State of Oklahoma

OWRB

WATER RESOURCES BOARD

the water agency

STATE LOAN PROGRAM REVENUE BONDS SERIES 1999

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

TABLE OF CONTENTS

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CERTIFIED PUBLIC ACCOUNTANTS

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 1999 (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 1999 as of June 30, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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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

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Oklahoma Water Resources Board State Loan Program Revenue Bonds – Series 1999 (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 1999 Bond Program.

Financial Highlights

- Total Assets decreased 9.02% from $11,095,780 to $10,094,460 between FY 2011 and FY 2012. Total Assets decreased 21.68 % from $14,166,465 to $11,095,780 between FY 2010 and FY 2011.

- Total Net Assets decreased from $203,469 to $183,321 between FY 2011 and FY 2012. Total Net Assets decreased from $205,467 to $203,469 between FY 2010 and FY 2011.

- Total Liabilities decreased over 9% from $10,892,311 to $9,911,139 between FY 2011 and FY 2012. Total Liabilities decreased 21.98% from $13,960,998 to $10,892,311 between FY 2010 and FY 2011. Total bond redemptions in the amount of $995,000 were the major factor in the decrease. Total bond redemptions in the amount of $3,045,000 in FY 2011 were the major factor in the decrease.

- Other accrued liabilities increased 12.54% between FY 2011 and 2012. Other accrued liabilities increased 14.86% between FY 2010 and FY 2011. Administrative fees assessed but not used during past fiscal years are "banked" for future administrative costs. During FY 2012 and 2011, the Board did not collect fees from the Series 1999 Bond Program for administrative services provided.

Using This Annual Report

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

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

- Management's Discussion and Analysis – that provides useful analysis that facilitates a better understanding of the Program's financial condition and changes therein.

(Unaudited. See accompanying auditor's report.)

- 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.

- 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 1999
Net Assets

	Business-Type Activities		
	June 30,		
	2012	2011	2010
Current assets	$ 3,156,808	$ 1,237,213	$ 1,392,932
Non-current assets	6,937,652	9,858,567	12,773,533
Total assets	10,094,460	11,095,780	14,166,465
Current liabilities	3,180,456	1,242,656	1,387,372
Non-current liabilities	6,730,683	9,649,655	12,573,626
Total liabilities	9,911,139	10,892,311	13,960,998
Net assets			
Unrestricted	183,321	203,469	205,467
Total net assets	$ 183,321	$ 203,469	$ 205,467

(Unaudited. See accompanying auditor's report.)

Oklahoma Water Resources Board
Revenue Bonds - Series 1999
Revenues, Expenses, and Changes in Net Assets

	Business-Type Activities		
	Years Ended June 30,		
	2012	2011	2010
Revenues			
Loan program income	$ 302,804	$ 382,048	$ 475,387
Investment interest income	20	77	56
Total revenues	302,824	382,125	475,443
Expenses			
Trustee fees	1,205	1,369	1,649
Administration expenses	41,556	26,791	26,015
Interest expense	266,106	335,112	430,340
Amortization of debt issuance cost	3,315	3,316	3,315
Standby bond purchase agreement fees	9,185	15,816	16,906
Remarketing fees	1,605	1,719	2,031
Total expenses	322,972	384,123	480,256
Increase (Decrease) in net assets	(20,148)	(1,998)	(4,813)
Total net assets - beginning	203,469	205,467	210,280
Total net assets - ending	$ 183,321	$ 203,469	$ 205,467

Long-Term Debt

At June 30, 2012, the Program had $9,675,000 in long-term debt outstanding which represents a $995,000 or 9.3% decrease from the prior year. From FY 2010 to FY 2011, long-term debt outstanding decreased $3,045,000 or 22.2%. The Program's changes in long-term debt by type of debt are as follows:

(Unaudited. See accompanying auditor's report.)

