



OKLAHOMA TRANSPORTATION AUTHORITY

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April 30, 2001

The Honorable Frank Keating,
Citizens of the State of Oklahoma and
Oklahoma Turnpike Bondholders

On behalf of the Authority, we are pleased to transmit this comprehensive annual financial report (CAFR) for calendar year 2000. This CAFR was prepared by the Controller Division in accordance with accounting principles generally accepted in the United States of America. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests solely with the Oklahoma Transportation Authority (OTA.) We believe that the data, as presented, is accurate in all material respects and that it presents fairly the financial position and results of the OTA's operations.

This CAFR complies with Section 711 of our Trust Agreement, which requires that an audit of the financial statements shall be performed in accordance with generally accepted auditing standards each year. This CAFR includes the early implementation of the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Under GASB 34, specific accounting and financial reporting standards were established for general purpose external financial reporting by state and local governments. The most significant change under GASB 34 is the inclusion of the management discussion and analysis (MD&A) located in the Financial Section. The MD&A introduces the basic financial statements and provides a brief analysis of the OTA's financial position to assist users in assessing the OTA's financial condition based on currently known facts, decisions, and conditions.

The CAFR is presented in three parts:

1. The Introductory Section provides general information about the OTA and an overview of its operations during the year;
2. The Financial Section includes the independent auditors' reports, the MD&A, the basic financial statements, notes to the financial statements, and other supplementary information; and,
3. The Statistical Section contains selected key information about the Turnpike System and comparative, multi-year comprehensive annual financial information.

System-wide net toll revenues during 2000 were \$131,568,373, exceeding 1999 net toll revenues by 1.3%. Contributing to the economic development of Oklahoma, the OTA reached several milestones in its Urban Corridor Completion Project in 2000. The Creek West Turnpike Extension was completed and opened on December 15, 2000. The John Kilpatrick Turnpike Extension opened in sections throughout 2000 and in its entirety on January 31, 2001. Substantial progress continued during 2000 toward the completion of the remaining new turnpike extensions to the Creek and H.E. Bailey Turnpikes.

Through the OTA's comprehensive asset management effort, our System rehabilitation rate for net assets provides excellence in maintenance, the highest level of customer service, convenience and safety to the traveling public. The OTA remains a leader in preparing for the changing telecommunication markets with the use of its rights-of-way for the installation of fiber optic and wireless telecommunication facilities. It is our sincere hope that this CAFR will help everyone understand the OTA's financial and operational activities more fully.

