

State of Oklahoma



**WATER RESOURCES BOARD**  
the water agency

**STATE LOAN PROGRAM REVENUE BONDS  
SERIES 1994A**

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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 1994A  
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 1994A (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 1994A 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 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.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
October 12, 2012

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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 1994A (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 1994A Bond Program.

**Financial Highlights**

- Total Assets decreased 14.0% from \$23,459,513 to \$20,166,596 between FY 2011 and FY 2012. Total Assets decreased 12.2% from \$26,721,624 to \$23,459,513 between FY 2010 and FY 2011.
- Total Net Assets increased .07% from \$15,653,773 to \$15,664,758 between FY 2011 and FY 2012. Total Net Assets increased 8.1% from \$14,476,135 to \$15,653,773 between FY 2010 and FY 2011.
- Total Liabilities decreased 42.3% from \$7,805,740 to \$4,501,838 between FY 2011 and FY 2012. Total bond redemptions in the amount of \$3,265,000 were the major factor in the decrease. Total Liabilities decreased 36.3% from \$12,245,489 to \$7,805,740 between FY 2010 and FY 2011. Total bond redemptions in the amount of \$4,355,000 were the major factor in the decrease.
- Other accrued liabilities decreased 29.1% in FY 2012 and increased 30.8% in FY 2011. Administrative fees assessed but not used during the FY are "banked" for future administrative costs. Fees of \$70,000 were collected in FY 2012. No fees were collected in FY 2011.

**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 1994A  
Net Assets**

	Business-Type Activities		
	June 30,		
	2012	2011	2010
Current assets	\$ 6,950,273	\$ 2,086,559	\$ 2,972,362
Non-current assets	13,216,323	21,372,954	23,749,262
<b>Total assets</b>	<b>20,166,596</b>	<b>23,459,513</b>	<b>26,721,624</b>
Current liabilities	742,705	1,822,812	2,682,292
Non-current liabilities	3,759,113	5,982,928	9,563,197
<b>Total liabilities</b>	<b>4,501,818</b>	<b>7,805,740</b>	<b>12,245,489</b>
Net assets			
Restricted for debt service	14,276,000	14,276,000	13,372,985
Unrestricted	1,388,758	1,377,773	1,103,150
<b>Total net assets</b>	<b>\$ 15,664,758</b>	<b>\$ 15,653,773</b>	<b>\$ 14,476,135</b>

Decrease in total assets and total liabilities is due to the receipt of payments of notes receivable and the related pay off of bonds payable.

(Unaudited. See accompanying auditor’s report.)

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**Oklahoma Water Resources Board**  
**Revenue Bonds - Series 1994A**  
**Revenues, Expenses, and Changes in Net Assets**

	<b>Business-Type</b>		
	<b>Activities</b>		
	<b>Years Ended June 30,</b>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>			
Loan program income	\$ 114,463	\$ 232,343	\$ 295,540
Gross production tax	-	900,000	-
Investment interest income	26,889	7,963	167,016
<b>Total revenues</b>	<u>141,352</u>	<u>1,140,306</u>	<u>462,556</u>
<b>Expenses</b>			
Trustee fees	1,000	1,209	1,586
Administration expenses	27,868	36,517	47,020
Interest expense	48,851	141,142	201,283
Amortization of debt issuance cost	12,906	12,906	12,907
Standby bond purchase agreement fees	6,870	9,387	12,235
Remarketing fees	4,048	6,206	6,263
Provision (credit) for arbitrage rebate	(3,529)	(106,004)	71,633
<b>Total expenses</b>	<u>98,014</u>	<u>101,363</u>	<u>352,927</u>
Net Income before transfers	43,338	1,038,943	109,629
Transfers in from other series	-	218,669	-
Transfers to other programs	(32,353)	(79,974)	(274,221)
<b>Increase (decrease) in net assets</b>	<u>10,985</u>	<u>1,177,638</u>	<u>(164,592)</u>
<b>Total net assets - beginning</b>	15,653,773	14,476,135	14,640,727
<b>Total net assets - ending</b>	<u>\$ 15,664,758</u>	<u>\$ 15,653,773</u>	<u>\$ 14,476,135</u>

(Unaudited. See accompanying auditor's report.)

