



## **2016 GENERAL BOND RESOLUTION STATE LOAN PROGRAM**

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**ANNUAL FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019 AND 2018  
AND INDEPENDENT AUDITOR'S REPORTS**

**OKLAHOMA WATER RESOURCES BOARD**  
**2016 GENERAL BOND RESOLUTION STATE LOAN PROGRAM**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Years Ended June 30, 2019 and 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the  
Oklahoma Water Resources Board

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Oklahoma Water Resources Board 2016 General Bond Resolution State Loan Program Revenue Bonds (the "Program") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. The combining financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.



Edmond, Oklahoma  
September 18, 2019

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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 2016 General Bond Resolution State Loan Program Revenue Bonds (the "Program") financial performance provides an overview of the financial activities for the fiscal years ended June 30, 2019 and June 30, 2018. Please read it in conjunction with the financial statements, which begin on page 11. This report covers the Bond Programs administered by the Oklahoma Water Resources Board (the "Board") for the Series 2016A, 2017A, 2017B, 2017C, 2018A, 2018B, 2018C, 2018D, 2019A, and 2019B Bond Programs and the reserve fund related to the bond accounts.

**Financial Highlights**

- Total assets increased 175.89% from \$90,322,188 to \$249,192,982 between FY 2018 and FY 2019.
- Total liabilities increased 183.28% from \$ \$82,790,133 to \$234,531,928 between FY 2018 and FY 2019.
- Total Net Position at June 30, 2019 totaled \$14,661,054. Of this amount, \$14,645,939 was restricted for the debt service reserve account.
- During fiscal year 2019 the program issued the 2018B, 2018C, 2018D, 2019A and 2019B bonds totaling \$150,990,000.

**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
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Net Position
  - Statement of Cash Flows

Footnotes – that elaborate on the accounting principles used in the preparation of the financial statements and further explain financial statement elements.

- Supplemental Information – Combining Financial Statements of all Program Bond Issues for the year ended June 30, 2019:
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Net Position
  - Statement of Cash Flows

(Unaudited. See accompanying auditor’s report.)

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**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 Position and the Statement of Revenues, Expenses, and Changes in Net Position 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 presentation of net position and changes therein.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 5,822,775	\$ 1,946,969	\$ 939,441
Non-current assets	243,370,207	88,375,219	56,930,000
<b>Total assets</b>	<u>249,192,982</u>	<u>90,322,188</u>	<u>57,869,441</u>
Current liabilities	5,801,928	1,940,133	935,060
Non-current liabilities	228,730,000	80,850,000	51,930,000
<b>Total liabilities</b>	<u>234,531,928</u>	<u>82,790,133</u>	<u>52,865,060</u>
Net position			
Restricted for debt service	14,645,939	7,500,000	5,000,000
Unrestricted	15,115	32,055	4,381
<b>Total net position</b>	<u>\$ 14,661,054</u>	<u>\$ 7,532,055</u>	<u>\$ 5,004,381</u>

During fiscal year 2019 the assets and liabilities increased due to the issuance of the 2018B, 2018C, 2018D, 2019A and 2018B bonds and the related notes receivable totaling \$150,990,000. Cash and investments of \$14,645,939 was restricted for the bond debt service reserve account.

During fiscal year 2018 assets and liabilities increased due the issuance of the 2017C and 2018A bonds and the related notes receivable totaling \$30,045,000. The increase in current liabilities relates to the increase in interest payable. Cash and investments of \$7,500,000 was restricted for the bond debt service reserve account.

(Unaudited. See accompanying auditor's report.)

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	<b>Business-Type Activities</b>		
	<b>Period Ended June 30,</b>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>			
Loan program income	\$ 7,233,984	\$ 2,748,917	\$ 782,707
Investment interest income	262,427	59,285	4,013
<b>Total revenues</b>	<u>7,496,411</u>	<u>2,808,202</u>	<u>786,720</u>
<b>Expenses</b>			
Trustee fees	21,266	8,881	2,275
Administration expenses	308,213	119,291	35,070
Interest expense	6,895,738	2,620,680	744,994
<b>Total expenses</b>	<u>7,225,217</u>	<u>2,748,852</u>	<u>782,339</u>
Net Income before transfers	271,194	59,350	4,381
Transfers in from other program	6,857,805	2,468,324	5,000,000
<b>Change in net position</b>	<u>7,128,999</u>	<u>2,527,674</u>	<u>5,004,381</u>
<b>Total net position- beginning</b>	7,532,055	5,004,381	-
<b>Total net position - ending</b>	<u><u>\$ 14,661,054</u></u>	<u><u>\$ 7,532,055</u></u>	<u><u>\$ 5,004,381</u></u>