Respectfully submitted,

THE OKLAHOMA TRANSPORTATION AUTHORITY

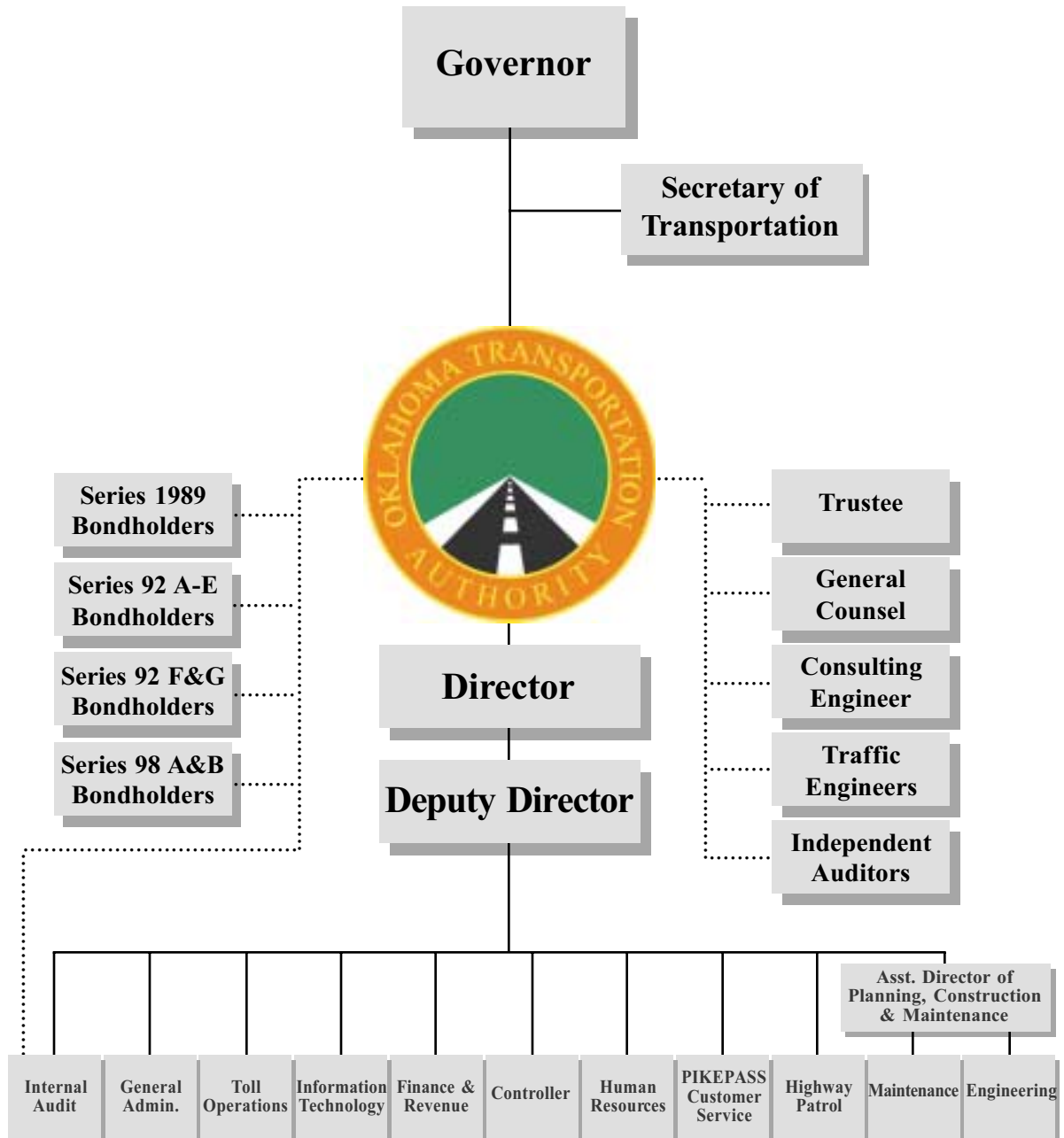
Fred J. Hall
Chairman

Neal A. McCaleb, P.E.
Director

Lori Scott, C.P.A.
Controller

Governor Frank Keating, Member Ex-Officio • Fred J. Hall, Chairman • Albert C. Kelly, Jr., Vice Chairman
Steve LaForge, Secretary & Treasurer • Dewey F. Bartlett, Jr., Member • James W. Caudle, Member,
Robert M. Kane, Member • Neal A. McCaleb, Director • Holly L. Lowe, Deputy Director

Organizational Chart





**Governor
Frank Keating**
Ex-Officio



**Neal A.
McCaleb**
Secretary of
Transportation
and Director



Fred J. Hall,
Chairman
District 1



**Robert M.
(Bob) Kane**
District 2



**Albert C.
(Kell) Kelly, Jr.**
Vice-Chairman
District 3



**Dewey F.
Bartlett, Jr.**
District 4



Steve LaForge
Secretary &
Treasurer
District 5



**James W.
Caudle**
District 6

Oklahoma Transportation Authority Members

The Oklahoma Transportation Authority's (OTA) governing body (the Authority) consists of the Governor (ex-officio) and six members. The members are appointed by the Governor and approved by the State Senate. They serve eight-year, uncompensated terms and may be reappointed.

The Authority appoints the Director of the OTA. Neal A. McCaleb has served as Director of the OTA, as well as Oklahoma's Secretary of Transportation and the Director of the Oklahoma Department of Transportation since March 1995. The Director, with his management staff, supervises the daily operations of the organization. Authority members provide oversight and policy direction. They appoint various consulting entities with national reputations for excellence, including the General Counsel, Bond Counsel, Consulting Engineers, Consulting Traffic Engineers, Financial Advisor, Bond Underwriter(s) and Independent Auditor(s).

All action taken by Authority members and staff must be in strict compliance with the provisions of the OTA's Trust Agreement.



Senior Management

Seated left to right: **Holly Lowe** – Deputy Director; **Neal A. McCaleb** – Secretary of Transportation and Director;

Standing left to right: **Tim Stewart** – Director of Planning and Maintenance; **Randy Moore** – Director of *PIKEPASS*; **Gary Brown** – Director of Information Technology; **Lori Scott** – Controller; **Lillie Buckner** – Executive Secretary; **Alan Freeman** – Director of General Administration; **David Machamer** – Director of Toll Operations; **Stacey Trumbo** – Assistant Director of Planning, Construction and Maintenance; **Captain Ken Reed** – Oklahoma Highway Patrol (not pictured)

Description Of The Oklahoma Turnpike System

Turner Turnpike

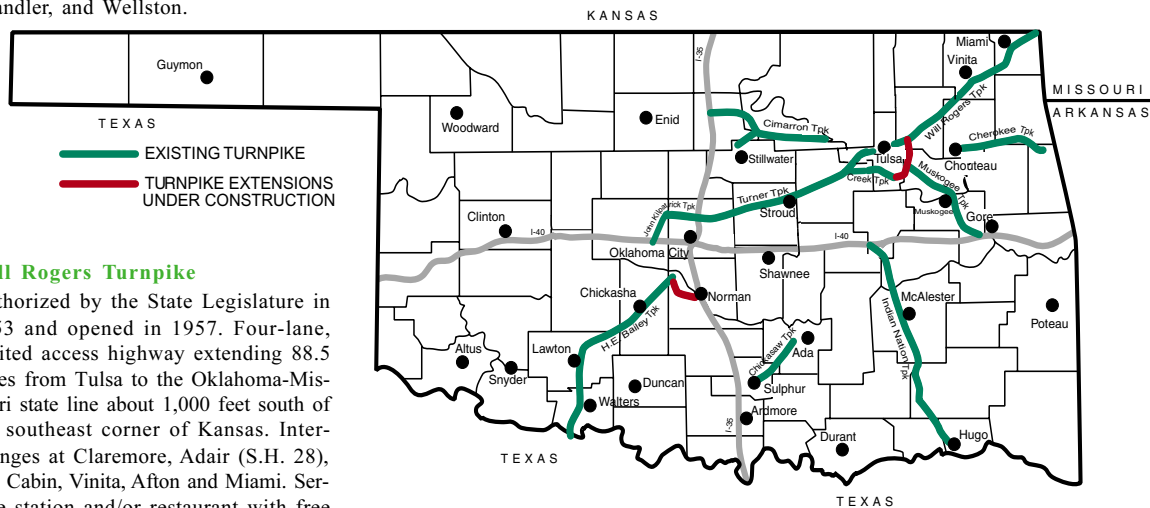
Authorized by the State Legislature in 1947 and opened in 1953. Four-lane, limited access highway extending 86.0 miles from Tulsa to Oklahoma City. Interchanges at Sapulpa, Kellyville, Bristow, Stroud, Chandler and Wellston. Service station and/or restaurant with free restrooms at Heyburn, Bristow, Stroud, Chandler, and Wellston.

