1)	-	(1)
Other assets	28	(7)	21
Accounts payable	235	108	343
Claims payable	4,352	704	5,056
Other liabilities	-	1	1
Total adjustments	4,694	1,692	6,386
Net cash provided by (used for) operating activities	$ (1,531)	$ 1,005	$ (526)

METROLINK



Statistical Section

91 EXPRESS LANES

Schedule 1

Net Assets by Component, Last Eight Fiscal Years

(accrual basis of accounting- thousands)

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

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

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

Schedule 2

Changes in Net Assets, Last Eight Fiscal Years

(accrual basis of accounting - thousands)

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

Source: Accounting and Financial Reporting Department

Notes:

(Continued)

GASB 34 was implemented July 1, 2001.

The 91 Express Lanes were purchased in January, 2003.

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

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

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

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

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

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

SCHEDULE 2

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

(accrual basis of accounting- thousands)

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

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

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

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

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

Schedule 3

Fund Balances, Governmental Funds, Last Eight Fiscal Years

(modified accrual basis of accounting-thousands)

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

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

Schedule 4

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

(modified accrual basis of accounting-thousands)

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

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 was substantially completed in November 2006.

The increase in contributions to other local agencies for fiscal year 2007 is primarily due to an increase in freeway construction projects, street and road projects, and contributions to Metrolink for the purchase of new rail cars and locomotives.

In fiscal year 2009, the decrease in Charges for services and General government Expenditures are due to the allocation of indirect costs shown as a reduction of expenditures as opposed to charges for services provided.

Schedule 5

Program Revenues by Function/Program - Last Eight Fiscal Years

(accrual basis of accounting- thousands)

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

Source: Accounting and Financial Reporting Department

Notes:

GASB 34 was implemented July 1, 2001.

The 91 Express Lanes were purchased in January, 2003.

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

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

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

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

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

Schedule 6

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

(accrual basis of accounting- thousands)

Fiscal Year	*Sales & Use*	*Gasoline (a)*	*Total*
2000	245,573	23,000	268,573
2001	273,394	23,000	296,394
2002	303,817	23,000	326,817
2003	297,705	23,000	320,705
2004	301,012	23,000	324,012
2005	328,853	23,000	351,853
2006	385,090	23,000	408,090
2007	421,067	23,000	444,067
2008	393,350	23,000	416,350
2009	335,465	23,000	358,465
Change			
2000 - 2009	36.6%	0.0%	33.5%

Source: Accounting and Financial Reporting Department

Notes:

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

Schedule 7

Taxable Sales by Category, Last Ten Calendar Years

(thousands)

	Calendar Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
										(a)
1 Apparel stores	$ 1,211,410	$ 1,364,366	$ 1,446,572	$ 1,508,011	$ 1,697,120	$ 1,881,882	$ 2,062,892	$ 2,152,410	$ 2,217,996	$ 980,148
2 General merchandise	4,067,855	4,334,887	4,432,881	4,618,932	4,855,674	5,205,075	5,467,357	5,741,912	5,856,810	2,665,667
3 Specialty stores	4,609,085	5,119,964	4,999,099	4,837,212	5,085,612	5,700,317	6,028,089	6,514,211	4,447,931	2,025,593
4 Food stores	1,436,680	1,509,744	1,534,244	1,551,611	1,574,528	1,563,145	1,716,228	1,781,284	1,815,201	898,018
5 Eating and drinking establishments	3,247,127	3,535,316	3,749,604	3,884,388	4,149,117	4,475,791	4,798,676	5,051,841	5,296,863	2,625,760
6 Home furnishings and appliances	1,358,467	1,486,155	1,501,585	1,722,573	1,985,255	2,135,876	2,269,650	2,202,194	2,079,957	855,809
7 Building material	1,842,935	2,013,714	2,157,196	2,275,964	2,480,249	2,950,592	3,000,086	3,029,741	2,798,938	1,291,587
8 Automotive	6,324,273	7,378,529	7,957,760	8,482,604	9,651,049	10,585,091	11,283,156	11,490,939	11,469,589	5,547,763
9 Other	690,742	742,314	739,760	765,523	809,093	944,184	1,046,700	1,109,919	3,004,942	1,356,226
10 Business and personal services	2,441,463	2,625,459	2,673,666	2,615,150	2,699,250	2,819,934	2,938,129	2,987,539	2,968,831	1,464,780
11 All other outlets	13,136,053	14,352,012	13,402,947	12,607,188	12,530,119	13,420,172	14,452,283	15,140,757	15,336,413	7,402,862
Total	$ 40,366,090	$ 44,462,460	$ 44,595,314	$ 44,869,156	$ 47,517,066	$ 51,682,059	$ 55,063,246	$ 57,202,747	$ 57,293,471	$ 27,114,213
Measure M Ordinance direct sales tax rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Source: California State Board of Equalization

