

State of Oklahoma



**STATE LOAN PROGRAM REVENUE BONDS
SERIES 2010B**

**FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012 AND
FOR THE INITIAL PERIOD FROM NOVEMBER 3, 2010 (DATE OF
INCEPTION) TO JUNE 30, 2011
AND INDEPENDENT AUDITOR'S REPORTS**

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**
As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of
inception) to 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	24-25
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 statement of net assets of the Oklahoma Water Resources Board State Loan Program Revenue Bonds - Series 2010B (the "Program") as of June 30, 2012 and 2011, and the related statement of revenues, expenses, and changes in net assets and cash flows for the year ended June 30, 2012 and the initial period from November 3, 2010 (date of inception) to June 30, 2011. 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 2010B as of June 30, 2012 and 2011, and the changes in financial position and cash flows for the year ended June 30, 2012 and the initial period from November 3, 2010 (date of inception) to June 30, 2011 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.



Edmond, Oklahoma
October 12, 2012

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**

**As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of
inception) to June 30, 2011**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**

**As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of
inception) to June 30, 2011**

MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Oklahoma Water Resources Board State Loan Program Revenue Bonds – Series 2010B (the "Program") financial performance for the 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 2010B Bond Program.

Financial Highlights

- The Board issued a \$27,955,000 bond issue in November 2010 for the purpose of making a loan to a Local Entity to purchase water storage rights and make water system improvements.
- Total Assets decreased 2.35% from \$28,242,035 to \$27,577,416 between June 30, 2011 and June 30, 2012.
- Total Net Assets decreased 27.85% from \$8,074 to \$5,825 between June 30, 2012 and June 30, 2011.
- Other accrued liabilities increased 189.36% from \$19,186 in FY 2011 to \$55,516 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, although the administrative fees have been incurred.

Using This Annual Report

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

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

- Management’s Discussion and Analysis – that provides useful analysis that facilitates a better understanding of the Program’s financial condition and changes therein.
- Basic Financial Statements
 - Statement of Net Assets
 - Statement of Revenues, Expenses and Changes in Net Assets
 - Statement of Cash Flows

(Unaudited. See accompanying auditor’s report.)

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**

As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of inception) to June 30, 2011

- 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 period 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 period?” 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 B
Net Assets**

	Business-Type	
	Activities	
	June 30,	
	<u>2012</u>	<u>2011</u>
Current Assets	\$ 1,092,416	\$ 987,035
Non-current Assets	26,485,000	27,255,000
Total assets	<u>27,577,416</u>	<u>28,242,035</u>
Current liabilities	1,086,591	978,961
Non-current liabilities	26,485,000	27,255,000
Total liabilities	<u>27,571,591</u>	<u>28,233,961</u>
Net assets		
Unrestricted	5,825	8,074
Total net assets	<u>\$ 5,825</u>	<u>\$ 8,074</u>

(Unaudited. See accompanying auditor’s report.)

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**

As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of inception) to June 30, 2011

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

	Business-Type Activities	
	Period Ended June 30,	
	<u>2012</u>	<u>2011</u>
Revenues		
Loan program income	\$ 1,084,774	\$ 719,047
Investment interest income	5	2
Total revenues	<u>1,084,779</u>	<u>719,049</u>
Expenses		
Trustee fees	3,683	2,164
Administration expenses	36,345	18,562
Interest expense	1,047,000	690,249
Total expenses	<u>1,087,028</u>	<u>710,975</u>
Increase in net assets	(2,249)	8,074
Total net assets - beginning	8,074	-
Total net assets - ending	<u>\$ 5,825</u>	<u>\$ 8,074</u>

Long-Term Debt

At year-end, the Program had \$27,255,000 in long-term debt outstanding which represents a \$700,000 or 2.5% 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>
Serial and term bonds due October 1, 2012 to October 1, 2035, interest rates at 2.00% to 5.00%	\$ 27,955,000	-
Less: debt principal repayments	(700,000)	-
Plus: debt issued	-	\$ 27,955,000
Ending balances	<u>\$ 27,255,000</u>	<u>\$ 27,955,000</u>
Amounts due in one year	\$ 770,000	\$ 700,000

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 2010B
ANNUAL FINANCIAL REPORT**

**As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of
inception) to June 30, 2011**

Economic Factors and Next Year's Outlook

Due to the nature of the Series 2010B 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 2010B 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 2010B
ANNUAL FINANCIAL REPORT**

**As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of
inception) to June 30, 2011**

BASIC FINANCIAL STATEMENTS

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**

As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of inception) to 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	\$51,461	\$15,126
Current portions of note receivable	770,000	700,000
Interest receivable:		
Note receivable	270,955	271,909
Total current assets	<u>1,092,416</u>	<u>987,035</u>
Noncurrent Assets:		
Note receivable	26,485,000	27,255,000
Total noncurrent assets	<u>26,485,000</u>	<u>27,255,000</u>
Total assets	<u>27,577,416</u>	<u>28,242,035</u>
 LIABILITIES:		
Current Liabilities:		
Accrued interest payable	261,075	259,775
Current maturities of long-term debt	770,000	700,000
Other accrued liabilities	55,516	19,186
Total current liabilities	<u>1,086,591</u>	<u>978,961</u>
Noncurrent liabilities:		
Long-term debt, less current maturities	26,485,000	27,255,000
Total noncurrent liabilities	<u>26,485,000</u>	<u>27,255,000</u>
Total liabilities	<u>27,571,591</u>	<u>28,233,961</u>
 NET ASSETS:		
Unrestricted	5,825	8,074
Total net assets	<u>\$5,825</u>	<u>\$8,074</u>

