

State of Oklahoma



**STATE LOAN PROGRAM REVENUE BONDS  
SERIES 2003B**

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**ANNUAL FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011  
AND INDEPENDENT AUDITOR'S REPORTS**

**OKLAHOMA WATER RESOURCES BOARD  
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2003B  
ANNUAL FINANCIAL REPORT  
As of and for the Years Ended June 30, 2012 and 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the  
Oklahoma Water Resources Board

We have audited the accompanying statements of net assets of the Oklahoma Water Resources Board State Loan Program Revenue Bonds - Series 2003B (the "Program") as of June 30, 2012 and 2011, 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 Program'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 Oklahoma Water Resources Board State Loan Program Revenue Bonds - Series 2003B as of June 30, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Audley F. Associates, P.C.*

Edmond, Oklahoma  
October 12, 2012

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OKLAHOMA WATER RESOURCES BOARD  
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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Oklahoma Water Resources Board State Loan Program Revenue Bonds – Series 2003B (the "Program") financial performance provides an overview of the financial activities for the fiscal years ended June 30, 2012 and June 30, 2011. Please read it in conjunction with the financial statements, which begin on page 10. The Oklahoma Water Resources Board (the "Board") administers the Series 2003B Bond Program.

**Financial Highlights**

- Total Assets decreased 21% from \$6,674,214 to \$5,289,628 between FY 2011 and FY 2012. The decrease in assets in FY 2012 came from loan principal repayments of \$1,370,000. Total Assets decreased 17% from \$8,015,577 to \$6,674,214 between FY 2010 and FY 2011. The decrease in assets came from loan principal repayments of \$1,330,000.
- Total Net Assets decreased from \$82,722 in FY 2011 to \$72,526 in FY 2012. Total Net Assets decreased from \$92,421 in FY 2010 to \$82,722 in FY 2011.
- Total Liabilities decreased 21% from \$6,591,492 to \$5,217,102 between FY 2011 and FY 2012. Total Liabilities decreased 17% from \$7,923,156 to \$6,591,492 between FY 2010 and FY 2011.
- Other accrued liabilities increased from \$65,241 in FY 2011 to \$72,462 in FY 2012. Administrative fees assessed but not used during the fiscal year are "banked" for future administrative costs. During FY 2012 and 2011, the Board did not collect from the Series 2003B Bond Program for administrative services provided.

**Using This Annual Report**

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The Program is accounted for and presented similar to a special-purpose government engaged solely in business-type activities.

The financial statements for the Program are presented after the Management’s Discussion and Analysis in this annual report and then followed by the footnotes in this order:

- Management’s Discussion and Analysis – that provides useful analysis that facilitates a better understanding of the Program’s financial condition and changes therein.
- Basic Financial Statements
  - Statements of Net Assets
  - Statements of Revenues, Expenses and Changes in Net Assets
  - Statements of Cash Flows
- Footnotes – that elaborate on the accounting principles used in the preparation of the financial statements and further explain financial statement elements.

(Unaudited. See accompanying auditor’s report.)

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- Supplemental Information – Grouped Financial Statements of all Program Bond Issues for the year ended June 30, 2012
  - Statements of Net Assets
  - Statements of Revenues, Expenses and Changes in Net Assets
  - Statements of Cash Flows

**A Financial Analysis of the Program**

One of the most frequently asked questions about the Program’s finances is, “Has the overall financial condition improved, declined or remained steady over the past year?” The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Program as a whole and about its activities in a way that helps answer this question. The following tables present a condensed comparative presentation of net assets and changes therein.

**Oklahoma Water Resources Board  
Revenue Bonds - Series 2003B  
Net Assets**

	<b>Business-Type Activities</b>		
	<b>June 30,</b>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 1,549,404	\$ 1,509,374	\$ 1,471,122
Non-current assets	3,740,224	5,164,840	6,544,455
<b>Total assets</b>	<u>5,289,628</u>	<u>6,674,214</u>	<u>8,015,577</u>
Current liabilities	1,536,780	1,496,118	1,457,731
Non-current liabilities	3,680,322	5,095,374	6,465,425
<b>Total liabilities</b>	<u>5,217,102</u>	<u>6,591,492</u>	<u>7,923,156</u>
Net assets			
Unrestricted	72,526	82,722	92,421
<b>Total net assets</b>	<u>\$ 72,526</u>	<u>\$ 82,722</u>	<u>\$ 92,421</u>

(Unaudited. See accompanying auditor’s report.)

