Management's Discussion and Analysis
and Financial Statements
December 31, 2013

Multiple Injury Trust Fund

Independent Auditor's Report

Special Counsel
Multiple Injury Trust Fund
Oklahoma City, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and each major fund of the Multiple Injury Trust Fund (MITF) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the MITF's basic 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 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 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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Multiple Injury Trust Fund, as of December 31, 2013, and the respective changes in financial position thereof for the year 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 on pages 3 through 11 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Emphasis of Matters

Net Deficit
As discussed in Note 5, MITF's net position is in a deficit position of approximately $365,234,000 primarily due to court awards exceeding the apportionment of special tax revenue collected. The opinion is not modified with regards to this matter.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2014 on our consideration of the MITF'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 MITF's internal control over financial reporting and compliance.

Eide Bailly LLP

Oklahoma City, Oklahoma
June 9, 2014

As management of the Multiple Injury Trust Fund (MITF), we offer readers of the MITF financial statements this overview and analysis of the financial activities for the fiscal years ended December 31, 2013 and 2012.

Financial Highlights

- At December 31, 2013, MITF's liabilities exceeded its assets by $365.2 million. At December 31, 2012, MITF's liabilities exceeded its assets by $302.9 million. The 2013 year-end net position increased its deficit by $62.3 million. The 2012 year-end net position increased its deficit by $66.8 million.

- During fiscal year 2013, MITF had revenue of $48.4 million, which consisted of $48.3 million from its apportionment from the Oklahoma Tax Commission (OTC) and $0.1 million from interest income. The apportionment from the OTC increased due to the increase in the workers' compensation rate from 3.39% to 5.18% effective July 1, 2013. During fiscal year 2012, MITF had revenue of $28.1 million, which consisted of $27.9 million from its apportionment from the OTC and $0.2 million from interest income. Interest income decreased from $0.2 million for the year ended December 31, 2012 to $0.1 million for the year ended December 31, 2013.

- At December 31, 2013, long-term liabilities of $352.5 million related to court awarded partial and total claims payable which comprised 91% of the total liabilities. At December 31, 2012 long-term liabilities of $268 million related to court awarded claims payable which comprised 85% of the total liabilities. The increase is due to an increase in court orders.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the MITF's basic financial statements. MITF's basis financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the MITF's finances in a manner similar to a private-sector business. The statements of net position present information on all of MITF's assets and liabilities, with the difference between the two reported as a net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of MITF is expanding or contracting.

The statement of activities present information showing how MITF's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods.

Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheets and the governmental fund statements of revenues, expenditures, and changes in fund balances (deficit) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

MITF maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statements of revenues, expenditures, and changes in fund balances (deficit) for the special revenue fund and the debt service fund, both of which are considered to be major funds.

The special revenue fund accounts for all financial resources of MITF, except for those related to the debt. The debt service fund accounts for the proceeds and payments for principal and interest related to the notes payable to CompSource Oklahoma (CompSource). CompSource provides worker's compensation insurance for Oklahoma employers and is a component unit of the State of Oklahoma as of December 31, 2013.

Notes to Financial Statements

The notes provided additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-Wide Financial Analysis

A summary of MITF's net position at December 31, 2013 and 2012 are reported as follows:

	2013	2012
Current assets	$ 22,619,596	$ 11,995,774
Capital assets, net of depreciation	52,052	7,456
Total assets	22,671,648	12,003,230
Current liabilities	18,427,859	28,360,348
Long-term liabilities	369,478,420	286,580,369
Total liabilities	387,906,279	314,940,717
Net deficit:		
Restricted	(365,234,631)	(302,937,487)
Total restricted net deficit	$(365,234,631)	$(302,937,487)

A summary of MITF's changes in net position for the years ended December 31, 2013 and 2012 are reported as follows:

	2013	2012
Program expenses	$ 110,656,837	$ 94,954,694
General revenues	48,227,896	27,924,680
Other revenues	131,797	161,065
Increase in net deficit	(62,297,144)	(66,868,949)
Net deficit, beginning of year	(302,937,487)	(236,068,538)
Net deficit, end of year	$(365,234,631)	$(302,937,487)