See accompanying notes to the basic financial statements.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**

As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of inception) to June 30, 2011

Statements of Revenues, Expenses, and Changes in Net Assets – Year Ended June 30, 2012 and the Initial Period from November 3, 2010 (date of inception) to June 30, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Loan program income	\$1,084,774	\$719,047
Total operating revenues	<u>1,084,774</u>	<u>719,047</u>
Operating Expenses:		
Trustee fees	3,683	2,164
Administration expenses	36,345	18,562
Interest expense	1,047,000	690,249
Total operating expenses	<u>1,087,028</u>	<u>710,975</u>
Operating income (loss)	<u>(2,254)</u>	<u>8,072</u>
Non-Operating Revenues:		
Other interest income	5	2
Total non-operating revenues	<u>5</u>	<u>2</u>
Net income (loss)	<u>(2,249)</u>	<u>8,074</u>
Total net assets - beginning	8,074	-
Total net assets - ending	<u><u>\$5,825</u></u>	<u><u>\$8,074</u></u>

See accompanying notes to the basic financial statements.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**

As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of inception) to June 30, 2011

Statements of Cash Flows – Year Ended June 30, 2012 and the Initial Period from November 3, 2010 (date of inception) to June 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of interest on loan to local government	\$1,085,728	\$447,138
Payments (to) from other suppliers	(3,698)	(1,540)
Interest paid on debt	(1,045,700)	(430,474)
	<u>36,330</u>	<u>\$15,124</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Issuance of long-term debt	-	\$27,955,000
Repayments of Long-term Debt	(\$700,000)	-
	<u>(\$700,000)</u>	<u>\$27,955,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections of principal on loans to local governmental units	\$700,000	-
Loan to local governmental unit	-	(\$27,955,000)
Interest income	5	2
	<u>\$700,005</u>	<u>(\$27,954,998)</u>
Net Increase in Cash and Cash Equivalents	\$36,335	\$15,126
Balances - beginning of the year	15,126	-
Balances - end of the year	\$51,461	\$15,126
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	(\$2,254)	\$8,072
Change in assets and liabilities:		
Decrease (Increase) in interest receivable	954	(271,909)
Increase (Decrease) in accrued interest payable	1,300	259,775
Increase (Decrease) in other accrued liabilities	36,330	19,186
Net Cash Provided by Operating Activities	\$36,330	\$15,124

See accompanying notes to the basic financial statements.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**

**As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of
inception) to 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 2010B (the "Program") commenced operations in November 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 2010B issue was used to fund one new loan to a Local Entity to purchase water storage rights and make water system improvements.

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 borrower.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**

As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of inception) to June 30, 2011

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 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 \$51,461 and \$15,126 at June 30, 2012 and 2011 was on deposit with the Program's trustee. The deposits are invested in the *Goldman Sachs Financial Square 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.

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**

As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of inception) to June 30, 2011

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

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>
Goldman Sachs Financial Square Treasury Obligations	N/A	AAAm	\$ 51,461
Total			<u>\$ 51,461</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 \$51,461 is invested in *Goldman Sachs Financial Square Treasury Obligations*.

At June 30, 2011 the Program's investments in obligations not directly guaranteed to 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>
Goldman Sachs Financial Square Treasury Obligations	N/A	AAAm	\$ 15,126
Total			<u>\$ 15,126</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 \$15,126 is invested in *Goldman Sachs Financial Square Treasury Obligations*.

3. Note Receivable

Note receivable of \$27,255,000 and \$27,955,000 at June 30, 2012 and 2011 represents a loan made by the Program to a local governmental entity for the purpose of acquisition, development, and utilization of storage and control facilities for water and sewage systems. Payments on the note are due in semiannual installments with various maturity dates through 2035, 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 notes 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 2010B
ANNUAL FINANCIAL REPORT**

As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of inception) to 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 .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 or 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, 2035, interest rates at 2.00% to 5.00%	\$ 27,955,000	-
Less: debt principal repayments	(700,000)	-
Plus: debt issued	-	\$ 27,955,000
Ending balances	<u>\$ 27,255,000</u>	<u>\$ 27,955,000</u>
Amounts due in one year	<u>\$ 770,000</u>	<u>\$ 700,000</u>

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

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B
ANNUAL FINANCIAL REPORT**

As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of inception) to June 30, 2011

6. Long-term Debt (continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$770,000	\$1,036,600	\$1,806,600
2014	785,000	1,017,125	1,802,125
2015	810,000	993,250	1,803,250
2016	830,000	972,850	1,802,850
2017	850,000	956,050	1,806,050
2018-2022	4,615,000	4,372,975	8,987,975
2023-2027	5,535,000	3,417,888	8,952,888
2028-2032	6,635,000	2,298,413	8,933,413
2033-2036	6,425,000	662,125	7,087,125
Total	<u>\$27,255,000</u>	<u>\$15,727,276</u>	<u>\$42,982,276</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 2010B 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 2010B
ANNUAL FINANCIAL REPORT**

**As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of
inception) to 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 2010B for June 30, 2012 appears on page three. The audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Grouped Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements of each bond issue and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each bond issue as a whole.