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**Oklahoma Water Resources Board  
Revenue Bonds - Series 2003B  
Revenues, Expenses, and Changes in Net Assets**

	Business-Type Activities		
	Years Ended June 30,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>			
Loan program income	\$ 216,715	\$ 264,005	\$ 307,030
Investment interest income	16	36	35
<b>Total revenues</b>	<u>216,731</u>	<u>264,041</u>	<u>307,065</u>
<b>Expenses</b>			
Trustee fees	1,311	1,000	1,027
Administration expenses	7,221	9,027	10,780
Interest expense	208,779	254,098	295,208
Amortization of debt issuance cost	9,616	9,615	9,616
<b>Total expenses</b>	<u>226,927</u>	<u>273,740</u>	<u>316,631</u>
<b>Change in net assets</b>	(10,196)	(9,699)	(9,566)
<b>Total net assets - beginning</b>	82,722	92,421	101,987
<b>Total net assets - ending</b>	<u>\$ 72,526</u>	<u>\$ 82,722</u>	<u>\$ 92,421</u>

**Long-Term Debt**

At June 30, 2012, the Program had \$5,095,000 in long-term debt outstanding which represents a \$1,370,000 or 21.2% decrease from 2011. At June 30, 2011, total long-term debt outstanding decreased \$1,330,000 or 17.1% from June 30, 2010. The Program's changes in long-term debt by type of debt are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Beginning Balances:			
Serial and term bonds due October 1, 2012 to October 1, 2018, interest rates at 3.60% to 4.625%	\$ 6,465,000	\$ 7,795,000	\$ 9,085,000
Less: debt principal repayments	<u>(1,370,000)</u>	<u>(1,330,000)</u>	<u>(1,290,000)</u>
Ending Balances	<u>\$ 5,095,000</u>	<u>\$ 6,465,000</u>	<u>\$ 7,795,000</u>
Amounts due in one year	\$ 1,415,000	\$ 1,370,000	\$ 1,330,000

(Unaudited. See accompanying auditor's report.)



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See Note 6 to the financial statements for more detailed information on the Program's long-term debt and changes therein.

**Economic Factors and Next Year's Outlook**

Due to the nature of the Series 2003B Bond Program, the Board expects a decrease in net assets and liabilities as the loans continue to make principal repayments and bonds are redeemed. As the net assets and liabilities decrease, so will the revenues and operating expenses. However, the Board expects to have sufficient income to sustain the Series 2003B Bond Program throughout the life of the bonds.

**Contacting the Program's Financial Management**

This financial report is designed to provide the Board's accountability of the Program. If you have questions about this report or need additional financial information, contact the Financial Assistance Division of the Oklahoma Water Resources Board at 3800 N. Classen Blvd, Oklahoma City, OK 73118.

(Unaudited. See accompanying auditor's report.)

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**BASIC FINANCIAL STATEMENTS**

**OKLAHOMA WATER RESOURCES BOARD  
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**Statements of Net Assets – June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$83,238	\$76,152
Current portions of notes receivable	1,415,000	1,370,000
Interest receivable:		
Notes receivable	51,165	63,221
Other	1	1
Total current assets	<u>1,549,404</u>	<u>1,509,374</u>
Noncurrent Assets:		
Notes receivable net of current portion	3,680,000	5,095,000
Bond issuance cost, net of accumulated amortization of \$85,778 and \$76,162 in 2012 and 2011, respectively	60,224	69,840
Total noncurrent assets	<u>3,740,224</u>	<u>5,164,840</u>
Total assets	<u>5,289,628</u>	<u>6,674,214</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accrued interest payable	49,318	60,877
Current maturities of long-term debt	1,415,000	1,370,000
Other accrued liabilities	72,462	65,241
Total current liabilities	<u>1,536,780</u>	<u>1,496,118</u>
Noncurrent liabilities:		
Long-term debt, less current maturities plus unamortized premium of \$322 and \$374 in 2012 and 2011, respectively	3,680,322	5,095,374
Total noncurrent liabilities	<u>3,680,322</u>	<u>5,095,374</u>
Total liabilities	<u>5,217,102</u>	<u>6,591,492</u>
<b>NET ASSETS:</b>		
Unrestricted	72,526	82,722
Total net assets	<u>\$72,526</u>	<u>\$82,722</u>

