Financial Section

Oklahoma Transportation Authority
Management's Discussion and Analysis
Years Ended December 31, 2002 and 2001

This section of the OTA's annual financial report presents our discussion and analysis of the OTA's financial performance during the fiscal year that ended December 31, 2002. Please read it in conjunction with the transmittal letter in the introductory section of this report and the OTA's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Toll revenues surpassed $176.4 million in 2002 and were 7.5% higher than toll revenues in 2001. Toll transactions for 2002 exceeded 111.3 million, a strong 13.0% increase over 2001.
- Total operating expenses approached $48.8 million in 2002. The 6.4% increase in total operating expenses over 2001 is primarily due to the additional operating costs for the new extensions to the Turnpike System. Operating expenses for 2002 were held to a significant 7.9% below the annual operating budget.
- Total net assets at December 31, 2002 grew to approximately $246.4 million, 5.8% higher than total net assets at December 31, 2001.
- 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements, and other supplementary information.

The financial statements provide both long-term and short-term information about the OTA's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The OTA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. 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, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the Authority are included in the Statements of Net Assets.

The Statements of Net Assets report the OTA's net assets and how they have changed. Net assets – the difference between the OTA's assets and liabilities – is one way to measure the OTA's financial health or position. The increase in the OTA's net assets during 2002 is an indicator of its strong financial health.

FINANCIAL ANALYSIS OF THE OTA

Net Assets

The OTA's total net assets at December 31, 2002 surpassed $246.4 million, a healthy 5.8% increase over December 31, 2001. (See Table A-1.) Total assets decreased 0.5% to $1,600.5 million, and total liabilities decreased 1.6% to $1,354.2 million. Total net assets at December 31, 2001 reached approximately $232.9 million, a 21.4% increase over December 31, 2000. Total assets that year increased 1.0% to $1,609.3 million, and total liabilities decreased 1.8% to $1,376.4 million.

Table A-1
Net Assets
(in millions of dollars)

	2002	2001	2000	Percentage Change 2002-2001
Current assets	$ 169.8	$ 154.8	$ 141.5	9.7%
Restricted assets	203.6	230.1	393.2	(11.5%)
Capital assets	1,218.1	1,213.1	1,046.6	0.4%
Revenue bond issuance costs	9.1	11.3	11.9	(19.5%)
Total assets	**1,600.6**	**1,609.3**	**1,593.2**	**(0.5%)**
Current liabilities	7.2	5.4	8.8	33.3%
Liabilities payable from restricted assets	70.8	83.7	85.1	(15.4%)
Long-term debt	1,276.2	1,287.3	1,307.4	(0.9%)
Total liabilities	**1,354.2**	**1,376.4**	**1,401.3**	**(1.6%)**
Net assets:				
Invested in capital assets, net of related debt	(24.6)	(45.7)	(104.2)	(46.2%)
Restricted for debt service	66.5	79.2	103.8	(16.0%)
Restricted for reserve maintenance	38.8	21.3	19.9	82.2%
Restricted for construction	0.1	26.0	38.0	(99.6%)
Restricted for other purposes	3.0	2.8	1.6	7.1%
Unrestricted	162.6	149.3	132.8	8.9%
Total net assets	**$ 246.4**	**$ 232.9**	**$ 191.9**	**5.8%**

Construction of the five new, urban turnpike extensions which were financed by the 1998 revenue bonds continued throughout 2001 and 2002. Three of the new turnpike extensions were completed during 2001, with the remaining two completed in 2002. The completion of the new turnpike extensions and depletion of the related bond proceeds has resulted in a continued shift from restricted assets (investments) to capital assets (property and equipment). Rehabilitation projects included in the OTA's Five Year Capital Plan also contribute to the shift from restricted assets to capital assets through funding from the Reserve Maintenance Fund. Capital assets increased more significantly between 2001 and 2000, since only a partial year of depreciation expense was recognized in 2001 for the completed new extensions. In addition, approximately $300 million of the December 31, 2001 balance was related to construction work in progress at December 31, 2001 primarily due to the two uncompleted extensions. At the close of 2002, the construction work in progress balance is $40 million and related to rehabilitation projects. In 2002, the additions to capital assets were offset by the recognition of a full year of depreciation expense on the extensions completed during 2001, as well as the initiation of depreciation on assets previously recorded as construction work in progress as the final new extensions were put into service.

Additionally, the balance of investments required to be restricted for debt service has decreased as a result of the issuance of Revenue Bonds in mid-2002 to refund the outstanding 1989 and 1992 current interest bonds. This bond refunding also resulted in the 19.5% decrease in bond issuance costs and contributed to the 16.0% decrease in net assets restricted for debt service. Another contributor to the decrease in net assets restricted for debt service is the depletion of the reserve for debt service during the period of construction that was funded from the 1998 bond proceeds. This reserve was utilized in 2001 to fund interest expense during the period of construction and resulted in a 23.7% decrease from 2000 to 2001. In mid-2002, this interest reserve was exhausted, and all interest expense relating to the 1998 revenue bonds began being funded from operating revenues.

The 15.4% decrease in liabilities payable from restricted assets is primarily due to a decrease in the payables due to contractors for work performed on the construction of the new, urban turnpike extensions that were completed during 2002. Another decrease to this line item is the $5.5 million decrease in the current portion of revenue bonds payable as a result of the 2002 refunding of the 1989 and 1992 current interest bonds.

Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness from any bonds that are attributable to the acquisition, construction, or improvement of those assets. This outstanding indebtedness includes both revenue bonds payable and a liability to the Oklahoma Department of Transportation (ODOT) for the construction and acquisition of capital assets.

The deficit in net assets invested in capital assets, net of related debt is a result of the funding from bond proceeds of interest expense during the period of construction of the new, urban turnpike extensions. The proceeds set aside to fund interest expense during the period of construction were not significant to the total of the bond proceeds received. As anticipated, this deficit has consistently decreased since December 31, 2000 and will continue to decrease as purchases of capital assets are made from operating revenues and as principal payments are made on the outstanding revenue bonds.

The 82.2% increase in net assets restricted for reserve maintenance represents the depth of OTA's commitment to its Five Year Capital Plan for rehabilitating and maintaining its existing Turnpike System. During 2002, the OTA turned attention to completing the new, urban turnpike extension construction. With the final extension opened in late 2002, focus is now on planning for the 2003 portion of the Five Year Capital Plan. The 2003 Reserve Maintenance budget includes $20.7 million for rehabilitation and improvement projects.

The amount restricted for construction represents the balance of investment income earned on bond proceeds and used to complete the construction of the new, urban turnpike extensions net of any liabilities payable from that balance. Beginning in the fourth quarter of 2001 and throughout 2002, construction of the new, urban extensions was funded from the cumulative interest income earned on bond proceeds. Consequently, this reserve is almost exhausted.

The balance restricted for other purposes includes amounts restricted for two distinct purposes. The first restriction is on deposits received from *PIKEPASS* patrons for prepayment of tolls, net of the related deferred revenue. The second restriction is on the assets reserved for future payments to the U.S. Treasury for arbitrage earnings, net of the related liability.

Changes in Net Assets

The increase in net assets at December 31, 2002 was approximately $13.5 million, resulting in net assets totaling $246.4 million at December 31, 2002. (See Table A-2.) The OTA's total operating revenues increased by 7.5% to approximately $177.7 million, and total operating expenses increased 19.9% to approximately $112.0 million.

Table A-2
Changes in Net Assets
(in millions of dollars)

	2002	2001	2000	Percentage Change 2002-2001
Operating Revenues:				
Toll revenue	$ 176.5	$ 164.1	$ 131.6	7.5%
Concession revenue	1.2	1.2	1.2	-
Total operating revenues	**177.7**	**165.3**	**132.8**	**7.5%**
Operating Expenses:				
Operating expenses	48.8	45.9	40.9	6.3%
Depreciation and amortization	63.2	47.5	35.6	33.1%
Total operating expenses	**112.0**	**93.4**	**76.5**	**19.9%**
Operating income	**65.7**	**71.9**	**56.3**	**(8.6%)**
Non-operating revenues (expenses):				
Interest earned on investments	13.4	19.7	28.0	(32.0%)
Net increase in fair value of investments	2.7	6.0	8.2	(55.0%)
Interest expense on revenue bonds outstanding	(69.0)	(57.6)	(54.0)	19.8%
Other	0.7	1.0	1.2	(30.0%)
Net non-operating expenses	**(52.2)**	**(30.9)**	**(16.6)**	**68.9%**
Change in net assets	**13.5**	**41.0**	**39.7**	**(67.1%)**
Total net assets, beginning of the year	232.9	191.9	152.2	21.4%
Total net assets, end of the year	**$ 246.4**	**$ 232.9**	**$ 191.9**	**5.8%**

The 7.5% increase in 2002 total operating revenues over 2001 is principally due to the completion of the new turnpike extensions contributing to the impressive revenue growth rates of 20.5% on the John Kilpatrick Turnpike and 46.0% on the Creek Turnpike above 2001 levels. The increase in 2001 total operating revenues to $165.3 million from $132.8 million in 2000 is due in part to the systemwide toll rate increase implemented January 1, 2001. There were no rate increases in 2002.

The operation and maintenance of these additional turnpike miles played a major role in the 6.3% increase in 2002 operating expenses over 2001 operating expenses and a 12.2% increase in 2001 operating expenses over 2000 operating expenses. All divisions continued to closely monitor operating expenses under the direction of the Authority's Acting Director and Chief Financial Officer. (See Table A-3 for a detail by operating function.) The 33.1% 2002 increase in depreciation and amortization expense results from the addition to capital assets of the new extensions and the finalization of projects identified in the Five Year Capital Plan for system maintenance and rehabilitation.