**Long-Term Debt**

At year-end, the Program had \$231,840,000 in long-term debt outstanding. The Program's long-term debt by bond issue are as follows:

<b>Series:</b>	<b>2019</b>	<b>2018</b>
2016A	\$ 15,805,000	\$ 16,175,000
2017A	27,300,000	27,485,000
2017B	8,035,000	8,270,000
2017C	23,190,000	23,325,000
2018A	6,520,000	6,720,000
2018B	26,215,000	-
2018C	42,960,000	-
2018D	19,770,000	-
2019A	48,130,000	-
2019B	13,915,000	-
	-	-
<b>Total Bonds</b>	<u><u>\$ 231,840,000</u></u>	<u><u>\$ 81,975,000</u></u>

See Note 7 to the financial statements for more detailed information on the Program's long-term debt and changes therein.



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

The Board anticipates additional bond issues to be closed during FY 2020 under the 2016 General Bond Resolution. As with the nature of the Bond Program, the Board expects an increase in net position and liabilities as new bond issues close and new loans are funded.

**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**

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**Statements of Net Position – June 30, 2019 and 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$13,207	\$1,175
Current portion of notes receivable	3,110,000	1,125,000
Interest receivable:		
Notes receivable	2,693,828	815,488
Other	5,740	5,306
Total current assets	<u>5,822,775</u>	<u>1,946,969</u>
Noncurrent Assets:		
Cash and cash equivalents, restricted	3,597,494	4,525,498
Restricted investment	11,042,713	2,999,721
Notes receivable net of current portion	228,730,000	80,850,000
Total noncurrent assets	<u>243,370,207</u>	<u>88,375,219</u>
Total assets	<u>249,192,982</u>	<u>90,322,188</u>
 <b>LIABILITIES:</b>		
Current Liabilities:		
Accrued interest payable	2,568,116	777,482
Current maturities of long-term debt	3,110,000	1,125,000
Other accrued liabilities	123,812	37,651
Total current liabilities	<u>5,801,928</u>	<u>1,940,133</u>
Noncurrent liabilities:		
Long-term debt, less current maturities	228,730,000	80,850,000
Total noncurrent liabilities	<u>228,730,000</u>	<u>80,850,000</u>
Total liabilities	<u>234,531,928</u>	<u>82,790,133</u>
 <b>NET POSITION:</b>		
Restricted for debt service	14,645,939	7,500,000
Unrestricted	15,115	32,055
Total net position	<u>\$14,661,054</u>	<u>\$7,532,055</u>

See accompanying notes to the basic financial statements.

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**Statements of Revenues, Expenses, and Changes in Net Position – Years Ended June 30, 2019 and 2018**

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Operating Revenues:</b>		
Loan program income	\$7,233,984	\$2,748,917
Total operating revenues	<u>7,233,984</u>	<u>2,748,917</u>
<b>Operating Expenses:</b>		
Trustee fees	21,266	8,881
Administration fees	308,213	119,291
Interest expense	6,895,738	2,620,680
Total operating expenses	<u>7,225,217</u>	<u>2,748,852</u>
<b>Operating income</b>	8,767	65
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	<u>262,427</u>	<u>59,285</u>
Total non-operating revenues	<u>262,427</u>	<u>59,285</u>
Net income before transfers	271,194	59,350
Transfers in - Oklahoma Water Resources Board	<u>6,857,805</u>	<u>2,468,324</u>
<b>Change in net position</b>	7,128,999	2,527,674
<b>Total net position - beginning</b>	7,532,055	5,004,381
<b>Total net position - ending</b>	<u><u>\$14,661,054</u></u>	<u><u>\$7,532,055</u></u>

See accompanying notes to the basic financial statements.