Fund Financial Analysis

A summary of MITF's special revenue fund balances at December 31, 2013 and 2012 are reported as follows:

	2013	2012
Current assets	$ 22,619,596	$ 11,995,774
Liabilities and Fund Balance		
Current liabilities	$ 124,030	$ 78,881
Total fund balance	22,495,566	11,916,893
Total liabilities and fund balance	$ 22,619,596	$ 11,995,774

A summary of MITF's special revenue fund changes in fund balances for the years ended December 31, 2013 and 2012 are reported as follows:

	2013	2012
Revenues	$ 48,359,693	$ 28,085,745
Expenditures	34,747,725	27,777,865
Excess of revenues over expenditures	13,611,968	307,880
Other Financing Sources (Uses)		
Transfers out	(3,033,295)	(2,924,729)
Total other financing sources (uses)	(3,033,295)	(2,924,729)
Net change in fund balances	10,578,673	(2,616,849)
Fund Balance		
Fund balances, beginning of year	11,916,893	14,533,742
Fund balances, end of year	$ 22,495,566	$ 11,916,893

A summary of MITF's debt service fund deficit at December 31, 2013 and 2012 are reported as follows:

	2013	2012
Assets	$ -	$ -
Liabilities and Fund Deficit		
Accrued interest payable	217,135	352,886
Total Liabilities	217,135	352,886
Total fund deficit	(217,135)	(352,886)
Total liabilities and fund deficit	$ -	$ -

A summary of MITF's debt service fund changes in fund deficit for the years ended December 31, 2013 and 2012 are reported as follows:

	2013	2012
Revenues		
Total revenues	$ -	$ -
Expenditures	2,897,544	2,899,367
Excess of revenues under expenditures	(2,897,544)	(2,899,367)
Other Financing Sources		
Transfers in	3,033,295	2,924,729
Total other financing sources	3,033,295	2,924,729
Net change in fund deficit	135,751	25,362
Fund Deficit		
Fund deficit, beginning of year	(352,886)	(378,248)
Fund deficit, end of year	$ (217,135)	$ (352,886)

Total governmental funds' assets at December 31, 2013 of $22.6 million increased $10.6 million largely due to the apportionment from the Oklahoma Tax Commission exceeding the cash disbursements relating to court awards and notes payable. Total governmental funds liabilities at December 31, 2013 of approximately $341,000 decreased from the prior year's $432,000 due to a decrease in accrued interest on notes payable of approximately $91,000.

The special revenue fund balance for the years 2013 and 2012 was $22.5 million and $11.9 million, respectively. The fund balance decrease in 2013 from 2012 of $10.6 million is primarily due to an increase in the total of court awarded claims payable.

The debt service fund deficit for the years 2013 and 2012 was $217,135 and $352,886, respectively. The fluctuations in the deficit reflect the difference between payments made to CompSource on the outstanding note payable as discussed in the debt administration section and transfers from the special revenue fund provided to fund the debt payments.

By statute, CompSource was required to provide management services. OMES was recommended to us to provide support services, but it was not statutorily required. Although we do not receive any state appropriated money, because of our relationship with OMES, we did submit an annual budget for FY15.

Debt Administration and Capital Assets

At December 31, 2013 and 2012, MITF had $387.5 million and $314.4 million, respectively, of notes and orders payable. Of this amount, $18.6 million and $20.2 million are notes payable to CompSource at December 31, 2013 and 2012, respectively, with the remainder relating to orders payable at a future date.

	2013	2012
Notes payable	$ 18,611,552	$ 20,164,922
Permanent partial orders	2,737,263	2,212,539
Permanent total orders	366,150,047	292,050,086
	$ 387,498,862	$ 314,427,547

At December 31, 2013, MITF's debt payable increased $73.1 million due to an increase in orders.

On May 30, 2000, CompSource and MITF entered into a loan agreement to provide payment to five thousand plus disabled Oklahoma workers who have been waiting on permanent partial benefits for nearly six years.