Net non-operating expenses increased 68.9% to approximately $52.2 million in 2002 as compared to 2001 and increased 86.1% to approximately $30.9 million in 2001 as compared to 2000. Three components created the majority of these fluctuations. The downward trend in investment income that began in early 2001 was compounded by the terrible shock to America's investment environment caused by the events of September 11, 2001. Investment income has continued to plummet throughout 2002, with overnight maturity rates below 1.0% and long term treasury notes with rates around 3.8%. The net increase in fair value of investments declined 55.0% in 2002 and 27.6% in 2001 as compared to the respective prior year primarily due to the continued depletion of funds available for investment in the 1998 interest reserve funded by bond proceeds. The 19.8% and a 6.7% increase in interest expense on revenue bonds outstanding in 2002 and 2001, respectively, is due to the period for capitalization of interest expense on the 1998 bonds drawing to a close. The period of construction was completed for three of the new, urban turnpike extensions beginning in 2001, with the final two extensions coming online in mid-2002. At this time, the interest expense related to the bonds issued for construction of the new extensions is no longer capitalizable.

Table A-3
Operating Expenses Before Depreciation and Amortization
(in thousands of dollars)

	2002	2001	2000	Percentage Change 2002-2001
Toll Operations	$ 12,211	$ 11,412	$ 10,687	7.0%
Turnpike Maintenance	14,036	13,516	10,627	3.9%
Engineering	1,880	2,780	2,243	(32.4%)
Highway Patrol	9,151	8,348	7,674	9.6%
PIKEPASS Customer Service	5,141	4,113	3,911	25.0%
General Administration	1,670	1,489	1,395	12.2%
Information Technology	2,664	2,216	2,027	20.2%
Controller	673	722	657	(6.8%)
Finance and Revenue	490	520	620	(5.8%)
Executive	873	743	1,019	17.5%
Authority	8	9	5	(11.1%)
Total operating expenses before depreciation and amortization	**$ 48,797**	**$ 45,868**	**$ 40,865**	**6.4%**

As anticipated in the 2001 and 2002 Annual Budgets, the additional miles of turnpike added to the System during 2001 and 2002 resulted in additional manpower and toll collection equipment maintenance expenditures and increased maintenance service cost in both years. Also, 29 new troopers were assigned to patrol the expanded Turnpike System during late 2001. Consequently, the Toll Operations, Turnpike Maintenance and Oklahoma Highway Patrol Divisions' operating expenses increased 7.0%, 3.9% and 9.6%, respectively, in 2002 when compared to 2001.

The 32.4% decline in the Engineering Division's 2002 operating expenses is largely 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. Also, the completion of landscape design on the John Kilpatrick and Broken Arrow South Turnpike Extensions was completed in 2001. The landscape design project was the primary factor in the increase between 2001 and 2000.

Operating expenses for the *PIKEPASS* Customer Service Division have grown steadily since December 31, 2000 and increased 25.0% in 2002 above 2001 operating expenses. The number of active *PIKEPASS* accounts grew 11.8% in 2002. The higher volume of *PIKEPASS* accounts, the addition of the new turnpike extensions and the *PIKEPASS* tag replacement program resulted in higher postage, tag agency and banking and financial service expenditures in 2002.

The 20.2% increase in operating expenses in the Information Technology Division is primarily due to the cost of telecommunication lines utilized for operation of the new toll collection system on the sections of the new, urban turnpike extensions which were opened to traffic during 2002.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2002, the OTA had invested approximately $1,980.5 million in capital assets, including roads, bridges, buildings, land, and equipment. Net of accumulated depreciation, the OTA's net capital assets at December 31, 2002 totaled approximately $1,218.1 million. (See Table A-4.) This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $5.0 million or 0.4% over December 31, 2001. At December 31, 2001, net capital assets totaled approximately $1,213.1 million. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $166.5 million or 15.9% over December 31, 2000.

Table A-4
Capital Assets
(net of depreciation, in millions of dollars)

	2002	2001	2000	Percentage Change 2002-2001
Roads and bridges	$ 679.6	$ 464.4	$ 237.1	46.3%
Construction work in progress	40.1	299.6	417.1	(86.6%)
Improvements	188.6	177.0	151.1	6.6%
Land	161.5	160.2	156.6	0.8%
Buildings	30.9	19.1	10.5	61.8%
Equipment	44.4	22.9	19.3	93.9%
Capitalized interest	73.0	69.9	54.9	4.4%
Total net capital assets	**$ 1,218.1**	**$ 1,213.1**	**$ 1,046.6**	**0.4%**

The use of the 1998 bond proceeds to construct the new, urban turnpike extensions resulted in a 15.9% increase in capital assets in 2001 as compared to 2000. In 2002, total net capital assets grew by only .4%. This is the result primarily of focusing attention on closing the final contracts on the new, urban turnpike extensions and opening those roads for patron travel. Accordingly, construction work in progress decreased 86.6% in 2002 and 28.2% in 2001 as compared to the respective prior year as construction costs for the newly opened turnpike extensions were reclassified to appropriate capital asset classes. Roads and bridges increased 46.3% in 2002 and 95.9% in 2001 as the final portions of the new extensions became operational. Toll plazas and maintenance buildings constructed on the newly opened turnpike extensions account for nearly all of the 61.8% increase in 2002 and an 81.9% increase in 2001 in buildings. The toll collection equipment installed on the new extensions was the largest component of the 93.9% increase in equipment in 2002 when compared to 2001 and an 18.7% increase in 2001 when compared to 2000. The planned purchase of new Type II *PIKEPASS* tags to accommodate the growing customer base was another sizeable toll collection related component of the increase in equipment in both 2002 and 2001. Depreciation has been initiated on these capital assets as the new extensions became operational.

While an emphasis was placed on completing new extension construction, progress continued towards the rehabilitation and improvement projects identified in the Five Year Capital Plan. Project costs associated with finalized projects were reclassified from construction work in progress into improvements and other appropriate capital asset classes. The rehabilitation projects, combined with signing and road striping projects, generated the 6.6% increase in 2002 improvements over 2001 and a 17.1% increase in 2001 as compared to 2000.

The 2003 portion of the OTA's Five Year Capital Plan calls for spending over $55.9 million for capital projects. Approximately 77.8% of this funding is allocated to road and bridge rehabilitation projects such as pavement rehabilitation on the Turner, Will Rogers and Chickasaw Turnpikes, the construction of toll plazas and salt barns on the Turner, Will Rogers and H.E. Bailey Turnpikes and diamond grinding throughout the System. The remaining 22.2% is allocated to other capital projects such as additional purchases of the new Type II *PIKEPASS* transponders for new patrons as well as refurbishment efforts. The 2003 portion of the Five Year Capital Plan will be funded by a combination of resources on hand and 2003 toll revenues.

Debt Administration

Turnpike bond sales must be approved by the Executive and Legislative Bond Oversight Commissions and must comply with rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission. On May 14, 2002, the OTA issued $314,065,000 Series 2002A Refunding Second Senior Revenue Bonds and $255,575,000 Series 2002B Refunding Second Senior Revenue Bonds. These Revenue Bonds, combined with other available funds of the Authority, refunded $577,810,000 in Revenue Bonds from the remaining Series 1989 Bonds, the Series 1992A-E Bonds and portions of the Series 1992 F&G Bonds. The refunding resulted in a $50,923,956 decrease to the Authority's aggregate debt service payments over the next 20 years.

The OTA's long-term debt includes revenue bonds payable and a payable to ODOT. At December 31, 2002, the OTA had approximately $1,263.9 million in revenue bonds outstanding, a 1.8% decrease from December 31, 2001. The payable to ODOT at December 31, 2002 was approximately $41.7 million.

Of the $1,263.9 million in revenue bonds outstanding, approximately $1,163.4 million is insured and rated Aaa by Moody's Investors Service, and AAA by both Fitch Ratings and Standard and Poor's Rating Service (S&P) with a positive rating outlook. The remaining debt is rated Aa3 by Moody's Investors Service and AA- by both Fitch Ratings and S&P.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Reports from the Federal Reserve Board indicate subdued growth in economic activity from mid-November through early January 2003, with little change in overall conditions relative to the last survey period. Consumer spending reports were consistently weak, with disappointing holiday sales mostly at or below last year's levels. The "2003 State of Oklahoma Outlook", published by the College of Business Administration of Oklahoma State University, suggests an economic recovery may be underway. Clearer evidence of recovery is provided by estimates of Gross Domestic Product which has been increasing since the declines of the first three quarters of 2001. Oklahoma enjoyed a .44% increase in the number of jobs during 2002, placing Oklahoma 11th in the nation for job growth performance. The Oklahoma unemployment rate declined from 4.4% to 4.2% from November 2001 to November 2002, compared to an increase from 5.6% to 6.0% nationally over the same period.

Like most other states, Oklahoma is facing challenges due to declining revenue. In spite of these challenges, the State's financial condition is healthy. The State's general obligation debt load remains modest, and the State's "Rainy Day Fund" has provided room to address unforeseen emergencies. The shortfall in revenue has caused a 6.5% reduction in fiscal year 2003 appropriations. Of the four major revenue sources, only the gross production tax on natural gas exceeded estimates. The State Board of Equalization has made a finding that will invoke a trigger mechanism increasing the maximum individual income tax to 7% and revoking expansion of a low-income sales tax credit.

The OTA's 2003 Annual Budget, adopted by the Authority on November 25, 2002, includes approximately $51.9 million for the operating and maintenance budget, $20.7 million for the Reserve Maintenance Fund budget and $35.2 million for the General Fund budget. The operating and maintenance budget consists of $44.0 million for the existing system and $7.9 million for the new extensions and new programs. The amounts budgeted within the Reserve Maintenance and General Fund budgets finance the maintenance, rehabilitation and improvements included in the 2003 portion of the OTA's Five Year Capital Plan.