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**Long-Term Debt**

At year-end, the Program had \$4,515,000 in long-term debt outstanding which represents a \$3,265,000 or 42.0% decrease from the prior year. At June 30, 2010, the long-term debt outstanding had decreased by \$4,355,000 or 35.9%. The Program's changes in long-term debt by type of debt are as follows:

	<u>2012</u>	<u>2011</u>
Beginning Balances:		
Serial and term bonds due September 1, 2012 to September 1, 2015, at fixed interest rates	\$ 205,000	\$ 1,830,000
Serial and term bonds due September 1, 2012 to September 1, 2023, at variable rates subject to a mandatory sinking fund redemption	7,575,000	10,305,000
	\$ 7,780,000	\$ 12,135,000
Less: debt principal repayments	(3,265,000)	(4,355,000)
Ending Balances	\$ 4,515,000	\$ 7,780,000
Amounts due in one year	\$ 636,000	\$ 1,670,000

See Note 7 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 1994A 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 1994A 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	\$362,158	\$399,472
Restricted Investment	5,941,000	-
Current portion of notes receivable	637,183	1,671,267
Interest receivable:		
Notes receivable	8,175	15,699
Other	1,757	121
 Total current assets	 <u>6,950,273</u>	 <u>2,086,559</u>
Noncurrent Assets:		
Restricted Cash and cash equivalents	2,384,000	14,276,000
Restricted Investment	5,951,000	-
Notes receivable net of current portion	4,737,200	6,939,925
Bond issuance cost, net of accumulated amortization of \$ 241,214 and \$228,308 in 2012 and 2011, respectively	144,123	157,029
 Total noncurrent assets	 <u>13,216,323</u>	 <u>21,372,954</u>
 Total assets	 <u>20,166,596</u>	 <u>23,459,513</u>
 <b>LIABILITIES:</b>		
Current Liabilities:		
Accrued interest payable	3,632	7,486
Current maturities of long-term debt	636,000	1,670,000
Other accrued liabilities	103,073	145,326
 Total current liabilities	 <u>742,705</u>	 <u>1,822,812</u>
Noncurrent liabilities:		
Arbitrage rebate payable to the Federal Government	-	3,529
Long-term debt, less current maturities and unamortized discount of \$119,867 and \$130,601 in 2012 and 2011, respectively	3,759,133	5,979,399
 Total noncurrent liabilities	 <u>3,759,133</u>	 <u>5,982,928</u>
 Total liabilities	 <u>4,501,838</u>	 <u>7,805,740</u>
 <b>NET ASSETS:</b>		
Restricted for debt service	14,276,000	14,276,000
Unrestricted	1,388,758	1,377,773
 Total net assets	 <u>\$15,664,758</u>	 <u>\$15,653,773</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	\$114,463	\$232,343
Total operating revenues	<u>114,463</u>	<u>232,343</u>
<b>Operating Expenses:</b>		
Trustee fees	1,000	1,209
Administration fees	27,868	36,517
Interest expense	48,851	141,142
Amortization of bond issuance cost	12,906	12,906
Standby bond purchase agreement fees	6,870	9,387
Remarketing fees	4,048	6,206
Total operating expenses	<u>101,543</u>	<u>207,367</u>
<b>Operating income</b>	12,920	24,976
<b>Non-Operating Revenues (Expenses):</b>		
Credit (provision) for arbitrage rebate	3,529	106,004
Interest income	26,889	7,963
Gross Production Tax	-	900,000
Total non-operating revenues	<u>30,418</u>	<u>1,013,967</u>
Net income before transfers	43,338	1,038,943
Transfers In - Oklahoma Water Resources Board Series 1992	-	218,669