Chickasaw Turnpike

Authorized by the State Legislature in 1987 and opened in 1991. Two-lane, limited access highway extending 27.1 miles from S.H. 7 west of Sulphur to S.H. 1 near Ada. Only 17.3 miles tolled, with interchanges at S.H. 7, U.S. 177 and Roff.

Cherokee Turnpike

Authorized by the State Legislature in 1987 and opened in 1991. Four-lane, limited access highway extending 32.8 miles from U.S. 412 at Locust Grove to U.S. 412 west of West Siloam Springs. Interchanges at Locust Grove, U.S. 412 and S.H. 10. Restaurant and service station with free restrooms at Leach.



Will Rogers Turnpike

Authorized by the State Legislature in 1953 and opened in 1957. Four-lane, limited access highway extending 88.5 miles from Tulsa to the Oklahoma-Missouri state line about 1,000 feet south of the southeast corner of Kansas. Interchanges at Claremore, Adair (S.H. 28), Big Cabin, Vinita, Afton and Miami. Service station and/or restaurant with free restrooms at Vinita and Miami.

H.E. Bailey Turnpike

Authorized by the State Legislature in 1953 and opened in 1964. Four-lane, limited access, highway extending 86.4 miles in two sections: north section (61.4 miles) from Oklahoma City to U.S. 277 north of Lawton; south section (25.0 miles) from U.S. 277 south of Lawton to U.S. 70, 5.2 miles north of the Texas state line. Interchanges at Chickasha, Cyril, Elgin and Walters. Service station and/or restaurant with free restrooms at Chickasha and Walters.

Indian Nation Turnpike

Authorized by the State Legislature in 1955, north section (41.1 miles) opened in 1966 and south section (64.1 miles) opened in 1970. Four-lane, limited access highway extending 105.2 miles from U.S. 75/I-40 near Henryetta to U.S. 70 near Hugo. Interchanges at Eufaula, Ulan, McAlester, Daisy and Antlers. Service station and/or restaurant with free restrooms at Eufaula and Antlers.

Muskogee Turnpike

Authorized by the State legislature in 1965 and opened in 1969. Four-lane, limited access highway extending 53.1 miles from Tulsa to I-40 near Webber Falls. Interchanges at Coweta, Muskogee and U.S. 64 near Webber Falls. Service station and restaurant with free restrooms at Muskogee.

Cimarron Turnpike

Authorized by the State Legislature in 1965 and opened in 1975. Four-lane, limited access highway extending 59.2 miles on main route from I-35/U.S. 64 east of Enid to Tulsa, and 8.5 miles on a spur connecting the main route with Stillwater and Oklahoma State University. Interchanges at U.S. 77, U.S. 177, Stillwater, Morrison, S.H.18, Hallett and S.H. 48. Service station and restaurant with free restrooms at Lone Chimney.

John Kilpatrick Turnpike

Authorized by the State Legislature in 1987, the original 9.5 miles opened in 1991, and the 15.8 mile extension opened in sections during 2000 and 2001. Four-lane, limited access, urban highway extending 25.3 miles from the Oklahoma City interchange of the Turner Turnpike and I-35 to I-40 between Mustang and Sara Road. The route is generally along Memorial Road on the north, turning south parallel to Sara Road just west of County Line Road, passing by Lake Overholser on its west side parallel to Morgan Road to an interchange at I-40, giving access to traffic traveling east and west on the interstate system. Interchanges at Eastern Ave., U.S. 77/Broadway Extension, Western Ave., Pennsylvania Ave., May Ave., Portland Ave./Lake Hefner Parkway, Meridian Ave., MacArthur Blvd., Rockwell Ave., NW Expressway, Wilshire Blvd., S.H. 66 and N.W. 10th.

Creek Turnpike

Authorized by the State Legislature in 1987, the original 7.6 miles opened in 1992, and the 4.8 mile west extension opened in 2000. Four-lane, limited access, urban highway extending 12.4 miles from the Turner Turnpike at S.H. 66 to U.S. 75, giving access to traffic traveling north into Tulsa and south to Okmulgee, continuing west across the Arkansas River to U.S. 64 near 96th Street. It links with an extension of the U.S. 69/Mingo Valley Expressway. Interchanges at South 49th West, U.S. 75, Peoria Avenue, Delaware Avenue, Yale Avenue and U.S. 64/Memorial Drive.

Creek East & Broken Arrow South Turnpike Extensions

Authorized by the State Legislature in 1987 and currently under construction. Four-lane, limited access, urban highway to extend 21.2 miles within Tulsa County from U.S. 169 to the I-44 interchange of the Will Rogers Turnpike. The route generally runs east and west through the City of Broken Arrow.

H.E. Bailey Turnpike Norman Spur

Authorized by the State Legislature in 1987 and currently under construction. Four-lane, limited access, urban highway to extend 8.2 miles within Grady County from an interchange of the existing H.E. Bailey Turnpike to S.H. 9. The route generally runs east and west through a rural area east of Norman.

2000 HIGHLIGHTS

Nearly eleven years ago, the Oklahoma Transportation Authority (OTA) envisioned building an urban corridor around Oklahoma City and Tulsa. The first phase of the OTA's Urban Corridor Completion Project began in 1989 and took approximately two years to complete. The second phase began in 1998 and now nears completion in the new millennium, as the OTA reached several milestones in its Urban Corridor Completion Project in 2000. During 2000, the OTA more than doubled the lane-miles of its urban turnpikes with the completion of the John Kilpatrick Turnpike Extension in Oklahoma City and the Creek West Turnpike Extension in Tulsa.

The OTA's new extensions promote economic development.

