

**FILED**

NOV 22 2011

State Auditor & Inspector

RECEIPT #

16936

State of Oklahoma

**OWRB**

**WATER RESOURCES BOARD**  
the water agency

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

---

**FINANCIAL STATEMENTS  
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**

**For the Initial Period from November 3, 2010 (date of inception) to June 30, 2011**

---

**TABLE OF CONTENTS**

	<b>Page</b>
<b>Independent Auditor’s Report on Financial Statements .....</b>	<b>3-4</b>
<b>Management’s Discussion and Analysis .....</b>	<b>5-9</b>
<b>The Basic Financial Statements:</b>	
Statement of Net Assets .....	11
Statement of Revenues, Expenses, and Changes in Net Assets .....	12
Statement of Cash Flows .....	13
Footnotes to Statements .....	14-17
<b>Supplemental Information</b>	
Independent Auditor’s Report on Additional Information .....	19
Grouped Statements of Net Assets .....	20
Grouped Statements of Revenues, Expenses, and Changes in Net Assets .....	21
Grouped Statements of Cash Flows .....	22
<b>Internal Control over Financial Reporting and Compliance .....</b>	<b>23-25</b>
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, 2011, and the related statement of revenues, expenses, and changes in net assets and cash flows for 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 audit.

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. 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 audit provides 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, 2011, and the change in financial position and cash flows for 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 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.



Edmond, Oklahoma  
November 4, 2011

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

**For the Initial Period from 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**

**For the Initial Period from 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 provides an overview of the financial activities for the initial period from November 3, 2010 (date of inception) to 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 at June 30, 2011 totaled \$28,242,035.
- Total Net Assets at June 30, 2011 totaled \$8,074.
- At the time of the bond closing, one loan was identified to receive the bond funds.
- Other accrued liabilities were \$19,186 in FY 2011. 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  
For the Initial Period from 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, 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 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**

	<b>Business-Type Activities</b>
	June 30, <u>2011</u>
Current Assets	\$ 987,035
Non-current Assets	<u>27,255,000</u>
<b>Total assets</b>	<u>28,242,035</u>
Current liabilities	978,961
Non-current liabilities	<u>27,255,000</u>
<b>Total liabilities</b>	<u>28,233,961</u>
Net assets	
Unrestricted	<u>8,074</u>
<b>Total net assets</b>	<u><u>\$ 8,074</u></u>

(Unaudited. See accompanying auditor’s report.)

**OKLAHOMA WATER RESOURCES BOARD**  
**STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B**  
**ANNUAL FINANCIAL REPORT**  
For the Initial Period from 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**

	<b>Business-Type Activities</b>
	Period Ended June 30, 2011
<b>Revenues</b>	
Loan program income	\$ 719,047
Investment interest income	2
<b>Total revenues</b>	719,049
<b>Expenses</b>	
Trustee fees	2,164
Administration expenses	18,562
Interest expense	690,249
<b>Total expenses</b>	710,975
<b>Increase in net assets</b>	8,074
<b>Total net assets - beginning</b>	-
<b>Total net assets - ending</b>	\$ 8,074

**Long-Term Debt**

At year-end, the Program had \$27,955,000 in long-term debt outstanding. The Program's changes in long-term debt by type of debt are as follows:

	<b>2011</b>
Serial and term bonds due October 1, 2011 to October 1, 2035, interest rates at .40% to 5.00%	-
Plus: debt issued	\$ 27,955,000
Ending balances	\$ 27,955,000
Amounts due in one year	\$ 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**

**For the Initial Period from 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**

**For the Initial Period from 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**

**For the Initial Period from November 3, 2010 (date of inception) to June 30, 2011**

**Statement of Net Assets – June 30, 2011**

	<b><u>2011</u></b>
<b>ASSETS:</b>	
Current Assets:	
Cash and cash equivalents	\$15,126
Current portions of note receivable	700,000
Interest receivable:	
Note receivable	271,909
Total current assets	987,035
Noncurrent Assets:	
Note receivable	27,255,000
Total noncurrent assets	27,255,000
Total assets	28,242,035
 <b>LIABILITIES:</b>	
Current Liabilities:	
Accrued interest payable	259,775
Current maturities of long-term debt	700,000
Other accrued liabilities	19,186
Total current liabilities	978,961
Noncurrent liabilities:	
Long-term debt, less current maturities	27,255,000
Total noncurrent liabilities	27,255,000
Total liabilities	28,233,961
 <b>NET ASSETS:</b>	
Unrestricted	8,074
Total net assets	\$8,074

See accompanying notes to the basic financial statements.

