Introductory Section

OKLAHOMA TRANSPORTATION AUTHORITY

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April 30, 2003

The Honorable Brad Henry,
Citizens of the State of Oklahoma and
Oklahoma Turnpike Bondholders

Systemwide net toll revenues for the Oklahoma Transportation Authority (OTA) during 2002 surpassed $176.4 million, exceeding 2001 net toll revenues by 7.5%. The opening of the Creek Broken Arrow South and Creek East Turnpike Extensions contributed significantly to this strong revenue growth. Please refer to the Management's Discussion and Analysis (MD&A) portion of this report for a detailed discussion of the OTA's financial performance. While an emphasis was placed on completing new extension construction, progress continued towards the rehabilitation and improvement projects identified in the 2002 portion of the OTA's comprehensive System rehabilitation plan to maintain safe, high quality roadways for its customers. In addition, the OTA refunded approximately $577.8 million in Revenue Bonds on May 14, 2002, reducing aggregate debt service payments over the next 20 years by roughly $50.9 million.

On behalf of the OTA, we are pleased to transmit this comprehensive annual financial report (CAFR) for calendar year 2002. The Controller Division prepared this CAFR 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 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.

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.

The OTA strives for the highest level of customer service, convenience and safety, and to manage our operations in an effective and cost efficient manner. It is our sincere hope that this CAFR will help everyone understand the OTA's financial and operational activities more fully.