Motorists and the communities surrounding the new extensions are enjoying the OTA's expertise in turnpike construction. On January 12, 2000, the OTA held opening ceremonies for the first two miles of the John Kilpatrick Extension between Portland and MacArthur Boulevard in Oklahoma City. This section opened six months ahead of schedule and immediately began to contribute to economic expansion in north Oklahoma City.

Over Labor Day weekend, five additional miles of the John Kilpatrick Extension, between MacArthur Boulevard and Northwest Expressway in Oklahoma City, opened to motorists. During the pre-opening Labor Day weekend celebration, motorists could drive this new stretch of turnpike at the OTA's cost, allowing motorists in Oklahoma City and surrounding areas an opportunity to become acquainted with the newest portion of the turnpike.

On January 31, 2001, the final nine miles of the John Kilpatrick Turnpike Extension were opened, connecting Interstate 35 north of Oklahoma City to Interstate 40 west of Oklahoma City. Commuters from growing eastern Canadian County and through traffic alike are enjoying the many advantages the northwest bypass offers.

In Tulsa, the OTA held opening ceremonies to commemorate the completion of the Creek West Turnpike Extension on December 15, 2000, two weeks ahead of schedule. The Creek West Turnpike Extension connects the Turner Turnpike to the existing Creek Turnpike. Again, the OTA celebrated the opening with a special weekend offer to encourage motorists to travel the new stretch of turnpike at the OTA's cost. This sneak preview allowed Tulsa motorists and surrounding communities an opportunity to





experience the benefits of accessibility and timesavings the new extension of the turnpike provides. Once all three segments of the Creek Turnpike Extensions are complete, the Creek Turnpike will stretch more than 33 miles around south Tulsa and will link Sapulpa, Jenks, Broken Arrow and Catoosa.

The OTA made significant progress on the construction of the H.E. Bailey Norman Spur in 2000. When complete, it will connect the existing H.E. Bailey Turnpike with State Highway 9 in Norman. This extension will provide excellent customer benefit since it eliminates the need for motorists to travel ten additional miles to reach the same destination. Opening is planned for September 2001.



In addition to providing motorists new, direct routes which bypass intercity traffic, the OTA's Urban Corridor Completion Project is generating a vast amount of economic development along its arteries. Industrial, commercial, retail, and residential developers are quick to recognize the opportunities afforded from the new access. This development is highly visible along the first two-mile section of the John Kilpatrick Turnpike Extension between Portland Avenue and MacArthur Boulevard in Oklahoma City. Hundreds of millions of dollars in capital expenditures have been invested into real estate along both sides of the turnpike since the opening of the John Kilpatrick Turnpike in 1991. In south Tulsa, the construction of the Creek West Turnpike Extension is already contributing to a boom in that area. These commercial investments validate the potential Oklahoma has for further economic growth. One of the greatest benefits of this growth and development to the surrounding communities is the creation of new jobs. Safe, convenient roads connecting people to their destinations coupled with economic development and job creation, leads to prosperity for the surrounding communities. Economic growth accelerates income and traffic flow, creating a synergism between public and private investment.



GROWTH THROUGH PRIVATIZATION

The OTA's emphasis on the privatization of certain services increased in 2000 as a means for providing excellence in turnpike maintenance while promoting economic growth. In 2000, the OTA awarded its first contract for routine maintenance operations on 17 miles of the John Kilpatrick Turnpike Extension between Portland Avenue and Southwest 15th Street in Oklahoma City. Effective November 1, 2000, the contractor became responsible for all routine maintenance operations in this section. In conjunction, the OTA has contracted with a maintenance inspection consultant to monitor the fully privatized maintenance contract. When economically feasible, the OTA plans to let small maintenance repair contracts for some of the bridge substructure repair needs. The OTA also continues to recognize savings through the outsourcing of mowing and weed control services to private contractors. Privatization of such services provides benefits to both the OTA and the private sector.

Another principal element in privatization is inmate labor. Currently, over 70 inmates work along the Turnpike System, assisting with trash removal, mowing, weed control, fence repair/replacement and brush removal. Inmate labor decreases the cost of the maintenance program by requiring fewer full time equivalent employees.



COMMUNICATION TECHNOLOGY

The OTA remains a leader in preparing for the changing telecommunication markets through its technological and entrepreneurial ventures. These public and private ventures allow the OTA to take advantage of emerging opportunities and to increase its presence in Oklahoma.

The OTA has aggressively leveraged the use of its rights-of-way for the installation of fiber optic and wireless telecommunication facilities. The OTA and the Oklahoma Department of Transportation (ODOT) in concert with the Oklahoma Regents for Higher Education and the Oklahoma Office of State Finance are making these fiber optic facilities available to all state



Fiber optic & wireless telecommunication facilities installed in the OTA's rights-of-way benefit the OTA, state government and education.

government organizations and all levels of education via Onenet.

Oklahoma is one of 15 states that have pioneered public-private telecommunication partnerships. These partnerships tap the special resources of each party. The private partner gains access to public right-of-way, and the public partner gains access to a high-speed telecommunications infrastructure.

The worldwide demand for optical fiber and broad band data transmission is reaching new heights. The OTA is responding to that demand by aggressively negotiating agreements that provide surplus fiber optic facilities to the state of Oklahoma. Oklahoma is geographically positioned in a major telecommunications artery between Houston and Chicago and can use this geographic location to build one of the largest, state-owned telecommunication systems in the nation.

The OTA and ODOT are negotiating agreements that involve trading surplus fiber optic facilities on major arterial routes for fiber optic facilities outside the major population or financial

centers of Oklahoma. Negotiations are under way to utilize over 450 miles of rights-of-way for new fiber optic routes. These diverse, new routes into rural Oklahoma will allow Onenet to reduce expenses for providing Internet access and two-way, interactive, distance learning to Oklahoma's classrooms.

