

State of Oklahoma



**STATE LOAN PROGRAM REVENUE BONDS
SERIES 2010**

**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 2010
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 2010 (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 2010 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.

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 2010 (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 2010 Bond Program.

Financial Highlights

- The Board issued a \$30,035,000 bond issue in June 2010 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 3.56% from \$30,380,466 to \$29,297,466 between FY 2011 and FY 2012. Total Assets increased .98% from \$30,085,517 to \$30,380,466 between FY 2010 and FY 2011.
- Total Net Assets decreased from \$940 in FY 2011 to \$694 in FY 2012. Total Net Assets increased from a deficit of (\$482) in FY 2010 to \$940 in FY 2011.
- At the time of the bond closing, two loans were identified to receive the bond funds.
- Other accrued liabilities increased 91.05% from \$42,444 in FY 2011 to \$81,090 in FY 2012. Administrative fees assessed but not used during the fiscal year are "banked" for future administrative costs. No administrative fees have been drawn from this Bond Series.

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

(Unaudited. See accompanying auditor’s report.)

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- 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.

**Oklahoma Water Resources Board
Revenue Bonds - Series 2010
Net Assets**

	Business-Type Activities		
	June 30,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current Assets	\$ 1,507,466	\$ 1,465,466	\$ 50,517
Non-current Assets	27,790,000	28,915,000	30,035,000
Total assets	29,297,466	30,380,466	30,085,517
Current liabilities	1,506,772	1,464,526	50,999
Non-current liabilities	27,790,000	28,915,000	30,035,000
Total liabilities	29,296,772	30,379,526	30,085,999
Net assets (deficit)			
Unrestricted	694	940	(482)
Total net assets (deficit)	\$ 694	\$ 940	\$ (482)

(Unaudited. See accompanying auditor’s report.)

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**Oklahoma Water Resources Board
Revenue Bonds - Series 2010
Revenues, Expenses, and Changes in Net Assets**

	Business-Type Activities		
	Year Ended June 30,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues			
Loan program income	\$ 1,246,462	\$ 1,255,824	\$ 48,217
Investment interest income	17	7	-
Total revenues	<u>1,246,479</u>	<u>1,255,831</u>	<u>48,217</u>
Expenses			
Trustee fees	3,912	4,036	157
Administration expenses	38,684	38,688	1,551
Interest expense	1,204,129	1,211,685	46,991
Total expenses	<u>1,246,725</u>	<u>1,254,409</u>	<u>48,699</u>
Increase (decrease) in net assets	(246)	1,422	(482)
Total net assets (deficit) - beginning	940	(482)	-
Total net assets (deficit) - ending	<u>\$ 694</u>	<u>\$ 940</u>	<u>\$ (482)</u>

Long-Term Debt

At year-end, the Program had \$28,915,000 in long-term debt outstanding. The change in long-term debt is due to principal payments of \$1,120,000. At June 30, 2011 the program had \$30,035,000 in long-term debt outstanding. The Program's changes in long-term debt by type of debt are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Serial and term bonds due October 1, 2012 to October 1, 2030, interest rates at 3.00% to 5.00%	\$ 30,035,000	\$ 30,035,000	-
Less: debt principal repayments	(1,120,000)	-	-
Ending balances	<u>\$ 28,915,000</u>	<u>\$ 30,035,000</u>	<u>\$ 30,035,000</u>
Amounts due in one year	\$ 1,125,000	\$ 1,120,000	\$ -

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

(Unaudited. See accompanying auditor's report.)

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Economic Factors and Next Year's Outlook

