

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

For the Period from May 9, 2013 to June 30, 2013

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Harris & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Helping our clients make sense of a changing and complex world

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Idaho Health Insurance Exchange
dba Your Health Idaho
Boise, Idaho

Report on Financial Statements

We have audited the accompanying financial statements of The Idaho Health Insurance Exchange dba Your Health Idaho Enterprise Fund, as of and for the period from May 9, 2013 to June 30, 2013, and the related notes to the financial statements, which collectively comprise The Idaho Health Insurance Exchange dba Your Health Idaho'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 Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 assessments of the risk 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 Idaho Health Insurance Exchange dba Your Health Idaho'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 Idaho Health Insurance Exchange dba Your Health Idaho'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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

2289 S. Bonito Way, Ste 100
Meridian, Idaho 83642

208 333-8965
208 333-8966 FAX

www.harriscpas.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The Idaho Health Insurance Exchange dba Your Health Idaho Enterprise Fund as of June 30, 2013, and the respective changes in financial position and cash flows for the period from May 9, 2013 to June 30, 2013 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 information on pages 6–8 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Idaho Health Insurance Exchange dba Your Health Idaho's basic financial statements. The 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 Organizations*, and is also not a required part of the basic financial statements.

The accompanying financial information listed as supplemental information in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 supplemental information and schedule of expenditures of federal grants are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, on our consideration of the Idaho Health Insurance Exchange dba Your Health Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Idaho Health Insurance Exchange dba Your Health Idaho's internal control over financial reporting and compliance.

Harris & Co. PLLC

Meridian, Idaho
November 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Within this section of the Idaho Health Insurance Exchange, dba Your Health Idaho's ("YHI") financial report, YHI's management provides narrative discussion and analysis of the financial activities of YHI for the period May 9, 2013 to June 30, 2013. YHI's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

YHI is considered an enterprise fund and accounted for using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The financial statements are designed to provide the readers with a broad overview of the YHI's finances, in a manner similar to a private-sector business.

Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. YHI, regardless of the timing of cash flows, applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Per the establishing legislation, House Bill 248, YHI cannot rely on any funding from any state agency. As such, YHI is required to generate revenue on an ongoing basis from the fees earned on policies generated from YHI's website. In the interim period, YHI will rely upon federal grants to cover the costs associated with operations and the capital investments necessary.

FINANCIAL HIGHLIGHTS

YHI reported assets of \$731,804 for the period ended June 30, 2013. YHI held cash of \$351,936 and grant receivables of \$342,097. These assets will be used to meet YHI's short-term obligations to creditors.

Liabilities of \$731,804 consisted of short-term payables.

YHI incurred operational expenses of \$342,097 related to the establishment of the entity. Since YHI was established in 2013 via House Bill 248, there are no prior year financial comparisons.

YHI had a \$385,000 advance payable to the Department of Health and Welfare. The Department of Health and Welfare utilized discretionary federal funds it received from a high performance bonus award in providing this advance to YHI. The funds were used to cover interim costs until YHI received the federal grant from the U.S. Department of Health and Human Services, ensuring no state funds were used.

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

FINANCIAL HIGHLIGHTS (Continued)

YHI carries no long-term debt.

Federal Grants

YHI was awarded a \$20.4M level 1 federal establishment grant to fund the operational and project costs associated with establishing a state based insurance exchange. As of June 30, 2013, YHI had a receivable of \$342,097 from the grant. The available funding as of June 30, 2013, was \$20M.

The \$20.4M level 1 grant is structured to reimburse costs as they are incurred. Therefore, no grant asset is recorded.

Notes to the Financial Statements

The notes to the financial statements beginning on page 12 provide additional information that is essential to an understanding of the data provided in the financial statements.

BASIC FINANCIAL STATEMENTS

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

STATEMENT OF NET POSITION

June 30, 2013

ASSETS		
Cash		\$ 351,936
Grant receivable		342,097
Prepaid expenses		35,938
Rent deposit		<u>1,833</u>
Total Assets		<u>\$ 731,804</u>
LIABILITIES		
Advance from Department of Health & Welfare		\$ 385,000
Accounts payable		279,402
Accrued expenses		55,000
Accrued salaries and payroll costs		<u>12,402</u>
Total Liabilities		731,804
NET POSITION		
Unrestricted		<u>0</u>
Total Liabilities and Net Position		<u>\$ 731,804</u>

See notes to financial statements.