	2012	2011	2010
Beginning Balances:			
Serial and term bonds due September 1, 2012 to September 1, 2021, at fixed interest rates	$ 8,580,000	$ 11,475,000	$ 12,110,000
Serial and term bonds due September 1, 2012 to September 1, 2030, at variable rates subject to mandatory sinking fund redemption	2,090,000	2,240,000	3,285,000
Less: debt principal repayments	(995,000)	(3,045,000)	(1,680,000)
Ending Balances	$ 9,675,000	$ 10,670,000	$ 13,715,000
Amounts due in one year	$ 2,925,000	$ 1,000,000	$ 1,120,000

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

Economic Factors and Next Year's Outlook

Due to the nature of the Series 1999 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 1999 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.)

BASIC FINANCIAL STATEMENTS

Statements of Net Assets – June 30, 2012 and 2011

	2012	2011
ASSETS:		
Current Assets:		
Cash and cash equivalents	$138,560	$138,126
Current portions of notes receivable	2,927,600	1,001,650
Interest receivable:		
Notes receivable	90,647	97,436
Other	1	1
Total current assets	3,156,808	1,237,213
Noncurrent Assets:		
Notes receivable net of current portion	6,875,400	9,793,000
Bond issuance cost, net of accumulated amortization of $203,164 and $199,849 in 2012 and 2011, respectively	62,252	65,567
Total noncurrent assets	6,937,652	9,858,567
Total assets	10,094,460	11,095,780
LIABILITIES:		
Current Liabilities:		
Accrued interest payable	84,792	91,008
Current maturities of long-term debt	2,925,000	1,000,000
Other accrued liabilities	170,664	151,648
Total current liabilities	3,180,456	1,242,656
Noncurrent liabilities:		
Long-term debt, less current maturities and unamortized discount of $19,317 and $20,345 in 2012 and 2011, respectively	6,730,683	9,649,655
Total noncurrent liabilities	6,730,683	9,649,655
Total liabilities	9,911,139	10,892,311
NET ASSETS:		
Unrestricted	183,321	203,469
Total net assets	$183,321	$203,469

See accompanying notes to the basic financial statements.

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

	2012	2011
Operating Revenues:		
Loan program income	$302,804	$382,048
Total operating revenues	302,804	382,048
Operating Expenses:		
Trustee fees	1,205	1,369
Administration expenses	41,556	26,791
Interest expense	266,106	335,112
Amortization of bond issuance cost	3,315	3,316
Standby bond purchase agreement fees	9,185	15,816
Remarketing fees	1,605	1,719
Total operating expenses	322,972	384,123
Operating income (loss)	(20,168)	(2,075)
Non-Operating Revenues:		
Other interest income	20	77
Total non-operating revenues	20	77
Change in net assets	(20,148)	(1,998)
Total net assets - beginning	203,469	205,467
Total net assets - ending	$183,321	$203,469

See accompanying notes to the basic financial statements.

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections of interest on loans to local governmental units	$309,593	$428,439
Payments to other suppliers	(34,535)	(26,070)
Interest paid on debt	(271,294)	(378,424)
Net Cash Provided by Operating Activities	3,764	23,945
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments of long-term debt	(995,000)	(3,045,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	(995,000)	(3,045,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections of principal on loans to local governmental units	991,650	3,026,950
Interest income	20	77
Net Cash Provided by Investing Activities	991,670	3,027,027
Net Increase (Decrease) in Cash and Cash Equivalents	434	5,972
Balances - beginning of the year	138,126	132,154
Balances - end of the year	$138,560	$138,126

Reconciliation of operating income to net cash provided (used) by operating activities:

	2012	2011
Operating income (loss)	($20,168)	($2,075)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Amortization of bond issuance costs and bond issuance discounts	4,343	4,345
Change in assets and liabilities:		
Decrease (Increase) in interest receivable	6,789	46,391
Increase (Decrease) in accrued interest payable	(6,216)	(44,341)
Increase (Decrease) in other accrued liabilities	19,016	19,625
Net Cash Provided by Operating Activities	$3,764	$23,945

See accompanying notes to the basic financial statements.

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 1999 (the "Program") commenced operations in March 1999. The Program was established by the Board to provide monies to 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 require that all local loans be originated by March 3, 2002. No new loans will be originated after that date without amendments to the bond indenture. Any portion of the bond proceeds may be used to redeem bonds at the option of the Board as specified by the bond indenture.