Respectfully submitted,

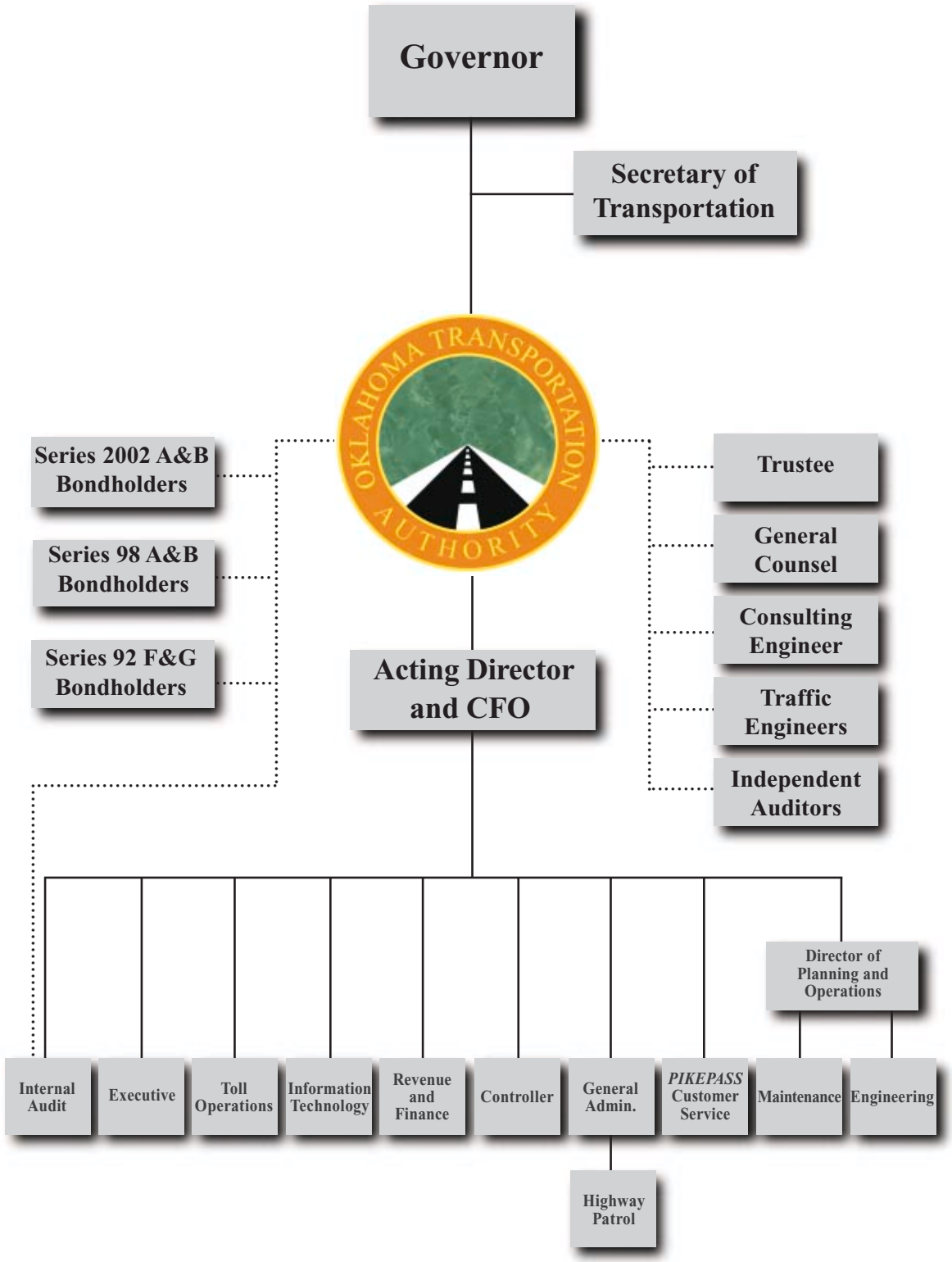
THE OKLAHOMA TRANSPORTATION AUTHORITY

Fred J. Hall
Chairman

Holly Lowe, C.P.A.
Acting Director and CFO

Lori Scott, C.P.A.
Controller

Organizational Chart



Oklahoma Transportation Authority Members

Governor Brad Henry
Ex-Officio

Holly Lowe
Acting Director and CFO

Robert M. (Bob) Kane
District 2

Dewey F. Bartlett, Jr.
District 4

James W. Caudle
District 6

Phil Tomlinson
Secretary of Transportation

Fred J. Hall
Chairman
District 1

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

Steve LaForge
Secretary & Treasurer
District 5

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. Ms. Holly Lowe is the Acting Director and Chief Financial Officer of the OTA, and Mr. Phil Tomlinson has been appointed as Oklahoma's Secretary of Transportation.

The Acting Director and Chief Financial Officer, with the 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: **Alan Freeman** – Director of General Administration; **Holly Lowe –** Acting Director and CFO; **Tim Stewart** – Director of Planning and Operations;

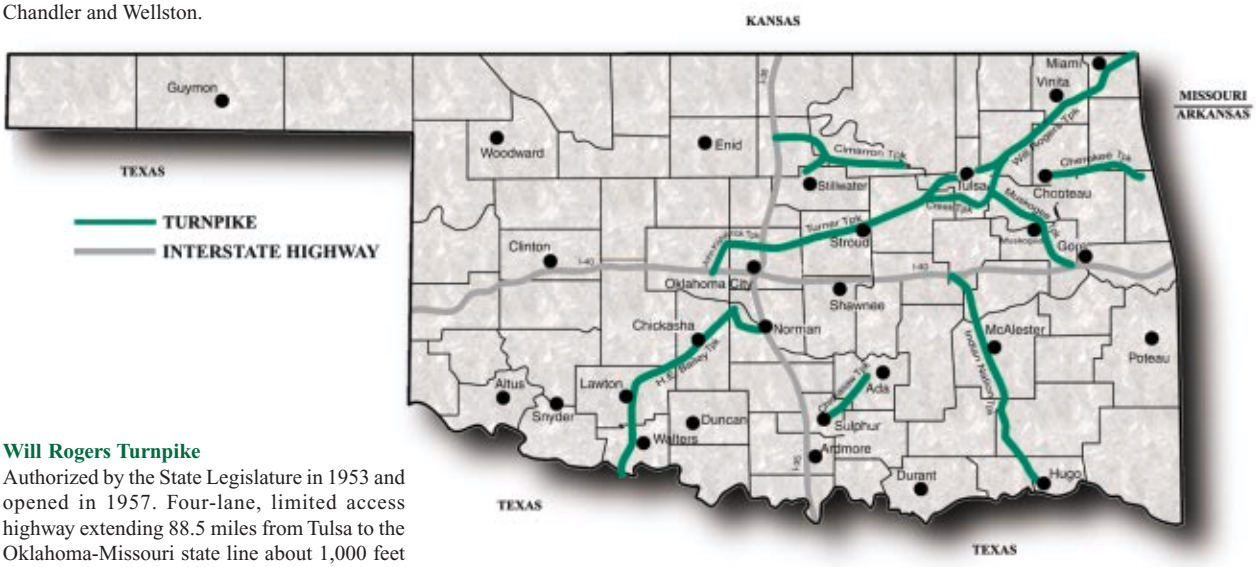
Standing left to right: **Wendy Smith** – Director of Finance & Revenue; **Duane Griffith** – Director of Maintenance; **Gary Brown** – Director of Information Technology; **Eric Strong** – Chief Engineer; **David Machamer** – Director of Toll Operations; **Lori Scott** – Controller; **Randy Moore** – Director of *PIKEPASS* Customer Service; **Captain Gerald Davidson** – 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, the original 86.4 miles opened in 1964, and the 8.2 mile extension authorized in 1987 opened in 2001. The original four-lane, limited access, highway extending 86.4 miles opened 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. The four-lane, limited access extension runs 8.2 miles within Grady County from an interchange of the original H.E. Bailey Turnpike to S.H. 9. The route generally extends east and west through a rural area west of Norman.

