



Financial Statements
December 31, 2012 and 2011

Oklahoma Health Information Exchange Trust

Oklahoma Health Information Exchange Trust

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December 31, 2012

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Independent Auditor's Report

To the Board of Trustees
Oklahoma Health Information Exchange Trust
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Oklahoma Health Information Exchange Trust (the Trust) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Trust'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 opinions 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 Audit 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 the major fund of the Oklahoma Health Information Exchange Trust as of December 31, 2012 and 2011, and the respective changes in financial position 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 on pages 4 through 8 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oklahoma Health Information Exchange Trust's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

Effect of Adopting New Accounting Standard

As described in Note 1 to the financial statements, Oklahoma Health Information Exchange Trust adopted the provisions of GASB 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The opinion is not modified with the implementation of this GASB Statement.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2013 on our consideration of the Oklahoma Health Information Exchange Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

Eide Bailly LLP

Oklahoma City, Oklahoma
September 25, 2013

Oklahoma Health Information Exchange Trust
Management's Discussion and Analysis

As management of the Oklahoma Health Information Exchange Trust's (OHIET or the Trust), we offer the reader of the OHIET financial statement this narrative overview and analysis of financial activities for the fiscal years ended December 31, 2012 and 2011. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the public trust's financial statements.

FINANCIAL HIGHLIGHTS

- OHIET's financial statements include the grant activity of:
 - Oklahoma Health Care Authority's contract for subrecipient contractor of the Office of National Coordinator Health Information Technology Grant No. 90HT003501
 - The Oklahoma Department of Mental Health and Substance Abuse Services' Grant No. 4529043206 effective June 30, 2012
- The financial activity in the Trust increased in both 2012 and 2011 due to the increased operations of the related grants.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the basic financial statements of OHIET. These basic financial statements comprise three components: (1) government-wide financial statement, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* (pages 9 to 12, the Statement of Net Position and Statement of Activities columns) are intended to provide a broad overview in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the assets and deferred outflows of resources, and liabilities and deferred inflows or resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of OHIET is improving or deteriorating.

The *Statement of Activities* presents information showing how the net position of OHIET 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., reconciliation of income from the Oklahoma Health Care Authority).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. OHIET, like other public trusts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The one fund of OHIET is considered to be a governmental fund.

Oklahoma Health Information Exchange Trust
Management's Discussion and Analysis

Governmental funds—Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as of balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a public trust's near-term financial 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 decision. Both the governmental fund balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 9 through 12, Special Revenue Fund columns, of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement can be found starting on page 13 of this report.

GOVERNMENTAL-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of the financial position of a public trust, in the case of OHIET, assets were neutral with liabilities at the close of the most recent fiscal year.

The largest portion of grant revenues of \$1.5 million reflects the Office of the National Coordinator for Health Information Technology which the Oklahoma Health Care Authority is the grantee and OHIET is the subrecipient of funding. OHIET uses these funds to conduct the intra-state and inter-state support of health information exchange. A voucher program to support eligible providers, and eligible hospitals connectivity to the health information exchange is the primary focus of the funding. Incremental steps to achieve the voucher program has included legal consultation for a Network Affiliation Agreement with the health information exchanges of the state, evaluation of the state's health information exchange, and personnel contracts affiliated with the administrative functions of the grant.

The next-largest portion of grant revenues of approximately \$544,000 reflects the Department of Health and Human Services, Substance Abuse and Mental Health Services Administration grant to the Oklahoma Department of Mental Health and Substance Abuse Services to OHIET for the purposes of funding a behavioral health and substance abuse treatment center voucher program and affiliated administrative expenses.

Oklahoma Health Information Exchange Trust
Management's Discussion and Analysis

The Statement of Net Assets and the Statement of Activities

The following table reflects the condensed Statements of Net Position as of December 31, 2012, 2011, and 2010.

**TABLE 1
Statement of Net Position**

	2012	2011	2010	2012 Increase/ (Decrease)		2011 Increase/ (Decrease)	
Current assets	\$ 1,049,491	\$ 316,285	\$ 90,486	\$ 733,206	232%	\$ 225,799	250%
Total assets	1,049,491	316,285	90,486	733,206	232%	225,799	250%
Current liabilities	1,092,852	359,488	90,486	733,364	204%	269,002	297%
Total liabilities	1,092,852	359,488	90,486	733,364	204%	269,002	297%
Net Position: Restricted	\$ (43,361)	\$ (43,203)	\$ -	158	0%	43,203	>100%

The following table reflects the condensed Statements of Activities for the fiscal years ending December 31, 2012, 2011, and 2010.