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

Basis of Accounting and Measurement Focus

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

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

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

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

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

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

Bond Issuance Cost

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

Bond Issue Discount

The Program's bonds were initially sold at a discount of $82,500. The bond discount is being amortized over the remaining life of the bonds. Amortization expense of $1,028 was recorded in 2012 and 2011, and is included in interest expense in the accompanying statement of revenues, expenses, and changes in net assets.

Cash Equivalents

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

Operating Revenues and Expenses

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

Use of Estimates

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

2. Cash Deposits and Investment Risk

Cash of $138,560 and $138,126 at June 30, 2012 and 2011 respectively, was on deposit with the Program's trustee. The deposits are invested in the *Federated Treasury Obligations* mutual fund.

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

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.

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

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:

Type	Maturities	Credit Rating	Carrying Value
Federated Treasury Obligations Fund	16 days	AAAm	$ 138,560
Total			$ 138,560

Concentration of Investment Credit Risk – the bond indenture places no limit on the amount the Program may invest in any one issuer. The Program has the following concentration of credit risk: 100% or $138,560 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:

Type	Maturities	Credit Rating	Carrying Value
Federated Treasury Obligations Fund	15 days	AAAm	$ 138,126
Total			$ 138,126

Concentration of Investment Credit Risk – the bond indenture places no limit on the amount the Program may invest in any one issuer. The Program has the following concentration of credit risk: 100% or $138,126 is invested in *Federated Treasury Obligations Fund*.

3. Notes Receivable

Notes receivable of $9,803,000 and $10,794,650 at June 30, 2012 and 2011, respectively, represents loans made by the Program 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 2031; 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

3. Notes Receivable (cont'd)

including, but not limited to user charges and sales taxes of the borrowers and mortgages on the water and/or sewer systems.

4. Program Fees

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

- Standby purchase agreement fees are to be paid to a bank, which has guaranteed to purchase outstanding bonds that cannot otherwise be sold.
- 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.
- 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.
- Pursuant to the bond indenture, the Program was required to purchase a $7,500,000 surety bond prior to the bond issuance. The cost of the surety bond was $89,250 and is included in capitalized bond issuance costs.

5. Arbitrage Rebate Due Federal Government

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

6. Long-term Debt

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

	2012	2011
Beginning Balances:		
Serial and term bonds due September 1, 2012 to September 1, 2021, at fixed interest rates	$ 8,580,000	$ 11,475,000
Serial and term bonds due September 1, 2012 to September 1, 2030, at variable rates subject to mandatory sinking fund redemption	2,090,000	2,240,000
Less: debt principal repayments	(995,000)	(3,045,000)
Ending Balances	$ 9,675,000	$ 10,670,000
Amounts due in one year	$ 2,925,000	$ 1,000,000

Certain bonds bear interest at a variable rate, initially set at 2.90% and periodically adjusted pursuant to the provisions of the bond indenture, to a maximum rate of 12% 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. There were no fixed rate conversions in 2012 or 2011. The previously converted bonds bear interest at fixed rates ranging from 1.90% to 4.13%. Beginning in FY 2009, variable interest rates are reset quarterly on March 1st, June 1st, September 1st, and December 1st, by the Program's remarketing agent. At June 30, 2012, the program had $1,945,000 in variable rate bonds outstanding.

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:

Fiscal Year	Principal	Interest	Total
2013	$2,925,000	$206,353	$3,131,353
2014	805,000	153,111	958,111
2015	840,000	136,811	976,811
2016	780,000	117,934	897,934
2017	705,000	97,789	802,789
2018-2022	2,695,000	158,772	2,853,772
2023-2027	545,000	3,238	548,238
2028-2030	380,000	1,330	381,330
Total	$9,675,000	$875,338	$10,550,338

6. Long-term Debt (cont'd)

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 1999 Bonds share in an aggregate debt service reserve along with all the other Board bond programs. At June 30, 2012, the aggregate debt service reserves totaled $17,766,508. The debt service reserves are reflected in the Board bond programs Series 1989 and 1994A.

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

SUPPLEMENTAL INFORMATION

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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 1999 for June 30, 2012 appears on page three. The audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Grouped Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements of each bond issue and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each bond issue as a whole.

Arledge & Associates, P.C.

