

INDEPENDENT AUDITORS' REPORT

Members of the Oklahoma Turnpike Authority:

We have audited the balance sheets of the Oklahoma Turnpike Authority (the Authority) as of December 31, 1997 and 1996, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 1997 and 1996, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in note 1 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 31 in 1997.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 1998, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Authority, taken as a whole. The supplementary information included on pages 44 through 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic statements taken as a whole.

KPM & Peat Marwick LLP

Oklahoma City, Oklahoma
February 27, 1998

Oklahoma Turnpike Authority
Balance Sheets
December 31, 1997 and 1996

<u>Assets</u>	<u>1997</u>	<u>1996</u>
Current assets:		
Cash and cash equivalents (note 3)	\$ 13,773,371	\$ 9,119,146
Investments (note 3)	66,008,577	55,686,192
Accounts receivable	1,056,936	757,139
Accrued interest receivable	589,842	544,877
Prepaid expenses	100,414	79,366
Materials inventory	2,003,318	1,619,971
Total current assets	<u>83,532,458</u>	<u>67,806,691</u>
Restricted assets (notes 3, 7 and 10):		
Cash and cash equivalents (note 3)	36,370,693	36,739,757
Investments (note 3)	107,595,726	105,594,065
Certificates of deposit held in lieu of retainages	95,000	214,225
Receivable from escrow trustee	-	1,982,866
Accrued interest receivable	1,340,410	1,280,159
Total restricted assets	<u>145,401,829</u>	<u>145,811,072</u>
Property and equipment (note 4):	1,116,470,614	1,082,543,545
Less accumulated depreciation and amortization	<u>(563,936,999)</u>	<u>(535,611,549)</u>
Net property and equipment	552,533,615	546,931,996
Revenue bond issuance costs (net of accumulated amortization of \$2,030,847 and \$1,668,330 in 1997 and 1996, respectively)	<u>8,696,914</u>	<u>9,059,431</u>
Total assets	<u>\$ 790,164,816</u>	<u>\$ 769,609,190</u>
<u>Liabilities and retained earnings</u>		
Current liabilities:		
Accounts payable	<u>\$ 2,562,883</u>	<u>\$ 2,855,823</u>
Liabilities payable from restricted assets:		
Accounts payable	1,499,943	214,225
Accrued interest payable	19,509,192	19,813,617
Deferred revenue	8,509,470	7,489,978
Arbitrage rebate payable to U.S. Treasury	1,768,344	1,656,030
Current portion of revenue bonds payable (note 7)	<u>12,630,000</u>	<u>12,025,000</u>
Total liabilities payable from restricted assets	<u>43,916,949</u>	<u>41,198,850</u>
Long-term debt:		
Revenue bonds, net of unamortized discount of \$18,815,545 and \$19,601,358 in 1997 and 1996, respectively, and of unamortized net deferred debit on refundings of \$15,845,429 and \$17,954,931 in 1997 and 1996, respectively (note 7)	606,339,803	615,777,012
Payable to Department of Transportation (note 10)	<u>42,926,917</u>	<u>41,455,832</u>
Total long-term debt	<u>649,266,720</u>	<u>657,232,844</u>
Total liabilities	695,746,552	701,287,517
Retained earnings (note 7)	94,418,264	68,321,673
Commitments and contingencies (note 11)	-	-
Total liabilities and retained earnings	<u>\$ 790,164,816</u>	<u>\$ 769,609,190</u>

See accompanying notes to financial statements

Oklahoma Turnpike Authority

Statements of Revenues, Expenses and Changes in Retained Earnings

Years Ended December 31, 1997 and 1996

	1997	1996
Operating revenues:		
Tolls	\$ 117,167,783	\$ 110,902,407
Concessions	1,157,441	1,147,377
Total operating revenues	118,325,224	112,049,784
Operating expenses:		
Toll Operations	11,904,245	10,976,837
Turnpike Maintenance	9,298,041	10,902,965
Engineering	1,175,141	1,092,616
Highway Patrol	5,630,062	5,293,878
General Administration	1,075,638	1,226,831
Information and Communication Services	1,468,149	1,359,233
Controller	1,024,859	1,063,878
Finance and Revenue	674,434	822,605
Human Resources	455,367	416,774
Authority	7,392	4,050
Total operating expenses before depreciation and amortization	32,713,328	33,159,667
Operating income before depreciation and amortization	85,611,896	78,890,117
Depreciation and amortization (note 4)	(31,044,080)	(32,139,043)
Operating income	54,567,816	46,751,074
Non-operating revenues (expenses):		
Interest earned on investments	10,341,948	9,763,592
Net increase(decrease) in fair value of investments	1,821,756	(253,172)
Interest expense on revenue bonds outstanding	(41,425,362)	(42,018,031)
Other	790,433	795,563
Net non-operating expenses	(28,471,225)	(31,712,048)
Net income	26,096,591	15,039,026
Retained earnings, beginning of the year as restated (note 1)	68,321,673	53,282,647
Retained earnings, end of the year	\$ 94,418,264	\$ 68,321,673

See accompanying notes to financial statements

Oklahoma Turnpike Authority
Statements of Cash Flows
Years Ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:		
Operating income	\$ 54,567,816	\$ 46,751,074
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	31,044,080	32,139,043
Other non-operating revenue (expense)	790,433	795,563
Changes in assets and liabilities:		
Increase in accounts receivable	(299,797)	(116,454)
(Increase) decrease in prepaid expense	(21,048)	3,821
(Increase) decrease in materials inventory	(383,347)	1,196,181
Decrease in receivable from escrow trustee	1,982,866	593,422
Increase (decrease) in accounts payable	992,778	(3,891,226)
Increase in deferred revenue	1,019,492	806,907
Interest earned and recorded as payable to Department of Transportation	1,471,085	1,319,137
Increase in arbitrage funds payable to U.S. Treasury	112,314	76,191
	<u>91,276,672</u>	<u>79,673,659</u>
Net cash flows provided by operating activities		
	<u>91,276,672</u>	<u>79,673,659</u>
Cash flows from investing activities:		
Purchase of investments	(104,634,856)	(99,340,299)
Redemption of certificates of deposit in lieu of retainages	119,225	990,416
Proceeds from sales and maturities of investments	94,132,566	84,721,969
Interest received	10,236,732	9,869,083
	<u>(146,333)</u>	<u>(3,758,831)</u>
Net cash flows used in investing activities		
	<u>(146,333)</u>	<u>(3,758,831)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(35,497,369)	(41,934,487)
Principal payment to retire revenue bonds	(12,025,000)	(11,465,000)
Payments to the Department of Transportation	(30,273,631)	(28,802,750)
Proceeds from motor fuel tax apportionment transfers	30,273,631	28,802,750
Interest paid on revenue bonds outstanding	(39,322,809)	(39,907,449)
	<u>(86,845,178)</u>	<u>(93,306,936)</u>
Net cash flows used in capital and related financing activities		
	<u>(86,845,178)</u>	<u>(93,306,936)</u>
Net increase (decrease) in cash and cash equivalents	4,285,161	(17,392,108)
Cash and cash equivalents at beginning of year	45,858,903	63,251,011
Cash and cash equivalents at end of year	<u>\$ 50,144,064</u>	<u>\$ 45,858,903</u>

See accompanying notes to financial statements

Oklahoma Turnpike Authority Notes to Financial Statements December 31, 1997 and 1996

INDEX OF NOTES

1. Nature of the Organization and Summary of Significant Accounting Policies	
A. Reporting Entity	30
B. Basis of Accounting	30
C. Changes in Accounting Principles	31
D. Budget	31
E. Cash, Cash Equivalents and Investments	31
F. Materials Inventory	31
G. Restricted Assets	31
H. Compensated Absences	32
I. Property and Equipment	32
J. Bond Discounts and Bond Issuance Costs	33
K. Arbitrage Rebate Payable	33
L. Income Taxes	33
M. Estimates	33
2. Legal Compliance-Budgets	33
3. Deposits and Investments	34
4. Property and Equipment	36
5. Risk Management	37
6. Operating Leases	37
7. Revenue Bonds	38
8. Deferred Compensation Plan	40
9. Employee Retirement Plan	41
10. Advances From the Motor Fuel Tax Trust Fund	41
11. Commitments and Contingent Liabilities	43
12. Subsequent Events	43

Oklahoma Turnpike Authority

Notes to Financial Statements

December 31, 1997 and 1996

Note 1. Nature of the Organization and Summary of Significant Accounting Policies

The financial statements of the Oklahoma Turnpike Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently. The more significant of the Authority's accounting policies are described below:

A. Reporting Entity

The Oklahoma Turnpike Authority is an instrumentality of the State of Oklahoma (the State) and a body corporate and politic created by statute in 1947. The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature of the State of Oklahoma and approved by the State Department of Transportation. The Authority receives its revenues from turnpike tolls and a percentage of the turnpike concession sales. The Authority may issue Turnpike Revenue Bonds for the purpose of paying the costs of turnpike projects and Turnpike Revenue Refunding Bonds for the purpose of refunding any bonds of the Authority then outstanding. Turnpike Revenue Bonds are payable solely from the tolls and other revenues of the Authority and do not constitute indebtedness of the State.