Due to the nature of the Series 2010 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 2010 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>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$71,301	\$32,496
Current portions of notes receivable	1,125,000	1,120,000
Interest receivable:		
Notes receivable	311,164	312,970
Other	1	-
 Total current assets	 <u>1,507,466</u>	 <u>1,465,466</u>
Noncurrent Assets:		
Notes receivable	27,790,000	28,915,000
 Total noncurrent assets	 <u>27,790,000</u>	 <u>28,915,000</u>
 Total assets	 <u>29,297,466</u>	 <u>30,380,466</u>
 LIABILITIES:		
Current Liabilities:		
Accrued interest payable	300,682	302,082
Current maturities of long-term debt	1,125,000	1,120,000
Other accrued liabilities	81,090	42,444
 Total current liabilities	 <u>1,506,772</u>	 <u>1,464,526</u>
Noncurrent liabilities:		
Long-term debt, less current maturities	27,790,000	28,915,000
 Total noncurrent liabilities	 <u>27,790,000</u>	 <u>28,915,000</u>
 Total liabilities	 <u>29,296,772</u>	 <u>30,379,526</u>
 NET ASSETS:		
Unrestricted	694	940
 Total net assets	 <u>\$694</u>	 <u>\$940</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>
Operating Revenues:		
Loan program income	\$1,246,462	\$1,255,824
	<u>1,246,462</u>	<u>1,255,824</u>
Total operating revenues		
Operating Expenses:		
Trustee fees	3,912	4,036
Administration expenses	38,684	38,688
Interest expense	1,204,129	1,211,685
	<u>1,246,725</u>	<u>1,254,409</u>
Total operating expenses		
Operating income (loss)	(263)	1,415
Non-Operating Revenues:		
Other interest income	17	7
	<u>17</u>	<u>7</u>
Total non-operating revenues		
	17	7
Change in net assets	(246)	1,422
Total net assets (deficit) - beginning	940	(482)
Total net assets - ending	<u>\$694</u>	<u>\$940</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>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections of interest on loans to local governments	\$1,248,268	\$991,071
Payments (to) from other suppliers	(3,950)	(4,288)
Interest paid on debt	(1,205,529)	(956,594)
	<u>\$38,789</u>	<u>\$30,189</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayments of Long-term Debt	(1,120,000)	-
	<u>(1,120,000)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections of principal on loans to local governmental units	1,120,000	-
Interest income	16	7
	<u>1,120,016</u>	<u>7</u>
Net Increase in Cash and Cash Equivalents	\$38,805	\$30,196
Balances - beginning of the year	\$32,496	\$2,300
Balances - end of the year	\$71,301	\$32,496
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	(\$263)	\$1,415
Change in assets and liabilities:		
Decrease (Increase) in interest receivable	1,806	(264,753)
Increase (Decrease) in accrued interest payable	(1,400)	255,091
Increase (Decrease) in other accrued liabilities	38,646	38,436
	<u>38,646</u>	<u>38,436</u>
Net Cash Provided by Operating Activities	\$38,789	\$30,189

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 2010 (the "Program") commenced operations in June 2010. The Program was established by the Board to provide new loans to local governmental entities and to be used to refund a portion of the Board's outstanding State Loan Program Revenue Bonds originally issued by the Board. The 2010 issue was used to fund two new loans to local governmental entities for their use in acquisition, development and utilization of storage and control facilities for water and sewer systems.

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.

Bond Issuance Cost

Bond issuance costs were paid by the borrowers.

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

Bond Issue Discount

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

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 \$71,301 and \$32,496 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.
- 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:

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

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Federated Treasury Obligations Fund	16 days	AAAm	\$ 71,301
Total			<u>\$ 71,301</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 \$71,301 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	\$ 32,496
Total			<u>\$ 32,496</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 \$32,496 is invested in *Federated Treasury Obligations Fund*.

3. Notes Receivable

Notes receivable of \$28,915,000 and \$30,035,000 at June 30, 2012 and 2011, respectively, represents loans made by the Program to local governmental entities for the purposes of acquisition, development, utilization of storage and control facilities for water and sewage systems. Payments on the notes are due in semiannual installments with various maturity dates through 2030, including interest at various fixed rates; however, the local entities have the option to pay the note earlier than the scheduled maturity. The program has \$1,125,000 of notes scheduled to mature within the next year. 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.

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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 .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 .0134% of bonds outstanding was charged to operations. Fees are calculated twice a year using the balance of bonds outstanding at March 31 and September 30.

5. Arbitrage Rebate Due Federal Government

In order for the interest on the Program's bonds to be tax exempt, the Program must comply with certain provisions of the Internal Revenue Code, as amended. One provision requires that arbitrage earnings (defined as the excess of the amount earned on all nonpurpose investments over the amount which would have been earned if the nonpurpose investments were invested at a rate equal to the bond yield) be rebated to the Internal Revenue Service. This rebate is payable at the end of each five years during the term of the issue. The Program had no arbitrage liability at June 30, 2012 and 2011.

6. Long-term Debt

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

	<u>2012</u>	<u>2011</u>
Serial and term bonds due October 1, 2012 to October 1, 2030, interest rates at 3.00% to 5.00%	\$ 30,035,000	\$ 30,035,000
Less: debt principal repayments	(1,120,000)	-
Ending balances	<u>\$ 28,915,000</u>	<u>\$ 30,035,000</u>
Amounts due in one year	<u>\$ 1,125,000</u>	<u>\$ 1,120,000</u>

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6. Long-term Debt (continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$1,125,000	\$1,185,854	\$2,310,854
2014	1,165,000	1,151,504	2,316,504
2015	1,195,000	1,116,104	2,311,104
2016	1,230,000	1,079,729	2,309,729
2017	1,270,000	1,042,229	2,312,229
2018-2022	6,845,000	4,505,356	11,350,356
2023-2027	8,110,000	2,925,949	11,035,949
2028-2031	<u>7,975,000</u>	<u>804,938</u>	<u>8,779,938</u>
Total	<u>\$28,915,000</u>	<u>\$13,811,663</u>	<u>\$42,726,663</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 2010 Bonds share in an aggregate debt service reserve along with all the other Board bond programs. At June 30, 2012, the aggregate debt service reserves totaled \$17,766,508. The debt service reserves are reflected in the Board bond programs Series 1989 and 1994A.