CONTACTING THE OTA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the OTA's finances and to demonstrate the OTA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Oklahoma Transportation Authority's Controller Division, P. O. Box 11357, Oklahoma City, OK 73136-0357.

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Independent Auditors' Report

Members of the Oklahoma Transportation Authority:

We have audited the statements of net assets of the Oklahoma Transportation Authority (Authority), as of December 31, 2002 and 2001, and the related statements of revenues, expenses and changes in net assets 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 23 through 29, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2003 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Authority, taken as a whole. The introductory section on pages 2 through 22 and the supplementary information included on pages 52 through 62 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 financial statements taken as a whole. The supplementary statistical information included on pages 65 through 91 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

March 20, 2003

Oklahoma Transportation Authority
Statements of Net Assets
December 31, 2002 and 2001

Assets:	**2002**	**2001**
Current assets:		
Cash and cash equivalents (note 3)	$ 15,856,448	$ 27,321,533
Investments (note 3)	148,090,806	120,764,988
Accounts receivable (note 11)	2,836,360	3,756,349
Accrued interest receivable	1,470,281	1,462,698
Prepaid expenses	185,773	130,429
Materials inventory	1,345,861	1,298,519
Total current assets	169,785,529	154,734,516
Restricted assets (notes 3, 7 and 10):		
Cash and cash equivalents (note 3)	58,704,442	67,580,351
Investments (note 3)	144,065,974	161,535,804
Accrued interest receivable	859,215	935,662
Total restricted assets	203,629,631	230,051,817
Capital assets (note 4):		
Land	161,528,983	160,248,029
Construction work in progress	40,110,442	299,578,148
Property and equipment	1,778,910,373	1,458,028,234
Less accumulated depreciation and amortization	(762,448,146)	(704,708,102)
Net capital assets	1,218,101,652	1,213,146,309
Revenue bond issuance costs (net of accumulated amortization of $4,524,944 and $4,067,541 in 2002 and 2001, respectively)	9,034,308	11,340,915
Total assets	1,600,551,120	1,609,273,557
Liabilities:		
Current liabilities:		
Accounts payable (note 11)	7,217,530	5,432,505
Liabilities payable from restricted assets:		
Accounts payable (note 11)	3,381,731	11,887,072
Accrued interest payable	35,024,135	35,494,030
Deferred revenue	14,189,097	12,494,563
Arbitrage rebate payable to U.S. Treasury	8,033,267	8,155,572
Current portion of revenue bonds payable (note 7)	10,155,000	15,620,000
Total liabilities payable from restricted assets	70,783,230	83,651,237
Long-term debt:		
Revenue bonds, net of unamortized premium of $15,993,372 in 2002, and discount of $17,061,263 in 2001, respectively, and of unamortized net deferred debit on refundings of $35,261,806 and $7,407,421 in 2002 and 2001, respectively (note 7)	1,234,462,061	1,247,193,304
Payable to Department of Transportation (note 10)	41,733,509	40,129,728
Total long-term debt	1,276,195,570	1,287,323,032
Total liabilities	1,354,196,330	1,376,406,774
Net assets:		
Invested in capital assets, net of related debt	(24,603,946)	(45,746,916)
Restricted for debt service	66,463,926	79,226,651
Restricted for reserve maintenance	38,837,913	21,284,827
Restricted for construction	106,371	25,951,219
Restricted for other purposes	2,982,527	2,848,991
Unrestricted	162,567,999	149,302,011
Commitments and contingencies (note 12)	-	-
Total net assets	$ 246,354,790	$ 232,866,783

See accompanying notes to financial statements

Oklahoma Transportation Authority
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2002 and 2001

	2002	2001
Operating revenues:		
Tolls	$ 176,441,486	$ 164,111,303
Concessions	1,239,693	1,224,089
Total operating revenues	177,681,179	165,335,392
Operating expenses:		
Toll Operations	12,210,977	11,411,893
Turnpike Maintenance	14,036,357	13,515,738
Engineering	1,879,858	2,779,602
Highway Patrol	9,150,461	8,348,423
PIKEPASS Customer Service	5,140,953	4,112,647
General Administration	1,669,891	1,489,210
Information Technology	2,664,038	2,215,837
Controller	673,039	722,142
Finance and Revenue	489,958	520,028
Executive	873,023	743,421
Authority	7,950	9,148
Total operating expenses before depreciation and amortization	48,796,505	45,868,089
Operating income before depreciation and amortization	128,884,674	119,467,303
Depreciation and amortization (note 4)	(63,179,190)	(47,561,397)
Operating income	65,705,484	71,905,906
Non-operating revenues (expenses):		
Interest earned on investments	13,432,117	19,656,918
Net increase in fair value of investments	2,737,918	5,967,563
Interest expense on revenue bonds outstanding	(69,067,431)	(57,612,987)
Other	679,919	1,028,774
Net non-operating expenses	(52,217,477)	(30,959,732)
Change in net assets	13,488,007	40,946,174
Total net assets, beginning of the year	232,866,783	191,920,609
Total net assets, end of the year	$ 246,354,790	$ 232,866,783

See accompanying notes to financial statements

Oklahoma Transportation Authority
Statements of Cash Flows
Years Ended December 31, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Receipts from patrons	$ 178,465,908	$ 165,673,607
Receipts from concessionaires	1,337,088	1,340,372
Receipts from other sources	90,613	576,695
Payments to suppliers	(25,397,429)	(24,274,889)
Payments to employees	(21,323,757)	(19,882,934)
Net cash flows provided by operating activities	133,172,423	123,432,851
Cash flows from noncapital financing activities:		
Proceeds from motor fuel tax apportionment transfers	32,804,885	31,595,788
Payments to the Department of Transportation (ODOT)	(32,804,885)	(31,595,788)
Payments to ODOT on cooperative construction agreement	-	(9,267,151)
Interest earned and recorded as payable to the Department of Transportation	1,603,781	1,435,952
Net cash flows provided by (used in) noncapital financing activities	1,603,781	(7,831,199)
Cash flows from capital and related financing activities:		
Issuance of 2002 refinancing bonds	569,640,000	-
Premium on issuance of 2002 refinancing bonds	17,936,950	-
Payment to refund 1989 and 1992 bonds	(587,725,587)	-
Payment of bond issuance costs	(5,272,539)	-
Acquisition and construction of capital assets	(75,493,439)	(218,363,888)
Principal payment to retire revenue bonds	(15,620,000)	(14,790,000)
Interest paid on revenue bonds outstanding	(64,843,189)	(54,708,046)
Net cash flows (used in) capital and related financing activities	(161,377,804)	(287,861,934)
Cash flows from investing activities:		
Purchase of investments	(208,081,611)	(199,837,497)
Proceeds from sales and maturities of investments	200,963,541	374,731,054
Interest received	13,500,981	19,997,964
(Decrease) increase in arbitrage funds payable to U.S. Treasury	(122,305)	385,136
Net cash flows provided by investing activities	6,260,606	195,276,657
Net (decrease) increase in cash and cash equivalents	(20,340,994)	23,016,375
Cash and cash equivalents, January 1 (including $67,580,351 and $60,326,054 for 2002 and 2001, respectively, reported in restricted assets)	94,901,884	71,885,509
Cash and cash equivalents, December 31 (including $58,704,442 and $67,580,351 for 2002 and 2001, respectively, reported in restricted assets)	$ 74,560,890	$ 94,901,884

See accompanying notes to financial statements

(Continued)

Oklahoma Transportation Authority
Statements of Cash Flows
Years Ended December 31, 2002 and 2001

	2002	2001
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	$ 65,705,484	$ 71,905,906
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	63,179,190	47,561,397
Other non-operating revenue	679,919	1,028,774
Changes in assets and liabilities:		
(Increase) in accounts receivable	(262,089)	(56,572)
(Increase) in prepaid expense	(55,344)	(16,942)
(Increase) decrease in materials inventory	(47,342)	1,032,335
Increase in accounts payable	2,278,071	840,974
Increase in deferred revenue	1,694,534	1,136,979
Total adjustments	67,466,939	51,526,945
Net cash flows provided by operating activities	$ 133,172,423	$ 123,432,851
Noncash investing, capital, and financing items:		
Unrealized gain/loss on investments	$ 2,737,918	$ 5,967,563
Decrease in entitlements related to acquisition and construction of capital assets	1,182,078	2,770,211
(Decrease) in contractual obligations related to acquisition and construction of capital assets	(8,998,387)	(7,525,262)
Transfer of bond issuance costs to net deferred debit	7,121,743	-

See accompanying notes to financial statements

Oklahoma Transportation Authority
Notes to Financial Statements
December 31, 2002 and 2001

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Oklahoma Transportation Authority
Notes to Financial Statements
December 31, 2002 and 2001

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

The financial statements of the Oklahoma Transportation Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Transportation 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 component unit of the State and is combined with other similar funds to comprise the Enterprise Funds 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 an Acting Director and Chief Financial Officer who manages 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 Statements of Net Assets. The principal revenues of the Authority are toll revenues received from patrons. The Authority also recognizes as operating revenue the rental fees received from concessionaires from operating leases on concession property. Operating expenses for the Authority include the costs of operating the turnpikes, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The prevailing Trust Agreement dated February 1, 1989 and all supplements thereto (the Trust Agreement) 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. 38, "Certain Financial Statement Note Disclosures" (Statement 38) in 2001, effective January 1, 2000. Statement 38 establishes and modifies certain financial statement note disclosure requirements to make the financial statements more useful in the context of the Statement 34 reporting model. Statement 38 had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

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. See additional information regarding legal compliance for budgets in Note 2.

E. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid deposits with an original maturity of three months or less when purchased. These deposits are fully collateralized or covered by federal deposit insurance. The carrying amount of the investments is fair value. The net change in fair value of investments is recorded on the Statements of Revenues, Expenses and Changes in Net Assets 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. These inventories are charged to expense during the period in which the maintenance or repair occurs.

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. Payments from these restricted accounts are strictly governed by the Trust Agreement and are only made in compliance with the Trust Agreement. Limited types of expenses may be funded from these restricted accounts. Those types of expenses which do not meet these standards are funded from unrestricted accounts. 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 (see 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 construction or 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. Capital Assets

All capital assets are stated at cost. Capital assets are defined as assets with initial, individual costs exceeding $500 to $20,000 depending on asset category. Depreciation is computed on the straight-line method over the following estimated useful lives:

Roads and bridges	30 years
Improvements	5-20 years
Buildings	20-30 years
Equipment	3-7 years
Capitalized interest	30 years

A full month's depreciation is taken in the month an asset is placed in service. 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. Construction of three of the five turnpike extensions for which the 1998 Bonds were issued was completed during 2001. The two remaining extensions were completed in mid-2002. Eligible interest costs incurred in 2002 and 2001 on the Series 1998A and 1998B Second Senior Revenue Bonds as allocated to each turnike extension were approximately $5,770,000 and $22,730,000, respectively. Approximately $5,700,000 and $16,700,000 was capitalized for 2002 and 2001, respectively. The amount of interest income earned on the proceeds of the Series 1998A and 1998B Second Senior Revenue Bonds in 2002 and 2001 was approximately $70,000 and $6,030,000, respectively. Interest expense related to these extensions was no longer capitalized upon completion of construction. 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 Statements of Net Assets. 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 was approximately $358,000 and $839,000 at December 31, 2002 and 2001, respectively, and is included as a component of interest expense on revenue bonds outstanding on the Statements of Revenues, Expenses and Changes in Net Assets. Depreciation and amortization expense includes amortization of bond issuance costs at both December 31, 2002 and 2001 of approximately $457,000 and $521,000, respectively.

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 Internal Revenue Service (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. In July 2002, the Authority made an anniversary payment to the IRS totaling approximately $366,000 representing the Authority's current rebatable arbitrage to reduce the liability on the Series 1992 A-E Bonds. Then in August 2002, the Authority made a payment to the IRS totaling $167,000 for the final rebatable arbitrage due on the Series 1989 Bonds. This final payment was due as a result of the refunding of the Series 1989 Bonds. The IRS required no final rebatable arbitrage payment for the Series 1992 A-E Bonds or portions of the 1992 F and G Bonds that were also refunded, as no arbitrage rebate liability was due at the time of the refunding for these bond series. The Authority's policy is to record annually as a liability the estimated amount owed. The Authority's cumulative arbitrage rebate liabilities for the years ended December 31, 2002 and 2001 are approximately $8,033,000 and $8,156,000, respectively. The increases in this obligation are recorded in operations as a reduction of current year interest income.

L. Income Taxes

The Authority is an instrumentality of the State of Oklahoma. As such, income earned in the exercise of its essential government functions is exempt from state or federal income taxes.

M. Estimates

The preparation of financial statements in conformity with GAAP 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.

N. Reclassifications

Certain amounts in the 2001 financial statements have been reclassified to conform to the 2002 presentation.

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 Acting Director and Chief Financial Officer 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 2002.

Note 3. Deposits and Investments

Deposits. At December 31, 2002 and 2001, the carrying amounts of the Authority's cash deposits were $1,238,064 and ($3,135,514), respectively. The bank balances were $951,532 and $1,059,087, respectively. At December 31, 2002 and 2001, the carrying amount and bank balances of the Authority's cash equivalents were $73,322,826 and $98,037,398, 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 2002 and 2001.

The Authority has a significant investment in a JPMorgan Chase Bank (JPMorgan) Repurchase Agreement. This Repurchase Agreement bears a yield equal to the rate of 5.991%. If the rating of unsecured senior long-term debt obligations of JPMorgan falls below A by Moody's or S&P, then the Repurchase Agreement can be collateralized with additional securities, transferred with the consent of the Trustee to another entity with long-term senior unsecured debt rated at A or better by Moody's and S&P, or terminated if neither of the above conditions are met. Wells Fargo Bank Minnesota, N.A. is custodian for collateral held under this agreement. The transaction matures every 30 days and is automatically renewed until January 1, 2022. The terms of this Repurchase Agreement are governed by the Master Repurchase Agreement between JPMorgan and Bank of Oklahoma, N.A., Trustee, as supplemented by the letter agreement dated May 23, 2002.

The Authority had significant investments in two Guaranteed Investment Contracts (GIC's) throughout 2002 and at December 31, 2001, the terms of which are summarized as follows:

(1) 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 was sold in May 2002 in conjunction with the issuance of the 2002 Refunding Second Senior Bonds.

(2) GIC with AIG Matched Funding Corporation, a subsidiary of American International Group (AIG) – This GIC bears a yield equal to the rate of 3.651%. If the rating of unsecured obligations or uncollateralized long-term debt obligations of AIG falls below Aa3 by Moody's or AA- by S&P, then the GIC can be collateralized by U.S. Government securities in an amount equal to 105% of the outstanding principal. Certain AIG debt is rated Aaa by Moody's and AAA by S&P. Withdrawals on the GIC require 3 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 was redeemed on December 31, 2002, and these funds were placed in cash equivalents.

The Authority's investments are categorized to give an indication of the level of custodial credit risk assumed by the Authority at December 31, 2002 and 2001. 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. The GIC's and open-end mutual funds are not classified in categories of credit risk, because they are direct contractual investments and are not securities.

December 31, 2002	Category 1	Category 2	Category 3	Fair Value
Unrestricted:				
U.S. Government securities	$ 148,090,806	-	-	$ 148,090,806
Restricted:				
U.S. Government securities	92,389,746	-	-	92,389,746
Repurchase agreement held by correspondent custodian	50,936,450	-	-	50,936,450
Mutual funds	-	-	-	739,778
Total investments	$ 291,417,002	-	-	$ 292,156,780

December 31, 2001	Category 1	Category 2	Category 3	Fair Value
Unrestricted:				
U.S. Government securities	$ 120,764,988	-	-	$ 120,764,988
Restricted:				
U.S. Government securities	76,815,078	-	-	76,815,078
Guaranteed investment contracts held by Trustee	-	-	-	83,755,412
Mutual funds	-	-	-	965,314
Total investments	$ 197,580,066	-	-	$ 282,300,792

Note 4. Capital Assets

The following schedules summarize the capital assets of the Authority as of December 31, 2002 and 2001:

2002	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 160,248,029	$ 1,293,010	$ (12,056)	$ 161,528,983
Construction work in progress	299,578,148	71,585,927	(331,053,633)	40,110,442
Total capital assets, not being depreciated	459,826,177	72,878,937	(331,065,689)	201,639,425
Capital assets, being depreciated:				
Roads and bridges	855,192,648	241,815,975	-	1,097,008,623
Improvements	381,741,829	33,054,913	-	414,796,742
Buildings	40,903,350	13,332,814	(7,810)	54,228,354
Equipment	73,990,761	32,449,186	(5,459,905)	100,980,042
Capitalized interest	106,199,646	5,696,966	-	111,896,612
Total capital assets, being depreciated	1,458,028,234	326,349,854	(5,467,715)	1,778,910,373
Less accumulated depreciation for:				
Roads and bridges	(390,835,131)	(26,528,383)	-	(417,363,514)
Improvements	(204,681,233)	(21,552,328)	-	(226,233,561)
Buildings	(21,842,315)	(1,529,245)	2,603	(23,368,957)
Equipment	(51,052,493)	(10,466,859)	4,979,140	(56,540,212)
Capitalized interest	(36,296,930)	(2,644,972)	-	(38,941,902)
Total accumulated depreciation	(704,708,102)	(62,721,787)	4,981,743	(762,448,146)
Total capital assets, being depreciated, net	753,320,132	263,628,067	(485,972)	1,016,462,227
Total capital assets, net	$ 1,213,146,309	$336,507,004	$(331,551,661)	$ 1,218,101,652

2001	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 156,621,995	$ 3,664,790	$ (38,756)	$ 160,248,029
Construction work in progress	417,107,063	200,500,858	(318,029,773)	299,578,148
Total capital assets, not being depreciated	573,729,058	204,165,648	(318,068,529)	459,826,177
Capital assets, being depreciated:				
Roads and bridges	607,960,570	247,232,078	-	855,192,648
Improvements	339,549,983	43,949,834	(1,757,988)	381,741,829
Buildings	31,306,129	9,775,471	(178,250)	40,903,350
Equipment	66,578,506	10,352,612	(2,940,357)	73,990,761
Capitalized interest	89,503,754	16,695,892	-	106,199,646
Total capital assets, being depreciated	1,134,898,942	328,005,887	(4,876,595)	1,458,028,234
Less accumulated depreciation for:				
Roads and bridges	(370,905,672)	(19,929,459)	-	(390,835,131)
Improvements	(188,463,979)	(17,893,903)	1,676,649	(204,681,233)
Buildings	(20,808,995)	(1,189,832)	156,512	(21,842,315)
Equipment	(47,281,050)	(6,320,708)	2,549,265	(51,052,493)
Capitalized interest	(34,590,245)	(1,706,685)	-	(36,296,930)
Total accumulated depreciation	(662,049,941)	(47,040,587)	4,382,426	(704,708,102)
Total capital assets, being depreciated, net	472,849,001	280,965,300	(494,169)	753,320,132
Total capital assets, net	$ 1,046,578,059	$ 485,130,948	$(318,562,698)	$ 1,213,146,309

At December 31, 2002 and 2001, depreciation and amortization expense related to capital assets was $62,721,787 and $47,040,587, respectively.

