



**1986 GENERAL BOND RESOLUTION STATE LOAN
PROGRAM**

**ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019
AND INDEPENDENT AUDITOR'S REPORTS**

**OKLAHOMA WATER RESOURCES BOARD
1986 GENERAL BOND RESOLUTION STATE LOAN PROGRAM
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Oklahoma Water Resources Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Water Resources Board 1986 General Bond Resolution State Loan Program Revenue Bonds (the "Program") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. The combining financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Arledge & Associates, P.C.
Edmond, Oklahoma
September 21, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Oklahoma Water Resources Board 1986 General Bond Resolution State Loan Program (the "Program") financial performance provides an overview of the financial activities for the fiscal years ended June 30, 2020 and June 30, 2019. Please read it in conjunction with the financial statements, which begin on page 11. This report covers the Bond Programs administered by the Oklahoma Water Resources Board (the "Board") for the Series 1999, 2001, 2003A, 2007, 2009, 2010A, 2010B, 2011, 2012, 2012A, 2012B, 2012C, 2013A, 2013B, 2014A, 2014B, 2014C, and 2015A Bond Programs and the reserve fund related to the bond accounts.

Financial Highlights

- Total assets decreased 7.37% from \$198,558,931 to \$183,920,709 between FY 2019 and FY 2020 . Total assets decreased 10.22% from \$221,172,403 to \$198,558,931 between FY 2018 and FY 2019.
- Total net position decreased 6.62% from \$13,084,012 to \$12,217,519 between FY 2019 and FY 2020. Total net position decreased 36.34% from \$20,555,363 to \$13,084,012 between FY 2018 and FY 2019.
- Total liabilities decreased 7.43% from \$185,474,919 to \$171,703,190 between FY 2019 and FY 2020. Total liabilities decreased 7.78% from \$201,117,040 to \$185,474,919 between FY 2018 and FY 2019.

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 Position
 - Statements of Revenues, Expenses and Changes in Net Position
 - Statements of Cash Flows

(Unaudited. See accompanying auditor's report.)

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Footnotes – that elaborate on the accounting principles used in the preparation of the financial statements and further explain financial statement elements.

- Supplemental Information – Combining Financial Statements of all Program Bond Issues of the 1986 General Bond Resolution for the year ended June 30, 2020
 - Statements of Net Position
 - Statements of Revenues, Expenses and Changes in Net Position
 - 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 Position and the Statement of Revenues, Expenses, and Changes in Net Position 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 position and changes therein.

Oklahoma Water Resources Board
1986 General Bond Resolution Revenue Bonds Program
Net Position

	June 30,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 40,482,104	\$ 14,671,950	\$ 15,174,120
Non-current assets	143,438,605	183,886,981	205,998,283
Total assets	183,920,709	198,558,931	221,172,403
Current liabilities	40,256,765	14,450,396	14,858,331
Non-current liabilities	131,446,425	171,024,523	186,258,709
Total liabilities	171,703,190	185,474,919	201,117,040
Net position			
Restricted for debt service	11,023,948	11,752,651	18,775,440
Unrestricted	1,193,571	1,331,361	1,279,923
Total net position	\$ 12,217,519	\$ 13,084,012	\$ 20,055,363

The decrease in total assets and total liabilities in 2020 is due to the normal retirement of bonds and collection of notes receivable.

The decrease in total assets and liabilities in FY 2019 is due to the normal retirement of bonds and collection of notes receivable. In addition reserve account assets decreased by 37.4% due to a transfer of reserve funds to the 2016 General Bond Resolution State Loan Program.

(Unaudited. See accompanying auditor’s report.)

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Oklahoma Water Resources Board
1986 General Bond Resolution Revenue Bonds Program
Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,		
	2020	2019	2018
Revenues			
Loan program income	\$ 7,309,896	\$ 7,817,000	\$ 8,526,425
Investment interest income	239,244	345,513	199,205
Total revenues	7,549,140	8,162,513	8,725,630
Expenses			
Trustee fees	30,542	31,925	33,219
Administration expenses	348,268	387,946	443,918
Interest expense	6,894,473	7,328,117	7,956,477
Standby bond purchase agreement fees	23,535	27,818	31,431
Remarketing fees	3,514	3,659	4,343
Total expenses	7,300,332	7,779,465	8,469,388
Net Income before transfers	248,808	383,048	256,242
Transfers to other programs	(1,115,301)	(7,354,399)	(4,749,805)
Change in net position	(866,493)	(6,971,351)	(4,493,563)
Total net position- beginning	13,084,012	20,055,363	24,548,926
Total net position - ending	\$ 12,217,519	\$ 13,084,012	\$ 20,055,363

Long-Term Debt

At June 30, 2020, the long-term debt outstanding had decreased by \$13,700,000 or 7.46%. At June 30, 2019, the Program had \$183,665,000 in long-term debt outstanding which represents a \$15,490,000 or 7.78% decrease from the prior year. The Program's long-term debt by bond issue are as follows:

(Unaudited. See accompanying auditor's report.)

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Series:	2020	2019
1999	\$ -	\$ 1,265,000
2001	1,590,000	1,850,000
2003A	2,375,000	2,580,000
2007	1,330,000	1,385,000
2009	320,000	380,000
2010A	18,865,000	20,280,000
2010B	955,000	1,880,000
2011	9,870,000	10,485,000
2012	28,010,000	28,455,000
2012A	15,175,000	17,530,000
2012B	6,380,000	6,735,000
2012C	2,735,000	3,330,000
2013A	27,935,000	30,285,000
2013B	3,410,000	3,795,000
2014A	7,805,000	8,250,000
2014B	8,520,000	8,820,000
2014C	16,495,000	17,260,000
2015A	18,195,000	19,100,000
Total Bonds	<u>\$ 169,965,000</u>	<u>\$ 183,665,000</u>

See Note 7 to the financial statements for more detailed information on the Program's long-term debt and changes therein.

Economic Factors and Next Year's Outlook

Due to the nature of the Bond Program, the Board expects a decrease in net position and liabilities as the loans continue to make principal repayments and bonds are redeemed. As the net position and liabilities decrease, so will the revenues and operating expenses. However, the Board expects to have sufficient income to sustain the Bond Program throughout the life of the bonds.

Contacting the Program's Financial Management

This financial report is designed to provide the Board's accountability of the Program. If you have questions about this report or need additional financial information, contact the Financial Assistance Division of the Oklahoma Water Resources Board at 3800 N. Classen Blvd, Oklahoma City, OK 73118.

(Unaudited. See accompanying auditor's report.)