Edmond, Oklahoma
October 12, 2012

OKLAHOMA WATER RESOURCES BOARD STATE LOAN PROGRAM REVENUE BONDS

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

	1989 Series	1993 Series	1995 Series	1997 Series	1999 Series	2001 Series	2003A Series	2003B Series	2004A Series	2004B Series	2007 Series	2009 Series	2010 Series	2011 Series	2012 Series	2012A Series	2012B Series	Totals (Arithmetic Mean)	
REVENUES																			
Operating revenues	\$ 15,140	\$ 114,463	\$ 130,601	\$ 211,323	\$ 302,864	\$ 1,445,491	\$ 620,121	\$ 216,715	\$ 249,662	\$ 2,039,808	\$ 376,818	\$ 99,058	\$ 1,246,462	\$ 1,084,774	\$ 642,065	\$ 533,869	\$ 241,655	\$ 1,969,949	
Total operating revenues	15,140	114,463	130,601	211,323	302,864	1,445,491	620,121	216,715	249,662	2,039,808	376,818	99,058	1,246,462	1,084,774	642,065	533,869	241,655	1,969,949	
EXPENSES																			
Operating Expenses																			
Trustee fees	1,000	1,000	867	1,900	1,204	4,447	2,410	1,311	1,000	5,699	1,250	1,250	3,912	3,683	2,434	1,845	1,145	35,545	
Administration fees	379	27,608	37,250	13,169	41,556	73,183	52,139	7,221	9,775	97,030	11,825	1,513	38,684	36,345	18,796	18,066	25,644	430,292	
Interest expense	18,127	48,851	63,259	183,548	266,106	1,299,844	510,336	208,779	246,052	1,977,560	353,026	92,529	1,204,179	1,047,800	621,366	513,564	217,212	8,872,292	
Amortization of bond insurance cost	2,187	12,806	7,550	5,770	3,315	6,317	1,462	9,616	6,915	-	-	-	-	-	-	-	-	95,838	
Statewide bond purchase agreement fees	-	6,830	8,636	1,506	9,185	8,549	36,711	-	-	-	-	-	-	-	-	-	-	71,518	
Renegotiating fees	-	4,048	3,793	810	1,605	5,755	5,756	-	-	-	-	-	-	-	-	-	-	21,555	
Total operating expenses	21,617	101,543	121,349	208,854	322,972	1,397,890	609,422	226,927	261,742	2,066,288	366,301	97,292	1,246,725	1,087,978	642,866	533,835	243,991	9,827,261	
Operating income (loss)	(6,477)	12,920	9,252	5,469	(20,108)	59,601	10,599	(10,212)	(12,080)	(139)	10,717	(1,234)	(2,263)	(2,254)	(152)	34	(2,336)	(2,688)	
NONOPERATING REVENUES (EXPENSES)																			
Credit (provision) as arbitrage rebate	144,843	3,529	94	28	20	152	90	16	13	48	15	2	17	5	2	2	291	3,529	
Other interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gross production tax from state	144,843	30,416	94	28	20	152	90	16	13	48	15	2	17	5	2	2	291	179,534	
Net nonoperating revenues	144,843	30,416	94	28	20	152	90	16	13	48	15	2	17	5	2	2	291	179,534	
Income (loss) before transfers	138,366	43,336	9,306	5,497	(20,148)	59,753	10,689	(10,196)	(2,067)	(271)	10,732	(1,232)	(2,246)	(2,249)	(152)	34	(2,045)	238,751	
Transfers (to) from Oklahoma Water Resources Board	(144,837)	(32,353)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(177,189)	
Change in net assets	(6,471)	10,983	9,306	5,497	(20,148)	59,753	10,689	(10,196)	(2,067)	(271)	10,732	(1,232)	(2,246)	(2,249)	(152)	34	(2,045)	61,561	
NET ASSETS																			
Net assets, beginning of year	3,616,871	15,632,773	754,446	2,703,241	2,054,669	793,591	1,6013	82,222	28,339	12,322	207,629	238	981	8,074	(3)	-	-	31,608,785	
Net assets, end of year	\$ 3,610,400	\$ 15,664,758	\$ 763,752	\$ 2,758,838	\$ 1,833,321	\$ 813,344	\$ 26,711	\$ 72,526	\$ 26,272	\$ 12,051	\$ 218,361	\$ (974)	\$ 694	\$ 5,825	\$ (822)	\$ 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 – SERIES 2010B
ANNUAL FINANCIAL REPORT**
**As of and for the Year Ended June 30, 2012 and the Initial Period November 3, 2010 (date of
inception) to 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 2010B (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