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 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 for all potential losses. 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."

The self-retention level for property and casualty coverage for non-bridge property is $10,000 per incident, while the overall limit of coverage for bridges and non-bridge property is approximately $525,000,000. 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 2002, 2001 and 2000.

Note 6. Operating Leases

The Authority has entered into various non-cancelable 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 non-cancelable contracts with a 20-year term. Total future minimum rental payments to be received as of December 31, 2002, are approximately:

Year	Minimum Lease Payments
2003	$ 243,220
2004	173,184
2005	165,184
2006	161,184
2007	116,184
Thereafter	446,549
Total	$1,305,505

Note 7. Revenue Bonds

The Authority issues revenue bonds from time to time for the purpose of financing capital improvements and new projects. In addition, when the market environment indicates favorable results, the Authority will issue bonds to restructure its debt to take advantage of these economic factors.

On May 14, 2002, the Authority issued $314,065,000 of Series 2002A Refunding Second Senior Revenue Bonds and $255,575,000 of Series 2002B Refunding Second Senior Revenue Bonds, dated May 1, 2002. The Series 2002 Bonds were issued to provide funds which when combined with other available funds of the Authority, were issued for the purpose of (1) refunding the (a) Series 1989 First Senior and Subordinate Lien Revenue Bonds, (b) Series 1992 A-E Second Senior Revenue Bonds, (c) portions of the Series 1992F First Senior and 1992G Second Senior Revenue Bonds (see additional information below), and (2) paying the costs of issuance. The portions of the Series 1992 F and G Bonds not being refunded included Capital Appreciation Bonds which are not callable and will remain outstanding to their respective maturity dates of January 1, 2004 through 2008.

(a) Pursuant to provisions of a Trust Agreement dated February 1, 1989 (the Trust Agreement), on that date, the Authority issued $385,400,000 of Series 1989 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 two trustee banks. Consequently, the liability for the 1966 Series A, 1966 Series B, and the 1971 Series C Revenue Bonds has been removed from the Statements of Net Assets. 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. Bank of Oklahoma, N.A. serves as the Escrow Trustee on the 1966 Series A and B Bonds. Bank One Trust Company serves as the Escrow Trustee on the 1971 Series C Bonds. At December 31, 2002 and 2001, the defeased bonds outstanding were $36,555,000 and $48,505,000, respectively.

(b) On May 22, 1992, pursuant to the Trust Agreement, 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, dated May 1, 1992 with interest rates ranging from 4.35% to 6.3%, 4.25% to 6.25% and 4.25% to 6.25%, respectively. These Series 1992 A-E Bonds were issued for the purpose of (1) refunding approximately 94% of the Series 1989 Bonds, (2) funding capital costs of certain turnpike projects, and (3) paying certain costs of issuance. The principal amount of the Series 1989 Bonds advance refunded and considered defeased was $526,440,000, and the liability for these bonds was removed from the Statements of Net Assets. Approximately 94% of the Series 1989 Bonds were defeased through an escrow deposit with a trustee. Bank One Trust Company serves as the Escrow Trustee on these defeased Series 1989 Bonds. Defeased Series 1989 Bonds outstanding at December 31, 2002 and 2001 were $29,000,000.

(c) On September 25, 1992, the Authority issued $22,786,862 of Series 1992 First Senior Revenue Bonds and $28,017,387 of Series 1992 Second Senior Revenue Bonds, dated October 1, 1992, both with interest rates ranging from 3.15% to 5.3%. These Series 1992 F and G Bonds were issued to (1) 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, (2) pay costs of issuance, and (3) make a deposit to the Second Senior Bond Reserve Account established under the Trust Agreement. The principal amount of the Series 1991 Bonds advance refunded and paid in full in October 1992 was $49,350,000, and the liability was removed from the Statements of Net Assets. The Series 1991 Bonds were originally issued to provide funds for the completion of the Portland Interchange on the John Kilpatrick Turnpike and certain other improvements to the Oklahoma Turnpike System.

The Series 1992 F and G Bonds were issued pursuant to the Trust Agreement, including supplements thereto. The Series 1992 F and G Bonds not refunded 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 $3,156,242 is reflected in the balance of long-term debt outstanding on the Authority's Statements of Net Assets as an increase to the principal payable on these bonds. The accretion in 2002 and 2001 is $393,507 and $372,083, respectively. These Series 1992 F and G Capital Appreciation Bonds mature on January 1 in each of the years 2004-2008, with interest payable on January 1 and July 1 of each year.

The Series 2002A and 2002B Refunding Second Senior Revenue Bonds were issued pursuant to the prevailing Trust Agreement, including supplements thereto, with Bank of Oklahoma, N.A. as Trustee. Interest is payable seminannually on January 1 and July 1 of each year, commencing January 1, 2003. The Series 2002 Bonds interest rates range from 4.0% to 5.5%. The principal amount of the bonds refunded and paid in full on July 1, 2002 was $577,810,000, and the liability was removed from the Statements of Net Assets.

On May 12, 1998, the Authority issued $350,000,000 of Series 1998A Second Senior Revenue Bonds, dated May 1, 1998. The Series 1998A Bonds were issued to provide funds which, when combined with other available funds of the Authority, will be used for the purpose of (1) funding a portion of the capital costs of improvements to extend the H.E. Bailey Turnpike, the Creek Turnpike, and the John Kilpatrick Turnpike and for right-of-way acquisition for the Muskogee Turnpike, (2) funding the capitalized interest account for the Series 1998A Bonds, and (3) paying the costs of issuance. The interest rates on the Series 1998A Bonds range from 4.125% to 6.0%.

On July 14, 1998, the Authority issued $337,010,000 of Series 1998B Second Senior Revenue Bonds, dated July 1, 1998. The Series 1998B Bonds were issued to provide funds which, when combined with other available funds of the Authority, will be used for the purpose of (1) funding a portion of the capital costs of improvements to extend the H.E. Bailey Turnpike, the Creek Turnpike, and the John Kilpatrick Turnpike and for right-of-way acquisition for the Muskogee Turnpike, (2) funding the capitalized interest account for the Series 1998B Bonds, and (3) paying the costs of issuance. The interest rates on the Series 1998B Bonds range from 5.0% to 5.5%.

The Series 1998A and 1998B Second Senior Revenue Bonds were issued pursuant to the prevailing Trust Agreement, including supplements thereto, with Bank of Oklahoma, N.A. as Trustee.

The following schedules summarize the revenue bonds outstanding as of December 31, 2002 and 2001.

2002	Date of Issuance	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Series 1989	02/01/1989	$ 30,205,000	$ -	$ (30,205,000)	$ -	$ -
Series 1992A-E	05/01/1992	528,305,000	-	(528,305,000)	-	-
Series 1992F-G	10/01/1992	41,761,988	393,507	(34,920,000)	7,235,495	-
Series 1998A	05/01/1998	350,000,000	-	-	350,000,000	3,520,000
Series 1998B	07/01/1998	337,010,000	-	-	337,010,000	-
Series 2002A-B	05/01/2002	-	569,640,000	-	569,640,000	6,635,000
Total		$1,287,281,988	$ 570,033,507	$ (593,430,000)	$ 1,263,885,495	$ 10,155,000

2001	Date of Issuance	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Series 1989	02/01/1989	$ 30,510,000	$ -	$ (305,000)	$ 30,205,000	$ 325,000
Series 1992A-E	05/01/1992	541,080,000	-	(12,775,000)	528,305,000	13,500,000
Series 1992F-G	10/01/1992	43,099,905	372,083	(1,710,000)	41,761,988	1,795,000
Series 1998A	05/01/1998	350,000,000	-	-	350,000,000	-
Series 1998B	07/01/1998	337,010,000	-	-	337,010,000	-
Total		$1,301,699,905	$ 372,083	$ (14,790,000)	$ 1,287,281,988	$ 15,620,000

Additions to long-term debt on the Series 1992 F and G Bonds in 2002 and 2001 represent the current accretion on the capital appreciation bonds.

The revenue bond debt service requirements below are prepared as of December 31, 2002:

Year Ended January 1	Total Revenue Bonds Principal	Total Revenue Bonds Interest
2003	$ 10,155,000	$ 52,502,315
2004	25,904,890	63,625,841
2005	26,918,455	62,597,439
2006	27,612,245	61,427,374
2007	38,063,340	60,260,004
2008-2012	222,001,565	269,602,452
2013-2017	288,645,000	204,946,982
2018-2022	368,230,000	122,085,163
2023-2027	208,190,000	44,996,236
2028	48,165,000	2,469,150
	$ 1,263,885,495	$ 944,512,956

The Interest and Sinking and Reserve Accounts required by the Trust Agreement have been established with the Trustee. The balances as of December 31, 2002 and 2001 were:

	2002	2001
First Senior Bond Reserve Account	$ 1,626,475	$ 33,950,182
Second Senior Bond Reserve Account	53,968,078	4,699,454
Subordinate Bond Reserve Account	-	15,273,146

The Series 1989 and 1992 Subordinate Bonds were refunded during 2002, and therefore a subordinate bond reserve account is no longer required. The Series 1998A and 1998B Second Senior Revenue Bond Reserve account requirements are satisfied by surety bonds from Financial Guaranty Insurance Company in the amount of approximately $26,000,000 and $25,000,000, respectively.