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 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.

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.

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.

Creek Turnpike
Authorized by the State Legislature in 1987, the original 7.4 miles opened in 1992, the 4.9 mile Creek West Extension opened in 2000, the 13.1 mile Broken Arrow South Loop opened in sections during 2001 and 2002 and the 9.0 mile Creek East Extension opened in 2002. Four-lane, limited access, urban highway extending 34.4 miles from the Turner Turnpike at S.H. 66 to the I-44 interchange of the Will Rogers Turnpike, providing access to traffic traveling east into Tulsa and south to Okmulgee; continues generally through the city of Broken Arrow to the Muskogee Turnpike; then north to the Will Rogers Turnpike. Interchanges at South 49th West Avenue, U.S. 75, Peoria Avenue, Riverside Drive, Yale Avenue, U.S. 64/Memorial Drive, U.S. 169, South 129th East Avenue, South 161st East Avenue, South 193rd East Avenue, East 101st Street, S.H. 51, Muskogee Turnpike, 71st Street, 51st Street, 31st Street, 11th Street, Highway 412 and Pine Street.

2002 HIGHLIGHTS

Building a comprehensive transportation infrastructure for the entire state of Oklahoma -- its people, its visitors, its commerce -- is the number one mission of the OTA. This transportation backbone provides power to enrich the lives of Oklahomans and builds commerce and economic development opportunities that will continue to attract business to the state. The OTA makes major contributions to Oklahoma's economic health and growth by providing internationally recognized leadership in turnpike and transportation management.

The OTA fulfilled its commitment to construct an urban corridor around Tulsa and Oklahoma City with the opening of the Creek East Turnpike Extension in Tulsa on September 18, 2002. The $622 million construction program began in 1998 to extend not only the Creek Turnpike, but also the John Kilpatrick Turnpike in Oklahoma City and the H.E. Bailey Turnpike's Norman Spur. This historic achievement was commemorated with a patriotic dedication ceremony that included Oklahoma's Governor and Lieutenant Governor, the OTA's Authority members, staff, consultants and contractors as well as mayors, city officials and chamber of commerce representatives from the surrounding cities of Bixby, Broken Arrow, Catoosa, Glenpool, Jenks, Sapulpa and Tulsa.

The OTA celebrated the completion of the urban corridors around Tulsa and Oklahoma City on September 18, 2002.

The construction of the new extensions has resulted in an economic explosion along each of these roadways. Communities surrounding Tulsa have expressed support for the new Creek Turnpike Extensions. The former president of the Sapulpa Chamber of Commerce commended the Creek West Turnpike Extension for raising the overall awareness of Sapulpa and what it has to offer businesses, industries and residents. The extension has been a catalyst for economic development in the area and has helped to promote more broadly Sapulpa's positive image. At the ribbon-cutting ceremony to open the new Broken Arrow branch of the Arkansas Valley State Bank, the Broken Arrow South Loop was credited for bringing the bank into an area that is poised for growth. A new Wal-Mart store and shopping center are already under construction in this area. In Glenpool, a major trucking company elected to relocate to this area primarily for easy access to several turnpikes. That company is now a major employer in Glenpool.

Towns surrounding Oklahoma City have also enjoyed benefits from the new extensions. According to Yukon's City Manager, the recent extension to the John Kilpatrick Turnpike has brought new business and new interest to Yukon. The highway has stimulated new housing development, which in turn has spurred retail development. The turnpike also has enhanced development around Route 66, Yukon's Main Street. Some of the new commercial developments include a retail strip center, regional hospital and dental office. Developers hope this will become an area-wide draw, attracting shoppers from surrounding towns. Another growth area is in far northwest Oklahoma City in the Piedmont School District where a large number of houses have been platted since construction began on the John Kilpatrick Turnpike Extension.

Oklahoma's turnpikes are among the smoothest roads in the nation.

