

FILED

NOV 22 2011

RECEIPT #

16936

State Auditor & Inspector

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, 2011 AND 2010
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, 2011 and June 30, 2010**

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, 2011 and 2010, 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, 2011 and 2010, 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 November 4, 2011, 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
November 7, 2011

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2006B
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2011 and June 30, 2010**

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, 2011 and June 30, 2010**

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, 2011 and June 30, 2010. 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 4.3% from \$47,554,830 to \$45,498,342 between FY 2010 to FY 2011. Total Assets decreased 4% from \$49,527,796 to \$47,554,830 between FY 2009 to FY 2010.
- Total Net Assets decreased from \$12,884 in FY 2010 to \$12,322 in FY 2011. Total Net Assets decreased from \$13,412 in FY 2009 to \$12,884 in FY 2010.
- Other accrued liabilities increased 25.0% in FY 2011 and 35.3% in FY 2010. Administrative fees assessed but not used during the fiscal year are "banked" for future administrative costs. During FY 2009 the Board drew \$25,000 administrative fees from this Bond Series. No fees were drawn in FY 2010 or 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, 2011 and June 30, 2010

- Supplemental Information – Grouped Financial Statements of all Program Bond Issues for the year ended June 30, 2011:
 - 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>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 3,003,342	\$ 2,879,830	\$ 2,757,796
Non-current assets	42,495,000	44,675,000	46,770,000
Total assets	<u>45,498,342</u>	<u>47,554,830</u>	<u>49,527,796</u>
Current liabilities	2,991,020	2,866,946	2,744,384
Non-current liabilities	42,495,000	44,675,000	46,770,000
Total liabilities	<u>45,486,020</u>	<u>47,541,946</u>	<u>49,514,384</u>
Net assets			
Unrestricted	12,322	12,884	13,412
Total net assets	<u>\$ 12,322</u>	<u>\$ 12,884</u>	<u>\$ 13,412</u>

(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, 2011 and June 30, 2010

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

	Business-Type		
	Activities		
	Years Ended June 30,		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues			
Loan program income	\$ 2,129,448	\$ 2,215,457	\$ 2,298,150
Investment interest income	51	40	1,663
Total revenues	<u>2,129,499</u>	<u>2,215,497</u>	<u>2,299,813</u>
Expenses			
Trustee fees	6,127	6,335	6,602
Administration expenses	60,024	62,780	65,429
Interest expense	2,063,910	2,146,910	2,226,710
Total expenses	<u>2,130,061</u>	<u>2,216,025</u>	<u>2,298,741</u>
Increase (decrease) in net assets	(562)	(528)	1,072
Total net assets - beginning	12,884	13,412	12,340
Total net assets - ending	<u>\$ 12,322</u>	<u>\$ 12,884</u>	<u>\$ 13,412</u>

Long-Term Debt

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. At June 30, 2010, the Program had \$46,770,000 in long-term debt outstanding which represented a \$2,015,000 or 4.1% decrease from the prior year. The Program's changes in long-term debt by type of debt are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Beginning Balances:</u>			
Serial and term bonds due October 1, 2011 to October 1, 2025, interest rates at 3.75% to 5.00%	\$ 46,770,000	\$ 48,785,000	\$ 50,720,000
Less: debt principal repayments	(2,095,000)	(2,015,000)	(1,935,000)
Ending Balances	<u>\$ 44,675,000</u>	<u>\$ 46,770,000</u>	<u>\$ 48,785,000</u>
Amounts due in one year	2,180,000	2,095,000	2,015,000

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, 2011 and June 30, 2010**

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, 2011 and June 30, 2010**

BASIC FINANCIAL STATEMENTS



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, 2011, and have issued our report thereon dated November 4, 2011. 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.

Allyson Associates, P.C.
Edmond, Oklahoma
November 4, 2011