Transfers out - Oklahoma Water Resources Board	<u>(32,353)</u>	<u>(79,974)</u>
<b>Change in net assets</b>	10,985	1,177,638
<b>Total net assets - beginning</b>	15,653,773	14,476,135
<b>Total net assets - ending</b>	<u>\$15,664,758</u>	<u>\$15,653,773</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 governments	\$ 121,987	\$ 256,695
Payments to other suppliers	(82,039)	(19,123)
Interest paid on debt	(41,971)	(154,083)
	<u>(2,023)</u>	<u>83,489</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in - Oklahoma Water Resources Board Series 1992	-	113,669
Transfers out - Oklahoma Water Resources Board	(32,353)	(79,974)
Repayments of Long-term Debt	(3,265,000)	(4,355,000)
Gross production tax	-	900,000
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(3,297,353)</u>	<u>(3,421,305)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Collections of principal on loans to local governmental units	3,236,809	3,379,175
Sales of investments	-	11,143,000
Purchase of investments	(11,892,000)	-
Interest income	25,253	33,952
	<u>(8,629,938)</u>	<u>14,556,127</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(11,929,314)</b>	<b>11,218,311</b>
<b>Balances - beginning of the year</b>	<u><b>14,675,472</b></u>	<u><b>3,457,161</b></u>
<b>Balances - end of the year</b>	<u><u><b>\$2,746,158</b></u></u>	<u><u><b>\$14,675,472</b></u></u>
<b>Reconciliation of Statement of Net Assts:</b>		
Cash and Cash Equivalents	\$362,158	\$399,472
Restricted Cash and cash equivalents	2,384,000	14,276,000
<b>Total Cash and cash equivalents</b>	<u><u><b>\$2,746,158</b></u></u>	<u><u><b>\$14,675,472</b></u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income	\$12,920	\$24,976
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Amortization of bond issuance costs and bond issuance discounts	23,640	23,641
Change in assets and liabilities:		
Decrease (Increase) in interest receivable	7,524	24,352
Increase (Decrease) in accrued interest payable	(3,854)	(23,676)
Increase (Decrease) in other accrued liabilities	(42,253)	34,196
	<u>(52,023)</u>	<u>83,489</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u><b>(52,023)</b></u></u>	<u><u><b>\$83,489</b></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 1994A (the "Program") was established in November 1993 and commenced operations in January 1994. The Program was established by the Board to provide monies to refund all or a portion of the Board's State Loan Program Revenue Bonds Series 1986A, Series 1989 and Series 1992 and implement its state-wide financial assistance program to make loans to local governmental units in the State of Oklahoma to be utilized to provide for the acquisition, development and utilization of storage and control facilities for water and sewage systems. Provisions of the bond indenture required that all local loans be originated by January 20, 1997. No new loans were 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. Except for \$14,276,000 at both June 30, 2012 and 2011 (see Note 5), received from the proceeds of the Board's State Loan Program Notes, Series 1994 and various other Board bond programs, which is restricted for use as a debt service reserve, 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.