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

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SUPPLEMENTAL INFORMATION



INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

To the Members of the
Oklahoma Water Resources Board

Our report on our audit of the financial statements of the Oklahoma Water Resources Board State Loan Program Revenue Bonds – Series 2010 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.

A handwritten signature in cursive script that reads 'Arledge & Associates, P.C.'.

Edmond, Oklahoma
October 12, 2012

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

	1980 Series	1994A Series	1995 Series	1997 Series	1999 Series	2001 Series	2003A Series	2003B Series	2003A Series	2004 Series	2004B Series	2010 Series	2010B Series	2011 Series	2012 Series	Total
REVENUES																
Operating revenues	\$ 15,140	\$ 314,463	\$ 130,561	\$ 211,323	\$ 302,804	\$ 1,485,491	\$ 620,123	\$ 216,715	\$ 259,662	\$ 2,039,968	\$ 276,818	\$ 96,008	\$ 1,004,974	\$ 642,665	\$ 433,869	\$ 9,589,943
Loan program income	15,140	314,463	130,561	211,323	302,804	1,485,491	620,123	216,715	259,662	2,039,968	276,818	96,008	1,004,974	642,665	433,869	9,589,943
Total operating revenues	15,140	314,463	130,561	211,323	302,804	1,485,491	620,123	216,715	259,662	2,039,968	276,818	96,008	1,004,974	642,665	433,869	9,589,943
EXPENSES																
Operating Expenses:																
Trustee fees	1,000	1,000	863	1,000	1,205	4,442	2,510	1,311	1,000	4,607	1,290	1,290	3,003	2,434	1,045	35,546
Administration fees	599	27,868	37,280	13,160	41,266	75,183	62,137	7,221	7,775	67,000	17,825	3,413	36,345	18,786	18,096	47,252
Interest expense	18,121	48,851	63,259	183,548	266,106	1,299,844	910,936	298,779	246,052	1,977,560	553,026	92,529	1,047,000	621,366	513,984	8,072,292
Amortization of bond insurance cost	2,187	12,006	5,770	3,315	3,315	6,117	1,462	9,616	6,015	-	-	-	-	-	-	55,938
Standby bond purchase agreement fees	-	6,870	8,636	1,866	9,185	8,549	36,711	-	-	-	-	-	-	-	-	71,517
Remarketing fees	-	4,028	3,793	810	1,615	5,768	5,766	-	-	-	-	-	-	-	-	21,222
Total operating expenses	21,617	101,543	121,340	205,854	322,075	1,977,801	609,832	226,927	261,742	2,047,767	366,111	97,292	1,087,028	642,586	533,991	9,555,761
Operating income (loss)	(6,477)	202,920	9,221	5,469	(20,160)	(50,000)	(10,599)	(10,212)	(2,080)	(319)	(10,292)	(1,284)	(2,244)	(521)	34	(2,688)
NONOPERATING REVENUES (EXPENSES)																
Credit (prepayment) fee arbitrage rebate	3,529	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,529
Other interest income	144,843	26,889	94	28	20	152	99	16	13	48	15	2	5	2	291	172,934
Gifts and other income	144,843	26,889	94	28	20	152	99	16	13	48	15	2	5	2	291	172,934
Net nonoperating revenues	148,372	26,889	94	28	20	152	99	16	13	48	15	2	5	2	291	176,463
Income (loss) before transfers	141,895	26,889	94	28	20	152	99	16	13	48	15	2	5	2	291	179,997
Transfers (to) from Oklahoma Water Resources Board	(144,837)	(12,353)	-	-	-	-	-	-	-	-	-	-	-	-	-	(157,190)
Change in net assets	(2,942)	14,536	94	28	20	152	99	16	13	48	15	2	5	2	291	22,807
NET ASSETS																
Net assets, beginning of year	\$ 3,010,401	\$ 15,664,758	\$ 761,752	\$ 2,758,838	\$ 183,321	\$ 813,344	\$ 26,711	\$ 72,526	\$ 26,272	\$ 12,051	\$ 248,163	\$ (974)	\$ 8,074	\$ 5,825	\$ 34	\$ 21,670,346
Net assets (deficit), end of year	\$ 3,007,459	\$ 15,679,294	\$ 761,846	\$ 2,758,966	\$ 183,521	\$ 813,496	\$ 26,810	\$ 72,642	\$ 26,424	\$ 12,199	\$ 248,278	\$ (972)	\$ 8,119	\$ 5,827	\$ 34	\$ 21,693,153