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

For the Period from May 9, 2013 to June 30, 2013

OPERATING REVENUE	\$	0
OPERATING EXPENSES		
Professional services		296,577
Payroll and related expenses		32,085
Travel		5,680
Insurance		4,923
Rent		1,908
Utilities		509
Office expense		371
Other		<u>44</u>
Total Expenses		<u>342,097</u>
Operating Loss		(342,097)
NON-OPERATING REVENUE		
Grants		<u>342,097</u>
Change in net position		0
NET POSITION, Beginning of Period		<u>0</u>
NET POSITION, End of Period	\$	<u><u>0</u></u>

See notes to financial statements.

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

STATEMENT OF CASH FLOWS

For the Period from May 9, 2013 to June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash paid to vendors for goods and services	\$ (10,935)
Cash paid to employees for services and payroll taxes	(15,787)
Cash paid for board/employee expense reimbursements	<u>(6,342)</u>
Net Cash Used in Operating Activities	(33,064)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from note payable proceeds	<u>385,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>385,000</u>
Net Increase in Cash and Cash Equivalents	351,936
CASH AND CASH EQUIVALENTS, Beginning of Period	<u>0</u>
CASH AND CASH EQUIVALENTS, End of Period	<u>\$ 351,936</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH USED IN OPERATING ACTIVITIES	
Change in net position	\$ 0
Adjustments to reconcile change in net position to net cash used in operating activities:	
Change in assets and liabilities:	
Grant receivable	(342,097)
Prepaid expenses	(35,938)
Rent deposit	(1,833)
Accounts payable	279,402
Accrued expenses	55,000
Accrued salaries and payroll costs	<u>12,402</u>
Net Cash Used in Operating Activities	<u>\$ (33,064)</u>

See notes to financial statements.

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Idaho Health Insurance Exchange dba Your Health Idaho ("YHI") was created as an independent body corporate politic, meaning a "government entity", by the Idaho State Legislature under the provisions of House Bill No. 248. The Act empowers YHI to enhance Idaho residents' access to health insurance, by establishing a state-created, market-driven health insurance exchange that will facilitate the voluntary selection of individual and employer health benefit plans.

Although the State of Idaho considers YHI a component unit for financial reporting purposes in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, and 39, *Determining Whether Certain Organizations are Component Units*, and the State's governor appoints the Board of Directors of YHI, YHI is legally separate from the State of Idaho, in that it is not a State agency under State law, and should not rely on State funds or State employees to support its operations.

Basis of Presentation

YHI is considered an enterprise fund and accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the balance sheet. YHI's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. YHI, regardless of the timing of cash flows, applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant

YHI recognizes revenue associated with the Federal grant when the corresponding expenses have been incurred and are considered reimbursable from the grant. The grant is for the establishment and operations of YHI. As of the end of the period, YHI had not engaged in any fee based programs. YHI intends to commence fee based programs in fiscal year 2014.

Use of 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 the reported revenues and expenses. Actual results could differ from those estimates.

Cash Equivalents

YHI considers all unrestricted, short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Grant Receivable

Grant receivable consists of a grant awarded and paid on a reimbursement basis. The receivable balance consists of eligible expenses requested after year end but incurred in the current period. No provision for an allowance for bad debt has been made since the grant is issued by the U.S. Department of Health and Human Services and no collection issues are anticipated by management.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

In the financial statements, fixed assets are accounted for as capital assets. All fixed assets are stated at cost, less accumulated depreciation and amortization. YHI capitalizes assets with a cost of \$5,000 individually, or for bulk purchases greater than \$10,000 or more as purchases and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method over the useful life of the related asset. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. For the period from May 9, 2013 to June 30, 2013, YHI had not purchased or acquired any fixed assets that would require capitalization.

Compensated Absences

YHI provides personal leave to all full time and part time employees. It is paid to employees when taken and will also be paid to employees or their beneficiaries upon the employee's termination, retirement or death. The amount of unpaid personal leave accumulated by YHI employees is accrued as a liability in the financial statements. As of June 30, 2013, YHI did not have any accrual for absences recorded due to the limited employee activity prior to June 30, 2013.

Net Position

Resources set aside for debt services and other obligations, net of related liabilities, are classified as restricted net position on the statement of net position as their use is limited by externally-imposed restrictions. Capital assets, net of related debt, are reported as a separate component of net position. Any net position not subject to classification as restricted or invested in capital assets are reported as unrestricted.