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

Accordingly, all such activities and monies are combined for purposes of preparing the Program's financial statements.

Bond Issuance Cost

Bond issuance costs are amortized using the straight-line method over the life of the bonds, which is 30 years.

Bond Issue Discount

The Program's bonds were initially sold at a discount of \$313,085. The bond discount is being amortized over the remaining life of the bonds. Amortization expense of \$10,734 was recorded in 2012 and 2011.

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, 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 and cash equivalents of \$2,746,158 and \$14,675,472 at June 30, 2012 and 2011 respectively, was on deposit with the Program's trustee.

*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.

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

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

- 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>Average Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Federated Treasury Obligations Fund	16 days	AAAm	\$ 2,746,158
Certificates of deposit	6 mo. to 16 mo.	N/A	11,892,000
Total			<u>\$ 14,638,158</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: 18.8% 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>Average Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Federated Treasury Obligations Fund	16 days	AAAm	\$ 14,675,472
Total			<u>\$ 14,675,472</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% is invested in Federated Treasury Obligations Fund.

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**3. Notes Receivable**

Notes receivable of \$5,374,383 and \$8,611,192 and at June 30, 2012 and 2011, respectively, represents loans made by the Program or notes received from other Board bond programs, 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 for fixed rate notes and quarterly for variable rate notes with various maturity dates through 2023; 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 Funding and 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. An annual program administration fee of 0.4000% of variable rate notes receivable outstanding was charged to operations for the year. These fees are payable to the Oklahoma Water Resources Board for providing clerical, management and administrative services.
- Standby purchase agreement fees are to be paid to a bank that has guaranteed, under certain conditions, to purchase outstanding bonds that cannot otherwise be sold.
- Remarketing fees are payable to an investment banker for services related to determining the interest rate adjustment and attempting to remarket bonds when necessary.
- 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 February 28 and August 31.