The OTA began assisting the Department of Military in establishing a large televised educational network from Fort Sill in Lawton, Oklahoma to Ft. Smith, Arkansas, including military headquarters in Oklahoma City and Tulsa. This network will utilize the OTA's fiber optic cable along the H.E.



Bailey, Turner, and Muskogee Turnpikes and portions of Interstate 40. Once completed in 2001, the Oklahoma segment will be part of a national educational network providing better training for the national active and reserve military.

The OTA is also leveraging rights-of-way for the installation of wireless communication towers. The OTA recognizes several potential benefits of allowing wireless telecommunication facilities to be located within its rights-of-way. Specifically, such telecommunication facilities would improve mobile communications coverage along the turnpikes, advance the objectives of the E-911 service, enable the OTA to efficiently meet internal communications and intelligent transportations system needs, and generate revenue by licensing use of rights-of-way for wireless tower sites where such use will not negatively impact standard OTA operations.

TOLL COLLECTION TECHNOLOGY

The upgrade of the OTA's cutting-edge toll collection system is under development. This upgraded system will enhance the OTA's operations by allowing communications using the latest technology. The software is custom developed to meet the OTA's requirements, thereby ensuring a long life for the system. Implementation is planned for 2001. An interface between the new toll collection system and the OTA's accounting system is under development. This automated enhancement will greatly increase the efficiency of revenue and PIKEPASS transaction related accounting processes.

In conjunction with the toll collection system upgrade, the automatic coin machines are being upgraded for compatibility with the new system. These upgrades enhance customer service by speeding up the transaction time, improving coin count accuracy, and accepting the new dollar coins. By the end of 2001, the upgrade to all existing automatic coin machines should be complete.

Another innovation implemented in 2000 is the new automated refund system at the eastbound Kellyville exit on the Turner Turnpike. Patrons exiting use a refund voucher called a "tokenote". The patron inserts the tokenote into the machine, and the machine dispenses the refund automatically. In addition to increasing customer service, this process saves the OTA approximately \$10,000 per month in labor costs.



THE OTA MAINTAINS EXCELLENCE THROUGH RESPONSIBLE LEADERSHIP

Responsible leadership allows the OTA to achieve financial excellence under even the most challenging economic conditions. National fuel shortages and the resulting high gasoline prices curtailed discretionary roadway travel during the third and fourth quarters of 2000. Extreme winter weather conditions with the third largest snow accumulations received in the history of Oklahoma diminished travel in December. Severe hazardous travel warnings were issued throughout the month of December, particularly during the holiday travel time. The combined effect of the reduced travel due to the high gasoline prices and the



severe winter storms resulted in minimal annual toll revenue growth. Annual net toll revenues for 2000 generated approximately \$131.6 million and represented a lower than anticipated 1.3% growth over 1999. The six turnpikes constructed before 1990 reported a slight .4% increase in annual net toll revenues over 1999. The annual revenue growth for the four newer turnpikes was 7.8% over 1999 annual net toll revenues. This is primarily the result of the John Kilpatrick Turnpike producing substantial revenue growth of 23.4%, largely due to the additional miles that opened during 2000.



Under the direction of the Authority's Director and Deputy Director, all divisions participated in a concerted effort to minimize the impact of the OTA's reduced revenue growth. Through close monitoring of operating costs, revenue fund operating expenses for 2000 were a significant 7.7% below the annualized operating budget, attributing to net revenues exceeding budget by 8.6%. These efforts also contributed to the senior and total debt service ratios continuing to exceed trust requirements on a rolling twelve-month basis by approximately 48%.



The OTA projects a substantial increase in toll revenues for 2001. For only the seventh time in the OTA's 47-year history, a toll rate increase was implemented on January 1, 2001. The toll rate increase resulted from a

March 1998 resolution passed by the Authority authorizing a toll increase sufficient to fund debt service on the 1998 revenue bonds issued to construct the OTA's new turnpike extensions. This resolution stated that the January 1, 2001 toll increase should be limited to the amount necessary to yield a 15% net revenue increase.

The OTA continues to focus a great deal of attention toward protecting its existing assets through a proactive System rehabilitation plan. The OTA's insight in determining the long-term needs of the turnpike system is evidenced by its commitment to the Five-Year Capital Plan for maintenance, rehabilitation, and improvement first adopted in 1994. The plan identifies the Turnpike System's needs for the following 20-30 years and then prioritizes the needs into five-year segments to achieve the goals identified. Annually, the OTA reviews and updates the plan as necessary.

Through this comprehensive asset management effort, the OTA annually invests in System rehabilitation at a rate that approximates the 30-year straight-line depreciation of its total net assets.

The 2000 portion of the Capital Plan included many significant improvements. During 2000, the OTA completed a two-year long, major rehabilitation project on the Will Rogers Turnpike. The interchanges at Miami, Afton, Vinita, and Big Cabin were severely deteriorated and in need of complete reconstruction, as it has been 14 years since a rehabilitation project of this magnitude has been performed on the Will Rogers Turnpike. The OTA completely removed portions of the old interchange pavement and reconstructed new, asphalt roadways. On the 62 lane-miles between the newly reconstructed interchange pavements, the OTA performed mill and asphalt overlay to extend the pavement life, enhance the surface drainage, and improve the ride quality.