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BASIC FINANCIAL STATEMENTS

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Statements of Net Position – June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$190,920	\$1,412,962
Current portion of notes receivable	38,461,389	11,342,562
Interest receivable:		
Notes receivable	1,818,585	1,908,314
Other	11,210	8,112
Total current assets	<u>40,482,104</u>	<u>14,671,950</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	1,237,672	3,717,845
Restricted investment	9,775,068	8,028,882
Notes receivable net of current portion	<u>132,425,865</u>	<u>172,140,254</u>
Total noncurrent assets	<u>143,438,605</u>	<u>183,886,981</u>
Total assets	<u>183,920,709</u>	<u>198,558,931</u>
LIABILITIES:		
Current Liabilities:		
Accrued interest payable	1,708,352	1,791,418
Current maturities of long-term debt	38,450,000	12,555,000
Other accrued liabilities	98,413	103,978
Total current liabilities	<u>40,256,765</u>	<u>14,450,396</u>
Noncurrent liabilities:		
Long-term debt, less current maturities and net unamortized discount of \$68,575 and \$85,477 in 2020 and 2019, respectively	131,446,425	171,024,523
Total noncurrent liabilities	<u>131,446,425</u>	<u>171,024,523</u>
Total liabilities	<u>171,703,190</u>	<u>185,474,919</u>
NET POSITION:		
Restricted for debt service	11,023,948	11,752,651
Unrestricted	1,193,571	1,331,361
Total net position	<u>\$12,217,519</u>	<u>\$13,084,012</u>

See accompanying notes to the basic financial statements.

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Statements of Revenues, Expenses, and Changes in Net Position – Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Loan program income	\$7,309,896	\$7,817,000
Total operating revenues	<u>7,309,896</u>	<u>7,817,000</u>
Operating Expenses:		
Trustee fees	30,542	31,925
Administration fees	348,268	387,946
Interest expense	6,894,473	7,328,117
Standby bond purchase agreement fees	23,535	27,818
Remarketing fees	3,514	3,659
Total operating expenses	<u>7,300,332</u>	<u>7,779,465</u>
Operating income	9,564	37,535
Non-Operating Revenues (Expenses):		
Interest income	<u>239,244</u>	<u>345,513</u>
Total non-operating revenues	<u>239,244</u>	<u>345,513</u>
Net income before transfers	248,808	383,048
Transfers out - Oklahoma Water Resources Board	<u>(1,115,301)</u>	<u>(7,354,399)</u>
Change in net position	(866,493)	(6,971,351)
Total net position - beginning	13,084,012	20,055,363
Total net position - ending	<u><u>\$12,217,519</u></u>	<u><u>\$13,084,012</u></u>

See accompanying notes to the basic financial statements.

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Statements of Cash Flows – Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections of interest on loans to local governments	\$ 7,399,625	\$ 7,960,120
Payments to providers	(411,424)	(465,308)
Interest paid on debt	(6,960,637)	(7,445,649)
Due from (to) other funds	-	(20,629)
Net Cash Provided by Operating Activities	<u>27,564</u>	<u>28,534</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out - Oklahoma Water Resources Board	(1,115,301)	(7,354,399)
Repayments of Long-term Debt	(13,700,000)	(15,490,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(14,815,301)</u>	<u>(22,844,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections of principal on loans to local governmental units	12,595,562	16,387,620
Sale (Purchase) of investments	(1,746,186)	(34,471)
Interest income	236,146	368,567
Net Cash Provided by Investing Activities	<u>11,085,522</u>	<u>16,721,716</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,702,215)	(6,094,149)
Balances - beginning of the year	<u>5,130,807</u>	<u>11,224,956</u>
Balances - end of the year	<u>\$1,428,592</u>	<u>\$5,130,807</u>
Reconciliation of Statement of Net Position:		
Cash and Cash Equivalents	\$190,920	\$1,412,962
Restricted Cash and cash equivalents	1,237,672	3,717,845
Total Cash and cash equivalents	<u>\$1,428,592</u>	<u>\$5,130,807</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$9,564	\$37,535
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of bond discounts/premiums	16,902	5,814
Change in assets and liabilities:		
Decrease (Increase) in interest receivable	89,729	143,120
Decrease (Increase) in due from other funds	-	(20,629)
Increase (Decrease) in accrued interest payable	(83,066)	(123,346)
Increase (Decrease) in other accrued liabilities	(5,565)	(13,960)
Net Cash Provided by Operating Activities	<u>\$27,564</u>	<u>\$28,534</u>

See accompanying notes to the basic financial statements.

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Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

Reporting Entity

The Oklahoma Water Resources Board (the "Board") 1986 General Bond Resolution State Loan Program Revenue Bonds (the "Program") was established to provide statewide financial assistance to local governments by making loans to be utilized to provide for the acquisition, development, and utilization of storage and control facilities for water and sewage systems and to be used to refund a portion of the Board's outstanding State Loan Program Revenue Bonds originally issued by the Board. The Program has been reported in prior years as the "Oklahoma Water Resources Board State Loan Program Revenue Bond Program". The name was changed in order to provide distinction from the Board's newly created 2016 General Bond Resolution State Loan Program. As part of the Program, the following bonds were issued:

- Series 1999 Bonds commenced operations in March 1999. The bonds were issued to provide loans to local government units.
- Series 2001 Bonds commenced operations in September 2001. The bonds were issued to provide loans to local government units.
- Series 2003A Bonds commenced operations in July 2003. The bonds were issued to provide loans to local government units or to refinance debt.
- Series 2007 Bonds commenced operations in March 2007. The bonds were issued to provide loans to a local government unit and to refund a portion of the Boards' outstanding State Loan Program Revenue Bonds.
- Series 2009 Bonds commenced operations in November 2009. The bonds were issued to fund two new loans to local governments for use in acquisition, development and utilization of storage and control facilities for water and sewer systems.
- Series 2010A Bonds commenced operations in June 2010. The bonds were issued to fund two new loans to local governments for use in acquisition, development and utilization of storage and control facilities for water and sewer systems.
- Series 2010B Bonds commenced operations in November 2010. The bonds were issued to fund one new loan to a local entity to purchase water storage rights and make water system improvements.
- Series 2011 Bonds commenced operations in June 2011. The bonds were issued to fund one new loan to a local entity for their use in acquisition, development and utilization of storage and control facilities for water and sewer improvements.
- Series 2012 Bonds commenced operations in January 2012. The bonds were issued to fund two new loans to local entities for their use in acquisition, development and utilization of storage and control facilities for water and sewer improvements.

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

- Series 2012A Bonds commenced operations in March 2012. The bonds were issued to fund twelve new loans to local entities for their use in acquisition, development and utilization of storage and control facilities for water and sewer improvements.
- Series 2012B Bonds commenced operations in July 2012. The bonds were issued to fund two new loans to local entities for their use in acquisition, development and utilization of storage and control facilities for water and sewer improvements.
- Series 2012C Bonds commenced operations in August 2012. The bonds were issued to fund five new loans to local entities for their use in acquisition, development and utilization of storage and control facilities for water and sewer improvements.
- Series 2013A Bonds commenced operations in April 2013. The bonds were issued to fund four new loans to a local entities for their use in acquisition, development and utilization of storage and control facilities for water and sewer improvements.
- Series 2013B Bonds commenced operations in July 2013. The bonds were issued to fund two new loans to a local entities for their use in acquisition, development and utilization of storage and control facilities for water and sewer improvements.
- Series 2014A Bonds commenced operations in March 2014. The bonds were issued to fund one new loan to a local entity for their use in acquisition, development and utilization of storage and control facilities for water and sewer improvements.
- Series 2014B Bonds commenced operations in August 2014. The bonds were issued to fund two new loans to a local entities for their use in acquisition, development and utilization of storage and control facilities for water and sewer improvements.
- Series 2014C Bonds commenced operations in December 2014. The bonds were issued to fund two new loans to a local entities for their use in acquisition, development and utilization of storage and control facilities for water and sewer improvements.
- Series 2015A Bonds commenced operations July 2015. The bonds were issued to fund three new loans to local entities for their use in acquisition, development and utilization of storage and control facilities for water and sewer improvements.
- The General Debt Service Reserve Fund accounts for the debt service reserve required to be held on all outstanding bonds.