Oklahoma's turnpikes are among the smoothest roads in the nation, according to the American Concrete Pavement Association, and have received countless awards for excellence in highway construction. The newly constructed urban turnpikes are no exception. During 2002, the American Concrete Paving Association selected a section of the Creek Broken Arrow South Loop as Runner Up for their Excellence in Concrete Paving Award. To receive this type of national recognition, the pavement can deviate from perfection by less than one inch per mile. The OTA recently received notification that it has been selected to receive national recognition for asphalt smoothness on the H.E. Bailey Norman Spur. The Oklahoma Asphalt Pavement Association recognized the OTA with two prestigious state awards. The first was Winner of the Full Depth Award for the asphalt pavement section of the Creek East Turnpike Extension including its tie-in with the Will Rogers Turnpike. The second award was Runner Up for the Rural Overlay Award for asphalt overlay on the Indian Nation Turnpike.

Nearly 50 years ago, the Oklahoma Legislature empowered the OTA to engage in the most leading edge, entrepreneurial means possible to bring contemporary commerce, employment and enhanced lifestyle opportunities to the people of Oklahoma. Through this empowerment, the Turner Turnpike was constructed. The contribution the Turner Turnpike has made to Oklahoma's infrastructure was recognized in 2002 by the American

Road and Transportation Builders Association (ARTBA) during their 100th Anniversary celebration. Commemorating their anniversary, the ARTBA conducted a national survey to identify the top transportation infrastructure projects and public officials of the 20th century in all 50 states. The Turner Turnpike was selected as one of Oklahoma's top two transportation infrastructure projects, and Neal A. McCaleb, the former Oklahoma Secretary of Transportation and Director of OTA, was chosen as one of Oklahoma's top two public officials. The award ceremony was held on August 22, 2002 at the OTA's Neal A. McCaleb Transportation Building.

The Turner Turnpike was selected as one of Oklahoma's top two infrastructure projects of the 20th century.

No tax appropriations are used to operate Oklahoma's turnpikes. The System pays its debt service and manages its operations strictly with revenue from toll collections. Annual toll revenues for 2002 generated over $176.4 million and represented a 7.5% growth over 2001 toll revenues. The new turnpike extensions contributed to outstanding revenue growth rates of 20.5% on the John Kilpatrick Turnpike and 46.0% on the Creek Turnpike above 2001. The six turnpikes constructed before 1990 reported a 4.0% increase in annual toll revenues over those of 2001. The annual revenue growth for the four newer turnpikes was 24.6% over 2001 annual toll revenues. Toll transactions surpassed 111.3 million in 2002, a substantial 13.0% increase over transactions in 2001.

Net revenues in 2002 exceeded projections by 7.1%. Revenue fund operating expenses for 2002 were a significant 7.9% below the annual operating budget through cooperation and continued effort among the divisions to monitor costs under the direction of the Authority's Acting Director and Chief Financial Officer. The efforts to monitor costs have also contributed to the senior and total debt service ratios continuing to achieve anticipated results.

The OTA received improved bond ratings from three municipal credit research companies on New York's Wall Street. Standard & Poor's upgraded the OTA's bonds from an A to an AA-; Moody's Investors Services upgraded the bonds from an A1 to an Aa3; and Fitch, rating the OTA's bonds for the first time, gave the bonds an AA- rating. Moody's upgrade report stated the OTA's high rating was a result of primary credit strength

derived from its strong financial and operational performance and strong emphasis on cost containment. Moody's also stated that the OTA exhibits by far the lowest operating costs relative to its size of any Moody's Aa3 rated toll roads. The Standard & Poor's report attributed the upgraded bond rating to an experienced and strong management team that has historically demonstrated sound fiscal policies and prudent business decisions. The Fitch report stated that the OTA's financial performance is strong, providing ample debt service coverage on existing bonds as well as funding ongoing significant capital needs. All three firms refer as key to the OTA's positive ratings the OTA's five-year plan to use net income remaining after debt service to fully fund its capital improvement plan. Because of these ratings upgrades, the OTA attained substantial savings on bond insurance and in coupon savings on the 2002 bond refunding.

The OTA saved approximately $2.5 million per year from 2003-2022 by refunding bonds.