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**Statements of Cash Flows – Years Ended June 30, 2019 and 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collections of interest on loans to local governments	\$ 5,355,644	\$ 2,543,714
Payments to other suppliers	(243,318)	(118,879)
Interest paid on debt	(5,105,104)	(2,424,900)
Net Cash Provided by (Used in) Operating Activities	<u>7,222</u>	<u>(65)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in - Oklahoma Water Resources Board	6,857,805	2,468,324
Issuance of long-term debt	150,990,000	30,045,000
Repayments of Long-term Debt	(1,125,000)	(325,000)
Net Cash Provided by Noncapital Financing Activities	<u>156,722,805</u>	<u>32,188,324</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales/(purchase) of investments	(8,003,078)	1,005,213
Collections of principal on loans to local governmental units	1,125,000	325,000
Loans to local governments	(150,990,000)	(30,045,000)
Interest income	222,079	47,084
Net Cash Provided by (Used in) Investing Activities	<u>(157,645,999)</u>	<u>(28,667,703)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(915,972)	3,520,556
<b>Balances - beginning of the year</b>	<u>4,526,673</u>	<u>1,006,117</u>
<b>Balances - end of the year</b>	<u><u>\$3,610,701</u></u>	<u><u>\$4,526,673</u></u>
<b>Reconciliation of Statement of Net Position:</b>		
Cash and Cash Equivalents	\$13,207	\$1,175
Restricted Cash and cash equivalents	3,597,494	4,525,498
<b>Total Cash and cash equivalents</b>	<u><u>\$3,610,701</u></u>	<u><u>\$4,526,673</u></u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>		
Operating income	\$8,767	\$65
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Change in assets and liabilities:		
Decrease (Increase) in interest receivable	(1,878,340)	(205,203)
Increase (Decrease) in accrued interest payable	1,790,634	195,780
Increase (Decrease) in other accrued liabilities	<u>86,161</u>	<u>9,293</u>
Net Cash Provided by (used in) Operating Activities	<u><u>\$7,222</u></u>	<u><u>(\$65)</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") 2016 General Bond Resolution State Loan Program Revenue Bonds (the "Program") was established to provide statewide financial assistance to local governments by making loans to be utilized to provide for the acquisition, development, and utilization of storage and control facilities for water and sewage systems and to be used to refund a portion of the Board's outstanding State Loan Program Revenue Bonds originally issued by the Board. As part of the program, the following bonds were issued:

- Series 2016A Bonds commenced operations in December 2016. The bonds were issued to provide loans to local government units.
- Series 2017A Bonds commenced operations in February 2017. The bonds were issued to provide loans to local government units.
- Series 2017B Bonds commenced operations in June 2017. The bonds were issued to provide loans to local government units.
- Series 2017C Bonds commenced operations in November 2017. The bonds were issued to provide loans to local government units.
- Series 2018A Bonds commenced operations in April 2018. The bonds were issued to provide loans to local government units.
- Series 2018B Bonds commenced operations in July 2018. The bonds were issued to provide loans to local government units.
- Series 2018C Bonds commenced operations in September 2018. The bonds were issued to provide loans to local government units.
- Series 2018D Bonds commenced operations in October 2018. The bonds were issued to provide loans to local government units.
- Series 2019A Bonds commenced operations in February 2019. The bonds were issued to provide loans to local government units.
- Series 2019B Bonds commenced operations in April 2019. The bonds were issued to provide loans to local government units.
- The 2016 Debt Service Reserve Fund accounts for the debt service reserve required to be held on all outstanding bonds.

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).

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Basis of Accounting and Measurement Focus

The Programs are 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 position, revenues, expenses and transfers relating to the Program and net income and capital maintenance are measured.

Pursuant to its bond indentures, the Programs are 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.

Cash and 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, and interest expense, 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 and cash equivalents of \$3,610,701 and \$4,526,673 at June 30, 2019 and June 30, 2018, respectively, were on deposit with the Program's trustee.

*Investment Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The Program discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

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*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.

The Program categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2019, 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>Average Maturities</u>	<u>Credit Rating</u>	<u>Fair Value Measurement</u>	<u>Carrying Value</u>
Federated Treasury Obligations Fund	16 days	AAAM	Level I	\$ 3,610,701
U.S. Treasury Bill	8 mo.	N/A	Level I	6,019,595
U.S. Treasury Bond	3 mo. To 9 mo.	N/A	Level I	5,023,118
Total				<u>\$ 14,653,414</u>

At June 30, 2018, 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>Average Maturities</u>	<u>Credit Rating</u>	<u>Fair Value Measurement</u>	<u>Carrying Value</u>
Federated Treasury Obligations Fund	16 days	AAAM	Level I	\$ 4,526,673
U.S. Treasury Bill	6 mo.	N/A	Level I	2,999,721
Total				<u>\$ 7,526,394</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 at June 30, 2019: 24.6% is invested in Federated Treasury Obligations Fund, 34.3% in US Treasury Bonds, and 41.1% in U.S. Treasury Bills.

The Program has the following concentration of credit risk at June 30, 2018: 60.1% is invested in Federated Treasury Obligations Fund and 39.9% in U.S. Treasury Bills.