Notes:

(a) Represents the first and second quarter only.

Schedule 8

Direct and Overlapping Sales Tax Rates, last ten calendar years

(thousands)

Calendar Year	Measure M Direct rate	County of Orange	
2000	0.50%	7.25%	
2001	0.50%	7.00%	a)
2002	0.50%	7.25%	
2003	0.50%	7.25%	
2004	0.50%	7.25%	
2005	0.50%	7.25%	
2006	0.50%	7.25%	
2007	0.50%	7.25%	
2008	0.50%	7.25%	
2009	0.50%	8.25%	b)

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

Notes:

Measure M information provided by the Measure M Ordinance

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

b) Effective April 1, 2009, the state sales and use tax rate increated by 1%.

Schedule 9

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

(thousands)

City		2007 Taxable Sales	2007 Rank	2007 Percentage of Total		1998 Taxable Sales	1998 Rank	1998 Percentage of Total
Aliso Viejo	$	370,901	30	0.73%	$	(a)		
Anaheim		5,694,919	1	11.15%		3,710,181	1	11.47%
Brea		1,666,298	12	3.26%		1,118,747	11	3.46%
Buena Park		2,253,841	8	4.41%		990,534	13	3.06%
Costa Mesa		4,153,047	3	8.13%		2,656,273	4	8.21%
Cypress		1,189,026	16	2.33%		643,560	16	1.99%
Dana Point		443,870	26	0.87%		256,932	26	0.79%
Fountain Valley		1,027,573	17	2.01%		779,984	15	2.41%
Fullerton		1,666,413	11	3.26%		1,248,945	10	3.86%
Garden Grove		1,751,333	10	3.43%		1,263,701	9	3.91%
Huntington Beach		2,631,199	7	5.15%		1,813,622	6	5.61%
Irvine		4,860,237	2	9.51%		3,302,804	2	10.21%
La Habra		906,651	19	1.77%		436,413	19	1.35%
La Palma		397,673	28	0.78%		207,054	28	0.64%
Laguna Beach		407,896	27	0.80%		243,121	27	0.75%
Laguna Hills		605,039	22	1.18%		626,117	17	1.94%
Laguna Niguel		995,104	18	1.95%		502,995	18	1.56%
Laguna Woods		79,845	33	0.16%		(b)		
Lake Forest		1,341,506	15	2.63%		419,418	21	1.30%
Los Alamitos		268,549	32	0.53%		188,814	29	0.58%
Mission Viejo		1,549,469	13	3.03%		908,679	14	2.81%
Newport Beach		2,648,351	6	5.18%		1,490,995	7	4.61%
Orange		3,188,144	5	6.24%		1,915,421	5	5.92%
Placentia		483,054	25	0.95%		377,141	23	1.17%
Rancho Santa Margarita		575,673	23	1.13%		(c)		
San Clemente		632,285	21	1.24%		307,536	24	0.95%
San Juan Capistrano		712,987	20	1.40%		434,206	20	1.34%
Santa Ana		3,970,778	4	7.77%		3,230,668	3	9.99%
Seal Beach		394,490	29	0.77%		132,762	30	0.41%
Stanton		343,667	31	0.67%		261,737	25	0.81%
Tustin		1,825,309	9	3.57%		1,413,033	8	4.37%
Villa Park		15,827	34	0.03%		13,517	31	0.04%
Westminster		1,478,386	14	2.89%		1,055,472	12	3.26%
Yorba Linda		568,411	24	1.11%		386,118	22	1.19%
Total		51,097,751		100%		32,336,500		100%
Unincorporated Cities		6,195,720				4,771,850		
Total Orange County	$	57,293,471				37,108,350		