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

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 Programs are 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 position, revenues, expenses and transfers relating to the Program and net income and capital maintenance are measured.

Pursuant to its bond indentures, the Programs are 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 Issue Discount and Premium

Some of the Program's bonds were initially sold at a discount or premium. The bond discount/premium is being amortized over the remaining life of the bonds and is included in interest expense in the accompanying Statement of Revenues, Expenses and Changes in Net Position. The original discounts/premiums by bond and the amortization expense recorded for fiscal years 2020 and 2019 were as follows:

Issue	Original Discount	Amortization	
		2020	2019
1999	\$ 82,500	\$ 12,116	\$ 1,028
2001	136,400	3,058	3,059
2003A	124,000	1,728	1,727

The net premium/discount and underwriter discount of the Series 2007, 2009, 2010A, 2010B, 2011, 2012, 2012A, 2012B, 2012C, 2013A, 2013B, 2014A, 2014B, 2014C and 2015A bonds were applied to the benefit of the borrower.

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Cash and 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.

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

Investments

Investments are reported at fair value using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

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.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through September 21, 2020, the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

2. Cash Deposits and Investment Risk

Cash and cash equivalents of \$1,428,592 and \$5,130,807 at June 30, 2020 and 2019, respectively, were on deposit with the Program's trustee.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The Program discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

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.

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- 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.

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

The Program categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2020, 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>Average Maturities</u>	<u>Credit Rating</u>	<u>Fair Value Measurement</u>	<u>Carrying Value</u>
Federated Treasury Obligations Fund	16 days	AAAm	Level I	\$ 1,411,870
Goldman Sachs Financial Sq Treasury Obligation	16 days	AAAm	Level I	16,722
US Treasury Bill	1 mo. To 10 mo.	N/A	Level I	4,801,408
Certificates of deposit	12 mo.	N/A	N/A	4,973,660
Total				<u>\$ 11,203,660</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 12.6% is invested in Federated Treasury Obligations Fund, 0.1% in Goldman Sachs Financial Sq Treasury Obligations, 44.4% in Certificates of Deposit, and 42.9% in US Treasury Bills.

At June 30, 2019, 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>Average Maturities</u>	<u>Credit Rating</u>	<u>Fair Value Measurement</u>	<u>Carrying Value</u>
Federated Treasury Obligations Fund	16 days	AAAm	Level I	\$ 5,113,885
Goldman Sachs Financial Sq Treasury Obligation	16 days	AAAm	Level I	16,922
US Treasury Bill	6 mo. to 12 mo.	N/A	Level I	2,006,793
US Treasury Bond	3 mo. to 9 mo.	N/A	Level I	6,022,089
Total				<u>\$ 13,159,689</u>

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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 38.9% is invested in Federated Treasury Obligations Fund, 0.1% in Goldman Sachs Financial Sq Treasury Obligations, 45.8% in US Treasury Bonds, and 15.2% in US Treasury Bills.

3. Notes Receivable

Notes receivable represents loans made by the Program which were made to local governmental entities for the purposes of acquisition, development, and utilization of storage and control facilities for water and sewage systems. Payments on the notes are due in semiannual installments with various maturity dates based upon the bond issue; however, the local entities have the option to pay the notes earlier than the scheduled maturities. The current portion of notes receivable contains scheduled maturities and any prepayments made subsequent to year-end through September 30, 2020. The notes are collateralized by various revenue sources including, but not limited to user charges and sales taxes of the borrowers and mortgages on the water and/or sewer systems. Outstanding notes receivable at June 30, 2020 and 2019 and maturity dates are as follows:

Issue	Maturity Date	Note Receivable		June 30, 2020 Current Maturities
		2020	2019	
1999	2031	\$ -	\$ 1,416,200	-
2001	2033	2,348,300	2,580,900	447,300
2003A	2036	2,405,900	2,603,200	192,400
2007	2036	1,463,054	1,522,516	61,689
2009	2031	320,000	380,000	60,000
2010A	2030	18,865,000	20,195,000	18,865,000
2010B	2035	955,000	1,880,000	955,000
2011	2031	9,870,000	10,485,000	9,870,000
2012	2040	28,010,000	28,455,000	460,000
2012A	2032	15,175,000	16,390,000	1,245,000
2012B	2035	6,380,000	6,735,000	365,000
2012C	2042	2,735,000	3,330,000	615,000
2013A	2038	27,935,000	30,285,000	2,430,000
2013B	2033	3,410,000	3,795,000	405,000
2014A	2033	7,805,000	8,250,000	455,000
2014B	2039	8,520,000	8,820,000	310,000
2014C	2036	16,495,000	17,260,000	790,000
2015A	2040	18,195,000	19,100,000	935,000
		<u>\$ 170,887,254</u>	<u>\$ 183,482,816</u>	<u>\$ 38,461,389</u>

4. Program Funding and Fees

In order to develop a financial assistance program to provide water and wastewater infrastructure financing for Oklahoma communities, approximately \$40 million has been contributed to the Statewide Water Development Revolving Fund (SWDRF) that was established during the 1982 legislative session. A portion of those funds were used to create reserves to provide security for OWRB bond issues to enhance the Financial Assistance Program. Interest income earned on these reserve funds are transferred to the Emergency Grant Account at the discretion of the Program to be utilized by the Board to make emergency grants in amounts up to \$100,000 per local entity for approved purposes. Any portion of the Debt Service Reserve Fund that is not

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expended to cover defaults on principal and interest will be returned to the Revolving Fund at the termination of the Program.

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. In January of 2014, the Board received approval from the bondholders to move reserve funds from the 1989 and 1994A Series to the General Reserve account that will hold all reserve monies. In addition, State appropriated gross production tax revenues have been deposited into the General Reserve as additional security. The General Reserve is held by the Board's trustee bank.

For the year ended June 30, 2020 and 2019, \$196,664 and \$310,528, respectively, were transferred to the Emergency Grant Account.

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

- During the year, an annual program administration fee of 0.1328%, 0.1316%, 0.1866% or 0.3866% of fixed rate notes receivable outstanding during the period was charged to operations of the Bond Programs. An annual program administration fee of 0.4000% of variable rate notes receivable outstanding was charged to operations for the year for the variable Bond Programs. These fees are payable to the Oklahoma Water Resources Board for providing clerical, management and administrative services.
- Standby purchase agreement fees are to be paid to a bank that has guaranteed, under certain conditions, to purchase outstanding bonds that cannot otherwise be sold.
- Remarketing fees are payable to an investment banker for services related to determining the interest rate adjustment and attempting to remarket bonds when necessary.
- During the year, a trustee fee of 0.0122% of bonds outstanding was charged to operations of the 1999, 2001, and 2003A. A trustee fee of 0.0134% of bonds outstanding was charged to operations of the 2007, 2009, 2010A, 2010B, 2011, 2012, 2012A, 2012B, 2012C, 2013A, 2013B, 2014A, 2014B, 2014C and 2015A. Fees are calculated twice a year using the balance of bonds outstanding at February 28 and August 31, or March 31 and September 30.