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**3. Notes Receivable**

Notes receivable represents loans made by the Program which were made to local governmental entities for the purposes of acquisition, development, and utilization of storage and control facilities for water and sewage systems. Payments on the notes are due in semiannual installments with various maturity dates based upon the bond issue; 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, 2019. 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. Outstanding notes receivable at June 30, 2019 and 2018 are as follows:

Issue	Maturity Date	Note Receivable		FY 2019
		2019	2018	Current Maturities
2016A	2046	\$ 15,805,000	\$ 16,175,000	\$ 380,000
2017A	2046	27,300,000	27,485,000	175,000
2017B	2047	8,035,000	8,270,000	245,000
2017C	2038	23,190,000	23,325,000	165,000
2018A	2032	6,520,000	6,720,000	385,000
2018B	2039	26,215,000	-	400,000
2018C	2049	42,960,000	-	700,000
2018D	2049	19,770,000	-	-
2019A	2049	48,130,000	-	535,000
2019B	2049	13,915,000	-	125,000
		<u>\$ 231,840,000</u>	<u>\$ 81,975,000</u>	<u>\$ 3,110,000</u>

**4. Program Funding and Fees**

In order to develop a financial assistance program to provide water and wastewater infrastructure financing for Oklahoma communities, approximately \$40 million has been contributed to the Statewide Water Development Revolving Fund (SWDRF) that was established during the 1982 legislative session. A portion of those funds were used to create reserves to provide security for OWRB bond issues to enhance the Financial Assistance Program. Interest income earned on these reserve funds are transferred to the Emergency Grant Account at the discretion of the Program to be utilized by the Board to make emergency grants in amounts up to \$100,000 per local entity for approved purposes. Any portion of the Debt Service Reserve Fund that is not expended to cover defaults on principal and interest will be returned to the Revolving Fund at the termination of the Program.

At closing of the Series 2016A Bonds, \$4 million was transferred from the 1986 General Bond Resolution Debt Service Reserve Fund to the 2016 Debt Service Reserve Fund to satisfy the Aggregate Debt Service Requirement as defined in the 2016 General Bond Resolution. An additional \$1 million was transferred into the 2016 Debt Service Reserve at closing of the Series 2017A Bonds. An additional \$2.5 and \$7.05 million was transferred in FY 2018 and 2019, respectively. The 2016 Debt Service Reserve is held by the Board's trustee bank. The General Reserve is held by the Board's trustee bank.

For the year ended June 30, 2019 and 2018 \$192,195 and \$31,676, respectively, were transferred to the Emergency Grant Account.

**OKLAHOMA WATER RESOURCES BOARD**  
**2016 GENERAL BOND RESOLUTION STATE LOAN PROGRAM**  
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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 0.1866% of fixed rate notes receivable outstanding during the period was charged to operations of the Bond Programs. These fees are payable to the Oklahoma Water Resources Board for providing clerical, management and administrative services.
- During the year, a trustee fee 0.0134% of bonds outstanding was charged to operations of the 2016A, 2017A, and 2017B bonds. A fee of .013% of bonds outstanding was charged to operations of the 2017C, 2018A, 2018B, 2018C, 2018D, 2019A, and 2019B bonds. Fees are calculated twice a year using the balance of bonds outstanding at March 31 and September 30.

## 5. Restricted Cash and Investments

A description of the cash and investment as of June 30, 2019 and June 30, 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents - Federated Treasury Obligations	\$ 3,597,494	\$ 4,525,498
Cash		
Investment -U.S. Treasury Bill principal amount of \$6,145,300 maturing in February 2020	6,019,595	2,999,721
Investments - U.S. Treasury Bonds principal of \$3,000,000, interest of 1.75% maturing September 2019	2,996,910	-
Investments - U.S. Treasury Bonds principal of \$2,032,000, interest of 1.625% maturing March 2020	2,026,208	-
	<u>\$ 14,640,207</u>	<u>\$ 7,525,219</u>

The use of the investments are restricted for debt service. The restricted cash and investments are held in the Debt Service Reserve Fund.

## 6. Arbitrage Rebate Due Federal Government

In order for the interest on the Program's bonds to be tax exempt, the Board 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. Management has estimated the arbitrage rebate liability to be zero at June 30, 2019 and 2018.