**5. Restricted Cash and Investments**

A description of the cash and investment as of June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents - Federated Treasury Obligations	\$ 2,384,000	\$ 14,276,000
Investments - Long-term certificates of deposit with principal amounts for \$22,000 to \$249,000, maturing in September 2012 to October 2013, with interest rates from .15% to 1%	11,892,000	-
	<u>\$ 14,276,000</u>	<u>\$ 14,276,000</u>

**OKLAHOMA WATER RESOURCES BOARD  
STATE LOAN PROGRAM REVENUE BONDS – SERIES 1994A  
ANNUAL FINANCIAL REPORT  
As of and for the Years Ended June 30, 2012 and 2011**

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**5. Restricted Cash and Investments (cont'd)**

Investment income from the Program's restricted investment account is to be transferred to the Water Resources Grant Account at the discretion of the Board. Pursuant to this provision, \$32,353 and \$79,974 was transferred to the Water Resources Grant Account during the years ended June 30, 2012 and 2011, respectively.

**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, 2012, and \$3,529 as of June 30, 2011. The actual rebate liability for the Program will not be determined until March 2014 and could differ from the estimate reflected in the accompanying financial statements. Management of the Program does not believe that the difference will have a material effect on the financial statements or results of operations of the Program.

**7. Long-term Debt**

	<u>2012</u>	<u>2011</u>
Beginning Balances:		
Serial and term bonds due September 1, 2012 to September 1, 2015, at fixed interest rates	\$ 205,000	\$ 1,830,000
Serial and term bonds due September 1, 2012 to September 1, 2023, at variable rates subject to a mandatory sinking fund redemption	7,575,000	10,305,000
	<u>\$ 7,780,000</u>	<u>\$ 12,135,000</u>
Less: debt principal repayments	<u>(3,265,000)</u>	<u>(4,355,000)</u>
Ending Balances	<u>\$ 4,515,000</u>	<u>\$ 7,780,000</u>
Amounts due in one year	\$ 636,000	\$ 1,670,000

Certain bonds bear interest at a variable rate, initially set at 2.3% and periodically adjusted pursuant to the provisions of the bond indenture, to a maximum rate of 14% per year. The interest rate on the bonds was .35% at June 30, 2012. At the option of the Board and subject to applicable provisions of the bond indenture, which require, among other things, that all bonds be successfully remarketed, the variable interest rate may be converted to a term rate that would stay fixed until maturity of the bonds. During fiscal year 2012, the bonds were remarketed quarterly. There were no fixed rate conversions in 2012 and 2011. Remaining fixed rate bonds bear interest at 5.875%. Variable interest rates are reset quarterly on March 1<sup>st</sup>, June 1<sup>st</sup>, September 1<sup>st</sup>, and December 1<sup>st</sup>, by the Program's remarketing agent. At June 30, 2012, the Program had \$4,395,000 in variable bonds outstanding.

**OKLAHOMA WATER RESOURCES BOARD  
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**7. Long-term Debt (cont'd)**

Future debt service payments required by the serial and term bonds as of June 30, 2012, were developed using the loan repayment amortization schedules maintained in the IFS system for variable rate bonds and scheduled maturities for fixed rate bonds. 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	\$ 636,000	\$ 21,552	\$ 657,552
2014	605,000	15,458	620,458
2015	550,000	11,459	561,459
2016	540,000	9,534	549,534
2017	540,000	7,644	547,644
2018-2021	1,644,000	5,754	1,649,754
Total	<u>\$ 4,515,000</u>	<u>\$ 71,401</u>	<u>\$ 4,586,401</u>

Interest on the bonds is payable semiannually for fixed rate bonds and quarterly for variable rate bonds. While the variable bonds bear interest at an adjustable, variable rate, the variable bonds are to be repurchased at each such interest payment date at a price equal to the unpaid principal amount, unless such repurchase is waived in writing by the bond holder. The bonds are also subject to mandatory tender upon conversion to a term interest rate.

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.