5. Restricted Cash and Investments

A description of the restricted cash and investments as of June 30, 2020 and 2019 is as follows:

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	<u>2020</u>	<u>2019</u>
Cash and cash equivalents - Federated Treasury Obligations	\$ 1,220,950	\$ 3,700,923
Cash and cash equivalents - Goldman Sachs Financial Sq Treasury Obligation	16,722	16,922
Investments - Long-term certificates of deposit with principal amounts for \$247,000 to \$248,000, maturing July 2020 to April 2021, with interest rates from 0.85% to 1.20%	4,973,660	-
Investment - US Treasury Bond principal amount \$4,000,000, maturing September 2019 , interest at 1.75%	-	3,995,880
Investment - US Treasury Bond principal amount \$2,032,000, maturing March 2020, interest at 1.625%	-	2,026,209
Investment - US Treasury Bill principal amount \$2,048,700 maturing February 2020	-	2,006,793
Investment - US Treasury Bill principal amount \$4,085,000 maturing December 2020	4,801,408	-
	<u>\$ 11,012,740</u>	<u>\$ 11,746,727</u>

The use of the investments are restricted for debt service. The restricted cash and investments are held in the Reserve Account.

6. Arbitrage Rebate Due Federal Government

In order for the interest on the Program's bonds to be tax exempt, the Board 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. Management has estimated the arbitrage rebate liability to be zero at June 30, 2020 and 2019.

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7. Long-term Debt

<u>Type of Bonds</u>	<u>Beginning July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending June 30, 2020</u>	<u>Due Within One Year</u>
Variable Rate Bonds	\$ 5,605,000	\$ -	\$ 1,640,000	\$ 3,965,000	\$ 635,000
Fixed Rate Bonds	178,060,000	-	12,060,000	166,000,000	37,815,000
Total Bonds Outstanding	<u>\$ 183,665,000</u>	<u>\$ -</u>	<u>\$ 13,700,000</u>	<u>\$ 169,965,000</u>	<u>\$ 38,450,000</u>

<u>Type of Bonds</u>	<u>Beginning July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending June 30, 2019</u>	<u>Due Within One Year</u>
Variable Rate Bonds	\$ 6,235,000	\$ -	\$ 630,000	\$ 5,605,000	\$ 495,000
Fixed Rate Bonds	192,920,000	-	14,860,000	178,060,000	12,060,000
Total Bonds Outstanding	<u>\$ 199,155,000</u>	<u>\$ -</u>	<u>\$ 15,490,000</u>	<u>\$ 183,665,000</u>	<u>\$ 12,555,000</u>

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7. Long-term Debt, (cont'd)

Outstanding Bonds at June 30, 2020:

Series 2001 variable rate bonds, initially set at 2.53% and periodically adjusted pursuant to the provisions of the bond indenture, to a maximum rate of 12% per year. At June 30, 2020, the interest rate was 3.5%. Bonds have a final maturity of September 1, 2033 and are subject to a mandatory sinking fund redemption	1,590,000
Series 2003A variable rate bonds, initially set at 0.87% and periodically adjusted pursuant to the provisions of the bond indenture, to a maximum rate of 12% per year. At June 30, 2020, the interest rate was 3.5%. Bonds have a final maturity of September 1, 2035 and are subject to a mandatory sinking fund redemption	2,375,000
Series 2007 serial and term bonds due in annual installments of \$50,000 to \$105,000 interest from 3.875% to 4.50%, final maturity October 1, 2036	1,330,000
Series 2009 serial and term bonds due in annual installments of \$80,000 to \$200,000 interest from 3.0% to 4.25%, final maturity October 1, 2024	320,000
Series 2010A serial and term bonds due in annual installments of \$1,305,000 to \$2,040,000 interest from 3.00% to 5.00%, final maturity October 1, 2030	18,865,000
Series 2010B serial and term bonds due in annual installments of \$865,000 to \$1,725,000 interest from 2.00% to 5.00%, final maturity October 1, 2020	955,000
Series 2011 serial and term bonds due in annual installments of \$580,000 to \$1,060,000 interest from 2.50% to 5.00%, final maturity October 1, 2031	9,870,000
Series 2012 serial and term bonds due in annual installments of \$415,000 to \$3,540,000 interest from 2.75% to 4.00%, final maturity October 1, 2040	28,010,000
Series 2012A serial and term bonds due in annual installments of \$740,000 to \$2,380,000 interest from 2.75% to 3.25%, final maturity October 1, 2032	15,175,000
Series 2012B serial and term bonds due in annual installments of \$330,000 to \$470,000 interest from 2.00% to 4.00%, final maturity October 1, 2035	6,380,000
Series 2012C serial and term bonds due in annual installments of \$30,000 to \$1,070,000 interest from 2.00% to 4.00%, final maturity September 1, 2042	2,735,000

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7. Long-term Debt, (cont'd)

Series 2013A serial and term bonds due in annual installments of \$165,000 to \$2,660,000 interest from 2.00% to 5.00%, final maturity October 1, 2038	27,935,000
Series 2013B serial and term bonds due in annual installments of \$80,000 to \$475,000 interest from 2.00% to 4.375%, final maturity October 1, 2033	3,410,000
Series 2014A serial and term bonds due in annual installments of \$430,000 to \$690,000 interest from 2.00% to 4.00%, final maturity October 1, 2033	7,805,000
Series 2014B serial and term bonds due in annual installments of \$120,000 to \$645,000 interest from 2.00% to 4.00%, final maturity October 1, 2039	8,520,000
Series 2014C serial and term bonds due in annual installments of \$160,000 to \$1,475,000 interest from 2.00% to 5.00%, final maturity October 1, 2036	16,495,000
Series 2015A serial and term bonds due in annual installments of \$160,000 to \$1,365,000 interest from 2.00% to 5.00%, final maturity October 1, 2040	18,195,000
Total Bonds Outstanding	\$ 169,965,000
Current portion	\$ 38,450,000
Long-term portion	131,515,000
Net unamortized discount	(68,575)
Gross amount	\$ 169,896,425

For variable rate bonds, at the option of the Board and subject to applicable provisions of the bond indenture, which require, among other things, that all bonds be successfully remarketed, the variable interest rate bonds may be converted to a term rate that would stay fixed until maturity of the bonds. During fiscal year 2020, the variable bonds were remarketed semi-annually. There were no fixed rate conversions in 2020 and 2019. Variable interest rates were reset on September 1st, by the Program's remarketing agent for the 1999 variable rate bonds. Variable interest rates were reset on October 1st and April 1st by the Program's remarketing agent for the 2001 and 2003A.