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 $144,654,000 and $135,226,000 for 2002 and 2001, respectively (1) together with the motor fuel excise taxes apportioned to the Authority of approximately $32,805,000 and $31,596,000 for 2002 and 2001, 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 that the Authority is aware of and monitors for compliance throughout the year. The Authority has complied with all bond covenants throughout 2002 and 2001.

The Series 2002 A and B Bonds refunded $577,810,000 in revenue bonds from the remaining Series 1989 Bonds, Series 1992 A-E Bonds, and portions of the Series 1992 F and G Bonds. Although the refunding resulted in the recognition of a $32,513,172 deferred debit, the Authority decreased its aggregate debt service payments by approximately $51,000,000 from 2003 to 2022. The net present value savings was approximately $33,000,000. As of December 31, 2002 and 2001, the Statements of Net Assets reflect a net deferred debit of approximately $35,262,000 and $7,407,000, respectively, as a component of debt resulting from accounting losses or gains from the defeasance of debt. The Statements of Revenues, Expenses and Changes in Net Assets reflect the amortization of this deferral as a component of interest expense of approximately $4,659,000 and $2,110,000, respectively.

Note 8. Deferred Compensation Plan

The State of Oklahoma 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 of the Oklahoma Statutes. The Oklahoma State Employees Deferred Compensation Plan (the 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 various Plan investment options. Effective January 1, 1998, a Trust and Trust Fund covering the Plan assets was established pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the Internal Revenue Code. Under terms of the Trust, the corpus or income of the Trust Fund may be used only for the exclusive benefit of the Plan participants and their beneficiaries. Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan audited financial statements for the year ended June 30, 2002. 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:

	State Employees		
Fiscal Year Ended June 30	First $25,000	Above $25,000	The Authority
2001	3.0%	3.5%	10.0%
2002	3.0%	3.5%	10.0%
Thereafter	3.0%	3.5%	10.0%

The Authority's contributions to the Plan for the years ended December 31, 2002, 2001 and 2000 were approximately $1,479,000, $1,374,000 and $1,274,000, 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 Series 1989 Revenue 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 2002 and 2001, the Authority received, and subsequently remitted to ODOT $32,804,885 and $31,595,788, respectively, of motor fuel excise taxes.

The amounts frozen at July 1, 1992 (fair value of $34,610,664 and $32,708,892 at December 31, 2002 and 2001, respectively) are invested in interest-bearing obligations and with the interest received thereon ($1,563,632 and $1,595,402 during the years ended December 31, 2002 and 2001, respectively) are used to eliminate deficiencies, if any, in available monies to meet revenue bond interest and principal requirements. No deficiencies existed in 2002 or 2001.

Prior to the issuance of the Series 1989 Revenue 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, 2002 and 2001 is $41,733,509 and $40,129,728, respectively, and the annual activity is shown below:

	Beginning Balance	Additions	Retired	Ending Balance
2002	$ 40,129,728	$1,603,781	$ -	$ 41,733,509
2001	47,960,927	1,435,952	(9,267,151)	40,129,728

Additions to the liability represent the interest earned on amounts invested, net of gains and losses on the sale of investments. No amounts are due within one year. Retired debt represents the Authority's completion of its obligation relating to a cooperative construction agreement between the Authority and ODOT.

Note 11. Disaggregation of Receivable and Payable Balances

Receivables are primarily comprised of current intergovernmental receivables, representing 45% and 72% at December 31, 2002 and 2001, respectively. Remaining current receivables are comprised of 14% and 10% customer receivables and 41% and 18% other receivables at December 31, 2002 and 2001, respectively.

Payable balances are comprised of 50% and 87% current payables to contractors and vendors and 50% and 13% current intergovernmental payables at December 31, 2002 and 2001, respectively.

Note 12. Commitments and Contingent Liabilities

At December 31, 2002 and 2001, the Authority had commitments outstanding relating to equipment orders and supplies of approximately $766,000 and $11,509,000, respectively. At December 31, 2002 and 2001, the Authority had commitments outstanding relating to construction and maintenance contracts of approximately $33,000,000 and $37,000,000, respectively.

In 1993, the Authority adopted a resolution providing that certain funds on deposit in the General Fund shall be set aside, to the extent that funds are available as determined by the Authority by April 30 of each year. These funds shall be used for the purpose of rehabilitating, reconstructing, replacing, renovating, improving or enhancing the Oklahoma Turnpike System. As of December 31, 2002, the cumulative balance set aside by the Authority is $16,560.

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.

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Schedule of Actual Operating Expense Compared to Budget
(Prepared on a Non-GAAP Budgetary Basis)
Year Ended December 31, 2002

Expense Description	Actual Expenses	Budgeted Expenses	Variance (Over)/Under
Toll Operations:			
Personnel services	$ 8,600,921	$ 9,118,253	$ 517,332
Contractual services	3,252,400	3,378,929	126,529
Commodities	240,084	254,351	14,267
Capital outlay and contingencies	59,246	375,373	316,127
Total	12,152,651	13,126,906	974,255
Turnpike Maintenance:			
Personnel services	6,855,885	7,041,237	185,352
Contractual services	3,604,653	3,897,619	292,966
Commodities	2,358,487	2,271,740	(86,747)
Capital outlay and contingencies	241,071	347,338	106,267
Total	13,060,096	13,557,934	497,838
Engineering:			
Personnel services	472,653	542,552	69,899
Contractual services	140,268	95,000	(45,268)
Commodities	17,415	20,000	2,585
Capital outlay and contingencies	20,913	39,937	19,024
Total	651,249	697,489	46,240
Highway Patrol:			
Contractual services	8,489,139	9,588,839	1,099,700
Commodities	374,409	583,140	208,731
Capital outlay and contingencies	1,193,378	1,606,198	412,820
Total	10,056,926	11,778,177	1,721,251
PIKEPASS Customer Service:			
Personnel services	1,538,039	1,721,887	183,848
Contractual services	2,636,650	2,659,315	22,665
Commodities	47,105	50,260	3,155
Capital outlay and contingencies	47,854	148,760	100,906
Total	4,269,648	4,580,222	310,574
General Administration:			
Personnel services	797,111	745,613	(51,498)
Contractual services	715,917	860,855	144,938
Commodities	93,430	110,225	16,795
Capital outlay and contingencies	106,673	106,890	217
Total	1,713,131	1,823,583	110,452
Information Technology:			
Personnel services	1,103,636	1,078,768	(24,868)
Contractual services	1,007,138	950,229	(56,909)
Commodities	32,990	39,500	6,510
Capital outlay and contingencies	25,504	187,767	162,263
Total	2,169,268	2,256,264	86,996

(Continued)

Schedule of Actual Operating Expense Compared to Budget
(Prepared on a Non-GAAP Budgetary Basis)
Year Ended December 31, 2002

Expense Description	Actual Expenses	Budgeted Expenses	Variance (Over)/Under
Controller:			
Personnel services	$ 560,426	$ 579,466	$ 19,040
Contractual services	108,693	169,975	61,282
Commodities	6,480	3,500	(2,980)
Capital outlay and contingencies	18,852	19,306	454
Total	694,451	772,247	77,796
Finance and Revenue:			
Personnel services	176,045	189,119	13,074
Contractual services	309,393	296,025	(13,368)
Commodities	126	1,500	1,374
Capital outlay and contingencies	-	12,479	12,479
Total	485,564	499,123	13,559
Executive:			
Personnel services	512,794	585,541	72,747
Contractual services	228,120	254,113	25,993
Commodities	5,713	5,700	(13)
Capital outlay and contingencies	21,589	19,388	(2,201)
Total	768,216	864,742	96,526
Authority:			
Contractual services	7,950	20,000	12,050
Capital outlay and contingencies	-	513	513
Total	7,950	20,513	12,563
Total expenses	**$ 46,029,150**	**$ 49,977,200**	**$ 3,948,050**

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

	2002	2001
GAAP basis	$ 48,796,505	$ 45,868,089
Increase (decrease) due to:		
Current expenses reclassified as capital assets	1,735,081	1,629,135
Non-Revenue Fund operating expenses	(4,787,496)	(5,311,361)
Other GAAP adjustments	285,060	(389,269)
Budgetary basis	**$ 46,029,150**	**$ 41,796,594**

Oklahoma Transportation Authority
Schedule of Cash, Cash Equivalents and Investments
as of December 31, 2002

	Applicable Interest Rate	Purchase Date	Maturity Date	Original Cost	Fair Value
Unrestricted:					
General Fund:					
American Performance Treasury Fund	- %	12/31/02	Demand	$ 143,620	$ 143,620
Commercial Paper	0.900	12/31/02	Demand	5,942,379	5,942,379
U. S. Treasury Notes	5.500	07/15/99	01/31/03	995,469	1,003,750
U. S. Treasury Notes	6.250	10/08/99	02/15/03	2,521,484	2,515,625
U. S. Treasury Notes	5.500	Various	03/31/03	7,483,125	7,579,687
U. S. Treasury Notes	5.750	10/08/99	04/30/03	2,184,875	2,233,000
U. S. Treasury Notes	5.500	Various	05/31/03	5,537,305	5,597,986
U. S. Treasury Notes	5.250	12/10/98	08/15/03	10,030,938	10,253,150
U. S. Treasury Notes	4.250	08/10/01	11/15/03	3,783,984	3,848,437
U. S. Treasury Notes	5.250	06/13/01	05/15/04	5,099,219	5,268,750
U. S. Treasury Notes	4.625	12/10/02	05/31/04	1,535,391	1,540,312
U. S. Treasury Notes	6.000	Various	08/15/04	13,479,687	14,499,877
U. S. Treasury Notes	5.875	11/15/00	11/15/04	2,036,093	2,160,630
U. S. Treasury Notes	6.500	Various	05/15/05	8,275,391	9,160,098
U. S. Treasury Notes	5.875	06/13/01	11/15/05	11,162,578	11,648,437
U. S. Treasury Notes	5.750	Various	11/15/05	25,350,625	26,535,000
U. S. Treasury Notes	4.625	Various	05/15/06	24,169,414	25,620,312
U. S. Treasury Notes	6.250	08/31/00	02/15/07	5,967,461	6,598,125
FHLMC	4.160	11/01/02	05/07/08	6,000,000	6,013,560
FHLB	4.375	11/04/02	08/07/08	6,000,000	6,014,070
				147,699,038	154,176,805
General Fund - Depreciation Reserve:					
American Performance Treasury Fund	-	12/31/02	Demand	16,560	16,560
Revenue Fund:					
American Performance Treasury Fund	-	12/31/02	Demand	500,005	500,005
Commercial Paper	0.900	12/31/02	Demand	8,848,156	8,848,156
				9,348,161	9,348,161
Total unrestricted cash equivalents & investments				$ 157,063,759	$ 163,541,526