The Authority is a discreetly presented component unit of the State. The Authority consists of the Governor (ex-officio) and six members who are appointed by the Governor, by and with the consent of the State Senate. The Governor may remove any member of the Authority, at any time, with or without cause. The members are appointed to represent defined geographical districts and to serve without pay for terms of eight years. The Authority has full control over all operations, but must comply with certain bond indentures and Trust Agreements. The Authority employs a Director and Deputy Director to manage the day-to-day operations.

In evaluating how to define the Authority, for financial reporting purposes, management has determined that there are no entities over which the Authority exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Authority. Since the Authority does not exercise significant influence or accountability over other entities, it has no component units.

B. 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 Balance Sheet. The Trust Agreement and supplements thereto (the Trust Agreement) related to the Series 1989 Bonds require that the Authority adopt generally accepted accounting

principles 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.

C. Changes in Accounting Principles

The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" (Statement 27) in 1997, effective January 1, 1996. Statement 27 addresses accounting and reporting issues related to pension information presented in the financial statements and had no financial statement impact. The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement 31) in 1997, effective January 1, 1996. Statement 31 requires that investments be reported at fair value. Prior to January 1, 1996, investments were reported at amortized cost. The adoption of Statement 31 increased January 1, 1996, retained earnings by approximately \$1,532,000.

D. Budget

Operating budgets are adopted on a modified accrual (non-GAAP) basis for Revenue Fund expenses, Reserve Maintenance Fund deposits and General Fund Project expenses. Project-length financial plans are established for all Reserve Maintenance and General Fund projects and for all new construction projects. All non-project related, unexpended budget amounts lapse at calendar year end. Expenses are recognized in the period in which they are paid rather than the period in which they are incurred for budgetary control purposes. Depreciation is not recognized as an expense, but capital outlays are recognized as expenses for budgetary control purposes. These expenses are reclassified for the purpose of preparing financial reports in accordance with GAAP.

E. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. The carrying amount of the cash equivalents and investments is fair value. The cash equivalents are fully collateralized or covered by federal deposit insurance. The net change in fair value of investments is recorded on the Statements of Revenues, Expenses and Changes in Retained Earnings and includes the unrealized and realized gains and losses on investments.

F. Materials Inventory

Inventories of turnpike maintenance materials and supplies are valued at the lower of cost or market using the average cost method.

G. Restricted Assets

Certain proceeds of the Turnpike Revenue Bonds are restricted by applicable bond covenants for construction or set aside as reserves to ensure repayment of the bonds. Certain assets advanced to the Authority monthly from motor fuel excise taxes are restricted in accordance with the Trust Agreement for the purpose of paying debt interest and principal if other available sources are not sufficient (see note 10). Also, certain other assets are accumulated and restricted on a monthly basis in accordance with the Trust Agreement for the purpose of paying debt interest and principal payments that are due on a semi-annual and annual basis, respectively, and for the purpose of maintaining the reserve funds at the required levels. The funds and accounts are established as follows:

- The “Senior Bond Interest and Sinking Accounts” are established as sinking funds for the payment of interest and principal of the senior lien revenue bonds.
- The “Subordinate Bond Interest and Sinking Accounts” are established as sinking funds for the payment of interest and principal of the subordinate lien revenue bonds.
- The “Senior Bond Reserve Accounts” are established for the purpose of paying interest and maturing principal in the event that monies held in the “Senior Bond Interest and Sinking Accounts” and “Turnpike Trust Fund,” and monies available in the “General Fund” and “Reserve Maintenance Fund” are insufficient for such purpose.
- The “Subordinate Bond Reserve Account” is established for the purpose of paying interest and maturing principal in the event that monies held in the “Subordinate Bond Interest and Sinking Accounts” and “Turnpike Trust Fund,” and monies available in the “General Fund” and “Reserve Maintenance Fund” are insufficient for such purpose.
- The “Turnpike Trust Fund” is established for the purpose of depositing and segregating the apportionments of motor fuel excise taxes by the Oklahoma Tax Commission derived from the sale of fuels on all Authority turnpikes and can be used only to compensate for any deficiency in the monies otherwise available for the payment of bond interest and principal. (note 10)
- The “Reserve Maintenance Fund” is established for the purpose of applying and holding monies in reserve to pay the cost of resurfacing, extraordinary maintenance or repairs, engineering expenses, insurance premiums or self-insurance reserves and interest and maturing principal if monies in the “Senior Bond Interest and Sinking Accounts” and “Subordinate Bond Interest and Sinking Accounts” are insufficient for such purposes.
- The “Construction Funds” are established for the purpose of holding bond proceeds and other financing sources to be used to pay the costs of turnpike improvements.

The Authority has also set up the following additional funds by policy for the purpose of restricting monies for which the Authority is liable to others.

- The “Arbitrage Rebate and Interest Fund” is established for the purpose of holding and paying arbitrage investment earnings to the U.S. Treasury as a result of investing tax exempt bond proceeds at rates of return exceeding the maximum amount that is permitted under the applicable tax code.
- The “PIKEPASS Prepayment Fund” is established for the purpose of receiving and holding prepayments received from turnpike patrons using the electronic vehicle identification method of paying tolls.

H. Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. There are no accumulating sick leave benefits that vest for which any liability must be recognized.

I. Property and Equipment

All property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful life of the asset ranging from three to thirty years. Prior to 1997 a full year’s

depreciation was taken in the year an asset was placed in service. Beginning January 1, 1997, a full month's depreciation is taken in the month an asset is placed in service. This change in accounting estimate resulted in decreased depreciation expense of approximately \$1,625,000 during 1997. When property and equipment are disposed, depreciation is removed from the respective accounts and the resulting gain or loss, if any, is recorded in operations.

Interest costs incurred on revenue bonds used to finance the construction or acquisition of assets are capitalized. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There was no interest capitalized in 1997 or 1996. Amortization of capitalized interest is included in depreciation expense.

J. Bond Discounts and Bond Issuance Costs

Bond discounts are presented as a reduction of the face amount of the bonds payable. Bond issuance costs are presented as a deferred asset on the Balance Sheet. The discounts and issuance costs are amortized over the life of the bonds on a method that approximates the effective interest method. Amortization expense related to bond discounts and bond issuance costs was \$1,148,330 at December 31, 1997 and 1996.

K. Arbitrage Rebate Payable

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The Authority's policy is annually to record as a liability the estimated amount owed. The five-year installment period ended for the Series 1992 A-E Bonds and the Series 1992 F and G Bonds on June 10, 1997, and September 30, 1997, respectively. At December 31, 1997, both Series of 1992 bonds had negative arbitrage. Thus, no payment was made to the IRS, and no liability exists related to the Series 1992 Bonds at December 31, 1997. The Authority's cumulative arbitrage rebate liabilities related to the Series 1989 Revenue Bonds for the years ended December 31, 1997 and 1996 are approximately \$1,768,000 and \$1,656,000, respectively. The increase in this obligation has been recorded in operations as a reduction of current year interest income.

L. Income Taxes

The Authority, as an integral part of the State of Oklahoma, is exempt from state or federal income taxes.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Legal Compliance-Budgets

The Authority is required to prepare a preliminary budget of current expenses, monthly deposits to the Reserve Maintenance Fund, and the purposes for which the monies held in the Reserve Maintenance Fund will be expended for the ensuing year on or before October 10 of each year. Copies of the preliminary

budget must be filed with the bond trustee and each depository, and mailed to the consulting engineers, traffic engineers and all bondholders who have filed their names and addresses with the Secretary and Treasurer of the Authority. If the Trustee or the owners of 5% in aggregate principal amount of outstanding bonds request the Authority in writing on or before November 1 in such a year, the Authority shall hold a public hearing on or before November 20. The Authority is required by the Trust Agreement to adopt a final budget on or before December 1 of each year. The budget is prepared by division at the object detail level, and includes information regarding the preceding year. Project-length financial plans are established for all new construction projects.

The Authority may not expend any amount or incur any obligations for maintenance, repairs and operations in excess of the total amount of the budgeted expenses in the Revenue Fund unless the funding source is other than revenues received from the turnpike system. The Authority may expend additional monies from the Reserve Maintenance Fund in excess of the budget of monthly deposits. The Director is authorized to approve all line item and inter-division budget transfers. Budget amendments must be approved by the Authority in a manner similar to the adoption of the annual budget. There were no occurrences of budget noncompliance in 1997.

Note 3. Deposits and Investments

Deposits. At December 31, 1997 and 1996, the carrying amounts of the Authority's cash deposits were \$647,393 and \$588,713, respectively. The bank balances were \$1,295,796 and \$1,227,247, respectively. At December 31, 1997 and 1996, the Authority had certificates of deposit held in lieu of retainages with a carrying amount and bank balance of \$95,000 and \$214,225, respectively. At December 31, 1997 and 1996, the carrying amount and bank balances of the Authority's cash equivalents were \$49,496,671 and \$45,270,190, respectively. All bank balances were covered by federal depository insurance or collateralized with securities held by the Authority's agent in the Authority's name.

Investments. Under the terms of the Trust Agreement, the Authority can invest in (a) government obligations, federally issued or guaranteed bonds, debentures or notes; (b) defeased municipal obligations; (c) repurchase agreements meeting certain conditions defined in the Authority's Trust Agreement; (d) certificates of deposit and time deposits in, or interests in money market portfolios meeting certain conditions defined in the Authority's Trust Agreement; (e) commercial paper; (f) obligations and full faith and credit obligations of state or local government issuers; (g) shares of stock in a corporation that is a regulated investment company and invests all of its assets in government obligations; and/or (h) any unsecured or secured agreement with the Federal National Mortgage Association or any bank, trust company or national banking association or a corporation meeting certain conditions defined in the Authority's Trust Agreement. The Authority has complied with the terms of the Trust Agreement in 1997 and 1996.