Future debt service payments required by the serial and term bonds as of June 30, 2020, were developed using the loan repayment amortization schedules maintained in the IFS system for variable rate bonds and scheduled maturities for fixed rate bonds. Future debt service payments required by the Program's serial and term bonds as of June 30, 2020 are as follows:

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7. Long-term Debt, (cont'd)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 38,450,000	\$ 6,627,369	\$ 45,077,369
2022	8,820,000	4,982,576	13,802,576
2023	9,140,000	4,647,775	13,787,775
2024	7,380,000	4,350,850	11,730,850
2025	7,540,000	4,089,639	11,629,639
2026-2030	37,725,000	16,186,320	53,911,320
2031-2035	35,695,000	8,593,993	44,288,993
2036-2040	21,340,000	2,694,299	24,034,299
2041-2043	3,875,000	82,425	3,957,425
Total	<u>\$ 169,965,000</u>	<u>\$ 52,255,246</u>	<u>\$ 222,220,246</u>

Interest on the bonds is payable semiannually for fixed rate bonds and variable rate bonds. While the variable bonds bear interest at an adjustable, variable rate, the variable bonds are to be repurchased at each such interest payment date at a price equal to the unpaid principal amount, unless such repurchase is waived in writing by the bond holder. The bonds are also subject to mandatory tender upon conversion to a term interest rate.

In addition to their normal scheduled maturity dates as shown above, the bonds may be redeemed at the option of the Board, in whole or in part, on any interest payment date prior to conversion to a term interest rate, for their principal amount plus accrued interest to the date of redemption. Following any conversion to a term rate, the bonds may also be redeemed at the option of the Board, in whole or in part, at such dates and for such prices, plus accrued interest as are set forth in the bond indenture.

The Bonds share in an aggregate debt service reserve. At June 30, 2020, the aggregate debt service reserves totaled \$11,023,948 which is reflected in the General Debt Service Reserve Fund.

8. Transfers

Interest income earned on the 1986 General Debt Service Reserve Fund's investments are to be transferred to the Water Resources Emergency Grant Account at the discretion of the Board. Pursuant to this provision, \$196,664 was transferred to the OWRB Emergency Grant Account. The 1986 General Debt Service Reserve Fund transferred \$750,000 to the 2016 General Bond Resolution State Loan Program to satisfy the Aggregate Debt Service Requirement. The FAP Administrative Account transferred \$168,637 to Program to close out the 1999 Bond Accounts.

9. Subsequent Events

In August 2020, the Board approved to refinance \$27,690,000 of the Series 2012 Bonds. The 2020B and C Bonds are scheduled to close on October 1, 2020 in the par amount of \$34,225,000 with a maturity date of October 1, 2050. Proceeds will be placed in escrow to call the 2012 bonds on October 1, 2021.

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<u>ASSETS</u>	1999 Series	2001 Series	2003A Series	2007 Series	2009 Series	2010A Series	2010B Series	2011 Series
Current Assets:								
Cash and cash equivalents	\$ -	\$ 15,814	\$ 10,712	\$ 60,473	\$ 213	\$ 36,760	\$ 16,686	\$ 2,066
Current portion of notes receivable	-	447,300	192,400	61,689	60,000	18,865,000	955,000	9,870,000
Interest receivable:								
Notes receivable	-	27,710	28,390	15,101	3,126	225,921	7,509	121,315
Other	-	1	1	-	-	-	-	-
Total current assets	-	490,825	231,503	137,263	63,339	19,127,681	979,195	9,993,381
Noncurrent Assets:								
Notes receivable, net of current portion	-	1,901,000	2,213,500	1,401,365	260,000	-	-	-
Cash and cash equivalents, restricted	-	-	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-	-	-
Total noncurrent assets	-	1,901,000	2,213,500	1,401,365	260,000	-	-	-
Total assets	-	2,391,825	2,445,003	1,538,628	323,339	19,127,681	979,195	9,993,381
<u>LIABILITIES</u>								
Current Liabilities:								
Accrued interest payable	-	13,913	20,781	13,245	3,010	219,082	7,162	117,738
Current maturities of long-term debt	-	445,000	190,000	55,000	60,000	18,865,000	955,000	9,870,000
Other accrued liabilities	-	4,473	5,456	794	313	6,820	627	3,568
Total current liabilities	-	463,386	216,237	69,039	63,323	19,090,902	962,789	9,991,306
Noncurrent Liabilities:								
Long-term debt, less current maturities and unamortized discount or plus unamortized premium	-	1,102,494	2,158,931	1,275,000	260,000	-	-	-
Total noncurrent liabilities	-	1,102,494	2,158,931	1,275,000	260,000	-	-	-
Total liabilities	-	1,565,880	2,375,168	1,344,039	323,323	19,090,902	962,789	9,991,306
<u>NET POSITION</u>								
Restricted for debt service	-	-	-	-	-	-	-	-
Unrestricted (deficit)	-	825,945	69,835	194,589	16	36,779	16,406	2,075
Total net position	\$ -	\$ 825,945	\$ 69,835	\$ 194,589	\$ 16	\$ 36,779	\$ 16,406	\$ 2,075

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<u>ASSETS</u>	2012 Series	2012A Series	2012B Series	2012C Series	2013A Series	2013B Series
Current Assets:						
Cash and cash equivalents	\$ 3,140	\$ 20,917	\$ 26	\$ 36	\$ 6,992	\$ 2
Current portion of notes receivable	460,000	1,245,000	365,000	615,000	2,430,000	405,000
Interest receivable:						
Notes receivable	279,236	125,182	61,838	30,880	351,380	36,944
Other	-	-	-	-	-	-
Total current assets	<u>742,376</u>	<u>1,391,099</u>	<u>426,864</u>	<u>645,916</u>	<u>2,788,372</u>	<u>441,946</u>
Noncurrent Assets:						
Notes receivable, net of current portion	27,550,000	13,930,000	6,015,000	2,120,000	25,505,000	3,005,000
Cash and cash equivalents, restricted	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-
Total noncurrent assets	<u>27,550,000</u>	<u>13,930,000</u>	<u>6,015,000</u>	<u>2,120,000</u>	<u>25,505,000</u>	<u>3,005,000</u>
Total assets	<u>28,292,376</u>	<u>15,321,099</u>	<u>6,441,864</u>	<u>2,765,916</u>	<u>28,293,372</u>	<u>3,446,946</u>
<u>LIABILITIES</u>						
Current Liabilities:						
Accrued interest payable	269,083	115,056	55,458	27,233	336,964	33,534
Current maturities of long-term debt	460,000	1,245,000	365,000	615,000	2,430,000	405,000
Other accrued liabilities	10,125	10,111	6,479	3,941	14,395	3,608
Total current liabilities	<u>739,208</u>	<u>1,370,167</u>	<u>426,937</u>	<u>646,174</u>	<u>2,781,359</u>	<u>442,142</u>
Noncurrent Liabilities:						
Long-term debt, less current maturities and unamortized discount or plus unamortized premium	<u>27,550,000</u>	<u>13,930,000</u>	<u>6,015,000</u>	<u>2,120,000</u>	<u>25,505,000</u>	<u>3,005,000</u>
Total noncurrent liabilities	<u>27,550,000</u>	<u>13,930,000</u>	<u>6,015,000</u>	<u>2,120,000</u>	<u>25,505,000</u>	<u>3,005,000</u>
Total liabilities	<u>28,289,208</u>	<u>15,300,167</u>	<u>6,441,937</u>	<u>2,766,174</u>	<u>28,286,359</u>	<u>3,447,142</u>
<u>NET POSITION</u>						
Restricted for debt service	-	-	-	-	-	-
Unrestricted (deficit)	<u>3,168</u>	<u>20,932</u>	<u>(73)</u>	<u>(258)</u>	<u>7,013</u>	<u>(196)</u>
Total net position	<u>\$ 3,168</u>	<u>\$ 20,932</u>	<u>\$ (73)</u>	<u>\$ (258)</u>	<u>\$ 7,013</u>	<u>\$ (196)</u>