(Continued)

Oklahoma Transportation Authority
Schedule of Cash, Cash Equivalents and Investments
as of December 31, 2002

	Applicable Interest Rate	Purchase Date	Maturity Date	Original Cost	Fair Value
Restricted:					
Reserve Maintenance Fund:					
American Performance Treasury Fund	- %	12/31/02	Demand	$ 164,922	$ 164,922
Commercial Paper	0.900	12/31/02	Demand	2,290,913	2,290,913
U. S. Treasury Notes	6.250	Various	02/15/03	1,990,625	2,012,500
U. S. Treasury Notes	4.000	08/10/01	04/30/03	1,710,094	1,716,473
U. S. Treasury Notes	3.875	Various	07/31/03	4,807,910	4,824,219
U. S. Treasury Notes	5.750	01/10/01	08/15/03	1,278,320	1,285,156
U. S. Treasury Notes	3.625	08/15/02	08/31/03	1,529,297	1,524,375
U. S. Treasury Notes	4.250	06/13/01	11/15/03	1,496,484	1,539,375
U. S. Treasury Notes	3.250	Various	12/31/03	2,374,813	2,397,740
U. S. Treasury Notes	4.750	06/13/01	02/15/04	3,050,625	3,118,125
U. S. Treasury Notes	3.375	Various	04/30/04	2,524,063	2,568,750
U. S. Treasury Notes	3.250	08/09/02	05/31/04	2,045,938	2,053,750
U. S. Treasury Notes	2.250	08/15/02	07/31/04	1,500,000	1,520,160
U. S. Treasury Notes	2.125	11/07/02	10/31/04	2,010,938	2,022,500
U. S. Treasury Notes	5.875	01/10/02	11/15/04	5,291,719	5,401,575
U. S. Treasury Notes	5.875	12/10/02	11/15/05	3,483,257	3,494,531
U. S. Treasury Strip	0.000	10/10/02	02/15/03	1,791,089	1,797,120
				39,341,007	39,732,184
1992 Series Bond Service and Reserve Accounts:					
American Performance Treasury Fund	-	12/31/02	Demand	18,765	18,765
U. S. Treasury Strip	-	12/11/02	11/15/03	1,604,833	1,607,710
				1,623,598	1,626,475
1998 A&B Bond Service Funds:					
American Performance Treasury Fund	-	12/31/02	Demand	21,083,809	21,083,809
Revenue Reserve Accounts:					
American Performance Treasury Fund	-	12/31/02	Demand	1,572,321	1,572,321
JP Morgan Chase Repo	6.000	05/23/02	01/01/22	50,936,450	50,936,450
U. S. Treasury Strip	-	12/11/02	11/15/03	1,456,696	1,459,306
				53,965,467	53,968,077
Arbitrage Rebate Funds:					
American Performance Treasury Fund	-	12/31/02	Demand	229,896	229,896
U. S. Treasury Notes	5.375	Various	06/30/03	3,487,900	3,573,290
U. S. Treasury Strip	-	12/13/99	05/15/03	5,191,852	5,277,149
				8,909,648	9,080,335
1998 Construction Account:					
American Performance Treasury Fund	-	12/31/02	Demand	709,779	709,779
BOK Investor Fund Corporate	1.100	12/31/02	Demand	1,835,109	1,835,109
				2,544,888	2,544,888
2002 A&B Bond Service Funds:					
American Performance Treasury Fund	-	12/31/02	Demand	24,289,870	24,289,870

(Continued)

Oklahoma Transportation Authority
Schedule of Cash, Cash Equivalents and Investments
as of December 31, 2002

	Applicable Interest Rate	Purchase Date	Maturity Date	Original Cost	Fair Value
Turnpike Trust Fund:					
American Performance Treasury Fund	- %	12/31/02	Demand	$ 80,533	$ 80,533
U. S. Treasury Notes	5.500	07/15/99	01/31/03	497,734	501,875
U. S. Treasury Notes	6.250	Various	02/15/03	3,093,078	3,119,374
U. S. Treasury Notes	5.500	Various	05/31/03	1,996,563	2,035,630
U. S. Treasury Notes	3.875	Various	07/31/03	7,063,906	7,109,375
U. S. Treasury Notes	5.250	Various	08/15/03	2,465,719	2,563,288
U. S. Treasury Notes	5.250	02/15/01	05/15/04	1,428,094	1,475,250
U. S. Treasury Notes	6.000	Various	08/15/04	3,889,508	4,162,002
U. S. Treasury Notes	2.125	12/11/02	10/31/04	678,480	682,594
U. S. Treasury Notes	5.750	Various	11/15/05	7,665,860	8,071,063
U. S. Treasury Notes	4.625	12/10/01	05/15/06	4,040,742	4,315,000
U. S. Treasury Strips	0.000	12/11/02	11/15/03	493,795	494,680
				33,394,012	34,610,664
Prepaid PIKEPASS Fund:					
American Performance Treasury Fund	-	12/31/02	Demand	5,596,189	5,596,189
Vanguard Index Trust/500 Port #40	-	Various	Demand	1,143,000	739,778
U. S. Treasury Notes	6.250	Various	02/15/03	1,004,031	1,006,250
U. S. Treasury Notes	3.875	09/10/01	07/31/03	503,516	507,813
U. S. Treasury Notes	4.250	Various	11/15/03	1,013,734	1,026,250
U. S. Treasury Notes	5.250	06/13/01	05/15/04	305,953	316,125
U. S. Treasury Notes	3.250	08/09/02	05/31/04	767,227	770,156
U. S. Treasury Notes	6.000	Various	08/15/04	1,242,418	1,315,730
U. S. Treasury Notes	6.500	06/09/00	05/15/05	502,344	555,158
U. S. Treasury Notes	5.750	07/10/02	11/15/05	268,203	276,406
U. S. Treasury Notes	4.625	12/10/01	05/15/06	1,765,449	1,887,813
FHLMC	4.000	12/03/02	12/03/07	1,000,000	1,004,110
				15,112,064	15,001,778
Total restricted cash equivalents and investments				200,264,363	201,938,080
Cash balance (unrestricted & restricted)				-	1,238,064
Total Cash, Cash Equivalents and Investments				$ 357,328,122	$ 366,717,670

Oklahoma Transportation Authority
Schedule of Cash, Cash Equivalents and Investments by Account
as of December 31, 2002

	Total cash, cash equivalents and investments
Unrestricted:	
Revenue Fund	$ 10,537,595
General Fund	153,393,099
General Fund Depreciation Reserve	16,560
Total unrestricted	163,947,254
Restricted:	
Reserve Maintenance Fund	39,732,184
1989 Senior Bond Reserve Account	1,626,475
Revenue Bond Reserve Accounts	53,968,077
1998 Series A and B Principal Accounts	3,540,887
1998 Series A and B Second Senior Interest Accounts	17,542,922
2002 Series A and B Cost of Issuance Account	89,950
2002 Series A Principal Account	3,545,892
2002 Series A Interest Account	9,762,984
2002 Series B Principal Account	3,118,969
2002 Series B Interest Account	7,862,025
Turnpike Trust Fund	34,610,664
Arbitrage Rebate Fund	9,080,335
1998 Bond Construction Accounts	2,245,630
Prepaid PIKEPASS Fund	16,043,422
Total restricted	202,770,416
Total cash, cash equivalents and investments	$ 366,717,670

Oklahoma Transportation Authority
Schedule of Insurance in Force
as of December 31, 2002