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

**For the Initial Period from November 3, 2010 (date of inception) to June 30, 2011**

**Statement of Revenues, Expenses, and Changes in Net Assets – For the Initial Period from November 3, 2010 (date of inception) to June 30, 2011**

	<u>2011</u>
<b>Operating Revenues:</b>	
Loan program income	\$719,047
	<hr/>
Total operating revenues	719,047
	<hr/>
<b>Operating Expenses:</b>	
Trustee fees	2,164
Administration expenses	18,562
Interest expense	690,249
	<hr/>
Total operating expenses	710,975
	<hr/>
<b>Operating income (loss)</b>	8,072
	<hr/>
<b>Non-Operating Revenues:</b>	
Other interest income	2
	<hr/>
Total non-operating revenues	2
	<hr/>
Net income	8,074
	<hr/>
<b>Total net assets - beginning</b>	-
	<hr/>
<b>Total net assets - ending</b>	\$8,074
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

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

**For the Initial Period from November 3, 2010 (date of inception) to June 30, 2011**

**Statement of Cash Flows – For the Initial Period from November 3, 2010 (date of inception) to June 30, 2011**

	<b><u>2011</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Collection of interest on loan to local government	\$447,138
Payments (to) from other suppliers	(1,540)
Interest paid on debt	(430,474)
	\$15,124
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Issuance of long-term debt	\$27,955,000
	\$27,955,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Loan to local governmental unit	(\$27,955,000)
Interest income	2
	(\$27,954,998)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>\$15,126</b>
<b>Balances - beginning of the year</b>	<b>-</b>
<b>Balances - end of the year</b>	<b>\$15,126</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$8,072
Change in assets and liabilities:	
Decrease (Increase) in interest receivable	(271,909)
Increase (Decrease) in accrued interest payable	259,775
Increase (Decrease) in other accrued liabilities	19,186
	\$15,124
Net Cash Provided in Operating Activities	\$15,124

See accompanying notes to the basic financial statements.

**OKLAHOMA WATER RESOURCES BOARD**  
**STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B**  
**ANNUAL FINANCIAL REPORT**  
**For the Initial Period from 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**

**For the Initial Period from 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 \$15,126 at June 30, 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.

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:

**OKLAHOMA WATER RESOURCES BOARD**  
**STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B**  
**ANNUAL FINANCIAL REPORT**  
For the Initial Period from November 3, 2010 (date of inception) to June 30, 2011

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

<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 \$27,955,000 at June 30, 2011 represents a loan made by the Program to a local governmental entity for the purpose of acquisition, development, 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 program has no note scheduled to mature within the next year. 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.

**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 .1328% 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, 2011.

**OKLAHOMA WATER RESOURCES BOARD  
STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B  
ANNUAL FINANCIAL REPORT  
For the Initial Period from November 3, 2010 (date of inception) to June 30, 2011**

**6. Long-term Debt**

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

	<u>2011</u>
Serial and term bonds due October 1, 2011 to October 1, 2035, interest rates at .40% to 5.00%	-
Plus: debt issued	\$ 27,955,000
Ending balances	<u>\$ 27,955,000</u>
Amounts due in one year	<u>\$ 700,000</u>

Future debt service payments required by the Program's serial and term bonds as of June 30, 2011, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$700,000	\$1,037,700	\$1,737,700
2013	770,000	1,028,600	1,798,600
2014	785,000	1,009,125	1,794,125
2015	810,000	989,250	1,799,250
2016	830,000	972,850	1,802,850
2017-2021	4,480,000	4,519,125	8,999,125
2022-2026	5,325,000	3,632,100	8,957,100
2027-2031	6,410,000	2,537,350	8,947,350
2032-2036	7,845,000	1,018,875	8,863,875
Total	<u>\$27,955,000</u>	<u>\$16,744,975</u>	<u>\$44,699,975</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, 2011, the aggregate debt service reserves totaled \$17,766,508. The debt service reserves are reflected in the Board bond programs Series 1989 and 1994A.