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

OMAHA WATER SOURCE'S BOARD STATE LOAN PROGRAM REVENUE BONDS

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	12-Month (March 2012 - March 2013)
CASH FLOWS FROM OPERATING ACTIVITIES:															
• Increase (decrease) on loans to local governmental units	20,274	131,997	213,907	590,103	1,521,574	2,717,630	2,062,510	579,146	96,411	1,248,204	1,785,224	694,714	84,146	3,145,046	
• Increase (decrease) on other operating	(18,000)	(4,000)	(62,876)	(142,134)	(11,817)	(1,113)	(195,841)	(1,200)	(1,000)	(1,500)	(1,000)	(9,191)	(1,000)	(4,200)	
• Interest paid on debt	(20,000)	(1,000)	(1,000)	(27,200)	(1,200,000)	(582,421)	(1,000,000)	(1,000,000)	(192,500)	(1,200,000)	(1,000,000)	(1,200,000)	(1,000,000)	(1,100,000)	
• Net cash provided (used) by operating activities	(18,000)	126,997	149,031	340,769	3,209,767	1,034,307	866,669	(420,854)	(105,089)	446,704	784,224	485,523	(150,000)	1,940,846	
CASH FLOWS FROM FINANCIAL ACTIVITIES:															
• Increase (decrease) from sales of securities	(144,817)	(1,215)	-	-	-	-	-	-	-	-	-	-	-	-	
• Increase (decrease) from sale of long-term debt	(260,000)	(1,365,000)	(1,115,000)	(995,000)	(5,245,000)	(1,570,000)	(2,140,000)	(1,700,000)	(1,000,000)	(1,200,000)	(900,000)	(700,000)	(700,000)	(44,000,000)	
• Increase (decrease) from sale of long-term debt	(404,817)	(1,267,215)	(1,116,000)	(1,000,000)	(5,750,000)	(1,571,000)	(2,140,000)	(1,700,000)	(1,000,000)	(1,200,000)	(900,000)	(700,000)	(700,000)	(44,044,000)	
• Net cash provided (used) by financial activities	(549,634)	(1,268,215)	(1,115,000)	(1,000,000)	(2,540,233)	(1,571,000)	(2,140,000)	(1,700,000)	(1,000,000)	(1,200,000)	(900,000)	(700,000)	(700,000)	(44,088,000)	
CASH FLOWS FROM INVESTING ACTIVITIES:															
• Net increase (decrease) in cash and cash equivalents	25,268	1,220,009	2,099,031	3,090,539	5,299,300	1,370,000	2,107,500	17,290	(105,089)	1,200,000	1,000,000	1,200,000	500,000	20,228,010	
• Cash and cash equivalents at beginning of year	144,817	34,287	25	25	5,299,300	1,370,000	2,107,500	17,290	(105,089)	1,200,000	1,000,000	1,200,000	500,000	11,052,000	
• Cash and cash equivalents at end of year	170,085	168,574	124,280	124,280	10,598,600	2,740,000	4,215,000	34,580	10,191	2,400,000	2,000,000	2,400,000	1,000,000	31,280,010	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:															
• Operating income (loss)	4,769	25,040	33,732	5,954	9,175	9,564	1,620	41	541	1,200	474	(453,511)	(513,669)	(248,655)	
• Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	5,744	7,724	20,712	64	64,000	32,000	22,500	41	541	1,200	474	(453,511)	(513,669)	(248,655)	
• Depreciation of fixed assets	(5,770)	(8,854)	(2,279)	(6,210)	(24,025)	(11,589)	(21,900)	(1,700)	(1,000)	(1,200)	1,500	138,017	513,669	217,202	
• Increase (Decrease) other accrued liabilities	509	(61,251)	(46,346)	19,016	(41,632)	2,221	(5,151)	11,329	(1,500)	15,646	(6,330)	12,019	19,851	26,546	
• Net cash provided (used) by operating activities	(18,000)	126,997	149,031	340,769	3,209,767	1,034,307	866,669	(420,854)	(105,089)	446,704	784,224	485,523	(150,000)	1,940,846	

See notes to financial statements for additional information and related disclosures.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2012 and 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 2010 (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