Coverage	Policy Term	Policy	Coverage		Deductible	Annual or Last Premium
Fire & extended coverage for buildings and contents, bridges, and computers	07-01-02/03	State of Oklahoma Certificate #978	$44,740,021 $480,554,333	Buildings & contents Bridges (100%)	$10,000 $200,000	$210,144
Auto liability	10-01-02/ 06-30-03	State of Oklahoma Certificate #978	$175,000 $25,000 $1,000,000	Bodily injury Property damage Per occurrence	$250 (all claims)	$51,846
Comprehensive general liability, and personal injury liability	07-01-02/03	State of Oklahoma Certificate #978	$175,000 $25,000 $1,000,000	Bodily injury Property damage Per occurrence	$500 (all claims)	$53,240
Director's & Officer's insurance	10-15-02/ 06-30-03	State of Oklahoma Certificate #978	$35,000,000 $5,000,000	Aggregate Per occurrence	$150,000	$13,073
Special machinery	12-07-02/03	America First Insurance Policy # IN9660259	$400,000 $195,000	Bridge machine Paint striping machine	$50,000	$3,719
Aircraft hull & liability	07-01-02/03	State of Oklahoma	$208,500 $1,000,000 $175,000	Property damage Liability Passenger	$250 /NIM $1,000 /IM	$5,118
Workers compensation	01-01-03/04	CompSource Oklahoma #00338640	$100,000	Employee injuries	$0	$334,812
Health benefits	01-01-03/04	State of Oklahoma #0001	Various	Life, hospital surgical, major medical, and dental	Various	$2,352,120
Surety bond	02-16-02/03	Granite RE, Inc. #GR0118	$25,000	Fred J. Hall	n/a	$100
Surety bond	03-30-02/03	The Hartford #606761409	$25,000	Robert M. Kane	n/a	$100
Surety bond	07-01-02/03	American States #01EX 946513	$25,000	Albert C. Kelly, Jr.	n/a	$163
Surety bond	05-07-02/03	Travelers Casualty . #40S103384758BCM	$100,000	Steve LaForge	n/a	$375
Surety bond	07-01-02/03	Travelers Casualty #40S1033847541BCM	$25,000	James Caudle	n/a	$100
Surety bond	01-01-03/04	Travelers Casualty #40S103384757BCM	$25,000	Dewey F. Bartlett, Jr.	n/a	$100

(Continued)

Oklahoma Transportation Authority
Schedule of Insurance in Force
as of December 31, 2002

Coverage	Policy Term	Policy	Coverage	Deductible	Annual or Last Premium
Financial Guaranty Insurance Policy OTA Second Senior Revenue Bonds-2002A Maturing 1/1/2003-2004 OTA Second Senior Revenue Bonds 2002B Maturing 1/1/2003-2004	Thru Maturity	AMBAC Assurance Corporation Policy #19549BE	$24,105,000	n/a	$60,000
Financial Guaranty Insurance Policy OTA Second Senior Revenue Bonds-2002A Maturing 1/1/2005-2022 OTA Second Senior Revenue Bonds 2002B Maturing 1/1/2005-2022	Thru Maturity	AMBAC Assurance Corporation Policy #19488BE	$545,535,000	n/a	$2,100,757
Municipal Bond New Issue Insurance Policy OTA Second Senior Revenue Bonds-1998A Maturing 1/1/2003-2020, 2023, 2025, & 2028	Thru Maturity	Financial Guaranty Insurance Company Policy #98010515	$249,465,000	n/a	$885,225
Municipal Bond New Issue Insurance Policy OTA Second Senior Revenue Bonds-1998B Maturing 1/1/2004-2028	Thru Maturity	Financial Guaranty Insurance Company Policy #98010687	$337,010,000	n/a	$1,167,731
OTA Second Senior Revenue Bonds-1998A Bond Debt Service Reserve Fund Policy on Bonds Maturing 1/1/2028	Thru Maturity	Financial Guaranty Insurance Company Policy #98010516	$25,642,413	n/a	$282,067
OTA Second Senior Revenue Bonds-1998B Bond Debt Service Reserve Fund Policy on Bonds Maturing 1/1/2028	Thru Maturity	Financial Guaranty Insurance Company Policy #98010688	$24,999,338	n/a	$299,992
Financial Guaranty Insurance Policy Oklahoma Turnpike Authority First Senior Revenue Bonds - Series 1992F Maturing 1/1/2004-2008	Thru Maturity	Municipal Bond New Insurance Policy #9201056	$5,760,000	n/a	$189,134
Financial Guaranty Insurance Policy Oklahoma Turnpike Authority Revenue Bonds Second Senior Lien-Series 1992G Maturing 1/1/2004-2005	Thru Maturity	Municipal Bond New Insurance Policy #92010561	$2,705,000	n/a	$242,160

Oklahoma Transportation Authority
Schedule of Annual Debt Service Requirements

Year Ended Jan. 1	1992 Series First Senior Bonds Principal	Interest	Total	1992 Series Second Senior Bonds Principal	Interest	Total	Total 1992 Bonds
2003	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2004	596,725	33,275	630,000	1,288,165	71,835	1,360,000	1,990,000
2005	564,115	65,885	630,000	1,204,340	140,660	1,345,000	1,975,000
2006	1,267,245	232,755	1,500,000	-	-	-	1,500,000
2007	1,193,340	306,660	1,500,000	-	-	-	1,500,000
2008	1,121,565	378,435	1,500,000	-	-	-	1,500,000
Totals	$ 4,742,990	$ 1,017,010	$ 5,760,000	$ 2,492,505	$ 212,495	$ 2,705,000	$ 8,465,000

(Continued)

Oklahoma Transportation Authority
Schedule of Annual Debt Service Requirements

Year Ended Jan. 1	1998 Series Second Senior Bonds Principal	Interest	Total	2002 Series Second Senior Bonds Principal	Interest	Total
2003	$ 3,520,000	$ 34,956,362	$ 38,476,362	$ 6,635,000	$ 17,545,953	$ 24,180,953
2004	6,550,000	34,811,162	41,361,162	17,470,000	28,709,569	46,179,569
2005	6,850,000	34,511,150	41,361,150	18,300,000	27,879,744	46,179,744
2006	7,165,000	34,192,525	41,357,525	19,180,000	27,002,094	46,182,094
2007	16,825,000	33,814,350	50,639,350	20,045,000	26,138,994	46,183,994
2008	17,705,000	32,930,700	50,635,700	21,075,000	25,107,031	46,182,031
2009	18,725,000	31,912,200	50,637,200	23,420,000	24,264,031	47,684,031
2010	19,755,000	30,882,325	50,637,325	24,590,000	23,093,031	47,683,031
2011	20,795,000	29,845,187	50,640,187	25,820,000	21,863,531	47,683,531
2012	21,885,000	28,753,450	50,638,450	27,110,000	20,572,531	47,682,531
2013	23,035,000	27,604,487	50,639,487	28,545,000	19,134,194	47,679,194
2014	24,240,000	26,395,150	50,635,150	30,580,000	17,599,900	48,179,900
2015	25,485,000	25,153,238	50,638,238	32,225,000	15,956,225	48,181,225
2016	26,790,000	23,847,500	50,637,500	33,915,000	14,264,413	48,179,413
2017	28,130,000	22,508,000	50,638,000	35,700,000	12,483,875	48,183,875
2018	29,535,000	21,101,500	50,636,500	37,570,000	10,609,625	48,179,625
2019	31,010,000	19,624,750	50,634,750	39,595,000	8,587,438	48,182,438
2020	32,565,000	18,074,250	50,639,250	41,725,000	6,456,200	48,181,200
2021	34,190,000	16,446,000	50,636,000	45,820,000	4,369,950	50,189,950
2022	35,900,000	14,736,500	50,636,500	40,320,000	2,078,950	42,398,950
2023	37,695,000	12,941,500	50,636,500	-	-	-
2024	39,580,000	11,056,750	50,636,750	-	-	-
2025	41,510,000	9,127,737	50,637,737	-	-	-
2026	43,585,000	7,052,237	50,637,237	-	-	-
2027	45,820,000	4,818,012	50,638,012	-	-	-
2028	48,165,000	2,469,150	50,634,150	-	-	-
Totals	$ 687,010,000	$ 589,566,172	$ 1,276,576,172	$ 569,640,000	$ 353,717,279	$ 923,357,279

(Continued)

Oklahoma Transportation Authority
Schedule of Annual Debt Service Requirements

Total All Bonds

Year Ended Jan. 1	Principal	Interest	Total	Outstanding Principal
2003	$ 10,155,000	$ 52,502,315	$ 62,657,315	$ 1,253,730,493
2004	25,904,890	63,625,841	89,530,731	1,227,825,605
2005	26,918,455	62,597,439	89,515,894	1,200,907,150
2006	27,612,245	61,427,374	89,039,619	1,173,294,905
2007	38,063,340	60,260,004	98,323,344	1,135,231,565
2008	39,901,565	58,416,166	98,317,731	1,095,330,000
2009	42,145,000	56,176,231	98,321,231	1,053,185,000
2010	44,345,000	53,975,356	98,320,356	1,008,840,000
2011	46,615,000	51,708,718	98,323,718	962,225,000
2012	48,995,000	49,325,981	98,320,981	913,230,000
2013	51,580,000	46,738,681	98,318,681	861,650,000
2014	54,820,000	43,995,050	98,815,050	806,830,000
2015	57,710,000	41,109,463	98,819,463	749,120,000
2016	60,705,000	38,111,913	98,816,913	688,415,000
2017	63,830,000	34,991,875	98,821,875	624,585,000
2018	67,105,000	31,711,125	98,816,125	557,480,000
2019	70,605,000	28,212,188	98,817,188	486,875,000
2020	74,290,000	24,530,450	98,820,450	412,585,000
2021	80,010,000	20,815,950	100,825,950	332,575,000
2022	76,220,000	16,815,450	93,035,450	256,355,000
2023	37,695,000	12,941,500	50,636,500	218,660,000
2024	39,580,000	11,056,750	50,636,750	179,080,000
2025	41,510,000	9,127,737	50,637,737	137,570,000
2026	43,585,000	7,052,237	50,637,237	93,985,000
2027	45,820,000	4,818,012	50,638,012	48,165,000
2028	48,165,000	2,469,150	50,634,150	-
Totals	$ 1,263,885,495	$ 944,512,956	$ 2,208,398,451	

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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 Transportation Authority:

We have audited the financial statements of the Oklahoma Transportation Authority (the Authority), as of and for the year ended December 31, 2002, and have issued our report thereon dated March 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, regulations and contracts, 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 audit 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 audit, 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 misstatements 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.

This report is intended solely for the information and use of the audit committee, management, and Authority members and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 20, 2003

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