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**7. Long-term Debt**

<u>Type of Bonds</u>	<u>Beginning July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending June 30, 2019</u>	<u>Due Within One Year</u>
Fixed Rate Bonds	\$ 81,975,000	\$ 150,990,000	\$ 1,125,000	\$ 231,840,000	\$ 3,110,000
Total Bonds Outstanding	<u>\$ 81,975,000</u>	<u>\$ 150,990,000</u>	<u>\$ 1,125,000</u>	<u>\$ 231,840,000</u>	<u>\$ 3,110,000</u>

<u>Type of Bonds</u>	<u>Beginning July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending June 30, 2018</u>	<u>Due Within One Year</u>
Fixed Rate Bonds	\$ 52,255,000	\$ 30,045,000	\$ 325,000	\$ 81,975,000	\$ 1,125,000
Total Bonds Outstanding	<u>\$ 52,255,000</u>	<u>\$ 30,045,000</u>	<u>\$ 325,000</u>	<u>\$ 81,975,000</u>	<u>\$ 1,125,000</u>

**Outstanding Bonds at June 30, 2019:**

Series 2016A serial and term bonds due in annual installments of \$260,000 to \$790,000, interest from 2.0% to 5.0%, final maturity October 1, 2046	\$ 15,805,000
Series 2017A serial and term bonds due in annual installments of \$25,000 to \$1,635,000 interest from 2.00% to 5.00%, final maturity October 1, 2046	27,300,000
Series 2017B serial and term bonds due in annual installments of \$40,000 to \$415,000, interest from 2.00% to 4.00%, final maturity October 1, 2047	8,035,000
Series 2017C serial and term bonds due in annual installments of \$125,000 to \$1,770,000, interest from 2.00% to 4.00%, final maturity October 1, 2038	23,190,000
Series 2018A serial and term bonds due in annual installments of \$200,000 to \$555,000, interest from 2.00% to 5.00%, final maturity October 1, 2032	6,520,000
Series 2018B serial and term bonds due in annual installments of \$400,000 to \$2,515,000, interest from 3.00% to 5.00%, final maturity October 1, 2038	26,215,000
Series 2018C serial and term bonds due in annual installments of \$445,000 to \$1,860,000, interest from 3.00% to 5.00%, final maturity September 1, 2048	42,960,000

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**Outstanding Bonds at June 30, 2019 (continued):**

Series 2018D serial and term bonds due in annual installments of \$100,000 to \$860,000, interest from 3.125% to 5.00%, final maturity October 1, 2048 19,770,000

Series 2019A serial and term bonds due in annual installments of \$350,000 to \$1,810,000, interest from 3.25% to 5.00%, final maturity October 1, 2048 48,130,000

Series 2019B serial and term bonds due in annual installments of \$125,000 to \$630,000, interest from 3.25% to 5.00%, final maturity October 1, 2048 13,915,000

Total Bonds Outstanding	<u>\$ 231,840,000</u>
	Current portion \$ 3,110,000
	Long-term portion 228,730,000
	<u>\$ 231,840,000</u>

Future debt service payments required by the serial and term bonds as of June 30, 2019, were developed using scheduled maturities for fixed rate bonds. Future debt service payments required by the Program's serial and term bonds as of June 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,110,000	\$ 9,446,091	\$ 12,556,091
2021	4,880,000	9,080,944	13,960,944
2022	5,520,000	8,883,144	14,403,144
2023	5,825,000	8,697,794	14,522,794
2024	6,115,000	8,494,469	14,609,469
2025-2029	41,115,000	37,944,297	79,059,297
2030-2034	44,535,000	29,058,635	73,593,635
2035-2039	42,845,000	20,419,890	63,264,890
2040-2044	38,810,000	12,286,328	51,096,328
2045-2049	39,085,000	3,842,857	42,927,857
Total	<u>\$ 231,840,000</u>	<u>\$ 148,154,449</u>	<u>\$ 379,994,449</u>

Interest on the bonds is payable semiannually.

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. Following any conversion to a term rate, the bonds may also be redeemed at the option of the Board, in whole or in part, at such dates and for such prices, plus accrued interest as are set forth in the bond indenture.

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The Bonds share in an aggregate debt service reserve. At June 30, 2019 and 2018, the aggregate debt service reserves totaled \$14,550,000 and \$7,500,000, respectively, which is reflected in the 2016 Debt Service Reserve Fund.

**8. Transfers**

The Program received transfers of \$7,050,000 from the 1986 General Bond Resolution Program for funding the reserve account.