The 1994A 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 of which \$14,276,000 is reflected in the accompanying statements of net assets. The remaining debt service reserves are reflected in the Board bond program Series 1989.

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.

**OKLAHOMA WATER RESOURCES BOARD  
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ANNUAL FINANCIAL REPORT  
As of and for the Years Ended June 30, 2012 and 2011**

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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 1994A 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.

  
Edmond, Oklahoma  
October 12, 2012

OLI GHANA WATER SERVICES BOARD STATE OF ACCOUNTS  
 PROGRAM REVENUE FUND  
 SUPPLEMENTAL INFORMATION  
 GOOD FIDELITY INVESTMENT UNIT'S  
 All Program Good Fidelity

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500																																																																			
1	9,718	10,118	10,518	10,918	11,318	11,718	12,118	12,518	12,918	13,318	13,718	14,118	14,518	14,918	15,318	15,718	16,118	16,518	16,918	17,318	17,718	18,118	18,518	18,918	19,318	19,718	20,118	20,518	20,918	21,318	21,718	22,118	22,518	22,918	23,318	23,718	24,118	24,518	24,918	25,318	25,718	26,118	26,518	26,918	27,318	27,718	28,118	28,518	28,918	29,318	29,718	30,118	30,518	30,918	31,318	31,718	32,118	32,518	32,918	33,318	33,718	34,118	34,518	34,918	35,318	35,718	36,118	36,518	36,918	37,318	37,718	38,118	38,518	38,918	39,318	39,718	40,118	40,518	40,918	41,318	41,718	42,118	42,518	42,918	43,318	43,718	44,118	44,518	44,918	45,318	45,718	46,118	46,518	46,918	47,318	47,718	48,118	48,518	48,918	49,318	49,718	50,118	50,518	50,918	51,318	51,718	52,118	52,518	52,918	53,318	53,718	54,118	54,518	54,918	55,318	55,718	56,118	56,518	56,918	57,318	57,718	58,118	58,518	58,918	59,318	59,718	60,118	60,518	60,918	61,318	61,718	62,118	62,518	62,918	63,318	63,718	64,118	64,518	64,918	65,318	65,718	66,118	66,518	66,918	67,318	67,718	68,118	68,518	68,918	69,318	69,718	70,118	70,518	70,918	71,318	71,718	72,118	72,518	72,918	73,318	73,718	74,118	74,518	74,918	75,318	75,718	76,118	76,518	76,918	77,318	77,718	78,118	78,518	78,918	79,318	79,718	80,118	80,518	80,918	81,318	81,718	82,118	82,518	82,918	83,318	83,718	84,118	84,518	84,918	85,318	85,718	86,118	86,518	86,918	87,318	87,718	88,118	88,518	88,918	89,318	89,718	90,118	90,518	90,918	91,318	91,718	92,118	92,518	92,918	93,318	93,718	94,118	94,518	94,918	95,318	95,718	96,118	96,518	96,918	97,318	97,718	98,118	98,518	98,918	99,318	99,718	100,118	100,518	100,918	101,318	101,718	102,118	102,518	102,918	103,318	103,718	104,118	104,518	104,918	105,318	105,718	106,118	106,518	106,918	107,318	107,718	108,118	108,518	108,918	109,318	109,718	110,118	110,518	110,918	111,318	111,718	112,118	112,518	112,918	113,318	113,718	114,118	114,518	114,918	115,318	115,718	116,118	116,518	116,918	117,318	117,718	118,118	118,518	118,918	119,318	119,718	120,118	120,518	120,918	121,318	121,718	122,118	122,518	122,918	123,318	123,718	124,118	124,518	124,918	125,318	125,718	126,118	126,518	126,918	127,318	127,718	128,118	128,518	128,918	129,318	129,718	130,118	130,518	130,918	131,318	131,718	132,118	132,518	132,918	133,318	133,718	134,118	134,518	134,918	135,318	135,718	136,118	136,518	136,918	137,318	137,718	138,118	138,518	138,918	139,318	139,718	140,118	140,518	140,918	141,318	141,718	142,118	142,518	142,918	143,318	143,718	144,118	144,518	144,918	145,318	145,718	146,118	146,518	146,918	147,318	147,718	148,118	148,518	148,918	149,318	149,718	150,118	150,518	150,918	151,318	151,718	152,118	152,518	152,918	153,318	153,718	154,118	154,518	154,918	155,318	155,718	156,118	156,518	156,918	157,318	157,718	158,118	158,518	158,918	159,318	159,718	160,118	160,518	160,918	161,318	161,718	162,118	162,518	162,918	163,318	163,718	164,118	164,518	164,918	165,318	165,718	166,118	166,518	166,918	167,318	167,718	168,118	168,518	168,918	169,318	169,718	170,118	170,518	170,918	171,318	171,718	172,118	172,518	172,918	173,318	173,718	174,118	174,518	174,918	175,318	175,718	176,118	176,518	176,918	177,318	177,718	178,118	178,518	178,918	179,318	179,718	180,118	180,518	180,918	181,318	181,718	182,118	182,518	182,918	183,318	183,718	184,118	184,518	184,918	185,318	185,718	186,118	186,518	186,918	187,318	187,718	188,118	188,518	188,918	189,318	189,718	190,118	190,518	190,918	191,318	191,718	192,118	192,518	192,918	193,318	193,718	194,118	194,518	194,918	195,318	195,718	196,118	196,518	196,918	197,318	197,718	198,118	198,518	198,918	199,318	199,718	200,118	200,518	200,918	201,318	201,718	202,118	202,518	202,918	203,318	203,718	204,118	204,518	204,918	205,318	205,718	206,118	206,518	206,918	207,318	207,718	208,118	208,518	208,918	209,318	209,718	210,118	210,518	210,918	211,318	211,718	212,118	212,518	212,918	213,318	213,718	214,118	214,518	214,918	215,318	215,718	216,118	216,518	216,918	217,318	217,718	218,118	218,518	218,918	219,318	219,718	220,118	220,518	220,918	221,318	221,718	222,118	222,518	222,918	223,318	223,718	224,118	224,518	224,918	225,318	225,718	226,118	226,518	226,918	227,318	227,718	228,118	228,518	228,918	229,318	229,718	230,118	230,518	230,918	231,318	231,718	232,118	232,518	232,918	233,318	233,718	234,118	234,518	234,918	235,318	235,718	236,118	236,518	236,918	237,318	23