Recently, the OTA received three prestigious awards in recognition of its efforts towards excellence in concrete and asphalt paving of its turnpike roadways. The OTA's commitment to rehabilitation was affirmed by receiving recognition as runner up on the Oklahoma Asphalt Pavement Association's Rural Overlay Award for superior engineering supervision of the asphalt overlay on the Will Rogers Turnpike. In addition, the American Concrete Pavement Association has recognized the OTA with two separate awards for accomplishments on the John Kilpatrick Turnpike Extension. These awards include the Superior Concrete Pavement Constructed for 1999 Award on the John Kilpatrick Turnpike Extension from MacArthur Boulevard to the Hefner Parkway and the Smoothness Award for the continuous and consistent smoothness of the John Kilpatrick Turnpike Extension from Portland Avenue to Interstate-40. As an additional honor to the Authority, this award is known as the Neal A. McCaleb Smoothness Award and originated as a tribute to the Authority's Director for his commitment to providing smooth, safe roadways throughout the state of Oklahoma.



The Will Rogers Turnpike underwent major rehabilitation.





*The OTA's
commitment to the
Five-Year Capital
Plan provides
excellence in
maintenance.*



Concrete bonded overlays were also performed on over three and one-half miles of the H.E. Bailey Turnpike and slightly over four miles of the Indian Nation Turnpike. Bridge rehabilitation continues to receive increased efforts. The OTA undertook four bridge rehabilitation projects in the 2000 portion of the Five Year Capital Plan. In addition, the OTA continually addresses minor substructure repairs and performs preventive maintenance work to ex-

tend the time between major rehabilitation projects. In order to increase motorist safety and convenience, the OTA completed its two-year project of resigning the entire H.E. Bailey Turnpike with new, highly reflective signs.

The 2001 portion of the Capital Plan proposes funding from cash resources in excess of \$47.5 million. The approximate allocation for utilizing this funding is 50.4% for paving rehabilitation, 14.0% for portland cement concrete grinding, 11.9% for the renovation of side gates on the Will Rogers Turnpike, 7.1% for bridge rehabilitation, 4.2% for upgrades to the toll enforcement system, and the remaining 12.4% for various other capital projects.

The OTA's Maintenance Division is committed to providing smooth, safe patron travel by maintaining road surfaces, bridges, overpasses, building structures, and rights-of-way. Joint and crack sealing is an important component in maintaining a smooth roadway. In 2000, maintenance crews performed over 1.3 million linear feet of joint and crack sealing throughout the System. The maintenance crews also respond as dispatched to emergency situations such as snow and ice removal, motorist accidents, fires, and chemical spills. The year 2000 brought severe, record-breaking winter weather to Oklahoma. Several times during the winter months of 2000, maintenance crews were called out to battle multiple, severe, snow and ice storms. The crews worked long hours, beginning before the storms began and staying ahead of the storms to keep the roads clear for patrons. The maintenance crews plowed, sanded, and treated over 200,000 lane miles. The total amount spent by the OTA related to battling Oklahoma's severe storms was in excess of \$2 million.

CUSTOMER SERVICE

The OTA creates new opportunities for customer service through partnerships with private entities. Early in 2000, the OTA entered into a partnership with the newly built Wal-Mart Neighborhood Market Store located at the intersection of Rockwell Avenue and Hefner Road in Oklahoma City. This was the OTA's second commercial franchise and its inaugural venue for a greatly expanded *PIKEPASS* tag distribution and customer service program. During the fourth quarter, the OTA again expanded its service base to *PIKEPASS* patrons by adding patron service centers at American Parking of Tulsa, Sooner Mall of Norman, and Arrowhead Mall of Muskogee. Overall, the OTA has two *PIKEPASS* stores, five commercial partnerships, and 66 tag agencies that are authorized *PIKEPASS* agents and have the ability to provide customer service functions.

The *PIKEPASS* Internet web site is being updated with the development of a new *PIKEPASS* database software system. The web site has already been updated to include the locations of *PIKEPASS* customer service agents, downloadable forms, and other current information such as the requirements of the volume discount program. In addition to the web site, customers can also receive their *PIKEPASS* account statements via e-mail. This new service decreases operating costs and provides timely delivery of the statements to customers in an electronic format.



SAFETY FIRST

Providing safe, quality roadways is the most valuable customer service the OTA offers. The OTA contracts with the Department of Public Safety (DPS) for the services of the Oklahoma Highway Patrol (OHP) on its turnpikes. The OTA partners with the DPS to identify opportunities to increase operating efficiency by providing the latest technology to achieve safe customer travel.

Consistent with the OTA's commitment to enable its troopers to "work-smart", the OTA shared in the cost of purchasing a new message switching system. This new system allows the Oklahoma Law Enforcement System to begin deploying the full services of the National Crime Information Center's 2000 project that introduces the next generation of criminal justice information systems for law enforcement in the country. Some of the major new functions include fingerprint searches, probation and parole information, and other on-line functions. Additional state functions will be incorporated within the message switching system in the future.

The OTA enables its turnpike troopers to "work-smart".



ECONOMIC TRENDS AND OUTLOOK



Picture provided courtesy of the Journal Record.



As of February 2000, the current economic expansion became the longest in U.S. history. Unlike other postwar expansions, the current expansion has continued along without significantly igniting inflation, the key to its longevity. This is according to the “2001 Oklahoma Economic Outlook”, published by the College of Business Administration of Oklahoma State University. This publication forecasts continued growth, albeit slower growth,

despite six interest rate hikes by the Federal Reserve in 2000 in an effort to slow the economic growth and stave off inflation created by increased energy prices and a tightening job market.

Reports from the Federal Reserve, however, are more cautious. The “Beige Book” published by the Federal Reserve indicates that economic growth slowed in December of 2000, easing labor shortages somewhat and limiting price pressures for finished goods and services. The report went on to state that most districts reported further deceleration

in growth from previous periods. Much of the lackluster growth in December can be traced to lower than expected retail sales growth during the holiday season. Most areas reported that sales were up only slightly from the holiday season of 1999, in which very strong gains were reported.