See accompanying notes to the basic financial statements.

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**Statements of Revenues, Expenses and Changes in Net Assets – Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues:</b>		
Loan program income	\$ 216,715	\$ 264,005
Total operating revenues	<u>216,715</u>	<u>264,005</u>
<b>Operating Expenses:</b>		
Trustee fees	1,311	1,000
Administration expenses	7,221	9,027
Interest expense	208,779	254,098
Amortization of bond issuance cost	9,616	9,615
Total operating expenses	<u>226,927</u>	<u>273,740</u>
<b>Operating income (loss)</b>	(10,212)	(9,735)
<b>Non-Operating Revenues:</b>		
Other interest income	16	36
Total non-operating revenues	<u>16</u>	<u>36</u>
<b>Change in net assets</b>	(10,196)	(9,699)
<b>Total net assets - beginning</b>	82,722	92,421
<b>Total net assets - ending</b>	<u><u>\$72,526</u></u>	<u><u>\$82,722</u></u>

See accompanying notes to the basic financial statements.

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**Statements of Cash Flows – Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collections of interest on loans to local governmental units	\$ 228,771	\$ 275,127
Payments to other suppliers	(1,311)	(1,000)
Interest paid on debt	(220,390)	(264,789)
	<u>7,070</u>	<u>9,338</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Repayments of long-term debt	(1,370,000)	(1,330,000)
	<u>(1,370,000)</u>	<u>(1,330,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Collections of principal on loans to local governmental units	1,370,000	1,330,000
Interest income	16	36
	<u>1,370,016</u>	<u>1,330,036</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>7,086</b>	<b>9,374</b>
<b>Balances - beginning of the year</b>	<u>76,152</u>	<u>66,778</u>
<b>Balances - end of the year</b>	<u><u>\$83,238</u></u>	<u><u>\$76,152</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	(\$10,212)	(\$9,735)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of bond issuance costs and bond issuance premiums	9,564	9,564
Change in assets and liabilities:		
Decrease in interest receivable	12,056	11,122
(Decrease) in accrued interest payable	(11,559)	(10,640)
Increase in other accrued liabilities	7,221	9,027
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$7,070</u></u>	<u><u>\$9,338</u></u>

See accompanying notes to the basic financial statements.

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**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

Reporting Entity

The Oklahoma Water Resources Board (the "Board") State Loan Program Revenue Bonds - Series 2003B (the "Program") commenced operations in July 2003. The Program was established by the Board to provide new loans to local governmental entities to be used to refund a portion of the Board's outstanding State Loan Program Revenue Bonds originally issued by the Board. Proceeds were used to make new loans to qualified entities. Provisions of the bond indenture require that all local loans be originated by July 15, 2003. No new loans will be originated after that date without amendments to the bond indenture. Any portion of the bond proceeds may be used to redeem bonds at the option of the Board as specified by the bond indenture.

Administrative, accounting, and other technical support services are provided by employees of the Board. Payroll and other costs incurred by the Board on behalf of the Program are not billed by the Board, but are recovered from the administration fees paid by the Program (see Note 4).

Basis of Accounting and Measurement Focus

The Program is accounted for and presented similar to a special-purpose government engaged solely in business type activities.

The Program uses the accrual basis of accounting whereby expenses are recognized when the liability is incurred and revenues are recognized when earned.