The Authority has significant investments in two Guaranteed Investment Contracts (GIC's), the terms of which are summarized as follows:

(1) GIC with Banque Indosuez - This GIC bears a yield equal to the rate of 6.5% on the bond reserve portion and is collateralized by U.S. Government securities in an amount equal to 105% of the outstanding principal. If the rating of the senior unsecured debt of the Banque falls below A3 by Moody's or A- by S&P, then the GIC can be terminated. Withdrawals on the GIC require 2 days written notice and may be made for paying project costs from bond proceeds, paying and redeeming bonds, curing deficiencies in the bond reserve accounts, reducing the bond reserve account requirements, refunding, satisfying an event of default which results in the acceleration or mandatory redemption of all of the bonds, or restricting the bond investment yield should bond counsel deem it necessary. The bond reserve portion matures on November 1, 2001.

(2) GIC with AIG Matched Funding Corporation, a subsidiary of American International Group (AIG) - This GIC bears a yield equal to the rate of 8.51%. If the rating of unsecured obligations or uncollateralized long-term debt obligations of AIG falls below Aa2 by Moody's or AA by S&P, then the GIC can be collateralized by U.S. Government securities in an amount equal to 107% of the outstanding principal. Certain AIG debt is rated Aaa by Moody's and AAA by S&P. Withdrawals on the GIC require 2 days written notice and may be made for paying project costs from bond proceeds, paying and redeeming bonds, curing deficiencies in the bond reserve accounts, reducing the bond reserve account requirements, refunding, satisfying an event of default which results in the acceleration or mandatory redemption of all of the bonds, or restricting the bond investment yield should bond counsel deem it necessary. The GIC matures on January 1, 2022.

The Authority's investments are categorized to give an indication of the level of custodial credit risk assumed by the Authority at December 31, 1997 and 1996. The categories are described as follows: Category 1 - insured or registered, or securities held by the Authority or its agent in the Authority's name; Category 2 - uninsured and unregistered, with securities held by the counterparty's trust departments or agent in the Authority's name; or Category 3 - uninsured and unregistered with securities held by the counterparty or by its trust department or by its agent not in the Authority's name.

<u>December 31, 1997</u>	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Unrestricted:				
U.S. Government securities	\$ 66,008,577	-	-	66,008,577
Restricted:				
U.S. Government securities	61,250,253	-	-	61,250,253
Guaranteed investment contracts held by Trustee	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,345,473</u>
Total investments	<u>\$ 127,258,830</u>	<u>-</u>	<u>-</u>	<u>173,604,303</u>

<u>December 31, 1996</u>	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Unrestricted:				
U.S. Government securities	\$ 53,273,817	-	-	53,273,817
Corporate utility obligations	2,412,375	-	-	2,412,375
Restricted:				
U.S. Government securities	59,828,392	-	-	59,828,392
Guaranteed investment contracts held by Trustee	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,765,673</u>
Total investments	<u>\$ 115,514,584</u>	<u>-</u>	<u>-</u>	<u>161,280,257</u>

Note 4. Property and Equipment

The following schedules summarize the property and equipment of the Authority as of December 31, 1997 and 1996:

<u>1997</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Roads	\$ 642,226,539	328,181,850	314,044,689
Improvements	262,391,440	148,795,723	113,595,717
Land	76,903,320	-	76,903,320
Buildings	28,301,470	18,134,380	10,167,090
Equipment	51,956,657	37,907,667	14,048,990
Capitalized interest	54,691,188	30,917,379	23,773,809
Total	<u>\$1,116,470,614</u>	<u>563,936,999</u>	<u>552,533,615</u>

<u>1996</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Roads	\$ 641,297,236	312,855,993	328,441,243
Improvements	231,859,298	139,249,881	92,609,417
Land	76,889,576	-	76,889,576
Buildings	27,446,257	17,361,884	10,084,373
Equipment	50,359,990	36,470,457	13,889,533
Capitalized interest	54,691,188	29,673,334	25,017,854
Total	<u>\$1,082,543,545</u>	<u>535,611,549</u>	<u>546,931,996</u>

At December 31, 1997 and 1996, depreciation and amortization expense related to property and equipment was \$29,895,750 and \$30,990,713, respectively. The estimated useful lives of property and equipment by classification of assets is provided as follows:

Roads	30 years
Improvements	7-20 years
Buildings	20-30 years
Equipment	3-10 years
Capitalized interest	30 years

Note 5. Risk Management

In conjunction with its normal operations, the Authority is exposed to various risks related to the damage or destruction of its assets from both natural and man-made occurrences, tort/liability claims, errors and omissions claims and professional liability claims. As a result of these exposures, the Authority has developed a comprehensive risk management program that participates with the State of Oklahoma's Risk Management Division of the Department of Central Services in a pooled operation for the majority of this coverage.

As a member of the State of Oklahoma Risk Management pool, the Authority assumes the responsibility for maintaining and reporting to the pool all real and personal property for which it requires insurance coverage. The Authority is also responsible for providing relevant financial and operational data to the pool in all instances of potential loss. The pool, on the other hand, serves as the primary insurer to the Authority with additional layers of coverage provided by commercial insurers for coverage in excess of the self retained levels of risk assumed by the pool and the governmental immunity provided by state statutes.

The Authority also carries insurance with private insurers for a few high-risk assets under an "all risks" policy. Additional details of this coverage and the corresponding levels of self retained risk and limits of coverage are noted separately within the financial section of this report as shown on the "Schedule of Insurance in Force."

While self-retention levels for property and casualty coverage for non-bridge property were increased from \$5,000 to \$10,000 per incident for the fiscal year beginning July 1, 1997, the overall limits of coverage for bridges and non-bridge property were increased from approximately \$177,000,000 to \$368,000,000. This was done in order to restructure the property and casualty coverage to provide increased levels of coverage in the event of catastrophic loss and assume more of the risk of predictable operational exposures.

All other categories of insurance coverage in place were either maintained at current levels or increased as to overall limits of coverage and reduction of self-retained risk so as to reduce the overall exposure of risk to the Authority. There were no settlements in excess of insurance coverage in 1997, 1996 and 1995.

Note 6. Operating Leases

The Authority has entered into various noncancelable contracts with concessionaires to provide patron services on the Oklahoma Turnpike System. The contracts are generally for five year terms, with two five-year renewal options. These contracts provide for the Authority to receive concession revenue, including minimum rentals plus contingent rentals based on sales volume. The Authority also leases antenna space under noncancelable contracts with a 20 year term. Total future minimum rental payments to be received as of December 31, 1997, are approximately:

<u>Year</u>	<u>Minimum Lease Payments</u>
1998	\$ 194,000
1999	191,000
2000	191,000
2001	191,000
2002	183,000
Thereafter	<u>1,242,000</u>
Total	<u>\$2,192,000</u>

Note 7. Revenue Bonds

The Authority issues revenue bonds from time to time for the purpose of financing capital improvements and new projects. On February 1, 1989, the Authority issued \$385,400,000 of 1989 Series First Senior Revenue Bonds and \$173,000,000 of Series 1989 Subordinate Revenue Bonds. The purpose of the Series 1989 Revenue Bonds was: (1) to finance the cost of constructing the Kilpatrick, Creek, Cherokee and Chickasaw Turnpikes, (2) to finance the cost of making certain improvements to the existing turnpikes, and (3) to advance refund all of the outstanding Authority bonds from the 1966 and 1971 issues. The Series 1989 bonds' interest rates ranged from 6.0% to 7.875%.

The Series 1989 Revenue Bonds defeased all Authority revenue bonds from the 1966 and 1971 issues through the escrow deposit of approximately \$131,300,000 with Boatmen's First National Bank of Oklahoma and Liberty National Bank of Tulsa. Consequently, the liability for the 1966 Series A, 1966 Series B, and the 1971 Series C Revenue Bonds has been removed from the Balance Sheet. This advance refunding was undertaken primarily to restructure the Authority's debt in order to enable the debt financing of the new projects in the most economically efficient manner. On August 25, 1997, Boatmen's First National Bank of Oklahoma sold their Corporate Trust business to the Bank of New York. The Bank of New York is now serving as Escrow Trustee on the 1966 Series A and B bonds. On November 10, 1997, Liberty Bank and Trust Company of Oklahoma City and Tulsa merged into Bank One Trust Company. Bank One Trust Company is now serving as the Escrow Trustee on the 1971 Series C bonds. At December 31, 1997 and 1996, the defeased bonds outstanding were \$90,385,000 and \$96,585,000, respectively.

The Series 1989 Revenue Bonds were issued pursuant to provisions of a Trust Agreement dated February 1, 1989 with Liberty National Bank and Trust Company of Oklahoma City as Trustee. Interest is payable semiannually on January 1 and July 1 of each year, commencing July 1, 1989. The payment of interest and principal on the 1989 Series First Senior Revenue Bonds in the principal amount of \$40,000,000 maturing on January 1, 2013 is guaranteed by an insurance policy issued by the AMBAC Indemnity Corporation. The payment of interest and principal on the 1989 Series Subordinate Revenue Bonds in the amount of \$173,000,000 is guaranteed by an insurance policy issued by the Bond Investors Guaranty Insurance Company.