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

	1994 Series	1994A Series	1995 Series	1999 Series	1999A Series	2001 Series	2001A Series	2007B Series	2004A Series	2004B Series	2007 Series	2009 Series	2010 Series	2010B Series	2011 Series	2012 Series	2012A Series	Total (Memorandum Only)
<b>REVENUES</b>																		
Operating revenues	\$ 15,140	\$ 114,463	\$ 130,461	\$ 211,323	\$ 302,804	\$ 1,457,491	\$ 620,121	\$ 216,715	\$ 250,662	\$ 2,030,968	\$ 370,818	\$ 96,098	\$ 1,246,462	\$ 1,084,274	\$ 642,065	\$ 533,869	\$ 241,655	\$ 9,589,249
Loan program income	15,140	114,463	130,461	211,323	302,804	1,457,491	620,121	216,715	250,662	2,030,968	370,818	96,098	1,246,462	1,084,274	642,065	533,869	241,655	9,589,249
Total operating revenues	15,140	114,463	130,461	211,323	302,804	1,457,491	620,121	216,715	250,662	2,030,968	370,818	96,098	1,246,462	1,084,274	642,065	533,869	241,655	9,589,249
<b>EXPENSES</b>																		
Operating Expenses																		
Traffic fees	1,000	1,000	861	1,000	1,205	4,442	2,510	1,311	1,000	5,697	1,250	1,250	3,912	3,483	2,414	1,845	1,145	15,545
Administration fees	309	27,068	37,360	13,160	41,566	73,183	45,137	7,221	7,775	47,036	11,825	3,511	38,684	15,545	18,786	18,046	25,544	470,262
Interest expense	18,121	48,851	63,349	183,548	266,006	1,294,844	610,936	208,779	246,052	1,977,560	450,526	92,529	1,294,129	1,047,000	621,366	513,994	217,202	8,322,292
Amortization of bond insurance cost	2,187	12,906	8,569	5,790	3,115	6,317	1,462	9,616	6,033	-	-	-	-	-	-	-	-	55,833
Standby bond purchase agreement fees	-	4,870	8,626	1,666	9,185	8,549	16,711	-	6,033	-	-	-	-	-	-	-	-	21,817
Renaturing fees	-	4,028	3,393	810	1,695	5,755	5,766	-	-	-	-	-	-	-	-	-	-	21,777
Total operating expenses	21,617	101,543	121,549	205,854	322,972	1,397,840	699,522	225,927	261,742	2,740,267	366,101	97,292	1,246,725	1,087,028	642,866	533,815	242,991	9,527,261
Operating income (loss)	(6,477)	12,920	9,212	5,469	(20,168)	59,651	10,599	(109,212)	(2,080)	(319)	10,717	(1,234)	(263)	(62,754)	(831)	14	(2,336)	62,688
<b>NON-OPERATING REVENUES (EXPENSES)</b>																		
Credit provision for arbitrage rebate	3,529	-	-	-	-	-	-	-	-	48	15	2	17	5	2	-	-	3,529
Traffic interest income	144,943	26,889	34	28	20	152	99	36	13	48	15	2	17	5	2	-	291	172,534
Other production tax from state	144,843	30,918	34	28	20	152	99	36	13	48	15	2	17	5	2	-	291	172,534
Net nonoperating revenues	148,366	45,318	9,366	5,497	(20,140)	59,753	10,698	(101,186)	(2,067)	(271)	10,732	(1,232)	(246)	(62,749)	(819)	14	(2,045)	206,593
Income (loss) before transfers	(148,837)	(32,353)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(177,199)
Transfers (to) from Oklahoma Water Resources Board	(6,471)	10,985	9,386	5,497	(20,140)	59,753	10,698	(101,186)	(2,067)	(271)	10,732	(1,232)	(246)	(62,749)	(819)	14	(2,045)	61,561
Change in net assets	3,616,871	15,651,971	754,446	250,241	203,469	753,591	16,013	82,722	28,339	12,322	207,629	258	940	8,074	(1)	-	-	21,608,785
<b>NET ASSETS</b>																		
Net assets, beginning of year	\$ 3,610,809	\$ 15,664,738	\$ 763,732	\$ 275,808	\$ 183,321	\$ 817,144	\$ 26,711	\$ 72,256	\$ 26,272	\$ 12,051	\$ 218,361	\$ (924)	\$ 694	\$ 5,825	\$ (322)	\$ 14	\$ (2,045)	\$ 21,608,785
Net assets (deficit), end of year																		

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

OKLAHOMA WATER RESOURCES BOARD STATE LOAN PROGRAM REVOLVING FUNDS

SUPPLEMENTAL INFORMATION  
 GROUPED STATEMENTS OF CASH FLOWS  
 All Program Fund Items  
 For the Year Ended June 30, 2012

