

State of Oklahoma



WATER RESOURCES BOARD
the water agency

**STATE LOAN PROGRAM REVENUE BONDS
SERIES 2006B**

**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 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

TABLE OF CONTENTS

	Page
Independent Auditor’s Report on Financial Statements	3-4
Management’s Discussion and Analysis	5-9
The Basic Financial Statements:	
Statements of Net Assets	11
Statements of Revenues, Expenses, and Changes in Net Assets	12
Statements of Cash Flows	13
Footnotes to Statements	14-18
Supplemental Information:	
Independent Auditor’s Report on Additional Information	20
Grouped Statements of Net Assets	21
Grouped Statements of Revenues, Expenses, and Changes in Net Assets	22
Grouped Statements of Cash Flows	23
Internal Control over Financial Reporting and Compliance	24-26
Independent Auditor’s Report on Internal Control and Compliance	



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 2006B (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 2006B as of June 30, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Adge & Associates, P.C.

Edmond, Oklahoma

October 12, 2012

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Oklahoma Water Resources Board State Loan Program Revenue Bonds – Series 2006B (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 2006B Bond Program.

Financial Highlights

- The Board issued a \$52,585,000 bond issue in July 2006 to refund a portion of the Board's outstanding State Loan Program Revenue Bonds originally issued for the purpose of making loans to Local Entities to provide for acquisition, development and utilization of storage and control facilities for water and sewage systems.
- Total Assets decreased 5% from \$45,498,342 to \$43,203,157 between FY 2011 to FY 2012. Total Assets decreased 4.3% from \$47,554,830 to \$45,498,342 between FY 2010 to FY 2011.
- Total Net Assets decreased from \$12,322 in FY 2011 to \$12,051 in FY 2012. Total Net Assets decreased from \$12,884 in FY 2010 to \$12,322 in FY 2011.
- Other accrued liabilities decreased 31.0% in FY 2012 and 25.0% in FY 2011. Administrative fees assessed but not used during the fiscal year are "banked" for future administrative costs. During FY 2012, the Board drew \$150,000 administrative fees from this Bond Series. No fees were drawn 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.)

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

- 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 2006B
Net Assets**

	Business-Type Activities		
	June 30,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 2,973,157	\$ 3,003,342	\$ 2,879,830
Non-current assets	40,230,000	42,495,000	44,675,000
Total assets	43,203,157	45,498,342	47,554,830
Current liabilities	2,961,106	2,991,020	2,866,946
Non-current liabilities	40,230,000	42,495,000	44,675,000
Total liabilities	43,191,106	45,486,020	47,541,946
Net assets			
Unrestricted	12,051	12,322	12,884
Total net assets	\$ 12,051	\$ 12,322	\$ 12,884

(Unaudited. See accompanying auditor’s report.)

OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011

Oklahoma Water Resources Board
Revenue Bonds - Series 2006B
Revenues, Expenses, and Changes in Net Assets

	Business-Type		
	Activities		
	Years Ended June 30,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues			
Loan program income	\$ 2,039,968	\$ 2,129,448	\$ 2,215,457
Investment interest income	48	51	40
Total revenues	<u>2,040,016</u>	<u>2,129,499</u>	<u>2,215,497</u>
Expenses			
Trustee fees	5,697	6,127	6,335
Administration expenses	57,030	60,024	62,780
Interest expense	1,977,560	2,063,910	2,146,910
Total expenses	<u>2,040,287</u>	<u>2,130,061</u>	<u>2,216,025</u>
Increase (decrease) in net assets	(271)	(562)	(528)
Total net assets - beginning	12,322	12,884	13,412
Total net assets - ending	<u>\$ 12,051</u>	<u>\$ 12,322</u>	<u>\$ 12,884</u>

Long-Term Debt

At June 30, 2012, the Program had \$42,495,000 in long-term debt outstanding which represented a \$2,180,000 or 4.9% decrease from the prior year. At June 30, 2011, the Program had \$44,675,000 in long-term debt outstanding which represents a \$2,095,000 or 4.5% decrease from the prior year. The Program's changes in long-term debt by type of debt are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Beginning Balances:</u>			
Serial and term bonds due October 1, 2012 to October 1, 2025, interest rates at 3.75% to 5.00%	\$ 44,675,000	\$ 46,770,000	\$ 48,785,000
Less: debt principal repayments	<u>(2,180,000)</u>	<u>(2,095,000)</u>	<u>(2,015,000)</u>
Ending Balances	<u>\$ 42,495,000</u>	<u>\$ 44,675,000</u>	<u>\$ 46,770,000</u>
Amounts due in one year	2,265,000	2,180,000	2,095,000

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

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

Economic Factors and Next Year's Outlook

Due to the nature of the Series 2006B Bond Program, the Board expects a decrease in net assets and liabilities as the loan continues 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 2006B 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.)