The Program uses the economic resources measurement focus where all assets, liabilities, net assets, revenues, expenses and transfers relating to the Program and net income and capital maintenance are measured.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). Under the guidelines of GASB Statement 20, the Program has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

Pursuant to its bond indenture, the Program is required to maintain various separate accounts for principal payments, interest payments and various other purposes. To assist in fulfilling these responsibilities, the Board has engaged BancFirst to act as trustee and maintain appropriate fiduciary records. All activities and monies in the various accounts required by the bond indenture are considered to be applicable to the conduct of the Program's ongoing operations. Accordingly, all such activities and monies are combined for purposes of preparing the Program's financial statements.

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**1. Summary of Significant Accounting Policies (cont'd)**

Bond Issuance Cost

Bond issuance costs are amortized using the straight-line method over the life of the bonds, which is 15 years.

Bond Issue Premium

The Program's bonds were initially sold at a premium of \$780. The bond premium is being amortized over the remaining life of the bonds. Amortization expense of \$52 and \$51 was recorded in 2012 and 2011, respectively, and is included in interest expense in the accompanying statement of revenues, expenses, and changes in net assets.

Cash Equivalents

The Program considers all highly liquid debt instruments purchased with an original maturity of three months or less and money market funds to be cash equivalents.

Operating Revenues and Expenses

The Program considers income earned on outstanding loans receivable to be operating revenue. Similarly, the Program considers expenses incurred in administering the loan program, such as trustee fees, administration expenses, interest expense, and the amortization of bond issuance costs, to be operating expenses.

Use of Estimates

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

**2. Cash Deposits and Investment Risk**

Cash of \$83,238 and \$76,152 at June 30, 2012 and 2011, respectively, was on deposit with the Program's trustee. The deposits are invested in the *Federated Treasury Obligations* mutual fund.

*Investment Interest Rate Risk* – the bond indenture provides that initial bond proceeds be invested in an investment agreement that provides for an interest rate return equal to the interest due on the bonds for the initial loan period, 3 years.

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**2. Cash Deposits and Investment Risk (cont'd)**

*Investment Credit Risk* – the bond indenture provides for restrictions on the investment choices of the Program as follows:

- a. Obligations of the United States Government, its agencies and instrumentalities.
- b. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations or credit unions located in the State of Oklahoma.
- c. Money market funds regulated by the Securities and Exchange Commission and which investments consist of those items specified in (a) and (b) above.
- d. Investment agreements with entities maintaining a rating in the top two categories by a nationally recognized municipal bond rating agency.

At June 30, 2012, the Program's investments in obligations not directly guaranteed by the U.S. Government and investments in money market mutual funds were rated as follows:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Federated Treasury Obligations Fund	16 days	AAAm	\$ 83,238
Total			<u>\$ 83,238</u>

*Concentration of Investment Credit Risk* – the bond indenture places no limit on the amount the Program may invest in any one issuer. The Program has the following concentration of credit risk: 100% or \$83,238 is invested in *Federated Treasury Obligations Fund*.

At June 30, 2011, the Program's investments in obligations not directly guaranteed by the U.S. Government and investments in money market mutual funds were rated as follows:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Federated Treasury Obligations Fund	16 days	AAAm	\$ 76,152
Total			<u>\$ 76,152</u>

*Concentration of Investment Credit Risk* – the bond indenture places no limit on the amount the Program may invest in any one issuer. The Program had the following concentration of credit risk: 100% or \$76,152 was invested in *Federated Treasury Obligations Fund*.



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**3. Notes Receivable**

Notes receivable of \$5,095,000 and \$6,465,000 at June 30, 2012 and 2011, respectively, represents loans made by the Program to local governmental entities for the purposes of refunding a portion of the Board's outstanding revenue bonds originally issued by the Board. Payments on the notes are due in semiannual installments with various maturity dates through 2018, including interest at various fixed rates. However, the local entities have the option to pay the notes earlier than the scheduled maturities. The current portion of notes receivable contains scheduled maturities and any prepayments made subsequent to year-end through September 30, 2012. The notes are collateralized by various revenue sources including, but not limited to user charges and sales taxes of the borrowers and mortgages on the water and/or sewer systems.