**OKLAHOMA WATER RESOURCES BOARD**  
**STATE LOAN PROGRAM REVENUE BONDS – SERIES 2010B**  
**ANNUAL FINANCIAL REPORT**  
**For the Initial Period from 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, 2011 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 black ink that reads 'Arledge &amp; Associates, P.C.' in a cursive script.

Edmond, Oklahoma  
November 7, 2011

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

	1989 Series	1992 Series	1994A Series	1995 Series	1997 Series	1999 Series	2001 Series	2003A Series	2003B Series	2004A Series	2006B Series	2007 Series	2009 Series	2010 Series	2010 B Series	2011 Series	Totals (Memorandum Only)
<b>ASSETS</b>																	
Current Assets:																	
Cash and cash equivalents	55,732	-	399,472	130,365	129,692	138,126	675,213	717,356	76,152	71,287	296,405	83,608	5,174	32,496	15,126	7,183	2,835,40
Current portion of notes receivable	255,000	-	1,671,267	650,500	588,550	1,001,650	2,155,050	2,059,200	1,370,000	1,020,000	2,180,000	373,910	105,000	1,120,000	700,000	-	15,250,12
Interest receivable:																	
Notes receivable	9,870	-	15,699	24,273	69,594	97,436	339,353	132,841	63,221	96,527	526,935	96,152	24,279	312,970	271,909	13,986	2,095,04
Other	36,310	-	121	1	1	1	5	5	1	1	2	1	-	-	-	-	36,44
Other receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	356,912	-	2,086,559	805,139	787,837	1,237,213	3,169,641	2,909,402	1,509,374	1,189,815	3,083,342	553,671	134,453	1,465,466	987,035	21,169	20,217,02
Noncurrent Assets:																	
Notes receivable, net of current portion	190,000	-	6,939,925	9,371,100	5,148,850	9,793,000	36,640,550	19,941,750	5,095,000	5,685,000	42,495,000	8,828,731	2,625,000	28,915,000	27,255,000	14,275,000	223,198,90
Restricted cash / investment	3,490,508	-	14,276,000	-	-	-	-	-	-	-	-	-	-	-	-	-	17,766,50
Bond issuance cost, net of accumulated amortization	17,860	-	157,029	99,601	87,661	63,567	139,920	34,985	69,840	84,613	-	-	-	-	-	-	751,07
Total noncurrent assets	3,698,368	-	21,372,954	9,470,701	5,236,511	9,858,567	36,780,470	19,976,735	5,164,840	5,769,613	42,495,000	8,828,731	2,625,000	28,915,000	27,255,000	14,275,000	241,722,49