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

BASIC FINANCIAL STATEMENTS

OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011

Statements of Net Assets – June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$203,811	\$296,405
Current portion of note receivable	2,265,000	2,180,000
Interest receivable:		
Note receivable	504,344	526,935
Other	2	2
 Total current assets	 <u>2,973,157</u>	 <u>3,003,342</u>
Noncurrent Assets:		
Note receivable net of current portion	40,230,000	42,495,000
 Total noncurrent assets	 <u>40,230,000</u>	 <u>42,495,000</u>
 Total assets	 <u>43,203,157</u>	 <u>45,498,342</u>
 LIABILITIES:		
Current Liabilities:		
Accrued interest payable	488,940	510,740
Current maturities of long-term debt	2,265,000	2,180,000
Other accrued liabilities	207,166	300,280
 Total current liabilities	 <u>2,961,106</u>	 <u>2,991,020</u>
Noncurrent liabilities:		
Long-term debt, less current maturities	40,230,000	42,495,000
 Total noncurrent liabilities	 <u>40,230,000</u>	 <u>42,495,000</u>
 Total liabilities	 <u>43,191,106</u>	 <u>45,486,020</u>
 NET ASSETS:		
Unrestricted	12,051	12,322
 Total net assets	 <u>\$12,051</u>	 <u>\$12,322</u>

See accompanying notes to the basic financial statements.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

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

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Loan program income	\$2,039,968	\$2,129,448
Total operating revenues	<u>2,039,968</u>	<u>2,129,448</u>
Operating Expenses:		
Trustee fees	5,697	6,127
Administration expenses	57,030	60,024
Interest expense	1,977,560	2,063,910
Total operating expenses	<u>2,040,287</u>	<u>2,130,061</u>
Operating income (loss)	(319)	(613)
Non-Operating Revenues:		
Other interest income	48	51
Total non-operating revenues	<u>48</u>	<u>51</u>
Change in net assets	(271)	(562)
Total net assets - beginning	12,322	12,884
Total net assets - ending	<u><u>\$12,051</u></u>	<u><u>\$12,322</u></u>

See accompanying notes to the basic financial statements.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

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

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of interest on loan to local governmental unit	\$2,062,559	\$2,151,157
Payments to other suppliers	(155,841)	(6,127)
Interest paid on debt	(1,999,360)	(2,084,860)
Net Cash Provided by (Used in) Operating Activities	<u>(92,642)</u>	<u>60,170</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments of long-term debt	(2,180,000)	(2,095,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(2,180,000)</u>	<u>(2,095,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of principal on loan to local governmental unit	2,180,000	2,095,000
Interest income	48	51
Net Cash Provided by Investing Activities	<u>2,180,048</u>	<u>2,095,051</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(92,594)	60,221
Balances - beginning of the year	<u>296,405</u>	<u>236,184</u>
Balances - end of the year	<u><u>\$203,811</u></u>	<u><u>\$296,405</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	(\$319)	(\$613)
Change in assets and liabilities:		
Decrease (Increase) in interest receivable	22,591	21,709
Increase (Decrease) in accrued interest payable	(21,800)	(20,950)
Increase (Decrease) in other accrued liabilities	(93,114)	60,024
Net Cash Provided by (Used in) Operating Activities	<u><u>(\$92,642)</u></u>	<u><u>\$60,170</u></u>

See accompanying notes to the basic financial statements.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

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 2006B (the "Program") commenced operations in July 2006. The Program was established by the Board to provide new loans to local governmental entities to be used to refund a portion of the Board's outstanding State Loan Program Revenue Bonds originally issued by the Board and to fund one new loan to a local governmental entity for its use in acquisition, development and utilization of storage and control facilities for water and sewer systems. Proceeds were used to make a new loan to an existing borrower for use in refinancing existing loans.

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.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

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

Bond Issuance Cost

Bond issuance costs were paid by the borrower.

Bond Issue Discount/Premium

The net premium/discount and underwriter discount was applied to the benefit of the borrower.

Cash Equivalents

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

Operating Revenues and Expenses

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

Use of Estimates

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

2. Cash Deposits and Investment Risk

Cash of \$203,811 and \$296,405 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.
- 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.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

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

- c. Money market funds regulated by the Securities and Exchange Commission and which investments consist of those items specified in (a) and (b) above.
- d. Investment agreements with entities maintaining a rating in the top two categories by a nationally recognized municipal bond rating agency.

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

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Federated Treasury Obligations Fund	16 days	AAAm	\$ 203,811
Total			<u>\$ 203,811</u>

Concentration of Investment Credit Risk – the bond indenture places no limit on the amount the Program may invest in any one issuer. The Program has the following concentration of credit risk: 100% or \$203,811 is invested in *Federated Treasury Obligations Fund*.