Edmond, Oklahoma
October 12, 2012

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SUPPLEMENTAL INFORMATION
GROUPED STATEMENTS OF NET ASSETS
All Program Bond Issues
June 30, 2011

ASSETS	1992 Series	1994A Series	1995 Series	1997 Series	1999 Series	2001 Series	2003A Series	2003B Series	2004A Series	2005B Series	2007 Series	2009 Series	2010 Series	2010B Series	2011 Series	[illegible]	[illegible]	Total (Memorandum Only)
Current Assets:																		
Cash and cash equivalents	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Restricted investments		[illegible]																
Current portion of notes receivable	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interest receivable:																		
Notes receivable	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]					[illegible]
Other receivable																		
Total current assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Noncurrent Assets:																		
Notes receivable, net of current portion	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Restricted cash - investment	[illegible]	[illegible]																[illegible]
Bond issuance cost, net of accumulated amortization	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]									[illegible]
Total noncurrent assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LIABILITIES																		
Current Liabilities:																		
Accrued interest payable	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Current maturities of long-term debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other accrued liabilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total current liabilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Noncurrent Liabilities:																		
Arbitrage rebate payable to Federal Government																		
Long term debt, less current maturities and unamortized discount or plus unamortized premium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total noncurrent liabilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total liabilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NET ASSETS																		
Restricted for debt service	[illegible]	[illegible]																[illegible]
Unrestricted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total net assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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

OKLAHOMA WATER RESOURCES BOARD STATE LOAN
PROGRAM REVENUE BONDS

SUPPLEMENTAL INFORMATION
GROUPED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
All Program Bond Issues
For the Year Ended June 30, 2012

	1989 Series	1994A Series	1995 Series	1997 Series	1999 Series	2001 Series	2003A Series	2003B Series	2004A Series
REVENUES									
Operating revenues									
Loan program income	$ 15,140	$ 114,463	$ 130,561	$ 211,323	$ 302,804	$ 1,457,491	$ 620,121	$ 216,715	$ 259,662
Total operating revenues	15,140	114,463	130,561	211,323	302,804	1,457,491	620,121	216,715	259,662
EXPENSES									
Operating Expenses									
Trustee fees	1,000	1,000	861	1,000	1,205	4,442	2,510	1,311	1,000
Administration fees	309	27,868	37,250	13,160	41,556	73,183	52,137	7,221	7,225
Interest expense	18,121	48,851	63,259	183,548	266,106	1,299,844	510,936	208,279	246,052
Amortization of bond issuance cost	2,187	12,906	7,550	5,770	3,315	6,117	1,462	9,616	6,915
Standby bond purchase agreement fees	-	6,870	8,636	1,566	9,185	8,549	36,711	-	-
Remarketing fees	-	4,048	3,793	810	1,605	5,755	5,766	-	-
Total operating expenses	21,617	101,543	121,349	205,854	322,972	1,397,890	609,522	226,927	261,742
Operating income (loss)	(6,477)	12,920	9,212	5,469	(20,168)	59,601	10,599	(10,212)	(2,080)
NONOPERATING REVENUES (EXPENSES)									
Credit (provision) for arbitrage rebate	-	3,529	-	-	-	-	-	-	-
Other interest income	144,843	26,889	94	28	20	152	99	16	13
Gross production tax from state	-	-	-	-	-	-	-	-	-
Net nonoperating revenues	144,843	30,418	94	28	20	152	99	16	13
Income (loss) before transfers	138,366	43,338	9,306	5,497	(20,148)	59,753	10,698	(10,196)	(2,067)
Transfers (to) from Oklahoma Water Resources Board	(144,837)	(32,353)	-	-	-	-	-	-	-
Change in net assets	(6,471)	10,985	9,306	5,497	(20,148)	59,753	10,698	(10,196)	(2,067)
NET ASSETS									
Net assets, beginning of year	3,616,871	15,653,773	754,446	270,341	203,469	753,591	16,013	82,722	28,339
Net assets (deficit), end of year	$ 3,610,400	$ 15,664,758	$ 763,752	$ 275,838	$ 183,321	$ 813,344	$ 26,711	$ 72,526	$ 26,272