On October 1, 1991, the Authority issued \$22,000,000 of 6.60% 1991 Series First Senior Revenue Bonds and \$28,000,000 of 1991 Series Second Senior Revenue Bonds, \$13,000,000 which were at rates ranging from 4.50% to 6.30% and \$15,000,000 which were variable rate bonds. The Series 1991 bonds were issued to provide funds sufficient, together with other available funds of the Authority, for the completion of the Portland Interchange on the Kilpatrick Turnpike and certain other improvements to the Oklahoma Turnpike System.

In May 1992, the Authority issued \$392,265,000 of Series 1992 First Senior Revenue Bonds, \$20,655,000 of Series 1992 Second Senior Revenue Bonds and \$195,400,000 of Series 1992 Subordinated Revenue Bonds, with interest rates ranging from 4.35% to 6.30%, 4.25% to 6.25% and 4.25% to 6.25%, respectively. These Series 1992 A-E Bonds were issued for the purpose of (a) refunding approximately 94% of the Authority's Oklahoma Turnpike System Series 1989 Revenue Bonds, (b) funding capital costs of certain turnpike projects, and (c) paying certain costs of issuance, including underwriters' discount of approximately \$4.7 million, and capitalized interest. The principal amount of the bonds advance refunded and considered defeased was \$526,440,000, and the liability for these bonds was removed from the Balance Sheet. Approximately 94% of the Series 1989 bonds were defeased through an escrow deposit with Liberty National Bank and Trust Company. On November 10, 1997, Liberty Bank and Trust Company of Oklahoma City and Tulsa merged into Bank One Trust Company. Bank One Trust Company is now serving as the

Escrow Trustee on the 1989 bonds. Defeased bonds outstanding at December 31, 1997 and 1996, were \$506,590,000 and \$513,665,000 respectively.

The Series 1992 A-E Bonds were issued pursuant to provisions of the Trust Agreement dated February 1, 1989, including supplements thereto, with Bank of Oklahoma, N.A. as Trustee. Interest is payable semi-annually on January 1 and July 1 of each year, commencing on January 1, 1993.

On October 1, 1992, the Authority issued \$22,786,862 of Series 1992 First Senior Revenue Bonds and \$28,017,387 of 1992 Series Second Senior Revenue Bonds, both with interest rates ranging from 3.15% to 5.30%. These Series 1992 F and G Bonds were issued to (a) provide funds, combined with other available funds of the Authority, to refund the Authority's Oklahoma Turnpike System Series 1991 First and Second Senior Revenue Bonds, (b) pay costs of issuance, and (c) make a deposit to the Second Senior Bond Reserve Account established under the Trust Agreement. The principal amount of the bonds advance refunded and paid in full in October 1992 was \$49,350,000, and the liability was removed from the Balance Sheet.

The Series 1992 F and G Bonds were issued pursuant to provisions of the Trust Agreement dated February 1, 1989, including supplements thereto, with Bank of Oklahoma, N.A. as Trustee. The bonds are dated October 1, 1992 with interest payable on January 1 and July 1 of each year, commencing on January 1, 1993. The Series F and G Bonds maturing on January 1 in each of the years 2004-2008, inclusive, are Capital Appreciation Bonds. They were issued in the initial amounts and accrete at interest rates set forth in the Official Statement dated October 1, 1992 to arrive at the Compound Accreted Value at maturity of \$8,465,000. The accumulated accretion to date of \$1,391,525 is reflected in the balance of long-term debt outstanding on the Authority's Balance Sheet as an increase to the principal payable on these bonds in the years 2004-2008. The accretion in 1997 and 1996 is \$297,476 and \$281,295, respectively.

The revenue bond amortization requirements below are prepared as of December 31, 1997:

Year Ended January 1	Total Revenue Bonds	
	Principal	Interest
1998	\$ 12,630,000	\$ 39,018,387
1999	13,295,000	38,354,323
2000	14,015,000	37,637,617
2001	14,790,000	36,863,453
2002	15,620,000	36,031,691
Thereafter	<u>583,280,777</u>	<u>442,308,795</u>
	\$ <u>653,630,777</u>	\$ <u>630,214,266</u>

The Interest and Sinking and Reserve Accounts required by the Trust Agreement have been established with the Trustee. The balances as of December 31, 1997 and 1996 were:

	1997	1996
First Senior Bond Reserve Account	\$34,004,805	\$33,982,581
Subordinate Bond Reserve Account	15,275,471	15,275,313
Second Senior Bond Reserve Account	4,616,069	4,613,038

As required by section 501(d) of the Trust Agreement, net revenue, as defined below (which is greater than net income in accordance with GAAP), of approximately \$95,439,000 and \$91,219,000 for 1997 and 1996, respectively (1) together with the motor fuel excise taxes apportioned to the Authority of approximately \$30,274,000 and \$28,803,000 for 1997 and 1996, respectively (see note 10), exceeded 120% of the

amount of the debt service requirements on all senior indebtedness outstanding for the year, and (2) exceeded the sum of 105% of the debt service requirements on all bonds and parity indebtedness then outstanding and 100% of amounts required to be deposited into the Reserve Maintenance Fund and to make up deficiencies in the various bond reserve accounts. Net revenue is defined by the Trust Agreement as the excess of tolls and other revenues of the Oklahoma Turnpike System deposited to the credit of the Revenue Fund over the current expenses of the Revenue Fund for the year. Said revenue shall not include payments or transfers from the Reserve Maintenance Fund or General Fund nor any payments received pursuant to the issuance of any subsequent parity indebtedness. Depreciation is not considered in current expenses for purposes of calculating net revenue. The Trust Agreement contains certain other bond covenants which the Authority is aware of and monitors for compliance throughout the year. The Authority has complied with all bond covenants throughout 1997 and 1996.

Retained earnings includes amounts reserved for debt service to be paid January 1, 1998, of approximately \$33,000,000, for reserve maintenance of approximately \$20,000,000 and for estimated arbitrage rebate liability of approximately \$1,700,000.

As of December 31, 1997 and 1996, the Balance Sheet reflects a net deferred debit of approximately \$15,845,000 and \$17,955,000, respectively, as a component of debt resulting from accounting losses or gains from the defeasance of debt. The Statement of Revenues, Expenses and Changes in Retained Earnings reflects the amortization of this deferral as a component of interest expense of approximately \$2,110,000 in both years.

Note 8. Deferred Compensation Plan

The State offers to its own employees, state agency employees and other duly constituted authority or instrumentality employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and Chapter 45 of Title 74, Oklahoma Statutes. The Oklahoma State Employees Deferred Compensation Plan, also known as SoonerSave, is a voluntary plan that allows participants to defer a portion of their salary into the Plan. Participation allows a person to shelter the portion of their salary that they defer from current federal and state income tax. Taxes on the interest or investment gains on this money, while in the Plan, are also deferred. The deferred compensation is not available to employees until termination, retirement, death or approved unforeseeable emergency.

Under SoonerSave, the untaxed deferred amounts are invested as directed by the participant among more than 30 Plan investment options. Under current regulations, the State is the owner of the assets in SoonerSave, and the assets are available to the general creditors of the State. However, the Small Business Job Protection Act of 1996 requires plans to create a trust, custodial account or qualifying insurance contract for the exclusive benefit of participants. Plans have until January of 1999 to comply with the new law. It is anticipated that SoonerSave will be placed in trust by the end of the first quarter of 1998, ahead of the deadline. The State holds all assets of the plan and accounts for them in its "Deferred Compensation" agency fund. The Plan's assets are presented at fair value with corresponding liabilities. As of June 30, 1997 and 1996, total assets were approximately \$185,759,000 and \$160,639,000, respectively for all participants; the amount attributable to contributions by the Authority's employees was not available. Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan audited financial statements for the year ended June 30, 1997. The Authority believes that it has no liabilities in respect to the State's plan.

Note 9. Employee Retirement Plan

Plan Description

The Authority contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost sharing multiple-employer public employee retirement system administered by the Oklahoma Public Employees Retirement System (the System). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 74 of the Oklahoma Statutes, Sections 901-943, as amended, assigns the authority for management and operation of the Plan to the Board of Trustees of the System. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Plan. That annual report may be obtained by writing to the system, 6601 N. Broadway Extension, Suite 129, Oklahoma City, Oklahoma 73116 or by calling 1-800-733-9008.

Funding Policy

Plan members and the Authority are required to contribute at a rate set by statute. The contribution requirements of plan members and the Authority are established and may be amended by the legislature of the State of Oklahoma. The contribution rate for the Authority and plan members is as follows:

Fiscal Year Ended <u>June 30</u>	<u>State Employees</u>		<u>State Agencies</u>	
	First <u>\$25,000</u>	Above \$25,000 <u>To Cap</u>	To Salary <u>Cap</u>	Salary <u>Cap</u>
1996	2.0%	3.5%	11.5%	60,000
1997	2.5%	3.5%	12.0%	70,000
1998	3.0%	3.5%	12.5%	80,000
Thereafter	3.5%	3.5%	12.5%	No Cap

The Authority's contributions to the Plan for the years ended December 31, 1997, 1996 and 1995 were approximately \$1,350,000, \$1,261,000 and \$1,245,000, respectively, and equal to their required contributions for each year.