This loan of $38 million succeeded in paying delinquent awards and slowing accrued interest, but it did not eliminate the years of debt incurred by MITF as a result of inadequate funding. CompSource advanced an additional $11.2 million in loans through December 31, 2001 because MITF's revenue was insufficient to meet its current obligations. Since that time, the revenue stream of MITF has been sufficient, and no additional loans from CompSource have been required. MITF made a $20.0 million principal payment in 2008.

Capital assets consists of internally developed software and data processing equipment. The increase in net capital assets was due to $50,281 in capital asset additions and $5,686 in 2013 depreciation.

Outlook

There are no major changes in expenses or funding projected to take place in 2014.

In December, 2013, the MITF began offering lump sum settlements to claimants, with the goal to reduce the number of outstanding claims. It is the desire to maintain, and ultimately reduce, the number of open claims that are being paid weekly. MITF is continuing the settlement program in 2014.

In 2013, the MITF contracted with Madison Consulting to provide an actuarial study that would provide projections of future activity and funding needs of the MITF. This will be updated annually to be used in the projected funding needs when setting the apportionment rate.

While MITF was supported by CompSource, no annual budget was necessary, although a statement of estimated funding needs was submitted to determine if an adjustment of the apportionment rate was necessary. The expenses are updated monthly. Since the transition away from CompSource subsequent to December 31, 2013, MITF will be an official "stand alone" agency, and will be required to submit a budget for each fiscal year.

Contacting MITF's Financial Management

This financial report is designed to provide interested parties with a general overview of MITF's finances and to demonstrate MITF's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Multiple Injury Trust Fund, P.O. Box 528801, Oklahoma City, Oklahoma 73152-8801.

Assets	
Cash and cash equivalents	$ 9,735,468
Receivables from Oklahoma Tax Commission	12,862,444
Interest receivable	21,684
Capital assets, net of depreciation	52,052
Total assets	$ 22,671,648
Liabilities	
Payable to CompSource Oklahoma	154
Accounts payable	15,309
Compensated absences	66,252
Accrued interest payable on notes payable	325,702
Notes payable	
Payable within one year	1,664,994
Payable after one year	16,946,558
Permanent partial orders payable	
Payable within one year	1,352,435
Payable after one year	1,384,828
Permanent total orders payable	
Payable within one year	15,003,013
Payable after one year	351,147,034
Total liabilities	387,906,279
Net Position:	
Restricted	(365,234,631)
Total net position	$ (365,234,631)

Program expenses	
Court awarded future payments	$ 107,396,381
Medical and claimant travel	831,460
Interest on notes payable	1,344,174
Operating, general, and administrative	1,084,822
Total program expenses	110,656,837
General revenues	
Apportionment from Oklahoma Tax Commission	48,227,896
Other revenues	
Interest income	131,797
Total other revenues	131,797
Decrease in net position	(62,297,144)
Net position, beginning of year	(302,937,487)
Net position, end of year	$(365,234,631)

	Special Revenue	Debt Service	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 9,735,468	$ -	$ 9,735,468
Receivable from Oklahoma Tax Commission	12,862,444	-	12,862,444
Interest receivable	21,684	-	21,684
Total assets	$ 22,619,596	$ -	$ 22,619,596
Liabilities and Fund Balance (Deficit)			
Payable to CompSource Oklahoma	$ 154	$ -	$ 154
Accounts payable	15,309	-	15,309
Accrued interest payable on notes payable	108,567	217,135	325,702
Total liabilities	124,030	217,135	341,165
Unassigned fund balance	-	(217,135)	(217,135)
Restricted fund balance			
Claim payments, operating, general and administrative	22,495,566	-	22,495,566
Total fund balance (deficit)	22,495,566	(217,135)	22,278,431
Total liabilities and fund balance (deficit)	$ 22,619,596	$ -	$ 22,619,596