**TABLE 2
Statement of Activities**

	2012	2011	2010	2012 Increase/ (Decrease)		2011 Increase/ (Decrease)	
Revenues							
Federal grants	\$ 2,013,602	\$ 845,665	\$ 90,486	\$ 1,167,937	138%	\$ 755,179	>100%
Matching income	396,258	171,023	15,907	225,235	132%	155,116	975%
Total revenues	2,409,860	1,016,688	106,393	1,393,172	137%	910,295	856%
Expenditures							
Subcontracts	1,718,314	671,437	-	1,046,877	156%	671,437	>100%
Awards	519,000	-	-	519,000	>100%	-	0%
Professional fees	169,205	388,454	106,393	(219,249)	-56%	282,061	265%
Other	3,499	-	-	3,499	>100%	-	0%
Total expenditures	2,410,018	1,059,891	106,393	1,350,127	127%	953,498	896%
Expenditures over revenues	\$ (158)	\$ (43,203)	\$ -	43,045	-100%	(43,203)	>-100%

Government activities. As noted above in Table 2, OHIET recognized a net decrease in net position of \$158 in 2012 and a net decrease in net position of \$43,203 in 2011. The activity of OHIET continues to increase each year as the entity resulting in increased revenues, expenditures, assets, and liabilities. The majority of the Trust's operations are based on reimbursable costs. Therefore, we would expect the Trust to have minimal changes in net position each year.

Oklahoma Health Information Exchange Trust
Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUND

As noted earlier, OHIET uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The following table reflects the condensed Fund's balance sheets as of December 31, 2012, 2011, and 2010.

TABLE 3
Governmental Fund Balance Sheet

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total assets	\$ 1,049,491	\$ 316,285	\$ 90,486
Total liabilities	1,235,708	555,037	180,972
Fund balance	<u>\$ (186,217)</u>	<u>\$ (238,752)</u>	<u>\$ (90,486)</u>

The following table reflects the condensed Fund's statement of revenues, expenditures, and changes in fund balance as of December 31, 2012, 2011, and 2010.

TABLE 4
Statement of Revenues, Expenditures, and Changes in Fund Balance

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues			
Federal grants	\$ 2,066,295	\$ 740,602	\$ -
Matching income	396,258	171,023	15,907
Total revenues	<u>2,462,553</u>	<u>911,625</u>	<u>15,907</u>
Federal expenditures	<u>2,410,018</u>	<u>1,059,891</u>	<u>106,393</u>
Expenditures (over) under revenues	<u>\$ 52,535</u>	<u>\$ (148,266)</u>	<u>\$ (90,486)</u>

Governmental fund. The focus of the governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing OHIET's financing requirements. In particular, unassigned fund balances may serve as a useful measure of the OHIET's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, OHIET itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by OHIET's Board of Trustees.

Oklahoma Health Information Exchange Trust
Management's Discussion and Analysis

Since the funding of the Trust is restricted by the federal government for “information exchange technology,” the funds are considered restricted for specified purposes and is the foundation for this entity and represents a special revenue fund.

At December 31, 2012, OHIET's fund reported a restricted fund balance deficit of \$186,217, a decrease of deficit of \$52,535, in comparison with the prior year. None of this amount constitutes unassigned fund balance. The full amount of the fund balance is restricted for federal grant purposes.

At December 31, 2011, OHIET's fund reported a restricted fund balance deficit of \$238,752, an increase of deficit of \$148,266, in comparison with the end of 2010. None of this amount constitutes unassigned fund balance. The full amount of the fund balance is restricted for federal grant purposes.

CONTACTING OHIET'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of OHIET's finances and to show the public trust's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the OHIET's financial and grant management services, Community Service Council of Greater Tulsa, Inc. 16 East 16th Street, Suite 202, Tulsa, OK 74119 Jan Figart at jfigart@csctulsa.org for grant management questions, and Mary McCrackin at mmccrackin@csctulsa.org for financial management questions or telephone number, 918-585-5551.