	2006B Series	2007 Series	2009 Series	2010 Series	2010 B Series	2011 Series	2012 Series	2012A Series	Totals (Memorandum Only)
REVENUES									
Operating revenues									
Loan program income	$ 2,039,968	$ 376,818	$ 96,058	$ 1,246,462	$ 1,084,774	$ 642,065	$ 533,869	$ 241,655	$ 9,589,949
Total operating revenues	2,039,968	376,818	96,058	1,246,462	1,084,774	642,065	533,869	241,655	9,589,949
EXPENSES									
Operating Expenses									
Trustee fees	5,697	1,250	1,250	3,912	3,683	2,434	1,845	1,145	35,545
Administration fees	57,030	11,825	3,513	38,684	36,345	18,786	18,006	25,644	470,292
Interest expense	1,977,560	353,026	92,529	1,204,129	1,047,000	621,366	513,984	217,202	8,872,792
Amortization of bond issuance cost	-	-	-	-	-	-	-	-	55,838
Standby bond purchase agreement fees	-	-	-	-	-	-	-	-	71,517
Remarketing fees	-	-	-	-	-	-	-	-	21,777
Total operating expenses	2,040,287	366,101	97,292	1,246,725	1,087,028	642,586	533,835	243,991	9,527,261
Operating income (loss)	(319)	10,717	(1,234)	(263)	(2,254)	(521)	34	(2,336)	62,688
NONOPERATING REVENUES (EXPENSES)									
Credit (provision) for arbitrage rebate	-	-	-	-	-	-	-	-	3,529
Other interest income	48	15	2	17	5	2	-	291	172,534
Gross production tax from state	-	-	-	-	-	-	-	-	-
Net nonoperating revenues	48	15	2	17	5	2	-	291	176,063
Income (loss) before transfers	(271)	10,732	(1,232)	(246)	(2,249)	(519)	34	(2,045)	238,751
Transfers (to) from Oklahoma Water Resources Board	-	-	-	-	-	-	-	-	(177,190)
Change in net assets	(271)	10,732	(1,232)	(246)	(2,249)	(519)	34	(2,045)	61,561
NET ASSETS									
Net assets, beginning of year	12,322	207,629	258	940	8,074	(3)	-	-	21,608,785
Net assets (deficit), end of year	$ 12,051	$ 218,361	$ (974)	$ 694	$ 5,825	$ (522)	$ 34	$ (2,045)	$ 21,670,346