According to the Federal Reserve, much of this growth slowdown can be attributed to diminished consumer confidence, as well as severe winter weather in some areas of the country. This overall weak sales growth led several national and regional retailers to close some or all of their stores. Due to the concerns about economic slowdowns, the Chairman of the Federal Reserve, Dr. Alan Greenspan, responded with three interest rate cuts in January 2001, hoping to give a jumpstart to the economy.

Some of the economic slowdown can be traced to the increased energy prices. Because of production cutbacks and anticipated shortages in home heating oil, oil prices are two to three times higher than last year. Although the surge in prices has caused some slowdowns to the economy, it does not pose the risk to the U.S. economy that it once did. For instance, accounting for the changes in the value of the dollar over time, the cost of a barrel of oil would have to rise to \$70 to match its price in 1981. Secondly the U.S. economy is much more energy efficient than in the 1970’s.

The Oklahoma economy is expected to follow the national trend and report slower growth in 2001. Growth of 2.1% for the year 2000 put Oklahoma in line with the national average in terms of growth in total nonagricultural employment. This strong growth seems to be uniform across states of close proximity such as Arkansas, Kansas, New Mexico and Texas. Oklahoma's economy has kept pace with the national trend since the late 1980's when Oklahoma was still recovering from the adverse effects of the decline that decade in the energy sector.

Oklahoma has continued its economic growth with significant gains in the residential and commercial construction fields resulting from the vast rebuilding after the May 3, 1999 tornadoes as well as from Oklahoma's impressive road building program. These road programs, the \$622 million OTA package and the \$1 billion ODOT package, are still underway and should boost the economy in other ways as well. The building of the John Kilpatrick Turnpike has resulted in hundreds of millions of dollars in commercial building permits being issued by the City of Oklahoma City along its corridor. This demonstrates the impact that improved access in growing areas can have on local economies. The final piece of the John Kilpatrick Turnpike Extension to Interstate 40 was opened to traffic on January 31, 2001, and the Creek West Turnpike opened to traffic on December 15, 2000. The east end of the Turner Turnpike is the most heavily traveled section of the Turnpike. Because the Creek West Extension has been constructed, traffic currently traveling through the central more congested section of Tulsa will now be diverted to south Tulsa. South Tulsa has seen a boom in this area due to the construction of the Creek West Turnpike. The Creek East and Broken Arrow Extensions that extend the current Creek Turnpike to the Will Rogers Turnpike should be opened to traffic by the end of 2001. These infrastructures will provide easier access for industries that are contemplating locating in various parts of Oklahoma. With state government organization such as the OTA and ODOT continuing to support economic development projects such as these, the State of Oklahoma looks to have a bright future.



FINANCIAL INFORMATION



Internal Controls

It is necessary to establish and maintain internal controls designed to provide reasonable assurance that assets are safeguarded against loss, theft or misuse and for ensuring that reliable and adequate accounting records are maintained. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of internal control structure policies and procedures. The Authority believes that the organization's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Fiduciary Operations

The OTA's Trustee, Bank of Oklahoma, works closely with financial management and staff to ensure that the OTA is in compliance with the terms and covenants of its Trust Agreement and that all financial and operational decisions are made in the best interest of the OTA's bondholders.



Debt Administration

As of December 31, 2000, the OTA's outstanding debt, net of unamortized discount and net deferred debit on refundings, was approximately \$1,274,000,000. The current portion of this debt totals \$14,790,000. Final maturity on this debt is scheduled for the year 2028.

Cash Management

All deposits were either insured by federal depository insurance or collateralized. Throughout the year, available cash was invested in U.S. Government obligations, repurchase agreements, and guaranteed investment contracts. All investments, other than the guaranteed investment contracts, were classified in the category of highest quality rating of credit risk, as defined by the Governmental Accounting Standards Board (GASB). The guaranteed investment contracts were either rated within the two highest quality ratings of credit risk by Moody's Investors Service and Standard and Poor's Corporation (S&P) or collateralized by U.S. Government securities in an amount equal to 105% of the outstanding principal. At the direction of the Authority, all investments were made by the Trustee in strict compliance with the provisions of the Trust Agreement.

Risk Management

The OTA maintains an aggressive safety and loss prevention program that is staffed by a full-time safety officer. Insurance policies are purchased for normal business risk at favorable rates through the Oklahoma State Office of Risk Management. All major areas of operations are covered, including loss of income, buildings and contents, bridges, workers' compensation, and general, personal injury and auto liability. The OTA also maintains surety bonds covering Authority Members, and a directors' and officers' insurance policy that provides a broad range of coverage against liability to the OTA, its Authority Members, management and staff.



Flow of Funds

Section 507 of the Trust Agreement dated February 1, 1989, establishes the flow of funds with which the OTA must comply. The OTA must deposit toll and other revenues from its operations into the Revenue Fund on a daily basis. All monies in the Revenue Fund at the end of the month (less a reserve for current operating expense not to exceed 20% of the amount of current operating expenses shown in the OTA's latest budget) are transferred and deposited as follows: 1) bond service accounts in accordance with their respective lien hierarchy for the purpose of paying bond principal and interest; 2) bond reserves in accordance with their respective lien hierarchy for the purpose of ensuring sufficient monies are available to make bond principal and interest payments in the event that current revenues are insufficient; 3) the Reserve Maintenance Fund for the purpose of paying special maintenance expenses to keep the Turnpike System in good repair; 4) the balance to the General Fund for the purpose of pledging such monies to the payment of junior obligation debt or any other lawful purpose.