Total assets	4,055,280	-	23,459,513	10,275,840	6,024,348	11,095,780	39,950,111	22,886,137	6,674,214	6,959,428	45,498,342	9,382,402	2,759,453	30,330,466	28,242,035	14,296,169	261,939,51
<b>LIABILITIES</b>																	
Current Liabilities:																	
Accrued interest payable	9,655	-	7,486	17,321	66,410	91,008	340,592	141,775	60,877	93,445	510,740	91,032	22,975	302,082	259,775	13,526	2,028,59
Current maturities of long-term debt	260,000	-	1,670,000	650,000	585,000	1,000,000	2,155,000	2,055,000	1,370,000	1,020,000	2,180,000	370,000	105,000	1,120,000	700,000	-	15,240,00
Other accrued liabilities	13,008	-	145,326	130,092	141,620	151,648	595,960	419,968	65,241	62,945	300,280	58,741	6,220	42,444	19,186	7,646	2,160,32
Total current liabilities	282,663	-	1,822,812	797,413	793,030	1,242,656	3,091,552	2,616,743	1,496,118	1,176,290	2,991,020	519,773	134,195	1,464,526	978,961	21,172	19,428,92
Noncurrent Liabilities:																	
Arbitrage rebate payable to Federal Government	-	-	3,529	-	-	-	-	-	-	-	-	-	-	-	-	-	3,52
Long-term debt, less current maturities and unamortized discount or plus unamortized premium	155,747	-	5,979,399	8,723,981	4,960,977	9,649,655	36,104,968	20,253,381	5,095,374	5,754,799	42,495,000	8,655,000	2,625,000	28,915,000	27,255,000	14,275,000	220,898,28
Total noncurrent liabilities	155,747	-	5,982,928	8,723,981	4,960,977	9,649,655	36,104,968	20,253,381	5,095,374	5,754,799	42,495,000	8,655,000	2,625,000	28,915,000	27,255,000	14,275,000	220,901,81
Total liabilities	438,410	-	7,805,740	9,521,394	5,754,007	10,892,311	39,196,520	22,870,124	6,591,492	6,931,089	45,486,020	9,174,773	2,759,195	30,379,526	28,233,961	14,296,172	240,330,73
<b>NET ASSETS</b>																	
Restricted for debt service	3,490,508	-	14,276,000	-	-	-	-	-	-	-	-	-	-	-	-	-	17,766,50
Unrestricted	126,363	-	1,377,773	754,446	270,341	203,469	753,591	16,013	82,722	28,339	12,322	207,629	258	940	8,074	(3)	3,642,27
Total net assets	3,616,871	-	15,653,773	754,446	270,341	203,469	753,591	16,013	82,722	28,339	12,322	207,629	258	940	8,074	(3)	21,608,78