	1999 Series	1994 Series	1995 Series	1997 Series	1999 Series	2001 Series	2003 Series	2004 Series	2007 Series	2009 Series	2010 Series	2011 Series	2012 Series	Totals (1) from minimum (2) 1999 Series
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>														
Increase (decrease) in cash and cash equivalents	20,928	(121,967)	(190,293)	211,967	308,693	1,251,574	614,494	229,771	271,610	2,062,459	1,064,578	999,714	8,815,445	8,815,445
Payments (to) from other agencies	(1,000)	(6,039)	(66,009)	(62,576)	(14,415)	(134,167)	(1,311)	(1,311)	(1,311)	(1,250)	(1,950)	(9,151)	(5,719,919)	(5,719,919)
Interest paid on debt	(20,309)	(41,972)	(79,640)	(187,431)	(271,294)	(1,320,313)	(430,397)	(229,222)	(56,242)	(56,242)	(1,297,229)	(452,729)	(8,111,817)	(8,111,817)
Net cash provided (used) by operating activities	(1,381)	(102,031)	(97,349)	(138,434)	3,368	621,666	1,784	(2,050)	19,806	(22,662)	19,806	36,330	36,330	18,020
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>														
Increase (decrease) in cash and cash equivalents	(46,437)	(12,353)	-	-	-	-	-	-	-	-	-	-	-	(17,190)
Proceeds from the sale of investments	(26,000)	(1,265,000)	(5,410,000)	(1,115,000)	(995,000)	(1,245,000)	(2,790,000)	(1,730,000)	(1,020,000)	(2,160,000)	(2,160,000)	(2,160,000)	(2,160,000)	(2,160,000)
Proceeds from the sale of long-term debt	(668,537)	(1,297,537)	(5,410,000)	(1,115,000)	(995,000)	(1,245,000)	(2,790,000)	(1,730,000)	(1,020,000)	(2,160,000)	(2,160,000)	(2,160,000)	(2,160,000)	(2,160,000)
Net cash provided (used) by noncapital financing activities	(734,537)	(2,614,830)	(10,820,000)	(2,230,000)	(1,990,000)	(2,490,000)	(4,520,000)	(3,460,000)	(2,040,000)	(4,320,000)	(4,320,000)	(4,320,000)	(4,320,000)	(4,320,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>														
Increase (decrease) in cash and cash equivalents	259,100	1,374,979	4,564,750	1,099,600	891,650	5,496,500	1,170,000	1,770,000	1,020,000	1,020,000	1,120,000	70,000	265,290,618	265,290,618
Purchase of investments	(11,300,000)	-	-	-	-	-	-	-	-	-	-	-	(11,300,000)	(11,300,000)
Proceeds from the sale of investments	144,844	26,233	94	26	20	332	16	16	16	16	16	16	170,572	170,572
Proceeds from the sale of long-term debt	399,244	(6,529,931)	5,364,444	1,099,626	891,670	5,496,432	1,144,933	1,753,016	1,020,013	1,020,016	1,120,016	70,016	(6,430,000)	(6,430,000)
Net cash provided (used) by investing activities	(10,756)	(6,273,624)	(1,164,492)	(1,000,378)	(89,304)	5,496,100	1,144,933	1,753,016	1,020,013	1,020,016	1,120,016	70,016	(6,430,000)	(6,430,000)
<b>Net increase (decrease) in cash and cash equivalents</b>	(5,753)	(11,028,144)	(6,530,149)	(1,000,378)	474	2,420,576	668,648	2,066	1,020,000	2,634	3,300	6,008	291	(5,901,679)
<b>cash and cash equivalents, beginning of year</b>	59,732	14,679,472	130,208	129,697	136,126	672,233	972,556	76,152	74,827	5,174	14,126	2,103	291	(1,111,407)
<b>cash and cash equivalents, end of year</b>	53,979	2,761,328	124,059	29,319	335,500	3,092,809	1,665,964	78,158	61,106	208,548	17,621	13,909	291	(5,207,226)
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>														
Operating income (loss)	(6,677)	(3,920)	9,212	5,469	(20,168)	79,691	10,599	(10,212)	(2,080)	(3,191)	10,717	(1,274)	(2,244)	62,668
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities	5,969	27,640	33,312	9,985	4,343	9,375	3,180	9,564	1,620	22,991	3,941	(4,066)	(653,660)	(653,660)
Increase (decrease) in receivable	5,706	7,524	19,732	644	6,709	64,083	(4,377)	12,066	22,991	41	1,966	974	(4,066)	(4,066)
Increase (decrease) in prepaid expenses	(4,790)	(1,546)	(16,161)	(6,277)	(6,216)	(24,023)	(21,700)	(11,689)	(11,674)	(21,570)	(1,649)	1,310	136,437	136,437
Increase (decrease) in accounts payable	369	(42,241)	(32,469)	(46,540)	(19,110)	(65,242)	(46,242)	(2,221)	(11,254)	3,413	36,230	19,841	19,841	19,841
Net cash provided (used) by operating activities	(431)	(2,233)	(9,356)	(19,419)	3,764	67,146	43,718	7,070	7,808	(2,662)	18,653	2,632	36,330	18,020

See each individual fund line item report for additional information and related disclosures.

**OKLAHOMA WATER RESOURCES BOARD  
STATE LOAN PROGRAM REVENUE BONDS – SERIES 1994A  
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 1994A (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.

*Walter Associates, P.C.*

Edmond, Oklahoma  
October 12, 2012