Total fund balance - governmental funds		$ 22,278,431
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Capital assets	$ 369,407	
Less accumulated depreciation	(317,355)	52,052
Permanent partial orders payable will not be paid with current financial resources and therefore are not reported in the funds		(2,737,263)
Permanent total orders payable will not be paid with current financial resources and therefore are not reported in the funds		(366,150,047)
Notes payable will not be paid with current financial resources and therefore are not reported in the funds		(18,611,552)
Compensated absences are not due and payable in the current period and therefore is not reported in the funds.		(66,252)
Net position of governmental activities		$(365,234,631)

	Special Revenue	Debt Service	Total Governmental Funds
Revenues			
Apportionment from Oklahoma Tax Commission	$ 48,227,896	$ -	$ 48,227,896
Interest Income	131,797	-	131,797
Total revenues	48,359,693	-	48,359,693
Expenditures			
Court awards	32,771,696	-	32,771,696
Medical and claimant travel	831,460	-	831,460
Principal on notes payable	-	1,553,370	1,553,370
Interest on notes payable	-	1,344,174	1,344,174
Operating, general, and administrative	1,144,569	-	1,144,569
Total expenditures	34,747,725	2,897,544	37,645,269
Excess of revenues over (under) expenditures	13,611,968	(2,897,544)	10,714,424
Other Financing Sources (Uses)			
Transfers in	-	3,033,295	3,033,295
Transfers out	(3,033,295)	-	(3,033,295)
Total other financing sources (uses)	(3,033,295)	3,033,295	-
Net change in fund balances (deficit)	10,578,673	135,751	10,714,424
Fund balances (deficit), beginning of year	11,916,893	(352,886)	11,564,007
Fund balances (deficit), end of year	$ 22,495,566	$ (217,135)	$ 22,278,431

Net change in fund balances - total governmental funds	$ 10,714,424
Repayment of long-term notes payable is considered an expenditure in the governmental funds, but their repayment reduces long-term notes payable in the statement of net assets. This represents principal payments.	1,553,370
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their useful lives.	
Current year additions	50,281
Current year depreciation	(5,686)
Compensated absences are expended as used in the governmental funds. However, they are expensed as earned on the statement of activities. The amount earned exceeded the amount used.	15,151
Reductions in permanent total orders payable and the long-term portion of permanent partial orders payable are reported as expenditures in governmental funds.	32,771,697
Increases in permanent total orders payable and the long-term portion of permanent partial orders payable are reported as expenses in the statements of activities.	(107,396,381)
Change in net position of governmental activities	$ (62,297,144)

Note 1 - Reporting Entity

In 1943, the Oklahoma legislature created the Multiple Injury Trust Fund (MITF), formerly the Special Indemnity Fund, with a dual purpose: to encourage the hiring of individuals with a preexisting disability and to protect those employers from liability for the preexisting disability. It does so by carrying the responsibility for a portion of the benefits if the disabled worker suffers a subsequent injury. MITF is a discretely presented governmental fund component unit of the State of Oklahoma, as agreed to by the Office of State Finance and the State Auditor of Oklahoma.

When the workers' compensation court makes an award for benefits, those benefits are based upon the individual's percentage of disability. MITF applies to situations where a physically impaired person suffers an on the job injury and those two injuries (or disabilities), in combination, result in a percentage of disability greater than that which would apply if there had been no preexisting disability. In other words, the employer is only liable for the benefits that would have been due for the subsequent injury alone. MITF picks up the remainder of the liability for the combined disability.

Benefits from MITF are not received automatically, but can be obtained by a worker by filing a claim against MITF. In order to make a claim, the combined percentage of disability must be greater than 40% to the body as a whole for injuries occurring prior to November 2, 1999. There are no such thresholds for injuries occurring on or after November 1, 1999. For example, an individual with an existing 25% impairment would have to have more than 15% impairment from the subsequent injury in order to make a claim against MITF.

Although their purposes and sources of funding are distinct, MITF and CompSource Oklahoma (CompSource), formerly the Oklahoma State Insurance Fund, are related. Section 175 of Oklahoma Statute Tile 85 gave CompSource responsibility for the "administration and protection" of MITF and provides that CompSource be reimbursed for associated administrative expenses. In 2013, under House Bill 2201, Compsource is to be converted to a domestic mutual insurer beginning January 1, 2015, and will no longer be a state agency.