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PROGRAM REVENUE BONDS

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All Program Bond Issues
June 30, 2020

<u>ASSETS</u>	2014A Series	2014B Series	2014C Series	2015A Series	General Debt Service Reserve Fund	Totals
Current Assets:						
Cash and cash equivalents	\$ 2,436	\$ 9,024	\$ 2,848	\$ 2,775	\$ -	\$ 190,920
Current portion of notes receivable	455,000	310,000	790,000	935,000	-	38,461,389
Interest receivable:						
Notes receivable	68,607	79,283	198,694	157,469	-	1,818,585
Other	-	-	-	-	11,208	11,210
Total current assets	<u>526,043</u>	<u>398,307</u>	<u>991,542</u>	<u>1,095,244</u>	<u>11,208</u>	<u>40,482,104</u>
Noncurrent Assets:						
Notes receivable, net of current portion	7,350,000	8,210,000	15,705,000	17,260,000	-	132,425,865
Cash and cash equivalents, restricted	-	-	-	-	1,237,672	1,237,672
Restricted investments	-	-	-	-	9,775,068	9,775,068
Total noncurrent assets	<u>7,350,000</u>	<u>8,210,000</u>	<u>15,705,000</u>	<u>17,260,000</u>	<u>11,012,740</u>	<u>143,438,605</u>
Total assets	<u>7,876,043</u>	<u>8,608,307</u>	<u>16,696,542</u>	<u>18,355,244</u>	<u>11,023,948</u>	<u>183,920,709</u>
<u>LIABILITIES</u>						
Current Liabilities:						
Accrued interest payable	65,778	70,762	191,481	148,072	-	1,708,352
Current maturities of long-term debt	455,000	310,000	790,000	935,000	-	38,450,000
Other accrued liabilities	2,880	8,547	7,197	9,079	-	98,413
Total current liabilities	<u>523,658</u>	<u>389,309</u>	<u>988,678</u>	<u>1,092,151</u>	<u>-</u>	<u>40,256,765</u>
Noncurrent Liabilities:						
Long-term debt, less current maturities and unamortized discount or plus unamortized premium	7,350,000	8,210,000	15,705,000	17,260,000	-	131,446,425
Total noncurrent liabilities	<u>7,350,000</u>	<u>8,210,000</u>	<u>15,705,000</u>	<u>17,260,000</u>	<u>-</u>	<u>131,446,425</u>
Total liabilities	<u>7,873,658</u>	<u>8,599,309</u>	<u>16,693,678</u>	<u>18,352,151</u>	<u>-</u>	<u>171,703,190</u>
<u>NET POSITION</u>						
Restricted for debt service	-	-	-	-	11,023,948	11,023,948
Unrestricted (deficit)	2,385	8,998	2,864	3,093	-	1,193,571
Total net position	<u>\$ 2,385</u>	<u>\$ 8,998</u>	<u>\$ 2,864</u>	<u>\$ 3,093</u>	<u>\$ 11,023,948</u>	<u>\$ 12,217,519</u>

**OKLAHOMA WATER RESOURCES BOARD 1986 GENERAL BOND RESOLUTION STATE LOAN
PROGRAM REVENUE BONDS**

**SUPPLEMENTAL INFORMATION
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
All Program Bond Issues
For the Year Ended June 30, 2020**

	<u>1999 Series</u>	<u>2001 Series</u>	<u>2003A Series</u>	<u>2007 Series</u>	<u>2009 Series</u>	<u>2010A Series</u>	<u>2010B Series</u>	<u>2011 Series</u>
REVENUES								
Operating revenues:								
Loan program income	\$ 28,305	\$ 88,192	\$ 89,568	\$ 61,020	\$ 13,036	\$ 914,140	\$ 37,307	\$ 491,347
Total operating revenues	<u>28,305</u>	<u>88,192</u>	<u>89,568</u>	<u>61,020</u>	<u>13,036</u>	<u>914,140</u>	<u>37,307</u>	<u>491,347</u>
EXPENSES								
Operating Expenses:								
Trustee fees	667	1,000	1,000	1,250	1,250	2,498	1,250	1,303
Administration fees	843	9,862	9,991	1,945	(1,185)	25,292	1,561	13,191
Interest expense	28,476	44,016	60,951	53,531	12,550	886,941	35,588	481,813
Standby bond purchase agreement fees	3,647	8,157	11,731	-	-	-	-	-
Remarketing fees	456	1,241	1,817	-	-	-	-	-
Total operating expenses	<u>34,089</u>	<u>64,276</u>	<u>85,490</u>	<u>56,726</u>	<u>12,615</u>	<u>914,731</u>	<u>38,399</u>	<u>496,307</u>
Operating income (loss)	<u>(5,784)</u>	<u>23,916</u>	<u>4,078</u>	<u>4,294</u>	<u>421</u>	<u>(591)</u>	<u>(1,092)</u>	<u>(4,960)</u>
NONOPERATING REVENUES (EXPENSES)								
Other interest income	3,219	332	261	647	45	2,077	804	651
Net nonoperating revenues	<u>3,219</u>	<u>332</u>	<u>261</u>	<u>647</u>	<u>45</u>	<u>2,077</u>	<u>804</u>	<u>651</u>
Income (loss) before transfers	<u>(2,565)</u>	<u>24,248</u>	<u>4,339</u>	<u>4,941</u>	<u>466</u>	<u>1,486</u>	<u>(288)</u>	<u>(4,309)</u>
Transfers (to) from Oklahoma Water Resources Board	<u>(168,637)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(171,202)</u>	<u>24,248</u>	<u>4,339</u>	<u>4,941</u>	<u>466</u>	<u>1,486</u>	<u>(288)</u>	<u>(4,309)</u>
NET POSITION								
Net position, beginning of year	<u>171,202</u>	<u>801,697</u>	<u>65,496</u>	<u>189,648</u>	<u>(450)</u>	<u>35,293</u>	<u>16,694</u>	<u>6,384</u>
Net position, end of year	<u>\$ -</u>	<u>\$ 825,945</u>	<u>\$ 69,835</u>	<u>\$ 194,589</u>	<u>\$ 16</u>	<u>\$ 36,779</u>	<u>\$ 16,406</u>	<u>\$ 2,075</u>

(continued)

**OKLAHOMA WATER RESOURCES BOARD 1986 GENERAL BOND RESOLUTION STATE LOAN
PROGRAM REVENUE BONDS**

**SUPPLEMENTAL INFORMATION
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
All Program Bond Issues
For the Year Ended June 30, 2020**