Spotless audits and a bond rating excellent by Wall Street standards provide the OTA the buying power to make healthy investments. On May 14, 2002, bids were opened for the Series 2002A and 2002B Refunding Second Senior Revenue Bonds. These bonds were issued to refund $577,810,000 in Revenue Bonds from the remaining Series 1989 Bonds, the Series 1992A-E Bonds and portions of the Series 1992F&G Bonds. Following the bid opening, the bonds were resized to provide the amount of proceeds necessary to cover costs and the exact amount of the proceeds required to fund the refunding escrow from the date of closing, May 23, 2002, to July 1, 2002, the call date of the refunded bonds. The par amount of the new bonds was $314,065,000 for the Series 2002A Bonds and $255,575,000 for the Series 2002B Bonds. Bidders included Merrill Lynch, JP Morgan, Salomon Smith Barney, Morgan Stanley/Dean Witter and A.G. Edwards. Both issues were very competitively bid with the bids on the Series 2002A within one basis point and the bids on the Series 2002B within three basis points. The successful bidder on both the Series 2002A and 2002B was Merrill Lynch with a true interest cost for the Series 2002A of 4.819692% and a true interest cost for the Series 2002B of 4.832711%. The sale was very favorable resulting in gross savings, net of all costs for both series, of $50,923,956 or approximately $2.5 million per year from 2003 until 2022. The net present value savings was $32,583,380.

The OTA is comprised of many individuals that possess outstanding leadership abilities. Mr. Tim Stewart, the OTA's Director of Planning and Operations, received the highly esteemed Government Official of the Year Award for the innovative use of diamond grinding and area wide maintenance contracting in Oklahoma by the International Grooving and Grinding Association. Mr. David Machamer, the OTA's Toll Division Director, was appointed to the board of directors of the International Bridge, Tunnel and Turnpike Association (IBTTA), an international association that promotes safety and convenience through toll financing. Mr. Carl Selby, the OTA's Chief Internal Auditor, serves his country as a helicopter pilot for the Oklahoma National Guard where, if activated, he will fly Black Hawk helicopters to deploy Medevac units and collect injured soldiers. During 2002, Mr. Eric Strong joined the OTA's management team as the OTA's Chief Engineer. As a professional engineer, Mr. Strong's experience prior to coming to the OTA includes designing for turnpike construction; cleaning-up asbestos, fuel spills, and water pollution; and designing engineering projects for the Air Force.

The OTA's five year plan for using net income after debt service to fund capital improvements is key to the OTA's postive bond ratings.

The intuitiveness of the OTA's leadership is essential in the success of the five-year Capital Plan for maintenance, rehabilitation and improvements, first adopted in 1994. The plan identifies the Turnpike System's needs over the next 20-30 years and then prioritizes the needs into five-year segments to achieve the goals of the Authority. The OTA reviews the plan annually and makes updates, if 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 infrastructure. When the next five-year segment of the Capital Plan is complete, Oklahoma motorists will travel over more than 100 miles of revitalized pavement and as many as 25 reconditioned bridges.

Significant improvements identified in the 2002 portion of the Capital Plan to extend pavement life and improve the ride quality include diamond grinding, dowel-bar retrofit and replacement of cracked slabs on 17 miles of the Cherokee Turnpike and concrete overlay on the Will Rogers Turnpike at the Vinita concession area. Shoulder reconstruction to prevent erosion and preserve roadway integrity has been performed along ten miles of the Muskogee Turnpike. Bridge rehabilitations include four bridges

on the H.E. Bailey Turnpike, two bridges on the Will Rogers Turnpike and one bridge each on the Muskogee and Turner Turnpikes. Minor substructure repairs are continually addressed, and preventive maintenance is performed to extend the length of time between major rehabilitation projects.

The 2003 portion of the Capital Plan proposes funding from cash resources of over $55.9 million. Approximately 77.8% of this funding is apportioned to road and bridge rehabilitation projects, and the remaining 22.2% is apportioned to other capital projects. Planned road and bridge improvements include pavement rehabilitation of sections of the Turner, Will Rogers and Chickasaw Turnpikes, bridge rehabilitation on the Muskogee, Turner, H.E. Bailey, Will Rogers and Cherokee Turnpikes, toll plaza reconstruction at Sapulpa on the Turner Turnpike, slope and shoulder rehabilitation and scour counter measures on the Cherokee and Indian Nation Turnpikes and the construction of salt storage buildings on the H.E. Bailey and Will Rogers Turnpikes. Other capital projects include the purchase of new *PIKEPASS* transponders, *PIKEPASS* refurbishment and the purchase of Oklahoma Highway Patrol (OHP) cars.

Throughout the System, crews routinely perform maintenance to roads and existing drainage structures. Inmates, supervised by turnpike employees, assist with trash removal, mowing, weed control, fence repair/replacement and brush removal. The outsourcing of this work through inmate labor remains a key element to decreasing the cost of the maintenance program by requiring fewer full time equivalent employees.