Note 10. Advances From the Motor Fuel Tax Trust Fund

By virtue of the "Enabling Act" of 1971 and amendments thereto, a portion of the motor fuel excise taxes collected on fuels consumed on the turnpikes is made available to the Authority from the Oklahoma Tax Commission. Prior to July 1, 1992, this amount was not to exceed \$3,000,000 during a fiscal year of the State. In 1992, Title 69, §1730 was amended to remove the cap and allow the Authority to receive the full amount collected in accordance with the original formula. This amendment stated the motor fuel taxes due to the Authority would be apportioned to the Authority on the first day of each calendar month. Beginning July 1, 1992, the amount of cash and investments on deposit was frozen as security for the 1989 series bonds. All motor fuel taxes apportioned to the Authority shall be available to fund debt service and reserves to the extent monies are not otherwise available to the Authority for such purpose. If such motor fuel excise taxes apportioned to the Authority are not necessary in such month, the motor fuel excise taxes shall be paid over to the Oklahoma Department of Transportation (ODOT). During 1997 and 1996, the Authority

received, and subsequently remitted to ODOT \$30,273,631 and \$28,802,750, respectively, of motor fuel excise taxes.

The amounts frozen at July 1, 1992 (fair value of \$ 25,525,857 and \$23,873,781 at December 31, 1997 and 1996, respectively) are invested in interest-bearing obligations and with the interest received thereon (\$1,541,770 and \$1,438,931 during the years ended December 31, 1997 and 1996, respectively) are used to eliminate deficiencies, if any, in available monies to meet revenue bond interest and principal requirements. No deficiencies existed in 1997 or 1996.

Prior to the issuance of the Series 1989 bonds, the Authority had not received apportionments from the Oklahoma Tax Commission since 1979 because the maximum amount that could be retained by the Authority in accordance with the Enabling Act was deposited with the prior Trustee.

When all Senior and Subordinate Revenue Bonds, together with interest thereon, have been paid, the Authority will be required to pay all amounts that have been received from the Oklahoma Tax Commission and any interest earned on amounts invested to ODOT. The accumulated liability to ODOT as of December 31, 1997 and 1996 is \$ 42,926,917 and \$41,455,832, respectively.

The following schedule provides a cumulative breakdown of receipts, disbursements and cash balance, and reconciles the monies received from apportionments, monies received as interest on investments, monies remitted to ODOT and accrued interest earnings with the accumulated liability:

	<u>Reconciliation of Cash and Investments</u>	<u>Reconciliation of Cumulative Liability</u>
Apportionments received from 1960 to date	\$ 211,729,517	\$ 211,729,517
Interest received on investment of monies	65,716,228	65,716,228
Accrued interest paid on purchase of U.S. T-notes	(335,233)	-
Increase (decrease) in fair value of investments	(118,454)	-
Monies remitted to ODOT from 1960 to date	(199,983,644)	(199,983,644)
Payments to ODOT from 1992 bond issue	-	(10,000,000)
Reduction in Payable to ODOT	-	(24,036,271)
Monies used to pay debt service and expenses	<u>(51,482,557)</u>	-
Cash and investment balance, December 31, 1997	<u>\$ 25,525,857</u>	-
Difference between interest earned and received		<u>(498,913)</u>
Cumulative liability, December 31, 1997		<u>\$ 42,926,917</u>

Note 11. Commitments and Contingent Liabilities

At December 31, 1997 and 1996, the Authority had commitments outstanding relating to equipment orders and supplies of approximately \$1,202,000 and \$461,000, respectively. At December 31, 1997 and 1996, the Authority had commitments outstanding relating to construction and maintenance contracts of approximately \$1,319,000 and \$8,252,000, respectively.

In 1993, the Authority adopted a resolution providing that certain funds on deposit in the General Fund shall be restricted, to the extent that funds are available as determined by the Authority by April 30 of each year. These restricted funds shall be used for the purpose of rehabilitating, reconstructing, replacing, renovating, improving or enhancing the Oklahoma Turnpike System. During 1997 and 1996, the Authority determined that \$161,691 and \$14,377,525 should be unrestricted to cover the cost of the qualifying expenses. As of December 31, 1997, the cumulative restricted balance is \$13,709.

The Authority is a defendant in various litigation. Although the outcome of these matters are not presently determinable, in the opinion of the Authority's management, the resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

Note 12. Subsequent Events

On January 29, 1998, the Authority received final approval from the State Bond Oversight Commissions for issuance of revenue bonds in an approximate amount of \$724,000,000 for the financing of certain turnpike projects totaling approximately \$603,000,000. The amount of the actual bonds issued may vary depending on market conditions and the selection of various financing alternatives available. It is anticipated that the bonds will be issued by competitive sale in two bond issues scheduled for May of 1998 and July of 1998. The projects to be financed include: completion of the Kilpatrick from Hefner Parkway to Interstate 40; the extension of the Creek Turnpike from the Turner Turnpike to US-75 and completion from the Mingo Expressway (US-169) to the Will Rogers Turnpike; construction of a turnpike extension of the H. E. Bailey Turnpike from Mustang Road east and south to the junction of State Highway 9 and US-62 south of Newcastle; and the purchase of right-of-way to extend the Muskogee Turnpike.

**Schedule of Actual Operating Expense Compared to Budget
(Prepared on a Non-GAAP Budgetary Basis)
Year Ended December 31, 1997**

Expense Description	<u>Actual Expenses</u>	<u>Budgeted Expenses</u>	<u>Variance (Over)/Under</u>
Authority:			
Contractual services	\$ 7,392	\$ 20,000	\$ 12,608
Commodities	0	0	0
Capital outlay and contingencies	<u>0</u>	<u>513</u>	<u>513</u>
Total	<u>7,392</u>	<u>20,513</u>	<u>13,121</u>
Controller:			
Personnel services	631,247	658,408	27,161
Contractual services	401,368	452,200	50,832
Commodities	9,881	6,200	(3,681)
Capital outlay and contingencies	<u>0</u>	<u>28,636</u>	<u>28,636</u>
Total	<u>1,042,496</u>	<u>1,145,444</u>	<u>102,948</u>
Turnpike Maintenance:			
Personnel services	6,123,146	6,676,152	553,006
Contractual services	1,255,592	1,084,399	(171,193)
Commodities	2,209,062	2,435,014	225,952
Capital outlay and contingencies	<u>611,032</u>	<u>261,424</u>	<u>(349,608)</u>
Total	<u>10,198,832</u>	<u>10,456,989</u>	<u>258,157</u>
Toll Operations:			
Personnel services	7,570,314	8,078,409	508,095
Contractual services	3,793,464	3,441,402	(352,062)
Commodities	195,034	183,001	(12,033)
Capital outlay and contingencies	<u>83,262</u>	<u>382,122</u>	<u>298,860</u>
Total	<u>11,642,073</u>	<u>12,084,934</u>	<u>442,861</u>
Highway Patrol:			
Contractual services	5,182,094	5,204,284	22,190
Commodities	272,105	309,157	37,052
Capital outlay and contingencies	<u>631,826</u>	<u>706,098</u>	<u>74,272</u>
Total	<u>6,086,026</u>	<u>6,219,539</u>	<u>133,513</u>
General Administration:			
Personnel services	335,651	345,593	9,942
Contractual services	599,620	582,275	(17,345)
Commodities	41,019	48,700	7,681
Capital outlay and contingencies	<u>20,354</u>	<u>89,647</u>	<u>69,294</u>
Total	<u>996,643</u>	<u>1,066,215</u>	<u>69,572</u>
Finance & Revenue:			
Personnel services	393,106	449,684	56,578
Contractual services	284,317	329,785	45,468
Commodities	640	3,150	2,510
Capital outlay and contingencies	<u>0</u>	<u>20,067</u>	<u>20,067</u>
Total	<u>678,062</u>	<u>802,686</u>	<u>124,624</u>

(Continued)

**Schedule of Actual Operating Expense Compared to Budget
(Prepared on a Non-GAAP Budgetary Basis)
Year Ended December 31, 1997**

<u>Expense Description</u>	<u>Actual Expenses</u>	<u>Budgeted Expenses</u>	<u>Variance (Over)/Under</u>
Information and Communication Services:			
Personnel services	\$ 635,282	\$ 675,070	\$ 39,788
Contractual services	734,098	752,567	18,469
Commodities	44,501	32,347	(12,154)
Capital outlay and contingencies	92,072	117,435	25,363
Total	<u>1,505,952</u>	<u>1,577,419</u>	<u>71,467</u>
Human Resources:			
Personnel services	361,050	367,273	6,223
Contractual services	68,086	93,635	25,549
Commodities	21,880	26,025	4,146
Capital outlay and contingencies	0	12,485	12,485
Total	<u>451,015</u>	<u>499,418</u>	<u>48,403</u>
Engineering:			
Personnel services	460,717	633,523	172,806
Contractual services	114,024	92,749	(21,275)
Commodities	19,380	21,400	2,020
Capital outlay and contingencies	26,630	19,171	(7,459)
Total	<u>620,750</u>	<u>766,843</u>	<u>146,093</u>
Total Expenses	<u>\$ 33,229,241</u>	<u>\$ 34,640,000</u>	<u>\$ 1,410,759</u>

Adjustments necessary to convert expenses from a budgetary (non-GAAP) basis to GAAP basis at year end:

	<u>1997</u>	<u>1996</u>
GAAP basis	\$ 32,713,328	\$ 33,159,667
Increase (decrease) due to:		
Current expenses reclassified as property and equipment	1,465,176	840,124
Non-Revenue Fund operating expenses	(1,386,740)	(1,366,073)
Other GAAP adjustments	437,477	(1,308,657)
Budgetary basis	<u>\$ 33,229,241</u>	<u>\$ 31,325,061</u>

Oklahoma Turnpike Authority
Schedule of Cash, Cash Equivalents and Investments
as of December 31, 1997

Unrestricted:	<u>Applicable Interest Rate</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Original Cost</u>	<u>Fair Value</u>	
General Fund:						
American Performance Treasury Fund	-	%	12/31/97	Demand	\$ 3,073	\$ 3,073
Merrill Lynch Repurchase Agreement	6.350	12/31/97	1/2/98		4,133,181	4,133,181
AMBAC Indemnity Corporation Policy #3452BE	-	6/7/94	Demand		1	1
Bond Investors Guaranty Municipal Bond Insurance Policy #N-2255	-	6/7/94	Demand		1	1
Canadian State Bank CD #5878	-	8/21/97	Demand		1	1
U. S. Treasury Notes	5.625	6/7/96	1/31/98		496,875	500,000
U. S. Treasury Notes	5.125	3/26/93	3/31/98		774,090	774,520
U. S. Treasury Notes	5.125	4/29/94	4/30/98		953,437	999,060
U. S. Treasury Notes	5.375	6/1/93	5/31/98		1,507,031	1,499,070
U. S. Treasury Notes	5.250	Various	7/31/98		1,490,078	1,497,660
U. S. Treasury Notes	5.875	Various	8/15/98		1,508,984	1,502,340
U. S. Treasury Notes	4.750	11/18/93	10/31/98		3,158,000	3,176,000
U. S. Treasury Notes	5.875	Various	10/31/98		3,301,430	3,305,148
U. S. Treasury Notes	5.125	11/8/94	12/31/98		9,134,375	9,954,700
U. S. Treasury Notes	6.500	Various	4/30/99		1,201,843	1,197,964
U. S. Treasury Notes	6.750	11/8/94	5/31/99		5,791,875	6,086,280
U. S. Treasury Notes	6.375	5/10/96	7/15/99		1,000,156	1,010,630
U. S. Treasury Notes	6.875	5/17/96	8/31/99		152,391	152,812
U. S. Treasury Notes	5.875	5/22/97	11/15/99		544,586	551,892
U. S. Treasury Notes	5.875	2/28/97	2/15/00		1,487,109	1,506,090
U. S. Treasury Notes	7.125	10/18/96	2/29/00		1,029,844	1,029,060
U. S. Treasury Notes	6.250	Various	5/31/00		5,728,032	5,771,250
U. S. Treasury Notes	6.125	Various	9/30/00		3,053,602	3,107,687
U. S. Treasury Notes	6.375	6/30/97	3/31/01		3,008,438	3,056,250
U. S. Treasury Notes	6.250	Various	4/30/01		15,549,199	15,767,656
U. S. Treasury Notes	6.500	10/3/96	5/31/01		1,510,430	1,535,625
U. S. Treasury Notes	6.125	12/10/97	12/31/01		2,017,031	2,026,880
					<u>68,535,093</u>	<u>70,144,831</u>
Revenue Fund:						
American Performance Treasury Fund	-	12/31/97	Demand		706,107	706,107
Merrill Lynch Repurchase Agreement	6.350	12/31/97	1/2/98		8,442,322	8,442,322
					<u>9,148,429</u>	<u>9,148,429</u>
Total unrestricted cash equivalents and investments					<u>\$77,683,522</u>	<u>\$79,293,260</u>

(Continued)

Oklahoma Turnpike Authority
Schedule of Cash, Cash Equivalents and Investments
as of December 31, 1997

	<u>Applicable Interest Rate</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Original Cost</u>	<u>Fair Value</u>
Restricted:					
Reserve Maintenance Fund:					
American Performance Treasury Fund	-	%	12/31/97	\$ 2,758	\$ 2,758
Merrill Lynch Repurchase Agreement	6.350		12/31/97	995,185	995,185
U. S. Treasury Notes	6.125		5/15/96	651,828	651,014
U. S. Treasury Notes	5.875		4/30/96	998,750	1,001,560
U. S. Treasury Notes	5.875		1/18/96	4,054,375	4,006,240
U. S. Treasury Notes	5.875		8/8/97	1,000,000	1,001,560
U. S. Treasury Notes	5.500		5/15/96	2,757,188	2,795,632
U. S. Treasury Notes	6.000		7/10/97	1,202,438	1,206,000
U. S. Treasury Notes	6.375		5/10/96	2,000,313	2,021,260
U. S. Treasury Notes	6.875		11/20/96	513,438	508,750
U. S. Treasury Notes	5.875		Various	2,192,031	2,207,568
U. S. Treasury Notes	5.875		2/28/97	495,703	502,030
U. S. Treasury Notes	6.000		9/10/97	998,125	1,007,190
U. S. Treasury Notes	6.125		10/31/97	<u>2,528,906</u>	<u>2,526,575</u>
				<u>20,391,038</u>	<u>20,433,322</u>
General Fund - Depreciation Reserve:					
American Performance Treasury Fund	-		12/31/97	<u>13,709</u>	<u>13,709</u>
1989 Series Bond Service and Reserve Accounts:					
American Performance Treasury Fund	-		12/31/97	1,347,352	1,347,352
Guaranteed Investment Contract (AIGMFC)	8.510		Various	42,845,473	42,845,473
U. S. Treasury Notes	5.375		6/1/93	320,657	344,786
U. S. Treasury Notes	5.125		7/19/93	895,423	888,887
U. S. Treasury Notes	5.250		Various	851,661	858,658
U. S. Treasury Notes	6.500		8/14/95	505,234	505,470
U. S. Treasury Notes	6.875		6/7/96	304,406	305,625
U. S. Treasury Notes	6.375		Various	935,392	916,883
U. S. Treasury Notes	7.125		10/18/96	272,909	272,701
U. S. Treasury Notes	6.125		10/31/97	25,289	25,266
				<u>48,303,796</u>	<u>48,311,101</u>
Arbitrage Rebate Account:					
American Performance Treasury Fund	-		12/31/97	69,920	69,920
U. S. Treasury Notes	5.875		2/28/97	148,711	150,609
U. S. Treasury Notes	6.250		10/3/96	150,041	151,875
U. S. Treasury Notes	6.000		8/15/97	1,264,605	1,274,095
U. S. Treasury Notes	5.750		7/3/97	34,530	35,044
				<u>1,667,807</u>	<u>1,681,543</u>

(Continued)

Oklahoma Turnpike Authority
Schedule of Cash, Cash Equivalents and Investments
as of December 31, 1997

	<u>Applicable Interest Rate</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Original Cost</u>	<u>Fair Value</u>
1989 Construction Account:					
American Performance Treasury Fund	- %	12/31/97	Demand	\$ 106,950	\$ 106,950
Revenue Reserve Accounts:					
American Performance Treasury Fund	-	12/31/97	Demand	124	124
Guaranteed Investment Contract (Banque Indosuez)	6.500	11/8/91	11/1/01	3,500,000	3,500,000
U. S. Treasury Notes	5.375	2/25/93	5/31/98	45,211	44,972
U. S. Treasury Notes	6.375	10/2/92	7/15/99	1,290,234	1,263,288
U. S. Treasury Notes	6.375	Various	1/15/00	52,049	50,657
U. S. Treasury Notes	7.125	10/18/96	2/29/00	77,238	77,179
U. S. Treasury Notes	6.125	10/21/96	7/31/00	250,000	252,500
				<u>5,214,856</u>	<u>5,188,720</u>
Prepaid PIKEPASS Fund:					
American Performance Treasury Fund	-	12/31/97	Demand	1,983,312	1,983,312
U. S. Treasury Notes	5.625	6/7/96	1/31/98	198,750	200,000
U. S. Treasury Notes	5.375	Various	5/31/98	980,145	984,389
U. S. Treasury Notes	8.250	8/24/95	7/15/98	526,250	507,190
U. S. Treasury Notes	5.875	11/6/96	10/31/98	651,930	651,014
U. S. Treasury Notes	6.875	Various	7/31/99	1,178,906	1,170,125
U. S. Treasury Notes	6.875	Various	8/31/99	916,219	916,875
U. S. Treasury Notes	5.875	2/28/97	2/15/00	470,918	476,928
U. S. Treasury Notes	6.250	10/3/96	5/31/00	150,047	151,875
U. S. Treasury Notes	6.125	10/31/97	9/30/00	126,445	126,329
U. S. Treasury Notes	5.750	7/3/97	10/31/00	98,656	100,125
U. S. Treasury Notes	6.375	5/22/97	3/31/01	896,203	916,875
U. S. Treasury Notes	6.000	7/31/97	7/31/02	390,975	394,146
				<u>8,568,756</u>	<u>8,579,183</u>
1992 Construction Account:					
American Performance Treasury Fund	-	12/31/97	Demand	294,653	294,653
U. S. Treasury Bill	-	5/14/97	3/5/98	334,479	346,794
U. S. Treasury Bill	-	10/16/97	3/5/98	294,132	297,252
				<u>923,264</u>	<u>938,699</u>

(Continued)

Oklahoma Turnpike Authority
Schedule of Cash, Cash Equivalents and Investments
as of December 31, 1997