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

Notes:

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

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

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

Schedule 10

Ratios of Outstanding Debt by Type, last ten fiscal years

(thousands except per capita)

	Governmental Activities		*Business-Type Activities*					
Fiscal Year	Sales Tax Revenue Bonds	Commercial Paper Notes	Certificates of Participation	Toll Road Revenue Bonds	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
2000	$ 711,845	$ 74,200	$ 19,145	$ -	$ -	$ 805,190	0.76%	$ 281.20
2001	662,800	67,200	15,920	-	-	$ 745,920	0.68%	255.73
2002	611,365	60,200	12,708	-	-	$ 684,273	0.61%	231.20
2003	557,165	53,200	9,805	135,000	-	$ 755,170	0.64%	251.70
2004	499,505	47,400	7,410	195,265	-	$ 749,580	0.60%	247.19
2005	438,890	40,900	4,965	191,630	-	$ 676,385	0.50%	221.29
2006	375,170	34,500	2,470	187,625	6,534	$ 606,299	0.42%	197.45
2007	307,845	29,100	1,235	183,510	15,741	$ 537,431	0.36%	173.65
2008	236,555	47,600	-	179,285	13,060	$ 476,500	n/a	152.44
2009	161,200	50,000	-	174,940	9,779	$ 395,919	n/a	126.13

Source: Accounting and Financial Reporting Department

Notes:

See schedule 13 for personal income data

n/a - data not available

Schedule 11

Legal Debt Margin Information, Last Ten Fiscal Years

(thousands)

Measure M Ordinance No. 2		Toll Road Revenue Bonds	
Legal Debt Margin Calculation for Fiscal Year 2009		Legal Debt Margin Calculation for Fiscal Year 2009	
Debt service	$ 87,422	Debt service	$ 15,504 (a)
Debt coverage (1.3 % of debt service)	113,649	Debt coverage (1.3 % of debt service)	20,155
Sales tax revenue	236,128	Toll revenues	46,726
Less: local revenue	(36,361)	Less: operating expenses	(15,572)
Net sales tax revenues	199,767	Net toll revenues	31,154
Legal debt margin	$ 86,118	Legal debt margin	$ 10,999

Fiscal Year	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to limit as a percentage of debt limit
2000	$ 140,104	88,684	51,420	63.3%	-	-	-	-
2001	$ 155,635	88,684	66,951	57.0%	-	-	-	-
2002	$ 149,487	88,557	60,930	59.2%	-	-	-	-
2003	$ 154,584	88,557	66,027	57.3%	$ 5,712	12,323	(6,611)	215.7%
2004	$ 170,608	88,557	82,051	51.9%	$ 16,686	12,635	4,051	75.7%
2005	$ 182,621	88,557	94,064	48.5%	$ 22,793	12,635	10,158	55.4%
2006	$ 198,671	88,557	110,114	44.6%	$ 27,662	12,635	15,027	45.7%
2007	$ 204,594	88,557	116,037	43.3%	$ 34,760	12,635	22,125	36.3%
2008	$ 198,815	88,557	110,258	44.5%	$ 28,786	12,635	16,151	43.9%
2009	$ 173,540	87,422	86,118	50.4%	$ 26,503	15,504	10,999	58.5%

Source: Treasury and Accounting and Financial Reporting Departments

Note:

The 91 Express Lanes were purchased in January, 2003.

(a) In fiscal year 2009, an additional $3,249 in interest costs were incurred associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc.

Schedule 12

Pledged-Revenue Coverage, Last Ten Fiscal Years

(thousands)