Maintenance crews are ready to respond, as dispatched, to urgent situations throughout the System such as motorist assists, motorist accidents, chemical spills, fires and snow removal. During 2002, maintenance crews worked long hours battling severe winter storms. As a result, crews plowed and sanded over 91,800 lane miles and treated over 3,500 lane miles with magnesium chloride. The total spent for these winter storms exceeded $1.5 million.

With the nation at "high" risk for a terrorist attack, the OTA places a very high priority on safety. To provide the traveling public the safest possible roadways, the OTA contracts with the Oklahoma Department of Public Safety for the services of the OHP. The presence of the OHP troopers enforcing traffic laws, regulating and directing traffic movement and assisting citizens safeguards the public. The OHP's cooperation with other law enforcement officers and public officials provides timely, relevant information in the event of an emergency. The OHP troopers do an outstanding job promoting turnpike safety through various programs including the special enforcement emphasis program, speed monitoring awareness radar trailers, aircraft traffic enforcement program, size and weights enforcement and the use of lasers for speed enforcement.

OTA's troopers not only preserve the safety on the highways, but also preserve the highways.

The commercial vehicle enforcement troopers possess a great knowledge of the size and weights laws and perform commercial vehicle tasks in their general enforcement programs. These troopers not only preserve the safety on the highway, but also preserve the highways themselves since trucks that are overweight by 20% deteriorate the pavement life exponentially. Because of this effort, accidents involving commercial vehicles have declined, and the decline can be attributed to safer and more responsible driving habits being displayed by this portion of the traveling public in response to the efforts of the OTA troopers.

In response to customer requests, the OTA initiated a speed limit study to increase turnpike speed limits to match those of intersecting interstates. On August 16, 2002, Commissioner Bob Ricks of the Oklahoma Department of Public Safety approved OTA's initiative to increase the speed limit on the John Kilpatrick Turnpike in Oklahoma City from 65 to 70 miles per hour. This increase affects all of the John Kilpatrick Turnpike. Commissioner Ricks also approved an increased speed limit on a small section of the Creek Turnpike in Tulsa from 65 to 75 miles per hour. The area that experienced the increased speed is approximately a 4-mile stretch extending from the Turner Turnpike to U.S. 75.

The OTA opened renovated side gates at Bristow and Big Cabin during 2002.

The OTA demonstrates its dedication to excellence in customer service by providing efficient collection of tolls, courteous disbursement of information and assistance to the traveling public. The OTA's toll collectors are ambassadors for the state of Oklahoma and continually enhance their services through training and operational enhancements.

Mr. Don Quickle and Mr. Willard Parish are outstanding examples of the character among the OTA's toll attendants. Mr. Quickle, toll collector at the Walters Toll Plaza on the H.E. Bailey Turnpike, retired this year after 38 years of dedicated service as the OTA's longest-tenured active Toll Division employee at the time of his retirement. Mr. Quickle believes the key to his success is in his philosophy to always try to treat people right. Mr. Quickle has seen everything from tornadoes passing over the turnpike to frayed fathers-to-be and expectant mothers on their way to the hospital. Mr. Parish, toll collector at the Bristow Toll Plaza on the Turner Turnpike, earned a Silver Star for his heroic actions during the Vietnam War. Mr. Parish was key in the success of the first major battle in the war. The movie "We Were Soldiers Once..." was based on the story of the battle Mr. Parish was involved in and of the soldiers who fought there. The OTA believes it is important to honor the "heroes among us" whether they are soldiers, policemen, firemen or people doing heroic things in their ordinary course of life.

The OTA opened the first two of 11 renovated side gates featuring updated toll collector booths, free-flowing *PIKEPASS* lanes and aesthetically pleasing canopies at Bristow on the Turner Turnpike and Big Cabin on the Will Rogers Turnpike. These new side gates provide patrons with faster and more efficient service.

The OTA is focused on the enhancement of its electronic toll collection system for the over half-a-million users that utilize the automatic toll collection lanes each day. The new program refines the enforcement process, adding airtight integrity to the entire system. Customers save time and money by using *PIKEPASS* tags, while improving the efficiency of highway travel by eliminating the inconvenience and delays associated with paying tolls manually. *PIKEPASS* customers with 20 or more qualifying toll transactions in a month, save an additional 5% through participation in the volume discount program. During 2002, over $2.1 million in *PIKEPASS* volume discounts were given to customers, a 19.2% increase over 2001.