Under the OTA's Enabling Act, and amendments thereto, a portion of the motor fuel excise taxes collected on fuels consumed on the turnpikes is made available to the OTA from the Oklahoma Tax Commission. Since July 1, 1992, the motor fuel tax monies have been apportioned to the OTA on the first day of each



calendar month. All motor fuel taxes apportioned to the OTA are available to fund debt service; to the extent monies are not otherwise available. If such motor fuel excise taxes apportioned to the OTA are not necessary in such month, the fuel tax monies shall be paid over immediately to the Oklahoma Department of Transportation (ODOT). During 2000, the OTA received, and immediately remitted to ODOT, all of the \$33,646,896 of motor fuel excise taxes apportioned to the OTA during the year.

Basis of Accounting

The operations of the Authority are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the Authority are included in the Statements of Net Assets. The Trust Agreement and supplements thereto (the Trust Agreement) related to the Series 1989 Bonds require that the Authority adopt accounting principles generally accepted in the United States of America (GAAP) for government entities; but it also requires that certain funds and accounts be established and maintained. The Authority consolidates these funds and accounts for the purpose of enterprise fund presentation in its external financial statements.



Net toll revenues for 2000 generated approximately \$131.6 million and were 1.3% higher than 1999 net toll revenues.

Financial Results From Operations

Annual net toll revenues for 2000 generated approximately \$131.6 million and represented a 1.3% growth over 1999. Toll transactions reached over 86.4 million for 2000, resulting in a 2.6% increase over 1999. Concession revenues generated approximately \$1.2 million, in spite of the negative impact higher gasoline prices and severe winter weather had on discretionary roadway travel.

Total operating expenses for 2000 were held to approximately \$65,000 below the 1999 operating expenses. Through the close monitoring of operating costs, revenue fund operating expenses for 2000 were a significant 7.7% under the annualized operating budget. All divisions operating expenses were affected by a legislatively mandated pay increase of \$2,000 per employee, implemented on October 1, 2000. These efforts to minimize operating costs have also contributed to the senior and total debt service ratios continuing to exceed trust requirements on a rolling twelve-month basis by approximately 48%.



Budgetary Control

The OTA prepares an annual budget of current operating expenses and monthly deposits to the Reserve Maintenance Fund in compliance with the Trust Agreement and adopts a capital improvement plan each year. The budget is adopted on a modified accrual (non-GAAP) basis wherein expenditures are recognized on a cash basis and depreciation is not budgeted as an expenditure. Budgets are controlled at the division level, and the object of the budgetary controls is to ensure compliance with

the provisions of the Trust Agreement. The Director may approve changes within the budget at any level, but an increase in total budget must be approved by the Authority. Monthly reports of actual expenses versus budgeted expenses are provided to the Authority and management. Unexpended budget balances lapse at fiscal year end. Project-length financial plans are maintained for capital projects.

During November 2000, the Authority adopted the calendar year 2001 Annual Budget. The 2001 Annual Budget included a 9.05% increase over

the 2000 Annual Budget for operating and maintenance of the Turnpike System. Approximately 7.54% of this budgetary increase is the result of costs related to the new turnpike extensions, including the additions of 36 new positions to staff the new extensions. In an effort to minimize the system-wide staffing increase, 25 positions were either reassigned from existing turnpikes or eliminated through attrition. The 2001 Annual Budget also includes approximately \$48,000,000 in funding for the projects identified for 2000 in the Five Year Capital Plan.

Independent Audit

The Trust Agreement requires an annual audit of the financial statements by an independent accounting firm. The required audit has been performed for the year ended December 31, 2000 by our independent auditors, KPMG LLP.

SPECIAL AWARDS

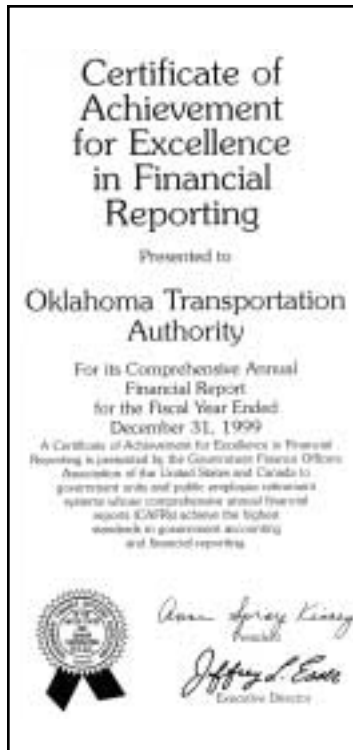
The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the Authority for its annual budget for the year beginning January 1, 2000.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for a period of one year only. This is the ninth consecutive year that the OTA has earned this award. The OTA is one of the only two state agencies in Oklahoma to receive this award.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Oklahoma Transportation Authority for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 1999. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR that conforms to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The OTA has received a Certificate of Achievement for the last ten consecutive years (years ended December 31, 1990-1999). The OTA's award is among 25 awarded throughout the state and is one of only six received by state agencies in Oklahoma. The Authority believes its current report continues to conform to the Certificate of Achievement program requirements, and it will be submitted to the GFOA.



ACKNOWLEDGMENTS

Grateful appreciation is extended to the entire management staff of the OTA for their professional contributions to this report. Thanks also to the Controller Division and Finance and Revenue Division staff who prepared the report, to the Oklahoma Department of Transportation Office Services Division who provided photography services and to our independent auditors for their participation in the review and preparation of this report.

Special appreciation is extended to Governor Frank Keating, the Authority Members, Director Neal A. McCaleb and Deputy Director Holly Lowe. To all of you, your support of the Authority's efforts to excel in the operational and financial management of the OTA is sincerely appreciated.