Due to these changes, CompSource could no longer provide the administrative services for MITF. MITF has contracted with Agency Business Services, a division of the Office of Management and Enterprise Services (OMES) for these services, beginning in Fall 2013. The services provided are human resources, public relations, mail, information technology, purchasing, purchase orders, and accounts payable. Per state statute, administrative oversight by CompSource has also been discontinued. The ultimate responsibility for maintaining the fund now lies with the administrator of MITF, who reports directly to the Governor's Office. Also, MITF will work closely with the Court of Existing Claims (formerly known as the Workers Compensation Court) and the Workers Compensation Commission in fulfillment of the orders of the Court and the Commission.

Summary of Significant Accounting Policies

The financial statements of MITF have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of MITF's accounting policies are described below.

Basis of Presentation and Accounting

The government-wide financial statements (i.e., the statements of net position and the statements of activities) report information on all of the nonfiduciary activities of the government. Taxes and intergovernmental revenue support governmental activities.

The statements of activities demonstrate the degree to which the direct expenses of a give function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.
Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a give function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among programs revenues are reported instead as general revenues. MITF has no program revenues.

Separate financial statements are provided for governmental funds in which major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (60 days). Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to long-term claims and judgments, are recorded only when payment is due. Amounts payable in the next current period are recorded as under accrual accounting.

MITF reports the following major governmental funds:

- The special revenue fund is MITF's primary operating fund. It accounts for all financial resources of MITF, except those required to be accounted for in another fund.

- The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The majority of monies received by MITF are restricted in accordance with predesigned purposes as to how they can be transferred or used. Such restrictions are disclosed in the accounting policy describing cash accounts. MITF retains full control of all monies to achieve the designated purposes.

Revenue Recognition

Until December 1, 2001, each mutual or interinsurance association, stock company, CompSource, or other insurance carrier writing workings' compensation insurance in the State of Oklahoma was assessed and paid to the Oklahoma Tax Commission (OTC) a sum equal to 2% of the total gross direct premiums written for workers' compensation on risks located in the State of Oklahoma. Also until December 31, 2011, the OTC assessed and collected from employers carrying their own risk, including group self-insurance associations, a temporary assessment at the rate of 4% of the total compensation for permanent total disability awards, permanent partial disability awards, and death benefits paid out during each quarter of the calendar year by the employers and group self-insurance associations.

Effective January 1, 2002, the OTC assesses and collects from each uninsured employer 5% of their total compensation paid for permanent disability and death awards. Also effective January 1, 2002, the Workers' Compensation Court Administrator assesses an amount and the OTC collects such assessments from each mutual or interinsurance association, stock company, CompSource, employers carrying their own risk including group self-insurance associations, and other insurance carriers writing workers' compensation insurance in the State of Oklahoma up to 6% of total direct written premiums for workers' compensation on risks located in this state. The enacted rate schedule since inception of the law is as follows:

Effective Date	Rate
January 1, 2002	6.00%
July 1, 2003	2.95%
July 1, 2004	3.63%
July 1, 2005	3.83%
July 1, 2006	3.46%
July 1, 2007	2.14%
July 1, 2008	2.50%
July 1, 2009	2.60%
July 1, 2010	2.59%
July 1, 2011	1.98%
July 1, 2012	3.39%
July 1, 2013	5.18%

A portion of the monies received from premium and loss assessments by the OTC are apportioned to the MITF. Earned apportionments from the OTC are recognized monthly when the amounts due from the OTC are measurable. MITF considers receivables collected by the OTC within 30 days after year-end to be available and recognizes them as revenues of the current year.

Related Parties

CompSource was required by statute to provide management services as well as act as a payment agent for all nonclaim activities of MITF. In October 2013, management services were moved to OMES due to the pending demutualization of CompSource. Fees paid to OMES for services and operating activities amounted to approximately $263,000 for the year ended December 31, 2013. The outstanding payable to CompSource for administrative charges at December 31, 2013 was $154. There was no outstanding payroll accrual to OMES at December 31, 2013.