Oklahoma Health Information Exchange Trust
 Governmental Fund Balance Sheet/Statement of Net Position
 December 31, 2012

	<u>Special Revenue Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 143,947	\$ -	\$ 143,947
Grant receivable	905,544	-	905,544
Total assets	<u>\$ 1,049,491</u>	<u>\$ -</u>	<u>\$ 1,049,491</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 1,024,503	\$ -	\$ 1,024,503
Due to OHCA	43,203	-	43,203
Deferred revenue	168,002	(142,856)	25,146
Total current liabilities	1,235,708	(142,856)	1,092,852
Fund Balance (Deficit)/Net Position			
Restricted	(186,217)	142,856	(43,361)
	<u>\$ 1,049,491</u>	<u>\$ -</u>	<u>\$ 1,049,491</u>

Oklahoma Health Information Exchange Trust
 Governmental Fund Balance Sheet/Statement of Net Position
 December 31, 2011

	<u>Special Revenue Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 120,736	\$ -	\$ 120,736
Grant receivable	195,549	-	195,549
Total assets	<u>\$ 316,285</u>	<u>\$ -</u>	<u>\$ 316,285</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 316,285	\$ -	\$ 316,285
Due to OHCA	43,203	-	43,203
Deferred revenue	195,549	(195,549)	-
Total current liabilities	555,037	(195,549)	359,488
Fund Balance (Deficit)/Net Position			
Restricted	(238,752)	195,549	(43,203)
	<u>\$ 316,285</u>	<u>\$ -</u>	<u>\$ 316,285</u>

Oklahoma Health Information Exchange Trust
Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities
Year Ended December 31, 2012

	Special Revenue Fund	Adjustments (Note 2)	Statement of Activities
Expenditures			
Subcontracts	\$ 1,718,314	\$ -	\$ 1,718,314
Awards	519,000	-	519,000
Professional fees	169,205	-	169,205
Other	3,499	-	3,499
Total expenditures	<u>2,410,018</u>	<u>-</u>	<u>2,410,018</u>
Revenues			
Federal grants	2,066,295	(52,693)	2,013,602
Matching income	396,258	-	396,258
Total operating revenues	<u>2,462,553</u>	<u>(52,693)</u>	<u>2,409,860</u>
Excess of expenditures over revenues	52,535	(52,693)	(158)
Fund Balance (Deficit)/Net Position, Beginning of Year	<u>(238,752)</u>	<u>195,549</u>	<u>(43,203)</u>
Fund Balance (Deficit)/Net Position, End of Year	<u>\$ (186,217)</u>	<u>\$ 142,856</u>	<u>\$ (43,361)</u>

Oklahoma Health Information Exchange Trust
Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities
Year Ended December 31, 2011

	Special Revenue Fund	Adjustments (Note 2)	Statement of Activities
Expenditures			
Subcontracts	\$ 671,437	\$ -	\$ 671,437
Professional fees	388,454	-	388,454
Total expenditures	<u>1,059,891</u>	<u>-</u>	<u>1,059,891</u>
Revenues			
Federal grants	740,602	105,063	845,665
Matching income	171,023	-	171,023
Total operating revenues	<u>911,625</u>	<u>105,063</u>	<u>1,016,688</u>
Excess of expenditures over revenues	(148,266)	105,063	(43,203)
Fund Balance (Deficit)/Net Position, Beginning of Year	<u>(90,486)</u>	<u>90,486</u>	<u>-</u>
Fund Balance (Deficit)/Net Position, End of Year	<u>\$ (238,752)</u>	<u>\$ 195,549</u>	<u>\$ (43,203)</u>

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The State of Oklahoma (the State) passed legislation to approve the creation of a state-beneficiary public trust for the purposes of (1) serving as the State's "qualified state-designated entity" for the purpose of any federal grant money awarded to facilitate and expand the electronic movement and use of health information among organizations according to nationally recognized health standards and (2) to promote, develop, and sustain electronic health information exchange at the state level.

The Trust was organized effective September 20, 2010, with the execution of the related trust indenture. The Trust was created and established for the use and benefit of the State under the provisions of Title 60, Oklahoma Statutes, Section 176 and other applicable statutes and laws of the State. The Trust is governed by a seven-member Board of Trustees, three of which are appointed by the Governor of the State, two appointed by the President Pro Tempore of the State Senate, and two appointed by the Speaker of the State House of Representatives.

Upon the State's award of the Department of Health and Human Services' *State Grant to Promote Health Information Technology* (the HIT Grant) in 2010, the State's qualified state-designated entity for the purpose of the federal grant money was identified as the Oklahoma Health Care Authority (OHCA). Upon creation of the Trust, OHCA subawards the activities and responsibilities of this grant from OHCA to the Trust which represents the Trust's only revenue source for the year ended December 31, 2011. Thus, the Trust serves as the subrecipient of federal funding until the State identifies the Trust as the qualified state-designated entity. In 2012, the Trust received an additional grant to assist with the original grant.