The customer service agent program was successful during 2002. Program participants issued approximately 65,000 *PIKEPASS* tags, roughly 45% of all *PIKEPASS* tags issued for the year. Customers can select from two *PIKEPASS* stores, six commercial partnerships or 69 tag agencies throughout Oklahoma that are authorized *PIKEPASS* agents and have the ability to provide customer service functions. A new service called Transponder Replacement Program (TRiP) is available for *PIKEPASS* customers on the OTA website at www.pikepass.com. Customers enter their *PIKEPASS* tag number to determine if it is time for their *PIKEPASS* tag to be recycled. If it is time, TRiP offers the customer an option to recycle by means of the OTA website or to locate directions to the nearest *PIKEPASS* outlet. As of December 31, 2002, active *PIKEPASS* tags totaled 582,742, and active *PIKEPASS* accounts totaled 328,846, an approximate 11.8% increase over the number of active *PIKEPASS* accounts as of December 31, 2001.

Hundreds of miles of fiber optic cable run throughout right-of-way easements along Oklahoma's roadways, providing a means of transportation for many forms of digital communication. The OTA is connecting its toll collection facilities to the OTA's fiber optic network. Since the implementation of the fiber optic network, the OTA has eliminated the cost of many externally provided telephone circuits by utilizing this fiber optic network. The OTA's Internal Audit Branch also utilizes this fiber optic network to obtain video images digitally and expedite the toll audit process. This eliminates the need for VCRs at each toll plaza, which were a considerable expense and labor intensive to maintain.

Another form of technology utilized by the OTA is document imaging. As of December 31, 2002, the OTA has scanned and placed over 1.7 million documents into electronic storage. This document-imaged information has also been placed on DVD at the Oklahoma Department of Libraries.

ECONOMIC TRENDS AND OUTLOOK

Northeastern State University in Broken Arrow was constructed along the Broken Arrow South Loop Extension.

At this time, it is still uncertain how the current war with Iraq will affect the United States' economy. The country has begun recovery from the economic devastation of the September 11th terrorist attacks, but with scandals in corporate America shaking the trust of the American people, economic recovery is slow. However, according to the "2003 Oklahoma Economic Outlook" published by the College of Business Administration of Oklahoma State University (OSU), the U.S. economy is already on an upswing with recovery well underway. The report cautions, however, that this recovery continues to be jobless as unemployment increased to 6% during the final two months of 2002. This trend is not atypical, as the 1990's recession that ended in March 1991 did not show month-to-month job gains start to materialize until March 1992. The study predicts that consistent month-to-month job gains are just around the corner. This optimism is contingent on a quick and successful war with Iraq and the absence of any large-scale terrorist attacks on the home front.

The publication "Global Insight" agrees, stating that if the war is quick and successful in the early part of 2003, the impact might be a boost to the economy resulting from higher defense spending. The publication cautions that if the war takes longer, the result could be the opposite: higher oil prices, lower consumer confidence, and a hit to the stock market resulting in a deeper recession.

The Congressional Budget Office (CBO) states in its January 2003 report entitled "The Budget and Economic Outlook: Fiscal Years 2004-2013" that there are indeed some indicators pointing to a brighter outlook for the economy this year. The report states that the stock market has moved slowly upward since its low point in October 2002 and that business spending on equipment and software has strengthened. The CBO report concurs with the report from OSU, expecting the recovery to continue at about the same pace as the recession recovery of 1990-1991.

Although Oklahoma is in the midst of a fiscal crisis with revenue collections coming in substantially below budget, the State is not alone. State budgets have rarely, if ever, been in worse condition than they are today. According to the National Association of State Budget Officers (NASBO), the cumulative national deficit for state budgets stands at $40 billion in this fiscal year alone. Along with other states, Oklahoma has been growing its spending faster than the underlying population growth and inflation. Even as the economy turned down and revenue growth began to sag, spending growth continued to accelerate. This growth in government spending is difficult to turn around.

According to OSU's 2003 report, Oklahoma posted an increase in the number of jobs during 2002 despite the national decline. Growth of .44% from November 2001 to November 2002 gave Oklahoma the 11th best job growth performance in the nation. This made Oklahoma one of only twenty states that posted job gains during that period. Other economic indicators also looked good for Oklahoma. Per capita income increased 4.3% in Oklahoma compared to just 2.4% nationally. With the dependence on the energy sector and the diversification of the State's economy, Oklahoma's economy relies heavily on and mirrors the national economy. Even as the Oklahoma economy has shown clear signs of improvement, the resulting boost to the State revenues will take time to catch up.