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

OKLAHOMA WATER RESOURCES BOARD STATE LOAN  
PROGRAM REVENUE BONDS

SUPPLEMENTAL INFORMATION  
GROUPED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
All Program Bond Issues  
For the Year Ended June 30, 2011

	1989 Series	1992 Series	1994A Series	1995 Series	1997 Series	1999 Series	2001 Series	2003A Series	2003B Series	2004A Series	2006B Series	2007 Series	2009 Series	2010 Series	2010 B Series	2011 Series	1 Total (Memorandum Only)
<b>REVENUES</b>																	
Operating revenues:																	
Loan program income	\$ 34,214	\$ 2,398	\$ 232,343	\$ 183,770	\$ 301,470	\$ 382,048	\$ 1,519,444	\$ 725,040	\$ 264,005	\$ 294,964	\$ 2,129,448	\$ 386,378	\$ 97,389	\$ 1,255,824	\$ 719,047	\$ 13,986	\$ 8,533,768
Total operating revenues	34,214	2,398	232,343	183,770	301,470	382,048	1,519,444	725,040	264,005	294,964	2,129,448	386,378	97,389	1,255,824	719,047	13,986	8,533,768
<b>EXPENSES</b>																	
Operating Expenses:																	
Trustee fees	1,000	250	1,209	1,187	1,027	1,369	4,756	2,787	1,000	1,000	6,127	1,252	1,313	4,036	2,164	43	30,520
Administration fees	673	107	36,517	40,433	13,679	26,791	75,277	56,457	9,027	9,124	60,024	12,342	3,657	38,688	18,562	420	401,778
Interest expense	37,426	822	141,142	106,861	277,260	335,112	1,384,604	582,675	254,098	279,880	2,063,910	367,726	93,319	1,211,685	690,249	13,526	7,840,295
Amortization of bond issuance cost	2,187	255	12,906	7,551	5,771	3,316	6,117	1,462	9,615	6,915	-	-	-	-	-	-	56,995
Standby bond purchase agreement fees	-	-	9,387	9,662	1,832	15,816	9,352	68,520	-	-	-	-	-	-	-	-	114,569
Remarketing fees	-	-	6,206	4,640	1,010	1,719	8,203	8,083	-	-	-	-	-	-	-	-	29,861
Total operating expenses	41,286	1,434	207,367	170,334	300,579	384,133	1,488,309	719,984	273,740	296,919	2,130,061	381,520	98,289	1,254,409	710,975	13,989	8,473,118
Operating income (loss)	(7,072)	964	24,976	13,436	891	(2,075)	21,135	5,056	(9,735)	(1,955)	(613)	7,058	(900)	1,415	8,072	(3)	60,650
<b>NONOPERATING REVENUES (EXPENSES)</b>																	
Credit (provision) for arbitrage rebate	-	-	7,963	-	-	-	-	-	-	-	-	-	-	-	-	-	7,963
Other interest income	123,863	21,407	106,004	24	97	77	178	128	36	22	51	11	3	7	2	-	251,910
Gross production tax from state	-	-	900,000	-	-	-	-	-	-	-	-	-	-	-	-	-	900,000
Net nonoperating revenues	123,863	21,407	1,013,967	24	97	77	178	128	36	22	51	11	3	7	2	-	1,159,973
Income (loss) before transfers	116,791	22,371	1,038,943	13,460	988	(1,998)	21,313	5,184	(9,699)	(1,933)	(562)	7,069	(897)	1,422	8,074	(3)	1,220,523
Transfers (to) from Oklahoma Water Resources Board	1,977,283	(2,341,193)	138,695	-	-	-	-	-	-	-	-	-	-	-	-	-	(255,215)
Change in net assets	2,094,074	(2,318,822)	1,177,638	13,460	988	(1,998)	21,313	5,184	(9,699)	(1,933)	(562)	7,069	(897)	1,422	8,074	(3)	995,308
<b>NET ASSETS</b>																	
Net assets, beginning of year	1,522,797	2,318,822	14,476,135	740,986	269,553	205,467	732,278	10,829	92,421	30,272	12,884	200,560	1,155	(482)	-	-	20,613,477
Net assets (deficit), end of year	\$ 3,616,871	\$ -	\$ 15,653,773	\$ 754,446	\$ 270,541	\$ 203,469	\$ 753,591	\$ 16,013	\$ 82,722	\$ 28,339	\$ 12,322	\$ 207,629	\$ 258	\$ 940	\$ 8,074	\$ (3)	\$ 21,608,785

**OKLAHOMA WATER RESOURCES BOARD STATE LAON  
PROGRAM REVENUE BONDS**

**SUPPLEMENTAL INFORMATION  
ROLLED STATEMENTS OF CASH FLOWS  
All Program Bond Issues  
For the Year Ended June 30, 2011**