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

OKLAHOMA WATER RESOURCES BOARD STATE LOAN
PROGRAM REVENUE BONDS

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

	1989 Series	1994A Series	1995 Series	1997 Series	1999 Series	2001 Series	2003A Series	2003B Series	2004A Series	2006B Series	2007 Series	2009 Series	2010 Series	2010B Series	2011 Series	2012 Series	2012A Series	Totals (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES																		
Collections of interest on loans to local governmental units	$ 20,928	121,987	150,293	211,967	289,593	1,521,574	634,494	228,771	271,630	2,062,559	376,859	96,411	1,248,298	1,085,728	498,714	-		8,518,808
Payments (to) from other suppliers	(1,000)	(82,039)	(86,009)	(62,876)	(14,535)	(133,617)	(50,382)	(1,311)	(1,000)	(155,841)	(1,250)	(1,250)	(3,959)	(3,598)	(9,181)	-	-	(622,939)
Interest paid on debt	(20,309)	(41,971)	(73,640)	(187,610)	(271,294)	(1,320,811)	(530,397)	(220,390)	(262,822)	(1,999,360)	(356,726)	(92,529)	(1,205,529)	(1,045,800)	(482,729)	-	-	(8,111,517)
Net cash provided (used) by operating activities	(381)	(2,023)	(9,356)	(38,519)	3,764	67,146	53,715	7,070	7,808	(92,642)	18,883	2,632	38,789	36,330	6,804	-	-	100,020
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:																		
Transfer (to) from Oklahoma Water Resources Board	(144,837)	(32,353)	-			-		-		-		-	-	-		-	-	(177,190)
Issuance of long-term debt	-	-	-	-		-		-		-		-		-		30,595,000	33,445,000	64,040,000
Repayments of long-term debt	(260,000)	(3,265,000)	(5,410,000)	(1,115,000)	(995,000)	(3,245,000)	(2,790,000)	(1,370,000)	(1,020,000)	(2,180,000)	(370,000)	(105,000)	(1,120,000)	(700,000)		-	-	(23,945,000)
Gross production tax	-		-		-	-		-	-	-		-	-	-	-		-	
Net cash provided (used) by noncapital financing activities	(404,837)	(3,297,353)	(5,410,000)	(1,115,000)	(995,000)	(3,245,000)	(2,790,000)	(1,370,000)	(1,020,000)	(2,180,000)	(370,000)	(105,000)	(1,120,000)	(700,000)	-	30,595,000	33,445,000	6,482,510
CASH FLOWS FROM INVESTING ACTIVITIES:																		
Collections of principal on loans to local governmental units	255,000	5,236,909	5,364,350	1,099,800	991,650	5,598,300	3,414,900	1,370,000	1,020,000	2,180,000	333,910	105,000	1,120,000	700,000		-		26,829,619
Sales (purchase) of investments	-	(11,892,000)		-		-		-		-		-		-		-		(11,892,000)
Loans to local governments	-	-	-	-	-	-	-	-		-		-		-		(30,595,000)	(33,445,000)	(64,040,000)
Interest income	144,844	25,253	94	28	20	132	93	16	13	48	15	2	16	5	2	-	291	170,872
Net cash provided (used) by investing activities	399,844	(6,629,838)	5,364,444	1,099,828	991,670	5,598,432	3,414,993	1,370,016	1,020,013	2,180,048	333,925	105,002	1,120,016	700,005	2	(30,595,000)	(33,444,709)	(48,931,509)
Net increase (decrease) in cash and cash equivalents	(5,374)	(11,929,314)	(54,912)	(53,691)	434	2,420,578	688,608	7,086	7,821	(92,594)	22,808	2,634	38,805	36,335	6,806	-	291	(8,903,679)
Cash and cash equivalents, beginning of year	55,732	14,675,472	130,365	129,692	138,126	675,233	717,356	76,152	73,287	296,405	83,608	5,174	32,496	15,126	7,183		-	17,111,407
Cash and cash equivalents, end of year	$ 50,358	2,746,158	75,453	76,001	138,560	3,095,811	1,405,964	83,238	81,108	203,811	106,416	7,808	71,301	51,461	13,989	-	291	8,207,728
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:																		
Operating income (loss)	$ (6,477)	12,920	9,212	5,469	(20,168)	59,603	10,599	(10,212)	(2,080)	(319)	10,717	(1,234)	(263)	(2,254)	(521)	34	(2,336)	62,668
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:																	-	
Amortization of bond issuance costs and discount	5,769	23,640	13,312	9,985	4,341	9,175	3,190	9,564	1,620		-		-	-	-		-	80,596
Decrease (Increase) Interest receivable	5,788	7,524	19,732	644	6,759	64,061	14,373	12,056	11,968	22,591	41	353	1,606	984	(143,351)	(533,869)	(241,655)	(750,173)
Decrease (Increase) Other receivables	-	-	-	-	-	-		-		-		-		-		-		-
Increase (Decrease) Accrued interest payable	(5,770)	(3,854)	(16,143)	(8,277)	(6,216)	(24,025)	(21,189)	(11,559)	(11,475)	(21,800)	(3,700)	-	(1,200)	1,300	138,632	513,984	217,202	733,715
Increase (Decrease) Other accrued liabilities	309	(42,253)	(35,469)	(46,340)	19,016	(41,668)	46,742	7,221	7,775	(93,114)	11,825	3,513	38,646	36,300	12,039	19,851	26,789	(25,806)
Net cash provided (used) by operating activities	$ (381)	(2,023)	(9,356)	(38,519)	3,764	67,146	53,715	7,070	7,808	(92,642)	18,883	2,632	38,789	36,330	6,804	-		100,020

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

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

Arledge
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CERTIFIED PUBLIC ACCOUNTANTS

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 1999 (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.*

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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.

Arledge & Associates, P.C.

Edmond, Oklahoma
October 12, 2012