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE B - CASH AND INVESTMENTS

At June 30, 2013, YHI's cash and cash equivalents consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash		
Bank deposits	\$ <u>360,639</u>	\$ <u>351,936</u>

Custodial Credit Risk of Investments

Custodial credit risk is the risk that in event of failure of the counterparty, YHI will be able to recover the value of its investment or collateral securities that are in the possession of the outside party. The Federal Deposit Insurance Corporation (FDIC), insures \$250,000 of the bank balance. In the normal course of business YHI will hold balances in excess of the insurance limits. YHI was exposed to custodial credit risk of \$110,639 at June 30, 2013.

NOTE C - ADVANCE FROM DEPARTMENT OF HEALTH AND WELFARE

On May 16, 2013, the Idaho Health Insurance Exchange dba Your Health Idaho received an advance from the Idaho Health and Welfare Department in the amount of \$385,000 for interim financing of start-up costs, until the grant from U.S. Department of Health and Human Services was received. On September 25, 2013, YHI repaid the advance.

The following is a summary of changes in short-term debt for the period ended June 30, 2013:

	<u>Balance May 9, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Advance	\$ <u>0</u>	\$ <u>385,000</u>	\$ <u>0</u>	\$ <u>385,000</u>

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE D - CONTINGENCIES

YHI receives a grant that is subject to review and audit by the federal agency. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the agency. In the opinion of management, such disallowances, if any, will not be significant.

NOTE E - ECONOMIC DEPENDENCY

YHI receives a major portion of its revenue from government grants, during the start-up phase. The management of YHI is of the opinion that the grants will continue to be funded, until YHI commences operations and generates revenue from operations and becomes self-sustaining.

NOTE F - RISK MANAGEMENT

YHI maintains commercial insurance coverage for officer errors and omissions, tort claims, and property loss and other casualties. Workers compensation insurance is maintained through the state insurance fund.

NOTE G - LEASES

YHI leases office space and equipment under non cancellable agreements that expire at various times through June 2016. The leases require monthly payments of \$2,296. Future minimum lease payments as of June 30, 2013 are as follows:

2014	\$	25,647
2015		4,659
2016		4,659
2017		0
Thereafter		<u>0</u>
	\$	<u>34,965</u>

Rent expense under the operating lease for the period from May 9, 2013 to June 30, 2013 was \$1,908.

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013

NOTE H - SUBSEQUENT EVENTS

On July 1, 2013, YHI entered into a contract with Public Consulting Group to provide business consulting services.

On July 5, 2013, YHI entered into a contract with Gallatin Public Affairs, to provide public relations work and education services for YHI.

On July 30, 2013, YHI received a grant from the Department of Health and Human Services for \$20,376,556, to support the establishment of a State operated Health Insurance Exchange in the State of Idaho. The terms of the grant allow YHI to be reimbursed for expenses incurred for the establishment and operation of YHI for the period from July 30, 2013 through November 27, 2013 and allows for retro-active reimbursement of expenses incurred from inception.

On August 12, 2013, YHI entered into a contract with Accenture to provide business consulting services.

On August 28, 2013, YHI established an investment account to mitigate Custodial Credit Risk. Any amounts held in the YHI checking account in excess of the FDIC insured limit, are swept to the investment account. All amounts held in the investment account are collateralized by securities with AA+ credit ratings.

On September 1, 2013, YHI established a simple IRA retirement plan for employees of YHI with a 3% matching component.

On September 25, 2013, YHI entered into a line of credit agreement with their financial institution. The agreement expires on June 30, 2014 and allows YHI to borrow up to \$100,000, with monthly minimum payments required and calls for interest at the prime rate on all outstanding balances.

On September 25, 2013, YHI repaid the \$385,000 advance from the Idaho Department of Health and Welfare. The Department of Health and Welfare utilized discretionary federal funds it received from a high performance bonus award in providing this advance to YHI ensuring that YHI used no state funds for operations.

On October 23, 2013, YHI received an additional grant for \$48M from the Department of Health and Human Services to continue funding start-up costs.