	Sales Tax Revenue Bonds					Toll Road Revenue Bonds					Certificates of Participation			
			Debt Service				Less:	Debt Service				Debt Service		
Fiscal Year	Sales Tax Revenue	Less: Turnback	Principal	Interest	Coverage	Toll Road Revenue	Operating Expenses (a)	Principal	Interest	Coverage	Grant Revenues	Principal	Interest	Coverage
2000	197,211	(30,502)	46,800	41,604	1.89	-	-	-	-	-	3,491	3,275	972	0.82
2001	214,768	(32,528)	49,045	39,351	2.06	-	-	-	-	-	3,531	3,225	828	0.87
2002	209,105	(33,051)	51,565	36,076	2.01	-	-	-	-	-	-	3,265	679	-
2003	215,327	(34,176)	54,200	33,689	2.06	14,708	(5,299)	-	7,291	1.29	9,779	2,850	536	2.89
2004	231,763	(34,588)	57,660	30,335	2.24	33,083	(12,607)	912	10,283	1.83	914	2,395	414	0.33
2005	245,501	(36,313)	60,615	27,603	2.37	41,089	(14,506)	3,635	8,313	2.22	2,341	2,445	302	0.85
2006	263,378	(38,139)	63,720	24,466	2.55	45,960	(14,507)	4,005	8,249	2.57	2,146	2,495	187	0.80
2007	272,287	(41,126)	67,325	20,994	2.62	53,032	(14,482)	4,115	8,142	3.15	831	1,235	97	0.62
2008	266,443	(41,061)	71,290	17,168	2.55	50,649	(13,659)	4,225	8,028	3.02	831	1,235	32	0.66
2009	236,128	(36,361)	75,355	13,201	2.26	46,726	(15,572)	4,345	11,159(b)	2.01	-	-	-	-

Source: Accounting and Financial Reporting Department

Notes:

The 91 Express Lanes were purchased in January, 2003.

(a) Excludes depreciation and amortization expense.

The Certificates of Participation matured in July 2007.

(a) In fiscal year 2009, an additional $3,249 in interest costs were incurred associated with the downgrading of Ambac Insurance Corporation and the bankruptcy of Lehman Brothers Holding Inc.

Schedule 13

Demographic and Economic Statistics, Last Ten Calendar Years

Fiscal Year	Population (a)	Personal Income *(millions) (b)*	Per Capita Personal Income (c)	Median Age (d)	School Enrollment (e)	Unemployment Rate (f)
2000	2,863,368	106,003	37,104	33.3	483,360	3.5%
2001	2,916,812	109,010	37,674	33.0	494,178	4.0%
2002	2,959,709	111,750	38,247	33.7	503,351	5.0%
2003	3,000,237	117,722	39,944	34.5	512,105	4.8%
2004	3,032,362	125,798	42,420	34.7	515,464	4.3%
2005	3,056,518	135,071	45,488	35.1	513,744	3.8%
2006	3,070,696	145,436	48,960	35.4	510,114	3.7%
2007	3,094,872	150,214	50,463	35.9	503,955	3.9%
2008	3,125,756	n/a	n/a	36.1	503,492	5.3%
2009	3,139,017	n/a	n/a	n/a	504,136	9.5%

Notes:

n/a - data not available

Sources:

(a) July 1 estimates from U.S. Census Bureau for 1997 - 2008;
January 1 estimates for 2009 from California Department of Finance, http://www.dof.ca.gov/

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

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

(d) U.S. Census Bureau

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

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

Schedule 14
Principal Employers, Current Year and Nine Years Ago

	2009			2000		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	20,000	1	1.34%	13,850	3	0.97%
County of Orange	18,668	2	1.25%	16,013	1	1.12%
University of California, Irvine	17,500	3	1.17%	13,457	4	0.94%
St. Joseph Health System	10,656	4	0.72%	7,670	6	0.54%
Boeing Co.	8,100	5	0.54%	13,854	2	0.97%
Yum! Brands Inc.	7,000	6	0.47%			
Target Corp.	6,100	7	0.41%			
Supervalu Inc.	6,082	8	0.41%			
California State University, Fullerton	5,768	9	0.39%			
BankAmerica Corporation	5,500	10	0.37%	5,409	10	0.38%
Albertson's Inc.				9,300	5	0.65%
Tenet Healthcare Corp.				6,639	7	0.46%
Tricon Global Restaurants Incorporated				5,695	8	0.40%
Pacific Bell				5,600	9	0.39%