**OKLAHOMA WATER RESOURCES BOARD**  
**2016 GENERAL BOND RESOLUTION STATE LOAN PROGRAM**  
**ANNUAL FINANCIAL REPORT**  
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**SUPPLEMENTAL INFORMATION**

**SUPPLEMENTAL INFORMATION**  
**COMBINING STATEMENTS OF NET POSITION**  
**2016 GENERAL BOND RESOLUTION STATE LOAN PROGRAM**  
**June 30, 2019**

<b><u>ASSETS</u></b>	<b>2016A Series</b>	<b>2017A Series</b>	<b>2017B Series</b>	<b>2017C Series</b>	<b>2018A Series</b>	<b>2018B Series</b>	<b>2018C Series</b>	<b>2018D Series</b>	<b>2019A Series</b>	<b>2019B Series</b>	<b>2016 Debt Service Reserve Fund</b>	<b>Totals</b>
Current Assets:												
Cash and cash equivalents	\$ 1,246	\$ 1,806	\$ 226	\$ 1,449	\$ 6,629	\$ 649	\$ 835	\$ 367	\$ -	\$ -	\$ -	\$ 13,207
Current portion of notes receivable	380,000	175,000	245,000	165,000	385,000	400,000	700,000	-	535,000	125,000	-	3,110,000
Interest receivable:												
Notes receivable	151,715	309,433	73,956	223,034	50,326	275,868	438,408	231,501	792,230	147,357	-	2,693,828
Other	-	3	-	2	-	1	1	1	-	-	5,732	5,740
<b>Total current assets</b>	<b>532,961</b>	<b>486,242</b>	<b>319,182</b>	<b>389,485</b>	<b>441,955</b>	<b>676,518</b>	<b>1,139,244</b>	<b>231,869</b>	<b>1,327,230</b>	<b>272,357</b>	<b>5,732</b>	<b>5,822,775</b>
Noncurrent Assets:												
Notes receivable, net of current portion	15,425,000	27,125,000	7,790,000	23,025,000	6,135,000	25,815,000	42,260,000	19,770,000	47,595,000	13,790,000	-	228,730,000
Cash and cash equivalents, restricted	-	-	-	-	-	-	-	-	-	-	3,597,494	3,597,494
Restricted investments	-	-	-	-	-	-	-	-	-	-	11,042,713	11,042,713
<b>Total noncurrent assets</b>	<b>15,425,000</b>	<b>27,125,000</b>	<b>7,790,000</b>	<b>23,025,000</b>	<b>6,135,000</b>	<b>25,815,000</b>	<b>42,260,000</b>	<b>19,770,000</b>	<b>47,595,000</b>	<b>13,790,000</b>	<b>14,640,207</b>	<b>243,370,207</b>
<b>Total assets</b>	<b>15,957,961</b>	<b>27,611,242</b>	<b>8,109,182</b>	<b>23,414,485</b>	<b>6,576,955</b>	<b>26,491,518</b>	<b>43,399,244</b>	<b>20,001,869</b>	<b>48,922,230</b>	<b>14,062,357</b>	<b>14,645,939</b>	<b>249,192,982</b>
<b><u>LIABILITIES</u></b>												
Current Liabilities:												
Accrued interest payable	143,813	295,783	69,939	214,370	47,066	262,781	416,928	221,619	755,339	140,478	-	2,568,116
Current maturities of long-term debt	380,000	175,000	245,000	165,000	385,000	400,000	700,000	-	535,000	125,000	-	3,110,000
Other accrued liabilities	7,887	13,623	4,061	8,567	3,354	13,082	21,436	9,865	35,347	6,590	-	123,812
<b>Total current liabilities</b>	<b>531,700</b>	<b>484,406</b>	<b>319,000</b>	<b>387,937</b>	<b>435,420</b>	<b>675,863</b>	<b>1,138,364</b>	<b>231,484</b>	<b>1,325,686</b>	<b>272,068</b>	<b>-</b>	<b>5,801,928</b>
Noncurrent Liabilities:												
Long-term debt, less current maturities	15,425,000	27,125,000	7,790,000	23,025,000	6,135,000	25,815,000	42,260,000	19,770,000	47,595,000	13,790,000	-	228,730,000
<b>Total noncurrent liabilities</b>	<b>15,425,000</b>	<b>27,125,000</b>	<b>7,790,000</b>	<b>23,025,000</b>	<b>6,135,000</b>	<b>25,815,000</b>	<b>42,260,000</b>	<b>19,770,000</b>	<b>47,595,000</b>	<b>13,790,000</b>	<b>-</b>	<b>228,730,000</b>
<b>Total liabilities</b>	<b>15,956,700</b>	<b>27,609,406</b>	<b>8,109,000</b>	<b>23,412,937</b>	<b>6,570,420</b>	<b>26,490,863</b>	<b>43,398,364</b>	<b>20,001,484</b>	<b>48,920,686</b>	<b>14,062,068</b>	<b>-</b>	<b>234,531,928</b>
<b><u>NET POSITION</u></b>												
Restricted for debt service	-	-	-	-	-	-	-	-	-	-	14,645,939	14,645,939
Unrestricted	1,261	1,836	182	1,548	6,535	655	880	385	1,544	289	-	15,115
<b>Total net position</b>	<b>\$ 1,261</b>	<b>\$ 1,836</b>	<b>\$ 182</b>	<b>\$ 1,548</b>	<b>\$ 6,535</b>	<b>\$ 655</b>	<b>\$ 880</b>	<b>\$ 385</b>	<b>\$ 1,544</b>	<b>\$ 289</b>	<b>\$ 14,645,939</b>	<b>\$ 14,661,054</b>