Income Taxes

As a component unit and an integral part of the State of Oklahoma, the income of the MITF is not subject to federal or state income tax.

Cash Amounts

The various monies received or disbursed are recorded in the following account in accordance with the statutes and intent of how the monies are to be expended:

- **General Operating Account.** This account contains monies received from taxes on all permanent workers' compensation orders for payments of claims from MITF. Monies may only be expended for claim payments, personnel payroll, and operating expenses, as directed by statute.

Cash Equivalents

- Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to cash with an original maturity of three months or less when purchased.

Governmental Fund – Fund Balance Designations

Governmental Fund Financial Statements – MITF has adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Types*, on January 1, 2011, which redefined how fund balances of the governmental funds are presented in the financial statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which MITF is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. MITF has no fund balances designated as nonspendable.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. MITF has classified all special revenue fund balance as restricted for claim payments or the operation and administration of MITF. MITF has classified the debt service fund's fund balance as restricted for debt service, unless such amounts are negative.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of MITF. These amounts cannot be used for any other purpose unless MITF removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. MITF has no fund balance designated as committed.

Assigned: This classification includes amounts that are constrained by MITF's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by MITF delegating this responsibility to management. MITF has no assigned funds.

Unassigned: As the fund balances are all restricted, MITF has no unassigned fund balances other than the deficit balance of the debt service fund as restricted funds cannot report a deficit balance.

Compensated Absences

The liability and expense incurred for employee paid time off are recorded as accrued leave obligation in the statement of net position, and as a component of operating, general, and administrative expenses in the statement of activities.

New Accounting Pronouncements

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources as defined by GASB's Concepts Statement No. 4. It also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments,* and other pronouncements by incorporating deferred outflows and deferred inflows of resources into the definition of net assets and by renaming it as net position, rather than net assets. The requirements of this Statement have improved financial reporting by standardizing the presentation of their effects on a government's net position.

For the year ended December 31, 2013, MITF adopted Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. MITF did not have any previously reported assets and liabilities requiring reclassification to deferred outflows/inflows of resources. As a result the 2013 and 2012 statements of net position do not report any deferred outflows/inflows or resources.

Note 2 - Cash and Cash Equivalents

All cash and cash equivalents are on deposit with the State Treasurer's office. The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. Restrictions by state statute of cash balances by cash account are as follows:

- **General Operating Account.** The cash balance remaining at December 31, 2013 of approximately $9,735,000 represents the excess of cash receipts over disbursements and is carried forward to the next fiscal year.

Note 3 - Capital Assets

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes.

The following is a summary of property and equipment, at cost less accumulated depreciation:

	December 31, 2012	Increases	December 31, 2013
Internally developed software	$ 269,217	-	$ 269,217
Data processing equipment	49,909	50,281	100,190
Total capital assets, being depreciated	319,126	50,281	369,407
Less accumulated depreciation	(311,669)	(5,686)	(317,355)
	$ 7,456	44,595	$ 52,052

Note 4 - Long-Term Obligations

Orders Payable

At December 31, 2013, MITF was indebted to claimants for court awarded judgments. Only those judgments currently in arrears bear interest. The rate, set by state, is the Treasury bill rate plus 4% to be updated annually.

Principal payments required under the court awarded judgments as recorded in the statement of net position at December 31, 2013 is as follows:

	2013
Awarded future payments due within one year	$ 16,355,448
Awarded future payments due after one year	352,531,862
Total awarded future payments	$ 368,887,310

Notes Payable

At December 31, 2013, notes payable amounted to approximately $18,612,000. The notes were entered into to satisfy delinquent permanent partial disability awards and simple interest due on such awards owned by MITF in May 2000.