For financial reporting purposes, in conformity with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Trust is included as a discretely presented component unit in the State of Oklahoma's financial statements. These statements present only the activity of the Trust and are not intended to present the financial position and results of operations of the State of Oklahoma in conformity with generally accepted accounting principles.

Basis of Accounting

The Trust's basic financial statements include both government-wide (reporting the Trust as a whole) and fund financial statements (reporting the Trust's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental Activities include programs supported intergovernmental revenue. The Trust does not have any activities classified as business-type activities.

Government-Wide Statements

In the government-wide Statement of Net Assets, the Trust's governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Government-wide net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Trust only has restricted net assets which are for the purposes as restricted by the grants of the Trust, the Trust's only revenue source for the year ended December 31, 2011.

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide focus is more on the sustainability of the Trust as an entity and the change in the Trust's net assets resulting from the current year's activities. Separate financial statement presentation is provided for the governmental fund.

Fund Financial Statements

The Trust only has one fund which is a special revenue fund, which is a governmental fund type. Governmental fund financial statements are reported using the current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. The fund financial statements provide reports on the financial condition and results of operations of governmental fund category.

The fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Grant Revenue and Deferred Revenue

Federal grant revenue represents an important source of funding used to finance the Trust's purpose. A grant receivable is recorded when the Trust has met all eligibility requirements. Additionally, for fund reporting purposes, grant revenue must be considered measurable and available to be recognized in the statement of revenue, expenditures, and changes in fund balance. Deferred revenue arises when potential revenue does not meet the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and grant revenue is recognized under the modified-accrual basis of accounting.

Matching Income

The HIT Grant requires a 10% match to federal funding awarded under the program. In order to provide the federal match, the Trust has negotiated a discount with the Trust's vendors for that program. At the time the expenditure is incurred, the Trust recognizes the full undiscounted amount as an expenditure and the discount as matching income. The Trust recognized \$396,258 and \$171,023 as matching income in the form of vendor discounts during 2012 and 2011, respectively.

Fund Balance

The Trust has adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective 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 the Trust 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. The Trust does not have any funds classified as nonspendable as of December 31, 2012 and 2011.

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. The Trust has classified all revenue as being restricted because the use is restricted by the applicable grant for all expenditures.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board 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. The Trust does not have any funds classified as committed as of December 31, 2012 and 2011.

Assigned: This classification includes amounts that are constrained by the Trust's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to members of management. This classification also includes the remaining positive fund balance for all governmental funds. The Trust does not have any funds classified as assigned as of December 31, 2012 and 2011.

Unassigned: The Unassigned classification would include negative residual fund balance of the governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. The Trust does not have any funds classified as assigned as of December 31, 2012 and 2011.

Although the Trust only has restricted funds at this time, the Trust would typically use restricted fund balances/net assets first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Cash

The Trust considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. The Trust has no cash equivalents as of December 31, 2012 and 2011.

Significant Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. It is at least reasonably possible that the significant estimates used will change within the next year.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between the fund balance – special revenue fund and net position as reported in the government-wide statement of net assets. Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements. Differences caused by the deferred revenue accounts for the full difference in the statements for both December 31, 2012 and 2011.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between the fund balance – special revenue fund and net assets as reported in the government-wide statement of activities. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. The details of this difference are as follows for 2012 and 2011:

	2012	2011
Deferred revenue in prior year	\$ (195,549)	\$ (90,486)
Deferred revenue in current year	142,856	195,549
	\$ (52,693)	\$ 105,063

Note 3 - Cash Deposits

As of December 31, 2012, the book balance and the bank balance of deposits was \$143,947. Of this bank balance, the full amount was covered by FDIC insurance. As of December 31, 2011, the book balance and the bank balance of deposits was \$120,736. Of this bank balance, the full amount was covered by FDIC insurance. At times, the Trust’s deposits may exceed insured amounts and the deposits are not collateralized.

Note 4 - Management Contract

The Trust entered into an Administrative Services Agreement with Community Service Council (CSC) effective July 2012. CSC provided general management and accounting services to the Trust since July 2012. Under the terms of the Agreement, CSC receives 6% of invoice amount. CSC provides the required match to each invoice. The total compensation to CSC for the year ended December 2012 totaled \$67,150, net of a \$15,830 match in the form of a vendor discount. Approximately \$28,900 was due CSC as of December 31, 2012.

On behalf of the Trust, OHCA entered into an Administrative Services Agreement with Theodore Management Associates, Inc. (Theodore). Theodore provided general management and accounting services to the Trust during 2011. Under the terms of the Agreement, Theodore receives a per-hour fee ranging from \$75 to \$200. Services from Theodore were ceased after September 2011. The total compensation to Theodore for the year ended December 31, 2012 totaled approximately \$147,000, net of a \$59,100 match in the form of a vendor discount. Approximately \$5,400 was due to Theodore as of December 31, 2011.