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

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Federated Treasury Obligations Fund	16 days	AAAm	\$ 296,405
Total			<u>\$ 296,405</u>

Concentration of Investment Credit Risk – the bond indenture places no limit on the amount the Program may invest in any one issuer. The Program had the following concentration of credit risk: 100% or \$296,405 is invested in *Federated Treasury Obligations Fund*.

3. Note Receivable

Note receivable of \$42,495,000 and \$44,675,000 at June 30, 2012 and 2011, respectively, represents the loan made by the Program to a local governmental entity for the purposes of refunding a portion of the Board's outstanding revenue bonds originally issued by the Board. Payments on the note are due in semiannual installments with the maturity date of 2025, including interest at various fixed rates; however, the local entity has the option to pay the note earlier than the scheduled maturity. The current portion of the note receivable contains scheduled maturities and any prepayments made subsequent to year-end through September 30, 2012. The note is collateralized by various revenue sources including, but not limited to user charges and sales taxes of the borrower and mortgages on the water and/or sewer systems.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

4. Program Fees

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

- During the year, an annual program administration fee of 0.1316% of fixed rate notes receivable outstanding during the period was charged to operations. These fees are payable to the Oklahoma Water Resources Board for providing clerical, management and administrative services.
- During the year, a trustee fee of 0.0134%, 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. 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, 2011 or 2012.

6. Long-term Debt

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

	<u>2012</u>	<u>2011</u>
<u>Beginning Balances:</u>		
Serial and term bonds due October 1, 2012 to October 1, 2025, interest rates at 3.75% to 5.00%	\$ 44,675,000	\$ 46,770,000
Less: debt principal repayments	(2,180,000)	(2,095,000)
Ending Balances	<u>\$ 42,495,000</u>	<u>\$ 44,675,000</u>
Amounts due in one year	2,265,000	2,180,000

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

6. Long-term Debt (cont'd)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$2,265,000	\$1,912,429	\$4,177,429
2014	2,355,000	1,821,998	4,176,998
2015	2,445,000	1,725,386	4,170,386
2016	2,545,000	1,624,488	4,169,488
2017	2,650,000	1,518,590	4,168,590
2018-2022	15,175,000	5,562,005	20,737,005
2023-2026	15,060,000	1,466,500	16,526,500
	<hr/>	<hr/>	<hr/>
Total	<u>\$42,495,000</u>	<u>\$15,631,396</u>	<u>\$58,126,396</u>

In addition to their normal scheduled maturity dates as shown above, the bonds may also be redeemed at the option of the Board, in whole or in part, on such dates and for such prices, plus accrued interest as are set forth in the bond indenture.

The 2006B 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.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and June 30, 2011**

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 2006B 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

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	(Maturity)
Cash	10,150	42,150	77,437	116,500	149,994	82,344	41,108	20,411	8,501	51,841	11,489	79,609	43,108	193,197	153,121	50,000	1,000,000	20,000,000	
Accounts receivable	20,000	5,410,000	884,200	2,477,400	1,117,200	1,118,000	3,193,000	2,290,000	1,121,000	3,000	5,920	130,000	490,000	2,100,000	1,100,000	3,000	3,000,000	1,000,000	
Accounts payable	1,500	8,100	4,500	10,800	27,000	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	8,100	
Other receivables																			
Total current assets	12,650	47,560	86,134	137,300	177,994	100,444	52,208	22,701	9,601	54,841	17,409	193,609	45,108	216,197	164,121	53,000	3,000,000	21,000,000	
Long term investments																			
Property, plant & equipment	100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	
Goodwill																			
Total non-current assets	100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	
Total assets	12,650	47,560	86,134	137,300	177,994	100,444	52,208	22,701	9,601	54,841	17,409	193,609	45,108	216,197	164,121	53,000	3,000,000	21,000,000	
Liabilities																			
Accounts payable																			
Notes payable																			
Total liabilities																			
Equity																			

For each in dollars based on the number of shares of common stock outstanding.

OKLAHOMA WATER RESOURCES BOARD STATE LOAN PROGRAM REVENUE BONDS

SUPPLEMENTAL INFORMATION
 GENERAL STATEMENTS OF CASH FLOWS
 US Programs Bond Issues
 For the Year Ended June 30, 2012