FEDERAL REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Idaho Health Insurance Exchange
dba Your Health Idaho
Boise, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Idaho Health Insurance Exchange dba Your Health Idaho which comprise the statement of net position as of June 30, 2013, and the related statements of revenue, expense, and changes in net position, and cash flows for the period from May 9, 2013 to June 30, 2013, and the related notes to the financial statements, which collectively comprise The Idaho Health Insurance Exchange dba Your Health Idaho's basic financial statements and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Idaho Health Insurance Exchange dba Your Health Idaho'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 Idaho Health Insurance Exchange dba Your Health Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of Idaho Health Insurance Exchange dba Your Health Idaho'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 YHI's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that was considered to be a significant deficiency (2013-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Idaho Health Insurance Exchange dba Your Health Idaho's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harris & Co. PLLC

Meridian, Idaho
November 20, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Idaho Health Insurance Exchange
dba Your Health Idaho
Boise, Idaho

Report on Compliance for Each Major Federal Program

We have audited Idaho Health Insurance Exchange dba Your Health Idaho'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 Idaho Health Insurance Exchange dba Your Health Idaho's major federal program for the period from May 9, 2013 to June 30, 2013. Idaho Health Insurance Exchange dba Your Health Idaho's major federal program is 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 compliance for the Idaho Health Insurance Exchange dba Your Health Idaho's major federal program 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 types of 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 Idaho Health Insurance Exchange dba Your Health Idaho's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provided a reasonable basis for our opinion on compliance for the federal program. However, our audit does not provide a legal determination of Idaho Health Insurance Exchange dba Your Health Idaho's compliance.

Opinion on Each Major Federal Program

In our opinion, Idaho Health Insurance Exchange dba Your Health Idaho complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period from May 9, 2013 to June 30, 2013.

Report on Internal Control Over Compliance

Management of Idaho Health Insurance Exchange dba Your Health Idaho is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Idaho Health Insurance Exchange dba Your Health Idaho's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our 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 Idaho Health Insurance Exchange dba Your Health Idaho'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 type of compliance requirement of a federal program 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 over compliance 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.

Harris & Co. PLLC

IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Period from May 9, 2013 to June 30, 2013

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct program:			
Cooperative Agreement to Support Establishment of State Operated Health Insurance Exchange	93.525	N/A	\$ <u>342,097</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>342,097</u>
Total expenditures of federal awards			<u>\$ 342,097</u>

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Period from May 9, 2013 to June 30, 2013

NOTE A – BASIS OF PRESENTATION

This accompanying schedule of expenditures of federal awards include the federal grant activity of the Idaho Health Insurance Exchange dba Your Health Idaho and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principals contained in the OMB Circular A-87, *Cost Principals for State, Local and Indian Tribal Governments*, wherein certain types of expenditure are not allowable or are limited to reimbursement.

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Period from May 9, 2013 to June 30, 2013

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
• Material weakness identified?	_____	yes	<u> X </u> no
• Reportable condition identified that are not considered to be material weaknesses?	<u> X </u>	yes	_____ none reported
Noncompliance material to the financial statements noted?	_____	yes	<u> X </u> no

Federal Awards:

Internal control over major programs:			
• Material weakness identified?	_____	yes	<u> X </u> no
• Reportable condition identified that are not considered to be material weaknesses?	_____	yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____	yes	<u> X </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.525	Cooperative Agreement to Support Establishment of State Operated Health Insurance Exchanges
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee?	_____ yes <u> X </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

See below for findings related to the financial statements that were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings related to the federal awards were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

For the Period from May 9, 2013 to June 30, 2013

FINANCIAL STATEMENT FINDINGS

2013-01

Criteria: Accounting systems should be maintained by individuals with suitable skill, knowledge, or experience to properly reconcile accounting records, oversee data entry, generate financial reports and ensure proper application of accounting principles.

Condition: YHI was in the start-up phase and had not hired full-time accounting and finance staff. During the audit, material journal entries were required to correct YHI's books and adjust them in accordance with generally accepted accounting standards.

Cause: With only one full-time staff as of the end of the fiscal period and no accounting or finance staff, YHI did not have an individual with these qualifications in place.

Effect: Multiple accounting errors, which have required adjustment.

Recommendation: YHI has taken corrective action subsequent to the close of the 2013 fiscal year including hiring a Director of Finance and a part-time accountant to assist.

YHI needs to continue to evaluate the ability to maintain proper accounting records, with current staffing levels as YHI engages in operation in fiscal year 2014. Further, YHI should ensure that proper executive oversight of the financial statements occurs to ensure proper segregation of duties and control oversight.

Management's Response: YHI has hired a Director of Finance and has a part-time accountant in place, and is working diligently to put accounting controls and processes in place.