Note 5 - Due to Oklahoma Health Care Authority

As per the Interagency Agreement between the Trust and OHCA dated September 23, 2011, the agreement specified that the Trust owes approximately \$43,000 to OHCA for personnel costs incurred up to the date of the Interagency Agreement. This amount had not been paid to OHCA as of December 31, 2012 and 2011.

Note 6 - Insurance/Risk Management

The Trust is exposed to various risks of loss related to tort claims as well as errors and omissions. The Trust is covered through commercial insurance. Current insurance coverage is summarized as follows:

Directors & Officers Liability	\$	35,000,000
Excess Directors & Officers	\$	15,000,000



Single Audit Section
December 31, 2012

Oklahoma Health Information Exchange Trust

Oklahoma Health Information Exchange Trust
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Total Federal Expenditures</u>	<u>Matching Expenditures</u>	<u>Total Program Expenditures</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Pass Through from the Oklahoma Health Care Authority					
State Grants to Promote Health Information Technology - ARRA	93.719	90HT0035/01	\$ 1,521,896	\$ 396,258	\$ 1,918,154
Pass Through from the Oklahoma Department of Mental Health & Substance Abuse					
State Planning and Establishment Grants for the Affordable Care Act's Exchanges	93.525	4529043206	<u>544,399</u>	<u>-</u>	<u>544,399</u>
Total Department of Health and Human Services			<u>2,066,295</u>	<u>396,258</u>	<u>2,462,553</u>
Total Federal Expenditures			<u>\$ 2,066,295</u>	<u>\$ 396,258</u>	<u>\$ 2,462,553</u>

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Trust. The reporting entity is defined in Note 1 to the Trust's basic financial statements.

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting as described in Note 1 to the Trust's basic financial statements.

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*

The Board of Trustees
Oklahoma Health Information Exchange Trust
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 the major fund of the Oklahoma Health Information Exchange Trust (the Trust) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Oklahoma Health Information Exchange Trust's basic financial statements, and have issued our report thereon dated September 25, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust'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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 yet been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oklahoma Health Information Exchange Trust'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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Oklahoma City, Oklahoma
September 25, 2013



**Independent Auditors' Report on Compliance for Each Major
Federal Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

To the Board of Trustees
Oklahoma Health Information Exchange Trust
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Oklahoma Health Information Exchange Trust's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Oklahoma Health Information Exchange Trust's major federal programs for the year ended December 31, 2012. Oklahoma Health Information Exchange Trust's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the Oklahoma Health Information Exchange Trust's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Oklahoma Health Information Exchange Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Oklahoma Health Information Exchange Trust's compliance.

Opinion on Each Major Federal Program

In our opinion, the Oklahoma Health Information Exchange Trust complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended December 31, 2012.

Report on Internal Control over Compliance

Management of the Oklahoma Health Information Exchange Trust is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Oklahoma Health Information Exchange Trust's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Oklahoma Health Information Exchange Trust's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Oklahoma City, Oklahoma
September 25, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

Material weakness identified? No

Significant deficiencies identified not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major programs

Material weakness identified? No

Significant deficiencies identified not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

No

Identification of major programs

CFDA number

93.719

Name of Federal Program or Cluster

State Grants to Promote Health Information Technology – ARRA

93.525

State Planning and Establishment Grant for the Affordable Care Act's Exchanges

Dollar threshold used to distinguish between Type A and Type B programs

\$300,000

Auditee qualified as low-risk auditee?

No

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section II - Financial Statement Findings

2011-1

Condition: As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The Trust does not have the internal control system over financial reporting designed to provide for the preparation of the financial statements, including accompanying footnotes as required by generally accepted accounting standards, on a periodic or annual basis. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of the cost or other considerations.

Current Status: This is not a repeat finding in the current year.

2011-2

Condition: The Trust's financial reporting control system in place during the past fiscal year did not identify all necessary adjustments required to be presented in accordance with Generally Accepted Accounting Principles (GAAP) and to present the schedule of expenditures of federal assistance (SEFA).

Current Status: This is not a repeat finding in the current year.

Section III – Federal Award Findings and Questioned Costs

2011-3

Condition: The Trust did not complete timely submittal of the Federal Data Collection Form by the deadline of September 30, 2012.

Current Status: This is not a repeat finding in the current year.