With the State's disparity between revenues and outlays, the State legislature and the Governor have the challenging task of developing long-term solutions to weather the State's fiscal crisis and stimulating the State's economic development. The OTA has stimulated economic development throughout the State with its $622 million urban turnpike construction program that was completed in the latter part of 2002. The building of the John Kilpatrick Turnpike has resulted in 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 east end of the Turner Turnpike is the most heavily traveled section. Because the Creek West Extension has been constructed, traffic previously traveling through the central, more congested, section of Tulsa will now be diverted to south Tulsa. South Tulsa has seen a boon in the economy in this area due to the construction of the Creek West Turnpike. The Creek East and Broken Arrow South Extensions that extend the current Creek Turnpike to the Will Rogers Turnpike opened to traffic in August of 2002. These infrastructures will provide easier access for industries that are contemplating locating in various parts of Oklahoma, which in turn could bring new sources of much needed revenues to the State of Oklahoma.

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 to ensure 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, 2002, the OTA's outstanding debt, net of unamortized discount and net deferred debit on refundings, was approximately $1,245,000,000. The current portion of this debt totals $10,155,000. 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 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 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 immediately to the Oklahoma Department of Transportation (ODOT). During 2002, the OTA received, and

immediately remitted to ODOT, all of the $32,804,885 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 prevailing Trust Agreement and supplements thereto dated February 1, 1989 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.

Financial Results From Operations

Toll revenues for 2002 generated over $176.4 million and were 7.5% higher than 2001 toll revenues.

Annual toll revenues generated over $176.4 million in 2002, a strong 7.5% growth over 2001. Toll transactions surpassed 111.3 million for 2002, resulting in an impressive 13.0% increase over 2001. Concession revenues generated approximately $1.2 million.

Total operating expenses were approximately $48.8 million in 2002, a 6.4% increase over total operating expenses in 2001. Revenue Fund operating expenses for 2002 were held to a significant 7.9% below the annual operating budget. Increased operating costs related to the new turnpike extensions include the operation and maintenance of the new attended lane locations, road maintenance including privatization contracts and additional OHP troopers to patrol the new extensions. Engineering expenditures decreased 32.4% primarily due to the completion of two non-capitalizable projects in 2001. Feasibility studies were conducted in 2001 but the projects were not undertaken, and therefore the projects were not capitalized. The OTA's efforts to minimize operating costs have also contributed to the senior and total debt service ratios continuing to achieve budgeted results. These results exceed trust requirements on a rolling twelve-month basis by approximately 60.0%.

BUDGETARY CONTROL

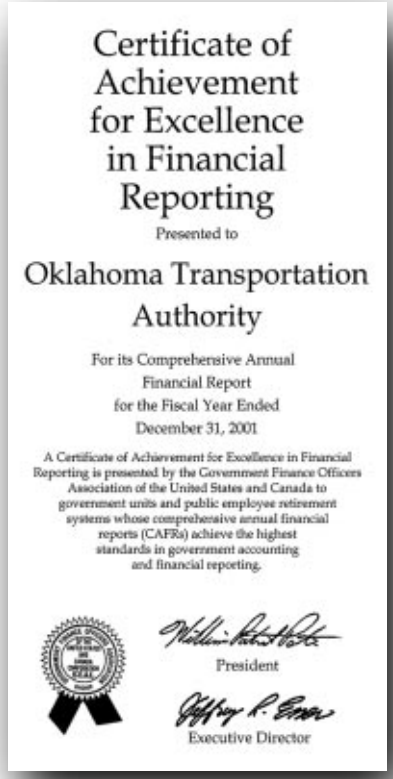
The OTA prepares an annual budget of current operating expenses and monthly deposits to the Reserve Maintenance Fund in compliance with the Trust Agreement and adopts a capital improvement plan each year. The budget is adopted on a modified accrual (non-GAAP) basis wherein expenditures are recognized 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 the 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 2002, the Authority adopted the calendar year 2003 Annual Budget. The 2003 Annual Budget for operating and maintenance of the Turnpike System is $51,852,000. The Operating and Maintenance Budget reflected a minimal increase over the 2002 Budget, increasing only 3.75%. The Existing System Budget for the turnpikes constructed prior to 1998 increased a mere $194,170, or .44%. The balance of the Operating and Maintenance Budget increase is necessary for the operation of the new extensions and other new programs. The 2003 Annual Budget also includes $55,905,861 in funding for the projects identified for 2003 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, 2002 by our independent auditors, KPMG LLP.

SPECIAL AWARDS


Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oklahoma Transportation Authority

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2001

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

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, 2002.

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 eleventh 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, 2001. 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 twelve consecutive years (years ended December 31, 1990-2001). The OTA's award is among 26 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 of this report.

Special appreciation is extended to Governor Brad Henry, the Authority Members and Acting Director and Chief Financial Officer 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.