OKLAHOMA WATER RESOURCES BOARD STATE LOAN  
PROGRAM REVENUE BONDS

SUPPLEMENTAL INFORMATION  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
2016 General Bond Resolution State Loan Program  
For the Year Ended June 30, 2019

	2016A Series	2017A Series	2017B Series	2017C Series	2018A Series	2018B Series	2018C Series	2018D Series	2019A Series	2019B Series	2016 Debt Service Reserve Fund	Totals
<b>REVENUES</b>												
Operating revenues:												
Loan program income	\$ 608,895	\$ 1,238,749	\$ 297,706	\$ 893,203	\$ 202,902	\$ 1,051,364	\$ 1,368,808	\$ 632,770	\$ 792,230	\$ 147,357	\$ -	\$ 7,233,984
Total operating revenues	608,895	1,238,749	297,706	893,203	202,902	1,051,364	1,368,808	632,770	792,230	147,357	-	7,233,984
<b>EXPENSES</b>												
Operating Expenses:												
Trustee fees	2,067	3,555	1,250	3,263	716	3,242	4,334	1,748	920	171	-	21,266
Administration fees	29,665	51,028	15,103	31,007	6,176	46,607	62,572	25,209	34,427	6,419	-	308,213
Interest expense	577,100	1,184,056	281,519	858,494	189,763	1,001,489	1,301,742	605,758	755,339	140,478	-	6,895,738
Total operating expenses	608,832	1,238,639	297,872	892,764	196,655	1,051,338	1,368,648	632,715	790,686	147,068	-	7,225,217
Operating income (loss)	63	110	(166)	439	6,247	26	160	55	1,544	289	-	8,767
<b>NONOPERATING REVENUES (EXPENSES)</b>												
Other interest income	687	1,056	367	751	275	629	720	330			257,612	262,427
Net nonoperating revenues	687	1,056	367	751	275	629	720	330	-	-	257,612	262,427
Income before transfers	750	1,166	201	1,190	6,522	655	880	385	1,544	289	257,612	271,194
Transfers from Oklahoma Water Resources Board	-	-	-	-	-	-	-	-	-	-	6,857,805	6,857,805
Change in net position	750	1,166	201	1,190	6,522	655	880	385	1,544	289	7,115,417	7,128,999
<b>NET POSITION</b>												
Net position, beginning of year	511	670	(19)	358	13	-	-	-	-	-	7,530,522	7,532,055
Net position, end of year	\$ 1,261	\$ 1,836	\$ 182	\$ 1,548	\$ 6,535	\$ 655	\$ 880	\$ 385	\$ 1,544	\$ 289	\$ 14,645,939	\$ 14,661,054



**OKLAHOMA WATER RESOURCES BOARD STATE LOAN  
PROGRAM REVENUE BONDS**

**SUPPLEMENTAL INFORMATION  
COMBINING STATEMENTS OF CASH FLOWS  
2016 General Bond Resolution State Loan Program  
For the Year Ended June 30, 2019**