The notes bear interest at 7% and are payable over 30 years in quarterly installments. The loans are secured by MITF revenues and equity or other interest of the State of Oklahoma, and any amounts appropriated or otherwise available to MITF. In addition, $6,000,000 advanced in 2001 is also secured by any underlying claims paid by virtue of the notes including, but not limited to, any special priority, right to interest or enforcement mechanism available Advances from CompSource were made as permitted by Section 138(B) of State of Oklahoma Title 85.

Annual debt service requirements to maturity are as follows:

Years Ending December 31,	Principal	Interest	Total
2014	1,664,994	1,259,734	2,924,728
2015	1,784,638	1,140,090	2,924,728
2016	1,912,881	1,011,847	2,924,728
2017	2,050,339	874,389	2,924,728
2018	2,197,671	727,057	2,924,728
2019-2022	9,001,029	1,224,548	10,225,577
	$ 18,611,552	$ 6,237,665	$ 24,849,217

At December 31, 2013, unpaid accrued interest on notes payable totaled approximately $217,000.

Changes in Long-Term Obligations

Long-term obligation activity for the year ended December 31, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Awarded future payments	$ 294,262,626	$ 107,396,381	$ (32,771,697)	$ 368,887,310	$ 16,355,448
Notes payable	20,164,922	-	(1,553,370)	18,611,552	1,664,994
Compensated absences	81,403	-	(15,151)	66,252	81,403
	$ 314,508,951	$ 107,396,381	$ (34,340,218)	$ 387,565,114	$ 18,101,845

Note 5 - Net Deficit

At December 31, 2013, MITF had a net deficit of approximately $365,235,000 primarily due to court awards exceeding the apportionment of special tax revenue collected. Currently, MITF pays all awards for permanent partial and permanent total claims immediately when they become due. However, cash and cash equivalents at December 31, 2013 are not sufficient to pay all current and non-current liabilities.

The Senate Bill was signed by the Governor of Oklahoma on May 26, 2000. The Senate Bill provided additional sources of funding to satisfy the permanent partial disability awards plus simple interest on awards in arrears. Such sources are participation in any dividends paid by CompSource to state agencies, loans from CompSource, additional fees from insurance carriers underwriting workers' compensation insurance, and employers underwriting their own risk including group self-insurance associations.

Until December 31, 2001, each mutual or interinsurance association, stock company, CompSource or other insurance carrier writing workers' compensation insurance in this state paid to the OTC a sum equal to 2% of the total gross direct premiums written for workers' compensation on risks located in the State of Oklahoma. The OTC also assessed and collected from employers carrying their own risk, including group self-insurance associations, a temporary assessment at the rate of 4% of the total compensation for permanent total disability awards, permanent partial disability awards, and death benefits paid out during each quarter of the calendar year by the employers and group self-insurance associations. The 4% special tax against claimants and employers on all permanent disability awards was eliminated. In 2002, under House Bill 1003, each mutual or interinsurance association, stock company, CompSource, or other insurance carrier writing workers' compensation insurance in this state, and each employer carrying its own risk, including each group self-insurance association, was assessed an amount up to 6% of the written premiums total for workers' compensation on risks located in this state. If the maximum assessment does not provide in any one year an amount sufficient to make all necessary payments for obligations of MITF, the unpaid portion shall be paid as soon thereafter as funds become available. Effective July 1, 2013, the MITF tax was increased from 3.39% to 5.18%.

Per the 2000 legislative session, liability for permanent total disability from a combination of injuries was shifted form MITF back to the claimant's last employer for subsequent injuries sustained after May 31, 2000. Legislature changed this law in 2005. Liability for permanent total disability awards was shifted back to the MITF for subsequent injuries occurring after October 31, 2005. Benefits were increased from a five-year minimum to a fifteen-year minimum, and survivor benefits were created.