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

Schedule 15

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	258	252	244	263	222	210	215	233	227	220
Measure M program	6	10	20	21	24	27	27	29	39	43
Motorist services	1	1	1	1	1	1	1	1	1	1
Commuter rail	1	1	1	1	1	1	2	2	2	15
Urban rail	-	-	-	1	1	1	4	-	-	-
Fixed route	1,210	1,313	1,462	1,555	1,581	1,619	1,587	1,611	1,633	1,540
Paratransit	25	9	9	11	13	13	14	13	12	11
Tollroad	-	-	-	4	4	4	4	4	4	3
Taxicab	3	3	3	3	3	3	3	3	3	3
Total	1,504	1,589	1,740	1,860	1,850	1,879	1,857	1,896	1,921	1,836

Source: Financial Planning & Analysis Department

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

Schedule 16
Operating Indicators by Function/Program

Function/Program		Fiscal Year 2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Measure M program (thousands)											
Freeways		$ 107,063	$ 63,048	$ 25,199	$ 19,812	$ 13,801	$ 141,969	$ 298,667	$ 112,732	99,599	53,283
Regional streets and roads		35,532	24,422	23,680	14,062	15,752	10,493	17,198	65,247	40,556	24,169
Local streets and roads		37,327	42,104	41,142	41,186	49,375	43,996	41,057	32,481	52,681	53,534
Transit		20,492	19,375	48,386	29,166	35,829	23,195	8,169	55,916	18,309	63,822
Total program expenses		$ 200,414	$ 148,949	$ 138,407	$ 104,226	$ 114,757	$ 219,653	$ 365,091	$ 266,376	$ 211,145	$ 194,808
Motorist services											
Calls made from call boxes		62,126	47,114	38,138	30,020	28,753	18,540	15,600	7,459	7,306	4,361
Vehicles removed		19,258	25,721	9,000	31,200	33,300	13,413	9,096	434	642	931
Vehicles assisted by FSP		63,049	63,383	73,802	58,284	58,000	68,160	70,000	70,935	70,128	43,520
Commuter rail											
Weekday trips		31	31	40	40	40	40	44	44	44	44
Annual boardings		1,891,851	2,149,571	2,186,170	2,733,483	2,764,870	3,230,988	3,547,697	3,841,259	4,074,443	4,189,455
Fixed route											
Annual boardings		56,477,228	58,359,358	64,038,048	65,123,546	67,551,870	67,009,989	67,779,946	69,035,226	65,203,611	64,353,673
Vehicle revenue hours		1,435,589	1,566,924	1,678,500	1,752,322	1,799,253	1,835,463	1,846,458	1,910,707	1,938,129	1,894,657
Miles of fixed route		1,950	2,021	2,295	2,321	2,318	2,320	2,378	2,488	2,943	2,126
Paratransit											
Annual boardings		663,996	697,894	779,967	909,156	1,085,329	1,181,892	1,114,639	1,231,346	1,375,370	1,464,730
Vehicle revenue hours		344,185	388,963	424,604	489,754	577,053	597,821	565,543	614,620	656,222	678,340
Eligible riders	(c)	n/a	n/a	15,762	21,317	24,955	25,569	26,204	26,110	26,611	26,834
Tollroad	(b)										
Annual drivers trips		n/a	n/a	n/a	4,958,660	11,213,741	12,741,319	14,182,916	14,639,848	13,477,488	12,036,831
Taxicab											
Permits Issued		1,661 (a)	1,609	1,541	1,590	1,510	1,662	1,698	2,170	2,303	2,364

Source: Various departments within OCTA

Notes:

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

The SR-22 project began in fiscal year 2005.

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

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

(a) Estimate

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

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

Schedule 17
Capital Asset Statistics by Function/Program

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Fixed route										
Bus bases	3	3	3	3	3	4	4	4	5	5
Large revenue vehicles	462	472	495	507	558	563	570	566	572	530
Small revenue vehicles	60	87	53	92	85	84	80	82	82	80
Paratransit										
Paratransit vehicles	82	179	207	248	238	249	264	263	263	263
Tollroad (a)										
Transponders in use	n/a	n/a	n/a	143,533	157,635	172,220	171,589	176,818	176,149	171,485

Source: Various departments within the Orange County Transportation Authority

Notes:

n/a = data not available

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT







WWW.OCTA.NET

Orange County Transportation Authority
550 S. Main Street
P.O. Box 14184
Orange, CA 92863-1584

OCTA