	2016A Series	2017A Series	2017B Series	2017C Bond	2018A Bond	2018B Bond	2018C Bond	2018D Bond	2019A Bond	2019B Bond	2016 Debt Service Reserve Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>												
Collections of interest on loans to local governmental units	\$ 610,930	\$ 1,239,766	\$ 299,586	\$ 894,272	\$ 203,925	\$ 775,496	\$ 930,400	\$ 401,269	\$ -	\$ -	\$ -	\$ 5,355,644
Payments from (to) other suppliers	(31,916)	(54,675)	(16,462)	(34,082)	(6,854)	(36,767)	(45,470)	(17,092)	-	-	-	(243,318)
Interest paid on debt	(578,950)	(1,184,981)	(283,282)	(859,507)	(190,723)	(738,708)	(884,814)	(384,139)	-	-	-	(5,105,104)
Net cash provided by (Used in) operating activities	<u>64</u>	<u>110</u>	<u>(158)</u>	<u>683</u>	<u>6,348</u>	<u>21</u>	<u>116</u>	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,222</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>												
Transfer (to) from Oklahoma Water Resources Board	-	-	-	-	-	-	-	-	-	-	6,857,805	6,857,805
Issuance of long-term debt	-	-	-	-	-	26,215,000	42,960,000	19,770,000	48,130,000	13,915,000	-	150,990,000
Repayments of long-term debt	(370,000)	(185,000)	(235,000)	(135,000)	(200,000)	-	-	-	-	-	-	(1,125,000)
Net cash provided by (Used in) noncapital financing activities	<u>(370,000)</u>	<u>(185,000)</u>	<u>(235,000)</u>	<u>(135,000)</u>	<u>(200,000)</u>	<u>26,215,000</u>	<u>42,960,000</u>	<u>19,770,000</u>	<u>48,130,000</u>	<u>13,915,000</u>	<u>6,857,805</u>	<u>156,722,805</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>												
Sales of investments	-	-	-	-	-	-	-	-	-	-	(8,003,078)	(8,003,078)
Collection of principal on loans to local governmental units	370,000	185,000	235,000	135,000	200,000	-	-	-	-	-	-	1,125,000
Loans to local governments	-	-	-	-	-	(26,215,000)	(42,960,000)	(19,770,000)	(48,130,000)	(13,915,000)	-	(150,990,000)
Interest income	687	1,054	367	749	277	628	719	329	-	-	217,269	222,079
Net cash provided by (used in) investing activities	<u>370,687</u>	<u>186,054</u>	<u>235,367</u>	<u>135,749</u>	<u>200,277</u>	<u>(26,214,372)</u>	<u>(42,959,281)</u>	<u>(19,769,671)</u>	<u>(48,130,000)</u>	<u>(13,915,000)</u>	<u>(7,785,809)</u>	<u>(157,645,999)</u>
Net increase (decrease) in cash and cash equivalents	751	1,164	209	1,432	6,625	649	835	367	-	-	(928,004)	(915,972)
Cash and cash equivalents, beginning of year	495	642	17	17	4	-	-	-	-	-	4,525,498	4,526,673
Cash and cash equivalents, end of year	<u>\$ 1,246</u>	<u>\$ 1,806</u>	<u>\$ 226</u>	<u>1,449</u>	<u>6,629</u>	<u>649</u>	<u>835</u>	<u>367</u>	<u>-</u>	<u>-</u>	<u>\$ 3,597,494</u>	<u>\$ 3,610,701</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>												
Operating income (loss)	\$ 63	\$ 110	\$ (166)	\$ 439	\$ 6,247	\$ 26	\$ 160	\$ 55	\$ 1,544	\$ 289	\$ -	\$ 8,767
Adjustments to reconcile operating income (loss) to net cash provided by (Used in) operating activities:												
Changes in operating assets and liabilities-												
Decrease (Increase) Interest receivable	2,035	1,017	1,880	1,069	1,023	(275,868)	(438,408)	(231,501)	(792,230)	(147,357)	-	(1,878,340)
Increase (Decrease) Accrued interest payable	(1,850)	(925)	(1,763)	(1,013)	(960)	262,781	416,928	221,619	755,339	140,478	-	1,790,634
Increase (Decrease) Other accrued liabilities	(184)	(92)	(109)	188	38	13,082	21,436	9,865	35,347	6,590	-	86,161
Net cash provided by (used in) operating activities	<u>\$ 64</u>	<u>\$ 110</u>	<u>\$ (158)</u>	<u>683</u>	<u>6,348</u>	<u>21</u>	<u>116</u>	<u>38</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 7,222</u>

**OKLAHOMA WATER RESOURCES BOARD  
2016 GENERAL BOND RESOLUTION STATE LOAN PROGRAM  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2019**

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**INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE**



INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the Oklahoma Water Resources Board 2016 General Bond Resolution State Loan Program Revenue Bonds (the "Program") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated September 18, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Program's financial statements are free from 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Arledge & Associates, P.C." in a cursive script.

Edmond, Oklahoma  
September 18, 2019