	<u>2012 Series</u>	<u>2012A Series</u>	<u>2012B Series</u>	<u>2012C Series</u>	<u>2013A Series</u>	<u>2013B Series</u>
REVENUES						
Operating revenues:						
Loan program income	\$ 1,120,445	\$ 510,741	\$ 250,369	\$ 96,012	\$ 1,424,814	\$ 151,050
Total operating revenues	<u>1,120,445</u>	<u>510,741</u>	<u>250,369</u>	<u>96,012</u>	<u>1,424,814</u>	<u>151,050</u>
EXPENSES						
Operating Expenses:						
Trustee fees	3,656	2,049	1,250	1,347	3,708	1,250
Administration fees	37,007	40,431	25,008	10,689	55,542	13,130
Interest expense	1,079,669	477,888	224,494	84,675	1,365,481	137,025
Standby bond purchase agreement fees	-	-	-	-	-	-
Remarketing fees	-	-	-	-	-	-
Total operating expenses	<u>1,120,332</u>	<u>520,368</u>	<u>250,752</u>	<u>96,711</u>	<u>1,424,731</u>	<u>151,405</u>
Operating income (loss)	<u>113</u>	<u>(9,627)</u>	<u>(383)</u>	<u>(699)</u>	<u>83</u>	<u>(355)</u>
NONOPERATING REVENUES (EXPENSES)						
Other interest income	805	6,355	269	585	2,296	336
Net nonoperating revenues	<u>805</u>	<u>6,355</u>	<u>269</u>	<u>585</u>	<u>2,296</u>	<u>336</u>
Income (loss) before transfers	<u>918</u>	<u>(3,272)</u>	<u>(114)</u>	<u>(114)</u>	<u>2,379</u>	<u>(19)</u>
Transfers (to) from Oklahoma Water Resources Board	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	918	(3,272)	(114)	(114)	2,379	(19)
NET POSITION						
Net position, beginning of year	<u>2,250</u>	<u>24,204</u>	<u>41</u>	<u>(144)</u>	<u>4,634</u>	<u>(177)</u>
Net position, end of year	<u>\$ 3,168</u>	<u>\$ 20,932</u>	<u>\$ (73)</u>	<u>\$ (258)</u>	<u>\$ 7,013</u>	<u>\$ (196)</u>

(continued)

**OKLAHOMA WATER RESOURCES BOARD 1986 GENERAL BOND RESOLUTION STATE LOAN
PROGRAM REVENUE BONDS**

**SUPPLEMENTAL INFORMATION
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
All Program Bond Issues
For the Year Ended June 30, 2020**

	<u>2014A Series</u>	<u>2014B Series</u>	<u>2014C Series</u>	<u>2015A Series</u>	<u>General Debt Service Reserve Fund</u>	<u>Totals</u>
REVENUES						
Operating revenues:						
Loan program income	\$ 276,815	\$ 319,680	\$ 800,839	\$ 636,216	\$ -	\$ 7,309,896
Total operating revenues	<u>276,815</u>	<u>319,680</u>	<u>800,839</u>	<u>636,216</u>	<u>-</u>	<u>7,309,896</u>
EXPENSES						
Operating Expenses:						
Trustee fees	1,250	1,250	2,169	2,395	-	30,542
Administration fees	10,418	33,228	26,941	34,374	-	348,268
Interest expense	265,337	285,300	771,663	599,075	-	6,894,473
Standby bond purchase agreement fees	-	-	-	-	-	23,535
Remarketing fees	-	-	-	-	-	3,514
Total operating expenses	<u>277,005</u>	<u>319,778</u>	<u>800,773</u>	<u>635,844</u>	<u>-</u>	<u>7,300,332</u>
Operating income (loss)	<u>(190)</u>	<u>(98)</u>	<u>66</u>	<u>372</u>	<u>-</u>	<u>9,564</u>
NONOPERATING REVENUES (EXPENSES)						
Other interest income	<u>450</u>	<u>413</u>	<u>838</u>	<u>900</u>	<u>217,961</u>	<u>239,244</u>
Net nonoperating revenues	<u>450</u>	<u>413</u>	<u>838</u>	<u>900</u>	<u>217,961</u>	<u>239,244</u>
Income (loss) before transfers	<u>260</u>	<u>315</u>	<u>904</u>	<u>1,272</u>	<u>217,961</u>	<u>248,808</u>
Transfers (to) from Oklahoma Water Resources Board	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(946,664)</u>	<u>(1,115,301)</u>
Change in net position	<u>260</u>	<u>315</u>	<u>904</u>	<u>1,272</u>	<u>(728,703)</u>	<u>(866,493)</u>
NET POSITION						
Net position, beginning of year	<u>2,125</u>	<u>8,683</u>	<u>1,960</u>	<u>1,821</u>	<u>11,752,651</u>	<u>13,084,012</u>
Net position, end of year	<u>\$ 2,385</u>	<u>\$ 8,998</u>	<u>\$ 2,864</u>	<u>\$ 3,093</u>	<u>\$ 11,023,948</u>	<u>\$ 12,217,519</u>

**OKLAHOMA WATER RESOURCES BOARD 1986 GENERAL BOND RESOLUTION STATE LOAN
PROGRAM REVENUE BONDS**

**SUPPLEMENTAL INFORMATION
COMBINING STATEMENTS OF CASH FLOWS
All Program Bond Issues
For the Year Ended June 30, 2020**

	1999 Series	2001 Series	2003A Series	2007 Series	2009 Series	2010A Series	2010B Series	2011 Series
CASH FLOWS FROM OPERATING ACTIVITIES:								
Collections of interest on loans to local governmental units	\$ 43,660	\$ 81,258	\$ 82,134	\$ 61,636	\$ 13,568	\$ 924,597	\$ 44,580	\$ 497,433
Payments to other suppliers	(7,632)	(18,618)	(21,951)	(3,214)	(340)	(28,301)	(3,115)	(14,716)
Interest paid on debt	(25,371)	(36,295)	(51,342)	(54,081)	(13,060)	(897,554)	(42,526)	(482,675)
Net cash provided by (used in) operating activities	10,657	26,345	8,841	4,341	168	(1,258)	(1,061)	42
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Transfer to Oklahoma Water Resources Board	(168,637)	-	-	-	-	-	-	-
Repayments of long-term debt	(1,265,000)	(260,000)	(205,000)	(55,000)	(60,000)	(1,415,000)	(925,000)	(615,000)
Net cash provided by (used in) noncapital financing activities	(1,433,637)	(260,000)	(205,000)	(55,000)	(60,000)	(1,415,000)	(925,000)	(615,000)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Collections of principal on loans to local governmental units	1,416,200	232,600	197,300	59,462	60,000	1,330,000	925,000	615,000
Sales (purchase) of investments	-	-	-	-	-	-	-	-
Interest income	3,227	365	305	728	45	2,166	832	653
Net cash provided by (used in) investing activities	1,419,427	232,965	197,605	60,190	60,045	1,332,166	925,832	615,653
Net increase (decrease) in cash and cash equivalents	(3,553)	(690)	1,446	9,531	213	(84,092)	(229)	695
Cash and cash equivalents, beginning of year	3,553	16,504	9,266	50,942	-	120,852	16,915	1,371
Cash and cash equivalents, end of year	\$ -	\$ 15,814	\$ 10,712	\$ 60,473	\$ 213	\$ 36,760	\$ 16,686	\$ 2,066
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:								
Operating income (loss)	\$ (5,784)	\$ 23,916	\$ 4,078	\$ 4,294	\$ 421	\$ (591)	\$ (1,092)	\$ (4,960)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Amortization of bond discount/premium	12,116	3,058	1,728	-	-	-	-	-
Changes in operating assets and liabilities-								
Decrease (Increase) Interest receivable	15,355	(6,934)	(7,434)	616	532	10,457	7,273	6,086
Increase (Decrease) Accrued interest payable	(9,011)	4,663	7,881	(550)	(510)	(10,613)	(6,938)	(862)
Increase (Decrease) Other accrued liabilities	(2,019)	1,642	2,588	(19)	(275)	(511)	(304)	(222)
Net cash provided by (used in) operating activities	\$ 10,657	\$ 26,345	\$ 8,841	\$ 4,341	\$ 168	\$ (1,258)	\$ (1,061)	\$ 42