	1989 Series	1992 Series	1994A Series	1995 Series	1997 Series	1999 Series	2001 Series	2003A Series	2003B Series	2004A Series	2008 Series	2009 Series	2010 Series	2011 Series	Total (Memorandum Total)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>															
Collections of interest on loans to local governmental units	43,421	4,796	256,695	187,725	366,879	438,459	1,524,492	738,240	275,127	305,727	2,151,157	392,148	991,071	447,138	8,211,216
Payments (to) from other suppliers	(1,001)	981	(19,123)	(18,020)	(44,399)	(36,070)	(223,193)	(85,534)	(1,000)	(999)	(1,254)	(1,251)	(4,288)	(1,240)	(385,635)
Interest paid on debt	(45,488)	(1,407)	(134,083)	(104,746)	(536,595)	(378,424)	(1,397,046)	(636,199)	(264,789)	(295,438)	(2,084,861)	(371,230)	(958,594)	(430,474)	(7,508,123)
Net cash provided (used) by operating activities	(88)	4,370	83,489	64,959	25,885	23,885	952,247	56,507	9,338	9,270	60,170	19,568	30,189	15,124	317,458
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>															
Transfer (to) from Oklahoma Water Resources Board	(102,217)	(156,693)	33,695	-	-	-	-	-	-	-	-	-	-	-	(235,215)
Issuance of long-term debt	(410,000)	(45,000)	(4,355,000)	(795,000)	(3,995,070)	(3,045,000)	(2,250,000)	(2,055,000)	(1,330,000)	(995,000)	(2,095,000)	(50,000)	-	-	(42,250,000)
Repayments of long-term debt	-	-	900,000	-	-	-	-	-	-	-	-	-	-	-	(21,650,000)
Gross production tax	(612,217)	(201,693)	(3,451,005)	(705,000)	(3,895,000)	(3,045,000)	(2,250,000)	(2,055,000)	(1,330,000)	(995,000)	(2,095,000)	(50,000)	-	-	(21,269,283)
Net cash provided (used) by noncapital financing activities	-	-	448,995	(705,000)	(3,895,000)	(3,045,000)	(2,250,000)	(2,055,000)	(1,330,000)	(995,000)	(2,095,000)	(50,000)	-	-	(21,269,283)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>															
Collections of principal on loans to local governmental units	410,000	45,000	3,379,175	639,850	3,866,130	3,026,050	2,090,900	2,076,400	1,330,000	995,000	2,095,000	363,754	95,000	-	20,443,179
Sales (purchase) of investments	-	-	1,143,000	-	-	-	-	-	-	-	-	-	-	-	11,143,000
Loans to local governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(42,230,000)
Interest income	102,231	43,039	33,852	24	97	77	182	129	36	22	51	11	7	-	179,863
Net cash provided (used) by investing activities	512,231	88,039	14,555,027	639,874	3,866,227	3,027,027	2,091,082	2,076,529	1,330,036	995,022	2,095,051	363,765	95,007	-	(10,498,258)
Net increase (decrease) in cash and cash equivalents	(54)	(102,284)	11,218,411	(167)	(2,868)	5,972	(254,165)	78,036	9,374	9,292	60,221	23,833	30,196	15,126	11,693,285
Net cash equivalents, beginning of year	55,786	102,284	3,457,161	130,552	132,560	152,154	60,278	639,330	66,778	65,995	256,184	2,395	2,302	-	6,018,122
Cash and cash equivalents, end of year	55,732	-	14,675,472	130,385	129,692	158,126	675,213	717,366	76,152	75,287	296,405	83,608	32,496	15,126	17,111,407
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>															
Operating income (loss)	(7,072)	964	24,976	13,436	891	(2,075)	21,155	5,056	(9,753)	(1,955)	(613)	7,038	1,415	8,072	(60,650)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:															
Amortization of bond issuance costs and discount	5,769	373	23,641	13,314	9,985	4,345	9,176	3,189	9,564	1,619	(613)	(968)	1,415	8,072	80,955
Decrease (Increase) Interest receivable	9,207	2,398	24,352	3,955	65,409	46,291	15,548	13,200	11,122	10,763	21,709	3,770	272	(271,899)	(329,452)
Decrease (Increase) Other receivables	-	2,187	-	-	-	-	-	-	-	-	-	-	-	-	2,187
Increase (Decrease) Accrued interest payable	(8,644)	(703)	(23,670)	(5,648)	(63,549)	(44,341)	(15,251)	(10,640)	(10,282)	(20,980)	(20,980)	(5,600)	355,091	250,725	13,526
Increase (Decrease) Other accrued liabilities	672	(849)	34,196	37,902	13,149	19,625	(125,055)	50,313	9,027	9,125	60,024	12,340	38,436	19,186	188,906
Net cash provided (used) by operating activities	(68)	4,370	83,489	64,959	25,885	23,885	952,247	56,507	9,338	9,270	60,170	19,568	30,189	15,124	317,458

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**  
**For the Initial Period from June 16, 2010 (date of inception) to JUNE 30, 2010**

---

**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 initial period November 3, 2010 (date of inception) to 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.

*Wedge Associates, P.C.*

Edmond, Oklahoma  
November 4, 2011