**4. Program Fees**

The bond indenture agreement provides for various fees to be paid in connection with the administration of the Program. These fees include the following:

- During the year, an annual program administration fee of 0.1328% of fixed rate notes receivable outstanding during the period was charged to operations. These fees are payable to the Oklahoma Water Resources Board for providing clerical, management and administrative services.
- During the year, a trustee fee of 0.0122%, of bonds outstanding was charged to operations. Fees are calculated twice a year using the balance of bonds outstanding at March 31 and September 30.

**5. Arbitrage Rebate Due Federal Government**

In order for the interest on the Program's bonds to be tax exempt, the Program must comply with certain provisions of the Internal Revenue Code, as amended. One provision requires that arbitrage earnings (defined as the excess of the amount earned on all nonpurpose investments over the amount which would have been earned if the nonpurpose investments were invested at a rate equal to the bond yield) be rebated to the Internal Revenue Service. This rebate is payable at the end of each five years during the term of the issue. The Program has no arbitrage rebate liability at June 30, 2012.

**6. Long-term Debt**

Long-term debt at June 30, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Beginning Balances:		
Serial and term bonds due October 1, 2012 to October 1, 2018, interest rates at 3.60% to 4.625%	\$ 6,465,000	\$ 7,795,000
Less: debt principal repayments	(1,370,000)	(1,330,000)
Ending Balances	<u>\$ 5,095,000</u>	<u>\$ 6,465,000</u>
Amounts due in one year	\$ 1,415,000	\$ 1,370,000

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**6. Long-term Debt (cont'd)**

Future debt service payments required by the Program's serial and term bonds as of June 30, 2012, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$1,415,000	\$171,801	\$1,586,801
2014	925,000	129,219	1,054,219
2015	730,000	98,054	828,054
2016	480,000	74,701	554,701
2017	495,000	55,501	550,501
2018-2019	<u>1,050,000</u>	<u>47,544</u>	<u>1,097,544</u>
 Total	 <u>\$5,095,000</u>	 <u>\$576,820</u>	 <u>\$5,671,820</u>

In addition to their normal scheduled maturity dates as shown above, the bonds may be redeemed at the option of the Board, in whole or in part, on any interest payment date prior to conversion to a term interest rate, for their principal amount plus accrued interest to the date of redemption.

The 2003B Bonds share in an aggregate debt service reserve along with all the other Board bond programs. At June 30, 2012, the aggregate debt service reserves totaled \$17,766,508. The debt service reserves are reflected in the Board bond programs Series 1989 and 1994A.

On May 10, 2011, the Board approved a resolution authorizing an amendment to the General Bond Resolution creating a General Debt Service Reserve Fund for the purpose of further securing the Board's State Loan Program Bonds. The Reserve has been funded with State appropriated gross production tax revenues in the amount of \$4,509,081 as of June 30, 2012 and is held by the Board's trustee bank.

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**SUPPLEMENTAL INFORMATION**



INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION

To the Members of the  
Oklahoma Water Resources Board

Our report on our audit of the financial statements of the Oklahoma Water Resources Board State Loan Program Revenue Bonds – Series 2003B for June 30, 2012 appears on page three. The audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Grouped Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements of each bond issue and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each bond issue as a whole.

*Arledge & Associates, P.C.*  
Edmond, Oklahoma  
October 12, 2012

OKLAHOMA WATER BEHEMERS BOARD ATTY IN CH  
 PROJECT REVENUE BONDS  
 SUPPLEMENTAL INFORMATION  
 CREDIT RATINGS OF NET ASSETS  
 All Figures in \$ Millions  
 June 30, 2013

	10/1/06	10/1/07	10/1/08	10/1/09	10/1/10	10/1/11	10/1/12	10/1/13	10/1/14	10/1/15	10/1/16	10/1/17	10/1/18	10/1/19	10/1/20	10/1/21	10/1/22	10/1/23
<b>ASSETS</b>																		
Capital assets	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110
Land and other assets	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110
Investments	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110
Other assets	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110	2,110
Liabilities																		
Accounts payable																		
Long-term debt																		
Other liabilities																		
<b>Total net assets</b>																		
<b>LIABILITIES</b>																		
Accounts payable																		
Long-term debt																		
Other liabilities																		
<b>Total net liabilities</b>																		
<b>NET ASSETS</b>																		
Restricted for debt service																		
Unrestricted																		
<b>Total net assets</b>																		

See each individual bond issue table report for additional information and related disclosures.