(continued)

**OKLAHOMA WATER RESOURCES BOARD 1986 GENERAL BOND RESOLUTION STATE LOAN
PROGRAM REVENUE BONDS**

**SUPPLEMENTAL INFORMATION
COMBINING STATEMENTS OF CASH FLOWS
All Program Bond Issues
For the Year Ended June 30, 2020**

	2012 Series	2012A Series	2012B Series	2012C Series	2013A Series	2013B Series
CASH FLOWS FROM OPERATING ACTIVITIES:						
Collections of interest on loans to local governmental units	\$ 1,123,944	\$ 520,753	\$ 253,386	\$ 102,755	\$ 1,444,109	\$ 154,323
Payments to other suppliers	(40,824)	(44,517)	(26,601)	(12,686)	(60,919)	(14,752)
Interest paid on debt	(1,083,006)	(495,551)	(227,156)	(90,625)	(1,383,106)	(139,913)
Net cash provided by (used in) operating activities	114	(19,315)	(371)	(556)	84	(342)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfer to Oklahoma Water Resources Board	-	-	-	-	-	-
Repayments of long-term debt	(445,000)	(2,355,000)	(355,000)	(595,000)	(2,350,000)	(385,000)
Net cash provided by (used in) noncapital financing activities	(445,000)	(2,355,000)	(355,000)	(595,000)	(2,350,000)	(385,000)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Collections of principal on loans to local governmental units	445,000	1,215,000	355,000	595,000	2,350,000	385,000
Sales (purchase) of investments	-	-	-	-	-	-
Interest income	809	8,222	269	585	2,303	336
Net cash provided by (used in) investing activities	445,809	1,223,222	355,269	595,585	2,352,303	385,336
Net increase (decrease) in cash and cash equivalents	923	(1,151,093)	(102)	29	2,387	(6)
Cash and cash equivalents, beginning of year	2,217	1,172,010	128	7	4,605	8
Cash and cash equivalents, end of year	\$ 3,140	\$ 20,917	\$ 26	\$ 36	\$ 6,992	\$ 2
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 113	\$ (9,627)	\$ (383)	\$ (699)	\$ 83	\$ (355)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Amortization of bond discount/premium	-	-	-	-	-	-
Changes in operating assets and liabilities-						
Decrease (Increase) Interest receivable	3,499	10,012	3,017	6,743	19,295	3,273
Increase (Decrease) Accrued interest payable	(3,337)	(17,663)	(2,662)	(5,950)	(17,625)	(2,888)
Increase (Decrease) Other accrued liabilities	(161)	(2,037)	(343)	(650)	(1,669)	(372)
Net cash provided by (used in) operating activities	\$ 114	\$ (19,315)	\$ (371)	\$ (556)	\$ 84	\$ (342)

(continued)

**OKLAHOMA WATER RESOURCES BOARD 1986 GENERAL BOND RESOLUTION STATE LOAN
PROGRAM REVENUE BONDS**

**SUPPLEMENTAL INFORMATION
COMBINING STATEMENTS OF CASH FLOWS
All Program Bond Issues
For the Year Ended June 30, 2020**

	2014A Series	2014B Series	2014C Series	2015A Series	General Debt Service Reserve Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:						
Collections of interest on loans to local governmental units	\$ 279,201	\$ 322,230	\$ 806,902	\$ 643,156	\$ -	\$ 7,399,625
Payments to other suppliers	(11,815)	(34,768)	(29,434)	(37,221)	-	(411,424)
Interest paid on debt	(267,562)	(287,551)	(777,401)	(605,862)	-	(6,960,637)
Net cash provided by (used in) operating activities	<u>(176)</u>	<u>(89)</u>	<u>67</u>	<u>73</u>	<u>-</u>	<u>27,564</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfer to Oklahoma Water Resources Board	-	-	-	-	(946,664)	(1,115,301)
Repayments of long-term debt	(445,000)	(300,000)	(765,000)	(905,000)	-	(13,700,000)
Net cash provided by (used in) noncapital financing activities	<u>(445,000)</u>	<u>(300,000)</u>	<u>(765,000)</u>	<u>(905,000)</u>	<u>(946,664)</u>	<u>(14,815,301)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Collections of principal on loans to local governmental units	445,000	300,000	765,000	905,000	-	12,595,562
Sales (purchase) of investments	-	-	-	-	(1,746,186)	(1,746,186)
Interest income	453	427	841	903	212,677	236,146
Net cash provided by (used in) investing activities	<u>445,453</u>	<u>300,427</u>	<u>765,841</u>	<u>905,903</u>	<u>(1,533,509)</u>	<u>11,085,522</u>
Net increase (decrease) in cash and cash equivalents	277	338	908	976	(2,480,173)	(3,702,215)
Cash and cash equivalents, beginning of year	2,159	8,686	1,940	1,799	3,717,845	5,130,807
Cash and cash equivalents, end of year	<u>\$ 2,436</u>	<u>\$ 9,024</u>	<u>\$ 2,848</u>	<u>\$ 2,775</u>	<u>\$ 1,237,672</u>	<u>\$ 1,428,592</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	\$ (190)	\$ (98)	\$ 66	\$ 372	\$ -	\$ 9,564
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Amortization of bond discount/premium	-	-	-	-	-	16,902
Changes in operating assets and liabilities-						
Decrease (Increase) Interest receivable	2,386	2,550	6,063	6,940	-	89,729
Increase (Decrease) Accrued interest payable	(2,225)	(2,251)	(5,738)	(6,787)	-	(83,066)
Increase (Decrease) Other accrued liabilities	(147)	(290)	(324)	(452)	-	(5,565)
Net cash provided by (used in) operating activities	<u>\$ (176)</u>	<u>\$ (89)</u>	<u>\$ 67</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 27,564</u>

**OKLAHOMA WATER RESOURCES BOARD
STATE LOAN PROGRAM REVENUE BONDS
ANNUAL FINANCIAL REPORT
As of and for the Years Ended June 30, 2020 and 2019**

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE



INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the Oklahoma Water Resources Board 1986 General Bond Resolution State Loan Program Revenue Bonds (the "Program") as of and for the year ended June 30, 2020, and 2019 and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates, P.C.

Edmond, Oklahoma
September 21, 2020