Note 6 - Interfund Transfers

Interfund transfers for the year ended December 31, 2013 consisted of the following:

	Transfer From		
	Special Revenue	Debt Service	Total
Transfer to:			
Debt service	$ 3,033,295	$ -	$ 3,033,295

Transfers are used to: (1) move note proceeds from the debt service fund to the fund required to expend them and (2) move receipts for debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

Note 7 – Contingencies

MITF is currently involved in a legal case, *Cellino et al. v. MITF,* which is a companion case to Pilkington involving the same or similar issues asserted by a distinct group of claimants who were not part of the Pilkington class. The case has been dismissed in the early stages of litigation. An appeal by the claimants has resulted and has been sustained. Management is defending the case based on the likelihood of a favorable outcome. Although it is not possible to predict the outcome of the pending litigation, management believes that the pending actions will not have a material adverse effect upon the revenue, net assets or financial condition of MITF. Consequently, management has not provided for any amounts in the financial statements.

Additionally, MITF is a defendant in various litigation. Although the outcome of these matters is not presently determinable, in the opinion of MITF's management, the resolution of these matters will not have a material effect on the financial position of MITF.

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*

Special Counsel
Multiple Injury Trust Fund
Oklahoma City, Oklahoma

We have audited, 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, the financial statements of the governmental activities and each major fund of Multiple Injury Trust Fund (MITF) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Multiple Injury Trust Fund's basic financial statements, and have issued our report thereon dated June 9, 2014.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Multiple Injury Trust Fund'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MITF's internal control. Accordingly, we do not express an opinion on the effectiveness of MITF's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency identified as Finding 2013-1 below to be a material weakness:

Finding 2013-1: Material Adjustment

Condition:	MITF's financial reporting control system in place did not identify the full revenue accrual necessary to be presented in accordance with Generally Accepted Accounting Principles (GAAP).
Criteria:	The development and implementation of a year-end financial reporting control system, including making all adjustments, is the responsibility of MITF's management.
Cause:	MITF has a process at year-end to record adjustments for financial statement presentation, but the process was not effective in identifying all the necessary adjustments in accordance with GAAP. By statute, MITF's revenue from assessments on insureds is collected and disbursed quarterly. The misstated revenue was paid into the Oklahoma Tax Commission by January 15, 2014, and received by MITF in February, 2014. The question of when this revenue is accrued in accordance with GAAP, that being through the end of the quarter, is clarified and documented for future reporting.
Context:	MITF's financial statements were prepared by MITF in conjunction with a consulting firm but a material adjustment was necessary.
Effect:	An adjustment to revenue and related receivables in the amount of $12.7 million was considered necessary.
Recommendation:	Management should continue to evaluate and weigh the costs and benefits of developing and implementing a year-end financial reporting system. The year-end financial reporting process should include procedures to identify all required financial statement adjustments.
Response:	The procedures for the year end accounting process will be reviewed and updated to ensure that all accruals and adjustments are properly accounted for according to GAAP regulations, including revisions and added detail to the MITF accounting policies and procedures for year-end.

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. We consider the deficiency identified as Finding 2013-2 to be a significant deficiency.

Finding 2013-2: Document Retention

Condition:	In a sample of 14 items selected for cash disbursement testwork, management could not locate 3 of the original invoices during our audit procedures. Such invoices were later retrieved from the respective vendor office and determined to represent valid expenses of MITF. However, those invoices did not have documentation of management's control over cash disbursements.
Criteria:	Financial records should be retained to ensure proper financial reporting and internal controls and to provide a proper audit trail.
Cause:	MITF has a process in place to retain financial documentation but had an employee that did not appear to file things correctly during 2013. The employee no longer works at MITF.

Context:	MITF needed to contact outside vendors in order to provide invoices selected in our testwork.
Effect:	Although the invoices were ultimately provided by the outside vendor, the documentation of MITF’s controls over disbursements could not be provided.
Recommendation:	MITF should adhere to a strict policy of record retention such that all financial documents are maintained in a safe and readily accessible facility.
Response:	This finding was the result of an employee not performing their assigned duties. That employee is no longer a part of the MITF, and document retention processes have been reviewed and updated.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether MITF'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*.

MITF’s Response to Findings
MITF’s response to the findings identified in our audit are described above. MITF’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Eide Bailly LLP

Oklahoma City, Oklahoma
June 9, 2014