	<u>Applicable Interest Rate</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Original Cost</u>	<u>Fair Value</u>
Turnpike Trust Fund:					
American Performance Treasury Fund	- %	12/31/97	Demand	\$ 43,650	\$ 43,650
U. S. Treasury Notes	5.625	6/7/96	1/31/98	993,750	1,000,000
U. S. Treasury Notes	5.125	Various	2/28/98	989,976	999,380
U. S. Treasury Notes	5.250	Various	7/31/98	1,986,297	1,996,880
U. S. Treasury Notes	5.875	3/22/96	3/31/99	750,937	752,107
U. S. Treasury Notes	6.500	8/14/95	4/30/99	1,010,469	1,010,940
U. S. Treasury Notes	6.375	5/15/96	7/15/99	426,992	429,518
U. S. Treasury Notes	6.875	10/3/96	7/31/99	509,375	508,750
U. S. Treasury Notes	6.875	6/7/96	8/31/99	1,014,688	1,018,750
U. S. Treasury Notes	5.875	5/22/97	11/15/99	495,078	501,720
U. S. Treasury Notes	6.375	9/5/95	1/15/00	1,014,375	1,013,130
U. S. Treasury Notes	6.125	3/22/96	7/31/00	1,255,859	1,262,500
U. S. Treasury Notes	6.250	4/30/97	8/31/00	992,344	1,013,130
U. S. Treasury Notes	6.125	Various	9/30/00	981,227	985,364
U. S. Treasury Notes	5.750	7/3/97	10/31/00	394,625	400,500
U. S. Treasury Notes	6.375	Various	3/31/01	8,705,586	8,786,719
U. S. Treasury Notes	6.250	8/26/97	4/30/01	2,505,859	2,539,075
U. S. Treasury Notes	6.500	10/3/96	5/31/01	755,215	767,813
U. S. Treasury Notes	6.125	12/17/97	12/31/01	481,457	481,384
				<u>25,307,759</u>	<u>25,511,310</u>
1992 A - E Bond Service & Reserve Accounts:					
American Performance Treasury Fund	-	12/31/97	Demand	28,646,436	28,646,436
U. S. Treasury Notes	6.875	6/7/96	8/31/99	1,014,688	1,018,750
U. S. Treasury Notes	5.875	2/28/97	2/15/00	14,871	15,061
U. S. Treasury Notes	7.125	10/18/96	2/29/00	175,073	174,940
U. S. Treasury Notes	6.125	10/31/97	9/30/00	480,492	480,049
				<u>30,331,560</u>	<u>30,335,236</u>
1992 F and G Bond Service Accounts:					
American Performance Treasury Fund	-	12/31/97	Demand	2,707,939	2,707,939
FGIC Municipal Bond Insurance- Policy #9201056	-	11/16/92	Demand	<u>2</u>	<u>2</u>
				<u>2,707,941</u>	<u>2,707,941</u>
Total restricted cash equivalents and investments				143,537,436	143,807,714
Cash balance (unrestricted and restricted)				<u>-</u>	<u>647,393</u>
Total Cash, Cash Equivalents and Investments				<u>\$221,220,958</u>	<u>\$223,748,367</u>

(Continued)

Oklahoma Turnpike Authority
Schedule of Cash, Cash Equivalents and Investments by Account
as of December 31, 1997

	Total Cash, Cash Equivalents and Investments
Unrestricted:	
Revenue Fund	\$ 10,021,517
General Fund	69,760,431
Total unrestricted	<u>79,781,948</u>
Restricted:	
Reserve Maintenance Fund	20,416,272
General Fund Depreciation Reserve	13,709
1989 Senior Bond Interest Account	881,701
1989 Senior Bond Reserve Account	31,804,804
1989 Senior Bond Principal Account	174,135
1989 Subordinate Bond Interest Account	200,269
1989 Subordinate Bond Reserve Account	15,191,085
1989 Subordinate Bond Principal Account	81,913
Revenue Bond Reserve Accounts	5,188,720
1992 Series A Interest Account	10,709,944
1992 Series B Interest Account	598,913
1992 Series C Interest Account	5,454,457
1992 Series D Interest Account	458,225
1992 Series E Interest Account	237,152
1992 Series F Interest Account	522,663
1992 Series G Interest Account	657,866
Series 1992 B Reserve Account	1,627,349
Series 1992 C-E Reserve Account	84,386
Series 1992 A-E Principal Accounts	11,164,810
Series 1992 F&G Principal Accounts	1,527,412
Turnpike Trust Fund	25,525,857
Arbitrage Rebate Fund	1,691,258
1989 Bond Construction Accounts	106,950
1992 Bond Construction Account	865,207
Prepaid PIKEPASS Fund	8,781,362
Total restricted	<u>143,966,419</u>
Total Cash, Cash Equivalents and Investments	\$ <u>223,748,367</u>

Oklahoma Turnpike Authority Schedule of Insurance in Force as of December 31, 1997

<u>Coverage</u>	<u>Policy Term</u>	<u>Policy</u>	<u>Coverage</u>	<u>Deductible</u>	<u>Annual or Last Premium</u>	
Fire & extended coverage for buildings and contents, bridges, and computers.	07-01-97/98	State of Oklahoma Certificate #978	\$27,306,355	Buildings & contents Bridges (100%)	\$10,000	\$100,949
			\$340,904,683		\$100,000	
Auto liability	10-01-97/98	State of Oklahoma Certificate #978	\$100,000 \$25,000 \$1,000,000	Bodily injury Property damage Per occurrence	\$250 (all claims)	\$45,630
Comprehensive general liability, and personal injury liability	07-01-97/98	State of Oklahoma Certificate #978	\$100,000 \$25,000 \$1,000,000	Bodily injury Property damage Per occurrence	\$500 (all claims)	\$19,595
Director's & Officer's insurance	07-01-97/98	State of Oklahoma Certificate #978	\$35,000,000 \$5,000,000	Aggregate Per occurrence	\$25,000 (Prof.) \$1,000 (Others)	\$3,436
Special machinery	12-07-97/98	Hartford Ins. Group Policy # 38 MS GR4686	\$810,000 \$195,000	Bridge machine Paint striping machine	\$50,000 \$50,000	\$4,583
Workers compensation	01-01-97/98 #00338640	State Ins. Fund	\$100,000	Employee injuries	\$500	\$586,417
Health benefits	07-01-97/98	State of Oklahoma #0001	Various	Life, hospital, surgical, major medical, and dental	Various	\$1,294,214
Surety bond	02-16-97/98	Granite RE, Inc. #GR0118	\$25,000	Fred J. Hall	n/a	\$100
Surety bond	03-30-97/98	The Hartford #606761409	\$25,000	Robert M. Kane	n/a	\$100
Surety bond	7-1-96/98	United States Fidelity #56-0170-36788-95-2	\$25,000	Albert C. Kelly, Jr.	n/a	\$162
Surety bond	02-16-97/98	Fidelity & Deposit Co. of Maryland #30678206	\$100,000	Steve LaForge	n/a	\$750
Surety bond	02-16-97/98	Fidelity & Deposit Co. of Maryland #30678200	\$25,000	Judy Curtis	n/a	\$88
Surety bond	7-1-97/99	Fidelity & Deposit Co. of Maryland #30678205	\$25,000	Francis Rooney	n/a	\$88

Oklahoma Turnpike Authority Schedule of Annual Debt Service Requirements

Year Ended	1989 Series First Senior Bonds			1989 Series Subordinate Bonds			Total 1989 Bonds							
	Jan. 1	Principal	Interest	Total	Principal	Interest		Total						
1998	\$	170,000	\$	1,744,476	\$	1,914,476	\$	80,000	\$	396,335	\$	476,335	\$	2,390,811
1999		180,000		1,732,066		1,912,066		85,000		390,615		475,615		2,387,681
2000		195,000		1,718,836		1,913,836		90,000		384,495		474,495		2,388,331
2001		210,000		1,704,406		1,914,406		95,000		377,925		472,925		2,387,331
2002		225,000		1,688,761		1,913,761		100,000		370,943		470,943		2,384,704
2003		240,000		1,671,886		1,911,886		110,000		363,543		473,543		2,385,429
2004		255,000		1,653,886		1,908,886		115,000		355,348		470,348		2,379,234
2005		275,000		1,634,506		1,909,506		125,000		346,723		471,723		2,381,229
2006		300,000		1,613,194		1,913,194		135,000		337,192		472,192		2,385,386
2007		320,000		1,589,944		1,909,944		145,000		326,898		471,898		2,381,842
2008		345,000		1,565,144		1,910,144		155,000		315,841		470,841		2,380,985
2009		370,000		1,538,406		1,908,406		170,000		304,023		474,023		2,382,429
2010		405,000		1,509,732		1,914,732		180,000		291,060		471,060		2,385,792
2011		435,000		1,478,888		1,913,888		195,000		277,200		472,200		2,386,088
2012		465,000		1,445,756		1,910,756		210,000		262,185		472,185		2,382,941
2013		500,000		1,410,338		1,910,338		225,000		246,015		471,015		2,381,353
2014		1,855,000		1,372,256		3,227,256		240,000		228,690		468,690		3,695,946
2015		1,980,000		1,251,676		3,231,676		260,000		210,210		470,210		3,701,886
2016		2,110,000		1,122,844		3,232,844		280,000		190,190		470,190		3,703,034
2017		2,250,000		985,463		3,235,463		300,000		168,630		468,630		3,704,093
2018		2,390,000		838,838		3,228,838		325,000		145,530		470,530		3,699,368
2019		2,550,000		682,876		3,232,876		350,000		120,505		470,505		3,703,381
2020		2,720,000		516,376		3,236,376		375,000		93,555		468,555		3,704,931
2021		2,890,000		338,550		3,228,550		405,000		64,680		469,680		3,698,230
2022		2,490,000		149,400		2,639,400		435,000		33,495		468,495		3,107,895
Totals		<u>\$26,125,000</u>		<u>\$32,958,504</u>		<u>\$59,083,504</u>		<u>\$5,185,000</u>		<u>\$6,601,826</u>		<u>\$11,786,826</u>		<u>\$70,870,330</u>