OKLAHOMA WATER RESOURCES BOARD STATE LOAN PROGRAM REVENUE BONDS

SUPPLEMENTAL INFORMATION GROUPED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

All Program Bond Issues For the Year Ended June 30, 2012

	1989 Series	1994A Series	1995 Series	1997 Series	1999 Series	2001 Series	2003A Series	2003B Series	2004A Series	2004B Series	2007 Series	2009 Series	2010 Series	2010 II Series	2012 Series	2012A Series	Totals (Memorandum Only)
<b>REVENUES</b>																	
Operating revenues	\$ 15,140	\$ 114,493	\$ 130,561	\$ 211,323	\$ 302,804	\$ 1,457,491	\$ 620,121	\$ 216,715	\$ 259,662	\$ 2,139,668	\$ 376,818	\$ 96,098	\$ 1,246,462	\$ 1,084,774	\$ 642,065	\$ 453,869	\$ 9,580,949
Loan program income	15,140	114,493	130,561	211,323	302,804	1,457,491	620,121	216,715	259,662	2,139,668	376,818	96,098	1,246,462	1,084,774	642,065	453,869	9,580,949
Total operating revenues	15,140	114,493	130,561	211,323	302,804	1,457,491	620,121	216,715	259,662	2,139,668	376,818	96,098	1,246,462	1,084,774	642,065	453,869	9,580,949
<b>EXPENSES</b>																	
Operating Expenses																	
Fees	1,000	3,090	867	1,000	1,205	4,442	2,510	3,311	1,080	5,099	1,280	1,280	3,912	3,083	2,434	1,848	35,545
Interest	309	27,608	37,250	13,160	41,556	73,183	52,137	5,221	7,775	59,030	11,825	3,473	38,044	36,345	18,786	18,806	470,292
Administration	18,121	48,851	67,259	105,548	266,106	1,299,844	419,946	208,759	246,052	1,977,860	333,026	92,429	1,204,129	1,047,080	621,366	413,984	8,872,292
Interest expense	2,187	12,806	7,550	5,790	3,315	6,117	1,462	9,516	6,915	-	-	-	-	-	-	-	55,878
Amortization of bond issuance cost	-	6,870	8,636	1,566	9,185	8,549	36,211	-	-	-	-	-	-	-	-	-	14,817
Standby bond purchase agreement fees	-	4,048	3,793	810	1,605	5,755	5,766	-	-	-	-	-	-	-	-	-	21,777
Remarketing fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	21,617	111,843	121,349	206,884	322,872	1,307,800	609,522	276,927	261,742	2,046,287	366,101	97,292	1,246,725	1,087,928	642,866	533,858	9,537,261
Operating income (loss)	6,523	12,229	9,212	5,439	80,932	149,691	10,599	(10,212)	(2,080)	(907)	110,717	(1,194)	(20)	(79)	(78)	(89)	7,043
<b>NONOPERATING REVENUES (EXPENSES)</b>																	
Credit (provision) or charge (debit)	144,843	3,529	94	28	20	152	99	16	13	48	15	2	17	8	2	291	3,529
Other interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross production tax (in state)	144,843	3,529	94	28	20	152	99	16	13	48	15	2	17	8	2	291	3,529
Net nonoperating revenues	144,843	3,529	94	28	20	152	99	16	13	48	15	2	17	8	2	291	3,529
Income (loss) before transfers	138,366	45,338	9,306	5,467	80,952	149,843	10,698	(10,196)	(2,067)	(859)	125,732	(1,232)	(20)	(71)	(76)	(60)	10,572
Transfers (to) from Oklahoma Water Resources Board	(144,857)	(32,353)	-	-	(20,140)	(59,743)	(10,698)	(10,196)	(2,067)	(271)	(10,732)	(1,232)	(20)	(71)	(76)	(60)	(177,194)
Change in net assets	(6,491)	10,985	9,306	5,467	(20,140)	(9,899)	10,698	(10,196)	(2,067)	(271)	(10,732)	(1,232)	(20)	(71)	(76)	(60)	(177,194)
<b>NET ASSETS</b>																	
Net assets, beginning of year	3,610,871	15,633,773	254,446	270,321	203,609	743,591	16,013	82,222	28,319	12,322	207,629	258	940	8,074	(31)	-	21,608,745
Net assets (debit), end of year	\$ 3,610,840	\$ 15,664,758	\$ 263,742	\$ 275,838	\$ 183,321	\$ 813,344	\$ 26,211	\$ 22,526	\$ 26,222	\$ 12,051	\$ 216,914	\$ (974)	\$ 694	\$ 5,825	\$ (522)	\$ 34	\$ 21,630,346