	1989 Series	1994 Series	1998 Series	1999 Series	2001 Series	2003 Series	2004 Series	2005 Series	2006 Series	2007 Series	2009 Series	2010 Series	2011 Series	2012 Series	1-6th (1/2) Series
CASH FLOWS FROM OPERATING ACTIVITIES:															
Collection of interest on loans to local governmental units	20,928	121,967	140,291	149,291	1,821,874	6,044,404	2,287,771	2,062,249	378,839	2,062,249	96,411	1,246,268	605,714	405,714	NA/NA/NA
Payments (to) from other suppliers	(1,700)	(62,079)	(64,079)	(64,079)	(33,617)	(40,152)	(1,314)	(15,341)	(1,250)	(15,341)	(1,250)	(1,959)	(1,959)	(1,959)	(1,959)
Interest paid on debt	(20,309)	(41,871)	(43,640)	(43,640)	(1,320,811)	(5,819,977)	(2,309,040)	(1,999,760)	(166,236)	(1,999,760)	(2,829,292)	(1,205,429)	(827,792)	(827,792)	(827,792)
Net cash provided (used) by operating activities	(891)	(82,983)	(68,428)	(68,428)	437,446	1,164,374	978,417	947,138	111,313	947,138	111,313	14,030	6,016	6,016	10,020
CASH FLOWS FROM FINANCIAL ACTIVITIES:															
Transfer to) from) Oklahoma Water Resources Board	(14,437)	(12,351)	-	-	-	-	-	-	-	-	-	-	-	-	417,100
Issuance of long term debt	(26,000)	(1,265,000)	(5,401,000)	(995,000)	4,790,000	(1,370,000)	(1,020,000)	(2,160,000)	(370,000)	(370,000)	(1,050,000)	(1,120,000)	(730,000)	(730,000)	64,000,000
Repayments of long term debt	(64,537)	(1,297,753)	(5,401,000)	(995,000)	(1,254,000)	(2,700,000)	(1,020,000)	(2,160,000)	(370,000)	(370,000)	(1,050,000)	(1,120,000)	(730,000)	(730,000)	(2,300,000)
Net cash provided (used) by financial activities	(105,074)	(2,615,104)	(10,001,000)	(2,085,000)	2,786,000	(3,030,000)	(1,040,000)	(4,020,000)	(740,000)	(740,000)	(1,000,000)	(1,120,000)	(730,000)	(730,000)	61,670,000
CASH FLOWS FROM INVESTING ACTIVITIES:															
Collection of principal on loans to local governmental units	255,000	3,216,809	5,368,150	991,650	7,908,300	3,413,810	1,020,000	2,160,000	371,910	2,160,000	1,050,000	1,120,000	730,000	730,000	26,528,810
Loans to local governments	(14,644)	25,873	94	94	132	132	16	46	15	46	16	16	16	16	(11,802,000)
Interest income	59,644	(1,629,612)	5,368,444	991,650	4,906,432	3,413,810	1,020,013	2,160,046	371,925	2,160,046	1,050,013	1,120,016	730,016	730,016	(64,000,000)
Net cash provided (used) by investing activities	(8,984)	(1,327,340)	1,735,698	1,074,394	1,814,866	7,927,152	1,040,029	1,300,092	403,825	1,300,092	1,060,029	1,130,016	740,032	740,032	17,727,810
Net income (decrease) in cash and cash equivalents	(8,984)	(1,327,340)	1,735,698	1,074,394	4,540,170	668,608	7,066	(22,904)	22,900	(22,904)	2,674	38,004	6,006	6,006	(5,901,670)
Initial cash equivalents, beginning of year	45,252	14,675,412	128,652	128,652	2,923,230	7,120,000	9,152	29,805	53,608	29,805	5,174	15,126	5,181	5,181	17,111,807
Cash and cash equivalents, end of year	36,268	12,348,072	129,350	129,350	7,463,400	7,788,608	9,168	6,901	80,513	6,901	7,848	13,089	11,187	11,187	11,200,137
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:															
Depreciation (to) from) operating activities	(5,477)	12,920	9,212	5,469	(9,660)	10,599	(10,212)	(2,060)	(1,917)	(1,917)	(2,254)	(2,254)	(2,254)	(2,254)	62,665
Amortization of bond premium credits and discounts	8,760	21,640	17,312	9,935	9,173	3,130	9,264	1,620	9,264	1,620	3,966	4,106	4,106	4,106	40,250
Provision for doubtful accounts	2,768	7,254	19,772	644	64,075	14,171	12,056	11,966	22,901	22,901	41	383	383	383	(20,170)
Decrease (Increase) in accrued interest payable	(8,770)	(3,854)	(16,453)	(6,277)	(24,025)	(11,490)	(11,490)	(21,800)	(3,700)	(21,800)	(1,400)	(1,400)	(1,400)	(1,400)	915,714
Increase (Decrease) in accrued interest receivable	309	(62,253)	(15,469)	(66,340)	141,681	46,742	7,221	13,328	13,328	13,328	3,913	3,646	3,646	3,646	26,750
Net cash provided (used) by operating activities	(1,111)	(2,021,213)	(9,246)	(3,764)	43,716	7,808	7,808	(52,642)	19,853	(52,642)	2,432	3,759	6,348	6,348	1,016,210

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

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012 and June 30, 2011**

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 2006B (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.

Arledge & Associates, P.C.

Edmond, Oklahoma
October 12, 2012