(Continued)

Oklahoma Turnpike Authority

Schedule of Annual Debt Service Requirements

Year Ended Jan. 1	1992 Series First Senior Bonds			1992 Series Second Senior Bonds		
	Principal	Interest	Total	Principal	Interest	Total
1998	\$ 7,480,000	\$ 23,129,964	\$ 30,609,964	\$ 1,395,000	\$ 2,486,566	\$ 3,881,566
1999	7,875,000	22,730,273	30,605,273	1,460,000	2,420,977	3,880,977
2000	8,310,000	22,300,823	30,610,823	1,530,000	2,349,060	3,879,060
2001	8,765,000	21,839,069	30,604,069	1,610,000	2,271,600	3,881,600
2002	9,260,000	21,343,234	30,603,234	1,695,000	2,188,461	3,883,461
2003	9,795,000	20,809,553	30,604,553	1,785,000	2,097,995	3,882,995
2004	10,199,944	20,523,047	30,722,991	1,497,096	2,622,283	4,119,379
2005	10,747,990	19,960,258	30,708,248	1,458,727	2,631,825	4,090,552
2006	11,901,790	19,808,679	31,710,469	575,000	1,937,856	2,512,856
2007	12,521,625	19,178,283	31,699,908	610,000	1,902,780	2,512,780
2008	13,203,605	18,492,048	31,695,653	650,000	1,864,960	2,514,960
2009	14,615,000	16,868,134	31,483,134	690,000	1,825,960	2,515,960
2010	15,495,000	15,994,983	31,489,983	730,000	1,784,560	2,514,560
2011	16,440,000	15,069,246	31,509,246	775,000	1,740,760	2,515,760
2012	17,410,000	14,087,034	31,497,034	820,000	1,694,260	2,514,260
2013	18,440,000	13,046,871	31,486,871	870,000	1,645,060	2,515,060
2014	18,715,000	11,928,593	30,643,593	880,000	1,591,990	2,471,990
2015	19,845,000	10,793,926	30,638,926	935,000	1,538,310	2,473,310
2016	21,065,000	9,590,714	30,655,714	990,000	1,481,276	2,471,276
2017	20,540,000	8,308,807	28,848,807	3,890,000	1,419,400	5,309,400
2018	21,240,000	7,052,738	28,292,738	4,445,000	1,184,376	5,629,376
2019	22,550,000	5,751,787	28,301,787	4,495,000	913,888	5,408,888
2020	23,940,000	4,370,600	28,310,600	4,625,000	641,226	5,266,226
2021	25,470,000	2,904,275	28,374,275	4,470,000	360,588	4,830,588
2022	<u>27,335,000</u>	<u>1,503,425</u>	<u>28,838,425</u>	<u>1,425,000</u>	<u>89,062</u>	<u>1,514,062</u>
Totals	<u>\$393,159,954</u>	<u>\$367,386,364</u>	<u>\$760,546,318</u>	<u>\$44,305,823</u>	<u>\$42,685,079</u>	<u>\$86,990,902</u>

(Continued)

Oklahoma Turnpike Authority Schedule of Annual Debt Service Requirements

Year Ended	<u>1992 Series Subordinate Bonds</u>			<u>Total 1992 Series Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 3,505,000	\$ 11,261,046	\$ 14,766,046	\$ 12,380,000	\$ 36,877,576	\$ 49,257,576
1999	3,695,000	11,080,392	14,775,392	13,030,000	36,231,642	49,261,642
2000	3,890,000	10,884,403	14,774,403	13,730,000	35,534,286	49,264,286
2001	4,110,000	10,670,453	14,780,453	14,485,000	34,781,122	49,266,122
2002	4,340,000	10,440,292	14,780,292	15,295,000	33,971,987	49,266,987
2003	4,590,000	10,192,913	14,782,913	16,170,000	33,100,461	49,270,461
2004	4,865,000	9,926,693	14,791,693	16,562,040	33,072,023	49,634,063
2005	5,155,000	9,639,658	14,794,658	17,361,717	32,231,741	49,593,458
2006	5,470,000	9,330,359	14,800,359	17,946,790	31,076,894	49,023,684
2007	5,800,000	8,996,688	14,796,688	18,931,625	30,077,751	49,009,376
2008	6,155,000	8,637,089	14,792,089	20,008,605	28,994,097	49,002,702
2009	6,530,000	8,255,478	14,785,478	21,835,000	26,949,572	48,784,572
2010	6,925,000	7,850,618	14,775,618	23,150,000	25,630,161	48,780,161
2011	7,325,000	7,428,193	14,753,193	24,540,000	24,238,199	48,778,199
2012	7,790,000	6,981,368	14,771,368	26,020,000	22,762,662	48,782,662
2013	8,265,000	6,506,177	14,771,177	27,575,000	21,198,108	48,773,108
2014	8,345,000	6,002,012	14,347,012	27,940,000	19,522,595	47,462,595
2015	8,855,000	5,492,968	14,347,968	29,635,000	17,825,204	47,460,204
2016	9,385,000	4,952,833	14,337,833	31,440,000	16,024,823	47,464,823
2017	9,965,000	4,366,251	14,331,251	34,395,000	14,094,458	48,489,458
2018	10,580,000	3,743,438	14,323,438	36,265,000	11,980,552	48,245,552
2019	11,235,000	3,082,188	14,317,188	38,280,000	9,747,863	48,027,863
2020	11,925,000	2,380,001	14,305,001	40,490,000	7,391,827	47,881,827
2021	12,615,000	1,634,687	14,249,687	42,555,000	4,899,550	47,454,550
2022	<u>13,540,000</u>	<u>846,295</u>	<u>14,386,295</u>	<u>42,300,000</u>	<u>2,438,782</u>	<u>44,738,782</u>
Totals	<u>\$184,855,000</u>	<u>\$180,582,493</u>	<u>\$365,437,493</u>	<u>\$622,320,777</u>	<u>\$590,653,936</u>	<u>\$1,212,974,713</u>

(Continued)

Oklahoma Turnpike Authority Schedule of Annual Debt Service Requirements

Year Ended Jan. 1	Total All Bonds			Outstanding Principal
	Principal	Interest	Total	
1998	\$ 12,630,000	\$ 39,018,387	\$ 51,648,387	\$ 641,000,777
1999	13,295,000	38,354,323	51,649,323	627,705,777
2000	14,015,000	37,637,617	51,652,617	613,690,777
2001	14,790,000	36,863,453	51,653,453	598,900,777
2002	15,620,000	36,031,691	51,651,691	583,280,777
2003	16,520,000	35,135,890	51,655,890	566,760,777
2004	16,932,040	35,081,257	52,013,297	549,828,737
2005	17,761,717	34,212,970	51,974,687	532,067,020
2006	18,381,790	33,027,280	51,409,070	513,685,230
2007	19,396,625	31,994,593	51,391,218	494,288,605
2008	20,508,605	30,875,082	51,383,687	473,780,000
2009	22,375,000	28,792,001	51,167,001	451,405,000
2010	23,735,000	27,430,953	51,165,953	427,670,000
2011	25,170,000	25,994,287	51,164,287	402,500,000
2012	26,695,000	24,470,603	51,165,603	375,805,000
2013	28,300,000	22,854,461	51,154,461	347,505,000
2014	30,035,000	21,123,541	51,158,541	317,470,000
2015	31,875,000	19,287,090	51,162,090	285,595,000
2016	33,830,000	17,337,857	51,167,857	251,765,000
2017	36,945,000	15,248,551	52,193,551	214,820,000
2018	38,980,000	12,964,920	51,944,920	175,840,000
2019	41,180,000	10,551,244	51,731,244	134,660,000
2020	43,585,000	8,001,758	51,586,758	91,075,000
2021	45,850,000	5,302,780	51,152,780	45,225,000
2022	45,225,000	2,621,677	47,846,677	-
Totals	<u>\$653,630,777</u>	<u>\$630,214,266</u>	<u>\$1,283,845,043</u>	

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Oklahoma Turnpike Authority:

We have audited the financial statements of the Oklahoma Turnpike Authority (the Authority) as of and for the years ended December 31, 1997 and 1996, and have issued our report thereon dated February 27, 1998, which contains a paragraph stating that the financial statements of the Authority refer to the adoption of Governmental Accounting Standards Board Statement No. 31. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated February 27, 1998.

This report is intended for your information, the staff of the Oklahoma Turnpike Authority, and certain others within the Oklahoma Turnpike Authority. However, this report is a matter of public record and its distribution is not limited.

KPM A Peat Marwick LLP

Oklahoma City, Oklahoma
February 27, 1998