See each individual bond issue audit report for additional information and related disclosures.

OKLAHOMA WATER RESOURCES BOARD STATE LOAN PROGRAM REVENUE BONDS

STATEMENT OF INFORMATION  
 GENERAL STATEMENTS OF CASH FLOWS  
 All Program Bond Issues  
 For the Year Ended June 30, 2012

	1998 Series	1999 Series	2000 Series	2001 Series	2002 Series	2003 Series	2004 Series	2005 Series	2006 Series	2007 Series	2008 Series	2009 Series	2010 Series	2011 Series	2012 Series	2013 Series	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>																	
Interest on bonds	219,225	150,283	1,511,574	654,804	225,771	271,740	2,062,659	576,859	96,111	1,206,206	1,085,728	498,714	1,085,728	498,714	3,000,000	1,000,000	1,000,000
Payments by bondholders	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Interest on other debt	(5,500)	(17,000)	(1,200,000)	(60,000)	(25,000)	(100,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Net cash provided (used) by operating activities	108,725	33,283	311,574	584,804	170,771	171,740	662,659	176,859	(3,889)	206,206	88,728	(1,500)	88,728	(1,500)	200,000	0	0
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>																	
Issuance of long-term debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of long-term debt	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Net cash provided (used) by financing activities	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>																	
Net increase (decrease) in cash and cash equivalents	88,725	33,283	111,574	384,804	(29,229)	71,740	462,659	176,859	(3,889)	206,206	88,728	(1,500)	88,728	(1,500)	0	0	0
Net cash provided (used) by investing activities	88,725	33,283	111,574	384,804	(29,229)	71,740	462,659	176,859	(3,889)	206,206	88,728	(1,500)	88,728	(1,500)	0	0	0
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>																	
Cash and cash equivalents, beginning of year	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash and cash equivalents, end of year	88,725	33,283	111,574	384,804	(29,229)	71,740	462,659	176,859	(3,889)	206,206	88,728	(1,500)	88,728	(1,500)	0	0	0
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>																	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:																	
Increase (decrease) in receivables	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in payables	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in other receivables	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in other payables	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in other assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in other liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash provided (used) by operating activities	88,725	33,283	111,574	384,804	(29,229)	71,740	462,659	176,859	(3,889)	206,206	88,728	(1,500)	88,728	(1,500)	0	0	0

See note with item 1 for additional information and related disclosures.

**OKLAHOMA WATER RESOURCES BOARD  
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2003B  
ANNUAL FINANCIAL REPORT  
As of and for the Years Ended June 30, 2012 and 2011**

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**INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE**





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

To the Members of the  
Oklahoma Water Resources Board

We have audited the financial statements of the Oklahoma Water Resources Board State Loan Program Revenue Bonds - Series 2003B (the "Program") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

*Audrey Associates, P.C.*

Edmond, Oklahoma  
October 17, 2012